

Mr Mark Reckless AM
Chair, Climate Change & Rural Affairs Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

3 January 2017

Dear Mark,

REQUEST FOR FURTHER INFORMATION FOLLOWING THE NRW SCRUTINY SESSION

Thank you for your letter of 2 December 2016 (received 9 December). You asked for further information on some issues, and I set this out below.

Business Case Savings

To ensure that we measure business case benefits accurately and in line with good practice we have developed an NRW Benefits Realisation Plan. This sets out a clear methodology as to how we measure both cash and non-cash benefits, and I have included a relevant extract as an annex to this letter. This Plan was reviewed as part of the Auditor General Wales report 'The development of NRW'.

As you recognise in your letter, in many cases there is a relationship between the profile of cash savings and the realisation of non-cash benefits. In the first years of NRW we have focussed initially on the separation of services from legacy organisations in order to develop our standalone capability. This has helped to realise the majority of cash benefits that were identified in the business case. Creating our standalone capability gives NRW more control of our activities and enables us to put in place changes to processes and ways of working that will generate non-cash benefits.

The achievement of non-cash benefits has been affected by constraints on resources as some of the cash savings generated have been used to manage reductions in WG funding. These were not anticipated in the business case which had the aim to reinvest these savings to build NRW capacity and to achieve standalone capability quicker.

We will continue our work of business improvement, but as pointed out in the 'Development of NRW' report it is increasingly difficult to attribute benefits from the creation of NRW as compared to activities required to address funding pressures.

The condition of Marine, terrestrial and freshwater Natura 2000 sites

In terms of comparisons between Wales, England and Scotland, both Natural England and Scottish Natural Heritage (SNH) have similar 95% targets for SSSI condition. Natural England's target was for more than 95% of its SSSIs (by area) to be in favourable or unfavourable recovering condition by 2010, which they state they have achieved. SNH adopted a similar target of at least 95% of features to be in favourable condition (again including those which are unfavourable recovering) and this year reported that 80.4% had achieved that target. In fact the bulk of the SSSI land in England is unfavourable recovering rather than currently favourable, and a smaller but still significant proportion of the SSSI features in Scotland are recovering but not yet favourable.

In Wales we adopted a different methodology to measure 'condition' of sites:

1. "Outcome" indicators based on the proportion of features in Favourable or Recovering Condition, as assessed under JNCC Common Standards Monitoring. This is a measure of real outcomes on the sites and may respond slowly to site actions.
2. "Output" indicators will be based on the proportion of land and sea area under 'Appropriate Conservation Management'. This is land and sea that has all necessary actions implemented or in place, such that NRW predicts, using expert judgement and available evidence, that the relevant features supported by that land or sea area will be in Favourable or Recovering Condition. This is a measure of 'outputs' and the completion of actions will be recorded as they happen giving an immediate measure of progress.

The methodology used to measure condition of sites in England and Scotland is therefore different to that used in Wales, and the statistics are not directly comparable.

In terms our role in improving and maintaining the condition of protected sites, NRW has a statutory duty to notify SSSIs to protect Wales' rarest habitats and species, and the best examples of our natural biodiversity and geo-diversity.

Achieving or maintaining appropriate conservation management in the longer term, on sites owned and managed by a diverse range of owners, occupiers and organisations, requires consultation and ongoing dialogue with NRW on proposed operations. NRW officers from our locally based teams visit sites to assess condition and to discuss management practices and sources of funding with owners and occupiers. In some

circumstances we can offer to enter into a management agreement where a management plan for the site is developed and agreed. Owners and occupiers can also enter into Glastir which provides financial support to carry out management which is compatible with protection and/or restoration.

NRW is developing a programme focused on embedding sustainable natural resource management into all of its work, including reviewing the contribution of protected sites to the ecosystem approach and natural resource management.

The Special Sites Programme is NRW's high level 'plan'. It identifies the conservation management issues and actions required on all management units across all SSSIs in Wales, including land directly managed by NRW (Welsh Government Woodland Estate and National Nature Reserves) and sites managed by all other owners and occupiers. This data is used to prioritise how the NRW budgets are spent, to inform NRW annual work programmes, and to inform forward planning. We work with individual landowners and land owning organisations to share information on conservation management issues advising, and guiding their priorities.

Conservation management issues arising on the protected sites within the Welsh Government Woodland Estate manage are identified and addressed by NRW through the Forest Resource Plan process. Management plans for National Nature Reserves are reviewed annually. Not surprisingly, the condition of habitats and species on National Nature Reserves is relatively better than the statistics for Wales overall, with 75% of features in favourable or recovering condition.

The data on SSSIs which are of international importance (Natura 2000 and Ramsar sites) has been analysed to inform Prioritised Improvement Plans, Thematic Action Plans and the Prioritised Action Framework (PAF). These documents inform decision making on the priorities going forward, and guide optimal use of funds, for example the NRW management agreement budget, Welsh Government grant schemes (Sustainable Management Scheme), and NRW or NGO applications to the EU LIFE fund.

The State of Natural Resources Report (SoNaRR)

We are pleased to confirm that we will be engaging with our stakeholders in the production of the next version of SoNaRR. We have already been promoting the findings of our current report through a series of presentations and workshop events on how we best co-produce our Area Statements. We will also be holding a "lessons learnt" exercise on the production of the first SoNaRR with our stakeholders early in the New Year.

I hope that this answers your questions; please do not hesitate to contact me if you would like any further information.

I am copying this letter to our Chair and to the Cabinet Secretary for Environment and Rural Affairs.

With best wishes,

A handwritten signature in black ink that reads "Emyr Roberts". The signature is written in a cursive style with a large, stylized 'R'.

Emyr Roberts

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

Annex 1 – Methodology for the measurement of non-cash benefits

Extract from NRW Benefits Realisation Plan

In the context of the Business Case investment aims, 'benefits' are the improvements that we can attribute to the creation of Natural Resources Wales. In planning and claiming benefits, we need to ask "Could we have achieved this without Natural Resources Wales?" Broadly, the changes that enable benefits are:

- Integration of functions and remits to deliver using new approaches and in a joined up way. Breaking down physical and cultural barriers by having staff in the same organisation.
- We can focus on Welsh priorities and solutions that work best for Wales and our customers.
- Bringing work into Wales that used to be carried out in England and Scotland.
- Delivering 3 into 1 economies of scale.
- The freedom to streamline our systems and work processes without the constraints associated with the much larger Environment Agency and Forestry Commission or the complexities that had developed in the legacy bodies.

A sound rationale and a relatively small set of rules will ensure that we are claiming benefits that relate to the Business Case in ways that avoid double-counting.

Types of benefit

The accounting requires a broad categorisation of benefits, with collection and documentation tailored the type of benefit. A benefit may have up to four broad aspects to it:

- **Cash realisable savings** - Where we save money, including staff costs.
- **Non-cash realisable savings** - Where we save staff time that is kept within the organisation. Its value is the cost of the staff time that we are able to redeploy on more productive work.
- **Quantitative improvements** - We can measure a quantitative improvement, for example a faster service or better results.
- **Qualitative improvements** - There are many other improvements that we can describe, with evidence, but cannot measure quantitatively.

Tracking Benefits

We have a framework of documents and processes that we are using to manage and report on benefits. This is comprised of a Benefit Plan and Record for every benefit that we have been able to identify and these are compiled into a central Benefits Register. This summarises the changes and the benefits under the categories of Customers, Better Outcomes, Delivery for Wales and Value for Money.

Baselines

The financial baseline is established in the Business Case and is a forecast of what the unchanged situation would have cost in 2013/14. Other baselines must be from 2012/13 position (i.e. prior to setup), unless:

- Performance was being impacted by the start of changes during that year, in which case the baseline should be 2011/12.
- It is clear that the process or procedure was unchanged in 13/14, in which case that year may be used as the baseline.

Measuring cash benefits

We are measuring cash benefits in broad categories in the 'cash and non-cash savings table' for which we can obtain reliable information and avoid double counting. We are able to relate these the Business Case categories of staff costs, non-staff costs, parent body payments and capital.

Staff cost savings:

We are accounting for the staff cost savings at an overall organisation level, so we can be certain that we are using an accurate figure without risking overlap between individual change initiatives. We are also recording where we have reduced staff costs to understand the impact of individual interventions. However, we are not attempting to build a bottom up view by summing the savings from individual interventions. This staff cost figure is the direct employment costs comprising salary, National Insurance and employer's pension contributions only.

Reduced payments to the Environment Agency and Forestry Commission:

Reductions in payments for non-ICT services as wholly cash realisable. Although we may start deploying resources to run such services within Natural Resources Wales, those resources come from within the overall budget of Natural Resources Wales and are not additional.

Other non-staff running cost savings:

We are using a bottom up approach to accounting for non-staff running costs, excluding ICT service costs. By avoiding double counting of budgets impacted by change interventions, we ensure that the savings identified are mutually exclusive and sum to give the overall non-staff cash realisable benefit.

Non-cash realisable benefit savings:

The main non-cash realisable benefit is greater productivity. Productivity is the amount of work per FTE. An increase in the work rate per FTE is a non-cash realisable productivity benefit. We are valuing increased productivity as “the difference between the cost of doing the work after the change intervention and what it would cost to do the same amount of work prior to the change”.

We are also able to place a value on some other non-cash realisable benefits. If we are able to stop a process required by FC or EA that we do not need in Wales, we are freeing up staff time for other work. A good example is a different approach to time recording. We are also able to value our ability to increase our capacity to cover duties or one off tasks. A good example anticipated by the Business Case is our ability to increase the number of people on rotas for incident response from a bigger pool of operations staff; we have valued this as the cost of the additional staff while they are on duty.