

Agenda – Y Pwyllgor Cyfrifon Cyhoeddus

Lleoliad: I gael rhagor o wybodaeth cysylltwch a:
Ystafell Bwyllgora 3 – Senedd Fay Bowen
Dyddiad: Dydd Llun, 22 Mai 2017 Clerc y Pwyllgor
Amser: 13.45 0300 200 6565
SeneddArchwilio@cynulliad.cymru

(Rhag-gyfarfod preifat 13.45 – 14.00)

1 Cyflwyniad, ymddiheuriadau, dirprwyon a datgan buddiannau
(14.00)

2 Papur(au) i'w nodi
(14.05)

(Tudalennau 1 – 3)

Diwygio llywodraeth Leol: Cadernid ac adnewyddiad – Llythyr oddi wrth

Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol (10 Mai 2017)

(Tudalennau 4 – 5)

**3 Cyfoeth Naturiol Cymru: Adroddiad Blynyddol a Chyfrifon 2015–
16: Sesiwn dystiolaeth 2**

(14.05 – 14.50)

(Tudalennau 6 – 128)

Papur briffio gan y Gwasanaeth Ymchwil

PAC(5)–15–17 Papur 1 – Cyfrifon Blynyddol Cyfoeth Naturiol Cymru 2015–16

PAC(5)–15–17 Papur 2 – Archwilydd Cyffredinol Cymru Memorandwm

David Sulman - Cyfarwyddwr Gweithredol, Cymdeithas Cynnyrch Coedwigoedd y Deyrnas Unedig



4 Cynnig o dan Reol Sefydlog 17.42 i benderfynu gwahardd y cyhoedd o'r cyfarfod ar gyfer y busnes canlynol:

(14.50)

Eitemau 5 a 7

5 Cyfoeth Naturiol Cymru: Adroddiad Blynyddol a Chyfrifon 2015–16 – Trafod y dystiolaeth a ddaeth i law

(14.50 – 15.05)

(Egwyl 15.05 – 15.15)

(Cyhoeddus)

6 Cyfoeth Naturiol Cymru: Sesiwn dystiolaeth 3

(15.15 – 16.45)

(Tudalennau 129 – 248)

Papur briffio gan y Gwasanaeth Ymchwil

PAC(5)–15–17 Papur 3 – Adroddiad Archwilydd Cyffredinol Cymru: Datblygu Cyfoeth Naturiol Cymru

PAC(5)–15–17 Papur 4 – Gwybodaeth ychwanegol gan Cyfoeth Naturiol Cymru

PAC(5)–15–17 Papur 5 – Cyfoeth Naturiol Cymru – Adroddiad Archwilio Mewnol: Contractau Hirdymor ynghylch Gwerthu Pren (Mai 2017)

Dr Emyr Roberts, Prif Weithredwr

Kevin Ingram – Cyfarwyddwr Gweithredol Cyllid a Gwasanaethau Corfforaethol

(Preifat)

7 Cyfoeth Naturiol Cymru: Trafod y dystiolaeth a ddaeth i law

(16.45 – 17.00)

Cofnodion cryno – Y Pwyllgor Cyfrifon Cyhoeddus

Lleoliad:

Gellir gwyllo'r cyfarfod ar [Senedd TV](#) yn:

Ystafell Bwyllgora 3 – Senedd

<http://senedd.tv/cy/4108>

Dyddiad: Dydd Llun, 15 Mai 2017

Amser: 14.00 – 15.38

Yn bresennol

Categori	Enwau
Aelodau'r Cynulliad:	Nick Ramsay AC (Cadeirydd) Mohammad Asghar (Oscar) AC Neil Hamilton AC Mike Hedges AC Neil McEvoy AC Rhianon Passmore AC Lee Waters AC
Tystion:	Steve Davies, Llywodraeth Cymru Owen Evans, Cyfarwyddwr, Sgiliau, Addysg Uwch a Dysgu Gydol Oes, Llywodraeth Cymru
Swyddfa Archwilio Cymru:	Huw Vaughan Thomas – Archwilydd Cyffredinol Cymru Gareth Jones Matthew Mortlock
Staff y Pwyllgor:	Meriel Singleton (Ail Glerc) Claire Griffiths (Dirprwy Glerc) Katie Wyatt (Cynghorydd Cyfreithiol)



Trawsgrifiad

Gweld trawsgrifiad o'r cyfarfod (PDF 999KB) Gweld fel HTML (999KB)

1 Cyflwyniad, ymddiheuriadau, dirprwyon a datgan buddiannau

- 1.1 Croesawodd y Cadeirydd yr Aelodau i'r cyfarfod.
- 1.2 Ni chafwyd unrhyw ymddiheuriadau.
- 1.3 Datganodd Mike Hedges AC fuddiant fel Llywodraethwr dwy ysgol gynradd a datganodd Neil McEvoy AC fuddiant fel cyn athro.

2 Papur(au) i'w nodi:

- 2.1 Cafodd y papurau eu nodi.

3 Consortia Addysg Rhanbarthol: Sesiwn Dystiolaeth 3

3.1 Craffodd yr Aelodau ar waith Owen Evans, Dirprwy Ysgrifennydd Parhaol, Grŵp Addysg a Gwasanaethau Cyhoeddus, a Steve Davies, Cyfarwyddwr Addysg, Llywodraeth Cymru, fel rhan o'r ymchwiliad i Consortia Addysg Rhanbarthol.

3.2 Cytunodd Owen Evans i ddarparu'r wybodaeth ychwanegol a ganlyn:

- Data o'r rhanbarthau sy'n dangos i ba raddau y mae gwaith ysgol i ysgol yn gweithio
- Data sy'n dangos canran y gwelliant yn y pynciau TGAU allweddol canlynol yn dilyn rhaglen Her Ysgolion Cymru
- Anfon nodyn ynghylch y defnydd o Moodle
- Anfon penawdau o'r ymweliad diweddar â'r Ffindir.

4 Cynnig o dan Reol Sefydlog 17.42 i benderfynu gwahardd y cyhoedd o'r cyfarfod ar gyfer y busnes canlynol:

4.1 Derbyniwyd y cynnig.

5 Consortia Addysg Rhanbarthol: Trafod y dystiolaeth a ddaeth i law

5.1 Trafododd yr Aelodau y dystiolaeth a ddaeth i law.

5.2 Cytunodd y Cadeirydd i ysgrifennu at Lywodraeth Cymru gyda meysydd holi yr oedd yr aelodau yn dymuno eu harchwilio ymhellach.

5.3 Cytunodd yr Aelodau ar ôl ystyried yr ymateb gan Lywodraeth Cymru, y dylid anfon pryderon y Pwyllgor at Gadeirydd y Pwyllgor Plant, Pobl Ifanc ac Addysg.



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA-L-MD-0329-17

Nick Ramsay AC
Cadeirydd, y Pwyllgor Cyfrifon Cyhoeddus
Cynulliad Cenedlaethol Cymru
Bae Caerdydd
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CF99 1NA

SeneddPAC@assembly.wales

10 Mai 2017

Annwyl Nick

Diolch am eich llythyr dyddiedig 10 Ebrill. Yn y llythyr hwnnw, roeddech yn nodi sylwadau'r Pwyllgor Cyfrifon Cyhoeddus ar y Papur Gwyn diweddar, sef 'Diwygio Llywodraeth Leol: Cadernid ac Adnewyddiad'.

Diolch ichi am eich sylwadau defnyddiol fel Pwyllgor. Byddaf yn eu hystyried ynghyd ag ystod eang o ymatebion eraill a gafwyd i'r ymgynghoriad. Rwy'n bwriadu cyhoeddi crynodeb o'r ymatebion a gwneud datganiad ar y ffordd ymlaen gyda hyn.

Rwy'n gweld bod y Pwyllgor yn croesawu cyflwyno 'pŵer cymhwysedd cyffredinol' ar gyfer y prif awdurdodau lleol a bydd hyn yn rhoi cyfle iddynt ddefnyddio dulliau arloesol i ddiwallu anghenion a dyheadau eu cymunedau.

Nodaf hefyd fod y Pwyllgor yn croesawu'r adolygiad o gynghorau cymuned a chynghorau tref yr wyf yn eu sefydlu. Rwy'n cytuno y dylid cynnwys y materion ariannol a llywodraethu sydd wedi'u nodi gan Archwilydd Cyffredinol Cymru fel rhan o ystyriaethau'r adolygiad. Bydd adroddiadau'r Archwilydd Cyffredinol yn rhan bwysig o'r drysorfa dystiolaeth sydd ar gael i'r adolygiad.

Rwy'n gwerthfawrogi pam mae'r Pwyllgor yn credu na ddylai'r pŵer cymhwysedd cyffredinol fod ar gael i gynghorau cymuned a chynghorau tref tan y bydd yr adolygiad wedi ei gynnal a bod ei argymhellion wedi eu rhoi ar waith. Wedi dweud hynny, o dan ein cynigion ni, dim ond i'r cynghorau hynny sy'n bodloni amodau penodol, gan gynnwys gallu dangos bod y ddwy farn ddiweddaraf a roddwyd gan Archwilydd Cyffredinol Cymru ynghylch cyfrifon y cynngor yn ddiamod, y cynnigir y pŵer hwn.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Tudalen y pecyn 4

Mae'r dull o weithio rhanbarthol sy'n cael ei ffafrio a'i nodi yn y Papur Gwyn ar gyfer swyddogaethau penodol, er enghraifft, cynllunio trafndiaeth a chynllunio defnydd tir yn strategol sydd i'w wneud ar sail patrwm datblygu economaidd. Ar gyfer swyddogaethau eraill, fel amddiffyn y cyhoedd, bydd gan awdurdodau lleol yr hyblygrwydd i benderfynu ar batrymau ar y cyd o fewn fframwaith statudol a ragnodir mewn deddfwriaeth, gyda'r bwriad o ddileu gorgyffwrdd a hybu symlrwydd cyn belled ag y bo hynny'n bosibl. Bydd hyn yn galluogi awdurdodau i ddod at ei gilydd a rhoi trefniadau yn eu lle sy'n gweddu orau i'r amgylchiadau lleol. Pan fo hynny'n briodol, byddant yn gallu datblygu trefniadau presennol, megis y consortia addysg rhanbarthol y sonnir amdanynt gennych.

Rwy'n cytuno bod rhaid cael dull cyson a chllir er mwyn mynd i'r afael â llywodraethu, atebolrwydd ac ariannu trefniadau rhanbarthol. Eto, mae'n fwriad gennyf i ddarparu fframwaith statudol o fewn y Bil arfaethedig. Fel a nodwyd yn y Papur Gwyn, bydd fy swyddogion yn cydweithio'n agos â Chymdeithas Llywodraeth Leol Cymru a Chymdeithas Prif Weithredwyr yr Awdurdodau Lleol er mwyn datblygu fframwaith llywodraethu priodol, gan dynnu ar eu gwybodaeth a'u profiad o'r trefniadau presennol.

Mae'n cynigion ni yn cynrychioli esblygiad y trefniadau presennol, ond maent hefyd yn rhoi'r trefniadau ar sail glir a chyson. Byddaf yn ystyried yn ofalus yr hyn sydd gan yr holl randdeiliad i'w ddweud am y cynigion.

Mae'n cynigion diwygio ehangach yn cydnabod pwysigrwydd cynghorwyr lleol fel arweinwyr ac eiriolwyr eu cymunedau. Bydd ganddynt swyddogaeth bwysig yn dwyn i gyfrif y rheini sy'n gyfrifol am benderfyniadau a chyflenwi gwasanaethau ac o ran rhoi cefnogaeth i etholwyr pan fo pethau'n mynd o chwith. Fel yr wyf wedi'i ddweud o'r blaen, bydd y 22 awdurdod lleol presennol yn parhau'n fodd i ddinasyddion gael gwasanaethau o hyd, ac at yr awdurdodau hynny hefyd y bydd dinasyddion yn parhau i fynd fel y cyrff democrataidd pan fydd ganddynt unrhyw bryderon.

Rwyf innau hefyd, fel chithau, am anfon copi o'r llythyr hwn at John Griffiths, AC, Cadeirydd y Pwyllgor Cymunedau, Cydraddoldeb a Llywodraeth Leol.

Yn gywir



Mark Drakeford AC/AM

Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol
Cabinet Secretary for Finance and Local Government

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Eitem 3

Yn rhinwedd paragraff(au) vi o Reol Sefydlog 17.42

Mae cyfyngiadau ar y ddogfen hon



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

Annual Report & Accounts 2015/16



Noddir gan
Lywodraeth Cymru
Sponsored by
Welsh Government

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Welcome

It gives me great pleasure to introduce Natural Resources Wales' Annual Report for 2015/16. This is the first Annual Report since I was appointed in December 2015. I am delighted to have the opportunity to Chair the Board of this unique, dynamic organisation. We are proud to lead the way to a better future for Wales by managing the environment and natural resources sustainably and to reaffirm this, our vision. The progress made by NRW, as a young organisation, gives me and the Board great confidence in our ambitious environmental agenda for the future.

Many of the things we rely on to prosper as people and as a nation are borne from our environment and the natural resources around us: the water we drink, the air we breathe, the natural surroundings where we live and work. A healthy and resilient environment helps sustain people and our economy, helping build a solid foundation on which our society can thrive. This report sets out how our work in 2015/16 has contributed to achieving a more successful, prosperous Wales, based on healthy natural resources.

We are committed to building on this work for a stronger more resilient future, even with all its uncertainties. The Environment (Wales) Act and the Well-being of Future Generations (Wales) Act together provide the framework for all of us to collectively use our resources for the best possible outcomes. Using this new legislation to work together with partners from the public, private, community and voluntary sectors gives us an exciting opportunity to make sure that the people of Wales benefit now, and in the future, from a more resilient, sustainable and prosperous environment.

Formally and sincerely I want to thank all those people who have worked so tirelessly over the past year to deliver the significant achievements in this report. My predecessor Professor Peter Matthews CBE, with his unstinting energy and commitment to the establishment of our organisation, made an amazing contribution to Wales of which he should be proud. In addition the original Board members whose term of office came to an end during the year: Professor Lynda Warren, Harry Legge-Bourke and Rev Hywel Davies. Our Chief Executive Dr Emyr Roberts deserves special thanks for charting a clear way through the many challenges the organisation has faced during the year. And, of course each and every one of our dedicated staff who are indeed our greatest resource and who bring their professional expertise and determination to play in their vital role in championing the environment. This report gives an indication of the huge amount of progress made over the past year, demonstrating the strength, innovation and passion of all the people who have worked so hard to get us this far along our journey.

In the coming year, along with my Board colleagues, I look forward to working with the Chief Executive, his Executive Team and all of our staff, leading the way to a better future for Wales by managing the environment and natural resources sustainably – effectively and enthusiastically delivering our vision.

Diane McCrea MBE
Chair



Performance Report

Overview

Last year, I described our position as challenging yet successful, and this has also been the position for 2015/16. Against a backdrop of reduced funding and staff numbers, we continued our journey to integrate the work of the three legacy organisations, and to manage Wales' natural resources sustainably. We have delivered a credible performance, which has helped to establish NRW as an organisation that delivers for the environment, economy and people of Wales. Such achievement over the last 12 months gives us confidence that we can deliver our ambitions for the future.

Challenges have come in the form of preparing for our new duties under the Well-being of Future Generations (Wales) Act and for our new purpose under the Environment (Wales) Act; as well as serious financial pressures which have required us to be clear about priorities and the way we use our money. In terms of environmental outcomes, overall water quality has not reached the good ecological status we would have liked to have seen by this point, while biodiversity remains fragile in many areas.

Our successes include the excellent work to secure a significant amount of carbon is locked in Welsh peatland, cleaner bathing waters and our efforts to reduce the spread of *P. Ramorum* across our forests. We have learned a great deal about the needs of local communities from our 'area trials', our customer service as measured by timeliness in response to planning applications continues to improve, we responded well to the winter weather, and we met our targets for marketing of timber. We are publishing more of our data online, such as information on river levels, which is helping our stakeholders to make decisions. I was also pleased to receive formal Ministerial Approval that we had completed our probationary period as a new Welsh Government Sponsored Body.

As ever, there is much more to do and areas to improve. We are keen to learn and listen to the feedback from our staff and customers. Hopefully this Annual Report will give you a flavour of the journey we are on.

Dr Emyr Roberts
Chief Executive and Accounting Officer



Introduction

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

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

Our themes are integrated, demonstrating the multiple benefits our work has on the Welsh environment, economy and communities. They also support the following outcomes we share with the Welsh Government.

- Enhancing our environment
- Protecting people
- Supporting enterprise and jobs
- Improving the nation's health
- Viable and vibrant places
- Delivering social justice
- Supporting skills and knowledge

We have a wide range of roles and responsibilities:

- Adviser: principal adviser to Welsh Government, and adviser to industry and the wider public and voluntary sector, and communicator about issues relating to the environment and its natural resources
- Regulator: protecting people and the environment including marine, forest and waste industries, and prosecuting those who breach the regulations that we are responsible for
- Designator: for Sites of Special Scientific Interest – areas of particular value for their wildlife or geology, Areas of Outstanding Natural Beauty, and National Parks, as well as declaring National Nature Reserves
- Responder: to some 9,000 reported environmental incidents a year as a Category 1 emergency responder
- Statutory consultee: to some 9,000 planning applications a year
- Manager/Operator: managing seven per cent of Wales' land area including woodlands, National Nature Reserves, water and flood defences, and operating our visitor centres, recreation facilities and a laboratory
- Partner, Educator and Enabler: key collaborator with the public, private and voluntary sectors, providing grant aid, and helping a wide range of people use the environment as a learning resource; acting as a catalyst for others' work
- Evidence gatherer: monitoring our environment, commissioning and undertaking research, developing our knowledge, and being a public records body
- Employer: of over 1,900 staff, as well as supporting other employment through contract work and volunteering opportunities.

Our values:

- Passionate and ambitious about our work and the positive impact we will have
- Disciplined and focussed in our prioritisation and delivery
- Trusted and professional in our relationships with stakeholders, staff, and their representatives
- Taking a common sense approach to our work and being responsible and accountable for our actions.

Performance summary

We are still a young organisation but with a clear purpose and a determination to succeed. Moving into our third year, and the second year of our current Corporate Plan, our ambition was clear, but in common with other public sector organisations, we faced ongoing financial challenges and the need to prioritise our resources and find new and innovative ways of delivering services as efficiently as possible.

Our focus in our first two years has been to build the foundations of our standalone capability and preparing our organisation to fully deliver the sustainable management of our natural resources in Wales – over the last year we started to move into our transformation phase to ‘unlock our potential’ and become a high performing organisation.

We have continued to review our services to secure the environmental outcomes we want to achieve, and have worked to ensure that efficiency and improved customer care are delivered together. Our focus has been to develop natural resource management, improve our range of services to customers and partners, and support Welsh Government in developing new legislation and policy to progress green growth, tackle poverty, use resources efficiently and enhance resilience and diversity.

Looking ahead, the next year will be a year of enormous change and challenge for us, as it will be for our environment and for other public bodies in Wales – and we are ready to rise to that challenge. Both the legislative and the financial context we are working in mean that we will need to be transformational – prioritising effort where we can make the greatest contribution, forging new relationships with partners and communities, and addressing the fundamental issues that will increase the resilience of our natural systems and so enhance the services they provide to society.

We are, and will be, seeing significant changes in the environment of Wales – in terms of climate change, population and the economy, as well as public finances and new legislation. All of these factors will have a major impact on our organisation and there will need to be a huge shift in the way we work in future. We want to be bold and ambitious – both about how we in Wales achieve the sustainable management of our natural resources, and about how we change as an organisation to make sure this can happen.

Some examples of our changing context will see us working to implement the requirements of new legislation, particularly the Well-being of Future Generations (Wales) Act 2015, Environment (Wales) Act 2016, Planning (Wales) Act 2015 and the Historic Environment (Wales) Act 2016; addressing environmental challenges such as water quality, biodiversity, invasive species, air quality and climate change as well as managing our own operations to ensure we work within our means and work with our stakeholders – Welsh Government, other public service organisations, business and industry, citizens and communities to develop alternative public service delivery models.

Performance Analysis

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

This is our second report against our Corporate Plan 2014 – 2017 and we use its five themes: Good Knowledge; Good Environment; Good for People; Good for Business and Good Organisation to structure our Business Plan 2015/16, Performance Framework and this Performance Report. As part of our Performance Framework, our dashboard tracks longer term trends through *indicators* that our work contributes to, as well as annual operational *measures* that we control delivery of. This year, of 41 indicators and measures, 28 met the target set, nine were within 10% of the target set, and four were not where we had planned to be. Our progress is monitored by our Board and Welsh Government and published on our website three times each year. The final performance dashboard for 2015/16 is available on our website at <http://naturalresources.wales/about-us/strategies-and-plans/how-well-are-we-doing>. The following sections of this report outline examples of outcomes achieved in line with our objectives as well as some of our key performance information.

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

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

Key Information

- All 102 Welsh Bathing Waters pass tough new EU Standards in 2015
- 96 data sets available online
- 11 funded partnership projects to deliver natural resource management in development

Clean bathing waters are important to the economy in our coastal communities and for wildlife in our seas. In 2015, all identified bathing waters in Wales met new stricter European classifications for water quality, a key measure that helps to ensure a seaside holiday or day out at the beach remains one of the most popular activities for many families. The results of our monitoring programme show that 82 of the 102 bathing waters in Wales achieved the higher classification of excellent, with 16 achieving good and four sufficient. No Welsh bathing water was classed as poor during the first year of these tough new standards. The challenge now is to maintain this standard, working with others to protect and enhance our natural resources so our coast and natural environment will continue to provide huge benefits to the people of Wales and our visitors.

In line with our commitment to be a trusted and professional organisation, we want our customers to access our data quickly, easily and, where possible, re-use it for personal, research or commercial purposes. With this in mind, we have fully transitioned to using the

Welsh Government Information Hub (Lle), a single data publishing service that allows us to publish our data in one place. We now have 96 open datasets available for external re-use, up from 78 in 2013, including the Ancient Woodland Inventory, Flood Maps and National Biodiversity Network Species Data. Our new open data policy will see this increase in the future.

Our new guide, '[Introducing Sustainable Natural Resource Management](#)' was published this year to outline the challenges and opportunities this new approach brings to managing our resources in Wales as well as the principles we, and others, should apply in order to address them. Demonstrating what this means in practice, we used case studies from our three area trails in the Dyfi, Tawe and Rhondda catchments. Highlights include working with the local wildlife trust to set up Rhondda's first nature reserve in 20 years, and work with multiple partners on tackling wildfires. In Swansea we have sought to improve access on the eastside of the city using our different roles and responsibilities to join up forest, nature reserve and river opportunities.

Work has also continued to produce Wales' first State of Natural Resources Report, due in September 2016. Working with academia to source relevant information and Welsh Government and partners to plan future evidence needs is helping to ensure this vital piece of work will inform the Welsh Government's National Natural Resources Policy every five years.

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

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

Key Information

- 1,000 hectares of diseased larch tree cleared
- 82% of actions completed to improve the condition of designated sites
- 39% of water bodies across Wales met good overall status

Our environment is currently facing many challenges and demands on its resources. We are still below the 2015 target of 50% of water bodies meeting good ecological status (39%), while the quality of our seas, land and rivers remains unfavourable against the 95% target in the Wales Environment Strategy. We know that our work alone will not achieve the required improvements. As part of the Welsh Nature Recovery Plan we have achieved our planned target for getting actions underway and complete in bringing protected sites back into favourable condition and have made a number of improvements to help bring about the changes needed to the Welsh environment.

In recent months we have seen slight delays in our reviewing of evidence to support our first State of Natural Resources Report. This important report will highlight pressures and potential impacts on natural resources, give an indication of resilience, and include an assessment of the extent to which sustainable management of natural resources is being achieved. Benefits provided to the environment, people and economy of Wales will be

central to the report. We have put in place actions to ensure that we can still meet the September deadline for publication.

Examples of our work in improving the environment include:

- A new Site of Special Scientific Interest designation at a fossil forest in Brymbo, near Wrexham, is helping to safeguard this superb scientific and educational resource for future generations. The site contains a fantastic variety of 300 million year old fossilised plants and trees, making it a world class site for plant fossils. This site has an extraordinary story to tell and plans are now underway, led by Brymbo Heritage Group, to establish an excavation and visitor centre on the site that will ensure the right conditions to study and display these fragile fossils. This has the potential to be a popular tourist attraction, also contributing to the local economy of this area.
- More than 1,000 native white-clawed crayfish have been released into a tributary of the River Irfon, near Builth Wells as part of continued efforts to save the species from extinction. Reared at our Cynrig Fish Culture Unit, the crayfish have been released into the wild in a bid to offset the damage caused by the non-native American signal crayfish, climate change and the impact of pollution on habitat and water quality to the native crayfish population. In its third year, early signs suggest the project has been a success with crayfish found at release sites 15 months after the initial introduction. Establishing a healthy population of native white-clawed crayfish would be a good sign that water quality and habitats are being restored to a condition suitable for the crayfish to flourish.
- Two new species of marine sponges at the protected marine site around Skomer Island have been identified demonstrating that our conservation work contributes to a healthy environment for the species living there. Protecting our natural resources provides an important home to the rich, diverse and valuable wildlife we have in Wales, which in turn provides a fantastic habitat not only for lesser known wildlife like sponges but also for species like grey seals and sea birds which are a huge draw for tourists to the area. The number of sponge species recorded at Skomer has been steadily increasing over the last 30 years and currently stands at around 122 species.
- Work to restore Welsh peatlands is showing signs of success – but there’s a lot more to do. Due to damage from drying out over many years, Welsh peat is a source of greenhouse gas emissions, releasing around 550,000 tonnes of carbon into the atmosphere every year. Now, over fifty per cent of Wales’s semi-natural peatland habitats are being managed in a sustainable way, helping to lock in carbon that could otherwise be released into the atmosphere contributing to climate change. Over the last few years, at least 750 km of ditches have been blocked across Welsh peatlands to restore and re-wet them. Key areas include the uplands of Migneint, Hiraethog, Elennydd and Berwyn and lowland sites on Anglesey and the Llyn Peninsula, among others. Peatlands don’t just store carbon, they harbour a wealth of rare plants and wildlife; help store water which can reduce the risk of flooding in lower lying areas and help purify our water supplies. Cors Erddreiniog National Nature Reserve, Anglesey, was one of the major sites included in our Anglesey and Llyn Fens LIFE project. It is now locking in carbon that would otherwise be released into the atmosphere. We will continue to work on restoring priority peatland sites, using management agreements with landowners and partnership projects to continue to restore peatlands.

- Salmon and sewin are an important part of the health of our rivers and worth millions to Welsh economy, now thanks to an update to the fish pass on the River Tawe in Panteg the iconic species can access prime spawning grounds in the upper Swansea valley. A historic weir had an existing fish pass that had become virtually unusable due to erosion of the river bed downstream. Our focus is to make sure that our rivers are in the best possible condition so they can support healthy fish populations.

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

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

Key Information

- 148,150 residential properties and 60,350 non-residential properties, approximately 11% of all properties in Wales, are at risk of flooding from rivers and the sea
- 98% of high risk flood assets maintained
- Our incident reporting line received over 10,000 calls and we attended 1,883 environmental incidents

We maintain 319 miles of flood defences, manage over 4,000 flood defence assets, support flood plans, and offer flood warning and flood forecasting services to help reduce the risk and increase preparedness in the event of a flood in Wales. Work to build new flood defences has reduced the risk of flooding to 511 houses and 145 businesses benefitting communities in Dolgellau, Ffordd Isa and the Caldicot levels, surpassing our target to benefit 500 properties this year.

To help people in Wales know what to do in the event of a flood, face to face flood awareness engagement work in 20 at risk communities across Wales has resulted in 193 new flood plans being created, and 671 new registrations on our Flood Warnings Direct service. These plans cover a range of businesses, medical premises, caravan parks, schools and homes. There are currently 280 flood plan leads or wardens supporting community plans across Wales in a voluntary capacity. In addition to this new work, 61 previously completed community flood plans were maintained, to ensure that they were still active and fit for purpose for the 19,241 people protected by them.

Our maintenance programme to high risk flood assets was hampered due to winter floods resulting in our maintenance level falling slightly to 98% against our target of 99%. Our teams re-prioritised their resources to carry out urgent asset repairs and blockage removal works; this had a knock-on effect on our ability to address the failing assets already identified. We are working to turn this around and develop new systems to ensure funding goes to the highest risk locations.

In partnership with Ford Motor Company, the Llynfi Woodland Project is working to transform a former colliery site near Bridgend into a sustainable woodland designed with people in mind. 60,000 trees have been planted so far creating a new 30 hectare woodland. This will not only provide a home for wildlife, help to reduce flooding and absorb carbon but in working with the local community to develop the plans to create the

woodland as a place for people to relax, exercise and socialise, it will also encourage people to spend more time outside and increase their activity levels. Over the next ten years, employees and local communities will play their part planting trees and developing green exercise facilities providing a space for health and wellbeing activities for the community.

Using our sustainable natural resource management approach, 10 biodiversity projects were funded as part of our plans to build and maintain flood defences. Building in steps to help local nature when delivering our schemes ensures we consider the impact our activities have on each other. Eight projects were completed this year creating 237.5ha of Biodiversity Action Plan habitat.

To help our customers get easy access to information they need to stay safe or to enjoy the natural environment, we launched our [River Levels Online](#) service in November 2015. This displays live river level data from sites around Wales on our website. The river level data that we collect has many applications within NRW and now our customers can also use it to decide how to respond to a flood event, or to see if levels are suitable for fishing or kayaking. Until now this information has been made available through the Environment Agency's website but our staff have designed, built and tested this updated service to make it easy to find and view river level information from our sites across Wales. The information can be accessed using an interactive map or by searching a list of the monitoring stations.

Providing opportunities for people and visitors to Wales to go outside and enjoy our natural environment is an important element of our work. This year, two of our most popular visitor attractions, Bwlch Nant yr Arian, near Aberystwyth and Coed y Brenin Forest Park near Dolgellau in the Snowdonia National Park have celebrated Gold Awards from Visit Wales after achieving excellence for their facilities and customer services. Providing valuable educational resources and a leading mountain biking centre along with popular catering facilities both sites have succeeded in what is a dynamic and exciting industry where the need to offer a memorable visitor experience is essential.

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

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

Key Information

- 91% of planning applications responded to within agreed timescales
- 91% of permits, licences and consents issued within agreed timescales
- We supplied over 800,000m³ of timber to the market

Our Energy Delivery Programme continues to meet the aspirations of Welsh Government's Low Carbon Economy agenda, contributing significantly to reducing the use of carbon and addresses the impact of climate change while protecting the environment. By supporting the Wind Energy Programme, Small Scale Hydro Programme and Third Party Accesses related to energy projects on the NRW Managed Estate, we are seeing direct financial

benefit for Welsh Government and NRW with these projects providing important opportunities for the supply chain and jobs in Wales.

We worked with developers to enable nine small scale hydropower schemes on the NRW Managed Estate. Due to reductions in Feed in Tariffs during the year, developers withdrew from a further 22 proposed schemes. We also identified 165,000 tonnes of wood material from the larch replacement programme and roadside vegetation management that was available for sale in late 2015 and received a single offer to clear the young larch and re-establish a crop for zero value.

Our enforcement action continues to help protect the environment while working to create a level playing field for legitimate businesses. A South East Wales recycling company failing to comply with their environmental permit, saw their Director receive a suspended custodial sentence and become disqualified from being named as a Director of a company for the next five years as well as losing a waste contract with a local authority as a result. Actions to treat and store increasing volumes of waste began to cause odour, drainage pollution and fly problems and the company failed to comply with enforcement notices to improve the situation. In taking action to ensure the environment and health of local people is protected, almost £200,000 of public waste contracts will be let to businesses who legally meet their environmental responsibilities.

This year, 110 prosecutions for waste, water quality and fisheries offences saw the Courts impose fines totalling £119,305.00 and award costs of £115,049.95 to NRW. Monies actually received in relation Proceeds of Crime Act Confiscation Orders relating to our prosecutions totalled £145,383.48.

We continue to be the largest supplier of certified timber in Wales, this year putting to market 800,000m³ overbark standing of timber. This sustainable woodland management supports further employment in the forestry sector across Wales.

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

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

Key information

- 5% reduction in our greenhouse gas emissions
- Retained our UK Woodland Assurance Standard
- Formally completed our probation period as a new Welsh Government Sponsored Body

The results of our recent People Survey show that we need to focus on those things that will build better engagement and communication across our organisation and encourage belief in our purpose to pursue the sustainable management of natural resources in everything that we do. A high response rate of 82% clearly shows that our staff are passionate about making NRW a better place to work. It also gives us a clear indication

that we must find ways to encourage a culture of trust and engage everyone far more in how we plan and run NRW to get the best from people and the collective skills we all have.

We had 10 lost time incidents reporting accidents involving staff from falls, burns, musculoskeletal injury, scalding and head impact. Our initial reviews indicate that there is no pattern connecting these incidents; we are reviewing each of them and lessons learned will be shared with the wider workforce to help prevent similar situations happening.

Work has continued this year to progress our stand alone capability and we have been able to reduce the amount we pay to legacy bodies for ICT services by £5.2m each year. Eighteen new ICT applications contributed to the reduction in our Information and Communications Technology (ICT) infrastructure from a total of 1,405 applications from all three legacy bodies down to 775 at the end of this year. Staff have worked hard on data migration and testing reporting processes as well as developing training packages including videos, courses and user guides to complement our new way of working. We are pleased to have established an agreed data sharing agreement with the Environment Agency (EA) and are now looking to deliver the remaining ICT deliverables that will allow us to finally close all the transition services with the EA and Forestry Commission GB by 31 March 2017.

Realising better value for money, we are expecting to generate benefits of £158 million over our first 10 years through the greater efficiencies gained by bringing three organisations into one. Currently we have successfully identified cash and non-cash realisable benefits of £147 million (93%). Although we are on target, we need to maintain a strong focus on making efficiencies, controlling costs and making sure plans to deliver the benefits are implemented. Work will continue to exit transitional EA and Forestry Commission GB services worth approximately a further £2.5 million in 2016/17.

Following our transition to a standalone organisation, we launched a major programme of Business Area Reviews to consider what we do, how we do it, and how we are structured to deliver our purpose effectively and efficiently. This will allow us to meet our new purpose, adapt to the changing legislative context in Wales, and to deliver our ambitions within a financially challenging environment. An overarching review of our senior management was included with the aim of delivering an operating model that meets the needs of our customers and partners, embeds sustainable management of natural resources in all we do, and delivers an affordable structure by the year 2020. It aims to ensure NRW is a great place to work and grow, so that people and teams can excel and deliver improved business performance on a sustained basis.

Following the [Wales Audit Office's Development of NRW Study](#) report, we were pleased to receive formal Ministerial Approval that we had completed our probationary period as a new Welsh Government Sponsored Body. This is an excellent result and an important milestone in the establishment of our organisation. The final report highlighted substantial challenges that have been overcome, while maintaining business continuity. The Welsh Audit Office recognised our *'adoption of a sound and well-structured approach'* so that we now have *'a solid platform for continuing to realise the intended benefits of creation and for tackling the future challenges'* we will face.

Our Carbon Positive project is progressing to establish our net carbon status, accounting for both greenhouse gas emissions emitted through our work and the carbon captured by

ecosystems across the whole of the NRW estate. The project is leading our approach to become an exemplar in carbon management. It will inform our wider work to tackle climate change by investigating and delivering measures to reduce our carbon impact, and planning future implementation of appropriate measures. Through sharing our approach and experiences, the Carbon Positive project will help to encourage best practice in carbon management across the Welsh public sector.

We have risen 78 places in the Stonewall Workplace Equality Index since last year and we are now placed 160 out of 415 top employers for lesbian, gay, bisexual and transgender workers in the UK and 14th place in Wales. We are pleased our swift progress over the past two years to provide an inclusive and diverse workplace has been recognised.

Dr Emyr Roberts
Chief Executive and Accounting Officer

Date: 2 March 2017

Accountability Report

Corporate Governance Report

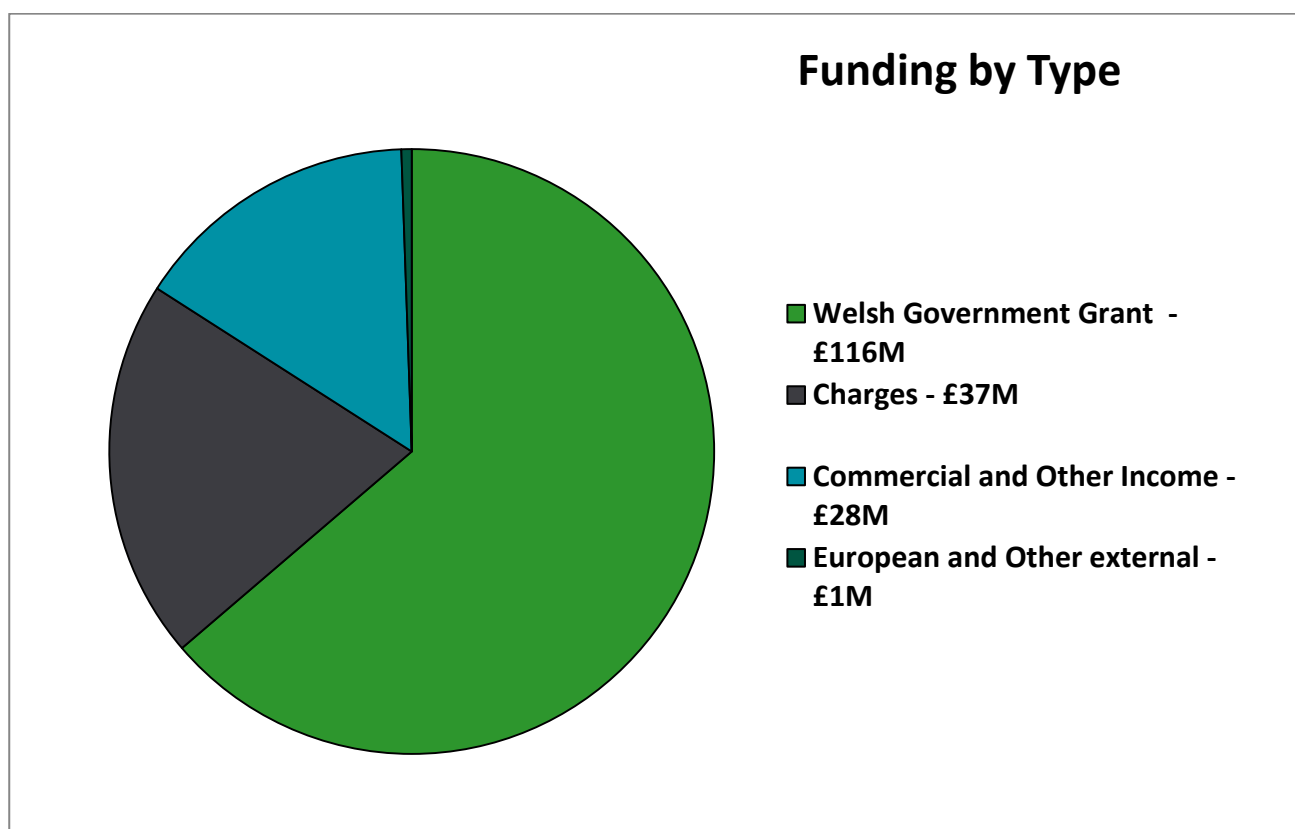
Director's Report

Managing our Money

Despite a £3.2 million reduction in our revenue Grant in Aid compared with 2014/15, we have successfully managed our expenditure in line with plans. As part of this, we instigated an efficiency campaign called 'Success with Less' which realised near £2.5 million of savings. We also exceeded our commercial income targets. This has been achieved whilst operating in a very challenging financial context in the current financial year and planning for future financial years. Our future financial viability, and achieving a financially sustainable organisation, is our major focus at the moment, and we have started to develop our Corporate Plan for 2017-2022.

Funding

Our total income for the year was £66 million. In addition, Welsh Government provided £116 million Grant in Aid towards a range of outcomes. £39 million was allocated to Flood Coastal Risk Management and £77 million to Non-Flood Coastal Risk Management. In the Accounts, Grant in Aid is treated as a contribution from a controlling authority and not a source of income. The chart below illustrates the distribution of our total funding:

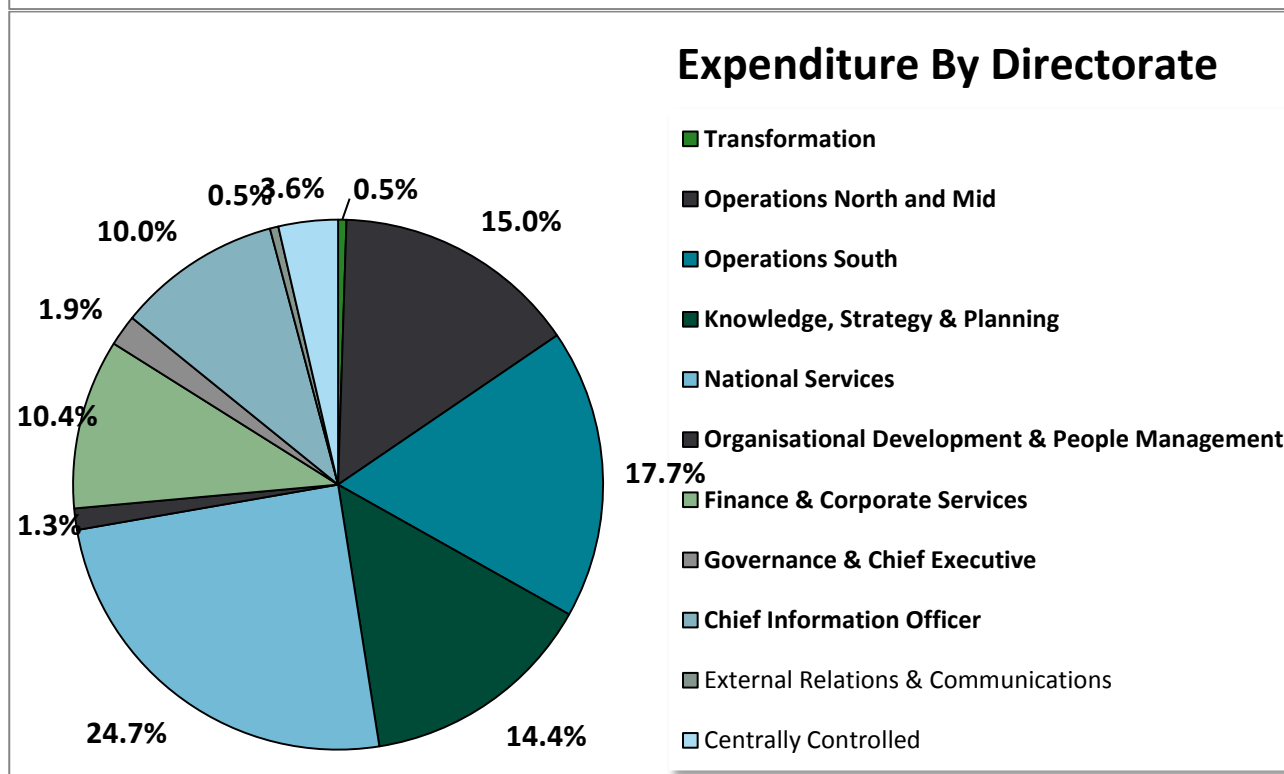
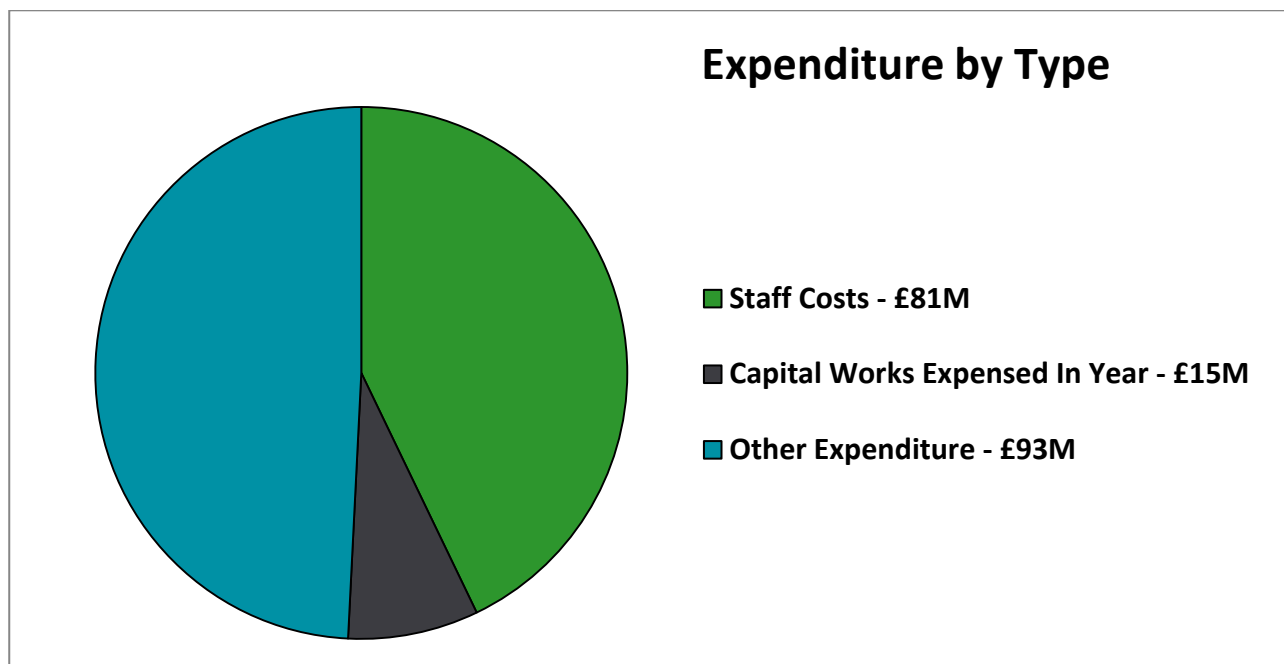


We have a number of funding sources which we keep discrete when planning and spending our resources. The main funding source of Grant in Aid is split between Flood and Coastal Risk Management and Non Flood and Coastal Risk Management – for both revenue and capital. We also have a number of Charge Schemes (see Note 6 of the

Financial Statements) which are based on the principle of 'cost recovery'. In addition, we apply and receive additional funding from a number of sources (such as European funding) which are spent on specific projects.

How we spent our money

Our total expenditure was £189 million. The detailed breakdown by category of spend can be found in Notes 5 to the Accounts and is also illustrated below:



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

Note 2, 3, 4 and 5 of the Financial Statements details where the money was spent.

Success with Less Efficiency Campaign

Our 'Success with Less' campaign realised nearly £2.5 million of savings across a range of initiatives including changing the way we travel and use technology to communicate and letting better value contracts. Our campaign won the Wales National Procurement Award for Outstanding Contribution for demonstrating our unique and significant contribution in terms of implementing strategic public procurement initiatives and in driving change and leadership in order to help modernise Wales.

Future Developments

Funding for 2016/17 is particularly challenging due to further reductions in our revenue Grant in Aid funding from Welsh Government, and the costs of completing our transformation of Information and Communications Technology infrastructure which will allow to exit more services which are currently provided by the Environment Agency and Forestry Commission Great Britain.

We have implemented a range of measures to set an affordable budget for 2016/17, with several areas being reduced by over 10%, and we have continued with our tight workforce controls.

As part of our Roadmap we are in the process of implementing a significant programme of change and transformation that will allow us to meet our new purpose, adapt to the changing legislative context in Wales, and to deliver our ambitions within a financially challenging environment. This will help build our affordable Corporate Plan for 2017-2022.

Non-Current Assets

The value of our non-current assets was £874 million at 31 March 2016, a 12% (£97 million) increase compared to last financial year. The most significant component is the value of the forest estate and biological assets which accounts for £714 million of the value. We have undertaken an independent quinquennial revaluation of land and buildings and forest estate including biological assets and that has been incorporated into this result.

Quinquennial Revaluation

Every five years organisations undertake a thorough independent revaluation of most land, building and public use structures. This is the first time for NRW to undertake this exercise. As a result, the value of our non-current assets have increased by £95 million (compared to overall increase of £97 million). We are satisfied with the results of the valuation and it highlights the excellent commercial value that our asset base has. The main reasons for the increase of £95m is the improvement in the valuation of assets on our forest estate (£83 million), inclusion of assets that had not been previously identified as non-current assets such as Third Party access for energy projects, recreation, hydropower and mineral leases, car parks and trails (£9 million), increase in value of bike trails (£7 million) but offset by other movements including downward valuations of some of our assets (£4 million).

Payment of Trade and other Payables

Welsh Government has a commitment to pay 95% of suppliers within 30 days and we aim to meet this target wherever possible. By the end of the financial year our performance had

increased to 98%. Performance for the whole year was 91%. This helps to ease businesses' cash flow in the current challenging economic climate.

Going Concern

The Statement of Financial Position at 31 March 2016 shows positive taxpayers equity of £806 million. The future financing of our liabilities is to be met by Welsh Government Grant in Aid and the application of future income. We have already received approval for funding for 2016/17. Therefore, it is appropriate to adopt a going concern basis to prepare the Annual Accounts.

Estate Management

We manage Wales's public forest estate on behalf of the Welsh Ministers in accordance with our acquisitions and disposal policy and our Enterprise strategy. We also have Forest Plans for all the forests, which sets how each forest will be managed to deliver strategy objectives over the next 25 years.

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

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

Pensions

The pensions liability are disclosed in the Annual Report and Accounts on the basis of IAS19. The liability has decreased for the LGPS pension scheme in the year due to an increase in the net discount rate over this period, the positive impact of which has outweighed the likely lower than expected asset returns.

This is different from the basis used for funding calculations. The last formal revaluation of the fund was undertaken at 31 March 2013 and showed an overall funding position of 86%.

Auditors

Our accounts are audited by the Auditor General for Wales. The audit fee for 2015/16 was £142,989.

Personal Data

There were no data losses reported this year.

Corporate Reporting

The following annual reports are also available on our website:

- [Equalities Report 2015/16](#)
- Wellbeing, Health and Safety Report 2015/16

Environmental Reporting

Over the coming years, we want to set the example in Wales in areas including our management and use of carbon, waste, water and land, as outlined in our Corporate and Business plans. Corporate reporting on our organisation's own environmental impact is included in Annex 1.

This year we have:

- retained ISO14001 and UK Woodland Assurance Standard (UKWAS) certification following independent external audits and verification, demonstrating our own commitment to achieving the highest possible environmental standards as an organisation
- increased our carbon footprint by 10% due to the increase in primary aggregate use in construction schemes
- met our target to reduce our carbon footprint by 5% in relation to occupied buildings energy use and business travel
- trained staff on key areas of our organisation's Environmental Management System

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

Dr Emyr Roberts
Chief Executive and Accounting Officer

Date: 2 March 2017

Statement of Accounting Officer's Responsibilities

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

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

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

- observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis.

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

Governance Statement

As the designated Accounting Officer for NRW, I am responsible for maintaining a sound system of internal control that supports the achievement of our aims and objectives. My role is also to safeguard public funds and organisational assets by putting in place proper arrangements for the governance of our affairs and effective exercise of our functions. As a result I am personally responsible for this governance statement. The full scope of my responsibility is described in the Memorandum for Accounting Officer of Natural Resources Wales, issued by the Welsh Government and additional content is described in Managing Welsh Public Money.

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

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

Our Governance Structure

Our Board members are appointed by Welsh Ministers in accordance with the Code of Practice for Ministerial Appointments in Public Bodies, and as such our Chair is accountable to the Minister for Natural Resources. We currently have eleven Board members, including myself as an Executive member of the Board. We are led by our Chair, Diane McCrea MBE. The remainder of the Board is made up of ten non-executive members. During the year, the Welsh Government led a public appointments process and the Minister for Natural Resources appointed Diane McCrea MBE from 1 December 2015 as the second Chair of NRW, as well as five new Board members (Karen Balmer, Chris Blake, Howard Davies, Elizabeth Haywood and Zoe Henderson). Dr Madeleine Havard was appointed as Deputy Chair from 1 December 2015 and remaining members Dr Ruth Hall CB, Andy Middleton, Nigel Reader CBE and Sir Paul Williams OBE agreed new two year terms.

In advance, and in support, of the Welsh Government public appointment process to appoint our new Chair and new Board members, we organised a series of 'Come on Board' promotion events across Wales. The primary purpose was to promote Board membership to the full cross section of Welsh society by explaining more about the work of NRW, as well as the specific requirements of Board members. More than 120 people attended one of the three events in Merthyr, Aberystwyth and Llandudno, including several of the newly appointed Board members.

I would like to acknowledge the leadership and dedication of our first Chair, Professor Peter Matthews CBE, whose term of office finished on 30 November 2015. Three of our founding Board members left the Board on 31 October 2015 (Prof Lynda Warren, Rev Hywel Davies and Harry Legge-Bourke).

To support the Board as a whole, and in order to ensure business continuity, all new Board members have participated in an induction programme to appraise them of key policies, procedures, and the current position and scope of our work. I am grateful to the continuing

experienced Board members for supporting this work, as well as my Executive Team. This induction will be continued through our full Board development programme during 2016/17.

The role and responsibility of the Board is to:

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

We operate to the principles set out in the Code of Good Practice for Corporate Governance issued by HM Treasury. This year our focus has been on supporting the development and implementation of the Welsh Government's legislative programme, as well as moving the organisation from a transition phase to a transformation phase. During the year, the Board has been actively involved in reviewing the implications of the Well-being of Future Generations (Wales) Act, as well as considering proposals for how we should take forward our new statutory purpose and responsibilities under the Environment (Wales) Act. In addition, the Board has agreed NRW's Business Plan 2016/17 during the year and taken some preparatory steps for the development of our next Corporate Plan 2017-22. The Board has also overseen the development of NRW's 'Fit for the Future' programme, which aims to transform the organisation to be able to deliver integrated natural resource management, whilst achieving financial sustainability. As well as through the work of the full Board, I am grateful to individual Board members for supporting this work through direct engagement with staff groups, as well as membership of Business Area Review programme boards.

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

Board Member Attendance

	No. of possible meetings	No. of meetings attended
Professor Peter Matthews CBE (Chair)*	3	3
Rev Hywel Davies**	3	2
Dr Ruth Hall CB	6	6
Dr Madeleine Havard (Deputy Chair)***	6	6
Harry Legge-Bourke**	3	3
Andy Middleton	6	6
Nigel Reader CBE	6	5
Dr Emyr Roberts	6	6
Professor Lynda Warren**	3	3
Sir Paul Williams OBE	6	5
Diane McCrea MBE (Chair)***	3	3
Karen Balmer****	3	3
Chris Blake****	3	3
Howard Davies****	3	3
Zoe Henderson****	3	2
Elizabeth Haywood****	3	2

*End of term as Chair in November 2015

**End of term as Board member in October 2015

***Appointed as new Chair and Deputy Chair from December 2015

****Appointed as new Board member from December 2015.

Our Board has three **sub committees**, each chaired by a Board Member, and include at least two other Board members. We do not have a Nomination Committee as our members are appointed by Welsh Ministers. Membership of each committee was reviewed in January 2016 following the appointment of new Board members. Attendance records below reflect these changes. Where necessary, the full Board has reviewed and agreed the terms of responsibility for each of the following:

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

Audit and Risk Assurance Committee

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

This year ARAC addressed a range of issues including:

- Annual Report and Accounts 2014/15 and plans for this report, 2015/16
- External and internal audit plans and reports
- Corporate Risk Register including a number of 'deep dives' into specific risks

- Risk Management internal audit
- Audit arrangements for the Well-being of Future Generations (Wales) Act
- New Anti-Bribery and Corruption Policy
- Review of Complaints Policy
- Review of Conflicts of Interest Policy.

Board Member ARAC Attendance

	No. of possible meetings	No. of meetings attended
Nigel Reader CBE (Chair)	5	5
Dr Ruth Hall CB	5	5
Dr Madeleine Havard*	4	4
Andy Middleton*	4	4
Karen Balmer**	1	1
Chris Blake**	1	1

*Stood down from ARAC in December 2015

**Appointed to ARAC in March 2016

Remuneration Committee

The Remuneration Committee (REMCOM) considers matters relating to the pay and conditions of employment of our most senior staff and the overall pay strategy for all staff employed by NRW. The Committee also operates as the Transformation Advisory Group to monitor and review all transformation issues, including the delivery of the benefits identified in the business case for the creation of NRW.

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

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

- Job Evaluation Scheme
- Voluntary Early Severance Scheme
- Changes to Pension Schemes
- Director appointments and remuneration
- Transformation programme.

Board Member REMCOM Attendance

	No. of possible meetings	No. of meetings attended
Sir Paul Williams OBE (Chair)	4	4
Nigel Reader CBE	4	4
Dr Ruth Hall CB*	3	3
Rev Hywel Davies*	2	2
Karen Balmer**	1	1
Zoë Henderson**	1	1

*Stood down from REMCOM in September 2015

**Appointed to REMCOM in March 2016

Protected Area Committee

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

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

Board Member PAC Attendance

	No. of possible meetings	No. of meetings attended
Andy Middleton (Chair)	1	1
Professor Peter Matthews CBE	1	1
Dr Ruth Hall CB	1	1
Dr Madeleine Havard	1	1
Sir Paul Williams OBE	1	1

Flood Risk Management Wales

This committee, although not a standing committee of the main Board, fulfils a number of statutory flood risk management functions of NRW in accordance with Section 106 of the Water Resources Act 1991. During the year, the Welsh Government reviewed the governance arrangements for flood risk management within Wales and through the Environment (Wales) Act will be implementing arrangements for a new Advisory Committee which will be accountable to Ministers from 2016/17. As a result of these changes, when the independently appointed Chair, Mr Deep Sagar's term ended in June 2015, the Minister for Natural Resources appointed NRW Board member Dr Madeleine Havard, as interim Chair to oversee the transition to the new governance arrangements. The remaining Committee members are Local Authority representatives and independent members, appointed either by Welsh Ministers or by NRW.

Board Groups

Outside of our formal meetings, Board members have played an active role in supporting the Executive in strategy development. The standing Board Groups until December 2015 were:

- Environment
- Communities
- Economy
- NRW Enterprise
- Knowledge.

These groups have provided an opportunity for Board members to contribute to the development of work at an early stage and allow the Executive to keep Board members informed of developments in specific areas of the business. Board members have also supported on 'task and finish' groups to provide advice on specific tasks e.g. performance reporting. The new Chair reviewed these arrangements on her appointment and, from January 2016, Board members were allocated to the following Board groups, which are all available to support the Executive when required:

- Knowledge
- Environment
- People (inc communities)
- Business (inc NRW Enterprise).

Board Effectiveness

Our Board held a session in July 2015 to review results of their previous Board effectiveness survey. The overall results showed continued progress in the maturity of the Board and key actions agreed included improving arrangements for engaging with stakeholders around Board meetings, better opportunity to input to strategy as a full Board via Development Board meetings, and improved arrangements for briefings on key operational activities by the Executive. New arrangements are in place in all these areas and improvements became evident during the second half of the year.

Due to changes to our Board membership close to the end of the financial year, and the prioritisation of the ongoing induction programme, we have decided to undertake a Board effectiveness review later in 2016. We are planning to use the indicators of High Performing Organisations developed by Academi Wales, to formally review Board Effectiveness.

Our new Chair, Diane McCrea MBE, has reviewed the membership of committees, as well as put in place new arrangements for informal support to my Executive Team as we develop proposals for the Board to consider. The new membership and arrangements has helped to blend the new Board members with the experienced Board members, building in continuity and resilience for the future.

In addition, Professor Peter Matthews CBE before the end of his term, conducted year-end performance appraisals for each Board Member. Our new Chair will be agreeing objectives and individual development plans for each Board Member for 2016/17.

The Audit and Risk Assurance Committee (ARAC) also conducted an annual review of its effectiveness via the completion of a questionnaire based on a checklist produced by the National Audit Office, the criteria for which are largely derived from HM Treasury's Audit Committee Handbook. Overall, the ARAC was considered to be very effective, with the majority of key arrangements and processes in place. However, the exercise highlighted that there are a small number of additional issues that the Committee could consider as part of its assurance role. As a result, an induction plan has been put together to support new ARAC members, as well as a plan to hold annual closed sessions with the Chief Executive and both Internal and External auditors to give an opportunity for greater independence and transparency if required.

Our Executive

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

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

Our Risk Management Framework

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

We face a broad range of risks across our responsibilities therefore it is not appropriate to make a single overarching statement of our attitude to risk. Instead, a range of risk appetite statements arising from different areas of our work have been agreed. The Board will be reviewing its risk appetite for our different activities in early 2016/17. This is in response to considering recommendations from our Business Area Reviews as part of our transformation to deliver integrated natural resource management.

Our day-to-day risks are identified, evaluated and managed at a number of different levels. Our Board is responsible for managing corporate risks in line with achieving strategic objectives. The Board retains ownership of the key corporate risks, but uses ARAC to exercise scrutiny over our risk management processes, as well as to drill-down into specific risks and issues. Executive Team members manage Directorate Risk Registers in line with achieving their targets and outcomes in their Directorate Delivery Plan. These are reviewed regularly and I discuss them during their performance reviews. Risk Registers are also in place for major projects and programmes and are reviewed at project and programme meetings.

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

- responding to the short-term reduction in our grant in aid and planning for continued financial challenges
- ensuring that we are fully prepared for the new challenges arising from the Well-being of Future Generations and Environment (Wales) Acts
- responding to the spread of the *Phytophthora ramorum* tree disease.

Information Assurance

We are committed to ensuring data and information is well governed and managed and have continued to work to achieve the right balance between transparency and openness, and necessary information security. Our Director of Governance acts as the Senior Information Risk Owner (SIRO); we have concentrated our efforts during the year on consolidating the implementation of relevant Information Governance Policy and Procedures, as well as developing our information security incident handling arrangements.

In addition, we have progressed 22 Privacy Impact Assessments to cover a wide range of our activities where personal information is handled, as well as completed the training by the National Archives of the full cohort of Information Asset Owners.

Effectiveness of Internal Control

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

Overall results this year show increased confidence in the control framework which is pleasing as this is evidence of systems and processes being embedded within the organisation after our first three years. However, information handling and security remain a concern as more information has migrated from legacy systems and staff are still developing their knowledge of our ICT system. This will be addressed with an Executive Team action plan through 2016/17.

We have an established whistleblowing policy and reporting procedure in place to raise serious concerns about malpractice or impropriety; this year there were no reported whistleblowing cases. This policy is due to be reviewed in 2016/17.

Our Internal Audit team have completed their annual audit plan, with regular progress and feedback to the Audit and Risk Assurance Committee. In year, it was noted that the number of outstanding actions was increasing. I have highlighted this to my Executive Team and, although the position is improving, it is something we will seek to address during 2016/17.

The opinion of the Internal Audit Manager (in a Head of Audit and Risk Assurance capacity), as set out in their annual assurance report is:

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

During the year an audit of Risk Management identified weaknesses in control at a level such that only limited assurance was given. The management have given commitment to implement the recommendations made, addressing identified risks. However, the remedial work has taken longer than originally anticipated and further improvements are still required. Given that this is a key building block of good governance, this continued weakness has influenced the annual Audit Opinion.

External Audit

During the year, the Wales Audit Office's Development of NRW Study was undertaken to complete the Probationary Review of NRW on behalf of Welsh Government, and to prepare a Value for Money Report on behalf of National Assembly's Public Accounts Committee.

Following significant field work, I was pleased to receive formal Ministerial Approval that we had completed our probationary period as a new Welsh Government Sponsored Body. This is an excellent result and can be viewed as the final milestone in the setup of the new organisation. The final report highlighted substantial challenges that have been overcome, while maintaining business continuity. WAO recognised our 'adoption of a sound and well-structured approach' so that we now have 'a solid platform for continuing to realise the intended benefits of creation and for tackling the future challenges' we will face. An Action Plan has been developed in response to the final recommendations which I will now

oversee and report progress to our ARAC every six months in order to deliver the required improvements.

In early 2015, the Better Regulation Delivery Office undertook a review of our activities in line with the Principles of Good Regulation. I was pleased that their final report highlighted our broad understanding of the principles and that we have started to demonstrate these in our ways of working. Our follow up action plan in response to recommendations seeks to build on this and we will continue to engage with those we regulate or who are impacted by regulation to share their views as we develop our future approach.

Submission of Financial Statements

During the course of the annual financial audit the Auditor General for Wales became aware of an issue relating to the regularity of several long term timber sales contracts that had been let in 2014. The issue identified was complex and has required extensive evidence to be gathered and considered by the Auditor General for Wales. This review has identified some lessons to be learned for Natural Resources Wales and an action plan is being put in place that the Audit and Risk Committee will oversee.

The financial statements were originally submitted to the Auditor General for Wales on 23 August 2016. The delay caused by this additional review has resulted in the financial statements being resubmitted on 2 March 2017.

Dr Emyr Roberts
Chief Executive and Accounting Officer

Date: 2 March 2017

Remuneration and Staff Report (audited)

Remuneration policy

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

The Chair and Board members' remuneration is set by Welsh Ministers. The terms of contract for senior employees (Executive Team members) is based on NRW terms and conditions. The remuneration policy for the most senior staff is not subject to collective bargaining and the remuneration package is set by reference to a set of benchmark roles in the Welsh public service and to comparable organisations based in the UK. Progression to the benchmark (rate for the job) is subject to satisfactory performance. Only on the basis of exceptional performance are the top two pay points used.

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

Service contracts

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

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

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

Salary and pension entitlements

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

Board Members' Remuneration

Board Member	Employment Contract	Salary 2015/16 (£5,000 range)	Salary 2014/15 (£5,000 range)
Karen Balmer ⁶	9-11-15 to 8-11-17	0-5	0
Chris Blake ⁶	9-11-15 to 8-11-17	0-5	0
Dr Michael Brooker	01-11-12 to 31-10-14	0	10-15
Howard Davies ⁶	9-11-15 to 8-11-17	0-5	0
Rev Hywel Davies ⁷	01-11-12 to 31-10-15	10-15	20-25
Dr Ruth Hall CB ¹	01-11-12 to 31-10-17	15-20	20-25
Dr Madeleine Havard (Deputy Chair) ^{1,5}	01-11-12 to 31-10-17	20-25	20-25
Elizabeth Haywood ⁶	9-11-15 to 8-11-17	0-5	0
Zoë Henderson ⁶	9-11-15 to 8-11-17	0-5	0
Harry Legge-Bourke ⁷	01-11-12 to 31-10-15	10-15	20-25
Diane McCrea (Chair) MBE ⁹	1-12-15 to 30-11-18	5-10	0
Prof Peter Matthews CBE (Chair) ⁸	01-08-12 to 31-11-15	30-35	50-55
Andy Middleton ^{1,4}	01-11-12 to 31-10-17	15-20	20-25
Nigel Reader ^{1,2} CBE	01-11-12 to 31-10-17	20-25	25-30
Prof Lynda Warren ⁷	01-11-12 to 31-10-15	10-15	20-25
Sir Paul Williams ^{1,3} OBE	01-11-12 to 31-10-17	20-25	25-30

¹ These members have been reappointed for another 2 years from November 2015 until 31 October 2017.

² Nigel Reader is Chair of the Audit and Risk Assurance Committee.

³ Paul Williams is Chair of the Remuneration Committee and the Transformation Advisory Group.

⁴ Andy Middleton is Chair of the Protected Areas Committee.

⁵ Madeleine Havard was appointed as Deputy Chair from December 2015 to October 2017 and was appointed as the Chair of Flood Risk Management Wales in June 2015.

⁶ The full year equivalent salary is £12,600.

⁷ The full year equivalent salary is £21,000.

⁸ The full year equivalent salary is £50,000.

⁹ The full year equivalent salary is £28,000.

Executive Team's Remuneration

Executive Team Member	Salary		Benefits in kind ⁶		Pension benefits ⁷		Total	
	(£5000 range)		(nearest £100)		(nearest £1,000)		(£5,000 range)	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
Dr Emyr Roberts (Chief Executive)	145-150	145-150	0	0	45,000	61,000	190-195	205-210
Martin Britton ¹	0	125-130	0	0	0	0	0	125-130
Martin Britton ²	65-70	15-20	0	0	26,000	6,000	95-100	20-25
Ceri Davies	95-100	95-100	2,400	2,000	47,000	24,000	145-150	120-125
Elizabeth Davis ¹⁰	0	35-40	0	0	0	59,000	0	90-95
Ashleigh Dunn ⁸	90-95	30-35	0	0	35,000	12,000	125-130	45-50
Graham Hillier ³	5-10	90-95	0	3,600	11,000	21,000	15-20	115-120
Kevin Ingram	90-95	90-95	4,000	2,600	35,000	53,000	130-135	145-150
Tim Jones	90-95	85-90	2,700	2,400	40,000	30,000	130-135	120-125
Gareth O'Shea ⁴	85-90	0	2,800	0	179,000	0	265-270	0
Trefor Owen ⁵	90-95	90-95	0	0	34,000	17,000	125-130	105-110
Niall Reynolds	75-80	75-80	0	0	(7,000)	19,000	70-75	90-95
Catherine Smith ⁹	75-80	70-75	0	0	29,000	23,000	100-105	90-95
Clive Thomas	75-80	70-75	0	2,300 ¹¹	48,000	22,000	120-125	95-100

¹ Martin Britton fulfilled the role of Chief Information Officer on the Executive Team under contract with his employment agency until January 2015. This action had been approved and supported by the Remuneration Committee, based on the exceptional circumstances involved with setting up our ICT services. For 2014/15 the figure reported as his salary above represents the agency costs incurred by NRW (excluding expenses) from 1st April 2014 until January 2015.

² Following a review by the Chief Executive and confirmation by the Remuneration Committee it was decided to appoint a permanent Chief Information Officer. The successful candidate was Martin Britton and he was a full time employee from 1st February 2015 to 31st December 2015. The relevant salary costs for February 2015 to March 2015 and April 2015 to December 2015 are reported above. The full year equivalent salary for 2014/15 and 2015/16 is £90-95,000.

³ Until 26th April 2015. The full year equivalent salary is £90-95,000.

⁴ Gareth O'Shea was appointed as Director of Operations South on 27th April 2015. The figures quoted are for the period 27/04/15 to 31/3/16. The full year equivalent salary is £90-95,000.

⁵ Trefor Owen finished on the 31st March 2016.

⁶ Relates to the provision of an allocated car.

⁷ The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (contributions made by the individual). The real increases exclude increases due to inflation or any increases or decreases due to a transfer of pension rights.

⁸ Ashleigh Dunn was appointed as Director of Organisational Development and People Management on 17th November 2014. The figures quoted for 2014/15 are for the period 17/11/14 to 31/3/15. The full year equivalent salary is £90-95,000.

⁹ Catherine Smith was appointed as Director of External Relations and Communications on the 22nd April 2014. The figures quoted for 2014/15 are for the period 22/4/14 to 31/3/15. The full year equivalent salary is £75-80,000.

¹⁰ Elizabeth Davis was working as part of the Welsh Government's Living Wales Programme and on formal secondment from WG from 1 April until 31 July 2014. The full year equivalent salary is £105-110,000.

¹¹ Until 5th November 2014.

Salary

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

Performance related pay

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

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue and Customs as a taxable emolument. The ones shown above relate to the provision of lease cars.

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

Pension Benefits

Executive Team member	Accrued Pension at pension age as at 31/3/16 £000	Accrued Lump Sum at pension age as at 31/3/16 £000	Real Increase in pension at pension age £000	Real Increase in Accrued Lump Sum at pension age £000	CETV at 31/03/16 ⁴ £000	CETV at 31/03/15 ⁴ £000	Real Increase in CETV £000
Dr Emyr Roberts (Chief Executive)	60-65	185-190	0-2.5	5-7.5	1388	1251	43
Martin Britton ¹	0-5	0	0-2.5	0	14	3	6
Ceri Davies	30-35	60-65	2.5-5	0-2.5	597	533	26
Ashleigh Dunn	0-5	0	0-2.5	0	40	10	22
Graham Hillier ²	50-55	15-20	0-2.5	0-2.5	722	714	7
Kevin Ingram	25-30	35-40	0-2.5	0-2.5	343	303	14
Tim Jones	35-40	105-110	0-2.5	5-7.5	703	611	33
Gareth O'Shea ³	35-40	75-80	7.5-10	15-17.5	574	422	119
Trefor Owen	40-45	0	0-2.5	0	720	634	26
Niall Reynolds	30-35	65-70	0-2.5	(2.5-5)	599	582	(15) ⁵
Catherine Smith	0-5	0	0-2.5	0	31	13	10
Clive Thomas	20-25	60-65	2.5-5	0-2.5	390	327	29

¹ until 31/12/15

² until 26/4/15

³ from 27/4/15

⁴ the factors used to calculate the CETV were reviewed by the scheme actuary in 2015, so the tables of factors used to calculate the CETV in 2015 are not the same as those used to calculate the CETV in 2016.

⁵ taking account of inflation, the CETV funded by the employer has decreased in real terms.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

Real increase in CETV

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

Fair pay disclosure

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

In 2015/16, no employees (2014/15: none) received remuneration in excess of the highest-paid director. The banded remuneration of the highest paid Director in the financial year 2015/16 was £145,000-£150,000 (2014/15 £145,000-£150,000). This was 5.2 times (2014/15, 5.0 times) the median remuneration of the workforce which was £28,215 (2014/15 £29,535). The change in median pay is due to harmonised pay scales and more staff employed at lower rates of pay. Staff pay scales range from £12,250 to £64,624. Directors' remuneration is shown in the table above.

Staff report

Number of staff by headcount and full time equivalent (FTE) at 31st March 2016.

	Male		Female		Total	
	Headcount	FTE	Headcount	FTE	Headcount	FTE
All employees	1222	1197.8	886	802.5	2108	2000.3
of which:						
Leadership team	21	21.0	8	7.1	29	28.1
Executive team	6	6.0	3	3.0	9	9.0

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

	2015/16			2014/15
	Permanent Staff	Others	Total	Total
Directly employed	1,855	57	1,912	1,905
Agency and contract staff	0	89	89	47
Total	1,855	146	2,001	1,952

The average full time equivalent number of staff employed on capital projects was 75.8 (50 in 2014/15)

Staff costs

	2015/16			2014/15
	Permanent Staff	Other Staff	Total	Total
	£'000	£'000	£'000	£'000
Wages and salaries	57,822	7,747	65,569	62,372
Social security costs	4,724	100	4,824	4,739
Other pension costs	13,452	13	13,465	12,177
Total net salary costs	75,998	7,860	83,858	79,288
Other expenditure for staff				
Exit package costs			132	2,790
IAS 19 (Pensions) additional service charge			8,325	7,323
Less early retirement pension costs			(144)	(97)
Less in-year LGPS pension contributions			(7,936)	(7,216)
Transfer to Provision for Annual Compensation Payments			(2)	5
Other staff costs			341	0
Movement in Accrued Holiday Pay			(159)	81
Total other expenditure for staff			557	2,886
Less amounts charged to capital projects			(3,176)	(2,019)
Total staff costs			<u>81,239</u>	<u>80,155</u>

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

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

Bought in services in Note 5 (Other expenditure) includes £6.58m of expenditure on consultants.

Pension schemes

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

Principal Civil Service Pension Scheme contributions

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

www.civilservicepensionscheme.org.uk/about-us/resource-accounts/

For 2015/16, employers' contributions of £5,663k were payable to the PCSPS (2014/15 £4,931k) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2015/16 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Stakeholder partnership pensions

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £44k were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015 and from 8% to 14.75% of pensionable earning from 1 October 2015. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £2k, 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

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

Local Government Pension Scheme contributions

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

The LGPS is a funded, statutory, defined contribution public service pension scheme. Hymans Robertson, the actuary for the EAPF, carries out a triennial valuation of the fund's assets and liabilities in order to ensure that LGPS benefits are properly funded. The assets of the fund are for meeting future pension liabilities. The main purpose of the actuarial valuation is to review the financial position of the fund and to set the level of future contributions for employers in the fund. The latest valuation was carried out as at 31 March 2013 for the three year period from 1 April 2014 to 31 March 2017.

NRW has a community admission agreement with the EAPF in order to participate in the LGPS, which was approved by the Secretary of State for Communities and Local Government in respect of former Environment Agency Wales staff who transferred to NRW on 1 April 2013. The liabilities for former members employed by the Environment Agency in respect of Welsh functions (pensions in payment and deferred members) also transferred. Welsh Government has entered into a guarantee with the EAPF to indemnify them for any liabilities that arise from the participation of NRW in the EAPF.

For 2015/16 the employer's contribution rate was 21.2%. (Contribution rate in 2014/15 was 20.2%). In 2015/16 employer's contributions of £7,936k were paid to the LGPS. (Contributions in 2014/15 were £7,216k)

Exit packages

The number of staff receiving redundancy payment by cost band:	2015/16	2014/15
Under £10,000	4	0
£10,001 - £25,000	3	10
£25,001 - £50,000	0	18
£50,001 - £100,000	0	29
£100,001 - £150,000	0	1
Over £150,000	0	0
Total	7	58

Total resource cost for 2015/16 was £63k. (Total cost of £2,884k in 2014/15)

There were no compulsory redundancies in 2015/16 or in 2014/15.

The voluntary exit costs have been paid in accordance with provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year they are agreed.

Where the legacy bodies agreed early retirements, the costs were accounted for in full in the year when they were agreed and a provision made for future commitments. The annual compensation payments in respect of these are shown in Note 12 (Provisions).

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

Sickness Absence (Unaudited)

Our sickness absence rates as at 31 March 2016 showed an average of 5.2 days lost per employee and equates to 2.37%. This was against a target of an average of up to 7 days lost, which equates to 3.1% of available working days.

Off payroll engagements (Unaudited)

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

- the most senior staff must be on the payroll, unless there were exceptional temporary circumstances which would require Accounting Officer sign-off and could not last longer than six months
- departments (and their arm's length bodies) must be able to seek formal assurance from contractors with off payroll arrangements lasting more than six months and costing over £220 per day that income tax and national insurance obligations are being met. If that assurance is not provided, contracts should be terminated
- Departments (and their arm's length bodies) are required to report to Parliament as part of their Annual Report and Accounts on the outcome of applying the above principles.

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

For all off-payroll engagements as of 31 March 2016, for more than £220 per day and that last for longer than six months	Number of contractors
The total number of existing engagements as of 31 March 2016	27
of which:	
The number that have existed for less than one year at time of reporting	6
The number that have existed for between one and two years at time of reporting	18
The number that have existed for between two and three years at time of reporting	3
The number that have existed for between three and four years at time of reporting	0
The number that have existed for four or more years at time of reporting	0

For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016, for more than £220 per day and that last for longer than six months	Number of contractors
The number of new engagements, or those that reached six months in duration, during the time period.	12
The number of these engagements which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations.	12
The number for whom assurance has been requested	5
of which	
• The number for whom assurance has been requested and received.	5
• The number for whom assurance has been requested but not received	0
The number that have been terminated as a result of assurance not being received	0

Parliamentary and Audit Report (audited)

Losses and special payments

Welsh Government's Managing Public Money rules require disclosure of losses and special payments by category, type and value where they exceed £300k in total and for any individual items above £300k.

Individual losses of more than £300k

There were no losses or special payments over £300k throughout 2015/16.

A provision for of £1,201k was created for the Communities and Nature project in 2014/15 which was used during 2015/16. It is therefore not included in Note 5 in these accounts.

Losses and special payments by category

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

Category or type of loss	2015/16 Number	2015/16 £'000	2014/15 Number	2014/15 £'000
Write-off of irrecoverable debts	56	280	38	187
Write-off of Communities and Nature Project	1	57	1	455
Assets written off	135	456	145	626
Loss of assets	0	0	3	320
Other losses (cash losses, fruitless payments, unenforceable claims, special payments or gifts)	15	57	20	178
Total	207	850	207	1,766

Dr Emyr Roberts
Chief Executive and Accounting Officer

Date: 2 March 2017

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

I certify that I have audited the financial statements of Natural Resources Wales for the year ended 31 March 2016 under paragraph 23 of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012. These comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash flows, Statement of Changes in Taxpayers Equity and related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for preparing the financial statements, in accordance with Paragraph 23 of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012 and Welsh Ministers' directions made there under and for ensuring the regularity of financial transactions.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Natural Resources Wales' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Natural Resources Wales; and the overall presentation of the financial statements.

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

In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate and report.

Opinion on Financial Statements

In my opinion the financial statements:

- give a true and fair view of the state of Natural Resources Wales' affairs as at 31 March 2016 and of its net operating costs for the year then ended; and
- have been properly prepared in accordance with Welsh Ministers' directions issued under Paragraph 23 of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012.

Basis for qualified regularity opinion

Note 6 to the accounts records timber income of £16.5 million in 2015/16.

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

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

Further details on these matters are set out in my accompanying Report on pages 43 to 47.

Qualified opinion on regularity

In my opinion, except for the effects of the failure to comply with its framework of authority and the possible effects of insufficient evidence to conclude on compliance with public law principles in decision making and compliance with state aid rules, as described in the above 'basis for qualified regularity opinion' paragraphs, in all material respects the expenditure and income in the financial statements have been applied to the purposes intended by the National Assembly for Wales and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Welsh Ministers' directions made under Paragraph 23 of the Schedule to the Natural Resources Body for Wales (Establishment) Order 2012; and
- the information in the Annual Report is consistent with the financial statements.

Matters on which I report by exception

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

- the Governance Statement does not reflect compliance with Welsh Ministers' guidance;
- adequate accounting records have not been kept;
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- information specified by Welsh Ministers regarding the remuneration and other transactions is not disclosed.

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

Huw Vaughan Thomas
Auditor General for Wales
2 March 2017

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Report of the Auditor General for Wales Timber Sales Contracts

1. Natural Resources Wales (NRW) is a Welsh Government sponsored body created for the purpose of ensuring that the environment and natural resources of Wales are:
 - sustainably maintained;
 - sustainably enhanced; and
 - sustainably used.¹
2. NRW became operational from 1 April 2013, taking over responsibility for delivering the functions of the former Countryside Council for Wales, Environment Agency Wales, and the Forestry Commission Wales. NRW managed the first two years of its development as a 'transition' stage, aiming to manage continuity whilst bringing together functions from its legacy bodies. In February 2016, I published a Value for Money report on the development of NRW concluding that: 'NRW adopted a sound and well-structured approach to meeting the significant challenges presented by its creation; ensuring continuity in delivering its wide range of functions and with a clear focus on achieving the intended benefits'.² Notwithstanding the matters raised in this report, I remain satisfied that NRW's approach to managing the transition stage was sound and well-structured.
3. Under paragraph 23 of Schedule 1 to the Natural Resources Body for Wales (Establishment) Order 2012 (the 'Establishment Order'), I am required to examine, certify and report on the statement of accounts of NRW. My audit certificate on pages 41 and 42 contains my opinion that the financial statements give a 'true and fair view'.
4. My certificate also includes my 'regularity' opinion, i.e. my opinion on whether the expenditure and income shown in the accounts have been applied to the purposes intended by the National Assembly for Wales and whether the financial transactions conform to the authorities that govern them. This year I have qualified my regularity opinion on the basis that the agreement of eight inter-related timber sales contracts did not comply with the framework of authority under which NRW was operating and, furthermore, on the basis of the information provided by NRW in relation to its decision-making procedure, I have not been able to satisfy myself that the decision to agree those contracts was lawful and did not involve the provision of State aid.
5. It was necessary to undertake extensive unplanned audit enquiries to enable me to give my 'true and fair' audit opinion and my regularity opinion. The issues encountered are legally complex and have necessitated NRW gathering a significant quantity of documentation. It was also necessary for auditors, acting on my behalf, to review that documentation and obtain external legal advice on the issues.
6. The Establishment Order sets a deadline for laying the certified statement of accounts and my audit report before the National Assembly for Wales of within four months of NRW submitting the financial statement to me for audit. NRW submitted its statement on 23 August 2016, so the deadline for laying was 23 December 2016. That timetable, however, is not the only statutory requirement applying to the audit. I am also under a statutory duty to comply with the Code of Audit Practice (the 'Code') pursuant to section 10 of the Public Audit (Wales) Act 2013 (the '2013 Act'). The Code includes several requirements, reflecting the

¹ The Environment Wales Act 2016 amended the general purpose of the Natural Resources Body for Wales to: "The Body must pursue sustainable management of natural resources in relation to Wales, and apply the principles of sustainable management of natural resources, in the exercise of its functions, so far as consistent with their proper exercise."

² The Development of Natural Resources Wales, February 2016

http://audit.wales/system/files/publications/Development_of_Natural_Resources_Wales_English_2016.pdf

need to undertake audit functions properly, including offering audited bodies and relevant third parties the opportunity to comment on findings.

7. In the circumstances, it has not been possible to meet both the requirements of the 2013 Act and the timetable set by the Establishment Order. I am advised by my legal adviser that given the conflicting statutory duties, it was appropriate to give more prominence to the requirements of the 2013 Act and the Code, and I have therefore completed my audit accordingly. It was important to complete the investigatory process properly, including seeking comments from the audited body and relevant third parties to satisfy the requirements of the Code and also to ensure that the audit conclusions are sufficiently rigorous.
8. One of the key operational challenges which had been facing the Forestry Commission in Wales prior to the merger was how to manage and control the spread of *Phytophthora Ramorum* (*P Ramorum*) in larch forests and woodlands. *P Ramorum* is a fungus-like pathogen which causes extensive damage to, and kills a wide range of trees and other plants. *P Ramorum* was detected in Japanese larch in Wales in 2010. Efforts were made to manage the spread of the disease through targeted felling, but the disease spread rapidly. Following its establishment, NRW inherited this challenge and was faced with having to take urgent action to manage and control the disease. During the summer months of 2013, NRW identified that there was a rapid increase in the spread of *P Ramorum* and had to find a long-term solution to combating the disease. I have been told by NRW that its intention in meeting this challenge was primarily and overwhelmingly to increase capacity for dealing with diseased larch and avoid disruption to existing trade in other types of timber.
9. In May 2014, NRW entered into a Memorandum of Agreement with a sawmill operator ('the sawmill operator'). The Memorandum of Agreement related to eight connected timber sales contracts. Under the contractual terms, NRW agreed to sell both standing trees and pre-felled timber to the sawmill operator. The sawmill operator also agreed, as a condition of the contract, that it would construct and operate a new saw line at its Welsh premises by 31 March 2016.
10. In my estimation, the purchase price the sawmill operator agreed with NRW amounts to approximately £72 million over the ten year duration of the contracts. However, the sawmill operator is entitled to deduct from the purchase price agreed costs for felling, extraction, haulage and management fees. In consequence, NRW estimates that the contract value to NRW will be approximately £39 million over the ten year contractual period.
11. NRW has estimated that the annual volume of timber sold to the sawmill operator under the terms of the contract to be between 20% and 25% of the annual total timber released by NRW per annum.
12. During the course of my audit of NRW's 2015/16 accounts, I received correspondence from an interested party raising concerns regarding the way in which NRW awarded contracts to the sawmill operator in May 2014. These concerns included:
 - (a) NRW awarded the contracts for the sale of spruce without seeking competition from the market;
 - (b) lack of transparency within NRW's decision-making processes;
 - (c) the required contracted investment in the operator's Welsh premises had not been made;
 - (d) the impact on the wider supplier market of awarding high volume long-term contracts to one supplier; and
 - (e) whether the decision to award the contracts to the sawmill operator represented good value for money.
13. These concerns appeared to me to raise questions about the regularity of transactions relating to the contracts signed in May 2014, and I have examined the award of the timber sales contracts accordingly.

14. I have not sought to examine whether the contracts entered into by NRW represented value for money. This is because such value for money examinations do not form part of my financial audit of the financial statements, which is performed in accordance with legislation and United Kingdom auditing standards prescribed by the Financial Reporting Council.
15. My main conclusions are as follows:

Compliance with framework of authority

16. The decision to award a number of very significant contracts to the sawmill operator was, in my view, contentious and repercussive. This was due to a combination of factors, in particular:
 - The size of the contracts.
 - The contracts for larch and spruce were awarded following a competitive tender for larch contracts (in which the sawmill operator was not the winning bidder. However, NRW decided to offer contracts for larch to all three bidders) and therefore no other potential purchasers were given the opportunity to purchase the volume of larch and spruce timber which was ultimately awarded to the sawmill operator. NRW contends that there was no market for diseased larch based on (a) the lack of interest shown in the sale of 21 individual parcels of trees offered to the market and (b) that only three bids were received in response to a tender issued in April 2013 for two long-term contracts (LTCs) for clearance and marketing of infected Larch stands over a five year period. In my view, the size of those parcels and the tender offer are not comparable to the offer of eight LTCs for both diseased larch and spruce, particularly as the sawmill operator itself made clear that four LTCs for larch would be insufficient for it to invest in the new saw line. The contract volume awarded to the sawmill operator was designed to enable it to make major investment in its sawmill. This investment enabled the sawmill operator to significantly increase its processing capacity. NRW contends that it was highly unlikely that any other operators would have been interested in such significant volumes of diseased larch and in the timescales in which NRW had to act. NRW has told me that it was aware of the risk of challenge on this point but that their 'professional view was that there was no alternative'. However, there is little within the contemporaneous documentation to evidence that NRW officials gave careful consideration to whether higher volumes might draw interest from a wider range of timber companies (ie, companies that did not bid in the 2013 competition) nor whether those volumes might have sufficed to encourage other competitors to invest in additional capacity. In my view, the commitment of NRW to sell the sawmill operator a high volume of timber over a ten year period would appear to be an opportunity which other operators may have been interested in.
 - The decision to award the contracts was not informed by relevant market testing.
 - NRW acknowledged in its internal documents that the award of the contracts in this way gave rise to risks including the risk of challenge by another operator.

17. Under the terms of the Framework Agreement provided to NRW by the Welsh Government³, and the then extant Welsh Government publication: 'Managing Welsh Public Money'⁴, NRW was required to refer to the Welsh Government activities which appeared novel, contentious or repercussive.
18. NRW officials did inform the Board and the Welsh Government that it was seeking to negotiate with the sawmill operator and to warn the Welsh Government that the sawmill operator might seek to lobby Welsh Ministers because the sawmill operator was unhappy with a contract offer NRW had made to it in August 2013. However, NRW did not refer its proposal to contract with the sawmill operator in May 2014 to the Welsh Government as a contentious or repercussive proposal. NRW has told me that at the time it did not regard the award of the contracts as contentious or repercussive. In my view, NRW should have referred the matter and therefore did not operate within the framework of authority to which it was subject. In consequence, the contractual transactions with the sawmill operator were in my view irregular.

Compliance with public law principles in decision-making

19. The decision-making process which led to the award of contracts to the sawmill operator in May 2014 was in my view neither robust nor transparent. NRW has not been able to provide me with sufficient contemporaneous documentation to adequately demonstrate the considerations it took into account in deciding to enter into these contracts with the sawmill operator. NRW considers the decision to enter contracts with the sawmill operator was taken lawfully, however, in the absence of sufficient evidence, I have been unable to satisfy myself that NRW's decision to enter into these contracts with the sawmill operator was taken in accordance with public law principles. I note that NRW disputes this conclusion.
20. Whilst I have significant concerns regarding the decision-making process, the evidence is not sufficient for me to reach a conclusion that the decision to enter into the contracts was in breach of public law principles. My uncertainty does not mean that the contracts should now be regarded as unlawful, nor does it mean they represent poor value for money. The decisions to award the contracts remain valid in the absence of any challenge and quashing by a Court. My conclusions arise in the context of my audit functions and do not bear on the validity or enforceability of the decisions taken by NRW (and I note NRW's point that none of the industry representatives sought to bring a challenge to the award of the contracts). My regularity opinion, however, takes the form of positive assurance, which means that I state whether transactions are in accordance with the authorities that govern them. Given the significant uncertainty, I am unable to give an unqualified regularity opinion on the financial statements.

Compliance with State aid rules

21. Under Article 107 of the EU Treaty on the Functioning of the European Union, State aid is aid granted from State resources in any form which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods, in so far as it affects trade between Member States. The provision of State aid is unlawful unless authorised in advance, whether by an existing 'block exemption' or by individual authorisation granted by the European Commission in response to a notification from the relevant State. I have sought legal advice on whether or not the award of the contracts constituted a grant of State aid to

³ The NRW Framework Document was drawn up by the Welsh Government in consultation with NRW. It sets out the broad framework of accountabilities within which NRW operates and details the terms and conditions under which the Welsh Ministers provide grant-in-aid to NRW.

⁴ Managing Welsh Public Money sets out the framework and principles which must be applied by the Welsh Government, its sponsored bodies, the NHS in Wales, its commissioners, the Education Workforce Council, Estyn and the Welsh Government's subsidiary bodies.

the sawmill operator. I am advised that this turns on whether or not those contracts constituted the provision of an 'economic advantage' and the value of that advantage was potentially material to inter-State trade (a benchmark for materiality in this context is the European Commission's State aid *de minimis* threshold of €200,000). There would be no such advantage if the contracts were concluded on market terms. NRW considers that the contracts were on market terms but it is apparent from the contemporaneous documents that the terms of the contracts were not determined either by the outcome of a competition for meeting NRW's relevant requirements, or by other relevant market testing focused upon those requirements.

22. In my view, NRW's decision to award the contracts to the sawmill operator was not informed by relevant market testing, and was also not supported by persuasive reasoning to support a conclusion that seeking alternative providers would inevitably have proved fruitless. In my view, NRW failed to follow appropriate processes for ensuring that the outputs for which it contracted with the sawmill operator were obtained on market terms. This failure gives rise to doubt as to the compliance of the contracts with the State aid rules. In view of this uncertainty, I am unable to give an unqualified regularity opinion on the financial statements. I note that NRW disagrees with my analysis of the State aid position and relies on legal advice (which it sought during the course of my audit and shared with me) to the effect that among other things, the award complied with State aid rules.
23. The Chief Executive of Natural Resources Wales has told me that he considers that qualification of the regularity opinion is disproportionate to the shortcomings identified and that he disagrees with my conclusions and relies on legal advice which NRW sought during the course of my audit. However, I have sought my own legal advice from Counsel (including in relation to NRW's legal advice) and I agree with the advice I have received, which is to the effect that there is insufficient evidence to conclude that the decision-making process was in compliance with public law principles and State aid rules. The significant uncertainty which exists means that I consider the correct and proportionate action for me to take as the auditor of NRW is to qualify my regularity opinion.

FINANCIAL STATEMENTS and NOTES TO THE ACCOUNTS

for 2015/16

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2016

	Note	2015/16 £'000	2014/15 £'000
Staff costs	3	81,239	80,155
Capital works expensed in year	4	14,834	15,518
Other expenditure	5	92,737	102,427
Total operating expenditure		<u>188,810</u>	<u>198,100</u>
Charge income	6	(36,969)	(38,027)
Commercial and other income	6	(27,735)	(28,726)
European and other external funding	6	(1,540)	(2,287)
Total operating income		<u>(66,244)</u>	<u>(69,040)</u>
Net operating expenditure		<u>122,566</u>	<u>129,060</u>
Financing on pension scheme assets and liabilities	13.3	2,439	2,116
Net expenditure for the year		<u>125,005</u>	<u>131,176</u>
Other comprehensive net expenditure			
Net gain from transfer of functions	1.6	(275)	0
Pension actuarial remeasurements	13.3	(33,179)	24,778
Revaluation			
Net loss / (gain) on revaluation		15,996	(19,996)
Total comprehensive net expenditure for the year		<u><u>107,547</u></u>	<u><u>135,958</u></u>

The notes on pages 53 to 81 form part of these accounts.

Statement of Financial Position

As at 31 March 2016

		31 March 2016	31 March 2015
	Note	£'000	£'000
Non-current assets			
Property plant and equipment	7.1	752,001	644,900
Heritage assets	7.1	6,432	6,432
Biological assets	7.1	102,450	117,881
Intangible assets	7.2	13,340	8,397
Financial assets		140	220
Total non-current assets		<u>874,363</u>	<u>777,830</u>
Current assets			
Assets held for sale		180	979
Inventories		759	835
Trade and other receivables	9	16,496	17,460
Cash and cash equivalents	10	22,735	26,798
Total current assets		<u>40,170</u>	<u>46,072</u>
Total assets		<u>914,533</u>	<u>823,902</u>
Current liabilities			
Trade and other payables	11	(19,568)	(25,911)
Provisions	12	(1,582)	(2,955)
Total current liabilities		<u>(21,150)</u>	<u>(28,866)</u>
Assets less current liabilities		<u>893,383</u>	<u>795,036</u>
Non-current liabilities			
Pension liabilities	13.3	(46,957)	(76,104)
Financial liabilities	8	(39,991)	(39,973)
Total non-current liabilities		<u>(86,948)</u>	<u>(116,077)</u>
Assets less liabilities		<u>806,435</u>	<u>678,959</u>
Taxpayers' equity and other reserves			
General fund	SoCTE	197,532	211,460
Revaluation reserve	SoCTE	655,860	543,603
Pensions reserve	SoCTE	(46,957)	(76,104)
Total taxpayers' equity		<u>806,435</u>	<u>678,959</u>

The notes on pages 53 to 81 form part of these accounts.

Dr Emyr Roberts
Chief Executive & Accounting Officer

Date: 2nd March 2017

Statement of Cash Flows

For the year ended 31 March 2016

	Note	2015/16 £'000	2014/15 £'000
Cash flows from operating activities			
Net operating expenditure	SoCNE	(122,566)	(129,060)
Adjustment for non-cash transactions		17,902	15,245
(Increase)/Decrease in trade and other receivables	9	802	1,865
Increase/(Decrease) in trade and other payables	11	(8,112)	8,199
Increase/(Decrease) in provisions	12	(1,356)	861
Net cash flow from operating activities		<u>(113,330)</u>	<u>(102,890)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7.1	(2,606)	(7,457)
Purchase of intangible assets	7.2	(6,627)	(2,934)
Proceeds on disposal of property, plant and equipment		1,130	631
Net cash flow from investing activities		<u>(8,103)</u>	<u>(9,760)</u>
Cash flows from financing activities			
Cash receipt on transfer of functions	1.6	927	0
Grants from Welsh Government	SoCTE	116,443	124,337
Net Financing		<u>117,370</u>	<u>124,337</u>
Net increase in cash and cash equivalents in the period		(4,063)	11,687
Cash and cash equivalents at the beginning of the period		<u>26,798</u>	<u>15,111</u>
Cash and cash equivalents at the end of the period	10	<u><u>22,735</u></u>	<u><u>26,798</u></u>

The notes on pages 53 to 81 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2016

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

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

The notes on pages 53 to 81 form part of these accounts.

Comparative figures for the year ended 31 March 2015

	General Fund £'000	Revaluation Reserve £'000	Pension Reserve £'000	Total £'000
Opening Balance	188,256	511,056	(49,200)	650,112
Comprehensive net expenditure for year	(135,958)	0	0	(135,958)
In Year Movement				
Opening balance correction	183	(183)	0	0
Assets from previous years	160	0	0	160
In year revaluation	0	40,308	0	40,308
Realised revaluation	7,578	(7,578)	0	0
Actuarial loss on pension scheme	24,778	0	(24,778)	0
Increase in pension liability	2,126	0	(2,126)	0
Total in-year movement	34,825	32,547	(26,904)	40,468
Funding				
Grants from Welsh Government	124,337	0	0	124,337
Balance at 31 March 2015	211,460	543,603	(76,104)	678,959

Note 1 Accounting policies

1.1 Requirement to prepare accounts

The financial statements have been prepared in accordance with the 2015/16 Government Financial Reporting Manual (FReM) issued by HM Treasury and with the accounts direction given by the Welsh Government in accordance with paragraph 23(1) of the Natural Resources Body for Wales (Establishment) Order 2012.

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

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

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

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

1.2 Accounting convention

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

These financial statements are based on the going concern principle.

1.3 Income, expenditure and grants

The accruals basis of accounting means that income and expenditure disclosed in the accounts are accounted for in the year that it takes place, not when cash payments are made or received, apart from option fees income received from windfarm operators which is included in the year in which it is received. The full value of windfarm option fees is shown within renewable energy income in note 6, and the net payment to Welsh Government included in operational costs in note 5.

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

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

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

1.4 Value added tax

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

1.5 Grant in aid

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

1.6 Internal drainage districts and transfer of functions

On 1st April 2015 the functions, staff and assets of the Caldicot & Wentlooge, Lower Wye and Powysland internal drainage boards transferred to NRW. In accordance with the FReM, this transfer will be accounted for as a transfer by absorption and as such, there is no requirement to restate comparatives in primary statements nor adjust the carrying values of assets and liabilities to fair value. The net assets of £275k will be recorded through the Statement of Comprehensive Net Expenditure as a net gain from the transfer of functions. Adjustments of £84k required to achieve uniformity of accounting policies are shown against the general fund.

Analysis of gain on transfer of functions

	£'000
Non-current assets	777
Other assets	83
Cash	927
Pension liabilities	(1,221)
Other liabilities	(291)
Total	<u>275</u>

NRW now acts as the drainage board that runs these internal drainage districts, along with eleven other internal drainage districts located in North Wales. The work undertaken in each district is funded by a combination of drainage rates levied on occupiers of agricultural land and special levies paid by local authorities in respect of non-agricultural land.

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

The three internal drainage boards approved the work programmes and associated drainage rates and special levies for 2015/16 that NRW inherited. The drainage rates, special levies and precepts for 2015/16, in relation to the existing eleven internal drainage districts were set by NRW, acting as the drainage board. This income is included in Note 6.

1.7 Adoption of new and revised IFRS or FReM interpretations

FReM

Every year HM Treasury issues a new FReM which interprets IFRS for the public sector. The form and content of the annual report and accounts for 2015/16 has been changed in line with the amendments made to the FReM reflecting the outcomes of the Simplification and Streamlining Statutory Annual Report and Accounts project. The main changes include the introduction of three parts to the Annual Report and Accounts and the requirement to disclose policies and notes for material items only. Categories within statements and notes have been merged where appropriate, and figures for 2014/15 restated accordingly.

IFRS

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

1.8 Financial provisions (Landfill sites)

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

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

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

1.9 Notes to the accounts

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

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

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

2. Analysis of net operating expenditure by segment

For year to 31 March 2016

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

These segments are components for which financial information is managed and reported internally. Income and expenditure shown above were directly attributed to the segments

Description of segments

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

In 2015/16 the ICT Service was transferred from Finance and Corporate Services to Chief Information Officer.

Analysis of net operating expenditure by segment (continued)

Comparatives for year to 31 March 2015

	Transition	OD & People Management	Finance & Corporate Services	National Services	Operations North & Mid Wales	Operations South	Knowledge Strategy & Planning	Chief Executive, Governance & Planning	External Relations & Communications	Centrally Controlled	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reported by segments											
Expenditure	6,435	5,529	31,323	44,004	25,603	32,275	28,864	3,847	1,073	19,147	198,100
Income	0	0	(36,081)	(25,269)	(3,132)	(1,643)	(2,998)	(354)	0	437	(69,040)
Total	6,435	5,529	(4,758)	18,735	22,471	30,632	25,866	3,493	1,073	19,584	129,060
Capital Expenditure	6,874	0	1,501	1,673	217	409	0	0	0	0	10,674

3 Staff costs

Details of staff costs and numbers are now disclosed in the Accountability section on page 36.

4. Capital works expensed in year

	2015/16	2014/15	31 March 2016	31 March 2015
Categories	Actual £'000	Actual £'000	Committed £'000	Committed £'000
Operational Work	13,368	13,480	2,304	6,486
Capital grants	1,466	2,038	1,481	0
Total	14,834	15,518	3,785	6,486

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

- Flood defence assets built on land which is not owned by NRW but where it has permissive powers to maintain the defence.
- Assets where it is not possible to check for impairment, for example beach replenishment, so it is more prudent to write the asset off in year.

Operational work includes:

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

Capital grants

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

5. Other expenditure

	2015/16 £'000	2014/15 £'000
Cash items		
Bought in services	20,324	18,919
Service levels agreements	9,535	14,607
Reservoir operating agreements	6,892	6,938
Grants	5,384	8,222
Materials and equipment	4,073	2,931
Forest roads network maintenance	3,955	3,365
Office running costs	3,871	5,010
Operational costs	3,609	3,686
ICT costs	3,086	6,222
Collaborative agreements	2,894	2,899
Fleet costs	2,794	3,613
Travel and subsistence	2,360	3,077
Staff related costs	2,026	1,639
Rents	2,007	1,938
Fees and court costs	852	1,103
Rates	795	780
Statutory audit fees	143	171
Write-offs and special payments	57	498
Finance lease interest	51	40
European grants	33	474
Donations	0	5
Sub-total	74,741	86,137
Non-cash expenditure		
Depreciation and amortisation	9,787	7,211
Value of felled trees	6,970	6,644
Prior year expenditure on assets	794	801
Write-offs	793	642
Asset review adjustments	85	626
Movement on provision for doubtful debt	57	(427)
Movement on other provisions	(17)	1,072
(Gain) / Loss on disposal	(473)	(279)
Sub-total	17,996	16,290
Total	92,737	102,427

Details of write-offs and special payments are now shown in the Accountability section on page 40.

6. Income analysis

	2015/16 £'000	2014/15 £'000
Abstraction charges	18,797	20,434
Environmental permitting regulations: water quality	6,272	6,523
Environmental permitting regulations: installations	3,033	3,028
Environmental permitting regulations: waste	2,183	2,432
Nuclear regulation	1,765	1,336
Fishing licences	1,380	1,468
Other environmental protection charges	1,218	917
Hazardous waste	1,013	981
Water resources rechargeable works	675	453
Marine licensing	322	184
Emissions trading and carbon reduction commitment	311	271
Charge Income	36,969	38,027
Timber income	16,475	16,336
Renewable energy income	4,927	7,522
Income from estates	2,917	2,512
Internal drainage district income	1,401	472
Provision of information and services	923	1,194
Legal costs recovered and Proceeds of Crime Act income	589	468
Income towards site clean up costs	500	0
Interest receivable	55	41
Miscellaneous income	(52)	181
Commercial and other income	27,735	28,726
European income ⁺	792	2,080
Grants and contributions	748	207
European and other external funding	1,540	2,287
Total income	66,244	69,040

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

6.1 Analysis of fees and charges

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

Comparative figures - year ending 31 March 2015	Income billed £'000	Expenditure £'000	Surplus/ (Deficit) £'000
Abstraction charges	20,225	20,434	(209)
Environmental permitting regulations: water quality	6,562	6,523	39
Environmental permitting regulations: installations	2,946	2,939	7
Environmental permitting regulations: waste	2,319	2,432	(113)
Nuclear regulation	1,600	1,336	264
Fishing licences	1,468	1,468	0
Other environmental protection charges	828	917	(89)
Hazardous waste	1,101	981	120
Water resources rechargeable works	453	453	0
Marine licences	184	499	(315)
Emissions trading and carbon reduction commitment	271	271	0
Total	37,957	38,253	(296)

Income from charges for the regulation of businesses in Wales to monitor and control their impact on the environment, whether air, water or land, is derived from a combination of fees and charges.

Accumulated surpluses and deficits are treated as deferred income or accrued income depending on whether the charging scheme is in surplus or deficit. These balances are only treated as deferred or accrued income where there is an expectation that the balances will be recoverable over a reasonable period of time. The balances are considered when setting future years' fees and charges, to enable a break even position to be achieved over a reasonable time period, which is currently considered to be three years.

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

Costs funded by grant-in-aid have been excluded from the table above. The above table does not include the effect of IAS 19 pension adjustments as these costs/benefits are not passed on to charge payers. The financial objective is full cost recovery including current cost depreciation and a rate of return on relevant assets.

The key activities of each area are listed below:

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

7. Non-current assets

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

Recognition

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

Measurement

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

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

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

Indexation and Revaluation

All assets apart from heritage assets, vehicles and those under construction are indexed annually using an appropriate index under the modified historical cost convention.

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

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

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

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

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

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

Operational structures are used in NRW's service delivery and are specific in nature, location or function. It is not possible to revalue these assets effectively using market comparatives or professional valuations.

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

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

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

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

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

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

Disposals

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

Revaluation Reserve

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

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

An amount representing the difference between the depreciation charged on the revalued assets and that which would have been charged if the assets were shown at cost is transferred from the revaluation reserve to the general fund.

Impairment

Non-current assets are subject to annual impairment reviews. Impairments are recognised when the recoverable amount of non-current assets falls below their net book value, as a result of either a fall in value owing to market conditions or a loss in economic benefit. Downward revaluations resulting from changes in market value only result in an impairment where the asset is revalued below its historical cost carrying amount. The FReM requires that the effect of downward revaluation is firstly set against any accumulated balance in the revaluation reserve. Any amount in addition to this is recognised as impairment through the Statement of Comprehensive Net Expenditure. Any loss of economic benefit is recognised in full against expenditure. An amount to the value of the impairment is transferred from the revaluation reserve to the general fund for the individual assets concerned.

Non-current assets held for sale

Non-current assets are classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. Depreciation ceases immediately on the classification of the assets as being held for sale. They are stated at the lower of their carrying amount and fair value less costs to sell. They are recorded as current assets in the Statement of Financial Position.

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

7.1 Tangible non-current assets

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

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

Comparative figures for period to 31 March 2015

	Forest estate	Other land	Buildings	Plant and machinery	Information technology	Operational structures	Assets under construction	Total Property Plant & Equipment	Biological assets	Heritage assets	Total Tangible Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation											
At 1 April 2014	495,112	39,442	18,897	23,242	3,327	52,859	11,401	644,280	100,051	6,432	750,763
Adjustment to opening balance	0	(8)	0	(6)	0	0	(1)	(15)	0	0	(15)
Additions from verification	0	160	0	0	0	0	0	160	0	0	160
Additions	0	73	0	1,077	4,059	140	2,108	7,457	0	0	7,457
Assets commissioned in year	0	8	0	851	6,509	2,908	(10,276)	0	0	0	0
Asset review adjustments and write-offs	0	(39)	(142)	(1,099)	(112)	(405)	0	(1,797)	0	0	(1,797)
Prior year costs expensed	0	(129)	0	0	0	(75)	(189)	(393)	0	0	(393)
Disposals	(9)	(53)	0	(243)	0	(45)	(18)	(368)	(3)	0	(371)
Reclassified as held for sale	(9)	(969)	0	0	0	0	0	(978)	0	0	(978)
Fellings	(5,200)	0	0	0	0	0	0	(5,200)	(1,868)	0	(7,068)
Indexation	34,403	1,361	1,045	(75)	138	4,612	0	41,484	19,701	0	61,185
Reclassification	0	(189)	1,081	9	(9)	(1,085)	0	(193)	0	0	(193)
At 31 March 2015	524,297	39,657	20,881	23,756	13,912	58,909	3,025	684,437	117,881	6,432	808,750
Depreciation											
At 1 April 2014	0	0	4,157	14,820	2,257	12,507	0	33,741	0	0	33,741
Adjustment to opening balance	0	0	0	(6)	0	0	0	(6)	0	0	(6)
Charged in year	0	0	681	2,545	1,125	1,636	0	5,987	0	0	5,987
Asset review adjustments and write-offs	0	0	(142)	(869)	(108)	(89)	0	(1,208)	0	0	(1,208)
Disposals	0	0	0	(199)	0	(9)	0	(208)	0	0	(208)
Indexation	0	0	217	(46)	25	1,035	0	1,231	0	0	1,231
Reclassification	0	0	407	0	0	(407)	0	0	0	0	0
At 31 March 2015	0	0	5,320	16,245	3,299	14,673	0	39,537	0	0	39,537
Carrying amount at 1 April 2014	495,112	39,442	14,740	8,422	1,070	40,352	11,401	610,539	100,051	6,432	717,022
Carrying amount at 31 March 2015	524,297	39,657	15,561	7,511	10,613	44,236	3,025	644,900	117,881	6,432	769,213
Asset Financing											
Owned	508,915	36,429	15,561	6,519	10,613	44,236	3,025	625,298	117,881	6,432	749,611
Leased	15,382	3,228	0	992	0	0	0	19,602	0	0	19,602
Carrying amount at 31 March 2015	524,297	39,657	15,561	7,511	10,613	44,236	3,025	644,900	117,881	6,432	769,213

Buildings include dwellings with a carrying amount of £416k. Our other buildings are offices and workbases.

7.1.1 Forest estate

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

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

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

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

Estimation techniques, assumptions and judgements

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

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

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

The apportionment of trees between biological assets and property, plant and equipment was carried out by Natural Resources Wales staff using judgements and estimates. An assessment was made of the proportion primarily held for economic purposes and the resulting percentage was used to determine the value of trees classed as a biological asset. Should there be an acquisition or disposal of land that would create a total change in our forest estate land holding of ten per cent or more, an interim review of the assessment would take place. There was no such change during the period ending 31 March 2016. The percentage split is currently 26% for biological assets and 74% for Property, Plant and Equipment. As required under IAS 41, the fair value of biological assets is reduced by estimated costs to the point of sale. These costs are estimated at five per cent of timber values and reflect the costs of selling the woodland or forest.

Lake Vyrnwy joint afforestation scheme

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

7.1.2 Heritage assets

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

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

As at 31 March 2016 Natural Resources Wales manages 58 of Wales's National Nature Reserves, either entirely, or in partnership and one Marine Nature Reserve (MNR). No material land purchases have been made during the last three financial years.

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

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

7.2 Intangible non-current assets

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

Comparative figures for period to 31 March 2015

	Software Licences	Other Licences	Software Development Expenditure	Web Site	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April 2014	2,608	2,045	4,803	0	1,801	11,257
Additions	1,075	2	0	39	1,958	3,074
Assets commissioned in year	2,124	249	0	116	(2,489)	0
Asset review adjustments and write-offs	(937)	(23)	(487)	0	0	(1,447)
Prior year costs expensed	0	0	0	0	(408)	(408)
Indexation	260	141	238	10	0	649
Reclassification	0	193	0	0	0	193
At 31 March 2015	5,130	2,607	4,554	165	862	13,318
Amortisation						
At 1 April 2014	2,038	0	2,492	0	0	4,530
Charged in year	351	26	847	0	0	1,224
Asset review adjustments and write-offs	(937)	0	(155)	0	0	(1,092)
Indexation	57	2	200	0	0	259
At 31 March 2015	1,509	28	3,384	0	0	4,921
Carrying Amount at 1 April 2014	570	2,045	2,311	0	1,801	6,727
Carrying Amount at 31 March 2015	3,621	2,579	1,170	165	862	8,397
Asset Financing						
Owned	3,621	2,579	1,170	165	862	8,397
Carrying Amount at 31 March 2015	3,621	2,579	1,170	165	862	8,397

8. Financial liabilities and instruments

8.1 Financial liability

The financial liability of £39,991k reported in the Statement of Financial Position includes £39,844k of liability from reservoir operating agreements.

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

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

£5,226k was paid to Dŵr Cymru Welsh Water during 2015/16 (£5,189k in 2014/15) for the indexed fixed payments. These are included with other payments under the reservoir operating agreements in Note 5.

8.2 Financial instruments

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

9. Trade and other receivables

	31 March 2016 £'000	31 March 2015 £'000
Trade receivables	6,520	5,951
Provision for doubtful debt	(413)	(355)
Accrued income	3,869	3,158
VAT receivable	3,129	3,102
Prepayments	2,009	1,740
Accrued European income	1,201	3,138
Other receivables	158	515
Deposit	23	211
Total	16,496	17,460

10. Cash and cash equivalents

	31 March 2016 £'000	31 March 2015 £'000
Opening balance	26,798	15,111
Net change in cash and cash equivalent balances	(4,063)	11,687
Total	22,735	26,798

The following balances were held at 31 March

Government Banking Service	17,695	32,075
Other bank accounts	5,039	(5,278)
Cash in hand	1	1
Total	22,735	26,798

11. Trade and other payables

	31 March 2016 £'000	31 March 2015 £'000
Trade payables accrual	7,273	13,956
Deferred income	6,705	6,007
Holiday pay	1,606	1,765
Trade payables	1,464	1,237
Finance leases	718	1,219
Customer deposits and receipts in advance	271	268
Other payables	106	55
Bonds and deposits	1,425	1,404
Total	19,568	25,911

12. Provisions

	Early departure costs £'000	Other £'000	Total £'000
Balance at 1 April 2015	415	2,540	2,955
Provided in the year	0	1,287	1,287
Released in year	(5)	(1,303)	(1,308)
Used in the year	(154)	(1,201)	(1,355)
Unwinding of discount	3	0	3
Balance at 31 March 2016	259	1,323	1,582
Estimated timing of discounted cash flows			
Due within one year	131	1,323	1,454
Due between one and five years	128	0	128
Total	259	1,323	1,582

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

Where material, the future costs of provisions are discounted using the rates directed by HM Treasury.

Provision for early departure costs consist of annual compensation payments to former staff who left under legacy bodies' early retirement programmes. These payments are indexed by the consumer price index and continue until each individual reaches pensionable age. The provision represents the cost to Natural Resources Wales, using an indexation rate of 0% (2014/15 1.2%), and discounted by the HM Treasury discount rate of 1.2% (2014/15 1.2%)

Other provisions include £1,197k of grant offers to fund work to be undertaken up to 31 March 2016 but which will not to be claimed until June 2016 and £126k for other claims. It is expected that all of these will be paid within the next twelve months.

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

13. Pension obligations

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

Civil Service Pension Scheme

CSPS is open to new employees.

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 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 note that 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

Local Government Pension Scheme (LGPS)

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

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

The total pension charge for NRW was £8.325 million. The pension charge relating to the scheme was assessed in accordance with the advice of an independent qualified actuary using the projected unit method of valuation to calculate the service costs.

The latest triennial actuarial valuation of the EAPF was at 31 March 2013. The assets taken at market value (£2.1 billion) were sufficient to cover 90% of the value of liabilities in respect of past service benefits which had accrued to members. NRW has accepted the independent actuary's recommendation in respect of future employer contributions. The next triennial actuarial valuation will be as at 31st March 2016 and will be used to set employer contribution rates for the three year period starting 1st April 2017.

The annual report and financial statements for the EAPF report that it had sufficient assets to meet 85% of its expected future liabilities at 31 March 2016 on an ongoing funding basis. NRW's share of the EAPF's liabilities as reported in these financial statements is calculated using different actuarial assumptions, required by IAS19, to those used in the EAPF's annual report. This leads to a different funding level to that reported by the EAPF.

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

A number of assumptions are made as part of the actuarial valuation process. The prudent actuarial assumptions used do not represent a view on what future pay movements may be. It has been assumed that present and future pensions in payment will increase at the rate of 1.9% per annum. The estimated contribution payable by NRW, excluding any discretionary lump sum payments, for the year to 31 March 2017 will be approximately £6.480 million.

The notes below set out the disclosure requirements of IAS 19 for the current year in relation to NRW's participation in the EAPF. All calculations have been made by a qualified independent actuary and were based on the most recent actuarial valuation of the fund at 31 March 2013 updated to 31 March 2016. The assumptions underlying the calculation of a net liability at 31 March 2016 are only used for accounting purposes as required under IAS 19. There is no requirement for the reported net liability to be met as a lump sum. Cash contributions paid by NRW to the pension fund will continue to be set by reference to assumptions agreed at each triennial actuarial valuation of the scheme.

13.1 Financial and longevity assumptions

Period Ended	31 Mar 2016	31 Mar 2015
	% p.a.	% p.a.
Pension Increase Rate	1.90%	2.10%
Salary Increase Rate	3.40%	3.50%
Discount Rate	3.50%	3.20%

Average future life expectancy at 65	Males	Females
Current Pensioners	22.6 years	24.5 years
Future Pensioners (People aged 65 in 20 years)	24.7 years	27.0 years

13.2 Fair Value of Assets for the year ended 31 March 2016

Asset Category	31 March 2016 (£'000)				
	Quoted	Unquoted	Undetermined	Total	%
Equity Securities:					
Common Stock	80,441	291	0	80,732	30%
Preferred Stock	0	0	0	0	0%
Rights/Warrants	0	0	0	0	0%
Other Equity Assets	817	0	0	817	0%
Debt Securities:					
UK Government Bonds	0	26,123	0	26,123	10%
Corporate Bonds	0	22,548	0	22,548	8%
Other	0	1,507	0	1,507	1%
Pooled Investment Vehicles:					
Equities	0	0	42,082	42,082	16%
Bonds	620	0	41,349	41,969	16%
Funds - Common Stock	1,146	0	8,869	10,015	4%
Funds - Real Estate	392	1,564	11,837	13,793	5%
Funds - Venture Capital	0	0	0	0	0%
Venture Capital and Partnerships:					
Partnerships & Real Estate	0	21,316	0	21,316	8%
Other Investment:					
Stapled Securities	488	0	0	488	0%
Derivative Contracts:					
Equity Derivatives - Futures	4	0	0	4	0%
Forward FX Contracts	0	0	98	98	0%
Cash and Cash equivalents					
All	5,179	(25)	744	5,898	2%
Totals	89,087	73,324	104,979	267,390	100%

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

Period ended 31 March 2016	Assets	Obligations	Net (liability)/ asset
	£'000	£'000	£'000
Fair value of employer assets	258,249	0	258,249
Present value of liabilities	0	334,353	(334,353)
Present value of unfunded liabilities	0	0	0
Opening Position as at 31 March 2015	258,249	334,353	(76,104)
Service cost			
- Current service cost*	0	8,227	(8,227)
- Past service cost (including curtailments)	0	98	(98)
- Effect of settlements	0	0	0
Total service cost	0	8,325	(8,325)
Net interest			
- Interest income on plan assets	8,315	0	8,315
- Interest cost on defined benefit obligation	0	10,754	(10,754)
- Impact of asset ceiling on net interest	0	0	0
Total net interest	8,315	10,754	(2,439)
Total defined benefit cost recognised in Profit or (Loss)	8,315	19,079	(10,764)
Cashflows			
- Plan participants' contributions	2,111	2,111	0
- Employer contributions	8,080	0	8,080
- Contributions in respect of unfunded benefits	0	0	0
- Benefits paid	(6,993)	(6,993)	0
- Unfunded benefits paid	0	0	0
Effect of business combinations and disposals	2,432	3,780	(1,348)
Expected closing position	272,194	352,330	(80,136)
Remeasurements			
- Change in demographic assumptions	0	0	0
- Change in financial assumptions	0	(35,130)	35,130
- Other experience	0	(2,853)	2,853
- Return on assets excluding amounts included in net interest	(4,804)	0	(4,804)
- Changes in asset ceiling	0	0	0
Total remeasurements recognised in Other Comprehensive Income (OCI)	(4,804)	(37,983)	33,179
Exchange differences	0	0	0
Fair value of employer assets	267,390	0	267,390
Present value of funded liabilities	0	314,347	(314,347)
Present value of unfunded liabilities	0	0	0
Closing position as at 31 March 2016	267,390	314,347	(46,957)

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

13.4 Sensitivity analysis

Change in assumptions at 31 March 2016:	Approximate % increase to employer liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	12%	38,207
1 year increase in member life expectancy	3%	9,430
0.5% increase in the Salary Increase Rate	5%	15,205
0.5% increase in the Pension Increase Rate	7%	22,262

14. Capital commitments

	31 March 2016 £'000	31 March 2015 £'000
Property plant and equipment		
Plant and machinery	24	34
Transport equipment	759	138
IT equipment	48	154
Operational structures	222	544
Total	1,053	870
Intangible assets		
Information technology - software licences	0	56
Information technology - software development	590	805
Total	590	861

15. Commitments under leases

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

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

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

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

15.1 Operating leases

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

	31 March 2016			
	Land £'000	Buildings £'000	Vehicles £'000	Total £'000
Obligations under operating leases are:				
Not later than one year	92	1,763	424	2,279
Later than one year and not later than five years	295	4,548	496	5,339
Later than five years	1,562	1,696	0	3,258
Total value of obligations	1,949	8,007	920	10,876
	31 March 2015			
	Land £'000	Buildings £'000	Vehicles £'000	Total £'000
Obligations under operating leases are:				
Not later than one year	115	1,700	1,204	3,019
Later than one year and not later than five years	386	5,221	918	6,525
Later than five years	1,756	1,829	0	3,585
Total value of obligations	2,257	8,750	2,122	13,129

15.2 Finance leases

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

	31 March 2015		
	Land	Vehicles	Total
	£'000	£'000	£'000
Obligations under finance leases are:			
Not later than one year	13	243	256
Later than one year and not later than five years	38	716	754
Later than five years	209	0	209
Total value of obligations	260	959	1,219

16. Other financial commitments

Natural Resources Wales has entered into non-cancellable contracts not reported elsewhere. The total payments to which Natural Resources Wales is committed at 31 March 2016 are :

	31 March 2016	31 March 2015
	£'000	£'000
Not later than one year	18,241	34,878
Later than one year and not later than five years	18,971	19,081
Later than five years	3,895	708
Total	41,107	54,667

17. Lease receivables

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

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

No comparatives are available for 2014/15 as this is the first year of disclosure for NRW.

18. Contingent liabilities

Natural resources Wales has the following contingent liabilities:

	31 March 2016	31 March 2015
	£'000	£'000
Public and employee liability	605	30
Contractors' claims	0	250
Total	<u>605</u>	<u>280</u>

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

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

Forestry Commission Wales was part of the Forestry Commission until 31 March 2013, and shared their VAT registration. An HMRC audit of the Forestry Commission's treatment of VAT and Income Tax is underway for the period 2012/13. An unquantifiable contingent liability is disclosed to recognise the present obligation of non-compliance liabilities arising from the audit. A reliable estimate of the amount of the obligation is not available.

There is a job evaluation process underway with the aim of creating a single, unified structure of jobs and grades that works for all in Natural Resources Wales. We are undertaking a pay modelling exercise to assess the impact and cost of the single unified structure. This exercise, whose results will not be known until the latter part of 2016/17, could identify back pay owed to staff whose role is judged to be of a higher grade than what they are being paid. The date from which back pay could be calculated is 1st April 2013.

19. Events after the end of the reporting period

We have considered the results of the United Kingdom's European Union referendum for its impact on the financial statements. We have concluded that it is not possible to quantify the risk at this time given the current uncertainty of impact and timing of potential changes. The elements of the financial statements that could be the most impacted in the future is the value of the pension reserve and the forest estate.

20. Related parties

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

In addition, NRW has had various material transactions with other government departments and other central government bodies. Most of these transactions have been with Department for Environment, Food and Rural Affairs (DEFRA), Environment Agency, Forestry Commission, HMRC and Natural England.

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

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

Organisation	Member	Nature of relationship	Total payments	Total income	Amount owed by NRW at 31 March 2016	Amount owed to NRW at 31 March 2016
			£'000	£'000	£'000	£'000
Aberystwyth University	Emyr Roberts	Council member	25	4	0	0
All Wales Partnership of the Canal and River Trust in Wales	Ruth Hall	Member	21	27	0	0
Cardiff University (Public Policy Institute for Wales)	Ruth Hall	Governor/Vice Chair	65	9	0	0
Dee Valley Water	Diane McCrea	Chair of Customer Challenge Panel	1	778	0	0
DEFRA including Joint Nature Conservation Committee and Support Company	Lynda Warren Peter Matthews Diane McCrea Madeleine Havard	Member of JNCC & Science Advisory Council Board Member of JNCC Board Member of JNCC Board Member of JNCC & NED of JNCC Support Co	30	0	6	0
Dwr Cymru Welsh Water	Diane McCrea	Chair of Customer Challenge Group	6,886	14,296	104	0
Glanusk Estate	Harry Legge-Bourke	Owner/Partner/ Trustee	3	0	0	0
Groundwork North Wales	Karen Balmer	Chief Executive	18	0	0	0
Leonard Cheshire Disability	Elizabeth Haywood	Board member and trustee	0	1	0	0
National Association of Areas of Outstanding Natural Beauty	Howard Davies	Chief Executive	48	0	0	0
National Trust	Ruth Hall	Council member	202	12	0	0
Natural England	Nigel Reader	Non-Executive Board Member and Audit Committee Chair	153	0	11	0
North East Wales Wildlife Ltd	Karen Balmer	Trustee	14	0	0	0
North Wales Wildlife Trust	Howard Davies	Trustee and Honorary Vice President	172	0	0	0
SP Energy Network Holdings Ltd	Elizabeth Haywood	Non-Executive Director	0	48	0	5
TGV Hydro Ltd	Chris Blake	Director	0	3	0	0

Annex 1 Corporate Environmental Report

Introduction

We have made the commitment that sustainable development will be at the heart of all our business decisions. Over the coming years, we want to develop ourselves as an exemplar organisation with regards to sustainability and environmental management in Wales, especially in our management and use of carbon, waste, water and land.

Our focus during this year has been to:

- reduce our carbon footprint
- embed our Environmental Management System (EMS) into the culture of our organisation
- integrate environmental, social and economic factors into our procurement activity and be an engaging and transparent organisation for our EMS stakeholders; and
- conform with the new ISO14001:2015 standard; and to establish a baseline for waste monitoring, reporting and reduction targets.

This report relates primarily to environmental sustainability, as distinct from wider sustainability actions or outcomes. Wider sustainability-related reporting can be found throughout our Annual Report and Accounts.

Summary of Performance

We have retained ISO14001 certification for our EMS, following independent external surveillance audits and verification. Our EMS⁵ now also includes all our forestry operations. Having an externally verified EMS allows us to demonstrate our own commitment to achieving the highest possible environmental standards as an organisation.

We have also retained woodland certification (the UK Woodland Assurance Standard) for the Welsh Government Woodland Estate we manage, following independent external audits and verification via Société Générale de Surveillance (SGS). This enables us to produce FSC/PEFC⁶ certified timber from the Welsh Government Woodland Estate we manage.

⁵ Our EMS is currently applicable to: “Activities and services associated with the sustainable management of the environment and the natural resources of Wales”

⁶ Forest Stewardship Council (FSC). Programme for the Endorsement of Forest Certification (PEFC). As supported by our [UK Woodland Assurance Standard](#) (UKWAS) accreditation

Table 1: Corporate Environmental report summary table

Area	Units	2013/14	2014/15	2015/16	Change
Greenhouse gas emissions ⁷	Consumption (tCO ₂ e)	7,301	7,164	7,894	Increased
	Expenditure (£k)	3,323	3,345	2,961	Decreased
Estate energy	Consumption (million kWh)	7.0	6.3	6.9	Increased
	Expenditure (£k)	570	587	632	Increased
Estate waste	Consumption (tonnes)	400	419	752	Increased
	Expenditure (£k)	147	110	127	Increased
Estate water	Consumption (m ³)	86,486	29,455	78,304	Increased
	Expenditure (£k)	35	27	59	Increased

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

- a 10% increase in greenhouse gas emissions primarily due to the increase in primary aggregate use in construction schemes
- a 10% increase in energy use due in large part to unmanned site electricity use
- a 68% increase in the reported amount of waste we handle, following the inclusion of additional waste streams in our reporting for the first time this year (primarily for offices and depots)
- a 160% increase in the reported amount of water we use largely related to a meter being repaired at Cynrig Fish Hatchery, which also resulted in under-reporting in previous years

We have targets in place relating to each of these areas in 2016/17 (as described in the next section).

Summary of Future Strategy

Over the next two years we intend to focus on:

- Achieving certification to the revised ISO14001:2015 environmental standard
- Aiming to maintain our UKWAS accreditation
- Cutting our carbon emissions from occupied buildings, business travel and water use by 5% from 2015/16 levels, year on year
- Fulfilling our commitments under the Sustainable Development Charter, taking forward the provisions of the Well-being of Future Generations (Wales) Act and work towards becoming an acknowledged exemplar of sustainability
- Ensuring our procurement practices are open and transparent, supporting the delivery of economic, social and environmental priorities and that our contracts are appropriately accessible for SMEs, social businesses and larger scale enterprises helping to support the Welsh Government's Tackling Poverty Action Plan
- Investigating scope for distributed energy / small scale renewable developments on land we manage, taking a positive, risk-based approach
- Developing our approach to Integrated Reporting including the delivery of our Business Case.

⁷ (Scopes 1, 2 and 3 including air/rail travel and excluding outside of scopes emissions)

Next year we want to

- Reduce our carbon footprint – and have set a target to reduce our carbon dioxide emissions from occupied buildings, travel and water use by 5% based on 2015/16 data
- Deliver our Carbon Positive Project - Progressing us towards becoming an exemplar in carbon management and sharing best practice for use across the Welsh public sector
- Meet the requirements of the new ISO14001:2015 standard
- Meet the requirements of our Incident Management Enabling Plan – Achieving UK Spill accreditation
- Continue to embed our EMS into the culture of the organisation – Raising staff awareness of the contribution they can make as individuals to environmental performance and how their work can contribute to the Sustainable Management of Natural Resources

Greenhouse Gas Emissions

Our greenhouse gas emissions are outlined below/right.

We set out a target to achieve a 5% reduction in CO₂e emissions from our business travel and buildings this year, and have achieved this, with a 10% reduction in CO₂e emissions overall from these areas. However, overall emissions have increased by 8% due to the increase in primary aggregate use in construction schemes.

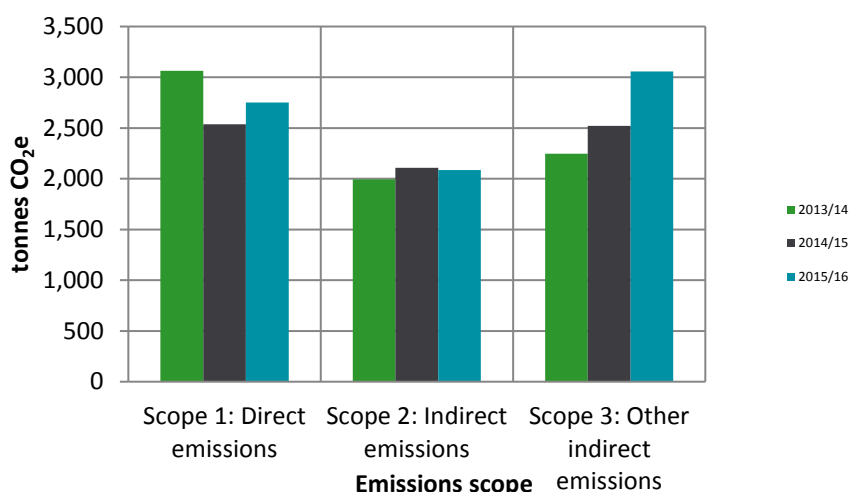


Table 2: Greenhouse gas emissions

Greenhouse gas emissions	2013/14	2014/15	2015/16	Change
Scope 1: Direct GHG emissions (tCO ₂ e)	3,064	2,537	2,752	Increased
Scope 2: Energy indirect emissions (tCO ₂ e)	1,993	2,107	2,086	Decreased
Scope 3: Other indirect GHG emissions (tCO ₂ e)	2,245	2,520	3,057	Decreased
Total gross GHG emissions (tCO₂e)	7,301	7,164	7,894	Increased
<i>Outside of scopes (i.e. biomass)</i>	180	176	248	Increased
<i>Carbon intensity (tCO₂e per £m expenditure)</i>	41.3	39.8	44.9	Increased

Waste Minimisation and Management

We have improved the number of waste streams we can report in line with our target to measure and report on all NRW waste streams consistently in 2015/16. This has particularly improved for our offices and depots. Our largest single source of waste is cess pit waste at our Pye Corner depot. Mixed municipal waste from our Coed y Brenin visitor centre is the second largest source of waste. We will be looking into ways to reduce these, and other, large areas of waste in 2016/17

Table 3: Waste Generated

Waste generated	Units	2013/14	2014/15	2015/16	Change
Landfilled	Consumption (tonnes)	80	64	216	Increased
	Consumption (tCO ₂ e)	23	18	80	Increased
	Expenditure (£k)	90	47	25	Decreased
Recycled / reused	Consumption (tonnes)	253	229	359	Increased
	Consumption (tCO ₂ e)	5	5	8	Increased
	Expenditure (£k)	57	Not available	101	Increased
Fly tipped	Consumption (tonnes)	37	95	45	Decreased
	Consumption (tCO ₂ e)	9	22	19	Decreased
	Expenditure (£k)	Not available	Not available	Not available	Not available
Incinerated	Consumption (tonnes)	30	31	132	Increased
	Consumption (tCO ₂ e)	1	1	3	Increased
	Expenditure (£k)	Not currently available[1]	Not available	Not available	Not available
Total waste	Consumption (tonnes)	400	419	752	Increased
	Consumption (tCO ₂ e)	38	46	110	Increased
	Expenditure (£k)	147	110	127	Increased

Use of Finite Resources

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

Water: Our water use reporting was improved last year to ensure office water use figures purely reflect office water use (i.e. not including any combined use sites, depots, visitor centres, hatcheries, etc.). Our water use intensity is below average for water use⁸, and we have set a 5% reduction target for 2016/17.

Table 4: Water Consumption

Resource use – Estate water	Units	2013/14	2014/15	2015/16	Change
Water supplied: Office use	Consumption (m ³)	8,161	7,208	6,859	Decreased
Water supplied: Non-office use:					
- Mains supply	Consumption (m ³)	4,863	6,630	5,529	Decreased
- Abstraction	Consumption (m ³)	73,428	15,581	65,886	Increased
- Rainwater	Consumption (m ³)	34	35	30	Decreased
Water use intensity (for Office use)	m ³ per FTE	4.1	3.7	3.4	Decreased
Water supplied: Total	Consumption (m ³)	86,486	29,455	78,304	Increased
	Expenditure (£k)	35	27	59	Increased
	Consumption (tCO ₂ e)	30	10	27	Increased

Abstraction of water used to operate our fish hatchery site was the most significant water use this year, at over 60,000 m³. Much of the apparent increase in abstracted water use

⁸ Average = 4m³ per FTE (Source: Water Key Performance Indicators and benchmarks for offices and hotels. C657 CIRIA www.ciria.org)

relates to the repair of a non-functioning meter during the year, which meant 2014/15 water use is not reflective of usual site usage. Maintaining the wetland habitats at Newport Wetlands National Nature Reserve (designated SSSI and part of the Severn Estuary SPA, RAMSAR and SAC) was the second largest use⁹ this year, and largest in use 2014/15. We also abstract water at remote sites where mains water is not available.

Energy: Our energy use has increased this year, with the large part of the increase related to our unoccupied sites (electricity use in particular). In the last year we have also generated 1.5% of our own energy use from our buildings with onsite renewables (wind and solar power). Our largest renewable installation (photovoltaic panels at the Maes Y Ffynnon office in Bangor) generated 24,864 kWh during the year. We aim to increase the number of onsite renewables on our own buildings as and when funding becomes available and is economically feasible.

Table 5: Energy Consumption

Resource use – Estate energy	Units	2013/14	2014/15	2015/16	Change
Energy used: Occupied sites	Consumption (kwh)	6,026,274	5,361,986	5,502,994	Increased
	Consumption (tCO ₂ e)	2,151	2,081	1,990	Decreased
Energy used: Unoccupied sites	Consumption (kwh)	930,846	993,431	1,434,275	Increased
	Consumption (tCO ₂ e)	415	491	663	Increased
Renewable energy: Self-generated	Generation (kwh)	77,730	80,870	81,713	Increased
	Consumption (% of energy used)	1.3%	1.5%	1.4%	Decreased
Energy used: Total	Consumption (kwh)	6,957,120	6,355,417	6,937,269	Increased
	Consumption (tCO ₂ e)	2,566	2,572	2,653	Increased
	Expenditure (£k)	570	587	632	Increased
Renewable energy installations ¹⁰	Consumption (MW)	59	59 ¹¹	60	Increased

There is also large scale renewable energy generation on the wider estate we manage (the Welsh Government Woodland Estate) through the Cefn Croes wind farm, which has an installed capacity of 59MW. On a smaller scale, ~1,268kW of renewable energy has become operational in the last two years from small scale hydro generation we have enabled. We have an Energy Delivery Plan to develop further onshore energy projects (covering wind, hydro, solar, biomass, coal, oil and gas), through or over the managed estate. Over the next three years we are anticipating the amount of energy generated on

⁹ Abstracted water is used in dry hot weather to maintain the correct water and salinity levels in the Newport Wetlands Saline Lagoons, vital for the many species of water bird that rely on them. In the autumn, the abstraction is also used to ensure the reserve's lowland wet grassland is kept in the right condition to support overwintering birds.

¹⁰ Schemes on the estate we manage which involve developers leasing land we manage on which to site installations of renewables (e.g. wind farms). This figure also includes schemes that are only partially on the estate we manage (e.g. small scale hydropower schemes). Figures given reflect installed capacity of operational installations, as opposed to the actual energy generation

¹¹ Full figure is 60.3MW, when including the ~1,268kW of small scale hydro generation we have enabled

the estate we manage will increase significantly (in excess of 600MW additional capacity provided via renewables, enough to power ~350,000 houses).

Sustainable Procurement

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

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

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

Travel

Our travel needs include: working to manage sites, responding to serious environmental incidents, taking samples, dealing with flooding, site meetings, etc. This year we have travelled ~9 million miles in undertaking our work an 18% reduction from our 2013/14 baseline year. We have a target of a further 5% reduction in travel emissions for 2016/17, which will be achieved by using lower carbon vehicles as well as reducing mileage.

Table 6: Travel detail

Travel by vehicle	Units	2013/14	2014/15	2015/16	Change
Owned vehicles	Miles travelled	6,562,934	5,416,119	5,833,839	Increased
	Expenditure (£k)	1,101	1,033	800	Decreased
Lease vehicles	Miles travelled	2,154,755	2,531,396	1,649,345	Decreased
	Expenditure (£k)	223	329	162	Decreased
Grey vehicles ¹²	Miles travelled	673,345	618,795	552,343	Decreased
	Expenditure (£k)	74	81	244	Increased
Hire	Miles travelled	326,810	357,526	256,654	Decreased
	Expenditure (£k)	14	N/A	N/A	No change
Train	Miles travelled	1,405,603	1,367,762	865,693	Decreased
	Expenditure (£k)	342	377	291	Decreased
Air	Miles travelled	27,997	30,221	18,898	Decreased
	Expenditure (£k)	8	11	6	Decreased
Bicycle	Miles travelled	4,812	804	1,944	Increased
	Expenditure (£k)	0	0	0	No change
Motorbike	Miles travelled	N/A	N/A	4,475	N/A
	Expenditure (£k)	N/A	N/A	1	N/A

¹² Grey vehicles are staff's own private vehicles

Travel by vehicle	Units	2013/14	2014/15	2015/16	Change
Total vehicle travel	Miles travelled	11,156,256	10,322,623	9,183,191	Decreased
	Expenditure (£k)	1,762	1,831	1,502	Decreased

As part of work to reduce our costs and environmental impact related to travel, we have a travel policy in place. Supporting the policy, we have created a travel decision tree which lays out the best to worst options for travel. We also operate a 'no fly policy' within Wales and England, requiring all air travel requests to be fully justified and cleared at Executive Team level. Our use of video/audio conferencing has increased significantly through the year, with increases in the number of users, meetings held and minutes recorded.

Environmental incidents

There have been 18 environmental incidents as a result of our work (or that of our contractors) and three near misses. This a 47% reduction compared with the 38 incidents reported in the previous year 2014/15. None of these incidents were classified as serious according to the environmental incident classification scheme that we apply to environmental incidents. Where incidents occur as a result of our work (or that of our contractors), we review what has happened, and act to address the root cause of the incident.

Sustainable Construction

Much of our construction activity is contracted out, and some of this activity is not covered by the figures below.

Aggregate/stone: This year, 22% of aggregate use has been from a secondary source. The construction of Sea Defence Improvements at Tabbs Gout involved most use of aggregate. Our use of aggregate has dropped significantly this this year for such schemes. Our use of primary aggregate on the Public Forest Estate is typically for infrastructure construction, maintenance and reinstatement, and amounted to 178,000 tonnes in in 2015, most of which was produced from minerals on the estate.

Table 7: Stones/aggregate use

Resource use – Stone/aggregate	Units	2013/14	2014/15	2015/16	Change
Stone/aggregate – primary source	Consumption (tonnes)	63,923	115,786	182,999	Increased
	Expenditure (£k)	526	538	555	Increased
	Consumption (tCO ₂ e)	703	1,274	2,013	Increased
Stone/aggregate – secondary source	Consumption (tonnes)	190,623 ¹³	13,102	51,945	Increased
	Expenditure (£k)	10	12	86	Increased
	Consumption (tCO ₂ e)	381	26	104	Increased
Secondary source use	Expenditure (£k)	536	795	641	Decreased
	(% by total weight)	75	10	22	Increased

Timber: We aim to ensure all the timber we use is from sustainable sources, and we also produce FSC/PEFC¹⁴ certified timber from the Welsh Government Woodland Estate we manage. This year, all timber used in construction¹³ has been from a sustainable source.

¹³ A large amount of aggregate was used in 2014/15 increasing river capacity in the Lower Swansea Vale

¹⁴ Forest Stewardship Council (FSC). Programme for the Endorsement of Forest Certification (PEFC). As supported by our [UK Woodland Assurance Standard](#) (UKWAS) accreditation

Table 8: Timber use

Resource use – Timber	Units	2013/14	2014/15	2015/16	Change
Timber	Consumption (tonnes)	115	32	56	Increased
– sustainable source	Expenditure (£k)	22	9	5	Decreased
Timber	Consumption (tonnes)	0	0	0	No change
– unknown source	Expenditure (£k)	0	0	0	No change
Sustainable source use	(% by total weight)	100%	100%	100%	No change

Site consolidations

When our organisation was formed, we inherited a large amount of accommodation (e.g. depots, offices), some of which fulfilled a similar function at similar sites. We are continuing to sell off spare sites, reducing our accommodation costs, and their related carbon footprint. We will continue to consolidate our sites over the coming years.

Behaviour change

As part of our work to embed our Environmental Management System (EMS) into the culture of our organisation, we have delivered a number of training courses (to ~1,800 staff). Training areas have included awareness raising around our key environmental procedures, waste management, timber procurement and incident response.

Governance and Reporting

We report on our carbon footprint as part of our performance framework, which is reported by the Executive Team to the Board (in open public session) three times each year.

We collect the data used within this sustainability report through a combination of meter readings (e.g. gas, electricity), invoices (e.g. fuel card purchases) and suppliers data (e.g. train miles), using the most accurate source/s we have available. We have improved our biomass and waste data reporting and baselines in this report. We also look to minimise use of any estimated data in our reporting, and we are working to improve in this area.



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WALES AUDIT OFFICE
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Auditor General for Wales

Memorandwm Atodol Archwiliwr Cyffredinol Cymru i'r Pwyllgor Cyfrifon Cyhoeddus – Contractau Gwerthiannau Pren

Date issued: Mawrth 2017

Document reference: 253A2017

Rwyf wedi paratoi'r memorandwm hwn ar gyfer Pwyllgor Cyfrifon Cyhoeddus Cynulliad Cenedlaethol Cymru i'w ategu wrth ystyried fy adroddiad ar y cyfrifon ariannol o ran Adnoddau Naturiol Cymru ar gyfer y flwyddyn a ddaeth i ben ar 31 Mawrth 2016 o dan Orchymyn Corff Adnoddau Naturiol Cymru (Sefydlu) 2012.

Memorandwm Atodol

Cyd-destun	4
Cronoleg	5
Cydymffurfio â fframwaith awdurdo	11
Cydymffurfio ag egwyddorion cyfraith gyhoeddus wrth wneud penderfyniadau	15
Cydymffurfio â rheolau Cymorth Gwladwriaethol	20

Cyd-destun

- 1 Corff a noddir gan Lywodraeth Cymru yw CNC, a grëwyd er mwyn sicrhau bod amgylchedd ac adnoddau naturiol Cymru yn:
 - cael eu cynnal yn gynaliadwy;
 - cael eu gwella yn gynaliadwy; ac
 - cael eu defnyddio yn gynaliadwy.¹
- 2 Daeth CNC i rym o 1 Ebrill 2013 ymlaen, gan gymryd drosodd y cyfrifoldeb am gyflawni swyddogaethau cyn-Gyngor Cefn Gwlad Cymru, Asiantaeth yr Amgylchedd Cymru, a Chomisiwn Coedwigaeth Cymru. Rheolodd CNC ddwy flynedd gyntaf ei ddatblygiad fel cyfnod 'trosiannol', gan anelu ar reoli cysondeb ac ar yr un pryd ddwyn ynghyd swyddogaethau'r cyrff a etifeddodd. Ym mis Chwefror 2016, cyhoeddais adroddiad Gwerth am Arian ar ddatblygiad CNC oedd yn canolbwyntio ar y canlynol:
 - creu CNC a'i redeg yn ei gyfnod trosiannol dwy-flynedd cychwynnol, gan gynnwys ei gynnydd o ran cael y manteision a fwriadwyd o'i greu; a'r
 - trefniadau yr oedd CNC yn eu gosod i gefnogi ei gyfnod trosiannol.
- 3 Canfûm fod: 'CNC [wedi] mabwysiadu agwedd gadarn ac wedi ei strwythuro'n dda at gwrdd â'r heriau sylweddol oedd yn ymhlyg yn ei greu; sicrhau cysondeb wrth gyflwyno ystod eang o swyddogaethau a chyda chanolbwynt clir ar gael y manteision a fwriadwyd, a [bod] CNC wedi dysgu o'r cynnydd a wnaed a'r heriau a wynebwyd ac yn fwrw ymlaen gyda rhaglen fwy uchelgeisiol a chynhwysfawr o newid, oedd yn angenrheidiol er mwyn trawsnewid ei hun at y dyfodol ac ymdopi â newidiadau deddfwriaethol a phwysau ar adnoddau'.² Er bod fy adroddiad ar gyfrifon CNC am 2015/16 yn datgan rhai pryderon penodol am reoleidd-dra contractau gwerthu pren a ddyfarnwyd gan CNC i weithredwr melin lifio ym mis Mai 2014, yr wyf yn fodlon o hyd bod agwedd CNC at reoli'r cyfnod trosiannol yn gadarn ac wedi strwythuro'n dda.

¹ Yr oedd Deddf Amgylchedd Cymru Act 2016 yn diwygio pwrpas cyffredinol Corff Adnoddau Naturiol Cymru i: 'Rhaid i'r corff reoli yn gynaliadwy adnoddau naturiol yng nghyswllt Cymru, a chymhwyso egwyddorion rheolaeth gynaliadwy ar adnoddau naturiol, wrth gyflawni ei swyddogaethau, cyhyd ag sy'n gyson â'u cyflawni yn iawn.'

² [Datblygu Adnoddau Natuol Cymru](#), Chwefror 2016

- 4 Un o'r prif heriau gweithredol fu'n wynebu'r Comisiwn Coedwigaeth yng Nghymru cyn yr uno oedd sut i reoli a chyfyngu ar ledaeniad *Phytophthora Ramorum* (*P Ramorum*) mewn coedwigoedd a choedlannau llarwydd. Pathogen tebyg i ffwng yw *P Ramorum* sydd yn achosi difrod helaeth i amrywiaeth eang o goed a phlanhigion eraill, ac yn eu lladd hefyd. Daethpwyd o hyd i *P Ramorum* mewn llarwydd Siapaneaidd yng Nghymru yn 2010. Gwnaed ymdrechion i reoli lledaeniad y clefyd trwy gwmpo wedi'i dargedu, ond buan y lledaenodd y clefyd. Yn dilyn ei sefydlu, etifeddodd CNC yr her hon, a wynebwyd hi â gorfod cymryd camau brys i gadw rheolaeth ar y clefyd. Yn ystod haf 2013, nododd CNC fod cynnydd sydyn yn lledaeniad *P Ramorum* a bod yn rhaid i CNC ddod o hyd i ateb tymor-hir a fyddai'n gwrthweithio'r clefyd. Dywedodd CNC wrthyf mai eu bwriad wrth ateb yr her hon oedd yn bennaf ac yn anad dim i gynyddu'r gallu i drin llarwydd oedd â'r clefyd, ac osgoi tarfu ar y fasnach oedd eisoes yn bod mewn mathau eraill o goed.

Cronoleg

Ymarferiad tendro am gontractau gwerthiant tymor-hir llarwydd

- 5 Yn gynnar yn 2013, penderfynodd y Comisiwn Coedwigaeth yng Nghymru, a hwythau'n wynebu nifer sylweddol o Rybuddion Statudol Iechyd Planhigion³ dros ardal ddaearyddol helaeth, y byddai angen cwmpo llarwydd ar raddfa fawr os am reoli *P Ramorum* yn effeithiol. Datblygwyd gwahoddiad i dendro (GiD), lle byddai partiön â diddordeb yn cael gwahoddiad i dendro i brynu pren llarwydd gan y Comisiwn Coedwigaeth yng Nghymru. Etifeddodd CNC y broses dendro gan y Comisiwn Coedwigaeth yng Nghymru ar 1 Ebrill 2013 o ganlyniad i'r uno.
- 6 Yn Ebrill 2013, cyhoeddodd CNC GiD am ddau gontract tymor-hir (CTH) 'i glirio a marchnata clystyrau o llarwydd heintiedig. Bydd pob contract yn 330,000m³obs [oddeutu 266,000 tunnell] dros gyfnod o bum mlynedd⁴. Dywedai'r GiD y dyfernid y contract 'ar sail o gyfuniad o'r pris fyddai'n cael ei gynnig a chysylltiadau clir y gellid eu dangos â'r modd y bydd y pren yn cael ei gynaeafu a'i brosesu gan darfu cyn lleied ag sydd modd ar yr adnodd cynaeafu neu brosesu presennol yng Nghymru'. Mae'n glir felly y byddai penderfyniad CNC ar ddyfarnu'r contract yn cymryd i ystyriaeth y pris ac ystyriaethau ehangach y farchnad o ran sut y caiff y pren ei gynaeafu a'i brosesu, gyda'r amcan o darfu cyn lleied ag sydd modd ar adnoddau cynaeafu a phrosesu yng Nghymru. Datganodd y GiD yn glir fod posibilrwydd y cynhelid trafodaethau pellach gyda bidwyr cyn dyfarnu'r.

³ Mae Rhybuddion Statudol Iechyd Planhigion yn mynnu bod y tirlfeddiannwr yn cwmpo, dinistrio a/neu yn cyfyngu ar goed heintiedig o fewn cyfnod o amser penodedig. Yng Nghymru, cyhoeddwyd y rhybuddion gan y Comisiwn Coedwigaeth tan 31 Mawrth 2013 ac yna gan Gyfoeth Naturiol Cymru fel rhan o'u swyddogaethau rheoleiddio.

⁴ m³ obs = metrau ciwbig trosrisgl yn sefyll, h.y., cyfaint o bren mewn coed oedd yn sefyll, gan gynnwys y rhisgl.

- 7 Derbyniodd CNC dri thendr, un wedi ei gyflwyno gan weithredwr y felin lifio. Yn ei ymateb i'r GiD, gosododd gweithredwr y felin lifio allan gynlluniau am fuddsoddiad mewn seilwaith yn ei eiddo yng Nghymru. Nododd y cyflwyniad: 'Po fwyaf y cyfeintiau o ymrwymadau contract tymor-hir y gellir eu cael mewn llarwydd a phyrwydd, mwyaf o sicrwydd a phwysau fydd i'r penderfyniad am y buddsoddiad hwnnw. Mae'n annhebygol y byddai sicrhau un yn unig o'r pecynnau y tendrwyd amdanynt yn rhoi digon o fas critigol er mwyn sicrhau cyllid i'r buddsoddiad ac o'r herwydd, cynigiwn ddau bris dechreuol sydd yn rhoi mwy o werth i CNC am y cyfeintiau uwch trwy ddyfarnu'r ddau gontract.' Mae'n glir o gyflwyniad gweithredwr y felin lifio fod gweithredwr y felin lifio yn ceisio cael y ddau gontract llarwydd wedi'u dyfarnu iddo, ac i CNC ddarparu ymrwymadau contractaidd tymor-hir yng nghyswllt llarwydd a phyrwydd, er mwyn sicrhau'r buddsoddiad yn eiddo gweithredwr y felin lifio yng Nghymru.
- 8 Gwerthuswyd y tendrau ar 19 Mehefin 2013 ar sail cyfuniad o bris ac agwedd gyffredinol pob bidiwr at gyflawni'r contract. Wedi'r gwerthusiad, cynhaliodd CNC drafodaethau gyda phob un o'r bidwyr, yn unol â'r GiD.
- 9 Yng Ngorffennaf 2013, cyhoeddodd CNC adroddiad ar y tendr. Dywedodd yr Adroddiad, ers cyhoeddi'r GiD, fod y clefyd wedi lledaenu'n sylweddol tua'r gogledd a'r dwyrain ac y byddai angen cwmpo o leiaf 350,000m3obs (c 282,000 tunnell) o larwydd bob blwyddyn am nifer o flynyddoedd i ddod. O ganlyniad, yr oedd amodau ac amcanion y tendr wedi 'newid yn sylweddol'.
- 10 Nododd adroddiad Gorffennaf 2013, er bod cyfaint cyffredinol y llarwydd oedd i'w cwmpo hyd at 2025/26 wedi aros yr un fath, yr oedd cynllun symud llarwydd CNC ym Mehefin 2013 angen cwmpo cyfaint uwch o larwydd yn y blynyddoedd hyd at 2019/2020 a llai wedi hynny (h.y. 'blaen-lwytho' y cwmpo). Yr wyf yn fodlon fod yr adroddiad wedi rhoi cyfiawnhad i CNC wyro oddi wrth y llwybr a osodwyd allan yn y GiD.
- 11 Cyfeiriodd yr adroddiad at y risgiau allweddol pe na fyddai CNC yn dyfarnu digon o gontractau oedd yn adlewyrchu'r cynnydd yn y rhaglen llarwydd. Mae'r adroddiad hefyd yn nodi fod y cynigion am linell logiau fechan y gweithredwr y felin lifio a gwaith pelennu Bidiwr 3 ill dau yn gyfystyr â chapasiti newydd ac effeithiol y byddai ei fawr angen er mwyn marchnata'r cynhaeaf llarwydd fyddai'n cynyddu. Yn fy marn i, yr oedd y rhain oll yn ystyriaethau perthnasol i CNC eu hystyried wrth bennu sut orau i fwrw ymlaen.
- 12 Mae'r adroddiad yn gosod allan asesiad CNC o'r tri ymateb i'r tendr ac yn edrych ar yr elw ariannol fyddai'n deillio ohonynt. Dyfarnwyd canran sgôr cyffredinol i bob bid fel a ganlyn:
- Bidiwr 1 – 92.78%
 - Bidiwr 2 – [tendr gweithredwr y felin lifio] – 79.31%
 - Bidiwr 3 – 75.42%

- 13 Mae'r adroddiad yn gosod allan fanteision ac anfanteision y gwahanol ddewisiadau i ddyfarnu; er enghraifft, dyfarnu cyfaint y cynnig yn unol â sgorio'r GiD i Fidiwr 1. Yn y pen draw, mae'r adroddiad yn argymhell cynnig y cyfaint gwreiddiol i Fidiwr 1 a/neu Bidiwr 3 a 'chynnig [i weithredwr y felin lifio] gyfaint sefydlog pellach i ymdrin â'r cynnydd enfawr yn y rhaglen LLD, ynghyd ag elfen log a bar'. Un o'r rhesymau a ddatganwyd am ffafrio'r dewis hwn oedd y byddai'n annog y buddsoddiad yn llinell lifio Gymreig gweithredwr y felin lifio, a gwaith pelennu ynni Bidiwr 3.
- 14 Yr oedd yr adroddiad yn cydnabod fod y ffordd hon a argymhellwyd o fwrw ymlaen yn gofyn am: 'gamu y tu allan i delerau'r tendr gwreiddiol o ran cyfaint a lleoliad mewn ymateb i'r galw o du'r cynllun cyfredol amnewid llarwydd'. Cydnabu'r adroddiad hefyd fod risg o her gan y proseswyr pren eraill, ond ym marn CNC, nad oedd yn debygol y deuai unrhyw fidwyr newydd i'r golwg petai'r ymarferiad tendro yn cael ei ail-gynnal. Dywedodd yr adroddiad fod y risg o gael her o ganlyniad i wyro oddi wrth y GiD, wedi ei gydbwyso yn erbyn y risg uwch na fyddai CNC yn gwneud digon o gofio lefelau cynyddol yr heintio a'r gofyniad marchnata/cynaeafu, a'r risg y byddid yn colli llinell lifio Gymreig gweithredwr y felin lifio pe na bai CNC yn gweithredu. Dywedodd e-bost mewnol gan Bennaeth Gweithrediadau Coedwigoedd CNC ar 8 Gorffennaf 2013: 'fe allwn gynnal ymarferiad arall; fodd bynnag, rydym yn siŵr na fyddwn [ni] yn derbyn bidiau newydd gan neb ond y bidwyr presennol yn yr ymarferiad cyfredol – byddai methu â gwneud hyn yn golygu mwy o oedi cyn sefydlu contractau i drin y clefyd.

Proses ddeialog gystadleuol wedi'r tendr

- 15 Ar ddiwedd Gorffennaf 2013, ysgrifennodd CNC at y bidwyr i'w hysbysu am ganlyniad y broses dendro. Hysbyswyd gweithredwr y felin lifio na fu'n llwyddiannus yn y broses dendro, ond fod CNC yn barod i wneud cynnig i weithredwr y felin lifio am glwstwr o goed llarwydd yng Nghoedwig Llanyddyfri o 65,000m³obs (c 52,400 tunnell) y flwyddyn am bum mlynedd. Yr oedd y cyfaint hwn yn cyfateb i un o'r ddwy lot yn y tendr gwreiddiol. Yr oedd yr ohebiaeth hefyd yn dweud fod dewis i ymestyn hyn, a phosibilrwydd cyflenwad pellach o larwydd o gynhyrchu uniongyrchol fel rhan o gynnig y dymunai CNC drafod gyda gweithredwr y felin lifio 'er mwyn sicrhau'r cynigion oedd yn cael eu rhoi gerbron'.
- 16 Mae'n amlwg o e-byst cyfoes nad oedd gweithredwr y felin lifio yn hapus â'r cynnig, a'i fod yn cynnal deialog gyda CNC am hyn.

- 17 Ar 2 Awst 2013, ysgrifennodd gweithredwr y felin lifio at CNC yn dweud: 'fel yr esboniwyd yn ein sgwrs yn gynharach heddiw, rwyf wedi dychryn ac yn gresynu'n fawr fod CNC wedi trin gweithredwr y felin lifio mewn modd mor ddi-hid a di-weledigaeth Yn amlwg, mae CNC yn rhoi mwy o werth ar fusnes contractio cynaeafu a melin lifio o Loegr nac ar weithredwr y felin lifio, ac os erys y sefyllfa felly, byddwn yn buddsoddi ein hamser a'n harian yn rhywle arall y tu allan i Gymru. Mae'r 'cynnig' gan [y Pennaeth Gweithrediadau Coedwigoedd] yn hollol annigonol ac annerbyniol. Mae arnom angen ymrwymiad llawer cadarnach a helaethach os ydym am ymwneud eto â CNC. Byddwn yn dod i gysylltiad â chi gyda manylion penodol; fodd bynnag, mae amser yn bwysig, tra byddwn yn adolygu ein cynllun strategol yng Nghymru at y dyfodol ac yn hysbysu'r Gweinidogion o'n penderfyniadau.'
- 18 Cyfarfu CNC â gweithredwr y felin lifio ar 12 Awst 2013 i drafod contractau llarwydd a phyrwydd. Mewn e-bost ar 22 Awst 2013, dywedodd y Pennaeth Gweithrediadau Coedwigoedd wrth weithredwr y felin lifio fod CNC wrthi yn ystyried cynigion gweithredwr y felin lifio yng nghyswllt contractau pyrwydd a llarwydd ac, mewn egwyddor, nad oedd gan CNC wrthwynebiad i gynnig estyniad o'r CTH am gyfnod o rhwng pump a deng mlynedd.
- 19 Yn Awst 2013, paratôdd Pennaeth Marchnata Pren CNC bapur: **Datblygu dewisiadau i Fuddsoddiad Llarwydd gweithredwr y felin lifio a chanllawiau ehangach am amnewid CTH Pyrwydd**, i'w ystyried gan Dîm Gweithredol CNC. Er bod y papur wedi ei baratoi i'w ystyried gan Dîm Gweithredol CNC, nid oes digon o dystiolaeth gyfoes ei fod wedi ei ddarparu i'r Tîm Gweithredol na'i ystyried ganddynt.
- 20 Gosododd y papur allan gynllun clirio llarwydd diwygiedig dyddiedig Gorffennaf 2013 oedd yn mynnu bod hyd yn oed mwy i'w gwympto yn y blynyddoedd cynharach - 350,000m³obs (c 282,000 tunnell) y flwyddyn am y blynyddoedd 2014/15 i 2019/20. Nodwyd fod y llarwydd a gynigiwyd i'r farchnad gan CNC wedi eu hamsugno trwy amnewid, ond fod angen cynyddu'r gallu prosesu cyffredinol ar gyfer llarwydd.
- 21 Dywedodd y papur y cynigiwyd y ddau gontract sefydlog o 65,000m³obs (c 52,400 tunnell) yr un y flwyddyn am bum mlynedd i Fidiwr 1 ac un i Fidiwr 3, oll yn ardal Dosbarth Coedwig Coed y Cymoedd a chynigiwyd contract sefydlog arall am 65,000m³obs (c 52,400 tunnell) i weithredwr y felin lifio yn Nosbarth Coedwig Llanyddyfri, h.y. contract o'r un faint â'r naill neu'r llall o'r ddau gontract a hysbysebwyd yn y GiD, ond mewn lleoliad gwahanol. Nododd y papur nad oedd gweithredwr y felin lifio yn 'fodlon â'r cynnig a wnaed iddynt'. Aeth y papur ymlaen i esbonio fod CNC yn ymwybodol fod gweithredwr y felin lifio angen cyflenwad gwarantiedig pellach o gyfaint llarwydd cyn ymrwymo i gynyddu'r capasiti yn ei safle yng Nghymru, a'i fod wedi awgrymu na fyddai'r buddsoddiad yn y safle hwnnw oni ellid cynnig rhyw ernes iddo am gyflenwad cyson o elfen pyrwydd i'r felin. Yr oedd hyn yn adlewyrchu datganiadau gweithredwr y felin lifio mewn ymateb i'r GiD.

- 22 Gosododd y papur allan lawer dewis, ond daeth i'r casgliad ei fod yn hanfodol i sicrhau datblygiad arfaethedig yn eiddo Cymreig y gweithredwr 'gan y bydd yn rhoi ateb marchnata i'r elfen llifio logiau fydd yn deillio o'r saith miliwn metr giwbig posib o goed llarwydd sefydlog [o goetiroedd cyhoeddus a phreifat] fydd yn rhaid eu cwmpo yng Nghymru a'r Gororau dros y 10 i 12 blwyddyn nesaf'. Dangosodd y ddogfen hefyd fod cynllun clirio llarwydd CNC yn amcangyfrif y byddai'n rhaid i CNC glirio 2.8 miliwn metr giwbig o goed llarwydd erbyn 2025/26, a bod y clystyrau heintiedig oedd yno ar y pryd eisoes bron yn un filiwn metr giwbig ar y Stâd Gymreig, a bod heintiad pellach yn bosib.
- 23 Noda'r papur hefyd ei bod yn annhebygol y gwelai CNC gynnig cystal petai yn mynd at y farchnad, (er nad oes tystiolaeth yn y papur i gefnogi'r honiad hwnnw), a bod amser yn hollbwysig yng nghyswllt y buddsoddiad a gynlluniwyd yn safle Cymreig gweithredwr y felin lifio.
- 24 Argymhellodd y papur gynnig contractau am llarwydd a phyrwydd i weithredwr y felin lifio. Fodd bynnag, fel y nodwyd uchod, nid oes digon o dystiolaeth gyfoes fod y papur wedi ei gyflwyno i'r Tîm Gweithredol neu i Fwrdd CNC am benderfyniad. Deallaf felly fod y penderfyniad i fwrw ymlaen ar y sail hon wedi ei gymryd gan swyddogion CNC trwy arfer pwerau dirprwyedig. Dywedodd y papur y gellid synied am y dewis a argymhellwyd fel un cynhennus: 'yr ydym yn cydnabod fod perygl o edrych fel petaem yn ffafrio gweithredwr y felin lifio petai cyfaint oedd i fynd i'w cyfleuster hwy fyddai'r unig rai a gafodd estyniad contract tymor-hir, fyddai'n cael yr effaith o leihau cyfle i eraill mewn gwerthiannau yn y dyfodol'.
- 25 Nododd papur a gyflwynwyd i'r Bwrdd dyddiedig 15 Hydref 2013 dan y teitl: 'Cyfoesiad am *Phytophthora ramorum*' fod 'lefel gyffredinol diffyg cydymffurfio â Rhybuddion Statudol Iechyd Planhigion wedi codi'n sydyn ar ddiwedd Awst, gan mai dyma oedd y terfyn amser ar gyfer cydymffurfio, ac y nodwyd 2000Ha o heintiadau newydd ar Stâd Coetiroedd Llywodraeth Cymru yn y flwyddyn honno'. Yr oedd y cyfoesiad yn cyfeirio at y broses o fidio cystadleuol a'r contractau a gynigiwyd, gan nodi y gall fod y swm terfynol a gynigir fod yn uwch, yn dibynnu ar ganlyniadau trafodaethau ynghylch penderfyniadau buddsoddi gan y proseswyr. Fodd bynnag, nid oes digon o dystiolaeth fod manylion y trafodaethau wedi eu dwyn i sylw'r Tîm Gweithredol na'r Bwrdd ar y pryd.
- 26 Yn Nhachwedd 2013, ceisiodd y Pennaeth Gweithrediadau Coedwigoedd fwy o wybodaeth gan weithredwr y felin lifio er mwyn i CNC wneud penderfyniad terfynol. Ymatebodd gweithredwr y felin lifio ar 11 Tachwedd 2013.
- 27 Ar 14 Tachwedd 2013, e-bostiodd y Pennaeth Gweithrediadau Coedwigoedd weithredwr y felin lifio i gadarnhau, mewn egwyddor, fod CNC yn fodlon gyda'r mecanwaith brisio a'u bod yn dod i mewn i'r contract deng mlynedd. Ni allodd CNC ddarparu e-byst na dogfennaeth fewnol ynghylch eu ffordd o wneud y penderfyniad, felly ni allaf gadarnhau'r rhesymau mewnol dros y penderfyniad. Yn ei ebost ar 14 Tachwedd 2013, dywedodd y Pennaeth Gweithrediadau Coedwigoedd y byddai manylion i'w cadarnhau gyda gweithredwr y felin lifio gan y byddai hyn yn digwydd dros yr wythnosau nesaf.

- 28 Yn ddiweddar, rhoes CNC beth tystiolaeth gyfoes bellach i mi ynghylch y trafodaethau am y contract a ddigwyddodd rhwng Tachwedd 2013 a Mai 2014, er y nodaf yr erys rhai bylchau yn y ddogfennaeth.

Dyfarnu'r Contract

- 29 Ym Mai 2014, llofnododd cyn-Gyfarwyddwr Gweithredol Gwasanaethau Cenedlaethol CNC wyth contract gwerthu pren rhwng CNC a gweithredwr y felin lifio a Memorandwm Dealltwriaeth hollgyffredinol. Pennir dyddiad cychwyn y contract fel 1 Ebrill 2014. Erys y contractau mewn grym.
- 30 Mae'r wyth contract gwerthu coed cysylltiedig wedi eu gosod allan yn [Nhabl 1](#).

Tabl 1: contractau gwerthu coed a ddyfarnwyd gan CNC i weithredwr y felin lifio ym Mai 2014

Contract	Math o contract	Cyfnod y contract (blynnyddoedd)	Teip o rywogaeth	Cyfaint y Contract (tunelli)	Cyfaint Blynnyddol (tunelli)
A	Gwerthu pren a gwypwyd	10	Pyrwydd	100,000	10,000
B	Gwerthu pren a gwypwyd	10	Pyrwydd	350,000	35,000
C	Gwerthu pren a gwypwyd	10	Llarwydd	70,000	7,000
D	Gwerthu pren a gwypwyd	10	Llarwydd	150,000	15,000
E	Gwerthu coed oedd yn sefyll	10	Llarwydd	525,000	52,500
F	Gwerthu coed oedd yn sefyll	10	Pyrwydd	162,000	16,200
G	Gwerthu coed oedd yn sefyll	10	Pyrwydd	242,000	24,200
H	Gwerthu coed oedd yn sefyll	5	Llarwydd	262,500	52,500
				1,861,500	212,400

Buddsoddi mewn llinell lifio newydd

- 31 Yn Awst 2015, ysgrifennodd cyn-Bennaeth Gweithrediadau Coedwigoedd CNC at weithredwr y felin lifio ynghylch pryder CNC na fyddai gweithredwr y felin lifio yn cwrdd â'i ddyletswydd contractaidd i adeiladu a dechrau rhedeg llinell lifio newydd ar ei safle yng Nghymru erbyn 31 Mawrth 2016. Ymatebodd gweithredwr y felin lifio gan osod allan y rhesymau pam yr oedwyd y prosiect, ac yn gofyn am estyniad i derfyn amser y contract. Ym Mawrth 2016, cytunodd CNC a gweithredwr y felin lifio ar amrywiad i'r contract lle'r estynnwyd y terfyn amser er mwyn i'r gweithredwr allu adeiladu a chychwyn rhedeg y llinell lifio newydd tan 31 Mawrth 2017.

Cydymffurfio â fframwaith awdurdod

Trefniadau dirprwyo mewnol

- 32 Mae swyddogaethau CNC wedi eu gosod allan yng Ngorchymyn (Sefydlu) Corff Adnoddau Naturiol i Gymru 2012 (Gorchymyn 2012). Mae'r swyddogaethau hyn yn cynnwys ymgymryd ag unrhyw swyddogaeth a ddatganolwyd i'r Comisiynau Coedwigaeth. Mae gan CNC y grym felly i reoli'r stad goedwigoedd sydd mewn dwylo cyhoeddus a gwneud y penderfyniadau angenrheidiol i gyflawni'r swyddogaeth honno yn effeithiol. Mae Gorchymyn 2012 yn datgan y gallai CNC ddirprwyo cyflawni ei swyddogaethau i bwyllgor, is-bwyllgor, aelod neu weithiwr CNC. Mae hyn yn cynnwys dod i gontractau gyda chyflenwyr a phrynwyr allanol.
- 33 Cymeradwyodd y Bwrdd 'Gynllun Dirprwyo Ariannol' oedd yn sicrhau fod holl weithgareddau ariannol CNC wedi eu dirprwyo i lefel gytunedig o awdurdod neu i ddeiliad swydd benodol. Caniataodd i'r Bwrdd a'r Tîm Gweithredol ddirprwyo'r cyfrifoldeb dros wneud penderfyniadau ariannol. Yr oedd y Cynllun Dirprwyo Ariannol oedd yn bodoli yn 2014 yn dirprwyo awdurdod i'r Pennaeth Menter i lofnodi contractau cynaeafu pren oedd yn werth dros £1 miliwn.
- 34 Rhoddwyd y llofnod terfynol i'r contractau gyda gweithredwr y felin lifio gan Gyfarwyddwr Gweithredol dros Wasanaethau Cenedlaethol CNC, a oedd yn aelod o Dîm Gweithredol CNC gyda chyfrifoldebau gweithredol dros weithrediadau coedwigaeth (a rheolwr llinell y Pennaeth Menter). Yr wyf o'r farn fod gan y Cyfarwyddwr Gweithredol dros Wasanaethau Cenedlaethol yr awdurdod dirprwyedig angenrheidiol i gynnal gwerthiannau pren o unrhyw werth.
- 35 Datganodd Cynllun Dirprwyo Ariannol CNC fod: 'yn rhaid i'r holl staff dynnu sylw eu rheolwr llinell os ydynt yn ymwneud ag unrhyw benderfyniadau ariannol lle, yn eu barn hwy, y dylai'r Prif Weithredwr a/neu y Bwrdd fod eisiau ymgynghori â hwy, yn enwedig os oes a wnelo ag unrhyw weithred newydd, anarferol, neu ariannol gynhennus'. Yr wyf yn ystyried fod y penderfyniad i gontractio gyda gweithredwr y felin lifio yn gynhennus ac yn ôl-effeithiol am y rhesymau a osodwyd allan ym [mharagraff 44](#).

- 36 Er bod CNC yn ystyried nad oedd y Cynllun Dirprwyo Ariannol yn mynnu y dylid cyfeirio'r mater at Fwrdd neu Dîm Gweithredol CNC, darparodd dystiolaeth fod y PSG a'r Bwrdd, o leiaf yn ymwybodol o'r trafodaethau gyda gweithredwr y felin lifio. Rhoddodd CNC lythyr i mi dyddiedig 16 Hydref 2016 gan gyn-Gyfarwyddwr Gweithredol dros Wasanaethau Cenedlaethol CNC lle dywed ei fod wedi rhoi gwybod i Brif Weithredwr CNC am y trafodaethau oedd yn digwydd ar y pryd gyda gweithredwr y felin lifio. Hefyd, darparodd CNC un o bapurau'r Bwrdd dyddiedig 15 Hydref 2013 oedd yn cyfeirio at y broses o fidio cystadleuol a bod trafodaethau pellach ynghylch penderfyniadau buddsoddi gan broseswyr (ond, fel y nodwyd uchod, ni roes y papur fwy o fanylion). Bu aelod anweithredol o'r Bwrdd mewn cyfarfod gyda gweithredwr y felin lifio yn Awst 2013 a darparodd CNC gofnodion y bwrdd sydd yn dangos i hyn gael ei drafod mewn cyfarfod o'r Bwrdd ar 3 Medi 2013.
- 37 Cadarnhaodd Prif Weithredwr CNC wrthyf ei fod ef a'r Bwrdd yn ymwybodol o'r trafodaethau gyda gweithredwr y felin lifio ac y cydymffurfiwyd â gofynion y Cynllun Dirprwyo Ariannol. Serch hynny, yr wyf yn pryderu nad ymddengys bod y Bwrdd a/neu'r Tîm Gweithredol wedi craffu ar y cynnig, na'i drafod, o ystyried ei faint ariannol a'i natur gynhennus ac ôl-ffeithiol.

Gofyniad i gyfeirio gweithgareddau a chynigion newydd, ôl-ffeithiol neu gynhennus at Lywodraeth Cymru i graffu arnynt a/neu eu cymeradwyo

- 38 Er bod CNC wedi cydymffurfio â'i drefniadau dirprwyo mewnol, y brif ddogfen sy'n darparu'r awdurdod dros drafodion CNC yw Dogfen Fframwaith CNC. Mae'r Ddogfen Fframwaith yn datgan fod talu cymorth grant i CNC yn amodol ar berfformiad boddhaol gan CNC o'i holl oblygiadau fel y'u datganwyd yn y Ddogfen Fframwaith, sydd yn cynnwys cydymffurfio a chyhoeddiad Llywodraeth Cymru, 'Rheoli Arian Cyhoeddus Cymru'. Mae a wnelo'r gofyniad i gydymffurfio â Rheoli Arian Cyhoeddus Cymru ag adran 70 (2) Deddf Llywodraeth Cymru 2006 (2) sy'n dweud: 'y gall Gweinidogion Cymru osod amodau i roi cymorth ariannol ganddynt; ac y mae'r amodau y gellir eu hatodi yn cynnwys, yn benodol, amodau ynghylch ad-dalu'r cyfan neu ran o unrhyw grant, neu wneud unrhyw daliadau eraill, dan unrhyw amgylchiadau.'
- 39 Dan y teitl 'Gwariant', dywed paragraff 3.9.1 o Ddogfen Fframwaith CNC: 'y bydd CNC yn cydymffurfio â'r dirprwyiadau a osodir allan yn Atodiad 5'. Dywed Atodiad 5 fod angen cymeradwyaeth y tîm noddi ar gyfer unrhyw gynigion newydd, cynhennus neu ôl-ffeithiol.
- 40 Dywed paragraff 3.9.8 y Ddogfen Fframwaith fod yn rhaid cynnal gweithgareddau cynhyrchu incwm CNC yn unol â thelerau Rheoli Arian Cyhoeddus Cymru a'r Ddogfen Fframwaith. Hefyd, dywed paragraff 1.2.9 y Ddogfen Fframwaith mai Prif Weithredwr CNC, fel y Swyddog Cyfrifo, sydd yn bersonol gyfrifol am sicrhau cydymffurfio â gofynion Rheoli Arian Cyhoeddus Cymru.

- 41 Yr wyf wedi ystyried y fersiwn o Reoli Arian Cyhoeddus Cymru Llywodraeth Cymru oedd mewn grym ar yr adeg berthnasol. Dywed y ddogfen hon ym mharagraff 3.8.3: 'Mae'r ddogfen fframwaith y cytunir arni rhwng corff cyhoeddus a'i noddwr yn wastad yn rhagweld y bydd yr adran noddi yn arfer goruchwyliaeth ystyrllon dros strategaeth a pherfformiad y corff cyhoeddus, trefniadau ariannol a/neu drafodion ariannol mawr, e.e. trwy gyfrwng cofnodion misol, dirprwyo safonol, adrodd am eithriadau neu dechnegau eraill. Dylai cyrff cyhoeddus gyfeirio at eu hadrannau noddi unrhyw weithgareddau sydd yn ymddangos yn newydd, yn gynhennus neu ôl-ffeithiol; yn eu tro, gall yr adran noddi fod angen ceisio cydsyniad Uned Llywodraethiant Corfforaethol LICC.' Nid yw Rheoli Arian Cyhoeddus Cymru yn cyfyngu'r gofyniad i gyfeirio gweithgareddau newydd, cynhennus neu ôl-ffeithiol i wariant.
- 42 Yr wyf yn fodlon felly fod Rheoli Arian Cyhoeddus Cymru yn mynnu bod CNC yn cyfeirio unrhyw weithgareddau at adrannau noddi Llywodraeth Cymru petaent yn ymddangos yn newydd, yn gynhennus neu ôl-ffeithiol.
- 43 Nid yw'r Ddogfen Fframwaith na Rheoli Arian Cyhoeddus Cymru yn diffinio cynigion 'newydd, cynhennus neu ôl-ffeithiol', er bod yr olaf hwn yn rhoi rhai enghreifftiau. Mae pennu a yw cynnig neu weithgaredd yn newydd, yn gynhennus neu yn ôl-ffeithiol, yn fater o ffaith a barn.
- 44 Mae Geiriadur Prifysgol Cymru yn diffinio 'cynhennus' fel 'yn achos cynnen, yn asgwrn cynnen' a Geiriadur yr Academi yn diffinio'r enw 'repercussion' fel 'ôl-ffaith [digwyddiad neu weithred], sgil-ffaith'. (Nid yw'r ansoddair ôl-ffeithiol' yn y geiriadur). Dywedodd Prif Weithredwr CNC wrthyf nad yw'n ystyried bod y penderfyniad i gontractio gyda gweithredwr y felin lifio ym Mai 2014 yn gynhennus nac yn ôl-ffeithiol. Yr wyf yn anghytuno, ac yn ystyried ei fod yn gynhennus ac yn ôl-ffeithiol am y rhesymau a ganlyn:
- Yr oedd y contractau a ddyfarnwyd i weithredwr y felin lifio yn sylweddol iawn eu maint; amcangyfrifodd CNC fod cyfaint y pren a werthwyd gan y contractau hyn oddeutu 20 i 25% o gyfanswm y pren oedd ar gael ar y farchnad gan CNC dros gyfnod o ddeng mlynedd a chafodd dyfarnu contract mor fawr i un prynwr effeithiau ehangach ar y farchnad. Mae papur Tim Gweithredol CNC ar Awst 2013 yn cydnabod, o ganlyniad i'r contract arfaethedig gyda gweithredwr y felin lifio, mai 'ychydig iawn o byrwydd fydd i'w gynnig i fasnachwyr coed sy'n sefyll dros y pum mlynedd nesaf'.
 - Dyfarnwyd y contractau am larwydd a phyrwydd yn dilyn tendr cystadleuol am gontractau llarwydd (lle nad gweithredwr y felin lifio oedd y bidiwr llwyddiannus; er hynny, penderfynodd CNC gynnig contractau am larwydd i'r tri bidiwr) ac felly ni chafodd unrhyw brynwr posib eraill gyfle i brynu cyfaint y pren llarwydd a phyrwydd a ddyfarnwyd yn y pen draw i weithredwr y felin lifio. Barn CNC yw nad oedd marchnad am larwydd afiach, a hyn ar sail (a) diffyg diddordeb mewn 21 llain unigol o goed y ceisiodd CNC eu gwerthu rhwng Tachwedd 2012 a Medi 2013 y cyfeirir atynt ym mharagraff 71; a (b) mai dim ond tri bid a dderbyniwyd mewn ymateb i dendr 2013 y cyfeirir ato

ym mharagraffau 5 i 14. Yn fy marn i, nid yw maint y lleiniau hynny na chynnig y tendr i'w cymharu â'r cynnig o wyth Contract Tymor Hir (CTH) am larwydd a phyrwydd afiach, yn enwedig gan i weithredwr y felin lifio ei hun ddweud yn glir na fyddai pedwar CTH am larwydd yn ddigon iddo fuddsoddi yn y llinell lifio newydd. Cynlluniwyd cyfaint y contract a ddyfarnwyd i weithredwr y felin lifio i'w alluogi i wneud buddsoddiad mawr yn ei felin lifio. Galluogodd y buddsoddiad hwn weithredwr y felin lifio i gynyddu ei gapasiti prosesu yn sylweddol. Ystyria CNC ei bod yn anhebygol iawn y buasai gan unrhyw weithredwyr eraill ddiddordeb mewn cyfeintiau mor sylweddol o larwydd afiach a'r amserlenni pryd yr oedd yn rhaid i CNC weithredu a'u bod yn ymwybodol o'r risg o her y pryd hwn, ond 'eu barn broffesiynol hwy oedd nad oedd dewis arall'. Fodd bynnag, nid oes fawr ddim yn y ddogfennaeth gyfoes i dystio fod swyddogion CNC wedi rhoi ystyriaeth ofalus i weld a allai cyfeintiau uwch ddenu diddordeb o amred ehangach o gwmnïau pren (h.y., cwmnïau na fidiodd yng nghystadleuaeth 2013) nac a allasai'r cyfeintiau hynny fod wedi bod yn ddigon i annog cystadleuwyr eraill i fuddsoddi mewn capasiti ychwanegol. Yn fy marn i, ymddengys bod ymrwymiad CNC i werthu i weithredwr y felin lifio gyfaint uchel o bren dros gyfnod o ddeng mlynedd yn gyfle y gallasai cwmnïau eraill wedi ymddiddori ynddo.

- Ni fu profion ar y farchnad berthnasol yn sail i'r penderfyniad i ddyfarnu'r contractau.
- Yr oedd papurau mewnol a baratowyd gan CNC yn cydnabod y risgiau cysylltiedig â dyfarnu'r contractau hyn o gofio na fu gweithredwr y felin lifio yn llwyddiannus yn yr ymarferiad tendr a gynhaliwyd yn 2013. Yr oedd y papurau hefyd yn cydnabod y gallasai'r penderfyniad i ddyfarnu'r contractau i weithredwr y felin lifio fel hyn fod yn destun herio.

45 Ystyria felly y dylid bod wedi cyfeirio'r cynnig at adran noddi CNC yn Llywodraeth Cymru yn unol â gofynion y Ddogfen Fframwaith a Rheoli Arian Cyhoeddus Cymru.

46 Dywedodd CNC wrthyf ar y pryd nad oedd yn ystyried bod dyfarnu'r contractau yn gynhennus nac ôl-efeithiol. Dywedodd CNC hefyd wrthyf fod y Bwrdd a Llywodraeth Cymru yn ymwybodol o'r broses a rhoes CNC i mi gopi o ebost a anfonwyd at adran noddi CNC yn Llywodraeth Cymru ar 4 Awst 2013 (naw mis cyn cytuno ar y contractau). Anfonwyd yr ebost at Lywodraeth Cymru yn dilyn derbyn yr ohebiaeth gan weithredwr y felin lifio y cyfeirir ato ym mharagraff 17. Datganodd yr ebost at Lywodraeth Cymru bryder CNC y gallai gweithredwr y felin lifio geisio lobio Gweinidogion yn dilyn ei dendr aflwyddiannus a'i amharodwydd i dderbyn cynnig a oedd yn ei farn yn 'hollol annigonol ac annerbyniol.'

- 47 Nid yw'r ebost yn rhoi manylion y cynnig a wnaed i weithredwr y felin lifio a dywed: 'y byddwn yn parhau i siarad â [gweithredwr y felin lifio] a datblygu safbwyntiau i'w cymryd er mwyn cael deiliant da i bawb '. Nid wyf yn ystyried bod yr ebost yn gyfystyr â chyfeiriad at Lywodraeth Cymru. Yr wyf o'r farn mai'r diben oedd tynnu sylw Llywodraeth Cymru at lobio posib ac nid gwneud Llywodraeth Cymru yn ymwybodol o bwnc oedd yn gynhennus ac ôl-effeithiol. Ymhellach, fel ar 4 Awst 2013, nid oedd cyfaint y pren a gynigiwyd i weithredwr y felin lifio yn ddim ond 14% o'r cyfanswm a werthwyd yn y pen draw i weithredwr y felin lifio dan y contractau y daethpwyd iddynt ym Mai 2014, ac mai ar gyfer llarwydd yn unig yr oedd y cynnig.
- 48 Dywedodd Llywodraeth Cymru wrthyf, tra bod eu swyddogion coedwigaeth yn ymwybodol fod trafodaethau yn digwydd rhwng CNC a gweithredwr y felin lifio, nad oeddent hwy yn ymwneud â'r manylion. Ymhellach, rhoes swyddogion coedwigaeth Llywodraeth Cymru wybodaeth i'r Gweinidog perthnasol cyn ymweliad gweinidogol ag eiddo gweithredwr y felin lifio i'r perwyl fod: 'gan Lywodraeth Cymru ddiddordeb mewn sicrhau marchnad gystadleuol am goed, er lles y sector a'i referiw ei hun trwy werthiannau pren CNC. Dylid cydbwysu cyfleoedd i [weithredwr y felin lifio] ehangu gan farchnata pren yn deg, agored a thryloyw o'r stad coetiroedd [Llywodraeth Cymru].'
- 49 Ystyriaf felly na chyfarfu CNC â gofynion y Ddogfen Fframwaith na Rheoli Arian Cyhoeddus Cymru i gyfeirio cynnig cynhennus ac ôl-effeithiol i Lywodraeth Cymru. Ystyriaf fod y trafodion sy'n ymwneud â'r contractau a gynhwysir yn natganiadau ariannol CNC am 2015/2016 y tu allan i'r fframwaith awdurdod sydd yn eu llywodraethu a'u bod felly yn afreolaidd. O ganlyniad, yr wyf wedi amodi fy marn rheoleidd-dra am ddatganiadau ariannol CNC am 2015/2016.

Cydymffurfio ag egwyddorion cyfraith gyhoeddus wrth wneud penderfyniadau

Effaith pryderon am gyfreithlondeb ar y farn am reoleidd-dra

- 50 Lle mae ansicrwydd arwyddocaol a yw trafodion yn gyfreithlon neu beidio, ni allaf roi barn glir. Mae hyn oherwydd nad oes modd yn rhesymol rhoi sicrwydd cadarnhaol lle mae ansicrwydd arwyddocaol yn bodoli.
- 51 Fel rhan o'm hystyriaethau yn arwain at roi fy marn rheoleidd-dra ar ddatganiadau ariannol CNC am 2015/16, fe ystyriais felly bryderon yn ymwneud â chyfreithlondeb trafodion cysylltiedig â chontractau y daeth CNC iddynt gyda gweithredwr y felin lifio ym Mai 2014. Pryderon oedd y rhain ynghylch a oedd penderfyniad CNC i ddyfarnu'r contractau i weithredwr y felin lifio yn gyfreithlon neu beidio o ran cyfraith gyhoeddus a rheolau Cymorth Gwladwriaethol.

- 52 Rwy'n nodi fod f'ystyriaeth o'r trafodion yn codi yng nghyd-destun fy swyddogaethau archwilio ac nad ydynt yn ymwneud â dilysrwydd y penderfyniadau a gymerwyd gan CNC na'r gallu i'w gorfodi (a nodaf bwynt CNC na cheisiodd yr un o gynrychiolwyr y diwydiant herio dyfarnu'r contractau). Erys y penderfyniad i ddyfarnu'r contractau yn ddilys yn niffyg unrhyw her a diddymu gan Lys. Mae fy marn reoleidd-dra, fodd bynnag, ar ffurf sicrwydd cadarnhaol sy'n golygu fy mod yn datgan a yw'r trafodion yn unol â'r awdurdodau sy'n eu llywodraethu neu beidio.
- 53 Mae f'ystyriaethau o'r materion hyn i'w gweld isod.
- 54 I benderfyniad gan gorff cyhoeddus fod yn gyfreithlon, rhaid ei wneud yn unol â'r ddeddfwriaeth gymwys ac ag egwyddorion cyfraith gyhoeddus (er enghraifft, ni ddylai'r penderfyniad fod yn afresymol). Dylai penderfyniad gael ei wneud yn unol â pholisïau'r corff cyhoeddus, onid oes rheswm da dros wyro oddi wrthynt.

Pwerau

- 55 Yr wyf wedi ystyried a oedd gan CNC y pwerau cyfreithiol i ddod i gontractau am werthu coed gyda gweithredwr y felin lifio ym Mai 2014. Ar yr adeg berthnasol, yr oedd Deddf Coedwigaeth 1967 (y 'Ddeddf') yn gymwys i CNC. Dan y Ddeddf, mae gan CNC ddyletswydd gyffredinol i hybu buddiannau coedwigaeth, datblygu fforestu a chynhyrchu a chyflenwi pren a chynhyrchion coedwigaeth eraill. Mae gan CNC y pŵer i werthu neu i waredu unrhyw bren sy'n eiddo iddynt ac yn gyffredinol i hybu cyflenwi, gwerthu, defnyddio a throsi pren.
- 56 Hefyd, yr oedd Gorchymyn 2012 yn darparu, ar yr adeg berthnasol, mai pwrpas CNC oedd sicrhau bod amgylchedd ac adnoddau naturiol Cymru yn: (a) cael eu cynnal yn gynaliadwy, (b) yn cael eu gwella yn gynaliadwy ac (c) yn cael eu defnyddio yn gynaliadwy. Dan Orchymyn 2012, mae gan CNC y pŵer i godi am 'waith y mae'n gyflawni ac am nwyddau, gwasanaethau a chyfleusterau y mae'n eu darparu'. Mae ganddynt hefyd bwerau achlysurol dan Orchymyn 2012 i 'wneud unrhyw beth sy'n ymddangos iddynt fyddai'n gymorth neu yn deillio o gyflawni ei swyddogaethau', ac yn benodol (ymysg pethau eraill) i ddod i gytundebau, a chael neu waredu eiddo.
- 57 Yr oedd CNC hefyd yn destun rhybuddion statudol dan Orchymyn Iechyd Planhigion (Coedwigaeth) 2005 yng nghyswllt y coed llarwydd afiach mewn ardaloedd penodol oedd yn mynnu cwmpo, dinistrio a/neu gyfyngu ar goed heintiedig o fewn amserlen a benodwyd. Yr oedd dyletswydd gyfreithiol felly ar CNC yng nghyswllt y coed llarwydd afiach ac fe wnaethant geisio cydymffurfio â'r ddyletswydd honno trwy arfer eu pwerau i ddod i gontractau i werthu coed oedd yn sefyll a phren a gwmpwyd.
- 58 Yr wyf yn fodlon felly fod gan CNC y pwerau angenrheidiol i ddod i gontractau gwerthu pren ym Mai 2014.

Polisiâu

- 59 Fel y nodwyd uchod, rhaid i gyrff cyhoeddus: (a) ystyried a (b) dilyn polisiâu perthnasol, onid oes ganddynt reswm da dros wyro oddi wrthynt, neu o leiaf fod ganddynt resymau a ddatganwyd yn glir dros y gwyro. Gall methu â gwneud hyn olygu bod penderfyniad, ac yn sgil hynny, eitem gyfrifo, yn groes i'r gyfraith. Mae'r gyfraith gyhoeddus hefyd yn mynnu cadarnhau a phrofi unrhyw resymau a roddir.
- 60 Gwelais beth tystiolaeth fod CNC wedi cymryd eu polisiâu i ystyriaeth ac wedi ystyried a oedd rhesymau da i wyro oddi wrthynt. Er enghraifft, yr oedd yr adroddiad gwerthuso tendr a gynhyrchwyd ym mis Gorffennaf a phapur y Tîm Gweithredol dyddiedig Awst 2013 yn cynnwys ystyriaeth o wahanol ddewisiadau, gan gynnwys mynd yn ôl at y farchnad.
- 61 Fodd bynnag, mae bwlch tystiolaethol (yng nghyswllt gwneud penderfyniadau mewnol CNC) rhwng papur y Tîm Gweithredol dyddiedig Awst 2013 a'r contractau y daethpwyd iddynt gan CNC ym Mai 2014. Pe na bai'r polisiâu wedi eu cymryd i ystyriaeth ond fod y penderfyniad er hynny yn amlwg yn dilyn y polisi hwn, byddai hyn yn annhebyg o beri bod y contractau a'r trafodion cysylltiedig yn anghyfreithlon. Yr wyf felly wedi ystyried a oes enghreifftiau o wyro oddi wrth bolisiâu CNC heb i resymau da dros wneud hynny gael eu datgan.
- 62 Yr oedd polisi gwerthu pren CNC ar y cyfnod perthnasol wedi ei gynnwys yn Strategaeth Marchnata Pren CCC 2011 - 2016. Yr oedd y ddogfen hon yn ymdrin â gwerthiannau coed oedd yn sefyll a phren wrth ochr y ffordd. Dywedai hefyd mai amcanion marchnata CNC wrth werthu pren oedd y buasent yn gwneud y canlynol:
- 'Sicrhau'r gwerth gorau o werthu pren trwy ei gynnig ar werth am mewn dull teg, agored a thryloyw;
 - cynnig pren ar y farchnad mewn ffyrdd sydd yn caniatáu i'r nifer ymarferol mwyaf o gwsmeriaid i gystadlu amdano ac mewn ffyrdd sydd yn cydnabod anghenion busnes cwsmeriaid CNC ac yn eu galluogi i ychwanegu'r gwerth mwyaf posib iddo;
 - cynnig pren mewn ffyrdd sydd yn cynnal buddsoddiad yn yr holl gadwyn gyflenwi, o gynaeafu trwodd at brosesu ac sydd yn canolbwyntio ar ardaloedd lle mae'r gadwyn gyflenwi honno yn wannach; a
 - cynnig pren mewn ffyrdd sydd yn annog ei ddefnyddio yn y modd gorau i helpu Cymru i ostwng ei ôl troed carbon.'
- 63 Yn yr achos hwn, ni chafodd y pren pyrwydd a llarwydd ei gynnig ar werth ar y farchnad, a allai fod yn groes i (a) a (b) uchod. Fodd bynnag, mae'r ddogfen hefyd yn cynnwys adran: 'Ymdrin â digwyddiadau annisgwyl' ac, yn benodol, datganiad a ddywed: 'Dan amgylchiadau eithriadol yn unig, gallwn benderfynu trafod gwerthu pren i gwsmeriaid a all ymateb yn sydyn i ddigwyddiadau.'

- 64 Mae CNC yn dadlau, ac wedi darparu tystiolaeth gyfoes i gefnogi hynny, fod yr amgylchiadau yr oeddent yn wynebu yn 2013, h.y. y cynnydd buan yn lledaeniad P Ramorum yn ystod misoedd yr haf, yn 'amgylchiadau eithriadol' oedd yn cyfiawnhau gwro oddi wrth eu hamcanion marchnata pren fel y'u datganwyd. Ystyriwyd bod angen hyn oherwydd bod yn rhaid i CNC weithredu ar frys i gael ateb tymor-hir i wrthweithio'r clefyd.
- 65 Yr wyf yn fodlon o'r herwydd fod CNC wedi dangos fod rheswm da dros wro oddi wrth eu polisi arferol a bod amgylchiadau eithriadol a allai beri iddynt benderfynu trafod gwerthu pren i'r cwsmeriaid hynny allai ymateb yn sydyn.

Proses

- 66 Ym mharagraffau 5 i 31 yr wyf wedi gosod allan yr hyn a ddeallaf i am y broses o wneud penderfyniadau a ddilynwyd gan CNC ac a arweiniodd at ddyfarnu contractau i weithredwr y felin lifio ym Mai 2014.
- 67 O ystyried y broses o wneud penderfyniadau yn ei gyfanrwydd, mae'n amlwg fod CNC wedi cymryd camau ar wahanol gyfnodau i asesu manteision ac anfanteision y dewisiadau oedd ar gael iddynt. Fodd bynnag, ac yn bwysig iawn, ni fedrodd CNC roi fawr ddim dogfennaeth i mi parthed eu penderfyniad i gytuno ar y contractau llarwydd a phyrwydd a'r Memorandwm Dealltwriaeth. Yn benodol, does fawr ddim dogfennaeth ynghylch y penderfyniad i ddod i'r contractau (yr ymddengys iddo gael ei gymryd ym mis Tachwedd 2013). Yn ddiweddar, darparodd CNC ddogfennaeth i mi am y trafodaethau a ddigwyddodd rhwng Awst 2013 a Mai 2014. Safbwynt CNC yw bod y trafodaethau hyd at 14 Tachwedd yn unol â'r modd o wneud penderfyniadau oedd yn deillio o bapur y Tîm Gweithredol a bod y contractau y daethpwyd iddynt i raddau helaeth ar delerau safonol y Comisiwn Coedwigaeth/CNC ac yn unol â'r strategaeth ym mhapur y Tîm Gweithredol. Yn fy marn i, ar sail y cofnodion a ddarparwyd gan CNC, nid oes digon o ddogfennaeth yng nghyswllt y penderfyniad i ddod i'r contractau ac nid oes modd bod yn sicr ynghylch pa ffactorau a ystyriwyd gan y sawl wnaeth y penderfyniad wrth ddod i'r contractau ac o ganlyniad a oedd y penderfyniadau a gymerwyd yn gyfreithiol ai peidio.
- 68 Oherwydd methiant CNC i gadw digon o ddogfennaeth gyfoes yn gosod allan eu penderfyniadau yn ystod y cyfnod hwn a'r rhesymau dros y penderfyniadau hynny, ni fedrais fodloni fy hun ar rai materion allweddol. Dywedodd CNC wrthyf, a hwythau newydd orffen ymarferiad marchnad agored am larwydd afiach, eu bod o'r farn fod y pwysau amser, o achos lledaeniad cyflym y clefyd, yn gyfryw fel y byddai ailadrodd yr ymarferiad yn oedi eu hymateb yn sylweddol o fisoedd lawer, a thybiodd eu tîm marchnata pren profiadol iawn y buasai'n dra anhebygol o ddenu unrhyw bartïon newydd fyddai â diddordeb.

- 69 Ni chefais fy mherswadio, fodd bynnag, mai'r angen brys am i CNC contractio er mwyn ymdrin â lledaeniad sydyn P Ramorum oedd y rheswm, neu'r unig reswm y daeth CNC i'r contractau gyda gweithredwr y felin lifio. Yr wyf yn pryderu mai un o ystyriaethau CNC, efallai, oedd sicrhau'r buddsoddiad yn eiddo gweithredwr y felin. Mae'n dra anhebygol y byddai hyn yn ystyriaeth gyfreithlon ynddo'i hun. Darparodd CNC beth tystiolaeth i gefnogi dyfarnu contractau ar sail brys, a dywedodd mai eu pwrpas oedd cynyddu'r capasiti i brosesu llarwydd afiach ac nad oedd unrhyw ddewisiadau eraill yn y farchnad, ond yn eu dogfennau mewnol, maent yn cyfeirio hefyd at yr amcan o fod eisiau cefnogi buddsoddiad gweithredwr y felin lifio.
- 70 Mynna CNC, ac yr wyf yn derbyn hyn, efallai mai ystyriaeth waelodol CNC oedd cynyddu capasiti fel ffordd o drin y swm cynyddol o larwydd heintiedig i'w brosesu yn y blynyddoedd i ddod. Er bod hyn yn gymhelliad a allasai fod yn ddilys, derbyniais sylwadau gan gynrychiolwyr y diwydiant i'r perwyl fod yn 2013 gryn gapasiti heb ei ddefnyddio mewn melinau llifio eraill yng Nghymru a fuasai wedi cymryd cymaint o bren ag y gellid ei gyflenwi, yn amodol ar bris. Os yw hyn yn wir, y mae'n amlwg yn ystyriaeth berthnasol y dylasai CNC fod wedi bod yn ymwybodol ohono. Os oeddent yn ymwybodol ohono, byddai'n codi cwestiwn ynghylch cymhelliad CNC i ddod i'r contractau hyn gyda gweithredwr y felin lifio. Mae CNC yn gwadu'n gryf yr honiad fod capasiti nas defnyddiwyd mewn melinau llifio.
- 71 Y mae CNC o'r farn nad oedd marchnad i larwydd heintiedig, oherwydd yn ystod Tachwedd 2012 i Fedi 2013 ceisiodd y Comisiwn Coedwigaeth/CNC werthu 21 pecyn unigol o larwydd heintiedig, ac o'r rhain, ni chafwyd bidiau o gwbl am saith, derbyniodd wyth un bid yn unig, ac ni dderbyniodd yr un pecyn fwy na thri bid. Hysbysodd CNC fi mai'r pris cyfartalog oedd pris negyddol o -£20.71 y dunnell. Mae CNC hefyd yn ystyried y dengys y tri bid a dderbyniwyd mewn ymateb i dendr 2013 nad oedd galw am newid i larwydd afiach, na'r capasiti i wneud hynny. Fel y crybwyllwyd uchod, yn fy marn i, nid yw maint y pecynnau hynny a chynnig y tendr i'w gymharu â'r contractau y daeth CNC iddynt gyda gweithredwr y felin lifio. Cynlluniwyd cyfaint y contract a ddyfarnwyd i weithredwr y felin lifio i'w alluogi i wneud buddsoddiad mawr yn ei felin lifio. Galluogodd y buddsoddiad hwn weithredwr y felin lifio i gynyddu ei gapasiti prosesu yn sylweddol. Ymddengys bod ymrwymiad CNC i werthu i weithredwr y felin lifio gyfaint uchel o bren dros gyfnod o ddeng mlynedd yn gyfle y gallasai cwmnïau eraill fod â diddordeb ynddo.
- 72 Yr wyf yn pryderu hefyd y gall CNC fod wedi dod dan ddylanwad datganiad gweithredwr y felin lifio a ddywedai, oni fyddai CNC yn newid eu safbwynt y buasai am fuddsoddi ei arian a'i amser y tu allan i Gymru (cyfeiriad ym [mharagraff 17](#)). Sylwaf fod CNC wedi hysbysu Llywodraeth Cymru trwy ebost ar 4 Awst 2016 fod gweithredwr y felin lifio yn defnyddio gosodiadau o'r fath i ddwyn pwysau. Nodaf hefyd i CNC ddweud eu bod wedi arfer â'r math hwn o ymddygiad, ac na fyddai'n dylanwadu arnynt. Er hynny, yr wyf yn dal yn bryderus y gall pwysau gweithredwr y felin lifio fod wedi dylanwadu ar CNC gan nad yw dogfennaeth CNC yn ei gyfanrwydd yn gosod allan gofnod clir o'r broses o wneud penderfyniadau.

- 73 Yr wyf o'r farn yr erys cwestiynau difrifol ynghylch pam, o gofio fod gweithredwr y felin lifio yn aflwyddiannus yn y tendr cystadleuol, y dyfarnwyd iddo yn y pen draw gyfaint mor uchel o bren ar sail fod CNC yn teimlo fod angen mwy o gapasiti. Y mae hyn yng nghyd-destun y ffaith nad aeth CNC allan i'r farchnad i weld a allai cwmnïau eraill gynyddu capasiti mewn modd fyddai'n rhoi gwell gwerth am arian.
- 74 Er bod gennyf bryderon ynghylch y broses o wneud penderfyniadau, nid yw'r dystiolaeth yn ddigonol i mi allu dod i gasgliad fod y penderfyniad i ddod i'r contractau yn torri egwyddorion cyfraith gyhoeddus. Nid yw f'ansicrwydd yn golygu y dylid synied yn awr am y contractau fel rhai anghyfreithlon fel sydd wedi ei osod allan ym **mharagraff 52**; fodd bynnag, y mae'n golygu na allaf roi barn reoleidd-dra ddiamod ar y datganiadau ariannol.
- 75 Dywedodd Prif Weithredwr Cyfoeth Naturiol Cymru wrthyf ei fod yn ystyried fod amodi'r farn reoleidd-dra yn anghymesur â'r diffygion a nodwyd a'i fod yn anghytuno â'm casgliadau ac yn dibynnu ar gyngor cyfreithiol a geisiodd CNC yn ystod f'ymchwiliad archwilio ac a rannwyd gyda mi. Fodd bynnag, yr wyf wedi ceisio fy nghyngor cyfreithiol fy hun gan Gwnsler (gan gynnwys yng nghyswllt cyngor CNC) a chytunaf gyda'r cyngor a dderbyniais, sef nad oes digon o dystiolaeth i ddod i'r casgliad fod y broses o wneud penderfyniadau yn cydymffurfio ag egwyddorion cyfraith gyhoeddus a rheolau Cymorth Gwladwriaethol. Mae'r ansicrwydd arwyddocaol sy'n bodoli yn golygu fy mod yn ystyried mai'r cam cywir a chymesur i mi gymryd fel archwiliwr CNC yw i mi amodi fy marn reoleidd-dra.

Cydymffurfio â rheolau Cymorth Gwladwriaethol

- 76 Arweiniodd penderfyniad CNC i ddod i gontractau gwerthu pren gyda gweithredwr y felin lifio heb agor y cyfle allan i'r farchnad ehangach fi i ystyried a roes CNC Gymorth Gwladwriaethol anghyfreithlon i weithredwr y felin lifio.
- 77 Cymorth Gwladwriaethol yw unrhyw gymorth a roddir gan Aelod-Wladwriaeth o'r UE neu trwy adnoddau'r Wladwriaeth ar ba ffurf bynnag, sydd yn anffurfio neu yn bygwth anffurfio cystadleuaeth trwy ffafrio rhai ymgymeriadau neu gynhyrchu rhai nwyddau, i'r graddau y bydd hynny yn effeithio ar fasnach rhwng Aelod-Wladwriaethau (Erthygl 107 o'r Cytundeb ar Weithredu'r Undeb Ewropeaidd). Mae darparu Cymorth Gwladwriaethol yn anghyfreithlon oni chaiff ei awdurdodi ymlaen llaw, boed trwy 'eithriad bloc' sy'n bodoli eisoes neu trwy awdurdodi unigol a ganiateir gan y Comisiwn Ewropeaidd mewn ymateb i hysbysiad gan y Wladwriaeth berthnasol.

- 78 Ceisiais gyngor cyfreithiol ynghylch a oedd dyfarnu contractau i weithredwr y felin lifio yn gyfystyr â Chymorth Gwladwriaethol i weithredwr y felin lifio neu beidio. Y cyngor a gefais yw bod hyn yn dibynnu oedd y contractau hynny yn gyfystyr â darparu 'mantais economaidd' i weithredwr y felin lifio neu beidio. Os oeddent, a bod gwerth y fantais honno o bosib yn berthnasol i fasnach ryng-Wladwriaethol (meincnod ar gyfer perthnasedd yn y cyd-destun hwn yw trothwy *de minimis* Cymorth Gwladwriaethol y Comisiwn Ewropeaidd o €200,000), yna bodlonir yr amodau eraill am Gymorth Gwladwriaethol hefyd oherwydd y byddai'r cyfryw fantais economaidd:
- yn amlwg yn cael ei roi o adnoddau'r Wladwriaeth, oherwydd bod asedau CNC (gan gynnwys coed y mae ganddynt yr hawdd i'w gwerthu) yn adnoddau'r Wladwriaeth, a bod penderfyniadau CNC i'w priodoli i'r Deyrnas Unedig fel Aelod-Wladwriaeth o'r UE;
 - yn amlwg yn 'ddetholus', gan y byddai'r fantais wedi'i rhoi yn benodol i weithredwr y felin lifio ac nid i weithredwyr melinau llifio eraill; a
 - hefyd yn dueddol o anffurfio cystadleuaeth ac effeithio ar fasnach ryng-Wladwriaeth, oherwydd (i) byddai'r fantais yn cryfhau safle economaidd cyffredinol y grŵp corfforaethol y mae gweithredwr y felin lifio yn rhan ohono, a (ii) bod y marchnadoedd (fel y rhai am bren a chynnyrch pren) lle mae'r grŵp corfforaethol hwnnw yn cystadlu yn farchnadoedd lle mae yn amlwg gryn dipyn o fasnach drawsffiniol yn yr UE.
- 79 Mae'r mathau o fesurau a all fod yn 'fantais economaidd' a ddarperir gan y Wladwriaeth yn cynnwys mesurau ariannol uniongyrchol (e.e. buddsoddiadau cyfalaf neu fenthyciadau di-log), mesurau ariannol anuniongyrchol (e.e. hepgor dyledion neu eithrio o drethi) a darparu asedau, gwasanaethau neu seilwaith unswydd am ddim neu am bris is na'r gwerth. Bydd dyfarnu contract yn gyfystyr â mantais lle mae ei delerau yn ormodol hael (o gymharu â 'telerau'r farchnad') i'r ymgymeriad, boed hynny oherwydd bod y telerau hynny yn darparu am gyflenwi nwyddau neu wasanaethau i'r ymgymeriad am bris sy'n is na'u gwerth, neu am eu bod yn trefnu i'r ymgymeriad dderbyn tâl am y nwyddau neu'r gwasanaethau mae'n eu cyflenwi ac sydd yn uwch na phris y farchnad.
- 80 Mae baich y prawf yng nghyswllt dangos fod y mesur yn fantais economaidd ar y person (y Comisiwn Ewropeaidd fel arfer) sy'n honni ei fod yn gwneud hynny. Mae'r Comisiwn Ewropeaidd, yn ei benderfyniadau a'i ganllawiau cyhoeddedig, wedi mabwysiadu'r safbwynt ei fod yn rheidrydd ar y corff Gwladwriaethol sydd yn dyfarnu contract, neu'n gwerthu tir neu asedau gwerthfawr eraill, naill ai i (a) gynnal proses gystadleuol neu, (b) lle nad yw'n ymarferol cynnal cystadleuaeth, o leiaf i ddefnyddio 'profi'r farchnad' neu fecanwaith arall ar gyfer gwirio bod y telerau y cytuna arnynt yn y pen draw yn unol â thelerau'r farchnad ac felly nad ydynt yn rhoi unrhyw fantais economaidd. Lle na wnaeth y corff Gwladwriaethol hynny, y safbwynt fel mater o gyfraith o hyd yw bod baich y prawf o fantais ar y person sy'n honni'r fantais. Serch hynny, bydd y Comisiwn Ewropeaidd fel arfer yn cymryd y safbwynt fod ganddo'r hawl i dybio o'r amgylchiadau (neu 'ragdyb gwrthbrofadwy')

fod telerau'r contract yn hael i'r ymgymriad o gymharu â'r telerau fuasai wedi deillio o broses gystadleuol.

- 81 Ni chyfyd unrhyw fantais economaidd lle mae'r Wladwriaeth yn gwneud rhywbeth (megis gwerthu darn o dir sy'n eiddo iddi) y gellir ei wneud hefyd gan endidau heb fod yn Wladwriaethau, a'i bod yn gwneud hynny ar delerau y gallasai endid heb fod yn Wladwriaeth mewn sefyllfa debyg fod yn barod i'w derbyn *am resymau masnachol*. 'Egwyddor gweithredwr economi'r farchnad' yw'r enw am hyn. Er mwyn cymhwysu'r egwyddor hon, rhaid cymharu ymddygiad CNC gyda'r hyn y byddai cwmni masnachol wedi ei wneud dan amgylchiadau tebyg. Gall hyn beri anawsterau tystiolaethol oherwydd nad yw tystiolaeth o'r hyn y gallasai cwmni masnachol fod wedi ei wneud ar gael ac oherwydd y gall fod lle i ddadlau ynghylch a ddylai rhai amcanion neu fuddiannau fod ymysg yr hyn sy'n cael ei briodoli neu beidio i'r cwmni masnachol damcaniaethol. Ni chefais fy mherswadio fod CNC wedi gweithredu fel y buasai cwmni masnachol wedi gwneud oherwydd mai un o resymau CNC dros geisio cynyddu capasiti i brosesu llarwydd afiach oedd sicrhau mwy o gapasiti, i stadau'r sector cyhoeddus a'r sector preifat, nad yw'n ystyriaeth y buasai cwmni masnachol wedi ei gadw mewn cof.
- 82 Safbwynt CNC yw nad oedd gan weithredwr y felin lifio nifer arwyddocaol o gwsmeriaid tramor ac nad oedd y contractau felly yn cael yr effaith ofynnol ar fasnach ryng-Wladwriaethol. Fodd bynnag, y cyngor a gefais i yw y rhagdybir bod mantais ddethol i gwmni penodol yn effeithio ar fasnach ryng-Wladwriaethol lle bo'r ymgymriad sy'n derbyn y fantais honno yn weithredol mewn marchnadoedd a nodweddir gan gyfeintiau arwyddocaol o fasnach ryng-Wladwriaethol. Mae hynny yn wir boed yr ymgymriad ei hun yn cyflenwi cwsmeriaid yn unrhyw un o Wladwriaethau eraill yr UE, neu fod ganddo bresenoldeb yno neu beidio. Mae masnach ryng-Wladwriaethol sylweddol iawn mewn marchnadoedd am bren a chynhyrchion pren, ac y mae gweithredwr y felin lifio yn masnachu yn drawsffiniol.
- 83 Mae'n amlwg o'r dogfennau cyfoes na phennwyd telerau'r contractau naill ai gan ganlyniad cystadleuaeth am gwrdd â gofynion perthnasol CNC, na chan brofion marchnad perthnasol eraill oedd yn canoli ar y gofynion hynny. Er bod profiad swyddogion CNC o'r bidiau a dderbyniwyd yn 2013 yn sail o wybodaeth iddynt, yr oedd y gwahaniaeth rhwng y cyfeintiau yn y gystadleuaeth honno, o gymharu â'r cyfeintiau oedd yn cael eu dyfarnu i weithredwr y felin lifio yn unig, yn sylweddol iawn. Nid oes fawr ddim yn y ddogfennaeth gyfoes i roi tystiolaeth fod swyddogion CNC wedi ystyried yn ofalus a allai'r cyfeintiau uwch ddenu diddordeb o du amrywiaeth ehangach o gwmnïau pren (h.y. cwmnïau na fidiodd yng nghystadleuaeth 2013, gan gynnwys o bosib gwmnïau heb fod â phresenoldeb ar y pryd yng Nghymru). Nid yw'n ymddangos chwaith iddynt ystyried a allasai'r cyfeintiau hynny fod wedi bod yn ddigon i annog cystadleuwyr gweithredwr y felin lifio oedd â melinau llifio yng Nghymru i fuddsoddi mewn capasiti ychwanegol er mwyn gallu trin y cyfeintiau hynny. Nid wyf yn ymwybodol o unrhyw dystiolaeth argyhoeddiadol a fyddai'n arwain at y casgliad y gellid wfftio'r posibiliadau hyn fel rhai hollol afrealistig.

- 84 Petai telerau'r contractau yn adlewyrchu prisiau'r farchnad, yna ni fyddai unrhyw Gymorth Gwladwriaethol yn deillio o'r contractau, ac yr wyf yn derbyn y gall y contractau fod ar delerau'r farchnad. Fodd bynnag, nid oedd sail o brofion marchnad perthnasol i benderfyniad CNC i ddyfarnu'r contractau i weithredwr y felin lifio, ac nis cefnogwyd chwaith gan resymeg argyhoeddiadol fyddai'n cefnogi casgliad y buasai chwilio am ddarparwyr eraill o raid wedi bod yn ofer. Yn fy marn i, methodd CNC a dilyn y prosesau priodol er mwyn sicrhau y cafwyd yr allbynnau y contractiodd gyda gweithredwr y felin lifio amdanynt ar delerau'r farchnad. Mae'r methiant hwn yn codi amheuon ynghylch a yw'r contractau yn cydymffurfio â rheolau Cymorth Gwladwriaethol neu beidio. Yn wyneb yr ansicrwydd hwn, ni allaf eto roi barn reoleidd-dra ddiamed am y datganiadau ariannol.
- 85 Fel y nodwyd ym **mharagraff 75** uchod, dywedodd Prif Weithredwr Cyfoeth Naturiol Cymru wrthyf ei fod yn ystyried fod amodi'r farn reoleidd-dra yn anghymesur â'r diffygion a nodwyd a'i fod yn anghytuno â'm casgliadau ac yn dibynnu ar gyngor cyfreithiol a geisiodd CNC yn ystod fy ymchwiliad archwilio ac a rannodd gyda mi. Fodd bynnag, ceisiais fy nghyngor cyfreithiol fy hun (gan gynnwys yng nghyswllt cyngor CNC), y cytunaf ag ef ac a ddywed nad oes digon o dystiolaeth i ddod i'r casgliad fod y broses o wneud penderfyniadau yn cydymffurfio ag egwyddorion cyfraith gyhoeddus a rheolau Cymorth Gwladwriaethol. Mae'r ansicrwydd arwyddocaol sy'n bodoli yn golygu fy mod yn ystyried mai'r cam cywir a phriodol i mi ei gymryd fel archwiliwr CNC yw amodi fy marn reoleidd-dra.

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Mae'r Archwilydd Cyffredinol yn annibynnol o'r Cynulliad Cenedlaethol ac o lywodraeth. Mae'n archwilio ac yn ardystio cyfrifon Llywodraeth Cymru a'r cyrff cyhoeddus a noddir ganddi ac sy'n gysylltiedig â hithau gan gynnwys cyrff y GIG yng Nghymru. Mae ganddo'r pŵer statudol i gyflwyno adroddiadau i'r Cynulliad Cenedlaethol ar economi, effeithlonrwydd ac effeithiolrwydd y defnydd a wna'r sefydliadau hynny o'u hadnoddau wrth gyflawni eu swyddogaethau, a sut y gallent wella'r defnydd hwnnw.

Mae'r Archwilydd Cyffredinol, ynghyd ag archwilwyr penodedig, hefyd yn archwilio cyrff llywodraeth leol yng Nghymru, mae'n cynnal astudiaethau gwerth am arian mewn llywodraeth leol ac yn arolygu cydymffurfiaeth gydag anghenion Mesur Llywodraeth Leol (Cymru) 2009.

Mae'r Archwilydd Cyffredinol yn ymgymryd â'i waith gan ddefnyddio staff ac adnoddau eraill a ddarperir gan Swyddfa Archwilio Cymru, sydd yn fwrdd statudol wedi'i sefydlu ar gyfer y nod hwnnw ac i fonitro a chynghori'r Archwilydd Cyffredinol.

Am ragor o wybodaeth ysgrifennwch at yr Archwilydd Cyffredinol yn y cyfeiriad uchod, ffôn 02920 320500, e-bost: post@archwilio.cymru, neu gweler y wefan www.archwilio.cymru.

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Y prif ffeithiau am CNC

Dyddiad creu
1 Ebrill 2013

Cyngor
Cefn Gwlad
Cymru

Prif gyrff
etifeddiaeth

Asiantaeth yr
Amgylchedd
Cymru

Comisiwn
Coedwigaeth
Cymru

Nifer y staff
fel yr oedd yn
Hydref 2015
2,017

Rheoli
7%
o arwynebedd
tir Cymru

Cyllideb
flynyddol ar
gyfer 2015-16
£187m

Cyfanswm
gwirioneddol
y buddiannau
yn 2014-15
£7.5m

Cyfanswm
y buddiannau
a ragwelir yn
2018-19
£74.3m

Cyfanswm
y buddiannau
a dargedir
yn 2022-23
£158m

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Adroddiad cryno



Ffigur 1 – Y sefydliadau etifeddiaeth a'u cyfrifoldebau

<p>Cyngor Cefn Gwlad Cymru</p> <p>Corff a Noddir gan Lywodraeth Cymru</p> <p>Roedd ei gyfrifoldebau'n cynnwys:</p> <p>Swyddogaethau cynghori a gweithredol ar gyfer cadwraeth natur a rheoli'r amgylchedd; hysbysu safleoedd o ddiddordeb gwyddonol arbennig; rheoli Gwarchodfeydd Natur Cenedlaethol; ymgynghori statudol, er enghraifft ar gyfer asesiadau Rheoliadau Cynefinoedd a grantiau amgylcheddol.</p>	<p>Asiantaeth yr Amgylchedd Cymru</p> <p>Elfen Gymreig Asiantaeth yr Amgylchedd (Cymru a Lloegr), corff cyhoeddus anadrannol</p> <p>Roedd ei gyfrifoldebau'n cynnwys:</p> <p>Rheoleiddio amgylcheddol yn achos allyriadau a gollyngiadau i'r aer, y tir a dŵr gan gynnwys trwyddedau ar gyfer allyriadau diwydiannol, cyfleusterau rheoli gwastraff a rheoli pysgodfeydd, a rheoli perygl o lifogydd.</p>	<p>Comisiwn Coedwigaeth Cymru</p> <p>Elfen Gymreig y Comisiwn Coedwigaeth, adran anweinidogol o'r llywodraeth, gyda chyfrifoldeb datganoledig i Weinidogion Cymru</p> <p>Roedd ei gyfrifoldebau'n cynnwys:</p> <p>Rheoli a datblygu ystâd coedwigoedd cyhoeddus, creu coetiroedd newydd, rheoli cyflenwadau o bren, ac ymgysylltu â choetiroedd preifat.</p>	<p>Swyddogaethau Llywodraeth Cymru</p> <p>Roedd ei chyfrifoldebau'n cynnwys:</p> <p>Trwyddedau morol a bywyd gwylt ar gyfer Rhywogaethau a Warchodir gan y DU ac Ewrop</p>
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O 1 Ebrill 2013

Cyfoeth Naturiol Cymru (CNC)

Corff a Noddir gan Lywodraeth Cymru

O 1 Ebrill 2015

Byrddau Draenio Mewnol Cil-y-coed a Gwynllŵg, Rhannau Isaf Afon Gwy, a Phowys¹

Awdurdodau cyhoeddus lleol sy'n atebol i Lywodraeth Cymru ac i Adran yr Amgylchedd, Bwyd a Materion Gwledig sy'n ymdrin â meysydd penodol o anghenion draenio arbennig yng Nghymru.

Mae eu cyfrifoldebau'n cynnwys: Rheolaeth o ddydd i ddydd am y system ddraenio, cynlluniau rheoli lefelau dŵr, gwneud gwaith i leihau'r perygl o lifogydd, cynghori ar geisiadau cynllunio, a chadwraeth ar safleoedd dynodedig fel Safleoedd o Ddiddordeb Gwyddonol Arbennig.

Noder:

¹ Roedd Bwrdd Draenio Mewnol Cil-y-coed a Gwastadeddau Gwynllŵg yn gweithredu'n gyfan gwbl yng Nghymru ac roedd Byrddau Draenio Mewnol Rhannau Isaf Afon Gwy a Phowys yn gweithredu ar naill ochr y ffin rhwng Cymru a Lloegr, gyda swyddogaethau sydd mewn rhannau o Gymru yn cael eu trosglwyddo i ofal CNC.

Ffynhonnell: Swyddfa Archwilio Cymru, gan ddefnyddio gwybodaeth gan Cyfoeth Naturiol Cymru

- 1 Cyfoeth Naturiol Cymru (CNC) yw'r mwyaf o bell o'r cyrff a noddir gan Lywodraeth Cymru¹. Mae ganddo gyllideb flynyddol o £187 miliwn ar gyfer 2015-16 ac ym mis Hydref 2015 roedd yn cyflogi 1,941 o staff parhaol, 71 staff dros dro a phum prentis ledled Cymru. Crëwyd CNC gan Lywodraeth Cymru ar 1 Ebrill 2013, gan ddisodli tri chorff etifeddiaeth – Cyngor Cefn Gwlad Cymru, Asiantaeth yr Amgylchedd Cymru, a Chomisiwn Coedwigaeth Cymru – yn ogystal ag ymgorffori rhai o swyddogaethau penodol Llywodraeth Cymru (Ffigur 1). Ar 1 Ebrill 2015, trosglwyddodd Llywodraeth Cymru swyddogaethau'r tri Bwrdd Draenio Mewnol sy'n gweithredu'n gyfan gwbl neu'n rhannol yng Nghymru i ofal CNC.
- 2 Mae gan CNC ystod eang a chymhleth o rolau a chyfrifoldebau, sy'n cyfrannu at gyflawni amcanion polisi Llywodraeth Cymru sy'n gysylltiedig â'r amgylchedd, yr economi ac ansawdd bywyd (Ffigur 2). Mae Llywodraeth Cymru yn amlinellu'r prif flaenoriaethau ar gyfer CNC mewn llythyrau cylch gwaith blynyddol.

Ffigur 2 – Rolau a chyfrifoldebau CNC

Cynghorydd	Prif gynghorydd i Lywodraeth Cymru, a chynghorydd i ddiwydiant a'r cyhoedd yn gyffredinol a'r sector gwirfoddol, a chyfathrebwr ar faterion yn ymwneud â'r amgylchedd a'i adnoddau naturiol.
Rheoleiddiwr	Gwarchod pobl a'r amgylchedd gan gynnwys diwydiannau morol, coedwigoedd a gwastraff, ac erlyn y sawl sy'n torri'r rheoliadau y mae CNC yn gyfrifol amdanynt.
Dynodwr	Yn achos Safleoedd o Ddiddordeb Gwyddonol Arbennig – ardaloedd o werth penodol am eu bywyd gwylt neu eu daeareg, Ardaloedd o Harddwch Naturiol Eithriadol a Pharciau Cenedlaethol, yn ogystal â dynodi Gwarchodfeydd Natur Cenedlaethol.
Ymatebwr	I tua 9,000 o ddigwyddiadau amgylcheddol y flwyddyn a hysbysir fel ymatebwr argyfwng Categori 1.
Ymgynghorai statudol	I tua 9,000 o geisiadau cynllunio'r flwyddyn.
Rheolwr/ Gweithredwr	Rheoli saith y cant o arwynebedd tir Cymru, gan gynnwys coetiroedd, Gwarchodfeydd Natur Cenedlaethol, amddiffynfeydd dŵr a llifogydd, a rhedeg canolfannau ymwelwyr, cyfleusterau hamdden a labordy.
Partner, Addysgwr a Galluogwr	Cydweithredwr allweddol â'r sectorau cyhoeddus, preifat a gwirfoddol, rhoi cymorth grant, a helpu ystod eang o bobl i ddefnyddio'r amgylchedd fel adnodd dysgu; gweithredu fel catalydd ar gyfer gwaith pobl eraill.
Casglwr tystiolaeth	Monitro'r amgylchedd, comisiynu a gwneud ymchwil, datblygu gwybodaeth, a gweithredu fel corff cofnodion cyhoeddus.
Cyflogwr	Dros 1,900 o staff [parhaol], yn ogystal ag ategu cyflogaeth pobl eraill drwy waith contract a chyfleoedd i wirfoddoli.

Ffynhonnell: Adroddiad Blynyddol Cyfoeth Naturiol Cymru 2014-15

¹ Mae cyrff a noddir gan Lywodraeth Cymru yn gyrrff cyhoeddus a ariennir gan Lywodraeth Cymru sydd â rôl ym mhrosesau'r Llywodraeth ond nad ydynt yn rhan o adrannau'r Llywodraeth. Mae gan bob corff a noddir gytundeb fframwaith â Llywodraeth Cymru sy'n pennu rolau a chyfrifoldebau. Mae cyrff a noddir yn gweithredu hyd braich oddi wrth Weinidogion Llywodraeth Cymru, ond mae Bwrdd y corff a noddir yn atebol i Weinidogion drwy'r adran sy'n eu noddi o fewn Llywodraeth Cymru. Mae cyrff eraill a noddir yn cynnwys, er enghraifft, Amgueddfa Genedlaethol Cymru, Cyngor Gafal Cymru a Chwaraeon Cymru.

- 3 Roedd yr achos busnes dros sefydlu CNC wedi nodi nifer o fuddiannau yr oedd Llywodraeth Cymru yn disgwyl iddynt gael eu gwireddu drwy greu CNC oedd yn ymwneud â chanlyniadau gwell, darpariaeth well i Gymru a mwy o werth am arian. Roedd yr achos busnes yn nodi buddiannau mesuradwy yr oedd Llywodraeth Cymru yn disgwyl i CNC eu cyflawni oedd werth cyfanswm o £158 miliwn yn ystod y 10 mlynedd hyd ddiwedd 2022-23². Diwygiodd Llywodraeth Cymru a CNC yr achos busnes ym mis Gorffennaf 2013, gan amrywio proffil y buddiannau a ragwelwyd ar gyfer pob blwyddyn ond gan gadw'r rhagamcan cyffredinol dros y 10 mlynedd, sef £158 miliwn, yr un fath³. Roedd cyfanswm costau disgwylidig creu CNC yn £66 miliwn yn yr achos busnes diwygiedig, gan roi arbediad net a ragwelir o £92 miliwn hyd 2022-23.
- 4 Roedd nifer o risgiau a heriau posibl ynghlwm wrth greu CNC ac roedd y rhain yn destun craffu manwl. Roedd rhai sefydliadau, yn enwedig yn y sector coedwigaeth, wedi herio'r penderfyniad gwreiddiol i ddisodli'r tri sefydliad, gan fynegi pryderon ynghylch dilyniant gan haeru y byddai llai o bwyslais ar eu maes diddordeb penodol hwy. Roedd yr achos busnes gwreiddiol dros greu CNC, a baratowyd gan Lywodraeth Cymru, yn nodi sawl risg strategol gan gynnwys:
- a ymateb negyddol gan randdeiliaid;
 - b diffyg diben cyffredin;
 - c effaith andwyol ar staff a pherfformiad sefydliadol;
 - ch colli sgiliau sefydliadol; ac
 - d amharu ar drefniadau gweithio ar draws ffiniau.
- 5 Bu Pwyllgor Amgylchedd a Chynaliadwyedd Cynulliad Cenedlaethol Cymru yn ystyried rhai o'r materion hyn yn ei ymchwiliad yn 2012 i asesu a fyddai'r achos busnes a oedd yn sail i benderfyniad Llywodraeth Cymru i greu corff newydd yn gwireddu'r canlyniadau i'r amgylchedd naturiol yr oedd y Llywodraeth yn dymuno'u sicrhau⁴. Dywedodd y Pwyllgor na allai eto fod yn hyderus y byddai trefniadau ar waith i liniaru'r risgiau a'r pryderon a fynegwyd gerbron y Pwyllgor; ac argymhellodd fod Llywodraeth Cymru yn sicrhau na fyddai dirywiad mewn perfformiad yn ystod y cyfnod pontio, ac y byddai arbenigedd masnachol y cyrff etifeddiaeth yn cael ei brif ffrydio i waith CNC. Mae diddordeb y Pwyllgor wedi parhau ers creu CNC, gan gynnwys ymchwiliad arall yn ymwneud â'r ystâd coedwigaeth gyhoeddus yng Nghymru ac ymgynghoriad cyhoeddus fel rhan o graffu blynyddol ar waith CNC.

2 Mae'r buddiannau hyn yn cynnwys arbedion mewn arian ac arbedion mesuradwy eraill sy'n deillio o fod yn un corff symlach, gan leihau dyblygu, symleiddio prosesau a sicrhau enillion o ran cynhyrchiant.

3 Roedd achos busnes gwreiddiol Tachwedd 2011 yn rhagweld cyfanswm o £158.4 miliwn mewn buddiannau. Roedd achos busnes diwygiedig Gorffennaf 2013 yn rhagweld cyfanswm o £158.0 miliwn mewn buddiannau.

4 **Adroddiad – Yr achos busnes dros un corff amgylcheddol**, Pwyllgor Amgylchedd a Chynaliadwyedd Cynulliad Cenedlaethol Cymru, Mai 2012.

- 6 O gofio'r risgiau cynhenid a oedd ynghlwm wrth greu CNC a lefel y newid sefydliadol cysylltiedig, ac oherwydd bod CNC yn sefydliad newydd sy'n defnyddio adnoddau cyhoeddus sylweddol i gyflawni swyddogaethau pwysig, roedd yr Archwilydd Cyffredinol wedi cynnwys archwiliad o ddatblygiad CNC yn ei raglen o archwiliadau gwerth am arian. Roedd ein hastudiaeth yn ystyried a oes gan CNC drefniadau llywodraethu effeithiol ar waith eisoes neu a yw'n datblygu trefniadau o'r fath i'w helpu i gyflawni ei brif flaenoriaethau a chanlyniadau. Mae rhagor o fanylion am gwmpas ein gwaith a'r dulliau archwilio wedi eu cynnwys yn **Atodiad 1**. Er na fuom yn edrych ar gyflawniad gweithredol swyddogaethau CNC fel rhan o'n hastudiaeth, mae staff Swyddfa Archwilio Cymru wrthi'n paratoi adroddiad ar reoli peryglon llifogydd ac erydu arfordirol a fydd yn edrych ar rôl CNC yn y maes hwn. Hefyd, yn y dyfodol, rydym yn bwriadu gwneud gwaith archwilio dilynol ar ein hastudiaethau cyfredol; gwneud gwaith archwilio newydd gyda CNC yn gysylltiedig â dyletswyddau Deddf Llesiant Cenedlaethau'r Dyfodol (Cymru) Act 2015; a pharhau i gynnwys gwaith yn ein rhaglen astudiaethau gwerth am arian sy'n berthnasol i swyddogaethau CNC.
- 7 Mae CNC wedi rheoli dwy flynedd gyntaf ei ddatblygiad fel cyfnod 'pontio', gyda'r nod o reoli parhad tra'n dwyn ynghyd swyddogaethau ei gyrff etifeddiaeth. Mae CNC yn awr wedi cyrraedd pwynt allweddol yn ei ddatblygiad wrth iddo symud o'r cyfnod 'pontio' i'r cyfnod 'trawsnewid' i adeiladu'r sefydliad ymhellach. Fel rhan o'r cyfnod nesaf hwn, mae CNC yn wynebu'r her o gynyddu cyfrifoldebau statudol o dan ddeddfwriaeth newydd gan gynnwys Deddf Llesiant Cenedlaethau'r Dyfodol (Cymru) 2015 a Bil yr Amgylchedd (Cymru), y disgwylir a fydd yn dod i rym yng ngwanwyn 2016 (**Atodiad 2**).
- 8 **Ar y cyfan, rydym wedi dod i'r casgliad bod CNC wedi mabwysiadu dull cadarn a threfnus i sefydlu'r systemau a'r mesurau rheoli allweddol sydd wedi galluogi ei greu'n rhwydd. Mae'r trefniadau hyn wedi helpu i sicrhau dilyniant yn ei weithrediadau er mwyn cyflawni ei flaenoriaethau a chanlyniadau allweddol. Rydym o'r farn bod gan CNC lwyfan cadarn a fydd yn ei alluogi i barhau i wireddu'r buddiannau a ragwelwyd yn yr achos busnes dros ei greu ac i fynd i'r afael â'r heriau o drawsnewid CNC ar gyfer y dyfodol, yng nghyd-destun y cyfyngiadau cyllido disgwyliedig, cyfrifoldebau statudol newydd a disgwyliadau rhanddeiliaid.**
- 9 Rydym wedi dod i'r casgliad hwn gan fod trefniadau pontio CNC wedi helpu dilyniant yn y busnes mewn cyfnod o newid sefydliadol parhaus pan oedd yn rhaid i CNC hefyd ddelio â digwyddiadau mawr fel llifogydd a chlefyd coed. Rydym o'r farn bod CNC wedi gwneud cynnydd da tuag at gyflawni arbedion ariannol a chyflawni buddiannau eraill a oedd wedi'u bwriadu wrth ei greu. Mae CNC yn awr yn bwrw ymlaen â rhaglen trawsnewid fwy uchelgeisiol, gan ddefnyddio'r hyn a ddysgwyd trwy brofiad, ynghyd ag arferion da o gyfeiriadau eraill. Mae CNC wedi cydnabod cyfyngiadau a therfynau ei raglen newid gychwynnol ac mae wedi rhoi blaenoriaeth i bwyslais ar reoli pobl a chyfathrebu o fewn ei raglen trawsnewid.

- 10 Nodwn fod heriau mewnol ac allanol sylweddol yn wynebu CNC os yw am drawsnewid ei hun ar gyfer y dyfodol. Mae CNC wedi mabwysiadu dull rhagweithiol i ddelio â newidiadau deddfwriaethol a chyfrifoldebau statudol newydd. Fodd bynnag, mae ansicrwydd a fydd unrhyw gyllid ychwanegol ar gael ar gyfer y gwaith hwn. Ym mis Rhagfyr 2015, cafodd CNC gadarnhad gan Lywodraeth Cymru ynghylch gostyngiad o wyth y cant mewn arian, ar sail gyfatebol, yn y cyllid cymorth grant referniw ar gyfer 2016-17 oedd yn ymwneud â rheoli risg heb fod yn risg llifogydd, a gostyngiad o bump y cant mewn cymorth grant ar gyfer rheoli risg llifogydd⁵. Mae Llywodraeth Cymru wedi cadw cymorth grant cyfalaf ar y lefel gyfredol. Mae CNC wedi modelu ystod o senarios cyllidebol i gynllunio ar gyfer gostyngiadau posibl mewn cyllid o flwyddyn i flwyddyn; ond serch hynny nid ydym yn gwybod beth fydd lefel y cyllid y tu hwnt i 2016-17 ar hyn o bryd⁶. Mae pwysau cyllido, ynghyd â'r angen i gyflawni ymrwymadau presennol i gynilo wrth ymgymryd â chyfrifoldeb newydd neu fwy yn golygu heriau sylweddol i CNC o ran cynllunio ariannol yn y tymor canolig a chyflenwi gwasanaethau. Er mwyn ymateb i'r pwysau lluosog hyn bydd yn rhaid i CNC fabwysiadu dull integredig ym mhob agwedd ar ei weithgareddau.

5 Bydd cyllid y mae CNC yn bwriadu ei ddwyn ymlaen o 2015-16 ac, yn sgil llifogydd ym mis Rhagfyr 2015 ac ym mis Ionawr 2016, arian ychwanegol gan Lywodraeth Cymru a fydd yn dod yn rhannol o'i chyllidebau ei hun ac yn rhannol o gynnydd y grant bloc gan Lywodraeth y DU yn dilyn y cyhoeddiad y byddai Lloegr yn cael cymorth ychwanegol yn mynd rhywfaint o'r ffordd tuag at leddfu effeithiau'r gostyngiad yn y cymorth grant ar gyfer rheoli risgiau sy'n gysylltiedig â llifogydd ar gyfer 2016-17.

6 Cyhoeddodd Llywodraeth Cymru ei chyllideb ddrafft ar gyfer 2016-17 ym mis Rhagfyr 2015 ac ynddi ceir manylion cynhwysfawr am un flwyddyn ariannol. Yn nes ymlaen, cadarnhaodd Llywodraeth Cymru wrth CNC faint o gyllideb a ddyrannwyd i'r sefydliad. Ni fydd rhagor o fanylion ynghylch y cyllidebau ar gyfer blynyddoedd yn y dyfodol ar gael tan y cyhoeddir y Rhaglen Lywodraethu newydd ar ôl etholiadau Cynulliad Cenedlaethol Cymru ym mis Mai 2016.

Argymhellion

- 11 Wrth wneud ein hargymhellion rydym yn cydnabod bod CNC wedi bod yn destun nifer o adolygiadau mewnol ac allanol ychwanegol eisoes, sydd wedi arwain at nifer o argymhellion. Mae'r rhain yn cynnwys adolygiad y Swyddfa Rheoliadau Gwell; ymchwiliadau'r Pwyllgor Amgylchedd a Chynaliadwy; hunan asesiad caffael, gydag asesiad ffurfiol Llywodraeth Cymru yn yr arfaeth yn 2016; ac adolygiadau archwilio mewnol fel y rhai ar reoli risg. Mae CNC felly'n rhoi cynlluniau gweithredu ar waith i roi sylw i'r argymhellion hyn ac felly, nid ydym wedi ailadrodd argymhellion a wnaethpwyd eisoes yn y meysydd hyn. Yn yr un modd, mae CNC eisoes wedi cymryd camau i ymateb i nifer o faterion eraill a godwyd yn ystod gwaith maes ein hastudiaeth.

Argymhellion

Cynnig eglurder ar drefniadau cyllido'r dyfodol a chytuno ar flaenoriaethau allweddol o gofio'r pwysau ar adnoddau

- A1 Mae CNC yn debygol o wynebu pwysau ariannol sylweddol a pharhaus yn ystod y blynyddoedd nesaf, o gofio'r toriadau mewn cyllid cymorth grant ar gyfer 2015-16 a 2016-17. Bu cynnydd hefyd yng nghyfrifoldebau statudol CNC, ond ni wyddys a fydd y rhain yn arwain at gyllid ychwanegol. Mae'n bosibl nad yw'r cyhoedd a rhanddeiliaid yn deall yn iawn beth yw union rôl CNC a faint o gyfraniad y gellir disgwyl yn rhesymol i CNC ei wneud tuag at gyflawni targedau amgylcheddol, yn enwedig o ganlyniad i bwysau ar y gyllideb ([paragraffau 2.30 i 2.33](#) a [pharagraffau 2.38 i 2.41](#)).
- Er mwyn galluogi CNC i gynllunio mewn ffordd fwy cadarn ar gyfer y tymor canolig, dylai Llywodraeth Cymru rhoi mwy o sicrwydd i CNC o ran trefniadau cyllido'r dyfodol, yn enwedig am y tair blynedd nesaf, gan gynnwys datgan a fydd cyllid ychwanegol ar gael o ganlyniad i'r cynnydd mewn cyfrifoldebau statudol; a**
 - dylai CNC gynnal trafodaethau â Llywodraeth Cymru a rhanddeiliaid i gytuno ar y prif flaenoriaethau cyflawni ar gyfer CNC yn ystod y pum mlynedd nesaf, ac i reoli disgwyliadau o'i rôl a'i gyfraniad at ganlyniadau amgylcheddol, gan gofio y bydd yn cael llai o gyllid.**

Cytuno ar ffyrdd o reoli a sicrhau buddiannau yn y dyfodol

- A2 Er ein bod yn meddwl bod gan CNC sylfaen gadarn ar gyfer parhau i sicrhau'r buddiannau a ragwelwyd yn yr achos busnes dros greu'r corff, mae'n mynd yn fwyfwy anodd, ac yn fwy o draul ar adnoddau, gwahanu'r buddiannau sy'n deillio'n benodol o greu CNC ac effaith y camau sy'n ofynnol i roi sylw i bwysau ychwanegol ar y gyllideb ([paragraff 1.51](#)). **Dylai CNC a Llywodraeth Cymru gytuno ar ffordd briodol o fonitro ac adrodd am y broses o sicrhau buddiannau yng nghyd-destun y camau ehangach mae CNC yn eu cymryd i ymateb i bwysau o ran y gyllideb.**

Argymhellion

Datblygu'r swyddogaethau sy'n helpu i gyflawni'r strategaeth adeiladau

A3 Mae CNC yn cyflawni strategaeth adeiladau, ac mae rhan ohoni'n cynnwys arfarnu opsiynau i ad-drefnu safleoedd adeiladau (**paragraffau 1.39 i 1.44**). Er bod CNC wedi gwneud cynnydd da, gallai CNC wella ei allu i gyflawni'r strategaeth drwy wneud y canlynol:

- a ystyried anghenion tymor hir CNC o ran adeiladau; a
- b gwneud defnydd mwy effeithiol o ddata er mwyn cadw golwg ar y defnydd o safleoedd, gwariant a pherfformiad; ac i asesu effeithiolrwydd y rhaglen ad-drefnu.

Sicrhau bod y prosesau gwerthuso swyddi'n llwyddo i ddiwallu anghenion CNC yn y dyfodol

A4 Mae CNC yn cynnal ymarferiad gwerthuso swyddi eang ar hyn o bryd. Mae'r amserlen gyfredol ar gyfer cwblhau'r gwaith erbyn Chwefror 2016 yn gryn her. Ar hyn o bryd, nid yw'n gwbl glir i ba raddau y mae disgrifiadau rôl a dyluniad swyddi'n cyd-fynd â'r trefniadau cyflenwi gwasanaethau, datblygu'r sefydliad, a hyfforddi a datblygu staff (**paragraff 2.9**). **Dylai CNC sicrhau bod y ffordd newydd o werthuso swyddi'n ddigon hyblyg i ddiwallu anghenion busnes CNC yn y dyfodol.**

Adolygu pa mor effeithiol ydyw am ymgysylltu â staff a rhanddeiliaid

A5 Ers ei greu, mae CNC wedi cynnal ystod o weithgareddau cyfathrebu mewnol ac allanol, gan gynnwys cyhoeddi strategaeth gyfathrebu tair blynedd ym mis Hydref 2014. Fodd bynnag, mae CNC yn cydnabod bod angen gwella pethau ac mae'n rhoi gweithgareddau ar waith i wella'r ffordd mae'n ymgysylltu â staff a rhanddeiliaid (**paragraffau 2.12 i 2.17**). **Dylai CNC adolygu ei weithgareddau ymgysylltu â staff a rhanddeiliaid i ddangos ei werth, pa mor effeithiol ydyw ac i ba raddau mae'n cadw at ei bwrpas fel sefydliad, ynghyd â gweithgareddau a chanlyniadau'r rhaglen trawsnewid.**

Gwella'r defnydd a wneir o ddata sy'n gysylltiedig â'r gweithlu a threfniadau adrodd

A6 Mae CNC wedi canfod problemau gyda chywirdeb data ar y gweithlu ond yn ddiweddar mae wedi datblygu data mewn meysydd fel swyddi gwag, ac mae'n awr yn creu ffordd o gasglu data'n electronig (**paragraff 2.11**). **Dylai CNC fonitro'r ffordd mae'n defnyddio data sy'n ymwneud â'r gweithlu i sicrhau ei fod yn ddata ystyrlon a chywir a'i fod yn cael ei adrodd yn briodol i'r tîm gweithredol a'r Bwrdd, ac i Bwyllgorau eraill pan fydd hynny'n berthnasol.**

Argymhellion

Cynnal effeithiolrwydd Bwrdd CNC

- A7 Roedd Bwrdd gwreiddiol CNC a oedd yn weithredol ers ei sefydlu'n cael ei redeg yn dda, gyda thystiolaeth o herio a phrosesau penderfynu cadarn ac asesiadau blynyddol o effeithiolrwydd y Bwrdd. Er mis Tachwedd 2015, ochr yn ochr â newidiadau yn aelodaeth y Bwrdd, mae Llywodraeth Cymru yn cwtogi ar faint yr amser mewn dyddiau a roddir gan bob aelod o'r Bwrdd ac mae tymor penodiadau newydd yn fyrrach, sef dwy flynedd ([paragraffau 2.46 i 2.48](#)). **Dylai Llywodraeth Cymru a CNC sicrhau eu bod yn gosod canllawiau clir ar rôl ddisgwyliedig aelodau'r Bwrdd o ystyried y cwtogi ar amser, ac yn adolygu a yw hynny wedi cael unrhyw effaith ar effeithiolrwydd y Bwrdd.**

Rhan 1

Mae CNC wedi mabwysiadu dull cadarn a threfnus i ymdopi â'r heriau mawr a oedd yn codi yn sgil ei greu; gan sicrhau dilyniant o ran cyflawni ei ystod eang o swyddogaethau, a gyda phwyslais clir ar gyflawni'r buddiannau a fwriadwyd



- 1.1 Mae'r adran hon yn canolbwyntio ar greu CNC a'r ffordd y mae wedi gweithredu yn ystod ei gyfnod pontio cychwynol o ddwy flynedd, gan gynnwys ei gynnydd tuag at gyflawni'r buddiannau a fwriadwyd ers ei greu. Mae adran dau yn edrych ar y trefniadau y mae CNC yn eu rhoi ar waith i'w helpu yn ystod ei gyfnod trawsnewid, gan gynnwys meysydd sydd wedi dod i'r amlwg yn ystod y cyfnod trawsnewid y mae CNC yn rhoi mwy o bwyslais arnynt, fel ymgysylltu â staff a rhanddeiliaid.

Roedd creu CNC yn llwyddiannus yn cynnwys heriau sylweddol

- 1.2 Roedd rhai heriau sylweddol yr oedd yn rhaid eu goresgyn wrth greu CNC gan fod gan y tri chorff etifeddiaeth drefniadau llywodraethu, systemau gweithredu a diwylliannau sefydliadol gwahanol, ac roedd y cyfnod trosglwyddo'n fyr:
- a Roedd y tri chorff etifeddiaeth yn ymgymryd ag ystod o weithgareddau amrywiol, fel adeiladu a rheoli amddiffynfeydd rhag llifogydd; rheoli'r ystâd o goedwigoedd sy'n eiddo i Lywodraeth Cymru; a chynghori Llywodraeth Cymru ar natur cadwraeth a chyfoethogi (Figur 1). Roedd cwrpas y cyfrifoldebau'n cynnwys Cymru gyfan, ac roedd Comisiwn Coedwigaeth Cymru yn unig yn gyfrifol am reoli oddeutu saith y cant o dir Cymru. Roedd y swyddogaethau'n cynnwys cyfrifoldebau statudol allweddol a amlinellwyd yn neddfwriaeth Cymru, y DU ac Ewrop.
 - b Roedd dau o'r sefydliadau etifeddiaeth yn gweithredu o fewn trefniadau llywodraethu cymhleth, oherwydd eu bod yn rhan o gyrff daearyddol ehangach:
 - Roedd Comisiwn Coedwigaeth Cymru yn rhan o'r Comisiwn Coedwigaeth ehangach a oedd yn cynnwys Cymru, Lloegr a'r Alban, ond gyda chyfrifoldeb wedi'i ddatganoli i Weinidogion Cymru. O'i brif swyddfa yng Nghaeredin, roedd Comisiwn Coedwigaeth Prydain Fawr yn gyfrifol am holl weithgarwch ariannol ac adnoddau dynol Comisiwn Coedwigaeth Cymru.
 - Roedd Asiantaeth yr Amgylchedd Cymru yn rhan o Asiantaeth yr Amgylchedd, corff cyhoeddus anadrannol a oedd yn gweithio ar draws Cymru a Lloegr. Roedd Asiantaeth yr Amgylchedd yn darparu'r holl wasanaethau TGCh a llawer o'r arweiniad technegol strategol i Asiantaeth yr Amgylchedd Cymru.

Roedd heriau ynghlwm wrth y trefniadau hyn o ran gwahanu swyddogaethau penodol oddi wrth eu rhiant sefydliad mwy gan nad oedd gan y cyrff Cymreig eu galluogrwydd a'u gallu lleol eu hunain mewn rhai meysydd. Roedd cyflawni'r buddiannau a nodwyd yn yr achos busnes dros greu CNC, a oedd yn werth £158 miliwn dros y 10 mlynedd hyd ddiwedd 2022-23, yn dibynnu'n rhannol ar wahanu dyletswyddau'n gyflym er mwyn diweddu'r ddibyniaeth ar wasanaethau a oedd yn cael eu darparu gan y cyrff etifeddiaeth.

- c Roedd diwylliant a ffyrdd o weithio pob sefydliad etifeddiaeth yn wahanol, ac roedd y rhain yn cael eu hamlygu gan broffesiynau a sgiliau amrywiol y staff.
 - ch Ym mis Tachwedd 2011, cyhoeddodd y Gweinidog yr Amgylchedd ar y pryd y byddai'r tri sefydliad etifeddiaeth yn cael eu disodli gan gorff newydd a fyddai'n weithredol o 1 Ebrill 2013. Sefydlwyd CNC yn gyfreithiol gan Lywodraeth Cymru ar 18 Gorffennaf 2012. Yna ym mis Awst 2012 a mis Hydref 2012, cyhoeddodd y Gweinidog enw Cadeirydd ac aelodau Bwrdd CNC, ac arweiniodd hynny at gyfnod cysgodi byr o bum mis ar gyfer yr aelodau newydd. Achoswyd pwysau amser ychwanegol gan fod 1 Ebrill 2013 yn ddyddiad 'lansiad caled', gyda'r cyrff etifeddiaeth yn ymgymryd â gweithrediadau tan y dyddiad hwn, gyda CNC yn gyfrifol am weithrediadau o'r dyddiad hwnnw ymlaen. Os na fyddai CNC wedi llwyddo i gyflawni gweithrediadau o ddydd i ddydd y cyrff etifeddiaeth ar y dyddiad trosglwyddo, byddai'r effaith wedi bod yn fawr, yn enwedig o safbwynt enw da CNC yn y dyfodol.
- 1.3 Er hynny, roedd y tri sefydliad yn rhannu nifer o nodweddion a oedd yn cyfrannu at drosglwyddo hwylus. Er enghraifft, roedd gan bob un beth atebolrwydd i weinidogion Cymru ac oeddent yn chwarae rôl gynghori i Lywodraeth Cymru; roedd ganddynt swyddogaeth reoleiddio i helpu i warchod a chyfoethogi'r amgylchedd naturiol; ac roeddent yn gweithio i annog y cyhoedd i wneud defnydd o'r manau a reolid ganddynt.
- 1.4 Cyfrannodd Llywodraeth Cymru £3 miliwn mewn cyllid Buddsoddi i Arbed⁷ i hwyluso sefydlu CNC, i dalu costau TGCh yn bennaf. Ad-dalodd CNC £1.5 miliwn o'r swm hwn yn 2014-15 ac mae'n ad-dalu'r £1.5 miliwn arall yn 2015-16.

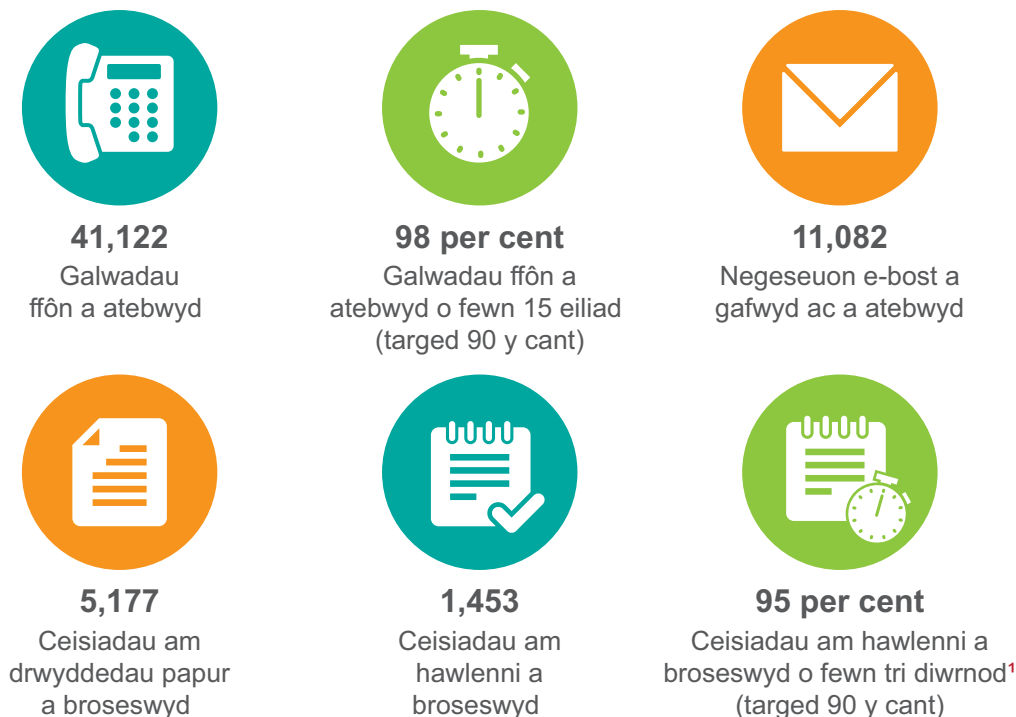
⁷ Rhoddodd Llywodraeth Cymru £6 miliwn o gyllid Buddsoddi i Arbed ychwanegol i CNC tuag at gostau dau gynllun diswyddo gwirfoddol.

Ers ei greu, mae CNC wedi cynnal dilyniant busnes ac mae hefyd wedi delio'n effeithiol â rhai digwyddiadau difrifol

Gyda chymorth cynllun corfforaethol a fframwaith perfformiad clir, mae CNC wedi parhau i ddarparu gwasanaethau'r cyrff etifeddiaeth, er ei bod yn anodd asesu tueddiadau mewn perfformiad

- 1.5 Mae CNC wedi parhau â'r gwasanaethau o ddydd i ddydd a oedd yn cael eu darparu gan y cyrff etifeddiaeth, drwy ddod â gwasanaethau'n fewnol a thrwy gymryd neu ail negodi cytundebau lefel gwasanaeth. Mae CNC hefyd wedi ymgymryd â rhai gwasanaethau a arferai gan eu darparu gan Lywodraeth Cymru, gan gynnwys trwyddedu morol a thrwyddedu bywyd gwyllt gwarchoddedig gan y DU ac Ewrop⁸. Er mwyn helpu i gadw gwasanaeth hwylus i gwsmeriaid, mae CNC wedi sefydlu canolfan gofal cwsmeriaid, a oedd yn weithredol o'r diwrnod breinio, a oedd yn golygu bod nifer y rhifau ffôn cyswllt yn lleihau o 10 i un. Mae'r ganolfan yn prosesu ceisiadau am drwyddedau, ac mae'n ymateb i alwadau a negeseuon e-bost, yn delio â materion yn ymwneud ag unrhyw agwedd ar swyddogaethau CNC. Mae'r ganolfan yn delio ag oddeutu 90 y cant o'r ymholiadau, gyda 10 y cant yn cael eu hatgyfeirio i adrannau eraill. Mae **Ffigur 3** yn dangos peth data ar berfformiad y ganolfan yn 2014-15.

Ffigur 3 – Data perfformiad Canolfan Gofal Cwsmeriaid CNC, 2014-15



Noder:

- 1 Mae hyn yn cyfeirio at broses y Ganolfan Gofal Cwsmeriaid o wirio ceisiadau a phrosesu taliadau perthnasol cyn trosglwyddo'r cais i'r timau trwyddedu ehangach.

Ffynhonnell: Cyfoeth Naturiol Cymru

8 Mae trwyddedau morol yn ofynnol o dan Ddeddf y Môr a Mynediad i'r Arfordir 2009 ar gyfer gweithgareddau fel carthu neu adeiladu porthladdoedd. Mae trwyddedau rhywogaethau gwarchoddedig yn ofynnol ar gyfer ystod o weithgareddau a all effeithio ar rywogaethau penodol sydd wedi'u dosbarthu fel rhai gwarchoddedig o dan gyfraith y DU ac Ewrop. Mae'r gweithgareddau'n cynnwys gwaith adeiladu a all amharu ar rywogaethau gwarchoddedig; a defnyddio rhywogaethau gwarchoddedig i ddibenion gwyddonol neu addysgol.

- 1.6 Yn ystod ei flwyddyn weithredol gyntaf, cyhoeddodd CNC Gynllun Corfforaethol tair blynedd ar gyfer y cyfnod 2014 i 2017. Roedd y cynllun hwn yn canolbwyntio ar ddangosyddion a chanlyniadau a oedd yn seiliedig ar bum thema 'Da' (**Blwch 1**) sydd ar hyn o bryd yn sail i weithgarwch ac adrodd CNC. Datblygodd CNC y cynllun corfforaethol ar ôl ymgynghori â rhanddeiliaid, staff, Llywodraeth Cymru a'r cyhoedd. Mae'r cynllun yn dangos bod CNC wedi sefydlu gweledigaeth a phwrpas clir. Mae'r cynllun yn cyfeirio at y buddiannau a'r arbedion posibl a amlinellwyd yn yr achos busnes; ac mae'n alinio â chynlluniau busnes un flwyddyn CNC sy'n canolbwyntio ar ganlyniadau ac allbynnau. Mae CNC wedi cydnabod bod ei strategaethau a'i gynlluniau o dan lefel y cynllun corfforaethol a'r cynllun busnes wedi datblygu mewn ystod o fformatau, ac mae ar hyn o bryd yn gwneud rhagor o waith i gysylltu cynllunio'n fwy eglur ar bob lefel o'r sefydliad. Mae CNC yn creu templed safonol i fynegi holl strategaethau'r dyfodol fel 'Cynllun Galluogi' sy'n cynnwys datganiad strategol sy'n cysylltu â'r cynllun corfforaethol; cynllun atebolrwydd sy'n seiliedig ar ganlyniadau sy'n cysylltu â'r fframwaith perfformiad; a chynllun gweithredu sy'n cysylltu â'r cynllun busnes, a chynlluniau cyflenwi cyfarwyddebau, timau ac unigolion.

Blwch 1 – Themâu 'Da' CNC

- **Gwybodaeth dda** – mae gwybodaeth dda yn ein helpu i wneud penderfyniadau da.
- **Da i'r Amgylchedd** – sicrhau bod ein hecosystemau yn gydnerth, bod ein bywyd gwyllt a'r dirwedd yn cael eu cyfoethogi a bod ein hadnoddau naturiol yn cael eu rheoli'n ofalus.
- **Da i Bobl** – sicrhau bod pobl yn ddiogel, eu bod yn gallu elwa ar a mwynhau ein hadnoddau naturiol a'u bod yn deall pa mor berthnasol yw'r adnoddau hyn i'n bywydau bob dydd.
- **Da i Fusnes** – Mae Cyfoeth Naturiol Cymru yn ymdrechu i wneud Cymru yn 'lleoliad o ddewis' i fusnes a menter ac yn wlad lle mae arferion rheolaeth amgylcheddol gorau yn cael eu mabwysiadu a'u hannog.
- **Sefydliad Da** – Ymdrechu i wneud Cyfoeth Naturiol Cymru y sefydliad gorau posibl.

Ffynhonnell: Cyfoeth Naturiol Cymru

- 1.7 Mae fframwaith mesur perfformiad CNC yn olrhain cynnydd yn erbyn y Cynllun Corfforaethol tair blynedd a'r Cynllun Busnes blynyddol, a thargedau achos busnes sy'n gysylltiedig â buddiannau ac arbedion a friadwyd. Mae dangosyddion hefyd yn cysylltu â blaenoriaethau gweinidogion a meysydd risg corfforaethol. Mae CNC yn adrodd ar gynnydd i'r Bwrdd bob pedwar mis, gyda phapurau'r Bwrdd ar gael ar wefan CNC. Mae rhai o'r dangosyddion yn adlewyrchu agweddau ar weithrediadau o ddydd i ddydd CNC, ac maent felly'n cyfrannu at helpu rhanddeiliaid i sylweddoli bod CNC yn parhau i gyflawni ei swyddogaethau craidd. Er enghraifft, mae dangosyddion sy'n ymdrin â rheoli Ystâd Goedwigoedd Llywodraeth Cymru er mwyn cyrraedd safonau'r diwydiant; amserlenni ar gyfer cyhoeddi trwyddedau, hawlenni a chaniatâd; a chyhoeddi gwybodaeth ar reoli perygl o lifogydd.

1.8 Roedd dangosfwrdd perfformiad y cynllun busnes ar gyfer 2014-15 yn dangos 28 dangosydd gwyrdd 'o fewn y targed' allan o 41 (Ffigur 4). Roedd un o'r dangosyddion coch yn cyfeirio at faterion tymor hir ar gyflwr safleoedd Natura 2000⁹, ac roedd y dangosydd coch arall yn cyfeirio at gamau i atal colledion mewn bioamrywiaeth, ac nid yw'r un o'r ddau yn gwbl ddibynol ar gyfraniad CNC. Nid oedd CNC wedi rhoi statws i ddau ddangosydd oherwydd diffyg gwaelodlin. Rhoddodd tîm archwilio mewnol CNC sicrwydd sylweddol¹⁰ ar gywirdeb perfformiad a adroddwyd ar ddangosfwrdd 2014-15 ym Mai 2015.

Ffigur 4 – Crynodeb o ddangosydd perfformiad Dangosfwrdd y Cynllun Busnes 2014-15



Ffynhonnell: Adroddiad Blynyddol Cyfoeth Naturiol Cymru 2014-15

1.9 Mae'n anodd asesu tueddiadau mewn perfformiad oherwydd nad oedd modd cymharu dangosyddion perfformiad 2014-15 yn uniongyrchol â dangosyddion 2013-14 nac â'r mesurau a ddefnyddiwyd gan y cyrff etifeddiaeth. Fodd bynnag, mewn rhai achosion, mae safbwyntiau cymysg o ran a yw CNC wedi cynnal lefel y gwasanaeth a ddarparwyd yn flaenrol gan y cyrff etifeddiaeth (Astudiaeth Achos 1).

⁹ Mae safleoedd Natura 2000 yn rhwydwaith ecolegol o ardaloedd gwarchoddedig ledled yr Undeb Ewropeidd a sefydlwyd i sicrhau bod rhywogaethau a chynefinoedd mwyaf gwerthfawr Ewrop yn goroesi.

¹⁰ Lefel Sylweddol o sicrwydd yw'r lefel uchaf o sicrwydd allan o bedwar sgôr posibl, ac fe'i diffinir fel 'y fframwaith llywodraethu, rheoli risg a rheoli sy'n ddigonol ac yn effeithiol'.

Astudiaeth Achos 1 – Enghreifftiau sy'n ymwneud â pharhad gweithrediadau o ddydd i ddydd CNC

Yr Ystâd Goedwig Gyhoeddus

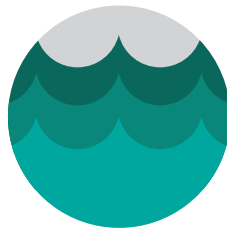
Mae CNC wedi cynyddu'r cyflenwad o bren i'r farchnad. Yn 2012-13, roedd Comisiwn Coedwigaeth Cymru wedi cyflenwi 801,000m³ o bren i'r farchnad. Yn 2013-14 a 2014-15, cyflenwodd CNC 887,000m³ a 869,000m³ o bren i'r farchnad yn y drefn honno.



Fodd bynnag, dangosodd tystiolaeth i ymchwiliad 2014 Pwyllgor Amgylchedd a Chynaliadwyedd y Cynulliad Cenedlaethol i'r ystâd goedwig gyhoeddus fod rhai cyrff allanol yn teimlo bod dirywiad wedi bod yn y pwyslais masnachol ac yn y ffordd yr oedd yr ystâd goedwig gyhoeddus wedi cael ei rheoli ers creu CNC. Nododd y Pwyllgor fod prosesau'n ymwreiddio a bod cyfathrebu wedi gwella rhwng CNC a chyrff eraill. Roedd CNC yn derbyn canfyddiadau'r Pwyllgor a chytunodd CNC, Llywodraeth Cymru, Partneriaeth Fusnes Coedwig Cymru a Confor (sefydliad aelodaeth sy'n hyrwyddo busnesau carbon isel a choedwigaeth gynaliadwy) ym mis Rhagfyr 2014 ar gynllun gweithredu ar y cyd i roi sylw i'r materion hyn, ac maent yn gweithio i'w gweithredu. Mae CNC yn paratoi diweddariadau yng nghyfarfodydd chwe-misol y sector busnes coedwig, sy'n dangos bod CNC wedi cwblhau sawl cam y cytunwyd arnynt a'i fod yn parhau i weithredu ar y meysydd sydd heb eu cwblhau.

Trwyddedu ynni dŵr

Mae CNC wedi ymgymryd â swyddogaeth delio â cheisiadau am drwyddedau ynni dŵr oddi wrth Asiantaeth yr Amgylchedd Cymru. Bu cynnydd yn nifer y trwyddedau a gyhoeddwyd o naw yn 2010 i 99 yn 2014. Newidiodd CNC y dull o asesu effaith cynlluniau ynni dŵr yn Ebrill 2014 gan gynnwys cyhoeddi canllaw newydd a gynhyrchwyd ar y cyd â Grŵp Rhanddeiliaid Ynni Dŵr. Arweiniodd hyn at ostyngiad yng nghyfran y ceisiadau annilys o 52 y cant rhwng Awst 2013 a Mehefin 2014, i 20 y cant rhwng Gorffennaf 2014 a Mawrth 2015. Bu gostyngiad hefyd yn yr amser cyfartalog a gymerwyd i brosesu ceisiadau yn fewnol o 91 diwrnod i 53 diwrnod dros yr un cyfnod, gan gynnig gwasanaeth gwell i gwsmeriaid.



Ffynhonnell: Adroddiad Blynyddol Comisiwn Coedwigaeth Cymru 2012-1; Cyfoeth Naturiol Cymru; **Ymchwiliad i'r ystâd goedwig gyhoeddus yng Nghymru** – Pwyllgor Amgylchedd a Chynaliadwyedd Cynulliad Cenedlaethol Cymru.

- 1.10 Ar gyfer 2015-16, mae CNC wedi defnyddio dangosyddion 2014-15 fel sail i'r dangosyddion yn nangosfwrdd perfformiad ei gynllun busnes cyfredol er mwyn gallu asesu cynnydd yn fwy hwylus. Mae 32 o ddangosyddion fwy neu lai'r un fath ond gyda thargedau wedi'u diweddaru, ac mae naw wedi'u disodli gan ddangosyddion newydd neu, mewn rhai achosion, gan fwy nag un dangosydd.
- 1.11 Mae data ar gyfer y cyfnod rhwng 1 Ebrill a 30 Tachwedd 2015 yn dangos bod nifer y marciau gwyrdd a melyn fwy neu lai'r un fath â'r nifer yn 2014-15 (Ffigur 5). Fodd bynnag, pan mae'r dangosyddion yn cyfeirio at dargedau blynyddol, mae CNC yn tueddu i ystyried y rhain yn felyn yn ystod y flwyddyn, hyd yn oed os yw'r cynnydd yn awgrymu eu bod yn mynd i gael eu cyflawni erbyn diwedd y flwyddyn. Felly mae CNC yn disgwyl i rai dangosyddion sy'n felyn ar hyn o bryd newid i wyrdd erbyn diwedd y flwyddyn.

Ffigur 5 – Crynodeb o ddangosyddion perfformiad Dangosfwrdd Cynllun Busnes, 1 Ebrill 2015 i 30 Tachwedd 2015

Sgôr	Dangosyddion a ddygwyd ymlaen o 2014-15		Dangosyddion newydd
	Sgôr diwedd blwyddyn 2014-15	1 Ebrill hyd 30 Tachwedd 2015	1 Ebrill hyd 30 Tachwedd 2015
Gwyrdd	22	20	6
Melyn	6	7	3
Coch	2	5	0
Dim sgôr	2	0	0

Ffynhonnell: Cyfoeth Naturiol Cymru

- 1.12 O'r ddau ddangosydd coch ar ddiwedd 2014-15 (paragraff 1.8), mae'r dangosydd a oedd yn cyfeirio at arafu colledion bioamrywiaeth wedi newid i wyrdd, ac mae'r dangosydd sy'n cyfeirio at gyflwr safleoedd Natura 2000 yn dal yn goch. Mae'r tri dangosydd coch newydd yn cyfeirio at y canlynol:
- Cydymffurfio â'r 'statws da' o dan y Gyfarwyddeb Fframwaith Dŵr¹¹ (heb ei farcio yn 2014-15).
 - Ymgysylltu â staff, bydd CNC yn asesu hyn yn ei Arolwg Pobl ym mis Chwefror 2016 (heb ei farcio yn 2014-15).
 - Cyflawni yn erbyn Cynllun Galluogi Hamdden a Mynediad CNC, lle na fydd y targed o bedwar cynllun Hamdden a Mynediad yn cael ei gyflawni erbyn mis Mawrth 2016 er mwyn sicrhau llai o gynlluniau o safon uchel (marc gwyrdd yn 2014-15 pan mai cwblhau'r Cynllun cyffredinol oedd y targed).

¹¹ Yn dilyn ei adroddiad ym mis Mawrth 2015 ar gynllun amaeth-amgylcheddol Glastir, gofynnodd Pwyllgor Cyfrifon Cyhoeddus y Cynulliad Cenedlaethol am dystiolaeth gan Lywodraeth Cymru am y gyfran benodol o fethiannau'r Gyfarwyddeb Fframwaith Dŵr y gellid eu priodoli i dir sy'n cael ei reoli gan CNC. Yn ei hymateb, pwysleisiodd Llywodraeth Cymru fod cyfuniad cymysg o berchnogion tir yn y dalgyloedd sy'n effeithio ar y cyrff dŵr diffygiol. Yn sgil hynny, mae gan berchnogion tir preifat a chyhoeddus ran i'w chwarae i ddatrys y problemau hyn. Mae Llywodraeth Cymru wedi amlinellu ei thystiolaeth i'r Pwyllgor Cyfrifon Cyhoeddus o'r gwaith mae CNC wedi'i wneud er mwyn deall yr hyn sy'n achosi'r methiannau hyn a chynnig atebion.

- Cynnydd yn nifer y digwyddiadau yn ymwneud â staff CNC sydd wedi arwain at amser i ffwrdd (marc gwyrdd yn 2014-15). I leihau nifer y digwyddiadau, mae CNC wrthi'n eu hadolygu ar hyn o bryd er mwyn nodi mesurau ataliol a rhannu'r gwersi a ddysgwyd.

- 1.13 Mae Llywodraeth Cymru yn asesu perfformiad CNC yn erbyn ei llythyr cylch gwaith blynyddol at CNC. Mae'r llythyr yn amlinellu'r prif amcanion ar gyfer CNC; ac mae targedau yn y llythyr yn adlewyrchu gweledigaeth strategol dymor hir CNC. Mae CNC yn ymgorffori blaenoriaethau'r llythyr cylch gwaith yn ei gynllun busnes blynyddol. Mae adroddiadau perfformiad i Fwrdd CNC yn destun craffu ffurfiol gan Lywodraeth Cymru mewn cyfarfodydd nawdd bob pedwar mis¹². Yn sgil y cyfarfodydd nawdd, y cynllun busnes a'r cynllun corfforaethol, mae Llywodraeth Cymru yn gallu gweld beth mae CNC yn bwriadu ei wneud i gyflawni blaenoriaethau'r llythyr cylch gwaith. Mae trefniadau nawdd yn ymddangos yn gydnherth a chynaliadwy ac mae Llywodraeth Cymru a CNC yn gweld eu perthynas fel un adeiladol a phositif.
- 1.14 Ym mis Ionawr 2014, adroddodd gwasanaethau archwilio mewnol Llywodraeth Cymru ar y trefniadau nawdd ar gyfer CNC a nodwyd fod cynnydd sylweddol wedi'i wneud i sefydlu trefniadau nawdd gyda chanfyddiad cyffredinol o sicrwydd sylweddol. Gwnaeth yr adroddiad bum prif argymhelliad i gryfhau rheolaeth nawdd, yn ymwneud yn bennaf â gwella trefniadau monitro. Roedd Llywodraeth Cymru wedi rhoi sylw i bob un o'r pum argymhelliad erbyn mis Hydref 2014.

Mae CNC wedi delio'n effeithiol â digwyddiadau mawr fel llifogydd arfordirol Rhagfyr 2013 ac Ionawr 2014 a'r clefyd coed

- 1.15 Ers Ebrill 2013, bu dau achos mawr iawn o lifogydd arfordirol: ar arfordir y gogledd ym mis Rhagfyr 2013 ac yn y de a'r gorllewin ym mis Ionawr 2014. Yn ystod Rhagfyr 2013 ac Ionawr 2014, cyhoeddodd CNC wyth Rhybudd Llifogydd Difrifol a dros 100 Rhybudd Llifogydd¹³. Dywedodd CNC fod difrifoldeb y nifer y rhybuddion yn ddiglyffelyb yn y blynyddoedd diwethaf, gyda threfniadau i symud pobl wedi eu rhoi ar waith mewn nifer o fannau. Yn dilyn y llifogydd arfordirol, comisiynydd y Gweinidog Cyfoeth Naturiol a Bwyd CNC i gynnal adolygiad o'r llifogydd. Daeth yr adolygiad i'r casgliad bod yr ymateb gweithrediadol gan CNC, ac awdurdodau eraill perthnasol¹⁴ wedi'i 'gydlynu, yn effeithiol ac yn gymesur'. Gwnaeth yr adolygiad 47 o argymhellion mewn chwe maes blaenoriaeth i helpu i sicrhau gwasanaeth rheoli perygl o lifogydd arfordirol ac erydu mwy cydnherth. Bydd adroddiad arfaethedig gan Archwilydd Cyffredinol Cymru yn edrych sut y mae Llywodraeth Cymru yn gweithio â CNC a rhanddeiliaid perthnasol eraill i reoli perygl llifogydd ac erydu arfordirol.

¹² Mae'r rhain yn gyfarfodydd rhwng Prif Weithredwr a thîm gweithredol CNC; a chyfarwyddwyr a dirprwy gyfarwyddwyr meysydd polisi perthnasol Llywodraeth Cymru.

¹³ Rhybudd Llifogydd Difrifol yw'r hysbysiad uchaf ac mae'n golygu 'Llifogydd Difrifol: Perygl i Fywyd'. Mae Rhybudd Llifogydd yn golygu 'Mae disgwyl llifogydd. Mae angen gweithredu ar unwaith'.

¹⁴ Roedd 31 o Awdurdodau Rheoli Perygl Llifogydd yng Nghymru, gan gynnwys CNC, y 22 awdurdod lleol; cwmnïau cyfleustodau, er enghraifft Dŵr Cymru Welsh Water; a'r tri Bwrdd Draenio Mewnol sy'n gweithredu'n gyfan gwbl neu'n rhannol yng Nghymru, ac sydd bellach yn rhan o CNC.

- 1.16 Ers creu CNC, bu cynnydd sylweddol yn ymlediad y clefyd coed *Phytophthora ramorum*, sy'n achosi haint a marwolaeth mewn coed llarwydd yn bennaf. Canfuwyd y clefyd yng Nghymru am y tro cyntaf ym mis Mai 2010 ac ers hynny dyma'r clefyd mwyaf difrifol i effeithio ar goedwigaeth yng Nghymru, gan effeithio ar dros chwe miliwn o goed ar ystâd goedwig Llywodraeth Cymru yn bennaf¹⁵. Canfu CNC ymlediad y clefyd yn ystod mis cyntaf ei fodolaeth, ac mae wedi gweithredu nifer o ddulliau hyd yma i geisio mynd i'r afael â'r clefyd. Roedd rhai tystion gerbron Pwyllgor Amgylchedd a Chynaliadwyedd y Cynulliad Cenedlaethol yn ymchwiliad 2014 i'r ystâd goedwig gyhoeddus yng Nghymru yn feirniadol o ymateb CNC i'r clefyd, gan ddweud bod yr ymateb cychwynnol yn rhy araf¹⁶. Fodd bynnag, nododd y Pwyllgor fod yr amseriad yn anffodus ac y byddai wedi achosi problemau mawr i unrhyw sefydliad. Yn Ionawr 2014, canfu astudiaeth gan Brifysgol Caergrawnt os yw adnoddau'n brin, y dull mwyaf effeithiol o atal y clefyd yw drwy'r dorri coed pellaf sydd wedi'u heintio, gan efelychu'r dull a fabwysiadwyd gan CNC a Llywodraeth Cymru.
- 1.17 Rhwng Ebrill 2013 a Mawrth 2015, ailblannodd CNC dros 1.75 miliwn o goed i ailstocio'r manau hynny a oedd wedi'u heffeithio gan y clefyd, gan blannu cymysgedd o rywogaethau i gymryd lle'r llarwydd i gyfoethogi amrywiaeth y coed ac i'w gwneud yn fwy cydnerth i wrthsefyll unrhyw heintiau yn y dyfodol. Mae'r ailstocio hwn yn ychwanegol at tua 5.5 miliwn o goed a ailblannwyd yn ystod yr un cyfnod i adfywio coedwigoedd ar ôl torri coed am eu pren.

¹⁵ **Coedwigaeth yng Nghymru**, Gwasanaeth Ymchwil Cynulliad Cenedlaethol Cymru, Tachwedd 2013, ***Phytophthora ramorum***, Gwasanaeth Ymchwil Cynulliad Cenedlaethol Cymru, Medi 2015

¹⁶ Llythyr **Ymchwiliad i'r ystâd goedwig gyhoeddus yng Nghymru**, Pwyllgor Amgylchedd a Chynaliadwyedd Cynulliad Cenedlaethol Cymru, Hydref 2014.

Mae CNC wedi mabwysiadu dull cadarn, trefnus a phragmataidd i symud o'r trefniadau blaenorol i fod yn un corff

Roedd CNC wedi sefydlu rhaglen bontio gadarn am ei ddwy flynedd gyntaf, gan ddysgu gwersi o ffynonellau eraill ac wedi diwygio ei gynlluniau i sicrhau ei fod yn canolbwyntio ar feysydd blaenoriaeth

- 1.18 Ers ei greu ym mis Ebrill 2013, bu CNC yn dilyn rhaglen bontio bellgyrhaeddol i sicrhau bod y sefydliad yn gwneud cynnydd. Roedd y rhaglen yn canolbwyntio ar drawsnewid i sefydlu CNC fel corff annibynnol ac i wireddu rhai o fuddiannau cynnar integreiddio. Y dyddiad targed ar gyfer cwblhau'r cam cyntaf hwn oedd mis Mawrth 2015. Ym mis Rhagfyr 2013, penododd CNC adolygwyr allanol i gynnal adolygiad 'Gateway' ffurfiol o'r rhaglen. Canfu'r adolygiad nad oedd CNC yn debygol o gwblhau cam un yn llawn erbyn mis Mawrth 2015, ac adolygodd CNC ei gynlluniau cam un i ganolbwyntio ar gwblhau'r amcanion allweddol o fewn yr amserlen wreiddiol. Arweiniodd hyn at newidiadau i'r amserlen ar gyfer cyflwyno systemau TGCh CNC a gadael y systemau etifeddiaeth.
- 1.19 Mae rhaglen y cyfnod pontio wedi bod yn eang gyda chysylltiadau da rhwng gweithgareddau cysylltiedig. Roedd portffolio'r rhaglen newid yn cynnwys 25 o is-raglenni gyda dros 120 o brosiectau, gyda phob un ohonynt yn cynnwys rhagor o is-brosiectau. Dangosodd diweddariad cynnydd y rhaglen bontio derfynol ym mis Ebrill 2015 fod bron pob un o'r is-raglenni wedi'u cwblhau neu o fewn y targed ar gyfer y cyfnod pontio, yn dilyn diwygiadau a wnaethpwyd o ganlyniad i'r adolygiad gateway (**Ffigur 6**). Rhoddodd CNC sgôr melyn i un rhaglen, Samplu a Dadansoddi, o ganlyniad i oedi cyn gweithredu 'system rheoli gwybodaeth labordai' er bod hyn ar waith bellach ac ar y trywydd iawn i gael ei gyflwyno erbyn diwedd mis Mawrth 2016.

Ffigur 6 – Cynnydd y rhaglen bontio fis Ebrill 2015



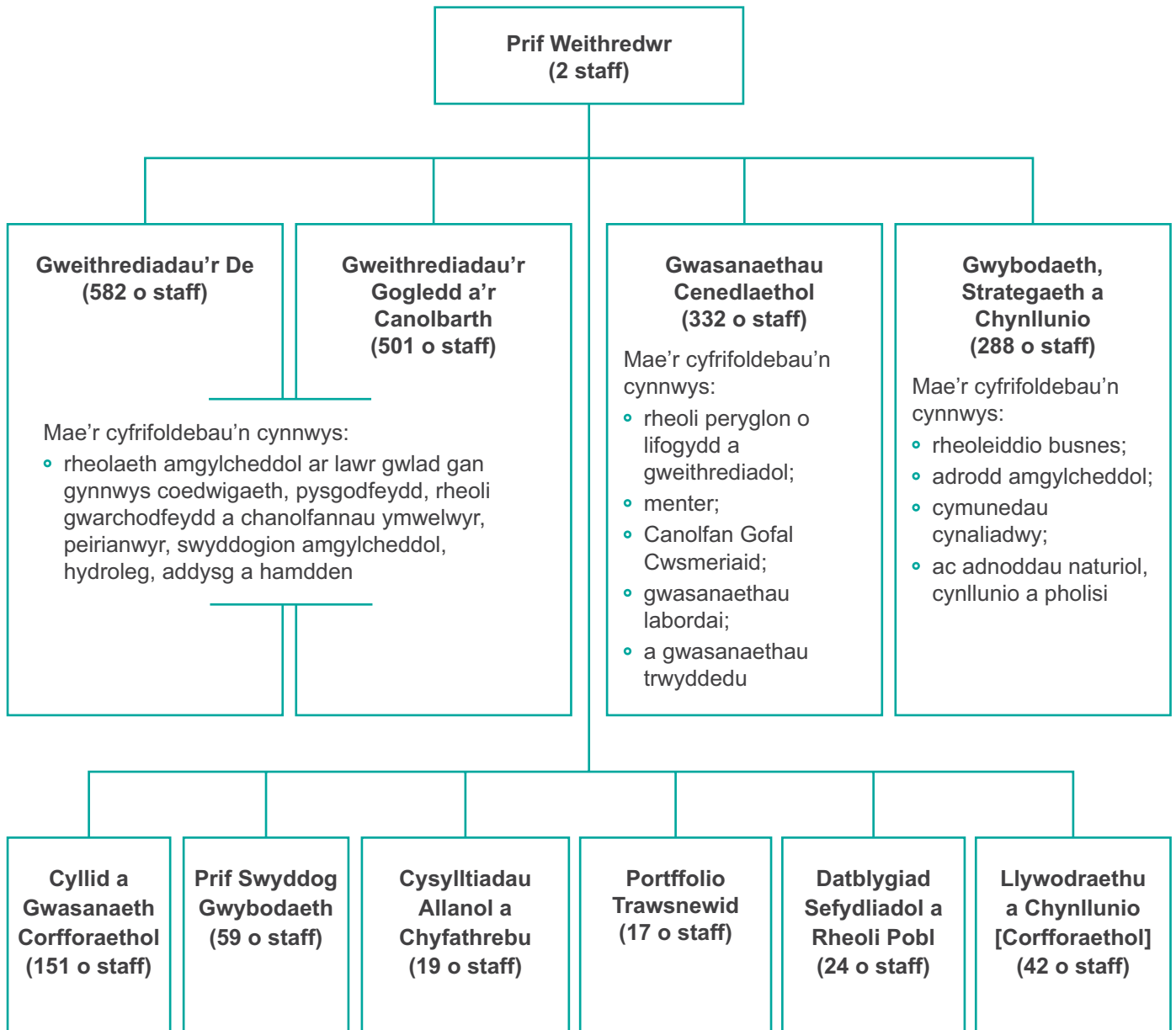
Ffynhonnell: Cyfoeth Naturiol Cymru

- 1.20 Mae tystiolaeth o ddull trefnus a systematig iawn o reoli perfformiad fel rhan o'r rhaglen newid, gan gynnwys tîm pontio sy'n ei chydlynu ac yn adrodd i Fwrdd CNC. Mae CNC wedi canfod arferion da a ddefnyddir gan Ofcom, Natural England a'r Bathdy Brenhinol o ran dylunio, rheoli, monitro a chyfleu ei raglen rheoli newid. Mae CNC wedi mabwysiadu ac addasu'r arferion da hyn o fewn ei raglen bontio.

Ar ôl Ebrill 2013, sefydlodd CNC strwythur sefydliadol a oedd yn rhoi pwyslais ar gyfuno adrannau etifeddiaeth yn ôl daearyddiaeth, ac mae CNC wedi esblygu'r strategaeth ymhellach i gynyddu arbedion effeithlonrwydd ac i roi sylw i ddeddfwriaeth a ffyrdd newydd o weithio

- 1.21 Cyn creu CNC, roedd y trefniadau cysgodol wedi mapio'r cyfarwyddiaethau a'r timau trosfwaol o fewn strwythur sefydliadol CNC. Arweiniodd y strwythur at greu cyfarwyddiaethau gweithredol yn seiliedig ar ddaearyddiaeth a swyddogaeth, gan ddwyn ynghyd staff sy'n gyfrifol am rolau corfforaethol tebyg neu am gyflawni gweithgareddau tebyg yn yr un maes. Rhoddodd CNC y strwythur hwn ar waith ar ddiwrnod creu'r sefydliad ar 1 Ebrill 2013.
- 1.22 Mae **Ffigur 7** yn dangos strwythur sefydliadol cyfredol CNC ar lefel cyfarwyddiaethau. Nid yw'r strwythur cyfarwyddiaethau wedi newid llawer ers y diwrnod breinio. Fodd bynnag, o fewn cyfarwyddiaethau, mae CNC wedi diwygio strwythurau drwy'r rhaglen bontio i greu alinio ac integreiddio gwell; ac mae'n cydnabod effeithiau gadael y trefniadau a oedd yn gysylltiedig â'r cyrff etifeddiaeth mewn swyddogaethau fel cyllid a TGCh. Mae CNC hefyd wedi ymgymryd â dau gynllun diswyddiadau gwirfoddol i hwyluso'r newidiadau hyn (**paragraff 2.42**). Mae CNC hefyd wedi datblygu strwythurau er mwyn ystyried cyfrifoldebau deddfwriaethol y dyfodol a ffyrdd newydd o weithio yn seiliedig ar reoli cyfoeth naturiol. Mae CNC wedi dweud wrthym y bydd yn gwneud newidiadau strwythurol pellach, ar sail yr hyn sydd ei angen er mwyn cyflawni pwrpas y sefydliad.

Ffigur 7 – Strwythur sefydliadol CNC ar lefel cyfarwyddiaethau, Hydref 2015¹



Nodyn:

1. Rhwng Ebrill 2013 a mis Hydref 2015, mae'r cyfarwyddiaethau Cysylltiadau Allanol a Chyfathrebu a Llywodraethu a Chynllunio wedi cael cymryd lle'r gyfarwyddiaeth Llywodraethu a Chyfathrebu; ac mae'r gyfarwyddiaeth Portffolio Trawsnewid wedi cymryd lle'r gyfarwyddiaeth Bontio.

Ffynhonnell: Cyfoeth Naturiol Cymru

Mae trefniadau CNC ar gyfer llywodraethu a rheolaeth ariannol yn gadarn ar y cyfan, er bod problemau wedi bod gyda galluogrwydd archwilio mewnol a chanfyddiadau staff o arweinyddiaeth

- 1.23 Ers y diwrnod breinio, mae Llywodraeth Cymru wedi sefydlu cytundeb fframwaith llywodraethu ar gyfer CNC mewn ymgynghoriad â threfniadau cysgodol CNC. Mae'r fframwaith yn amlinellu'r cyfrifoldebau mae Llywodraeth Cymru wedi'u dirprwyo i CNC a'r safonau a ddisgwylir. Cynhaliodd CNC a Llywodraeth Cymru adolygiad ffurfiol o'r fframwaith yn ystod haf 2014 a chytunwyd fod y fframwaith yn gweithio'n dda.
- 1.24 Mae CNC yn cyhoeddi manylion ei drefniadau llywodraethu yn ei Ddatganiad Llywodraethu sy'n rhan o Adroddiad Blynyddol CNC. Mae datganiad 2014-15 yn cynnwys manylion am y fframwaith llywodraethu sydd ar waith; rolau a chyfrifoldebau'r Bwrdd, yr is-bwyllgorau, a'r tîm gweithredol; mecanweithiau i adolygu rheolaethau a rheoli risg mewnol. Bu ein harchwiliad ariannol o CNC yn adolygu'r datganiad llywodraethu a chanfuwyd ei fod yn cyd-fynd â'n gwybodaeth ni am y trefniadau sydd ar waith.
- 1.25 Mae gan CNC Fwrdd sy'n cael ei redeg yn dda, gyda thri is-bwyllgor ffurfiol sy'n cynnwys Pwyllgor Archwilio a Sicrhau Risg, Pwyllgor Tâl a Phwyllgor Ardaloedd Gwarchoddedig, sy'n cynnwys is-grwpiau ychwanegol. Mae'r Bwrdd a'r Pwyllgor Archwilio a Sicrhau Risg yn cynnal adolygiadau blynyddol o effeithiolrwydd gyda gweithdai a chynlluniau gweithredu'n cael eu datblygu mewn ymateb. Dangosodd arsylwi ar gyfarfod o'r Bwrdd brosesau penderfynu cadarn, a herio a chraffu priodol. Mae perthnasoedd ymhlith aelodau'r Bwrdd a'r tîm uwch arweinyddion yn adeiladol ac effeithiol ar y cyfan. Tynnodd rhai aelodau staff sylw at broblemau yn y gorffennol yn ymwneud â diffyg eglurder rhwng y Bwrdd a'r tîm uwch arweinyddion, ond roeddent yn teimlo bod y rhain wedi'u datrys erbyn hyn.
- 1.26 Dangosodd CNC arweinyddiaeth agored a chynhwysol i ni ac mae'n ymddangos bod y tîm uwch arweinyddion yn unedig yn ei awydd i gyflwyno neges glir. Fodd bynnag, canfu tystiolaeth o arolwg staff cyntaf CNC a gynhaliwyd ym mis Chwefror 2014 bryderon am arweinyddiaeth a rheoli newid; dim ond 14 y cant o'r ymatebwyr ymatebodd yn bositif bod newid yn cael ei reoli'n dda; ac atebodd 20 y cant yn bositif bod y sefydliad yn ei gyfanrwydd yn cael ei reoli'n dda. Mae CNC wedi ymrwymo i ymgysylltu'n well â staff ac mae ganddo gynllun gweithredu i ymateb i'r materion a godwyd gan y rhai a oedd wedi cymryd rhan yn yr arolwg staff.
- 1.27 Mae CNC wedi gwneud cynnydd da ar gysoni polisïau a phrosesau corfforaethol. Mae **Blwch 2** yn rhoi enghreifftiau o feysydd lle mae CNC wedi datblygu polisïau cyffredin. Mae CNC yn rheoli cydymffurfriad ag amryw o ddeddfwriaethau yn bennaf drwy swyddogion unigol mewn rhannau perthnasol o'r busnes, er enghraifft, Cynghorydd Cydraddoldeb, Pennaeth Lles, Iechyd a Diogelwch, Uwch Gyngorydd Mynediad at Wybodaeth, a Phartner Llywodraethu.

Blwch 2 – Enghreifftiau o bolisïau corfforaethol CNC

Ers ei greu, mae CNC wedi cysoni polisïau corfforaethol i greu polisïau sengl cyffredin mewn ystod o feysydd gan gynnwys:

- materion adnoddau dynol fel treuliau, rheoli perfformiad ac absenoldeb salwch;
- cydraddoldeb;
- lles, iechyd a diogelwch;
- chwythu'r chwiban;
- cwynion;
- atal a chanfod twyll;
- rheoli'r amgylchedd; a
- rheoli gwrthdrawiad buddiannau.

Ffynhonnell: Cyfoeth Naturiol Cymru

- 1.28 Er Ebrill 2013, mae CNC wedi cyflwyno cynlluniau dirprwyo ariannol ac anariannol. Mae'r rhain yn creu polisïau cyffredin ar draws y sefydliad ar gyfer gweithgareddau ariannol a gwneud penderfyniadau. Yn ystod 2014-15, rhoddodd CNC system Adnoddau Dynol a Chyllid integredig sengl, 'MyNRW', ar waith, ac mae cynlluniau dirprwyo ariannol wedi'u hymgorffori ynddi. Yn 2015, cynhaliodd CNC adolygiad o'r cynllun dirprwyo ariannol, a oedd yn cynnwys ymgynghori â'r cyfarwyddiaethau. Canfu'r adolygiad nad oedd y cynllun presennol yn arwain bob amser at y llwybr cymeradwyo mwyaf effeithiol a gallai fod yn ddryslyd i staff. Mae CNC wedi ailddatblygu'r cynllun, ac mae wedi'i ailenwi'n Managing Our Money. Mae CNC wedi meincnodi'r cynllun dirprwyo newydd yn erbyn Rheoli Arian Cyhoeddus Cymru, y fframwaith llywodraethu, a pholisïau mewnol, a chynhaliwyd ymgynghoriad ag Archwilio Mewnol, i sicrhau bod y cynllun yn cydymffurfio â meini prawf rheoliadol a'i fod yn cydymffurfio â gweledigaeth a blaenoriaethau CNC.
- 1.29 Mae deiliad cyllideb ym mhob cyfarwyddiaeth yn rheoli cyllideb CNC o ddydd i ddydd. Mae'r tîm cyllid yn cynhyrchu adroddiadau misol sy'n monitro'r gyllideb ar gyfer cyfarwyddiaethau a deiliaid cyllidebau, ac mae'n darparu cymorth ac arweiniad ariannol. Mae'r adroddiadau'n cynnwys papurau diweddarau misol ar gyfer y Tîm Gweithredol a phapurau eraill ar gyfer pob cyfarfod o'r Bwrdd sy'n olrhain cynnydd gwirioneddol y flwyddyn hyd yma yn erbyn y gyllideb a'r rhagamcan ar gyfer yr alldro blwyddyn gyfan. Mae CNC yn cynnal adolygiadau ffurfiol o'r gyllideb gyda phob cyfarwyddiaeth yn ystod y flwyddyn i ddiwygio'r gyllideb ac i ganfod unrhyw broblemau sylweddol sydd angen blaenoriaeth. Er enghraifft, yn ystod 2013-14 gofynnodd a chaniatawyd cyllid ychwanegol i CNC gan Lywodraeth Cymru i gyfrannu at ddiffyg ar wariant a oedd yn gysylltiedig â chlefyd coed.

1.30 Mae CNC yn gwneud pob ymdrech i fantoli'r gyllideb, gyda gwariant ac incwm yn hafal. Fodd bynnag, gall CNC ddwyn arian ymlaen o un flwyddyn ariannol i'r nesaf, hyd ar bump y cant o'i gyllid grant gan Lywodraeth Cymru. Gall hefyd ddwyn ymlaen hyd at 20 y cant o incwm nad yw'n gyllid grant, fel incwm o werthu pren ac incwm masnachol arall (ac eithrio cynlluniau taliadau). Mae hyn yn caniatáu rhywfaint o hyblygrwydd wrth gynllunio a rheoli'r gyllideb, a gall helpu cynllunio tymor hir. Mae CNC wedi dwyn ymlaen yr incwm canlynol:

- a Yn 2013-14, roedd gan CNC £1.2 miliwn o gyllid diwedd blwyddyn i'w ddwyn ymlaen yn ychwanegol at £16.2 miliwn o gymorth grant a chyllid Ewropeaidd a oedd wedi'i neilltuo i'w ddwyn ymlaen i fodloni pwysau penodol yn 2014-15, fel delio â chlefydau coed.
- b Yn 2014-15, roedd gan CNC £20.5 miliwn i'w ddwyn ymlaen, gyda £18.2 miliwn ohono ar gyfer rhaglenni penodol sydd wedi'u neilltuo.

Dywedodd CNC fel rhan o'i ddadansoddiad diwedd blwyddyn ar gyfer 2014-15 ei bod ceisio defnyddio'n llawn yr arian sydd wedi'i fwriadu ar gyfer crynhoi asedau mewn blwyddyn ariannol sy'n agored i lawer o ffactorau fel y tywydd; a'i bod yn gallu bod yn anodd cynllunio'n effeithiol a gwario cyllid ychwanegol a gafwyd yn y flwyddyn ar gyfer blaenoriaethau newydd Llywodraeth Cymru.

1.31 Mae ein harchwiliad ariannol yn ystyried a yw'r datganiadau ariannol yn rhoi golwg gywir a theg ar gyflwr CNC. Mae rhan o'r gwaith hwn yn cynnwys deall y prosesau a'r rheolaethau ariannol sydd ar waith. Ni amlygodd ein harchwiliad ariannol ddim pryderon o bwys o ran y trefniadau rheolaeth ariannol o fewn CNC yn ystod 2014-15.

1.32 Yn 2014, comisiynodd Llywodraeth Cymru Swyddfa Rheoliadau Gwell yr Adran Busnes, Arloesi a Sgiliau i gynnal adolygiad o CNC, yn erbyn egwyddorion rheoliadau gwell. Dangosodd Adroddiad Mehefin 2015 fod gan CNC ddealltwriaeth gyffredinol o egwyddorion rheoliadau da a'i fod wedi ymrwymo i ymgorffori'r rhain yn ei ffyrdd o weithio. Mae [Paragraff 2.17](#) yn cynnwys rhagor o fanylion am ganfyddiadau'r adroddiad.

1.33 Mae swyddogaeth archwilio mewnol CNC at ei gilydd yn rhoi sicrwydd digonol i'r rheolwyr am drefniadau a rheolaeth fewnol. Yn 2013-14 ac yn 2014-15, rhoddodd y Pennaeth Archwilio Mewnol sicrwydd cymedrol¹⁷ ar gyfer digonolrwydd ac effeithiolrwydd amgylchedd rheolaeth fewnol gyffredinol CNC. Yn ystod 2014-15, rhoddodd archwilio mewnol sicrwydd sylweddol i lywodraethu corfforaethol a'r fframwaith perfformiad. Fodd bynnag, nododd ein harchwiliad ariannol o CNC ar gyfer 2014-15 fod archwilio mewnol wedi rhoi rôl sicrwydd ar y Bwrdd Prosiect MyNRW ond nad oedd wedi cynnal unrhyw adolygiad manwl o'r systemau ariannol MyNRW newydd. Mae archwilio mewnol wedi cynnwys rhoi sylw i'r systemau ariannol allweddol yn ei raglen flynyddol ar gyfer 2015-16, gyda gwaith yn cael ei wneud yn awr. Roedd archwilio mewnol hefyd wedi profi peth diffyg galluogrwydd, oherwydd bod staff ar secondiad dros dro gyda phrosiectau eraill CNC, ond bod y rhain bellach wedi dod i ben.

Mae CNC wedi cwblhau newidiadau mawr yn llwyddiannus i'w systemau TGCh, er bod gwaith i integreiddio'n llawn yr holl brosesau TGCh ac i ymgorffori ffyrdd newydd o weithio yn parhau

1.34 Mae CNC wedi gwneud cynnydd sylweddol i resymoli ei drefniadau TGCh, gan gynnwys trosglwyddo o dair system Adnoddau Dynol a chyllid i un system MyNRW newydd yn 2014 (paragraff 1.28). Mae'r integreiddio hwn wedi gwneud cyfraniad sylweddol at gyflawni buddiannau gyda budd ariannol dros gyfnod o 10 mlynedd o £13 miliwn gan gynnwys arbedion TGCh ac arbedion costau staff. Mae CNC hefyd wedi creu ei wasanaeth TGCh mewnol ei hun, ac mae CNC yn amcangyfrif ei fod wedi lleihau cost flynyddol gwasanaethau TGCh o £13 miliwn i £6 miliwn. Yn ei holl weithgareddau, mae CNC yn amcangyfrif y bydd cyfanswm ei arbedion TGCh yn £34 miliwn yn ystod y 10 mlynedd ar ôl ei greu. Fodd bynnag, nid yw rhai o'r arbedion a fwriadwyd wedi cael eu gwireddu mor gyflym ag y rhagwelwyd yn wreiddiol oherwydd amcangyfrif rhy isel o faint y gwaith oedd ei angen a phroblemau wrth derfynu contractau'r cyrff etifeddiaeth (paragraff 1.47).

1.35 Fel rhan o'n harchwiliad ariannol o CNC ar gyfer 2014-15, buom yn adolygu'r prosesau a'r gweithdrefnau technegol a ddilynwyd gan staff yn CNC i uno data rheolaeth ariannol o'r systemau blaenorol. Ni chanfuwyd unrhyw broblemau sylweddol wrth drosglwyddo data i MyNRW nac unrhyw wendidau sylweddol mewn rheolaeth ariannol fewnol. Fodd bynnag, nododd ein harchwiliad nad oedd y prif systemau ariannol o fewn MyNRW wedi cael unrhyw archwiliad mewnol manwl yn ystod y flwyddyn (paragraff 1.33).

1.36 Mae CNC wedi gweithredu systemau cyfrifiadura cwmwl¹⁸ ar gyfer yr holl staff, y corff cyhoeddus cyntaf yng Nghymru i wneud hynny, ac mae'n annog defnyddio technoleg drwy lechi, Yammer¹⁹ a Microsoft Lync²⁰. Mae CNC wedi wynebu her ychwanegol o safbwynt y lefelau dealltwriaeth o TG ymhlith ei staff, gan nad oedd rhai ohonynt wedi defnyddio cyfrifiaduron yn rheolaidd, os o gwbl, o'r blaen. Mae CNC wedi mabwysiadu nifer o gynlluniau i helpu ei staff i ddefnyddio technoleg newydd y gweithle ac i wella eu dealltwriaeth (Astudiaeth Achos 2).

17 Lefel gymedrol o sicrwydd yw'r ail lefel uchel o sicrwydd allan o bedwar sgôr posibl, ac fe'i diffinnir fel 'mae angen rhai gwelliannau i wella digonolrwydd ac effeithiolrwydd y fframwaith llywodraethu, rheoli nisg a rheolaeth'.

18 Mae'r rhaglenni electronig mae CNC yn eu defnyddio, fel Microsoft Office, a phob dogfen electronig yn cael eu storio ar weinyddion pell, ac mae modd cael mynediad atynt dros y rhyngwyd. Mae'r buddiannau yn cynnwys gallu gweithio o bell a rhannu dogfennau yn haws; a llai o rai mathau o offer TG mewnol fel gweinyddion.

19 Rhwydwaith cymdeithasol ar-lein preifat yw Yammer, sy'n galluogi cyflogion yn yr un sefydliad i rannu sgrysiâu, dogfennau a lluniau.

20 Mae Microsoft Lync yn galluogi defnyddwyr i anfon negeseuon gwib ac i gynnal cynadledau llais a fideo dros y rhyngwyd.

Astudiaeth Achos 2 – Gwella gwybodaeth TGCh staff

O gofio maint y newid mewn TGCh a'r amrywiadau yng ngwybodaeth flaenorol y staff, un dasg bwysig i CNC oedd hyrwyddo gwell dealltwriaeth o TG ymhlith ei staff. I roi sylw i hyn, mae'r tîm Busnes fel Arfer wedi sefydlu nifer o fesurau arloesol i wella ac i fonitro profiad defnyddwyr TG sy'n cynnwys:

- Fideos YouTube sydd ar gael i bob aelod o staff wrth eu desg, drwy ddyfeisiau symudol neu gartref
- Arolwg TGCh
- Grwpiau Yammer, ac mae llawer wedi manteisio arnynt
- Desg gymorth
- Gweithdai

Hefyd, mae'r Prif Swyddog Gwybodaeth yn teithio i swyddfeydd i gwrdd â chydweithwyr ac yn cynnal deialog wyneb yn wyneb ar faterion digidol a datblygiadau'r dyfodol.

Mae swyddogion TG CNC yn teimlo bod ymwybyddiaeth staff yn gwella yn ôl adborth staff, ond maent yn cydnabod bod llawer o waith i'w wneud i wella canfyddiad defnyddwyr o TG, yn enwedig ymwybyddiaeth defnyddwyr o'r prosesau i'w dilyn i gael gafael ar gymorth pan fyddant yn dod ar draws problemau TG.

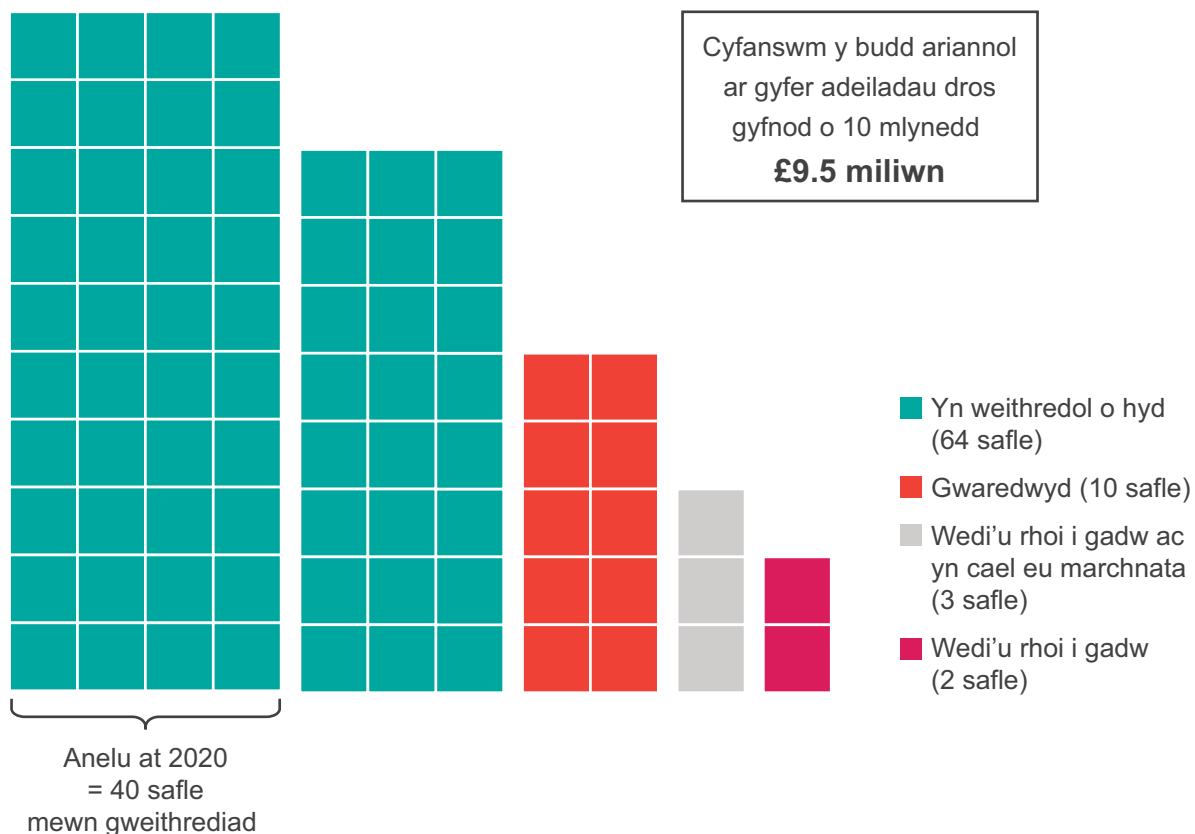
Ffynhonnell: Cyfoeth Naturiol Cymru

- 1.37 Mae gan CNC contract â chwmmi allanol i ddarparu gwasanaethau cymorth ar gyfer MyNRW, gyda grŵp mewnol ar wahân o'r enw Gwasanaeth Cymorth Busnes wedi'i sefydlu i reoli'r contract hwn. Mae staff mewnol TG helpu swyddogaethau Busnes fel Arfer CNC. Mae'r tîm Busnes fel Arfer yn defnyddio set o ganllawiau ymarfer gorau i gyflenwi'r gwasanaeth TG a adwaenir fel yr IT Infrastructure Library (ITIL). Fodd bynnag, nid yw gweithdrefnau ymarfer gorau ITIL mor sefydledig yn y Gwasanaeth Cymorth Busnes. Ymddengys hefyd fod y berthynas weithio rhwng y timau Busnes fel Arfer a'r Gwasanaeth Cymorth Busnes yn gyfyngedig iawn yn hytrach na bod swyddogaeth wedi ymwreiddio yn y gwasanaeth TG mewnol sy'n rheoli'r berthynas ar ran cyflenwyr allanol ar ran y sefydliad cyfan. Yn dilyn adborth cynnar, mae CNC yn awr wedi dod â'r Gwasanaeth Cymorth Busnes o dan ymbarél 'Cyflenwi Gwasanaeth a Chymorth' o fewn y tîm TG mewnol, gan eu halinio â'r un prosesau a pholisïau yn seiliedig ar ITIL a throsglwyddo'r berthynas weithrediadol gyda'r cwmni allanol o fewn cylch gwaith TGCh.
- 1.38 Mae CNC wedi bod yn datblygu strategaeth ddigidol newydd, ac roedd wedi cwblhau'r fframwaith a'r egwyddorion erbyn diwedd 2015. Roedd CNC wedi oedi cyn cwblhau'r strategaeth yn llawn nes bod mwy o sicrwydd ynglŷn â manylion y gyllideb a fydd ar gael ar gyfer 2016-17.

Mae CNC wedi gwneud cynnydd da wrth gyflawni ei strategaeth adeiladau drwy ddefnyddio proses arfarnu drylwyr a fydd yn arwain at ostyngiad o 19 y cant yn nifer ei safleoedd, er bod lle i wella capasiti'r swyddogaeth asedau corfforaethol i gyflawni rhagor o fuddiannau

- 1.39 Un maes allweddol lle mae CNC yn disgwyl creu arbedion yw yn y ffordd y mae'n rheoli ac yn rhesymoli ei adeiladau, yn enwedig o ystyried y dyblygu safleoedd rhwng y tri chorff etifeddiaeth mewn rhai lleoliadau. Mae safleoedd CNC yn cynnwys swyddfeydd, depos sy'n cael eu defnyddio'n bennaf i storio offer a cherbydau, cyfleusterau labordy, gweithdai a deorfeydd. Mae CNC wedi cyhoeddi gweledigaeth glir a bwriad ar gyfer rheoli asedau yn ei strategaeth adeiladau, sy'n cysylltu â nifer o amcanion corfforaethol, ac sydd wedi ystyried ystyriaethau strategol ehangach gyda chyfraniad y bwrdd pan oedd hynny'n briodol. Mae'r strategaeth yn disgrifio bwriadau i gynnal arfarniad o opsiynau ar gyfer pob safle yng Nghymru. Mae CNC wedi ystyried gwaith cenedlaethol ar reoli asedau fel adroddiad 2013 Pwyllgor Cyllid y Cynulliad Cenedlaethol ar **Reoli Asedau yn y Sector Cyhoeddus**. Fel rhan o hyn, mae CNC wedi bod yn ymgysylltu â'r Gweithgor Asedau Cenedlaethol.
- 1.40 Mae CNC wedi gwneud cynnydd da wrth resymoli ei adeiladau, er nad yw wedi cyrraedd ei darged ar gyfer cyfnod pontio un, a fyddai'n arwain at 20 yn llai o safleoedd. O fan cychwyn o 79 o safleoedd, mae CNC wedi cyflwyno camau a fyddai'n lleihau nifer y safleoedd o 15 i 64, gostyngiad o 19 y cant (**Ffigur 8**). Mae'r safleoedd nad ydynt yn cael eu defnyddio bellach wedi eu dosbarthu ar hyd a lled Cymru. Amcangyfrifir fod yr arbedion blynyddol sy'n deillio o safleoedd nad ydynt bellach yn cael eu defnyddio yn £362,000 gyda CNC yn amcangyfrif arbedion ariannol o ganlyniad i'r strategaeth adeiladu o £9.5 miliwn mewn 10 mlynedd

Ffigur 8 – Newidiadau o ran nifer safleoedd CNC ar ôl ei resymoli adeiladau hyd fis Hydref 2015



Ffynhonnell: Cyfoeth Naturiol Cymru

1.41 Fel rhan o resymoli, mae CNC wedi cyflwyno proses drylwyr ar gyfer arfarnu opsiynau ar gyfer safleoedd unigol gan ddefnyddio'r 'Model Pum Achos' fel yr amlinellwyd yn Llyfr Gwyrdd Trysorlys EM. Mae enghraifft o'r arfarniad opsiynau ar gyfer safle'r gwasanaethau labordai yn Llanelli ([Astudiaeth Achos 3](#)).

Astudiaeth Achos 3 – Arfarniad opsiynau ar gyfer gwasanaethau labordai

Penderfynodd CNC nad oedd ei gyfleusterau presennol ar gyfer gwasanaethau labordai yn Llanelli bellach yn addas i'r diben oherwydd peryglon iechyd a diogelwch, ac roedd y potensial i ddatblygu gwasanaethau'n gyfyngedig dros ben.

Cynhaliodd CNC arfarniad opsiynau trylwyr ar gyfer y gwasanaeth gyda'r adroddiad arfarnu'n cynnwys yr achos dros newid, ystyriaeth o faterion economaidd lleol, swyddi, yr opsiynau wedi'u sgorio, ac arfarniad cost a phrosiect maith ar gyfer pob opsiwn. Cafodd pob un o'r opsiynau ar y rhestr fer ei werthuso drwy gwblhau achos busnes amlinellol a oedd yn defnyddio prosesau Trysorlys EM. Mae hyn yn helpu i sicrhau gwerth am arian a phrosesau penderfynu cadarn.

Roedd y broses arfarnu opsiynau'n cynnwys grŵp busnes CNC yn cynnal cyfarfodydd chwarterol i gael adroddiadau cynnydd ac i drafod gwerth ychwanegol.

Amlygodd yr arfarniad opsiwn a ffefrid ym Mhrifysgol Abertawe, a ddewiswyd gan y Bwrdd Prosiect. Fodd bynnag, yn ystod negodiadau masnachol, gwelwyd nad oedd y safle ar gael. Cynhaliodd y Bwrdd Prosiect werthusiad arall manwl ar ddau safle a oedd wedi'u sgorio yn yr ail safle yn yr arfarniad gwreiddiol ac enwyd lleoliad arall ym Mhrifysgol Abertawe fel y lleoliad a ffefrid. Mae CNC yn gweithio gyda'r Brifysgol ac yn dal ar y trywydd iawn i symud i'r labordy newydd ym mis Medi 2016.

Ffynhonnell: Cyfoeth Naturiol Cymru

- 1.42 Er bod CNC wedi gwneud cynnydd, mae galluogrwydd o fewn y tîm asedau corfforaethol i gyflawni'r strategaeth adeiladau wedi bod yn gyfyngedig. Mae galluogrwydd yn datblygu'n awr, gyda nifer fwy o staff yn gysylltiedig â rheoli asedau, gweithgor sydd wedi'i ailffurfio, a mwy o gyfrifoldeb wedi'i ddatganoli i reolwyr gweithredol ardal.
- 1.43 Mae cam dau'r strategaeth adeiladau yn ystod y cyfnod trawsnewid yn debygol o gynnwys materion mwy heriol a delio â safleoedd anos. Mae angen i ddull CNC gymryd golwg mwy tymor hir sy'n seiliedig ar anghenion CNC yn y dyfodol a chysylltu'n well â meysydd strategol o bwys yn y dyfodol fel cynllunio'r gweithlu. Mae uwch reolwyr yn cydnabod bod angen i'r sefydliad newid ei ffyrdd o weithio ac mae cynlluniau i edrych sut y gall CNC ddefnyddio gweithio ystwyth o fewn y sefydliad cyfan, a allai gynnig cyfleoedd pellach i resymoli.

1.44 Mae gan CNC ddata sylfaenol ar berfformiad asedau ei adeiladau ac mae'n deall llawer o'r safonau a dderbynnir gan ddiwydiant ar gyfer adeiladau. Mae'n olrhain arwynebedd mewnol net ei adeiladau, sydd wedi gostwng naw y cant er Ebrill 2013 yn erbyn targed o 14 y cant. Fodd bynnag mae prinder data manwl ynghylch y defnydd o adeiladau neu pa mor effeithiol yw CNC wrth resymoli ei gontractau rheoli cyfleusterau, ar wahân i gadw golwg ar arbedion a wneir ar adeiladau fel rhan o ddangosfwrdd perfformiad y Gwasanaethau Cyllid a Chorfforaethol. Canfu ein harchwiliad ariannol o CNC ar gyfer 2013-14 broblemau gydag ansawdd a chywirdeb gwybodaeth a gedwir gan CNC yn gysylltiedig ag asedau, gyda gwahaniaethau rhwng cofnodion y tîm ystadau o dir sy'n eiddo iddo a Chofrestr Asedau Sefydlog yr adran gyllid. Fodd bynnag, nododd ein harchwiliad ariannol ar gyfer 2014-15 fod y rheolwyr wedi gweithredu'n gadarnhaol ar faterion yn ymwneud â gwirio asedau drwy gynnal ymarferiad gwirio manwl a rhoi sylw i ddiffygion mewn prosesau a pholisi.

Mae CNC wedi gwneud cynnydd da tuag at gyflawni arbedion ariannol a chyflawni buddiannau eraill a fwriadwyd ar adeg ei greu

1.45 Ym mis Tachwedd 2011, cyflwynodd Llywodraeth Cymru yr achos busnes dros greu CNC, a oedd yn nodi'r arbedion ariannol a fwriadwyd a chostau un corff dros gyfnod o 10 mlynedd rhwng Ebrill 2013 a Mawrth 2023. Ym mis Gorffennaf 2013, ar ôl creu CNC, cytunodd Llywodraeth Cymru a CNC ar achos busnes diwygiedig. Roedd yr achos busnes diwygiedig hwn yn addasu proffil yr arbedion blynyddol disgwylidig; fodd bynnag, roedd y targed ar gyfer cyfanswm yr arbedion yn y 10 mlynedd bron yn union yr un faint, sef £158 miliwn mewn termau arian parod. Mae'r buddiannau hyn yn cynnwys arbedion arian parod ac arbedion mesuradwy eraill sy'n deillio o fod yn un corff wedi'i symleiddio, lleihau dyblygu, symleiddio prosesau a sicrhau enillion o ran cynhyrchedd. Roedd cyfanswm y costau disgwylidig yn £68.7 miliwn yn yr achos busnes gwreiddiol ac yn £66.0 miliwn yn yr achos busnes diwygiedig. Mae'r costau hyn yn cynnwys gwariant ar feysydd fel alinio tair set o systemau a pholisïau; alinio telerau ac amodau staff, yn enwedig cynnydd yng nghostau pensiynau; a brandio newydd a chyfathrebu. Mae hyn yn arwain at arbediad net o £92.0 miliwn mewn termau arian parod yn yr achos busnes hyd 2022-23.

1.46 Mae CNC wedi gwneud cynnydd da tuag at gyflawni cyfanswm yr arbedion ariannol a fwriadwyd fel y'u nodwyd yn yr achos busnes diwygiedig (Ffigur 9). Mae CNC yn mesur arbedion wedi'u gwireddu mewn arian parod, ac arbedion wedi'u gwireddu nad ydynt yn arian parod²¹. Mae'r rhagamcan diweddaraf ym mis Medi 2015 yn dangos bod CNC wedi nodi arbedion gros o £0.8 miliwn yn 2013-14 a £6.7 miliwn yn 2014-15, ac mae'n rhagweld y bydd buddiannau yn yr arfaeth yn codi hyn i £17.7 miliwn y flwyddyn erbyn 2018-19. Am y cyfnod o 10 mlynedd hyd 2022-23, mae CNC ar y trywydd iawn gydag arbedion wedi'u gwireddu mewn arian parod, ond mae eto i nodi £15 miliwn o'r targed o £31 miliwn ar gyfer arbedion heb fod rhai arian parod. Mae CNC yn ffyddiog y bydd yn cyrraedd y targed ar gyfer arbedion nad ydynt yn arian parod drwy arbedion effeithlonrwydd drwy'r broses gwella prosiectau yn y rhaglen trawsnewid bresennol; fodd bynnag ni all CNC feintoli'r rhain yn fanwl eto. O ystyried bod y prosesau gwelliant parhaus eraill ar waith gan gynnwys Rhaglen Gwella Effeithlonrwydd a Chyflenwi Gwasanaeth sydd â'r nod o wella'r gwasanaeth wrth leihau gwariant (Blwch 3), mae arwyddion y bydd CNC yn cynyddu gwerth ei arbedion nad ydynt yn arian parod yn ystod y blynyddoedd nesaf. Y rhagamcan is hwn ar gyfer buddiannau wedi'u gwireddu nad ydynt yn arian parod yw'r prif reswm pam y mae cyfanswm yr arbediad net a ragwelir o £76.3 miliwn yn £15.8 miliwn yn is na ffigur yr achos busnes diwygiedig.

Ffigur 9 – Rhagamcan o gyfanswm yr arbedion ariannol net, costau ac arbedion net dros y cyfnod o 10 mlynedd rhwng Ebrill 2013 a Mawrth 2023 mewn termau arian parod

	Achos busnes ¹ £ miliwn	Rhagolygon CNC £ miliwn
Arbedion wedi'u gwireddu mewn arian parod	127.2	128.9
Arbedion heb eu gwireddu mewn arian parod	30.9	16.2
Costau gros	-66.0	-68.8
Cyfanswm arbedion net	92.1	76.3

Nodyn:

- 1 Daw'r ffigurau hyn o'r achos busnes diwygiedig, yr oedd Llywodraeth Cymru a CNC wedi cytuno arnynt fis Gorffennaf 2013. Roedd y proffil diwygiedig wedi ail-gyflunio'r arbedion a'r costau a ddisgwyliad bob blwyddyn gyda'r arbedion gros a dargedwyd bron yn union yr un faint â chyfanswm costau ychydig yn llai.

Ffynhonnell: Cyfoeth Naturiol Cymru

21 Ystyr arbedion arian wedi'u gwireddu mewn arian parod yw arbedion o ran yr arian parod a gafodd ei wario, er enghraifft peidio â thalu am gymorth ariannol gan Asiantaeth yr Amgylchedd. Ystyr arbedion wedi'u gwireddu nad ydynt yn arian parod yw pan fydd lefel y gwariant ddim yn gostwng ond bydd y gwerth sy'n deillio o'r gwariant yn cynyddu, er enghraifft, mae adleoli staff yn cynyddu cynhyrchedd, sy'n golygu bod modd gwneud mwy o waith am yr un gost.

Blwch 3 – Rhaglen gwella effeithlonrwydd a chyflenwi gwasanaeth

Nod y rhaglen gwella effeithlonrwydd a chyflenwi gwasanaeth yw sicrhau bod gan CNC raglen effeithlonrwydd ystyrion, yn bennaf drwy gyfres o adolygiadau gwasanaeth wedi'u harwain gan fusnes a phrosiect effeithlonrwydd 'lwyddiant am lai'.

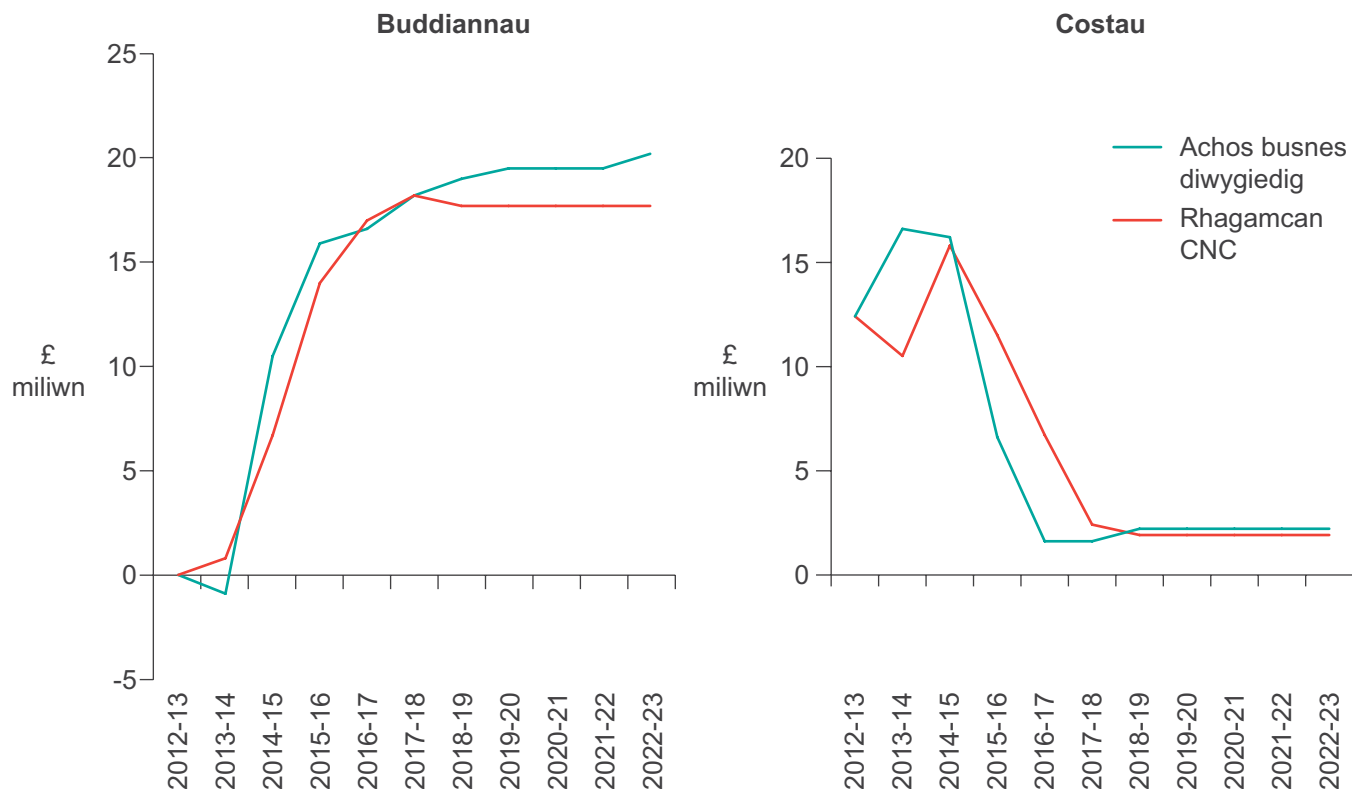
Amcanion y rhaglen yw:

- sicrhau bod yr holl adolygiadau gwasanaeth yn helpu i gyflawni rheolaeth adnoddau naturiol;
- sicrhau bod yr holl adolygiadau gwasanaeth yn arwain at well profiad i gwsmeriaid; a
- sicrhau bod yr holl adolygiadau gwasanaeth yn arwain at wasanaeth sy'n fwy fforddiadwy yn y tymor canolog (ymlaen i 2020).

Ffynhonnell: Cyfoeth Naturiol Cymru

- 1.47 Mae CNC wedi nodi costau creu o £38.7 miliwn yn ystod y tair blynedd rhwng 2012-13 a 2014-15 ac mae'n amcangyfrif costau hyd 2022-23 o £68.9 miliwn. Mae hyn £2.8 miliwn yn uwch na'r achos busnes diwygiedig. Mae **Ffigur 10** yn dangos rhagamcan o ddsbarthiad costau a buddiannau fesul blwyddyn. Er bod costau'n is na'r hyn a ragwelwyd yn 2013-14, nid yw CNC yn disgwyl gweld gostyngiad mewn costau na chynnydd mewn buddiannau mor gyflym ag y rhagwelwyd yn wreiddiol o 2014-15 ymlaen. Mae hyn yn rhannol am na allai CNC adael rhai trefniadau etifeddiaeth mor gyflym ag y rhagwelwyd yn wreiddiol. Arweiniodd hyn at newid yn y proffil cost ac arbedion. Yn benodol, cymerodd negodiadau i wahanu oddi wrth ddarparwr TGCh Asiantaeth yr Amgylchedd Capgemini lawer mwy o amser na'r disgwyl sydd wedi golygu bod costau ymadael yn cael eu gwrthio'n ôl a bod costau ychwanegol yn codi yn sgil cadw'r hen drefniadau am fwy o amser. Mae CNC yn cydnabod bod y raddfa a'r amser oedd ei angen ar gyfer ymadael â rhai o'r hen drefniadau yn uwch na'r hyn a ragwelwyd yn yr achos busnes.

Ffigur 10 – Amcangyfrif o ddsbarthiad fesul blwyddyn o fuddiannau a chostau creu CNC, 2012-13 hyd 2022-23



Ffynhonnell: Cyfoeth Naturiol Cymru

1.48 Er mwyn olrhain arbedion a buddiannau ehangach, mae gan CNC fframwaith buddiannau ar waith. Dangosodd adolygiad Gateway Rhagfyr 2013 o'r rhaglen trawsnewid ([paragraff 1.18](#)) nad oedd CNC, erbyn hynny, wedi cyflwyno strategaeth fuddiannau a chynllun gwireddu buddiannau, ac y byddai'n ddibynol ar fesur gwaelodlinau a'r buddiannau a gyflawnwyd hyd yma'n ôl-weithredol. Roedd yn anodd olrhain buddiannau oherwydd er bod CNC yn gallu defnyddio llawer i ddata hanesyddol, nid oedd un system ariannol, ac roedd diffyg gwaelodlinau y cytunwyd arnynt. Yn hanner cyntaf 2014, gweithredodd CNC fframwaith mwy cadarn ar gyfer olrhain buddiannau ei greu, gan gynnwys cynllun a fframwaith gwireddu buddiannau. Yn awr mae gan bob cyfarwyddiaeth hyrwyddwr buddiannau sy'n coladu ac yn monitro buddiannau creu'r sefydliad ac arbedion effeithlonrwydd eraill. Mae swyddogion yn cofnodi'n fanwl y buddiannau a nodwyd gan gynnwys disgrifiad a'r rheswm dros y budd, unrhyw fuddiannau ansoddol a meintiol yn erbyn gwaelodlin, manylion am drefniadau'r corff etifeddiaeth blaenorol, cysylltiadau at ffynonellau tystiolaeth, a gwybodaeth ddefnyddiol arall fel risgiau neu wersi a ddysgwyd.

- 1.49 Ar ddiwedd y flwyddyn, mae adran gyllid CNC yn gwirio ac yn diwygio'r arbedion a'r costau ariannol a ganfuwyd drwy'r fframwaith buddiannau. Mae'r broses hon yn ystyried y costau gwirioneddol a wynebwyd gan bob cyfarwyddiaeth a pha newid mewn costau y gellir eu priodoli i greu CNC. Er enghraifft, gall y cofnod cyntaf o fudd ddefnyddio amcangyfrif o arbediad blynyddol mewn costau staff, nad yw'n cyfateb yn union i'r gwir arbediad mewn cost. Mae'r broses yn rhoi ffigurau mwy manwl ar gyfer arbedion, fodd bynnag, mae'n arwain at ddwy system ar gyfer cofnodi ac mewn rhai achosion, ar gyfer cofnodi buddiannau. Mae CNC wedi dweud ei fod yn gobeithio symud at un system gofnodi, fwy integredig.
- 1.50 Mae'r achos busnes dros greu CNC yn cyfuno buddiannau a nodwyd gan ffrydiau gwaith sy'n ymwneud â gweithgareddau gweithredol a gwasanaethau corfforaethol. Sefydlwyd y ffrydiau gwaith i ddibenion yr achos busnes ac nid oes cydberthynas rhyngddynt â strwythur sefydliadol cyfredol CNC, na sut y mae CNC yn cofnodi'r buddiannau. O ganlyniad, nid yw CNC yn olrhain buddiannau yn erbyn y ffrydiau gwaith hyn ac nid ydym wedi ymdrechu i gymharu a yw CNC yn cyflawni'r buddiannau disgwylid fesul ffrydiau gwaith.
- 1.51 Mae CNC yn olrhain yr holl fuddiannau ar hyn o bryd, gan gynnwys rhai heb arbediadau ariannol, a'r rhai hynny sydd â chost ariannol ond sy'n dangos buddiannau anariannol, fel gweithio mwy integredig neu gyfathrebu gwell â defnyddwyr gwasanaeth. Mae enghreifftiau o'r buddiannau a nodwyd hyd yma gan CNC sy'n dangos buddiannau arian parod, rhai nad ydynt yn rhai arian parod a rhai anariannol i'w gweld yn **Ffigur 11**. Fodd bynnag mae CNC yn teimlo ei bod yn fwyfwy anodd, ac yn fwy o draul ar adnoddau, gwahanu'r buddiannau sy'n deillio'n benodol o greu CNC oddi wrth y camau gweithredu sy'n angenrheidiol er mwyn mynd i'r afael â phwysau pellach o ran y gyllideb.

Ffigur 11 – Enghreifftiau o fuddiannau CNC rhwng 2013-14 a 2022-23

Enw'r budd	Disgrifiad	Cyfanswm yr arbediad arian parod wedi'i wireddu a ragwelir mewn 10 mlynedd	Cyfanswm yr arbediad nad yw'n arian parod wedi'i wireddu a ragwelir mewn 10 mlynedd
Gwasanaethau Adnoddau Dynol a Chyllid	Trosglwyddo tair system AD a Chyllid i un system gydag un tîm Gwasanaeth Cymorth Busnes, sydd wedi arwain at ostyngiad i 31 swydd gyfwerth ag amser llawn.	£13.3 miliwn	–
Casglu samplau	Proses gasglu wedi'i symleiddio a systemau TG integredig sy'n arwain at ganlyniadau cyflymach a chynllunio teithiau mwy effeithlon sy'n lleihau nifer y milltiroedd a yrrir ac sy'n gwella cynhyrchiant.	£0.7 miliwn	£2.3 miliwn
Gwasanaeth monitro ansawdd aer mewn argyfwng	Gwasanaeth a arferai gael ei ddarparu dan gontract fframwaith Asiantaeth yr Amgylchedd gyda chontractwr allanol ond sy'n awr yn cael ei gyflenwi'n fewnol gan arbed costau.	£0.3 miliwn	–
Dull Integredig Coedwig Niwbwrch	Creu un tîm prosiect i reoli llain o dir sy'n cynnwys traeth ymdrochi dynodedig, Gwarchodfa Natur Genedlaethol, Safle o Ddiddordeb Gwyddonol Arbennig a choedwig.	Dim buddiannau ariannol wedi'u meintoli; fodd bynnag, mae dull mwy cyson o ddelio â materion a datblygu cysylltiadau ychwanegol â rhanddeiliaid, gan gynnwys cylchlythyr a sesiynau galw i mewn.	

Ffynhonnell: Cyfoeth Naturiol Cymru

Rhan 2

Mae CNC wedi dysgu yn sgil y cynnydd a wnaethpwyd a'r heriau a wynebwyd ac mae'n awr yn bwrw ymlaen â rhaglen newid fwy uchelgeisiol a chynhwysfawr, sydd ei hangen i drawsnewid ei hun ar gyfer y dyfodol ac i ddelio â newidiadau deddfwriaethol a phwysau ar adnoddau



- 2.1 Mae'r adran hon yn edrych ar y trefniadau sydd ar waith ar gyfer cam nesaf proses newid CNC, y cyfnod trawsnewid; a'r prif heriau mewnol ac allanol sy'n parhau.

Er bod rhaglen pontio CNC yn eang, roedd cyfyngiadau a therfynau y mae CNC yn awr wedi rhoi sylw iddynt yn ei raglen trawsnewid

- 2.2 Er bod rhaglen trawsnewid CNC yn un eang ([paragraff 1.18](#)), roedd llwyddiant y rhaglen yn bennaf yn golygu rhoi'r prosesau a'r strategaethau gofynnol ar waith, gyda thueddiad i gyflawni'r nodau hawddaf yn gyntaf. Rhoddodd CNC lai o bwyslais ar agweddau mwy anodd a thymor hir fel newid diwylliant a rheoli pobl. Gellid priodoli hyn yn bennaf i bwysau amser. Mae CNC wedi bod yn agored a gonest am y gwaith a gyflwynwyd hyd yma a'r cyfyngiadau yn yr hyn mae wedi'i weithredu eisoes, gan gydnabod yr hoffai fod wedi cyflawni mwy pe bai mwy o adnoddau ar gael. Mae uwch staff wedi dangos lefelau uchel o ymwybyddiaeth o'r prif faterion a'r trefniadau sydd eu hangen i symud ymlaen i gam nesaf datblygiad CNC.
- 2.3 Symudodd CNC ymlaen o'r cyfnod pontio i raglen trawsnewid ym mis Ebrill 2015. Argymhellodd yr adolygiad Gateway o'r rhaglen trawsnewid ym mis Rhagfyr 2013 y byddai'n fwy effeithiol i drawsnewid y sefydliad drwy fabwysiadu dull rheoli portffolio mwy ffurfiol o gofio bod y pontio a'r trawsnewid wedi cynnwys nifer o raglenni. Mae CNC wedi ymgorffori'r dull hwn yn ei raglen trawsnewid. Mae'r newid o'r rhaglen pontio i raglen trawsnewid wedi bod yn broses drefnus sydd wedi'i rheoli'n dda.
- 2.4 Mae rhaglen trawsnewid CNC yn dangos ei fod wedi rhoi blaenoriaeth i feysydd a oedd wedi cael llai o sylw cyn hyn, fel rheoli pobl, a'i fod wedi canolbwyntio ar gyflawni gweledigaeth a diben CNC. Mae CNC wedi cynhyrchu adroddiad²² ar ddwy flynedd gyntaf ei fodolaeth ac mae wedi dysgu yn sgil y profiad a gafwyd yn ystod y cyfnod pontio i sefydlu'r rhaglen trawsnewid. Mae CNC hefyd wedi parhau i ddefnyddio arferion da o ffynonellau eraill fel sail i'w raglen trawsnewid. Mae CNC yn cydweithio â thîm Cyfnewid Arferion Da Swyddfa Archwilio Cymru i hwyluso'r broses o rannu ei wybodaeth a'i brofiad ar draws gwasanaethau cyhoeddus Cymru.

Mae CNC wedi rhoi mwy o bwyslais ar reoli pobl, er bod gwerthuso swyddi'n parhau'n risg allweddol

- 2.5 Yn ystod ei gyfnod trawsnewid, mae CNC wedi rheoli nifer o brosiectau sy'n gysylltiedig â staff fel sail i'w ymagwedd at y gweithlu a rheoli pobl, gan gynnwys:
- trosglwyddo TUPE staff o'r cyrff etifeddiaeth;
 - dau gynllun diswyddo gwirfoddol;
 - cysoni telerau ac amodau staff;
 - un polisi cyflog; a
 - Strategaeth Lles, Iechyd a Diogelwch.
- 2.6 Ym mis Ebrill 2015, rhoddodd CNC system rheoli perfformiad newydd ar waith i gymryd lle trefniadau etifeddiaeth. Mae'r system newydd yn cynnwys cwblhau Cynllun Perfformiad a Datblygiad i bennu amcanion perfformiad ac i ganfod anghenion hyfforddi a datblygiad. Ar ddiwedd mis Hydref 2015, roedd 1,425 o staff wedi cwblhau cynllun ac roedd hynny wedi'i gofnodi yn y system gwybodaeth adnoddau dynol, a oedd yn cyfateb i 73 y cant o'r cyflogeion parhaol. Mae CNC yn disgwyl y bydd rhagor o staff wedi cwblhau cynlluniau ond nad ydynt ar y system eto. Mae cyfarwyddiaethau wedi coladu dros 2,100 o ofynion hyfforddiant a nodwyd yn y cynlluniau, yn ychwanegol at dros 2,000 o geisiadau am hyfforddiant a gyflwynwyd yn flaenorol fel rhan o gyflwyno'r Strategaeth Lles, Iechyd a Diogelwch. Mae CNC yn trefnu cyrsiau hyfforddi ac yn datblygu rhaglen ddysgu, sy'n cynnwys, fel blaenoriaeth, rhaglen datblygu rheolwyr.
- 2.7 Er Ebrill 2015, mae CNC wedi rhoi mwy o bwyslais ar reoli pobl, ac un o bum prif elfen y rhaglen trawsnewid yw 'Datblygu ein Pobl a'n Timau'. Mae ffrydiau gwaith o fewn y rhaglen hon yn cynnwys: gwerthuso swyddi; datblygu a gweithredu amrywiol bolisiau pobl; rheoli arweinyddiaeth a galluogrwydd; trawsnewid newid diwylliant portffolios; dysgu a datblygiad; a chydaddoldeb ac amrywiaeth ([Astudiaeth Achos 4](#)).

Astudiaeth Achos 4 – Camau cyfredol CNC a chynlluniau'r dyfodol ar gyfer cydraddoldeb ac amrywiaeth

Ers ei greu, mae CNC wedi rhoi pwyslais ar gydraddoldeb ac amrywiaeth. Mae CNC yn rhedeg fforwm cydraddoldeb ac amrywiaeth, ac mae wedi cyhoeddi dau adroddiad blynyddol ar ei gyflawniadau o ran cydraddoldeb. Mae CNC wedi cymryd rhan ym Mynegai Cydraddoldeb yn y Gweithle Stonewall yn 2014 a 2015, gan wella ei sgôr o flwyddyn i flwyddyn.

Mae CNC yn ystyried yr angen am Asesiad o'r Effaith ar Gydraddoldeb yn achos ei holl bolisïau a phapurau'r Bwrdd.

Ym mis Ebrill 2015, cyhoeddodd CNC Gynllun Cydraddoldeb Strategol am y cyfnod 2015 hyd 2019. Mae amcanion cynllun cydraddoldeb CNC yn deillio o'r egwyddorion 'Da ar Gyfer' yr amgylchedd, y sefydliad, gwybodaeth, busnes a phobl. Mae'r amcanion yn eglur o ran pennu safonau a disgwyliadau clir wrth gyflenwi gwasanaethau, drwy ddeall sut y mae cymunedau'n cael gafael ar y gwasanaethau a ddarperir ganddo, ac unrhyw rwystrau y mae cwsmeriaid CNC yn eu hwynebu.

O fewn y rhaglen trawsnewid, mae'r ffrwd waith cydraddoldeb ac amrywiaeth yn cynnwys camau i:

- weithredu'r cynllun cydraddoldeb strategol ac i adrodd yn chwarterol ar gynnydd i'r dangosfwrdd corfforaethol;
- creu rhwydweithiau â phartneriaid allanol i rannu arferion da;
- ymwreiddio cydraddoldeb yn y canllaw caffael; a
- gwella hunan ddatgeliad data cydraddoldeb ac amrywiaeth unigolion drwy MyNRW fel sail ar gyfer adrodd a chynlluniau'r dyfodol.

Mae CNC yn anelu at weithlu sy'n fwy cynrychioliadol o'r nodweddion gwarchoddedig ac i ddatblygu diwylliant lle mae pobl yn teimlo eu bod yn gallu ymddwyn yn naturiol yn eu gwaith a'u bod yn cael eu gwerthfawrogi a'u parchu.

Ffynhonnell: Cyfoeth Naturiol Cymru

- 2.8 Mae rhan o'r rhaglen bobl yn cynnwys datblygu strategaeth Datblygu Sefydliadol a Rheoli Pobl ffurfiol. Ym mis Mehefin 2014, cyhoeddodd CNC 'Strategaeth Pobl' a fyddai'n weithredol am y cyfnod 2014 hyd 2017 gyda chysylltiadau â'r cynllun corfforaethol a'r cynllun busnes. Mae CNC yn bwriadu i'r strategaeth newydd roi sylw i agweddau fel cynllunio'r gweithlu, cynllunio ar gyfer olyniaeth, a rheoli talent. Mae CNC yn gobeithio cyhoeddi'r strategaeth hon erbyn mis Ebrill 2016. Ym mis Mai a Gorffennaf 2015, cynhaliodd yr uwch dîm rheoli ddau weithdy ar reoli'r gweithlu, gyda'r nod o gynhyrchu cynllun gweithlu ar wahân sydd wedi'i gysylltu â blaenoriaethau allweddol a chyflenwi yn y dyfodol. Mae'r gwaith hwn wedi bod yn sail i adolygiadau strategol o'r busnes a fydd, yn eu tro, yn llywio cynllun y gweithlu.

- 2.9 Mae CNC yn y broses o gynnal ymarferiad gwerthuso swyddi sylweddol. Mae CNC wedi rhoi contract i gwmni allanol i helpu gyda'r ymarferiad drwy ddatblygu methodoleg paru swyddi a phroffiliau generig o rolau. Mae gan CNC berthynas ragweithiol a chynhyrchiol â'r unedau llafur perthnasol, a dylai hynny helpu'r broses o werthuso swyddi ac mae hefyd yn datblygu cynllun cyfathrebu â staff i reoli disgwyliadau staff ac i liniaru'r risgiau i forâl sy'n anhepgor wrth werthuso swyddi. Mae CNC yn gobeithio cwblhau'r gwerthusiad swyddi erbyn Chwefror 2016. Mae hon yn amserlen dynn ac mae rhai elfennau a oedd wedi'u cynnwys yn y cynllun prosiect gwreiddiol ar gyfer ei gyflawni eisoes wedi llithro'n ôl, er bod y dyddiad targed ar gyfer cwblhau'r gwaith yr un fath o hyd. Mae'n bwysig bod y dull gwerthuso swydd yn ddigon hyblyg i ddiwallu anghenion busnes CNC yn y dyfodol. Mae perygl na fydd swydd ddisgrifiadau a dyluniad swyddi a fydd yn deillio o'r ymarfer gwerthuso swydd yn cyd-fynd â threfniadau cyflenwi gwasanaeth newydd, datblygu sefydliadol, a hyfforddiant a datblygiad staff; yn benodol oherwydd bod CNC yn bwriadu cyflawni'r ymarfer gwerthuso swydd cyn i'r strategaeth Rheoli Pobl a Datblygu Sefydliadol gael ei rhoi ar waith.
- 2.10 Mae CNC yn cynhyrchu data cynhwysfawr ar broffil ei weithlu, gan gynnwys yn ôl oedran, rhyw, anabledd a graddfa gyflog. Mae CNC yn ystyried y data hwn fel rhan o'i waith cynllunio'r gweithlu. Dangosodd data a gyflwynwyd i'r gweithdy cynllunio'r gweithlu ym mis Mai 2015 fod 14 y cant o staff yn 55 oed neu hŷn a bod 14 y cant arall rhwng 50 a 55 oed. Fel rhan o weithdai mis Mai a Gorffennaf, bu pob cyfarwyddiaeth yn ystyried cryfderau a gwendidau eu gweithlu ym mhroffil oedran ei 'arbenigwyr' gan fod nifer o staff yn agos at ymddeol, sy'n golygu y gellid colli arbenigedd. Nododd sawl cyfarwyddiaeth ei bod yn chwilio am ffyrdd gwell o gynllunio ar gyfer olyniaeth.
- 2.11 Roedd CNC wedi profi problemau gyda chywirdeb data MyNRW, gan gynnwys cyfraddau absenoldeb oherwydd salwch, ond mae wrthi'n datblygu ffordd well o gasglu data drwy'r system MyNRW. Yn ddiweddar mae wedi datblygu data ar nifer y swyddi gwag yn y sefydliad, ac mae'n ceisio gwella'r data ar gyflog cyfartal yn dilyn yr ymarfer gwerthuso swydd. Erbyn hyn mae'r tîm gweithredol yn cael data ynghylch y gweithlu yn rheolaidd, fel swyddi gwag ac arfarniadau, ac mae'r data a roddir i'r Bwrdd yn canolbwyntio ar faterion lles ac iechyd a diogelwch.

Mae CNC yn gwneud gwaith i ymgysylltu'n well â staff a rhanddeiliaid, yn dilyn tystiolaeth o wendid yn ystod y cyfnod pontio

- 2.12 Yn ystod ei flwyddyn gyntaf o weithredu, bu CNC yn cymryd rhan mewn deialog uniongyrchol â staff, gan gynnwys rheolwyr â'r tîm uwch reolwyr, i drafod newid a phontio, a hefyd cyhoeddodd amrywiaeth o ohebiaeth fewnol. Yn ei adolygiad ei hun o'r rhaglen bontio, roedd CNC yn cydnabod bod dealltwriaeth ehangach o'r broses newid yn wael; roedd cyfathrebu cyfyngedig ar yr hyn sy'n sbarduno newid a'r llwyddiannau a gyflawnwyd; ac roedd yn anodd cael cydbwysedd priodol gyda'r hyn oedd yn cael ei gyfleu.
- 2.13 Ym mis Hydref 2014, lansiodd CNC strategaeth gyfathrebu tair blynedd. Fel rhan o'r strategaeth hon, er mwyn cyfleu ei weledigaeth a'i raglen drawsnewid ar gyfer y dyfodol i staff a rhanddeiliaid ehangach, datblygodd CNC 'fap', a lansiodd ym mis Ionawr 2015. Mae'r map yn disgrifio gweledigaeth CNC ar gyfer trawsnewid; gwerthoedd ac ymddygiad; ac amserlen ar gyfer digwyddiadau allweddol rhwng 2013 a 2020. Er mai'r nod oedd egluro rhai o'r cymhlethdodau sy'n gysylltiedig â'r broses, oherwydd pwysau amser, lansiodd CNC y map cyn bod manylion y prosiectau trawsnewid wedi'u llunio a'u cwblhau. Mae CNC wedi rhannu manylion y prosiectau trawsnewid â'r staff wrth iddynt ddod ar gael.
- 2.14 Cynhaliodd CNC ei Arolwg Pobl cyntaf ym mis Chwefror 2015 er mwyn goleuo'i broses trawsnewid, i ganfod barn staff ac i gael sylfaen ar gyfer arolygiadau yn y dyfodol. Roedd y gyfradd ymateb yn 58 y cant ac roedd y canlyniadau'n rhai cymysg. Y prif feysydd gyda'r ymatebion lleiaf positif oedd arweinyddiaeth a newid; cyflog a buddiannau; dysgu a datblygiad; ac a fyddai'r sefydliad yn gweithredu ar ganlyniadau'r arolwg. Mae rhai o'r meysydd hyn yn adlewyrchu maint ac arwyddocâd y newidiadau yn CNC, a'r gwendidau wrth gyfleu gwybodaeth am y rhaglen. Roedd mwyafrif yr ymatebwyr wedi rhoi ateb positif i gwestiynau ar ddiwylliant sefydliadol, amcanion a diben sefydliadol, a'u gwaith (Ffigur 12). Mae CNC yn cyflwyno cynllun gweithredu i roi sylw i'r materion allweddol, sy'n cynnwys cyfathrebu.

Ffigur 12 – Yr atebion mwyaf a lleiaf positif i gwestiynau Arolwg Pobl CNC, Chwefror 2015

Cwestiynau'r Arolwg	Canran positif
Cytunon'n fwyaf	
Mae gen i ddiddordeb yn fy ngwaith	94
Mae gen i ffrindiau gwirioneddol dda yn y gwaith.	87
Maent yn ymddiried ynof i wneud fy ngwaith yn effeithiol. Mae gen i'r sgiliau sydd eu hangen arnaf i wneud fy ngwaith yn effeithiol.	86
Mae fy ngwaith yn cynnig digon o her i mi. Mae fy rheolwr yn barod i ystyried fy mywyd y tu allan i'r gwaith. Mae'r bobl yn fy nhîm yn cael eu hannog i feddwl am ffyrdd newydd a gwell o wneud pethau. Rwyf yn cael fy nhrin â pharch gan y bobl rwyf yn gweithio â hwy.	85
Cytuno'n lleiaf	
Rwyf yn teimlo bod y sefydliad yn ei gyfanrwydd yn cael ei reoli'n dda.	20
Pan fydd newidiadau'n cael eu gwneud yn y sefydliad, maent fel arfer yn newidiadau er gwell.	17
Rwyf yn credu bod gwahanol rannau'r sefydliad yn gweithio'n dda â'i gilydd.	15
Rwyf yn teimlo bod newid yn cael ei reoli'n dda yn y sefydliad.	14
Mae cyflymder newid yn CNC yn cael ei fonitro a'i addasu'n ôl yr angen.	12

Ffynhonnell: Canlyniadau arolwg staff Cyfoeth Naturiol Cymru

- 2.15 Mae CNC yn gweithio ar y ffordd mae'n cyfathrebu â staff i wella ymgysylltiad a dealltwriaeth staff o'r map. Mae CNC yn cynnal gweithdai a sioeau teithiol ar wahanol bynciau, yn annog uwch staff i gwrdd â staff wrth eu gwaith, i ddefnyddio Yammer, ac mae'n cynllunio Arolwg Pobl newydd o gwmpas mis Chwefror 2016. Mae pob cyfarwyddiaeth wedi datblygu ei chynllun ei hun ac yn ei roi ar waith i wella ymgysylltu a materion pwysig eraill, yn dilyn yr arolwg staff.
- 2.16 Mae CNC hefyd yn cryfhau ei ymgysylltiad â rhanddeiliaid allanol. Mae CNC yn cadw rhestr o'r holl randdeiliaid allanol, gydag unigolion yn gyfrifol am gyfrifon ar gyfer rhanddeiliaid allweddol. Awgrymodd tystiolaeth o graffu blynyddol 2015 y Pwyllgor Amgylchedd a Chynaliadwy fod peth anghysonderau yn y ffordd yr oedd yn cyfathrebu â rhanddeiliaid. Mewn ymateb, dywedodd CNC ei fod yn 'dwysau ein hymdrechion i wella cyfathrebu', gan gynnwys:
- cysylltu â'r holl randdeiliaid a roddodd dystiolaeth i sicrhau bod ganddynt gysylltiadau priodol o fewn CNC;
 - cynnal gweithdai â grwpiau pysgota i drafod ymhellach gynigion ar gyfer deorfeydd; ac
 - ymchwilio i'r opsiynau gorau ar asesu sut y mae cyngor yn cael ei dderbyn, pa mor effeithiol yw'r cyngor hwnnw; a beth yw barn cwsmeriaid am y cyngor a'r gwasanaeth er mwyn sicrhau gwelliant pellach.
- 2.17 Mae CNC wedi gwella ei ganolfan alwadau i gwsmeriaid a'r ffurflenni adborth i'r wefan er mwyn gallu ymateb yn well i ymholiadau gan y cyhoedd. Canfu adroddiad Mehefin 2015 y Swyddfa Rheoleiddio Gwell ar reoleiddio gwell fod CNC yn cydnabod gwerth ymgysylltu a'i fod wedi cyflwyno amrywiaeth o fecanweithiau i sicrhau bod y sawl maent yn eu rheoleiddio neu sy'n cael eu heffeithio gan reoleiddio'n cael y cyfle i rannu eu barn. Fodd bynnag, dywedwyd y gellid gwneud mwy o waith ar wefan CNC i'w gwneud yn well i fusnesau. Mae CNC eisoes wedi dechrau trefnu grwpiau ffocws ar ymgysylltu â busnes, gyda'r posibilrwydd o greu adran ar wahân ar gyfer busnesau ar ei wefan.

Mae CNC yn cymryd camau i roi sylw i'r gwendidau a nodwyd yn y ffordd mae'n rheoli risgiau, caffael a threfniadau grantiau

- 2.18 Mae gan CNC drefniadau rheoli risg sylfaenol ar waith, ac sy'n cael eu datblygu. Cymeradwyodd Bwrdd CNC bolisi rheoli risg ym mis Hydref 2014. Un o'r prif nodau yw bod rheoli risg yn rhan o reolaeth brif ffrwd. Tan fis Medi 2015, roedd CNC yn cadw cofrestr risg weithredol gyda chroes gyfeiriadau at ganlyniadau yn y Cynllun Corfforaethol. Bu'r Pwyllgor Archwilio a Sicrhau Risg yn trafod hyn fel eitem sefydlog ym mhob cyfarfod. Ym mis Medi 2014, gofynnodd y Pwyllgor am gronfa risg strategol i ystyried y risgiau rheolaeth amgylcheddol ac adnoddau naturiol a'r heriau a all effeithio ar waith CNC. Aeth y gwaith hwn heibio targed y Pwyllgor ar gyfer cwblhau'r gwaith ond arweiniodd at greu un gofrestr risg gorfforaethol ym mis Medi 2015.
- 2.19 Ym mis Medi 2015, cyhoeddodd archwiliad mewnol CNC sicrwydd cyfyngedig²³ ar reoli risg. Defnyddiodd yr archwiliad Fframwaith Asesu Rheoli Risg Trysorlys EM, sy'n cynhyrchu sgôr rhwng lefel un a lefel pump²⁴. Canfu'r adroddiad mai'r sgôr cyffredinol ar gyfer CNC oedd lefel un, gyda pheth cynnydd da i lefel dau. Dywedodd hefyd fod gan CNC 'ymagwedd resymol tuag at ystyried risg yn ei drefniadau ar gyfer cyflenwi a phenderfyniadau' ond nad oedd y prosesau risg allweddol wedi ymwreiddio eto. Roedd rhai o brif argymhellion yr adroddiad yn cynnwys:
- sefydlu, cyfleu a chadw canllaw a gweithdrefnau rheoli risg sy'n gysylltiedig â pholisi rheoli risg;
 - trefnu bod hyfforddiant mewn rheoli risg yn cael ei drefnu ar gyfer staff, gan gynnwys uwch reolwyr;
 - cynnwys rheoli risg fel gofyniad swyddi, prosesau cynefino ac asesiadau perfformiad;
 - sicrhau bod rheoli risg yn ymwreiddio ymhellach yn y broses benderfynu o dan lefel y Bwrdd a'r tîm Gweithredol; a
 - phenderfynu ar lefel y Bwrdd pa lefel o aeddfedrwydd risg ddylai'r sefydliad ymgysylltu ati a chynnal dadansoddiad o fylchau gyda chamau wedi'u nodi i gyrraedd y lefel y cytunwyd arni.
- 2.20 Fel rhan o'r cyfnod trawsnewid, mae CNC wedi cydnabod potensial caffael effeithiol i arbed arian ac i fod yn fwy effeithlon, yn ogystal ag i gyfrannu at gyflawni amcanion corfforaethol. Ar 1 Ebrill 2013, cafodd staff caffael wedi'u lleoli yng Nghymru a oedd yn gweithio i'r cyrff etifeddiaeth eu trosglwyddo i CNC. Roedd lefelau profiad y staff yn amrywiol ond oherwydd y ffordd roedd swyddogaethau caffael y cyrff etifeddiaeth wedi eu sefydlu nid oedd ganddynt brofiad uniongyrchol o gaffael yr holl ystod o nwyddau a gwasanaethau a oedd eu hangen ar CNC. Ar y dechrau roedd y staff hyn yn gweithio mewn ffyrdd a oedd yn defnyddio systemau etifeddiaeth. Ar ôl recriwtio Pennaeth Caffael newydd ym mis Hydref 2013, ffurfiodd CNC 'Dîm Caffael CNC', sydd wedi defnyddio'r system MyNRW fel ffynhonnell ganolog o ddata ynghylch gwariant a gwybodaeth rheolwyr. Mae swyddogion CNC yn teimlo bod lefelau staffio, sgiliau a phrofiad o fewn y tîm caffael wedi gwella'n sylweddol.

²³ Lefel cyfyngedig o sicrwydd yw'r lefel ail isaf o sicrwydd allan o bedwar sgôr posibl, ac fe'i diffinnir fel 'mae gwendidau sylweddol yn y fframwaith llywodraethu, rheoli risg a rheolaeth sy'n golygu y gallai fod yn annigonol ac aneffeithiol'.

²⁴ Lefel 1 yw'r sgôr isaf lle mae tystiolaeth bod gan y sefydliad ymwybyddiaeth a dealltwriaeth; mae'r sgôr uchaf, Lefel 5, yn cyfeirio at sefydliad sydd â galluoigrwydd rhagorol.

- 2.21 Ym mis Tachwedd 2013, cynhaliodd CNC hunan asesiad o'i swyddogaeth caffael gan ddefnyddio Model Aeddfedrwydd Caffael Llywodraeth Cymru, gan sgorio 0.39 allan o bedwar ('ddim yn cydymffurfio'). Y manau gyda'r sgoriau isaf yn yr asesiad oedd rheoli contractau a chyflenwyr, a rheoli perfformiad; ac nid oedd dim un o'r wyth maes a aseswyd wedi sgorio'n uwch nag un ('datblygu tuag at gydymffurfio'). Roedd CNC o'r farn mai rhai o'r prif resymau wrth wraidd y sgôr isel oedd diffyg dull cydlynol ar draws y sefydliad; nid oedd meysydd ymarfer da'n cael eu gweithredu'n gyson ar draws y sefydliad; ac nid oedd llawer o alinio â Datganiad Polisi Caffael Cymru sy'n sail i'r model aeddfedrwydd. Roedd swyddogion CNC hefyd o'r farn, o gofio bod y model aeddfedrwydd yn asesu pa mor effeithiol yw'r sefydliad wrth ddefnyddio caffael i helpu i gyflawni ei amcanion corfforaethol, byddai'n anodd i unrhyw sefydliad newydd gyflawni hyn yn ei ddyddiau cynnar.
- 2.22 Yn dilyn ei hunan asesiad, rhoddodd CNC y Rhaglen Newid Caffael ar waith, a chynhyrchwyd strategaeth gaffael ar gyfer 2015 hyd 2017 (**Blwch 4**). Y prif nodau wrth wraidd y strategaeth oedd hybu effeithlonrwydd a chyfrannu at gyflawni datblygu cynaliadwy yng Nghymru. Mae'r strategaeth gaffael yn ymgorffori camau penodol gyda'r nod o gael o leiaf dau fel sgôr model aeddfedrwydd (yn cydymffurfio). Yn ddiweddar diwygiodd Llywodraeth Cymru ei model aeddfedrwydd, yn dilyn cyhoeddi Datganiad Polisi Caffael wedi'i ddiweddarau ym mis Mehefin 2015, a chynhyrchodd becyn cymorth asesu wedi'i ddiweddarau. Mae CNC yn cynnal asesiad peilot i brofi'r model newydd, a fydd yn rhoi'r gallu iddo asesu unrhyw gynnydd yn fuan. Mae Llywodraeth Cymru hefyd yn y broses o gontractio trydydd parti i gynnal asesiad annibynnol ffurfiol o swyddogaeth caffael CNC erbyn diwedd mis Mawrth 2016 fel rhan o'i raglen ehangach o wiriadau ffitrwydd y sector cyhoeddus. Ar ôl yr asesiadau hyn, mae CNC yn disgwyl edrych ar ei Gynllun Gwella, ac ar y cyd â Llywodraeth Cymru, mynd ati i lunio ei strategaeth gaffael ar gyfer y cyfnod rhwng 2017 a 2022.

Blwch 4 – Strategaeth Gaffael CNC

Gweledigaeth CNC ar gyfer caffael yw sicrhau ‘mai dim ond nwyddau, gwaith neu wasanaethau y mae eu gwir angen yr ydym yn eu prynu, i gael y gwerth gorau am arian, er mwyn optimeiddio'r effeithiau ar yr amgylchedd, ar bobl ac ar yr economi leol’.

Amcanion y strategaeth gaffael a'i chynllun gwella cysylltiedig yw:

- datblygu dull strategol i reoli caffael ar draws CNC;
- datblygu proses gyffredin, gorfforaethol ar gyfer cyrchu strategol, datblygu cysylltiadau â chyflenwyr, adrodd ar berfformiad a rheoli contractau;
- hybu effeithlonrwydd, lleihau costau a chyflawni buddiannau ansoddol ar draws CNC;
- sicrhau cydymffurfiaeth â deddfwriaethau, polisiau a gweithdrefnau perthnasol;
- gwella arweinyddiaeth, llywodraethu a sgiliau o fewn y tîm caffael;
- rhoi mwy o gyfle i gyflenwyr lleol a BBaChau i gyfranogi drwy dynnu sylw at ein cynlluniau caffael a chyfleoedd i gyfranogi; a
- chynyddu arloesi, cynaliadwyedd a rheoli adnoddau naturiol drwy ein gweithgarwch caffael.

Mae'r strategaeth gaffael yn amlinellu blaenoriaethau a chamau yn erbyn pedwar maes allweddol:

- 1 Datblygiad – sicrhau bod y tîm caffael ac eraill sy'n gysylltiedig â gweithgarwch caffael, yn meddu ar y gallu a'r galluogrwydd gofynnol i ddarparu arbenigedd caffael a chynghori; ac i reoli cyflenwyr.
- 2 Ymgysylltu – chwalu rhwystrau rhag gweithio â BBaChau, busnesau cymdeithasol a mentrau mwy; sicrhau bod prosesau caffael yn agored a thryloyw; ac ymgysylltu â staff i ddeall a rheoli eu defnydd o adnoddau.
- 3 Effeithlonrwydd a gwerth am arian – cyflawni gwerth am arian bob amser a chyflawni arbedion a buddiannau drwy well adrodd a monitro; optimeiddio perfformiad cyflenwyr allweddol; a lleihau gwastraff.
- 4 Llywodraethu – gwella'r cydbwysedd rhwng cyflenwi a throsolwg drwy sefydlu prosesau corfforaethol priodol a rheoli cyflenwyr allweddol yn well.

Ffynhonnell: Cyfoeth Naturiol Cymru

- 2.23 Mae CNC yn cryfhau ei drefniadau ar gyfer dyfarnu grantiau i drydydd partïon er mwyn helpu i sicrhau bod canlyniadau'n cael eu cyflawni. Yn y gorffennol roedd gan Gyngor Cefn Gwlad Cymru bwerau statudol i ddosbarthu grantiau, gyda chyllid grant cyfyngedig gan y ddau gorff etifeddiaeth arall. Daeth rownd olaf grantiau Cyngor Cefn Gwlad Cymru i ben ym mis Mawrth 2015 ac mae CNC wedi rheoli dwy rownd o gyllid grant ers ei greu ar gyfer grantiau'n cychwyn ym mis Ebrill 2015 ac Ebrill 2016. Y cyfanswm sydd wedi'i ymrwymo hyd yn hyn yw tua £9 miliwn. Mae CNC yn disgwyl rhedeg rownd arall yn 2016 ar gyfer grantiau a fydd yn dechrau ym mis Ebrill 2017.
- 2.24 Un cynllun grant a arferai gael ei redeg gan Gyngor Cefn Gwlad Cymru oedd y prosiect Cymunedau a Natur, a oedd yn dosbarthu £14.5 miliwn o arian Ewropeaidd, Cyngor Cefn Gwlad Cymru, a chronfeydd eraill o'r sectorau cyhoeddus a phreifat. Cymerodd CNC y cyfrifoldeb am reoli'r prosiect hwn ar y diwrnod breinio tan y diwrnod cau ar 31 Awst 2014. Roedd y prosiect yn destun nifer o adolygiadau, gan gynnwys archwiliad gan Swyddfa Cyllid Llywodraeth Cymru a chanfuwyd gwendidau mewn rheoli prosiectau a rheolaethau yn y cyfnod cyn creu CNC. Mae CNC wedi newid ei brosesau er mwyn rhoi sylw i argymhellion yr adolygiad a'r gwersi a ddysgwyd yn sgil adolygiadau eraill.
- 2.25 Mae CNC yn eglur ynglŷn â'i awydd i fod yn sefydliad cyllido ac mae adborth a gafodd CNC gan bartneriaid allanol ac ymarferwyr mewnol wedi dangos bod gwerth mawr yn cael ei roi ar weithio mewn partneriaeth gan bawb dan sylw. Fodd bynnag, mae CNC yn cydnabod bod rownd un cyllid grant CNC wedi cael ei rhuthro a bod y Pwyllgor Amgylchedd a Chynaliadwyedd wedi mynegi rhai pryderon am brosesau grant yn ei waith craffu yn 2015. Mae CNC yn hyderus ei fod wedi delio â'r pryderon hyn yn yr ail rownd ac mae wedi gwella prosesau ar gyfer partneriaid presennol rownd un. Er enghraifft, mae'r broses ymgeisio ar gyfer rownd dau yn fwy tryloyw, gyda gwell gwybodaeth yn cael ei rhoi ar feini prawf asesu a threfniadau llywodraethu; cysylltiadau mwy eglur rhwng dyfarnu grantiau ac amcanion corfforaethol; a lansiad digidol cynharach. Mae CNC yn eglur ynglŷn â'r risg na fydd partneriaid yn cyflawni ond mae'n lliniaru hyn drwy ddiwydrwydd dyladwy a phrosesau monitro. Fodd bynnag, mae monitro grantiau a ddyfarnwyd yn rownd un yn digwydd o dan reolau'r hen Gyngor Cefn Gwlad Cymru, sy'n cael eu diweddarau gan CNC ar hyn o bryd i ateb ei anghenion. Mae CNC a Llywodraeth Cymru yn cynnal cyfarfodydd rheolaidd sy'n rhoi cyfle i drafod gwariant grantiau ac i fonitro grantiau. Mae tîm gwella busnes CNC hefyd yn adolygu ei brosesau grant yn erbyn egwyddorion Lean i ganfod unrhyw feysydd eraill sydd angen eu gwella.

Mae CNC wedi mabwysiadu ymagwedd ragweithiol i ddelio â newidiadau deddfwriaethol a'r posibilrwydd o gyfrifoldebau statudol newydd

- 2.26 Mae'n ymddangos bod CNC yn cynllunio'n effeithiol ac yn rhagweithiol ar gyfer ei ddyletswyddau newydd sy'n gysylltiedig â Deddf Llesiant Cenedlaethau'r Dyfodol (Cymru) 2015 ac â Bil yr Amgylchedd (Cymru), y rhagwelir a fydd yn dod i rym yng ngwanwyn 2016 (**Atodiad 2**). Mae gan CNC gynlluniau pendant i baratoi ar gyfer ac i weithredu'r ddau ddarn o ddeddfwriaeth, gan gynnwys ystod o brosiectau. Mae CNC wedi gwneud cynnydd da wrth fireinio ei amcanion busnes cyffredinol i ymgorffori elfennau allweddol y ddeddfwriaeth.
- 2.27 Thema gyffredinol ym Mil yr Amgylchedd (Cymru) yw rheoli adnoddau naturiol. Un is-raglen ym mhorthfolio trawsnewid CNC yw ymwreiddio rheoli adnoddau naturiol ac mae bwrdd y rhaglen yn cynnwys cynrychiolwyr o'r sefydliad i ymwreiddio'r egwyddorion ym mhob un o'r cyfarwyddiaethau. Mae CNC hefyd wrthi'n dadansoddi pob gweithgarwch busnes o safbwynt yr adnoddau a ddefnyddir yn erbyn y canlyniadau a gyflawnir i ddeall yn well sut y mae adnoddau'n cael eu defnyddio a'r potensial i'w defnyddio'n wahanol, yn unol â'r ddeddfwriaeth newydd.
- 2.28 Mae CNC yn ymgysylltu'n rheolaidd â Llywodraeth Cymru a grwpiau allanol ynglŷn â'r ddeddfwriaeth a'r gweithgarwch cysylltiedig. Mae rheolwr rheoli adnoddau naturiol CNC yn cael cyfarfodydd pob pythefnos ag arweinwyr polisi perthnasol Llywodraeth Cymru i drafod eu rhaglenni gwaith, ac i roi a chael arweiniad. Mae CNC hefyd yn aelod o fwrdd rhaglen rheoli adnoddau naturiol a bwrdd cyfeirio Llywodraeth Cymru. Mae CNC wedi ymgysylltu'n eang â Llywodraeth Cymru a Chymdeithas Llywodraeth Leol Cymru i baratoi ar gyfer cyflwyno Deddf Llesiant Cenedlaethau'r Dyfodol (Cymru); a bydd Cadeirydd CNC, neu aelod anweithredol a ddewisir gan y Cadeirydd, yn eistedd ar Banel Cyngori Comisiynydd Cenedlaethau'r Dyfodol. Mae CNC mewn cysylltiad â grwpiau perthnasol fel y grŵp Cyswllt Amgylchedd Cymru, ac mae'n datblygu ei weithgarwch ymgysylltu ag awdurdodau lleol i ymuno â Byrddau'r Gwasanaethau Cyhoeddus cysgodol lle maent yn bodoli.
- 2.29 Mae cofrestrau risg yn gysylltiedig â datblygu'r sefydliad o ran Deddf Llesiant Cenedlaethau'r Dyfodol (Cymru) a Bil yr Amgylchedd (Cymru), ac mae fframwaith perfformiad 2015-16 yn cynnwys dangosyddion perfformiad allweddol (DPA) yn achos y ddwy ddeddfwriaeth. Dangosodd yr adrodd ar gynnydd am y cyfnod rhwng mis Ebrill a mis Tachwedd 2015 fod:
- CNC o fewn 10 y cant o'r targed i baratoi i gyflawni ei gyfrifoldebau o dan y Ddeddf Llesiant Cenedlaethau'r Dyfodol (Cymru), gan iddo gwblhau Siarter Prosiect, sefydlu grŵp prosiect yn gysylltiedig â Byrddau'r Gwasanaethau Cyhoeddus a chynnal gweithdai gyda Byrddau Gwasanaethau Lleol; ond mae ar ei hôl hi o ran deall y data a'r dystiolaeth sydd ar gael i lunio'r asesiadau lles lleol cyntaf erbyn mis Mai 2017;
 - roedd dau DPA a oedd yn ymwneud â rheoli adnoddau yn cyrraedd y targed; ac
 - roedd CNC ar y trywydd iawn i gyflawni'r Adroddiad ar Sefyllfa Adnoddau Naturiol erbyn mis Medi 2016, fel yr amlinellir ym Mil yr Amgylchedd (Cymru).

- 2.30 Mae CNC yn sylweddoli efallai na fydd arian ychwanegol ar gael i gyflawni holl ddyletswyddau statudol y dyfodol ond mae'n gweithio i ddatblygu'r dull rheoli adnoddau naturiol ac mae'n hyderus y bydd hyn yn arwain at arbedion tymor hir. O ran Deddf Llesiant Cenedlaethau'r Dyfodol (Cymru), mae staff gweithredol ar hyn o bryd mewn cysylltiad â 14 o Fyrddau'r Gwasanaethau Cyhoeddus, a disgwylir y bydd y nifer yn cynyddu i 22 o Fyrddau'r Gwasanaethau Cyhoeddus o Ebrill 2016 ymlaen. Mae CNC yn ystyried yr ymgysylltu hwn fel rhan o'i fusnes craidd yn hytrach na phwysau ychwanegol ar gostau. Wrth baratoi ar gyfer dyletswyddau disgwylid Bil yr Amgylchedd (Cymru), mae Cronfa Natur Llywodraeth Cymru wedi neilltuo £1 miliwn i CNC yn 2014-15 ar gyfer treialon rheoli adnoddau naturiol a sefydlu prosiectau rheoli adnoddau naturiol. Ym mis Mehefin 2015, dywedodd y Gweinidog Cyfoeth Naturiol wrth y Pwyllgor Amgylchedd a Chynaliadwyedd y bydd costau trosiannol i CNC wrth ddatblygu'r dull rheoli adnoddau naturiol yn unol â Bil yr Amgylchedd (Cymru), a all gael eu cynnwys mewn cyllid ychwanegol gan Lywodraeth Cymru, ond bydd hyn yn arwain at arbedion yn y dyfodol.
- 2.31 Heblaw am y deddfwriaethau hyn, mae CNC wedi delio â throsglwyddo swyddogaethau, asedau a staff y tri Bwrdd Draenio Mewnol yng Nghymru i CNC ar 1 Ebrill 2015, gan ddod â 19 o staff a £1.4 miliwn o incwm²⁵. Crybwyllodd Llywodraeth Cymru y posibilrwydd o drosglwyddo swyddogaethau yn yr ymgynghoriad cyntaf ar gyfer creu CNC yn 2012. Ym mis Tachwedd 2013, cyhoeddodd Llywodraeth Cymru y penderfyniad i drosglwyddo'r swyddogaethau, yn dilyn adroddiad gan y Pwyllgor Cyfrifon Cyhoeddus ar Fwrdd Draenio Mewnol Cil-y-coed a Gwastadeddau Gwynllŵg ym mis Hydref 2013. Cyflwynodd CNC Raglen Pontio Byrddau Draenio Mewnol gyda nifer o ffrydiau gwaith. Roedd y gwaith pontio'n cynnwys: diwydrwydd dyladwy cyfreithiol ac ariannol ar y tri Bwrdd; integreiddio systemau ariannol; trafodaethau ag Adran yr Amgylchedd, Bwyd a Materion Gwledig Llywodraeth y DU ynglŷn â thir yn Lloegr sy'n dod o fewn y tri Bwrdd; ac adrodd rheolaidd i'r Bwrdd, a'r Pwyllgor Archwilio a Sicrhau Risg. Nododd y diweddariad yng nghyfarfod y Pwyllgor Archwilio a Sicrhau Risg ym mis Mawrth 2015 fod adborth rhanddeiliaid ar y ffordd yr oedd y pontio'n cael ei reoli'n bositif iawn.
- 2.32 Ym mis Mehefin 2015, cyhoeddodd Llywodraeth Cymru rôl ar gyfer CNC pan fydd y Dreth Gwarediadau Tirlenwi yn cael ei datganoli, o 1 Ebrill 2018 ymlaen. Bydd Awdurdod Cyllid Cymru yn casglu'r dreth ac yn ymgymryd â swyddogaethau rheoli, ond bydd yn dirprwyo'r swyddogaethau cydymffurfio a gorfodi i CNC.

²⁵ Mae CNC yn cael incwm yn barhaus, a hynny'n bennaf drwy gyfraddau draenio a gesglir gan awdurdodau lleol drwy'r dreth gyngor ac ardrethi annomestig; neu gyfraddau sy'n cael eu talu'n uniongyrchol i CNC gan berchnogion tir amaethyddol.

2.33 O ystyried y cynnydd yng nghyfrifoldebau CNC a chyrrff cyhoeddus eraill, mae diffyg dealltwriaeth ar ran y cyhoedd a rhanddeiliaid yn bosibl o ran union natur rôl CNC a maint y cyfraniad y gellid disgwyl i CNC ei wneud tuag at dargedau amgylcheddol. Mae gwaith CNC yn gysylltiedig â Deddf Llesiant Cenedlaethau'r Dyfodol (Cymru) yn rhannol ddibynnol ar aelodau eraill Byrddau'r Gwasanaethau Cyhoeddus, gan gynnwys awdurdodau lleol. Mae gan rai o'r canlyniadau eraill sy'n ddimunol i CNC atebolrwydd ar y cyd ledled y DU, Ewrop ac yn fyd-eang, ac mae CNC yn dibynnu ar ymdrech fawr gan amrywiaeth o bartneriaid er mwyn eu cyflawni, gan gynnwys cyrrff cyhoeddus eraill, cwmnïau preifat ac unigolion. Er enghraifft, mae gan CNC DPA sy'n ymwneud â champau penodol i helpu i atal colledion mewn bioamrywiaeth erbyn 2020, ond ni fyddai gweithredu ar ran CNC yn unig yn gwarantu cydymffurfiaeth â thargedau bioamrywiaeth Ewrop ar gyfer 2020.

Mae CNC yn cydnabod bod rhai risgiau a heriau mewnol ac allanol sylweddol y bydd angen iddo roi sylw iddynt er mwyn cynnal momentwm y cynnydd tuag at drawsnewid, tra'n parhau i gyflawni arbedion

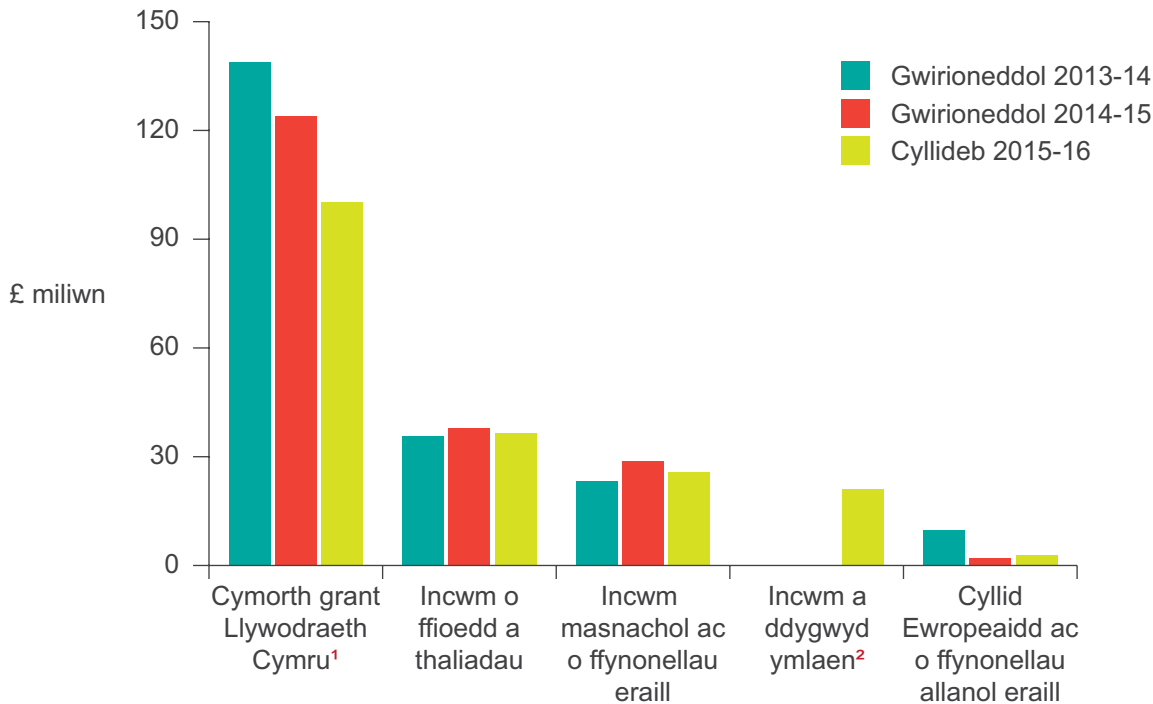
Mae CNC yn debygol o wynebu mwy o ansicrwydd ariannol ac mae'n modelu rhagdybiaethau ynghylch cyllidebau'r dyfodol a phwysau ar gostau i ddatblygu cynlluniau ariannol ar gyfer y tymor canolig

2.34 Mae CNC yn cael incwm ar ffurf:

- cymorth grant gan Lywodraeth Cymru;
- ffioedd a thaliadau fel taliadau echdynnu dŵr i gymryd dŵr o afonydd a dŵr daear; trwyddedau pysgota; a thaliadau gwastraff peryglus;
- incwm masnachol ac arall fel gwerthu pren ac ynni adnewyddadwy; a
- chyllid Ewropeaidd a chyllid allanol arall.

2.35 Mae **Ffigur 13** yn dangos incwm a nodwyd yng nghyfrifon blynyddol 2013-14 a 2014-15 a'r incwm diweddaraf wedi'i gyllidebu ar gyfer 2015-16 a roddwyd i'r Bwrdd ym mis Hydref 2015. Mae cyfanswm yr incwm wedi'i gyllidebu ar gyfer 2015-16 yn £187 miliwn; £6 miliwn yn is (tri y cant) nag incwm gwirioneddol 2014-15 a £21 miliwn (10 y cant) yn is nag incwm gwirioneddol 2013-14. Er bod yr incwm wedi gostwng ac, yn benodol mae cymorth grant wedi gostwng yn sylweddol, mae incwm un-tro a roddwyd yn 2013-14 ac yn 2014-15 ar gyfer pethau fel clefydau coed (**paragraff 1.16**) a chostau pontio yn effeithio ar broffil incwm cymorth grant. Gostyngodd nawdd cymorth grant £3.2 miliwn yn 2015-16).

Ffigur 13 – Incwm CNC rhwng 2013-14 a 2015-16 mewn arian parod



Nodyn:

- 1 Mae incwm un-tro a roddwyd yn 2013-14 ac yn 2014-15 ar gyfer pethau fel clefydau coed (paragraff 1.16) a chostau pontio yn effeithio ar broffil incwm cymorth grant.
- 2 Mae incwm sydd wedi'i ddwyn ymlaen yn golygu incwm o nifer o ffynonellau, a dderbyniwyd yn 2014-15, ond sydd wedi'i glustnodi'n benodol ar gyfer prosiectau yn 2015-16.

Ffynhonnell: Cyfoeth Naturiol Cymru

2.36 Mae CNC hefyd yn gallu dwyn incwm ymlaen naill ai ar gyfer prosiectau penodol sydd wedi'u cynllunio neu oherwydd bod Llywodraeth Cymru wedi dyfarnu cyllid grant ychwanegol yn hwyr yn y flwyddyn ariannol (paragraff 1.30). Yn 2015-16, dygodd CNC £21.2 miliwn o gyllid ymlaen.

2.37 Mae CNC yn adrodd ei gostau i'r Bwrdd yn seiliedig ar gostau staff, costau nad ydynt yn gysylltiedig â staff, prosiectau refeniw fel rhai sy'n gysylltiedig â thrawsnewid, a phrosiectau cyfalaf fel y Rhaglen Rheoli Perygl Llifogydd Arfordirol. Mae Ffigur 14 yn dangos dadansoddiad o'r gwariant cyllidebol fesul categori ar gyfer 2015-16 fel yr oedd ym mis Ebrill 2015. Dangosodd y dadansoddiad diweddaraf yng nghyfarfod o'r Bwrdd ym mis Ionawr 2016 fod CNC o dan y gyllideb ar wariant hyd fis Rhagfyr 2015, o ganlyniad i danwariant a gynlluniwyd ar brosiectau cyfalaf. Mae CNC yn rhagweld y bydd yn cynnal y tanwariant hwn ac yn dwyn incwm ymlaen i 2016-17 i helpu i wneud iawn am y gostyngiadau a ddisgwyllir mewn incwm.

Ffigur 14 – Gwariant wedi'i gyllidebu fesul categori ar gyfer 2015-16, fel yr oedd ym mis Ebrill 2015

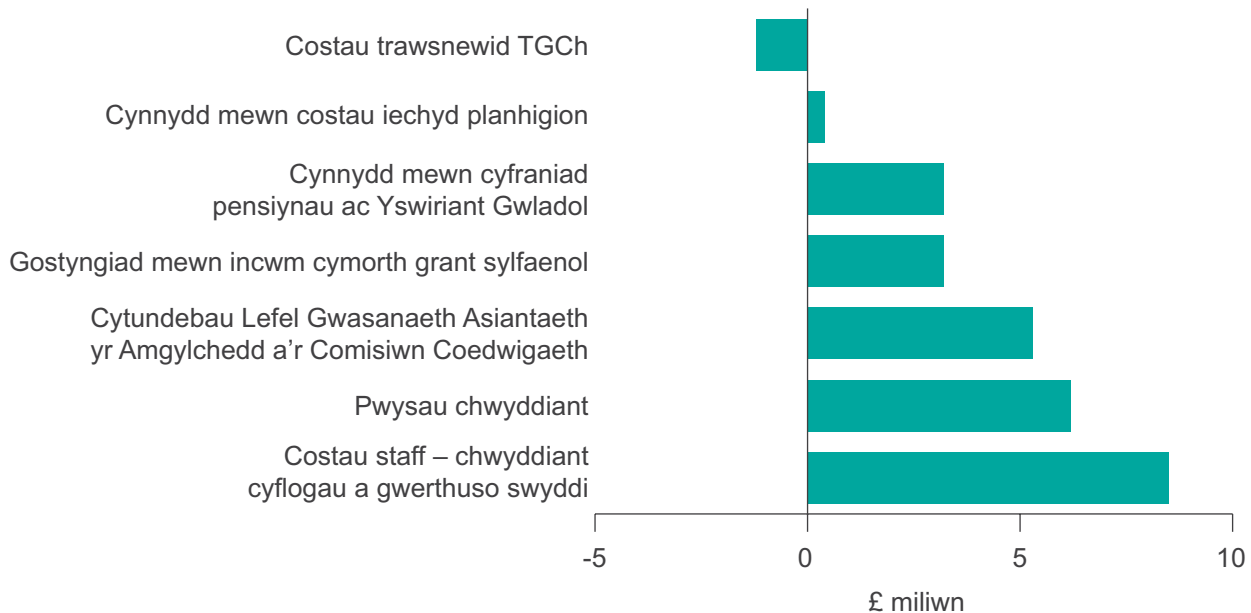
Math o wariant	£ miliwn
Costau staff	80.0
Costau nad ydynt yn gysylltiedig â staff	65.9
Prosiectau cyfalaf	28.2
Prosiectau refeniw	12.9
Cyfanswm gwariant am 2015-16	187.0

Ffynhonnell: Cyfoeth Naturiol Cymru

- 2.38 Mae gostyngiadau pellach yn y gyllideb, toriadau yn ystod y flwyddyn mewn cyllid craidd a phwysau ariannol eraill yn cynyddu'r perygl o dorri gwasanaethau ac na fydd CNC yn gallu cyflawni ei ganlyniadau. Mae CNC yn modelu ystod o senarios cyllidebol i gynllunio ar gyfer amrywiadau mewn cyllidebau. Cyn mis Medi 2015, disgwyliad tymor hir CNC oedd gwneud arbedion o 25 y cant erbyn 2020, yn seiliedig ar ostyngiad o bump y cant mewn cymorth grant o flwyddyn i flwyddyn yn nhermau arian. Roedd wedi gweithredu cyfres o fesurau effeithlonrwydd i reoli effaith y toriad presennol o £3.2 miliwn mewn cymorth grant, ac roedd yn chwilio am strategaethau pellach i gyflawni'r toriad o 25 y cant. Fodd bynnag, ym mis Medi 2015 gofynnodd Llywodraeth Cymru i CNC ystyried senarios ar gyfer mwy o ostyngiad mewn cymorth grant bob blwyddyn am y tair blynedd nesaf, ac awgrymodd bryd hynny ei bod yn disgwyl y byddai'n gorfod gwneud gostyngiad o 10 y cant mewn cymorth grant ar gyfer 2016-17.
- 2.39 Ym mis Rhagfyr 2015, ar ôl cyhoeddi ei Chyllideb Ddrafft 2016-17, cadarnhaodd Llywodraeth Cymru ostyngiad ariannol o wyth y cant i CNC, ar sail gyfatebol, yn y cyllid cymorth grant refeniw ar gyfer rheoli risg sydd ddim yn gysylltiedig â llifogydd yn 2016-17, a gostyngiad o bump y cant mewn cymorth grant ar gyfer rheoli perygl llifogydd. Mae Llywodraeth Cymru wedi cadw cymorth grant cyfalaf ar y lefelau presennol. Ni fydd rhagor o wybodaeth am gyllidebau blynyddoedd yn y dyfodol ar gael nes bod y Rhaglen Lywodraethu newydd yn cael ei chyhoeddi, ar ôl etholiadau'r Cynulliad ym mis Mai 2016.

- 2.40 Mae CNC yn dal yn gweithio ar y rhagdybiaeth y bydd y gyllideb wedi lleihau rhwng 25 a 40 y cant erbyn 2020. Dywedodd CNC wrthym ei fod yn teimlo bod dyraniadau cyllideb flynyddol Llywodraeth Cymru yn cyfyngu arno ond ei fod yn rheoli'r effaith drwy ei waith cynllunio ariannol a modelu. Fodd bynnag, mae perygl y bydd toriadau i'r gyllideb yn golygu y bydd angen blaenoriaethu pellach yn ei waith ac y bydd yn rhaid gwneud penderfyniadau anodd, yn enwedig o gofio'r ansicrwydd ynghylch unrhyw gyllid ychwanegol ar gyfer cyfrifoldebau statudol newydd (paragraff 2.30). Mae CNC o'r farn y bydd angen gwneud newidiadau sylfaenol i bwrpas a strwythur CNC yn sgil lefel ddisgwyliedig y toriadau yn y gyllideb.
- 2.41 Fel rhan o'i fodelu ariannol, mae CNC wedi amcangyfrif y pwysau ychwanegol ar gostau mae'n eu hwynebu nad oedd wedi'u cynnwys yng nghostau'r achos busnes gwreiddiol. Ar gyfer 2015-16, mae CNC yn amcangyfrif costau ychwanegol a phwysau ar gyllid o £26 miliwn (Ffigur 15). Mae CNC yn ymdrechu i liniaru'r costau hwn drwy gyflawni buddiannau arian parod wedi'u gwireddu o'r achos busnes; lleihau niferoedd staff; ailedrych ar flaenoriaethau gweithgarwch; a hybu effeithlonrwydd.

Ffigur 15 – Pwysau ychwanegol ar gostau CNC yn 2015-16 o'i gymharu ag amcangyfrifon yr achos busnes

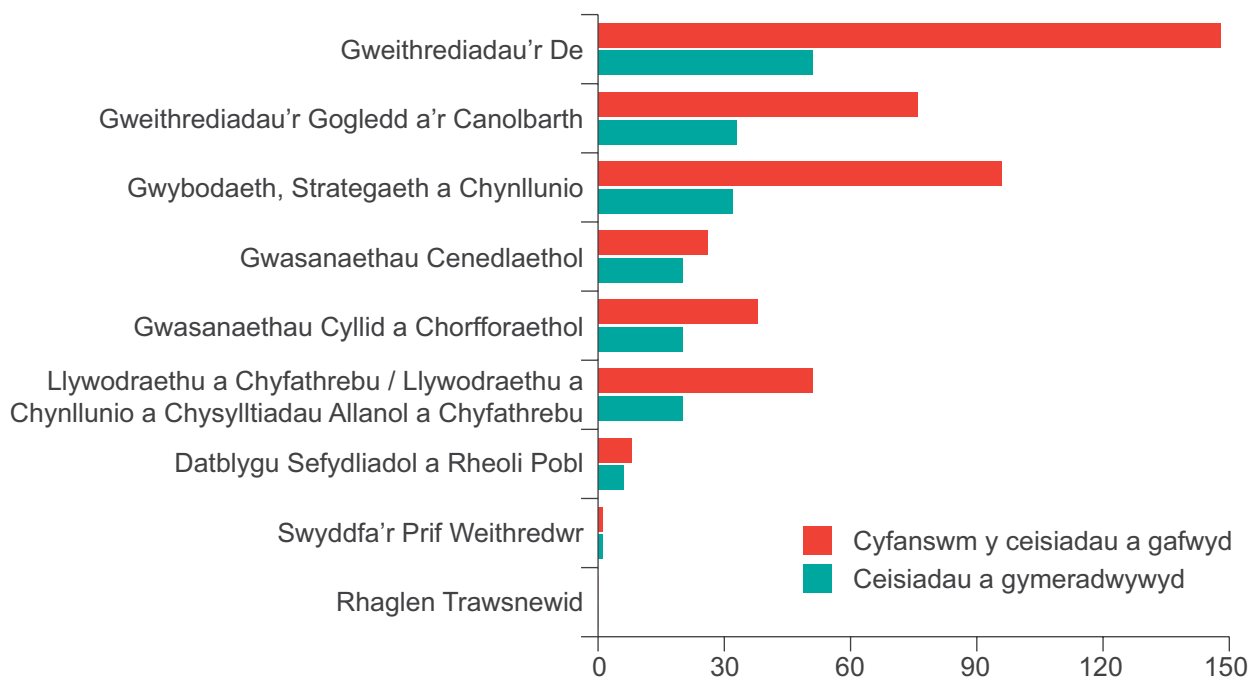


Ffynhonnell: Cyfoeth Naturiol Cymru

Mae CNC wedi lleihau nifer ei staff ar draws swyddogaethau'r busnes yn bennaf drwy ddefnyddio cynlluniau diswyddo gwirfoddol; fodd bynnag mae wedi canfod bylchau mewn sgiliau mewn rhai meysydd ac mae'n debygol o wynebu rhagor o bwysau o ran galluogrwydd

- 2.42 Mae CNC yn debygol o wynebu rhagor o bwysau ar adnoddau, o gofio'r gostyngiad yn nifer y staff ers ei greu, y rhaglen trawsnewid gymhleth sydd ar waith, a chyfrifoldebau statudol ychwanegol (Paragraff 2.25 ac Atodiad 2). Mae CNC wedi gostwng nifer ei staff o 2,186 (2,082 cyfwerth ag amser llawn) ar y diwrnod breinio i 2,017 (1,919 cyfwerth ag amser llawn) ym mis Hydref 2015. Mae CNC wedi llwyddo i sicrhau'r gostyngiad hwn yn bennaf drwy gyflwyno dau gynllun diswyddiadau gwirfoddol. Roedd CNC wedi ariannu'r cynlluniau drwy ddefnyddio £6 miliwn o gyllid ad-daladwy Buddsoddi i Arbed gan Lywodraeth Cymru. Mae CNC yn ad-dalu £2.5 miliwn yn 2015-16, ac mae'n disgwyl ad-dalu £1.8 miliwn yn 2016-17 ac £1.8 miliwn yn 2017-18.
- 2.43 Mae CNC wedi asesu'r holl geisiadau i adael yn erbyn meini prawf i benderfynu a fyddai sgiliau'n cael eu colli, a dangosodd adolygiad gwersi a ddysgwyd o'r cynllun cyntaf bod y cynllun 'wedi cael effaith fach iawn ar y busnes a'i fod o'r farn bod y staff cywir wedi cael eu caniatáu i adael'. Rhwng y ddau gynllun, cafodd CNC 444 o geisiadau, a chymeradwywyd 183 ohonynt. Roedd y ceisiadau a'r ceisiadau a gymeradwywyd wedi'u dosbarthu ar draws meysydd busnes CNC, a gwrthodwyd rhai ceisiadau ym mhob cyfarwyddiaeth ac eithrio Swyddfa'r Prif Weithredwr (Ffigur 16). Roedd tri o'r ceisiadau a gymeradwywyd yn swyddi yn y tîm arweinyddiaeth.

Ffigur 16 – Nifer y ceisiadau a gafwyd i'r cynlluniau diswyddiadau gwirfoddol ac a gymeradwywyd, yn ôl cyfarwyddiaeth



Ffynhonnell: Cyfoeth Naturiol Cymru

- 2.44 Mae CNC yn cynnal ymarferiad cynllunio'r gweithlu i asesu'r gweithlu sydd ar ôl yn erbyn gofynion y dyfodol (**paragraff 2.8**). Fodd bynnag, amlygodd gweithdy cynllunio'r gweithlu a gynhaliwyd yn ddiweddar amryw o feysydd gyda bylchau mewn sgiliau, a phwysau cyllidebol a allai arwain at ragor o doriadau. Un gyfarwyddiaeth allweddol sy'n debygol o wynebu pwysau mwy sylweddol o ran galluogrwydd yw Datblygu Sefydliadol a Rheoli Pobl, o gofio'r gweithgarwch sylweddol sydd ar waith i gwblhau prosiectau pwysig o dan faes 'Datblygu ein Pob a'n Timau' y rhaglen trawsnewid (**paragraff 2.7**). Mewn rhai meysydd, mae CNC yn recriwtio staff ychwanegol; fodd bynnag, mae swyddi arbenigol, fel rheoleiddio niwclear, wedi bod yn anodd eu llenwi. Mewn rhai achosion, mae'r swyddi wedi bod yn wag am dros bedwar mis ond maent wedi'u llenwi erbyn hyn.
- 2.45 O gofio'r pwysau ar alluogrwydd, mae perygl pellach y gallai adnoddau ychwanegol sydd eu hangen ar gyfer materion fel gwerthuso swyddi dynnu sylw oddi ar feysydd trawsnewid eraill ac y gallai hynny achosi i bethau lithro'n ôl. Gallai hyn arwain at oedi wrth geisio cyflawni buddiannau a rhoi canfyddiad negyddol o'r broses drawsnewid i staff, Llywodraeth Cymru a rhanddeiliaid allanol eraill.

Mae Bwrdd CNC yn profi newidiadau o ran ei aelodaeth, yr amser sydd ar gael i bob aelod, a thymhorau penodi byrrach

- 2.46 Daeth tymor Bwrdd gwreiddiol CNC i ben ym mis Hydref 2015. Gwahoddodd Llywodraeth Cymru pum aelod o'r Bwrdd i barhau am ail dymor ac roedd am benodi Cadeirydd newydd a pum aelod newydd. Yn y diwedd penderfynodd Llywodraeth Cymru ymestyn tymor y Cadeirydd presennol o fis Awst 2015 tan 30 Tachwedd 2015, ac ar 3 Tachwedd 2015, cyhoeddodd y Gweinidog Cyfoeth Naturiol fod Cadeirydd a phum aelod newydd wedi cael eu penodi. O ystyried cryfder y Bwrdd blaenorol (**paragraff 1.25**), gallai'r newidiadau yn yr aelodau arwain at ddiffyg dilyniant a galluogrwydd yn ogystal ag arafu'r cynnydd a wnaethpwyd yn barod. Mae CNC wedi datblygu proses gynefino gliriach a deunyddiau ar gyfer tymor nesaf y Bwrdd a chynigiwyd system cyfeillio i baru aelodau hen a newydd y Bwrdd i geisio lleihau'r risg hon.
- 2.47 O fis Tachwedd 2015 ymlaen, bydd Llywodraeth Cymru yn cwtogi ar nifer y dyddiau ar gyfer pob aelod o'r Bwrdd o 60 i 36, gyda nifer yr aelodau'n aros yr un fath â'r Bwrdd gwreiddiol a oedd yn weithredol o fis Ebrill 2013, sef 10 aelod²⁶ ynghyd â'r Cadeirydd a'r Prif Weithredwr. Mae pob aelod o'r Bwrdd yn cael ei dalu yn ôl cyfradd ddyddiol ac felly bydd y newidiadau'n golygu arbediad ariannol. Mae Llywodraeth Cymru o'r farn bod y gostyngiad mewn amser yn adlewyrchu'r symud o newid i weddnewid, yn ogystal ag effeithiolrwydd y tîm gweithredol. Fodd bynnag, mae aelodau'r Bwrdd sy'n parhau yn y swydd wedi mynegi pryderon y bydd y cwtogi ar amser pob aelod yn cael effaith negyddol ar y cymorth y byddant yn gallu ei gynnig.

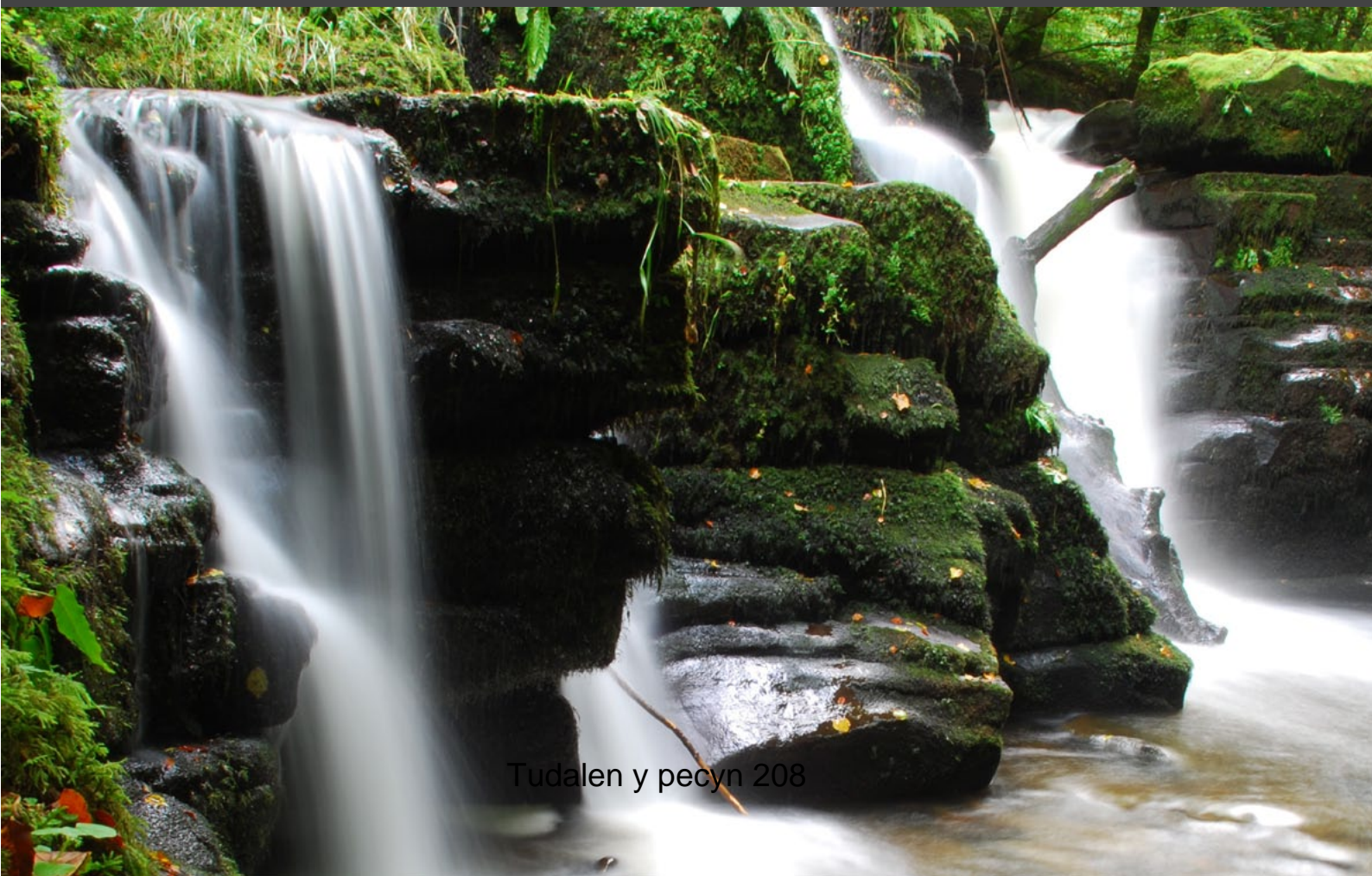
²⁶ Rhwng mis Ionawr 2014 a mis Hydref 2014, roedd gan Fwrdd CNC naw aelod; a rhwng mis Tachwedd 2014 a mis Hydref 2015, roedd ganddo wyth aelod.

2.48 Nodwn fod tymor aelodau'r Bwrdd ar gyfer y tymor newydd, ac eithrio'r Cadeirydd, yn ddwy flynedd o 1 Tachwedd 2015 hyd 31 Hydref 2017. Mae hyn yn fyrrach na thymor y Bwrdd gwreiddiol o dair blynedd ac yn fyrrach na thymor cyrff eraill a noddir gan Lywodraeth Cymru, er enghraifft, roedd penodiadau diweddar ar gyfer Amgueddfa Genedlaethol Cymru yn hysbysebu tymor o bedair blynedd, ac mae gan Chwaraeon Cymru ar hyn o bryd dymor o dair blynedd. Mae tymor Cadeirydd newydd CNC yn dair blynedd. Gallai tymor byrrach olygu bod dilyniant yn cael ei fygwth a bod profiad yn cael ei golli ar ôl cyfnod byr; a bod gormod o bwyslais ar y tymor byr. Fodd bynnag, rydym yn deall bod Llywodraeth Cymru eisiau'r cyfle i allu ystyried dynameg a chymysgedd sgiliau'r Bwrdd ar ôl dwy flynedd, a bydd yn ymdrechu i ailbenodi aelodau os bydd ei hasesiad yn dangos bod y Bwrdd yn gweithio'n dda.

Atodiadau

Atodiad 1 - Cwmpas a dulliau'r
Archwiliad

Atodiad 2 - Cyfrifoldebau dangosol
CNC a'r amserlen yn
gysylltiedig â Deddf Llesiant
Cenedlaethau'r Dyfodol
(Cymru) 2015 a Bil yr
Amgylchedd (Cymru),
2016 hyd 2020



Atodiad 1 - Cwmpas a dulliau'r Archwiliad

Cwmpas ein gwaith

Cwmpas cyffredinol ein gwaith oedd canfod a oes gan CNC drefniadau llywodraethu ar waith sy'n helpu i gyflawni ei brif flaenoriaethau a chanlyniadau, neu a yw'n datblygu trefniadau o'r fath. Roedd ein harchwiliad yn edrych ar gynnydd yn erbyn y perfformiad a fwriadwyd; gweledigaeth a chyfeiriad strategol; trefniadau atebolrwydd; rheolaeth dros adnoddau; trefniadau nawdd gyda Llywodraeth Cymru; a'r ffordd y mae CNC wedi bod yn paratoi ar gyfer goblygiadau Deddf Llesiant Cenedlaethau'r Dyfodol (Cymru) a Bil yr Amgylchedd (Cymru).

Roedd yr astudiaeth yn canolbwyntio ar agweddau gweinyddol CNC ac i ba raddau y mae'r rhain yn ategu llywodraethu da ac effeithiolrwydd gweithredol, Nid oedd yr astudiaeth yn adolygu gweithredoedd neu benderfyniadau rheoleiddiol CNC yn fanwl, ac nid oedd ychwaith yn edrych ar y rhesymau wrth wraidd sefydlu CNC.

Mae gan Lywodraeth Cymru weithdrefnau ar gyfer cynnal adolygiadau cyfnod prawf o gyrff a noddir sydd newydd eu sefydlu ar ôl dwy flynedd o weithredu. Ar ôl cynnwys yr astudiaeth hon o waith CNC yn ei raglen waith, cadarnhaodd yr Archwilydd Cyffredinol wrth Lywodraeth Cymru ei fod yn disgwyl y byddai'r adolygiad hwn yn cynnwys yr elfennau hynny a fyddai fel arall mewn adolygiad prawf ar wahân, gan ddefnyddio hefyd ein gwaith o archwilio datganiadau ariannol blynyddol CNC. Ysgrifennodd yr Archwilydd Cyffredinol at Lywodraeth Cymru ym mis Tachwedd 2015 i roi crynodeb o'r canfyddiadau allweddol a oedd yn berthnasol i gwmpas gofynion adolygiad prawf Llywodraeth Cymru.

Y dulliau archwilio

Roedd gwaith maes ein hastudiaeth yn cynnwys:

- cyfweiliadau ag aelodau Bwrdd, swyddogion gweithredol a staff CNC;
- adolygu dogfennau a gafwyd gan CNC a Llywodraeth Cymru; a
- phresenoldeb mewn ac arsylwi ar gyfarfod o Fwrdd CNC.

Defnyddiwyd gennym ddulliau archwilio sefydledig i edrych ar lywodraethu, gan gynnwys ein hasesiadau corfforaethol o awdurdodau lleol yng Nghymru a'n hasesiad 'strwythuredig' blynyddol o gyrff y GIG.

Er mwyn osgoi dyblygu, pan oedd yn bosibl, defnyddiwyd canlyniadau gwaith diweddar, gan gynnwys gwaith gan CNC a'r Cynulliad Cenedlaethol, yn benodol:

- arolwg bodlonrwydd staff a gynhaliwyd gan CNC (Chwefror 2015);
- adolygiad CNC ei hun o'i ddwy flynedd gyntaf o weithredu, **Creating the Foundation for Delivery – Transition Report** (mis Tachwedd 2015);

- craffu ar waith CNC gan Bwyllgor Amgylchedd a Chynaliadwyedd y Cynulliad Cenedlaethol rhwng Mai 2014 a Gorffennaf 2015, gan gynnwys ymatebion i arolwg rhanddeiliaid, sesiynau tystiolaeth, llythyr terfynol y Pwyllgor ac ymateb CNC;
- gwaith archwilio mewnol a wnaethpwyd gan dîm archwilio mewnol CNC ar amryw o feysydd; a chan archwilwyr mewnol Llywodraeth Cymru ar y trefniadau nawdd â CNC; ac
- adolygu CNC yn erbyn yr Egwyddorion Rheoleiddio Da gan y Swyddfa Rheoleiddio Gwell.

Bu tîm yr astudiaeth yn cysylltu â chydweithwyr yn Swyddfa Archwilio Cymru er mwyn cydlynu cysylltiadau â gwaith archwilio ariannol a pherfformiad arall, gan gynnwys:

- gwaith archwilio ariannol a wnaethpwyd fel rhan o archwiliad allanol o'r cyfrifon terfynol, gan gynnwys gwaith dilynol yn ymwneud â risgiau o ran integreiddio systemau ariannol, rheolaethau ariannol y datganiadau ariannol, ymateb i bwysau ariannol, cyflawni arbedion, a'r datganiad llywodraethu blynyddol;
- astudiaethau gwerth am arian yr Archwilydd Cyffredinol ar lifogydd ac erydu arfordirol (ar waith); a **Rheoli ymadawiadau cynnar yng ngwahanol gyrff cyhoeddus Cymru** (Chwefror 2015);
- cymorth Cyfnewidfa Arfer Da Swyddfa Archwilio Cymru i raglen datblygiad Aelodau Bwrdd CNC;
- cysylltiadau a sefydlwyd â CNC gan Reolwr Datblygu Cynaliadwy Swyddfa Archwilio Cymru o ran gweithredu Deddf Llesiant Cenedlaethau'r Dyfodol (Cymru) a pharatoi ar gyfer Bil yr Amgylchedd (Cymru) arfaethedig, y disgwylir a fydd yn cael Cydsyniad Brenhinol yng Ngwanwyn 2016; ac
- ymatebion gan Fwrdd CNC a'r uwch dîm arweinyddiaeth i adroddiad Mehefin 2015 ar holiadur arolwg **Darlun o Wasanaethau Cyhoeddus**.

Atodiad 2 - Cyfrifoldebau dangosol CNC a'r amserlen yn gysylltiedig â Deddf Llesiant Cenedlaethau'r Dyfodol (Cymru) 2015 a Bil yr Amgylchedd (Cymru), 2016 hyd 2020

Cyfrifoldebau i CNC o dan Ddeddf Llesiant Cenedlaethau'r Dyfodol (Cymru) 2015

Mae Deddf Llesiant Cenedlaethau'r Dyfodol (Cymru) 2015 yn datgan ei bod yn ofynnol bod CNC yn eistedd ar Fwrdd y Gwasanaethau Cyhoeddus yn ardal pob awdurdod lleol. Nod Byrddau'r Gwasanaethau Cyhoeddus, sy'n weithredol er Ebrill 2016, yw gwella lles economaidd, cymdeithasol, amgylcheddol a diwylliannol eu hardal drwy weithio i gyflawni'r amcanion llesiant. Rhaid i bob un o Fyrddau'r Gwasanaethau cyhoeddus baratoi a chyhoeddi 'Cynllun Llesiant Lleol' sy'n amlinellu amcanion ac adolygu'r cynllun yn flynyddol i ddangos cynnydd.

Rhaid i CNC hefyd gyflawni gofynion cyffredinol y Ddeddf sy'n gymwys i gyrff cyhoeddus Cymru, gan gynnwys pennu ac adrodd ar ei amcanion ei hun i gyflawni'r saith amcan llesiant; a gweithredu egwyddor datblygu cynaliadwy yn ei holl weithgareddau²⁷.

Cyfrifoldebau CNC a ddisgwylir o dan Fil yr Amgylchedd (Cymru)

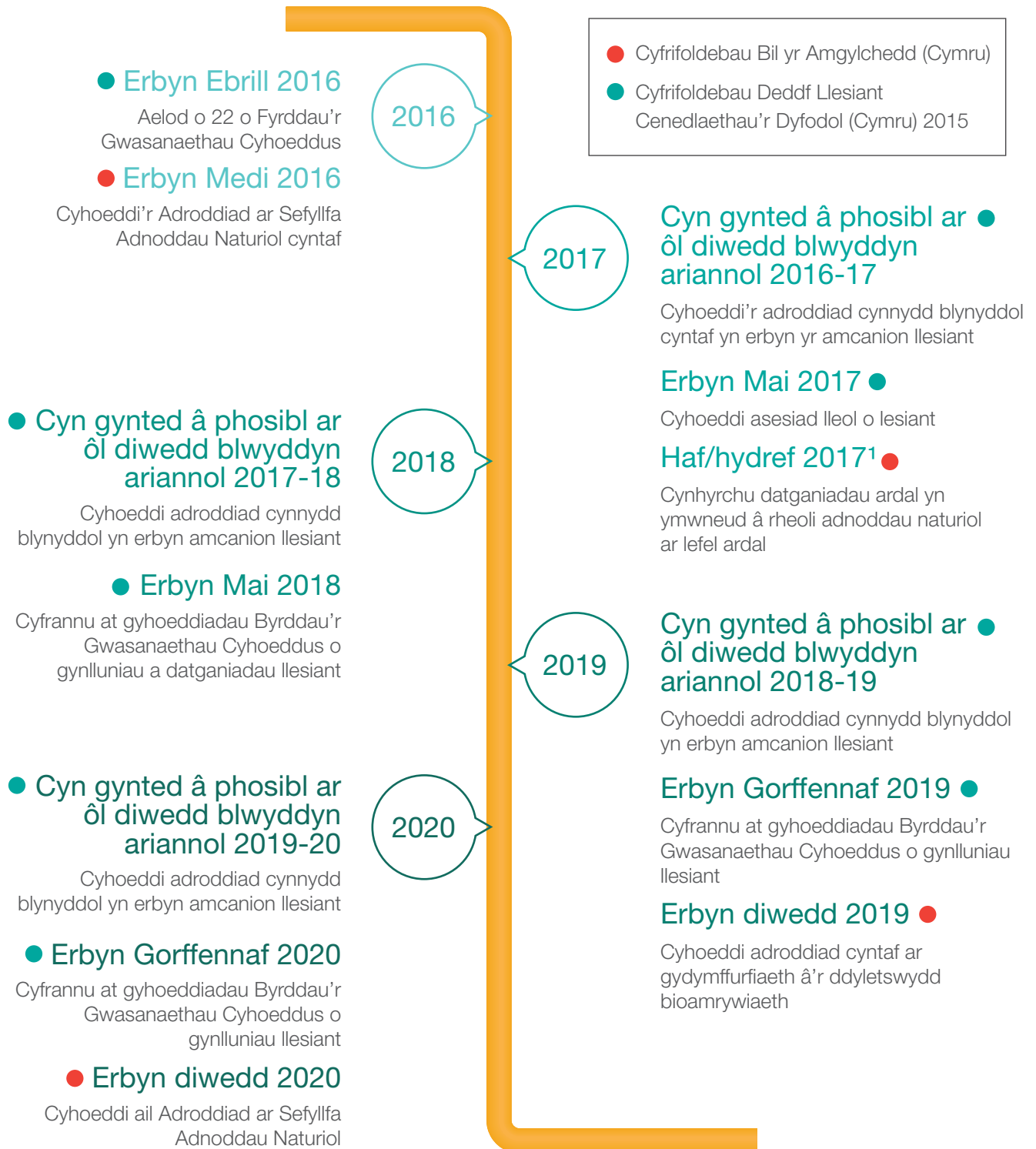
Mae Bil yr Amgylchedd (Cymru), y rhagwelir a fydd yn dod i rym yng ngwanwyn 2016, yn gosod dyletswyddau penodol ar CNC i gynhyrchu:

- Adroddiad ar Sefyllfa Adnoddau Naturiol bob pum mlynedd sy'n rhoi asesiad o adnoddau naturiol ac i ba raddau maent yn cael eu rheoli mewn ffordd gynaliadwy; a
- datganiadau ardal i ganfod lefel leol y blaenoriaethau, y risgiau a'r cyfleoedd i reoli adnoddau naturiol yn gynaliadwy a pha gamau i'w cymryd²⁸.

²⁷ Deddf Llesiant Cenedlaethau'r Dyfodol (Cymru) 2015 – Yr Hanfodion, Llywodraeth Cymru, Mehefin 2015.

²⁸ Golwg Gyffredinol ar Fil yr Amgylchedd (Cymru), Llywodraeth Cymru, Mai 2015.

Amserlen y prif gyfrifoldebau



Nodyn:

¹ Nid yw'r union amserlen ar gyfer datganiadau ardal wedi'i chadarnhau eto.

Ffynhonnell: Llywodraeth Cymru

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Mr Nick Ramsay AM
Chair
National Assembly for Wales Public Accounts
Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

10 April 2017

Dear Nick,

Public Accounts Committee – 28 March 2017

At the PAC session on 28 March, we agreed to provide further information on several topics, as follows:

How are timber sale contracts arranged and priced?

The contracts awarded to the operator under the Memorandum of Agreement were a combination of 4 existing Standing Sales Long Term Contracts (LTCs) for Spruce that were extended and 4 new LTCs for Larch.

Several factors affect the prices in individual contracts:

Method of Sale: The contracts were either 'Standing Sales' where the customer bears the cost of felling the timber and associated haulage, or 'Roadside Sales' where NRW bears the costs. The prices in the contracts will reflect these different methods of sale.

Site Conditions: The site conditions will dictate the method of felling and consequently impact on the price i.e. steep ground working is more expensive than flat ground. The location will also impact on the cost of haulage in delivering the timber to the customer.

Tree size and timber quality: Much of the larch is of a smaller tree size and of poorer quality than our other crops. This reduces the proportion of higher value saw-logs. Furthermore the cost of processing infected Larch are higher due to bio-security restrictions.

In all cases the contracts allowed for a price review to take place using defined formulas at specified intervals to ensure changes in market prices were taken into account.

Cost of legal advice in relation to challenging the findings contained in the Auditor General's Report

During the Auditor General for Wales's investigation, the WAO sought independent legal advice on several aspects of the contracts, which he shared with us; these included:

- whether the contracts were sales contracts or fell under public procurement;
- advice on public law;
- advice on state aids.

As the Auditor General acknowledges in his report, the issues raised a number of complex legal issues. As Accounting Officer, I felt it appropriate, given the complex issues raised, to take our own independent legal advice in order to protect the position of Natural Resources Wales in the event of possible legal challenge. The advice I have received does not always correspond with that of the Auditor General's. The cost of obtaining that advice was £22,300.

Practice adopted by NRW in managing staff sickness

We have developed and implemented a number of NRW policies and procedures to more effectively manage sickness absence in the workplace on a consistent basis. In addition, we have ensured access for managers and staff to an effective occupational health and employee assistance service provision to support staff who are unwell and ensure their timely return to work.

We have committed to managing risk of mental health absence through delivery of mental health first aid training and emotional resilience training.

In NRW in the last 12-24 months we have focussed our attention on improving the quality and quantity of our absence data to develop the way we monitor and manage sickness absence.

We have used multiple internal communication channels to raise awareness of the policies and procedures, new recording system and support provisions to all staff in NRW. This is an area of work that requires continual monitoring and focus, which again we achieve through regular communication with managers and staff. Absence management data is reviewed by the NRW Board, Executive Team and local management.

Notwithstanding the above developments, it is clear that the dedication, commitment and pride that NRW staff show to meeting the objectives of NRW minimise the occurrence of sickness absence.

Internal Audit Report

This will be forwarded as soon as the work is completed.

Business Case

The Business Case is attached. It has been redacted in several places to protect the names of the parties who were involved in the commercial negotiations at the time.

I also wish to inform the Committee that as the operator has not complied with the requirement in the Memorandum of Agreement to install an additional log line, the contracts lapsed on 31 March 2017. New contracts have been put in place to ensure an orderly wind-down of the previous contracts over the coming months while we re-market the remaining timber in accordance with our Timber Marketing Plan.

Yours sincerely,



Emyr Roberts

**Prif Weithredwr, Cyfoeth Naturiol Cymru
Chief Executive, Natural Resources Wales**

Natural Resources Wales

Executive Team Paper

August 2013

Paper Title:	Developing Options for Larch investment and wider guidance on replacement of existing Spruce LTCs
Paper Prepared By:	Jerry Pritchard - Head of Timber Marketing for NRW
Purpose of Paper:	To have a final position by Sept 31st in order to make a final offer to on Larch investment and to give a wider position to the trade on our future Spruce Marketing plans and intention.
Recommendation:	<ul style="list-style-type: none"> • Seek HMO/Head of Operation agreement • For Head of Operations to seek Head of Enterprise support for an agreed course of action

1. Issue

- 1.1 We are reaching the final stages of the Phytophthora Ramorum (PR) Larch awards. The rapidly escalating position on Larch infection made evident during 2013 means Natural Resources Wales (NRW) needs to stimulate more processing capacity specific to Larch processing and contractor felling resource.
- 1.2 The scale of challenge on PR has unavoidably linked Spruce production and Spruce Long Term Contract policy intent as a major dependency to the decision on Larch investment in Wales.
- 1.3 The Larch processing investment is key critical to the marketing of Larchwood for both private and public sectors in Wales and the Marches over the following 10 years to 2024.

2. Progress to date

The spread of PR in Wales has been more rapid than had been initially predicted. The disease has now progressed from the original epicentre of the Afan and Dulais valleys to encompass an area stretching from the Welsh border at Wentwood to Talybont-on-Usk, Taf Fechan and most forests west of this line to Brechfa and Caniston in Pembrokeshire. Standing infected stands are now totalling nearly one million cubic metres over bark standing (m³obs) on the Welsh Public Estate with further infection likely next year but it is difficult to determine the extent that will be encountered, but the disease spread can only be slowed not contained.

There is also an increasing incidence in identification of the disease in privately owned woodland but currently only at small percentage of the problem encountered on the Public Estate, this expected to rise in the coming years.

To counter this spread on the public estate and provide a positive action plan NRW released two standing sale long term contracts in the spring of 2013, these contracts committed to a total volume of 560,000m³obs larch over a period of five years in the Coed y Cymoedd Forest District (CyC) and 100,000m³obs in Llandovery FD. There was also a planned release of a Direct Production contract for the western areas of CyC in the second half of the calendar year.

As the spring 2013 progressed and the larch came in to needle the extent of the disease spread from the last known points of the infection September 2012 became clearer. The disease had taken firm hold in Llandovery Forest District where there had only been sporadic outbreaks during 2012 and there had been a dramatic progression east throughout the CyC FD. It was obvious that the planned Long Term Contracts (LTCs) were now not sufficient to deal with the disease at its current rate of expansion. The disease control plan and larch replacement strategy were revisited and larch felling was increases from 220,000m³obs in 2014 to 350,000m³obs per annum for following five years, 2015 – 2020 (see table 1 below)

Table 1
Larch Clearance plan revised July 2013
(Figures in 100ks)

	CYC	Llan	CYM	CYG	Totals
2013/14	115	25	10		150
2014/15	140	65	15		220
2015/16	190	138	20	2	350
2016/17	190	138	20	2	350
2017/18	200	120	28	2	350
2018/19	130	130	65	26	351
2019/20		130	180	40	350
2020/21		74	110	40	224
2021/22			110	40	150
2022/23			110	40	150
2023/24			30	40	70
2024/25				40	40
2025/26				40	40
Total	965	820	698	312	2795

The total volume of larch available from public and private woodland in Wales and the Marches could be as high as seven million m³obs during this period.

The tender returns were evaluated and scored during July 2013 and it was recommended that three parties that made bids all be awarded contracts. This decision was made on the back of the quality and solutions offered in the bids and the fact that there was now more volume to place into contracts due the unforeseen increase of disease spread.

An offer of three standing sale contracts each totalling 65,000m³obs per annum for five years were offered in CyC two to [redacted] and one to [redacted]; this award will take out the need to run the proposed Direct Production (DP) tender in CyC, planned for released in the autumn of 2013. This DP tender opportunity will be moved to Llandovery Forest District as part of the revised disease control strategy and to provide the platform to produce larch log bar material for the DP options discussed later on in this paper.

A further standing contract was offered to [redacted] for 65,000m³obs in Llandovery FD. This offer was made to support the intended new milling infrastructure investment at [redacted] sawmills in recognition that without an offer of supporting volume the project would have no chance of approval by the [redacted] management board. This offer was made for a maximum of ten years but the location of the contract would have to migrate northwards following advance of the disease through Wales once the Llandovery volume had been worked out.

The overall result was that each bidder received an offer for at least the minimum contract volume that was on offer, although the areas of the offer had changed.

Currently larch that has been offered to the market by NRW and the private sector has been absorbed by the processors by substitution, by taking larch and not spruce or other species, but there is a limit to how much of this can be achieved with out damage to their businesses, as some of their customers will not accept larch in the finished products. There is a need to increase the overall processing capacity for larch and ensure that as much material as possible is going into value markets, fencing and garden products for example whilst the hope is that some will also go into the housing market.

3. Scope

Two of the three bidders are quite satisfied with the outcome of the tender, [redacted] have secured enough volume to continue their plans for a fuel pellet and CHP plant located in [redacted] [redacted] are confident of being able to harvest and market 130,000 m³ of larch per annum from Coed Y Cymoedd FD an area where they have a good track record for delivery with some extremely challenging sites completed under a winch LTC let four years ago, but at much lower annual volumes.

[redacted] were not content with the offer that was made to them, even though Llandovery FD is significantly closer to the mill at [redacted], both tree size and tree form in the Llandovery FD are superior to that offered in Coed Y

Cymoedd. The offer of 65,000m³obs standing should produce approximately 30,000 tonnes of mill material at 14cms plus.

We were aware that [redacted] needed a further supply guarantee of larch volume before committing increase the capacity at [redacted]. To assist in this [redacted] were also offered an under pinning volume from the proposed DP long term contract that will be centred in the western areas of Llandovery FD. The total offer was 55,000 tonnes of larch per annum from NRW, against a production capacity assumed to be between 100,000 and 110,000 tonnes per annum with the potential to increase even further if supply and markets can be found but we presume that calculations have been worked on a production volume of 100,000 tonnes per annum.

[redacted] have also indicated that investment at [redacted] will not take place unless they can be offered some surety on continuing supply of the spruce element for the mill. They are aware that spruce supply from Wales will be tight whilst the larch is being dealt with and are keen to secure as much volume as they can (reference Table 8). The current position is they have access to 64,000 tonnes of spruce sawlog material made up from:

Table 2
Current Long Term Contracts

Contract	Location	Roadside/Standing	Annual Volume M ³ obs .	Log /bar
L13790	Tywi Dyfi Hafren Sarnau	Roadside	41,000 obs logs 18cms+	33,000 m ³ ub
L12480	Tywi Hafren Sarnau	Roadside	12,400 obs bars 14cms – 18cms	10,000 m ³ ub
L12406	Vrnwy	Standing thin and clearfell	20,000m ³ obs	8,000 tonnes Log and Bar
L12407	Coed y Cymoedd	Standing harvester clearfell	30,000m ³ obs	13,000 tonnes Log and Bar
Total			103,400m ³ obs	64,000 units of sale m ³ ub/tonnes

[redacted] are looking for reassurance that this volume total will continue to be offered to the company in the form of Long Term Contract agreements.

4. Options for the Larch

4.1 [redacted] put in a counter offer to the NRW proposal, which offered the standing sales parcel in Llandovery of 65,000m³ obs and access to larch

logs produced by direct production to make up a volume of 55,000 tonnes to the sawmill, this would commit all DP larch production from Llandovery FD. The counter offer was that would take the entire volume of log and bar off one of the contracts based in CyC FD and become co owner of the contract, would then work the parcel offered in Llandovery FD instead of

There would then not be a substantial reliance on DP logs to make up the volume to 55,000 tonnes per annum. However their proposal would then commit to harvesting 195,000m³obs per annum on the larch long term contracts. This poses substantial business risk to NRW in that;

- trading with FCW has never exceeded 90k per annum and the average over the last 5 years is 67,000m³obs. We would be asking them to increase to over 200,000k in a very short time as they still have open market commitment and we would not want to loose them in that market.
- Reducing the presence of in the market could also be counter productive; their annual trading for standing sales in Wales over the last 5 years has been 138,000m³ obs with a good mix of LTC and open market sales.
- taking all the log and bar from one of the south Wales contracts plus material for the Llandovery contract may well cause supply problems for both and who were bid partners in the offer as well as

4.2 It is the preferred option for NRW that allow to harvest a co-owned LTC in Llandovery FD and that purchase an element of log from from the contracts they secured in South Wales, this volume could amount to 15,000 tonnes of log and bar per annum once the new saw line is running. The volume would be sourced from the more northerly forest areas in Coed y Cymoedd to reduce the transport costs but the exact location and volumes would be for and to agree upon. This scenario reduces the standing sale risk associated with expanding the business too quickly and keeps in place as a strong player in the Welsh market.

- It allows to distribute the log material in South Wales with too much constraint keeping and Timber in the market as is their expectation after entering agreement with for supply in the initial tender bid.

- Any volume commitment will cease after 5 years as the Coed y Cymoedd contract will have come to an end as all the larch will have been felled and market. This contract closure will allow further access for supply to the mill for the private sector that should be coming into the market with larger volumes by that time
- The commitment of NRW providing 55,000 tonnes of larch material for a period of five years to the development is maintained through three routes, 15,000 tonnes from in CYC, 30,000 tonnes from the standing contract in Llandovery and a balance of 10,000 tonnes from the Direct Production in western Llandovery FD.

However this volume alone will not be acceptable to as they will view the volume as a possible volume stream that may come to them should not have any other options for the material, it is unlikely that either party would enter into a contractual commitment to receive or supply. DP could offer to cover the volume that were to supply as well as the 10,000 tonnes that is mention above making the DP offer 25k tonnes per annum. Volume would be sourced from Llandovery FD initially but may also come from Coed y Mynydd and Coed y Gororau as the disease progresses north. Commitment could be offered over a 10 year period.

5. Why is this decision a priority?

We must try to ensure that the proposed development at goes ahead as it will provide a marketing solution to the sawlog element that will be coming forward from the potential seven million cubic metres of standing larch that will need to be felled in Wales and the Marches over the next 10 to 12 years.

Larch production is set to increase to 350,000m³ obs from the public estate in the next two years additional production capacity will be needed by then if we are to maximise revenue returns as current facilities would struggle to continue to absorb larch to this figure. Further private sector volume will also be coming on stream in this period.

This development will enable growers to maximise returns for material to 14cms top diameter and to a short length (2.45meters), currently there are no mills in Wales milling timber infected with Phytophthora Ramorum to 14cms TD. currently cut material to 16cms top diameter and will take a poorer quality than the standard green specification for sawlogs but have a very limited requirement minimum short length of 3.1metres.

The development will well placed in the centre of Wales to take material from all directions which will help in reducing overall timber haulage costs for the growers.

Alternative markets are chipwood or biofuel, higher carbon storage through production of milled timber will be achieved by supporting this development.

are a progressive company who will move this proposed development in to another if their production plants leaving site under invested and having to wait for the next cycle of updating which could be some years away.

6. Options for delivery of Spruce LTCs

The marketing plan and the sales plan will need to be heavily adjusted to accommodate the proposed larch volume during the coming years. The swing to larch will be absorbed mostly through a delivery by standing sales merchants using long term contracts. This will severely restrict what else can be marketed through the standing sales delivery method.

I. Do nothing - allow LTCs to expire and the wait until marketing strategy rewrite before any further opportunities given.

This would most likely convince that investing in the plant at this point of time would not be a good idea and they would focus further investment into other mills within the group leaving badly under invested and running on machines that are getting very dated. Some equipment is still in place from when the mill was commissioned in 1981.

However it would be fair to all those who did not gain access to long term contracts in the last rounds as the market would be invited to make fresh bids for the material they would have a chance to make a bid should they chose to. It would also conform to the current marketing strategy in keeping the LTC balance between 40% and 60% of the total volume offered in the sales plan and offering opportunities to the market when volume became available. This is in line to what the trade at large are expecting after the messages we have given them in the last few trade liaison meetings

II. Extend LTCs to all parties at current levels with reduction in open market short term sales:

On DP this would not too much of a hardship, we are committed to as out lined above, 8,333 tonnes of spruce log and 6,250 tonnes of spruce log per annum but it would be useful to refresh these contract as they expire as we looking to get synergy on sites with log and bar contracts going to one buyer.

Table 4
Other Standing Sale Long Term Contracts

Contract	Merchant	Annual Volume	Delivery
L12404		25,000m ³ obs	Clearfelling Winch work
L12408		17,500m ³ obs	Difficult to market material
L12410		10,000m ³ obs	Difficult to market material
L12405		31,000m ³ obs	Clearfelling Winch work
Total		83,500m ³ obs	

Table 5
Possible Standing LTC Commitment

Merchant	Annual Volume m ³ obs	Thin volume m ³ obs	Fell volume m ³ obs	Years to current completion date
old contracts	50,000	8,000	42,000	1 year
Proposed new larch Contracts	260,000		260,000	5 years
old contracts	42,500	10,000	32,500	1 year
	10,000	5,000	5,000	2 years
	31,000		31,000	2 years
Total	393,500	23,000	370,500	

Table 6
Annualised Programme

	Direct Production Non Larch	Direct Production Larch	Standing Sales Non Larch	Standing Sales Larch	Totals
Thinning	100,000		90,000		190,000
Felling	230,000	70,000	120,000	280,000	700,000
Fell Totals	300,000		400,000		
Totals	330,000	70,000	210,000	280,000	890,000
	400,000		490,000		890,000

Table 7
Total Annual Program 2013 to 2021 Thinning and Felling
(All quantities in units of 100k m³obs)

Forest Year	Thinning program	Fell spruce other conifer	Fell larch	Thin and fell
2013/14	215	495	150	860
2014/15	190	375	305	870
2015/16	190	380	327	897
2016/17	215	345	327	887
2017/18	230	315	335	880
2018/19	240	305	346	891
2019/20	245	315	330	890
2020/21	265	505	130	900

Table 8
Assumed Spruce in programme 2013 to 2021
(All figures 100k m³obs)

Forest Year	Thinning spruce (71%)	Fell spruce (85%)	Total spruce	Spruce log bar (40% thin 80% fell)
2013/14	152	351	503	341
2014/15	135	319	454	287
2015/16	135	323	458	270
2016/17	152	293	445	257
2017/18	163	268	431	244
2018/19	170	259	429	241
2019/20	174	268	442	248
2020/21	188	429	617	361

To extend the contracts in Table 4 would reduce our ability offer to open market to less than 100,000m³obs per annum from a programme of 490,000m³obs, of which 20,000 would be clear felling infected larch in south Wales and leaving no other clear fell to offer all to offer. The balance of any open market standing sales offers would be 76,500m³obs thinning This is going to have a dramatic effect on our open standing sales market customers, with and left with very little opportunity to buy volume. Letting LTCs come to an end will put an additional 83,500m³obs into the market in 2015 and will ease the open position, although further opportunities for LTCs should then be offered to the market focused on thinning delivery from the standing sale sector.

By allowing these commitments to come to the natural end we could refocus our attention on delivering our standing sales thinning through long term contract agreements and build up resource to carry out this important part of the programme.

III. Extend LTCs to [redacted] alone with balance going to new LTCs through a competitive process and open market sales.

Extend the current LTCs held directly and in co ownership for supply of spruce wood by 5 years at full volume and for a further 5 years at a reducing annual volume so by year 15 they will be on 20% of the current volumes and all spruce contracts would be wound out the following year, 2024

**Table 3
Proposed Spruce LTC Volumes**

Supply Year	Annual DP Log	Annual DP Bar	Standing	Standing Log Bar	Total annual L+B supply
Current position carries to 2018	33,000	10,000	50,000	21,000	64,000
Position in 2019	33,000	10,000	50,000	21,000	64,000
Position in 2020	26,400	8,000	40,000	16,800	51,200
Position in 2021	19,800	6,000	30,000	12,600	38,400
Position in 2022	13,200	4,000	20,000	8,400	25,600
Position in 2023	6,600	2,000	10,000	4,200	12,800
Position in 2024	0	0	0	0	0

We recognise that there be a danger of seeming to favour [redacted] if only volume that was destined to their facility was granted a long term contract extension, having the effect of reducing opportunity for others in future sales.

Extension of the two standing LTCs will further reduce the volume we have to offer in this market and also reduce the amount of spruce available to other users. In mitigation of this likely impact it is likely that the private sector subject to price will gain additional entry and penetration into the market place which in terms of overall woodland management would be a positive consequence in the market place.

would be gaining market assurance but the benefit and need for the Larch disease solution must ride high in NRW's decision making given no one else has come forward through the tender process with a solution to the disease control challenge NRW faces on the WGME. It is unlikely that we would see an equally good proposal come forward if we went out to the market with this volume. Time is also of the essence failure to offer the LTC extensions could jeopardise the planned investment at

IV. Any other proposals

We could consider offering all our standing sale merchants a base volume in a long term contract agreement at maybe 50% of their historic trading levels. This offer would have to focus on delivery of the thinning programme. Giving some assurance that there would be some investment in thinning equipment, where it is currently required. Potentially the thinning volume could rise from the current annual figure of 190,000m³ obs to some where around 350,000m³ obs we have to point the market in this direction if they want continued supply of material. This would also help to maintain our fragile standing sales customer base which is dominated by three large players, and

We should not ignore the part the private sector should play in ensuring that this development goes ahead, NRW could facilitate a co operative approach from the private sector to guarantee a log supply to the sawmill. This will have the effect of increasing confidence for the board to sign off the investment proposals at | and guarantee that private growers have access to market at an assured price. Initial contact with growers in Wales has been positive although wary of making firm commitments.

7. Recommendations and decisions

It is essential that the proposed development at is secured for the good of the growers in Wales and the Marches as the new facility will substantially increase milling capacity for short length and small diameter logs in Wales where the only current high capacity is at

To deliver this development the company has requested that they have continued assurance for volume from NRW via retaining existing long term contract agreements for spruce and entering into further agreements for larch.

There is no easy decision or option here and we recognise that some parties will feel disadvantaged by whatever option we choose

However and as time is now of the essence we recommend option 3 in order to secure a prime objective of a disease management solution in the face of year on year growth of the Phytophthora ramorum disease spread across Wales

This will entail offering to the following in outline:

- NRW should agree to extend the current spruce supply contracts that equate to 64,000 tonnes of log bar material through both the standing and roadside methods of sale. NRW will have to decide which areas are best suited to deliver the contracts as the current commitment for 30,000 tonnes of standing harvester forwarder spruce wood in Coed Y Cymoedd forest district would be impossible to maintain whilst the larch contracts are being delivered in that area. Coed y Mynydd would seem a more likely option or splitting the volume between Llandovery FD and Coed Y Mynydd FD, to boost the production in the Tywi block. This volume should be offered in full for a further 5 years and wind out for further 5 years (as shown in Table 3)
- NRW should offer 65,000 m³ obs of standing larch in Llandovery FD to be worked by this offer could be extended to a 10 year offer and moved north as the disease progresses through out Wales. To allow to harvest all three larch LTCs would be high risk for NRW, by firstly expecting the company to double current trading within 12 months and secondly by weakening strongest competitor in the Welsh market. This contract should be offered in stages reaching full volume once the new facility is fully operational.
- NRW should offer to under pin the standing sales offer with direct production material to a maximum larch log and bar total from the public estate of 55,000 tonnes per annum, this could commit 25,000 tonnes of log bar production arising from larch felling work in the western forest blocks of Llandovery FD and any larch arising from sanitation felling in the northern forest districts. Full volume would not be offered until the new mill becomes fully operational. This commitment should reduce after five years by 5000 tonnes per annum. The released volume being offered on the open market.
- NRW should accept that may sell a share of the sawlog and bar volume derived from the contracts they have secured in Coed y Cymoedd FD, this will be decision to be made between the two parties involved.
- NRW should continue encouragement for a commitment from the private sector growers for supply to via some sort of long term co operative supply agreement. This volume could be vital in securing the investment required for increasing processing capacity to add value to diseased larch in Wales and the Marches.

- NRW should allow other Long Term Contracts to come their natural end so we can reposition our commitments and deliver future objectives, increased levels of thinning for example. retain their LTCs as they have committed to develop an important increase in capacity for small diameter short length log in Wales. Allowing contracts to end will release 67,000 m3 of standing timber and 15,000 m3 of spruce sawlog back to the market over the next 2 years.

8. Communications

Once the decision on which way we are to go with our marketing for the next few years and we have assurance on the levels of spruce, other conifer and larch in the programme we need to engage with individual customers, trade bodies and private sector growers and our own staff within WHaM and a wider audience. This can be achieved by;

- Holding a trade liaison meeting for our customers
- Arranging a series of one to one meetings with customers
- Holding meetings with trade bodies and growers representatives
- Updating the Web site to reflect the plan and the effects it will result.
- Updating the Marketing Strategy to reflect changes, spring 2014
- Ensuring that WHaM Staff are well briefed with the changes to programme and the marketing of the programme.

9. Assurance

10. Terms and Conditions of a future contracts

- Contracts must contain milestones for the investments that have been promised in both harvesting and processing capacity. Failure to carry out the required investments will be a serious breach of contract and will bring about termination if not rectified.
- Contracts must contain the harvesting and haulage price matrixes that will determine the costs for jobs that are to be negotiated. They must contain the offer prices and indicated volumes to each of the customers mentioned in the bid.
- Contracts must contain the pricing review matrixes that were submitted for each product and for the tracking and review of harvesting and haulage costs

- Contracts must contain the quoted figure for contract management and the profit element to be used in negotiation for timber parcels.
- Contracts must commit contract holders to install the correct levels of contract management and site supervision on or before commencement date.

11. Risk assessment

- NRW could be criticised for only extending the current long term contracts to the supply with spruce through their direct and co owned contracts, this can be managed and justified by securing the investment proposed for
- The loss of the development at will condemn at least 15% of the current larch crops in Wales and the Marches into lower value markets over the next 12 years. Some processors may chose to invest further in adding value or increasing capacity in larch but currently there are no other offers on the table.
- That rely wholly on NRW to back their investment plans which could alienate the private growers.
- That there will be very little spruce to offer standing sales merchants over the next five years and any increase is mostly likely going to have to come from long term contracts delivering the increasing thinning programme.

12. Benefits

By supporting the proposal we will ensure that

- A much needed development for maximising value of poorer quality larch timber is installed.
- Over capacity for processing larch is increased for the benefit of both public and private owners.
- The opportunity to penetrate the house building sector with wood grown in Wales is further improved.
- There will be stability in the market as the amount of larch infected by Phytophthora Ramorum increases as the disease spreads north and east through Wales and the Marches.
- The building of the new mill at will also create a value market for minor species in the longer term as the company will

increase input of other species once supply of larch material starts to reduce.

Appendix 1: Map of Forest Areas

Appendix 2: Map of current larch infection and Control Area



Long Term Timber Sales Contracts


INTERNAL AUDIT REPORT

May 2017

Distribution of Report (as agreed with clients)

Name	Title
Peter Garson	Head of Operational Services South
Ian Sachs	Head of Harvesting
Jerry Pritchard	Head of Marketing
Emyr Roberts	Chief Executive
	Audit & Risk Assurance Committee
	Wales Audit Office

Engagement Opinion

Opinion	RAG
Moderate Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. (For the range of opinions, see Annex C)	Yellow 

EXECUTIVE SUMMARY

Based on our review we are able to give a **moderate** audit opinion. This rating means that some improvements are required to enhance the effectiveness of the framework of governance, risk management and control around the Long Term Sales Contracts.

NRW inherited the 2011-16 Timber Marketing Strategy from Forestry Commission Wales (FCW). One aim of the Strategy was focussed on developing and sustaining a strong timber supply chain in Wales and encourage value adding. A proportion of the programme was therefore allocated to Long Term Contracts that were designed to encourage companies bidding for them to invest into infrastructure to enhance the supply chain capacity within Wales. This resulted in contractual responsibilities which added extra requirements into the sales contract. Ultimately, this also increased the risk exposure from those contracts for NRW, (because the supply chain investments were beyond NRW's direct control).

Currently, one live contract remains, which was conditioned on the construction of a plant, financed by the company itself. We have been informed by the Head of Marketing that, at the time of letting the contract (by FCW), legal advice was sought to ensure the contract was legally compliant.

NRW also ring-fenced a small quantity of timber to be sold to specific customers, who therefore did not have to purchase it via a competitive sales process. These customers were in a receipt of a Wood Energy Business Scheme (WEBS) grant, which NRW did not want to see fail, but positively contribute to Welsh economy instead.

While we have not identified any significant issues with the existing contracts, NRW may wish to review its approach to long term timber sales, to ensure NRW is not building in unnecessary conditions into our sales contracts and all sales are conducted via a competitive process.

NRW's new 5 year Timber Marketing Plan, which came into effect on the 1st April 2017, reduces the proportion of timber sales through Long Term Contracts and indicates that where we do enter into new LTCs, their focus will be to achieve outcomes that are more directly related to the management of the forest such as increasing the amount of thinning.

A full description of all findings and recommendations can be found below.

BACKGROUND

Timber sales contracts are an essential source of income for NRW. In 2015/16 this amounted to £16.5m. In addition, harvesting timber is an essential part of our sustainable management of the Welsh Government Woodland Estate.

The recent Wales Audit Office (WAO) review of one of NRW's long-term timber contracts identified a number of shortcomings, whereby NRW were not able to provide evidence to support the decisions and actions taken in letting and awarding the contract and appropriateness of the agreed terms and conditions.

The purpose of this consultancy assignment was to assess and provide reasonable assurance to the Accounting Officer and management that appropriate and sufficient evidence exists to support the other current NRW long-term timber sale contracts and that the contracts were drafted and awarded in accordance with NRW policies procedures.

We reviewed the following:

- NRW's understanding of the current (at the time) market conditions for timber,
- The process of identifying the sales marketing options to optimise the outcomes,
- The documentation around marketing the sales,
- The oversight of the shortlisting and selection of the contractors,
- Controls around contract negotiations and contract award process,
- Management oversight, escalation and consultations on the sales process (i.e. what controls/processes existed to help to identify contentious, novel, repercussive or state aid issues).

Outside scope (What we didn't look at):

- We did not look at whether the contracts represent value for money.

The full Terms of Reference for this audit are included as Annex B.

EXPLANATION OF OPINION, KEY FINDINGS AND RISKS

Understanding of market conditions for timber and marketing the sales opportunities

NRW produces Long Term Production forecasts within which annual volumes of timber that can be released to the market are specified. In addition, the UK timber market is being monitored on capacity, imports, and prices. This review did not explore the work that contributed to the above knowledge of the market.

In relation to the existing long term contracts (where applicable), we reviewed the process for identifying timber for sales and presenting it to the market in such way that reflects market demand, capacity, capability and found it to be satisfactory.

NRW and FCW before it, as part of their long term Timber Marketing and Sales strategy, explicitly encouraged the bidders to invest in infrastructure and technology that would create and develop a strong Welsh timber market. This was used as one of the scoring criteria for evaluating bids. Consequently, FCW and NRW entered into some contracts which were conditioned on a construction of the agreed infrastructure. One of the current live contracts has this as a condition of sale. However, the company funded all costs associated with construction.

By entering into such contractual arrangements, NRW takes on a degree of risk by introducing complexity into the condition of sale. If the conditions of sale are not met, then potentially the contract would have to be terminated, additional costs incurred as a result of having to re-tendering the timber to market, cause financial loss to the supplier and reputational damage to NRW.

Shortlisting and selection of the companies

There are currently six live Long Term Timber Sales contracts. Regarding three of them that were awarded through an open market competition, we were satisfied that an appropriate marketing and tendering process took place, proportionate to the size of the sale.

The evaluation guidelines exist and the records of scoring tendering criteria appear to be consistent with the guidelines.

The other three current Long Term Contracts relate to a sale of timber to ring-fenced companies, which received a government grant to purchase machinery in order to establish a market for biomass in Wales. The sales were smaller (totalling approx. 48,000m³ timber to the value of £710k over a period of 5 years) and were made at market prices. These contracts were on a reducing sliding scale and will end in 2018.

The practice of ring-fencing, instead of competitive sale process, can expose NRW to risk of being accused of preferential treatment for some suppliers in the market. Going forward, this practice has been reviewed and will no longer be used, also the proportion of timber sold through long Term Contracts will be considerably reduced.

Contract negotiations and contract award process

We discussed with the Head of Marketing the process of reviewing tenders and selection of the successful bidder. Evidence for one of the contracts was reviewed and found to be sufficient.

We were assured by the Head of Marketing that there have been no significant changes between the terms and conditions advertised for the tendered contracts and what was subsequently awarded. However, we were unable to verify this as not all the information was not available.

Contract extensions and variations and management

The quantities and species of sold timber are regularly monitored and recorded against contracts. All contracts have a degree of variations between the quantities agreed to be harvested and the actual quantities - which are tolerated (both over and under the agreed

amounts). Overall, 25% variation is accepted on “child” contracts (which are sub parts of the full “parent” contract) but the overall volume of sales need not be affected by this. However, occasionally the overall quantity harvested differs substantially from the “parent” contracts (with no formal extensions in place).

No penalties are imposed in the events where the contract does not harvest the required amount.

The practices described above may have an impact on NRW’s ability to sell timber efficiently and competitively.

The practice of packaging purchase of services by NRW (e.g., clearance of low value timber) into a sales contract occurs on some Standing Sales Long Term Contracts. The practice of packaging purchase within a sales contract was reviewed by WAO last year and no recommendations were made. However, there is a risk that without the tendering for the service, as would be the case in a typical procurement process, the prices might not be competitive or market tested. Nevertheless, the Head of Marketing believes that the approach used secures best value for the reasons explained in Key Finding 4.

Management oversight

We have not reviewed how contracts are managed on a day to day basis, as this fell outside of the scope for this review.

We saw evidence of monitoring and dealing with performance against contract, specifically – haulage-related breaches and other Terms and Conditions.

The evidence of annual review of the contracts and performance against them is not always summarised on the contract files. There is a risk that, without this information, contract management may be less effective. However, the need for this regular appraisal has already been identified by the timber Marketing Manager who is putting measures in place to address this gap.

Long Term Timber Contracts Agreed Action Plan

The agreed actions have been categorised according to the level of importance we attach to them. They are defined as:

HIGH (H)	The action addresses critical weaknesses that would result in serious risks and/or an unacceptable level of risk to the delivery of objectives.
MEDIUM (M)	The action addresses control weaknesses that carry a risk of undesirable effects in loss, exposure, poor value for money or missed business opportunities and benefits in the context of the delivery of objectives.
LOW (L)	The action addresses minor control weaknesses and/or areas that would benefit from the introduction of improved working practices in the context of the delivery of objectives.

Key Finding 1	<p>FCW Sales Strategy, later adopted by NRW</p> <p>In response to one of the objectives in the Welsh Government’s Woodland Strategy, FCW aimed to help Wales to develop longer term capacity to process/utilise timber and timber products. The intention was to encourage investment in infrastructure which would create a permanent market within the region.</p> <p>This strategy was reflected in FCW approach to marketing and sales and consequently, in some of the sales contracts. This approach was continued by NRW, albeit that NRW has now developed the subsequent 5 year Timber Marketing plan.</p> <p>We identified one large (approx. £18m over 12 years) NRW long term timber sales contract which stated “this agreement is conditioned upon the execution of the construction contract”. The construction referred to the building of a wood fuel burning energy plant (financed entirely by the company itself).</p> <p>The contract was awarded in 2006 via a tendering exercise which attracted a high level of interest. Availability of and investment in infrastructure (capacity and technology) was one of the scoring criteria for this contract.</p> <p>Legal advice was sought on the construction of the contract to ensure it was legally compliant, however, copy of the advice has not been retained.</p>
Risk	<p>Introducing additional conditions within the sales contract adds to complexity of the transaction and loads the risk of the contract performance onto NRW. If the condition is not met, there is a risk that NRW can terminate the contract – which is likely to be detrimental to NRW as well as to the company.</p>

Agreed Actions:	Priority	Action owner:	Target date:
<p>1</p> <ul style="list-style-type: none"> • NRW has already implemented a new marketing plan which reduces the use of LTCs. We no longer use LTCs to encourage investments in the timber processing sector. • The lessons from this review will be adopted in NRW's future enterprises. <p>Additional comment: With reference to the specific LTC, the investment has taken place and therefore the risk to the contract is low.</p>	M	Peter Garson, Head of Operations, South	Immediate

<p>Key Finding 2</p>	<p>Ring-fencing timber for sales to specific buyers</p> <p>There are 3 small (totalling approx. 48,000m³ timber to the value of £710k over a period of 5 years) contracts that were awarded to companies without going through a competitive tendering and sales process.</p> <p>This was because NRW agreed to ring-fence a small quantity of timber (we have been told it was around 3% of available timber) for sale to companies that were successful in obtaining a Wood Energy Business Scheme (WEBS) grant for investment in timber processing machinery, but who needed security of supply in order to make the investment. FCW's intention was to help to ensure that these government-encouraged investments succeed.</p> <p>Two of the three contracts were with the same company. All 3 will end in within the next 2 years.</p> <p>We have been told by the Head of Marketing that the sale was at market value, (using open market values for equivalent timber.)</p> <p>No contracts of this sort have been awarded since then by NRW as the practice of ring fencing stopped when the WEBS grant scheme closed.</p>			
<p>Risk</p>	<p>Although the sale was at market rate, this could be construed as preferential treatment.</p>			
<p>Agreed Actions:</p>		<p>Priority</p>	<p>Action owner:</p>	<p>Target date:</p>
<p>2</p>	<ul style="list-style-type: none"> Practices of ring-fencing should not be re-introduced. The lessons from this review will be adopted in NRW's future enterprises. 	<p>M</p>	<p>Peter Garson, Head of Operations, South</p>	<p>Immediate</p>

<p>Key Finding 3</p>	<p>Dealing with under and over sales</p> <p>Long term contracts consist of an overarching “parent” contract and the sub-parts relating to specific coups – so called “child” contracts.</p> <p>We note that each “child” contract has some variations between the quantities offered for sale and actuals. Generally, 25% variance on the “child” contract is accepted, but we identified that occasionally there are larger variances. These variations can be - over and above agreed sales, below that quantity, or no timber was collected at all.</p> <p>On LTCs, the variances on the individual “child” contract are monitored and subsequent coups adjusted. It is expected that, cumulatively, this would prevent large variances at the overall “parent” contract level. However this is not always the case. We noted that one contract is forecasted to achieve a lower sales volume (29% under) and one higher (20% over).</p> <p>In the event where the total quantity significantly exceeds that which was agreed, there were no formally agreed contract extensions or variations (with 2 minor exceptions).</p> <p>There could be variety of genuine reasons why the company could not collect timber. Where the timber remains unsold it is offered back to the market, unless there is a good reason why it is not appropriate (such as protected species nesting).</p>			
<p>Risk</p>	<p>If the actual amount sold significantly exceeds the one the company tendered for, then this might be seen as a way of securing extra sale without having to compete for it in an open market.</p> <p>When the contractor fails to collect the timber there is a risk that NRW might be financially disadvantaged, if there are costs associated with re-presenting timber back to the market.</p>			
<p>Agreed Actions:</p>		<p>Priority</p>	<p>Action owner:</p>	<p>Target date:</p>
<p>3</p>	<p>Ensure that the variations on “child” contracts are managed to minimise the cumulative effect on the “parent” contract level.</p>	<p>L</p>	<p>Ian Sachs, Head of Sales and Marketing</p>	<p>30 April 2017</p>

<p>Key Finding 4</p>	<p>Packaging up purchase of service into sales contract</p> <p>Where there is a big variation in the value of products, it is common to set different prices for each product within the LTC sale. Sometimes the lowest price products can have a “negative value”. This means that the company that has purchased timber (and carries out harvesting itself), is also harvesting other - not valuable - materials at the same time.</p> <p>The “negative value” occurs when the harvesting costs exceed the value of the product. Effectively, NRW pays the contract-holder to remove these products. The “negative value” products typically comprise at least 20% of the crop (mainly tips and dead-wood).</p> <p>NRW provides an incentive to the contract holder to remove all products, rather than just remove the higher value products and leave an excessive to clear amount of waste timber on site (where it would make replanting hazardous and expensive.)</p> <p>It is regarded by the management as impracticable and very expensive to remove the low value products as a separate operation. In addition, this clearing process is important in maintaining a clean and healthy estate.</p> <p>As the price for each product relies on a negotiation of working costs, it is difficult to demonstrate “market testing” of this, albeit the Sales Team have considerable experience of working costs and timber values from open market sales.</p> <p>The approximate value of the “negative sales” is £100k per annum, which represents around 15% of the value of the LTCs involved.</p> <p>Recent WAO review of another long term timber contract which included “negative sales” did not raise this as an issue.</p> <p>Finally, the Operations Business Systems Manager said that she was satisfied that the risk of company clearing valuable timber and charging for “negative value” products is being well managed through NRW’s timber security controls. This assertion was noted but not tested, as outside the scope for this review.</p>			
<p>Risk</p>	<p>There is a risk that NRW may not be paying a competitive rate to clear the low value materials.</p>			
<p>Agreed Actions:</p>		<p>Priority</p>	<p>Action owner:</p>	<p>Target date:</p>
<p>4</p>	<p>Review the “negative sales” periodically, or as part of contract reviews, to confirm that negotiated prices reflect market value.</p>	<p>L</p>	<p>Ian Sachs, Head of Sales and Marketing</p>	<p>30 April 2017</p>

<p>Key Finding 5</p>	<p>Maintaining information</p> <p>In order to provide good continuity of service, various information about day-to-day performance of contracts needs to be brought together and documented.</p> <p>This information currently exists in numerous forms (paper/electronic or personal knowledge) and locations.</p> <p>In particular, annual summary of contract performance, including any contract breaches and H&S infringements, needs to be documented to demonstrate that contract is performing well. Although we have been informed that this information is considered when contracts are being reviewed, this isn't clearly evidenced.</p> <p>In addition, some of the reports and management information relating to contracts are not dated, it can be unclear who produced them (NRW or the company) and lack context.</p>			
<p>Risk</p>	<p>Incomplete management information may impact on NRW's ability to assess contracts effectively and may lead to sub-optimal decisions (e.g. granting an extension where contract is underperforming).</p>			
<p>Agreed Actions:</p>		<p>Priority</p>	<p>Action owner:</p>	<p>Target date:</p>
<p>5</p>	<ul style="list-style-type: none"> Document each contact performance and carry out a formal annual review of each of them. Ensure that the management information is dated, the author is known and the context (i.e. in header/title) is apparent. 	<p>L</p>	<p>Ian Sachs, Head of Sales and Marketing</p>	<p>30 April 2017</p>

LIMITATIONS

We have prepared this report solely for the use of the Natural Resources Wales and its Accounting Officer following an audit conducted at a point in time and it was not written for any other purpose. Therefore, we take no responsibility for any reliance that a third party (i.e. other than the Natural Resources Wales) may place on it. Where this report has been made available to a third party, it is on the understanding that the third party will use the report only for the purpose agreed and will not distribute it or any of the information contained in it outside of the third party.

Agreed Terms of Reference

INTERNAL AUDIT ENGAGEMENT - TERMS OF REFERENCE

Long Term Timber contracts – Terms of Reference**Background**

The recent Wales Audit Office (WAO) review of one of NRW's long-term timber contract identified a number of shortcomings, whereby NRW weren't able to provide evidence to support the decisions and actions taken in letting and awarding the contract and appropriateness of the agreed terms and conditions.

Review Objective – Purpose

The purpose of this assignment is to assess and provide reasonable assurance to the Accounting Officer and management that appropriate and sufficient evidence exists to support the other NRW long-term timber sale contracts and that the contracts were drafted and awarded in accordance with NRW policies procedures. In addition, we will review whether an audit trail of decision-making process exists.

Business Objectives (of Activity)

Timber sales contract are an essential source of income for NRW. In 2015/16 this amounted to £16.5m. In addition, harvesting timber is an essential part of our management of the Welsh Government Woodland Estate.

Review Scope (What we look at)

We will examine long term timber sales contracts and evidence to support decisions made that led to letting/awarding the contracts.

We will look at:

- NRW understanding of the current (at the time) market conditions for timber,
- The process of identifying the sales marketing options to optimise the outcomes,
- The documentation around marketing the sales
- The oversight of the shortlisting and selection of the contractors,
- Controls around contract negotiations and contract award process,
- Management oversight, escalation and consultations on the sales process (i.e. what controls/processes existed to help to identify contentious, novel, repercussive or state aid issues).

Outside scope (What we won't look at)

- We will not look at whether the contracts represented value for money.

Business Risks (Factors which would impact on the achievement of the activity objectives)

- If NRW cannot demonstrate that the contracts have been let following a competitive process, then we can be exposed to the risk of challenge from WAO, Welsh Government or the market.

- If we are unable to demonstrate that we have safeguarded NRW against the risk of state aid or that we have given adequate consideration to issues that can be seen as novel, contentious or repercussive, we might be challenged on validity and probity of our decision making.

Audit approach (How we will do it)

As with all of our audit work, we will adopt a risk-based approach where possible. Files, records and other forms of evidence will be examined, both manual and electronic, and relevant staff will be interviewed to identify and assess risks, document systems and evaluate controls.

By reference to documentation and consultation with staff we will determine what controls have been established to help ensure that risks are managed appropriately. We will then assess both the adequacy of the design and the effectiveness of these controls.

Following our initial evaluation, appropriate testing will be undertaken as considered necessary to establish the adequacy of management controls and whether they have been implemented an embedded effectively across the organisation.

Any emerging thoughts will be discussed with management during the audit. At the end of fieldwork, an exit meeting will be held to present our findings, confirm factual accuracy and agree corrective actions. Following this meeting, a draft report will be issued for final comments prior to issuing the final report.

Contacts

Assignment Sponsor	Emyr Roberts, Chief Executive
Assignment contacts	Peter Garson – Head of Operational Service South Jerry Pritchard – Head of Marketing Ian Sachs - Head of Harvesting Claire Evans - Harvesting Team -Operational Business Systems Manager
Report Distribution (to be confirmed)	Emyr Roberts - Chief Executive Peter Garson – Head of Operational Service South Kevin Ingram – Executive Director for Finance and Corporate Services David Cavell – Head of Legal Members of the Audit and Risk Assurance Committee Wales Audit Office




Proposed timetable of events is (provisional dates)*

Draft report date	April 2017
Response from Management	April 2017
Final report	May 2017

*: Dates are indicative. The planning, scope, approach and timetable for this audit may change in the light of preliminary findings. We will advise you of any significant changes to the timetable.

Agreed by Audit	Dorota Lee, IA Manager (HIA)	Date: 10/03/2017
Agreed by Audit client	Emyr Roberts, Chief Executive	Date: 10/03/ 2017

Overall Opinion Key

Coverage	Core Definitions for Annual and Engagement Opinions	Optional RAG	Factors influencing choice of opinion
Governance, risk management and control framework Assurance Opinion on mitigating controls over the risk to the delivery of objectives	Substantial The framework of governance, risk management and control is adequate and effective.	Green 	<ul style="list-style-type: none"> • Adequacy and Effectiveness of the governance, risk management and control framework • Impact of any weakness on delivery of objectives • Extent of risk exposure • Materiality: by value to the entity, by value in the engagement context and by nature (e.g. irregularity and reputational risk) • We may also take account of Management responses to recommendations/ management actions
	Moderate Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.	Yellow 	
	Limited There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.	Amber 	
	Unsatisfactory There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.	Red 