

Alun Ffred Jones AC  
Chair of the Environment and Sustainability  
Committee,  
National Assembly for Wales,  
Cardiff Bay,  
Cardiff  
CF99 1NA

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Annwyl Alun,

## **NATURAL RESOURCES WALES ANNUAL SCRUTINY 2015**

Thank you for your letter of 14 July.

Before addressing the substantive points in your letter, I would like to comment on the scrutiny process which was adopted for the NRW Annual Scrutiny 2015.

A different process was introduced this year and a 'public consultation' carried out on NRW. In practice this amounted to asking for people's opinions on NRW, rather than on our actual performance.

While we have no objection to this kind of exercise, to obtain a true picture of an organisation it should be balanced by a more objective assessment of what has actually been achieved against the objectives and targets that have been set for the body. We are disappointed that no objective assessment was carried out whatsoever of our performance – indeed the Chairman and I were not asked a single question about our performance against our targets during the scrutiny session on 6<sup>th</sup> May 2015. It seems to us that the scrutiny process this year was based entirely on others' perceptions of NRW, rather than being grounded in fact.

In terms of perceptions, the way in which the consultation was carried out inevitably meant that it was the more critical of our stakeholders who responded. A more objective consultation would have been structured around all our stakeholders, and not just those who chose to respond. We would contrast the Committee's approach with that of the Business Regulation Delivery Office (BRDO) which also recently consulted NRW's stakeholders, but who did it in a systematic way and were able to draw well-evidenced conclusions from a variety of views<sup>1</sup>.

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<sup>1</sup> [A Review of Natural Resources Wales against the Principles of Good Regulation, June 2015](#)

The process was compounded by the way in which the Committee chose to select those to give evidence, drawing heavily from the environmental NGOs rather than from other sectors. The Committee then chose to select negative comments from those who gave evidence, many of which were unsubstantiated.

In total, the whole consultation process was unbalanced and selective, and we do not believe gave an accurate picture of stakeholders' views of NRW.

We believe that the scrutiny process this year was deeply flawed and this has been a source of frustration to our stakeholders, Board and staff, many of whom felt that we were not given the opportunity to present a more balanced view of our progress.

We would respectfully suggest to the Committee that the scrutiny process should be reviewed for future years and we will gladly engage with the Committee secretariat if asked.

You may wish to note that we will be producing our own analysis of our first two years, while our performance for 2014-15 will be covered in our Annual Report, which will be published shortly.

Notwithstanding the flaws in the process, the comments received were helpful in understanding the views of some of our stakeholders and we are responding positively to those perceptions, as I outline below.

Turning to the points in your letter:

**General** – we do not agree with the Committee's comment that we are not clear about our purpose. We are perfectly clear and this is spelled out in our many plans and reports. We are a unique organisation with an exciting new remit and it takes time to embed these new concepts both internally and externally. The staff survey did pick up some uncertainty about our purpose and objectives among a minority of staff (22% and 25% respectively) – we recognise this and we have a programme of work to explain and embed our approach to natural resource management, both with our staff and external partners.

**Communication with staff** – As the transcript shows, Professor Matthews did not use the phrase 'rock bottom'. The Chairman's comment was that the survey was undertaken at a time when large numbers of staff were unsettled by the change process. In terms of line management, as I explained at the Committee, we have undergone a wholesale restructuring of our staff structure to bring them in line with our purpose and ways of working. This involved talking with staff and identifying options so that we arrived at the best configuration. It was important to get this right, and not to rush into things. We then recruited internally into the new posts in an open and transparent manner. This process was completed in March/April this year, and for many of our operational teams the structures were not settled at the time of the staff survey.

In the past year we have invested significantly in our internal communications and we are continually looking for ways to improve - for instance we are now using

Yammer as a means of staff talking to each other about their work, and this is proving extremely successful.

**Skills** – there is no evidence whatsoever that the voluntary exit schemes have had a disproportionate effect on our nature conservation, fisheries and forestry functions. The VES programmes were carefully planned and run so that we considered our skills needs against the staff who applied for voluntary exit, and we are confident that we have retained sufficient capacity in key areas within the organisation.

**Consistency of advice and customer support** – we are rather puzzled at the contention that many long-established contacts have been lost and that it is difficult to contact NRW, as many of our staff and teams have remained in place since vesting and any changes in contact details are notified to those concerned. Nevertheless, it is of concern to us that this is being raised by stakeholders. We will get in touch with those stakeholders who have responded and ensure that they have appropriate contacts within NRW.

On fisheries issues, we consulted widely on our decision to close hatcheries, but we accept that liaison could be improved with angling groups. Specifically, we are instigating workshops to discuss future proposals this autumn.

In terms of planning and permitting advice, we are committed to delivering an effective and efficient National Planning Service and to work with developers and the relevant decision maker (Local Planning Authority, Welsh Government, Minister or DECC) to provide evidence and advice to conserve and enhance the environment and natural resources of Wales whilst enabling development in the right place, and contributing to the economic and social wellbeing of Wales.

The Board paper of December 2013 referred to in your letter was commissioned to address issues identified by stakeholders and NRW staff based on an analysis of staff experience in the first 6 months of NRW's existence. Things have moved on considerably since then, and it is grossly unfair to keep repeating these comments when our planning service has developed so much, as detailed below.

The Board has endorsed and agreed NRW's Strategic Objectives on Planning' which subsequently informed and underpinned our work in establishing our National Planning Service. This work has included:

- The development of a case-management IT system.
- Organisational change and the establishment of planning teams in North and Mid Wales and South Operations.
- The establishment of a national governance framework, the Development Planning Advice Service Board, to coordinate a national service delivered within local teams. This provides a mechanism to help ensure consistent delivery and advice on the ground.
- Training to ensure that all staff involved in the delivery of our National Planning Service have a common understanding of our strategic objectives on planning, our service standards and priorities.
- A review of process and guidance including publishing our standards of service 'Development Planning Advice Service Statement for Delivery', and a review and publication of a clearer statement of priorities for our input to

planning proposals 'NRW and Planning Consultations'. This review of our prioritisation list aims to focus on those applications which by location, size or type have the potential for the most significant impact and those which reflect our statutory responsibilities. This does not mean that we will not be providing advice to decision makers on issues not reflected in the statement of priorities. We will continue to provide evidence and advice in relation to Local Development Plans (and Strategic Development Plans in due course) and will provide standing advice and guidance to help inform the local authority decision making process [e.g. bats, single wind turbines].

We are currently reviewing the response categories which are used in responding to development planning applications. These categories were initially developed alongside local planning authority officers to ensure that the advice provided, and intention, was clear. We believe that the categories we use are well understood. However, based on the evidence presented to and in light of new duties on NRW brought in by the Planning (Wales) Act, we are reviewing the categories.

We are also investigating options to best assess how our advice is being received, how effective it is, and how our customers view our advice and service to enable further improvement.

We acknowledge that we need to do more to work with our stakeholders to better communicate our service improvement and will reinvigorate liaison arrangements with our customers. We are also exploring options for undertaking a customer service survey to undertake quantitative and qualitative assessment of our planning service.

More generally on relationships with our stakeholders, we are redoubling our efforts to improve communication with some of them, in the light of the Committee's comments. We already have strong and thriving relationships with most of our stakeholders.

**Approach to third sector and grants processes** – while we do not necessarily agree with comments about our relationships with the third sector, we will strengthen our dialogue with them to ensure that there is good communication and understanding between us.

Our partnership work is not always simply a case of a financial contribution as we often work on projects with partners where our time and expertise are our main contributions. We are currently working on setting out clearly what we mean in terms of the language we use around our interaction with partners, partnerships, customers, stakeholders, grant applicants etc in order to give absolute clarity. Specifically you refer to the letter received from Rachel Sharp, Wildlife Trusts Wales; we have already met WTW to address these concerns and will arrange further liaison meetings.

NRW is committed to properly supporting applicants in future grant rounds and we trust that our detailed responses set out below sufficiently reflects and demonstrates this and gives you the ability to test it against the experience of stakeholders in the coming years.

The grant scheme that was launched last July was done in the knowledge that the timescales were extremely tight. We considered the risks around delaying any scheme and made the decision to proceed with a three year scheme, with a funding round in year one for project applications up to three years with a subsequent round in year two for project applications up to two years. This meant that we would have the capacity to reflect on lessons learned and work up the detail of any future grant schemes.

#### Specific Issues – Guidance, Timescales and Timeliness

For round one, we recognise that there were areas where we could have provided clearer guidance, that the timescales were very tight, and the numbers of applications and the different categories of them made the assessment stage more onerous and lengthy.

Taking into account our experience and to support applicants, our guidance for round two has provided clarity around what is eligible; it refers to the standard of detail required in applications and it includes the scoring criteria in order to assist organisations to focus where the emphasis of their applications should be. We have produced, and will be updating, a Frequently Asked Questions document so that applicants are kept as well informed as possible. We have also prepared more guidance on our website, including a document on financial guidance, and we anticipate that this will greatly limit any misunderstanding around costs.

For the new funding round, we've established clear priorities linked to specific themes and a timeframe for return of applications. We introduced a digital launch in order to engage people quickly and earlier in the cycle, and to enable work to start at the earliest opportunity. We have also signposted potential applicants to key contact officers in order to advise on their specific proposals.

#### Specific Issues – 7% Cap

You raised concerns around the capping of overhead costs at 7% and that this made projects unsustainable for NGOs. The 7% cap was introduced in a context of competitive funding. Many organisations quoted very high overheads and, in the interest of fairness, we considered that there was a need to have a consistent overhead rate amongst grant recipients. In a climate of limited public funds, all proposals have to be considered in terms of value for money. Funding one project with high overheads means that another project will not get funding. It is appropriate to fund those organisations that have reasonable overheads and offer best value.

We acknowledge that the Welsh Government's Code of Good Practice in funding NGOs is guidance that we should work towards adopting, and we will be considering those relevant elements for our next funding scheme. Our experience to date of the cap is that in working with applicants to re-profile their applications, many of the costs initially categorised as overheads were eligible as project costs. No applicant has withdrawn its project or proposal as a result of our approach and, whilst we feel that this has been learning for us, we are of a view that we have achieved a better level of value for money by instigating the cap.

For the new round we have stated that the overheads limit is 7% - there should therefore be no need for applicants to rework their costings after approval. As

explained above, we're setting this cap in the interests of transparency, equity and the best way of spreading a limited grants budget as far as possible.

#### Specific Issues – Delays, Late Payments and Administrative Processes

We accept that the process last time was not as streamlined as we would have liked. We are taking the following steps to address these issues:

- The financial guidance on the website gives comprehensive information on what is required, which should make it less likely that financial information is forgotten when submitting an application.
- We do not anticipate making many offers of partial funding, which caused delays last time because project activity had to be “re-costed”.
- In this round the overheads have been fixed at 7% at the beginning. This too will avoid the need for re-costing.
- To avoid bottlenecks at the end of the financial year, we will seek to send out offer letters sooner to avoid overlap with this busy period.

On the late payment of grant invoices, we consider that this related to previous grant schemes and that the timing of the final claims coincided with the introduction of the new NRW finance system. We acknowledge that there were some unforeseen delays, but that this should not be the case in future now that systems and processes have been established.

You have asked us to consider whether our administrative processes in respect of grants are overly burdensome. We are currently instigating a review involving our business improvement team to see whether there are improvements that can be made which would improve the process. The grant schemes that were inherited from the legacy bodies were subject to an internal audit and we are building the report's recommendations into future processes. This process is being overseen by NRW's Audit, Risk and Assurance Committee.

**Transparency** – NRW responds to around 7,000 development planning consultations annually; in light of the high number of consultation responses submitted by us, we do not currently consider it feasible to publish all of our development planning consultations. We understand that most of our consultation responses to planning applications are published on the websites of local planning authorities, and all representations made by us to the Planning Inspectorate on national infrastructure projects can be viewed on their website.

When responding to a planning consultation, we set out our view of the considered scheme, and provide reasons to explain our advice to the determining authority/ developer. We therefore believe that the advice we provide to any development planning consultation is transparent.

We do not believe that it is necessary to publish all correspondence between NRW and Welsh Government on environmental evidence, but would be happy to receive any request for a particular piece of evidence.

Your letter again raises the closeness of NRW to Welsh Government. I believe that I have clearly explained our position on several occasions to the Committee.

Specifically on the Circuit of Wales scheme, I wish to again make clear that we did not change our position or advice. NRW objected to the outline planning application in June 2014 and sustained this position on 10 July 2014 when Blaenau Gwent County Borough Council's full Committee approved the scheme. We have therefore consistently raised our concerns on the impact this development could have on the environment (loss of valuable habitat, landscape impact and loss of peat).

However, the Town & Country planning process is iterative. What changed was the degree of information and commitments NRW received from the developer during the planning process immediately following the Local Authority's decision. This included compensatory habitat management, mitigation of the peat loss, and a landscape led approach to this scheme's design. This enabled us to respond to Welsh Government's consultation that we did not believe it necessary to call-in the development. These commitments are now captured in a revised S106 planning agreement, making them a legal requirement on the developer. We remain confident that the mitigation now agreed largely addresses the concerns we raised given the scheme now has outline planning permission.

We have given similarly robust advice to the Planning Inspectorate's Common Land Act Public Inquiry which was established to address the loss of common land arising from the scheme and need to replace this common land with land of equal value nearby. We await Welsh Government Ministers' decision on this Inquiry.

**Business Case** - the latest assessment was undertaken in January 2015 and is summarised in the table below. The benefits quoted are cash releasing only.

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Benefits		-1,031	3,891	10,651	14,118	14,891	16,900	17,067	16,925	17,166	17,179	127,757
Costs	-12,441	-11,754	-15,300	-8,845	-5,163	-2,692	-2,200	-2,200	-2,200	-2,200	-2,200	-67,195
Net	-12,441	-12,785	-11,409	1,805	8,955	12,199	14,700	14,867	14,725	14,966	14,979	60,561
Net Present Value	-12,441	-12,353	-10,650	1,628	7,804	10,272	11,958	11,685	11,182	10,981	10,619	40,685

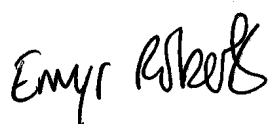
The cost profile has altered with the costs of transition and transformation being spread over a longer timeframe than originally planned. This has therefore impacted on the Benefits profile. We intend to update the Benefits forecast later this summer. We remain on target to meet the benefits set out by Welsh Government.

**Predecessor bodies** – the comments made by Professor Matthews at the Committee were provided in good faith, and reflected views which were made to him by various staff members from the previous bodies. We note Mr Thomas's letter and have no wish to comment further.

We appreciate the comments made by the Committee about the high levels of professionalism, knowledge, expertise and commitments displayed by NRW staff on a daily basis.

I trust that this answers the points made in your letter.

Yn gywir,



**Emyr Roberts**

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

cc Carl Sargeant AM, Minister for Natural Resources