Creation of Natural Resources Wales – realising the Business Case benefits

Niall Reynolds and Richard Ninnes

Version Final – 17 July 2017

Contents

Executive Summary

Natural Resources Wales (NRW) was created in 2013 to radically change the approach to sustainably managing the environment and natural resources of Wales. Our published Statement of Wellbeing Objectives sets out NRW's objectives in pursuit of the Welsh Government's policies for the environment, economy and quality of life. Our vision is to be "proud to be leading the way to a better future for Wales by managing the environment and natural resources sustainably".

This document reports on the benefits realised from the creation of Natural Resources Wales. It compares actual benefits with the Welsh Government's 2011 Business Case that identified ways in which a new organisation would achieve better outcomes, better delivery for Wales and better value for money.

This final benefits report follows the Welsh Audit Office (WAO) report in February 2016 that concluded 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". It also noted that "NRW had made good progress towards achieving the financial savings intended from its creation" and "had learned from progress made and challenges faced". As recommended in the WAO report, we have agreed with Welsh Government to finalise benefits reporting after our 4th year, recognising the increasingly difficult task of reporting benefits alongside changes made in response to reducing budgets.

Since the WAO's report, we have maintained our core functions and made significant steps in fulfilling our new purposes, for example publishing the State of Natural Resources Report, being active partners on Public Service Boards, and adopting new collaborative ways of working in the lead up to preparing Area Statements.

We have established NRW as a standalone, integrated organisation that has started to deliver better outcomes. Although there is still a lot of work to fully realise NRW's potential, we have already delivered all the changes necessary to achieve the qualitative and quantitative benefits required by the Business Case.

By the end of March 2017 we had made changes that will accumulate £141m of cash realisable benefits by 2022/23, compared with the £127m Business Case target. A further set of productivity improvements in place by the end of March 2017 will accumulate £30m of non-cash realisable benefits by 2022/23, compared with the £31m Business Case target. The total of £171m combined cash and non-cash realisable benefit compares with the Business Case's target of £158m.

Although the actual cost of creating NRW was £78m instead of the Business Case estimate of £69m, the extra cost is more than offset by the extra £14m of cash-realisable benefit.

This has been achieved against a backdrop of decreasing Grant in Aid for NRW from Welsh Government, and the benefits realised have helped to mitigate the impact of the reduction in funding.

1.   Introduction

Welsh Government established Natural Resources Wales (NRW) in April 2013 as part of its plan to radically change and enhance the approach to the sustainable management of Wales' natural resources. The Business Case for creating NRW identified strategic, operational and financial benefits that would lead to better outcomes, better alignment with the needs of Wales and better value for money.

This document reviews the benefits realised after the first 4 years, to the end of March 2017. It considers our successes and the challenges we have faced in terms of NRW's impact in Wales, our ways of working, our service to customers, and the resources we have saved by creating a single body instead of the 3 legacy bodies. In broad terms, it addresses the questions "is NRW is delivering as envisaged?", "is it achieving its purpose?" and "has NRW saved the money predicted by the Business Case?".

NRW has moved through several phases of development since the Living Wales Programme created the new body from the Countryside Council for Wales (CCW), the Forestry Commission Wales (FCW) and the Environment Agency Wales (EAW). We initially created our foundation for delivery, establishing a standalone organisation with its own systems and unified terms and conditions for staff. This was reported fully in our report called "*Creating the Foundation for Delivery – Transition Report*" published in November 2015.

Since then, we have developed our Organisational Development Roadmap (Annex 1) and worked to unlock the potential of NRW using the combined expertise of our staff and changing the way we work in response to the Well-being of Future Generations (Wales) Act 2015, the Environment (Wales) Act 2016 and the Planning (Wales) Act 2016. We are now fulfilling our new roles under those Acts and are working to fully embed the principles of sustainable management of natural resources into all of our work.

Our immediate overriding priorities were business continuity, delivering the Welsh Government's priorities in our first Remit Letter, achieving standalone capability, and delivering savings to ensure the change was affordable. We were managing significant risks, including those identified in the Business Case of negative stakeholder response, lack of common purpose, adverse impact on staff and organisation performance, loss of organisational skills, and disruption to cross border working arrangements.

The Welsh Audit Office's report in February 2016 concluded that "NRW adopted a sound and well-structure 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". As noted by the Wales Audit Office "NRW faces significant challenges from funding pressures combined with the need to realise existing savings commitments and deliver new or enhanced responsibilities. Responding to these multiple pressures will require NRW to have an integrated approach to all aspects of its activities."

The WAO recommended that NRW and Welsh Government should agree an appropriate approach to monitoring and reporting benefits in the context of wider action taken by NRW in response to budgetary pressures. We have agreed with Welsh Government that we will provide this final report as an assessment of the Business Case benefits realised to date in order that they can be confident that we will have achieved what was expected and that the ongoing benefit reporting process can cease.

2. The Business Case for Natural Resources Wales

The primary objective of this change was to improve the delivery of natural resource management in Wales. The Business Case identified 3 broad investment aims and provided some illustrations of the ways in which NRW would work to deliver against these aims (Table 1):

- Better Outcomes - for the environment, for people and for business;

- Better Delivery for Wales – A strategic fit with Welsh Government policies and our future environmental needs;

- Value for money – being affordable and maximising longer term productivity and cost savings.

Table 1. Summary benefits against investment aims

Investment Aim	Benefits of change
Delivering Better outcomes	Common collective purpose. One set of Priorities – new focus for delivering ecosystem services and outcomes
	Better equipped to deliver an integrated ecosystems approach. Synergies – can do things better with a pooled skill set and powers.
	Better resilience – improved emergency response, more resilient teams, more resilient organisation.
	Streamlined regulation for regulated customers, single point of contact and response for planning bodies. Integrated, consistent and efficient business systems.
	Simplicity for the public, more capacity and influence with Local Authorities and Stakeholders through speaking with one voice.
	More constructive resolution of conflicting views of the same environmental evidence base.
	Think show and do in one body – reality check for policy and science
	Streamlining – can simplify many processes and policies without wider organisational constraints
Delivering Better for Wales	Better able to deliver priorities for the Welsh Government
	Delivery for Wales in Wales – more direct local accountability, fleet of foot, increased flexibility that understanding and promotes Welsh heritage and the Welsh language. Fits with Wales, national identity, reflect the positive environmental characteristics of Wales.
	Change in approach / new ways of working – can simplify and do things at a level appropriate for Wales.

Investment Aim	Benefits of change
	Better policy capacity in Wales and integrated technical advice to Welsh Government and others.
	More diverse career paths and opportunities for staff working within Wales (requiring potential loss of parent body opportunities).
Delivering value for Money	More for ecosystem services - remove duplicate (triplicate) activity – frees up substantial resources for front line work. Invest more in outcomes (ecosystem services).
	Reduced costs for business, Local Government and others such as agriculture.
	Consolidated Research/ Evidence/ Monitoring; increased influence with science community.
	Simplified processes which reflect Welsh needs

The Business Case forecasted an economic benefit of £158m over 10 years. It estimated about 50% of the benefit would come from reducing dependence on the Forestry Commission (FCGB) and Environment Agency (EA). The rest was to come mainly from rationalising common corporate activities and by building systems and processes that are more efficient. The Business Case estimated that most of the economic benefit would be cash realisable (£127m), but a proportion would come from non-cash realisable improvements in productivity (£31m). The business case anticipated that savings would be reinvested into improving outcomes for Wales.

The Business Case provided an initial profile of when savings would emerge over the first 10 years of NRW. Following a decision to speed up the transition away from EA and FCGB, the Welsh Government refined this forecast in July 2013 to create a 'Revised Business Case' profile as shown in Table 2.

The Business Case also indicated that there would be costs of around £69m required to create NRW.

Table 2: revised benefits targets

Benefits £m	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	10 Year total
Cash Realisable	-2.7	7.7	13.0	13.9	14.7	15.6	16.1	16.1	16.1	16.8	127.1
Non-cash Realisable	1.8	2.8	2.9	2.7	3.4	3.4	3.4	3.4	3.4	3.4	30.9
Combined	-0.9	10.5	15.9	16.6	18.2	19.0	19.5	19.5	19.5	20.2	158.0

3.   Benefits Realisation Planning

We integrated benefits planning and reporting into our corporate and business planning processes, recognising that the full benefit of Natural Resources Wales depends on how we use our new capabilities to achieve better outcomes for Wales. We used transition and transformation programmes to plan and manage the changes needed to establish NRW's independent capabilities and transform the way NRW works. This work included a

comprehensive review of every part of NRW's business, looking at their fit to NRW's purpose as an enabling and influencing organisation, and at potential for more effective delivery models.

We established a framework for recording benefits arising from individual changes, as detailed in our Benefits Realisation Plan and summarised in Figure 2 below. The benefits register is at the centre of the framework, capturing examples of planned benefits and outcomes that we can attribute to the creation of Natural Resources Wales, for example owing to:

- 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.
- A new ability to 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.

The register captures examples of how NRW has changed in the ways envisaged by the Business Case. It includes significant benefits and examples of smaller changes that illustrate how NRW has been able to work differently. It is not an exhaustive record of all the changes, achievements and efficiencies.

Figure 2. Benefits Framework
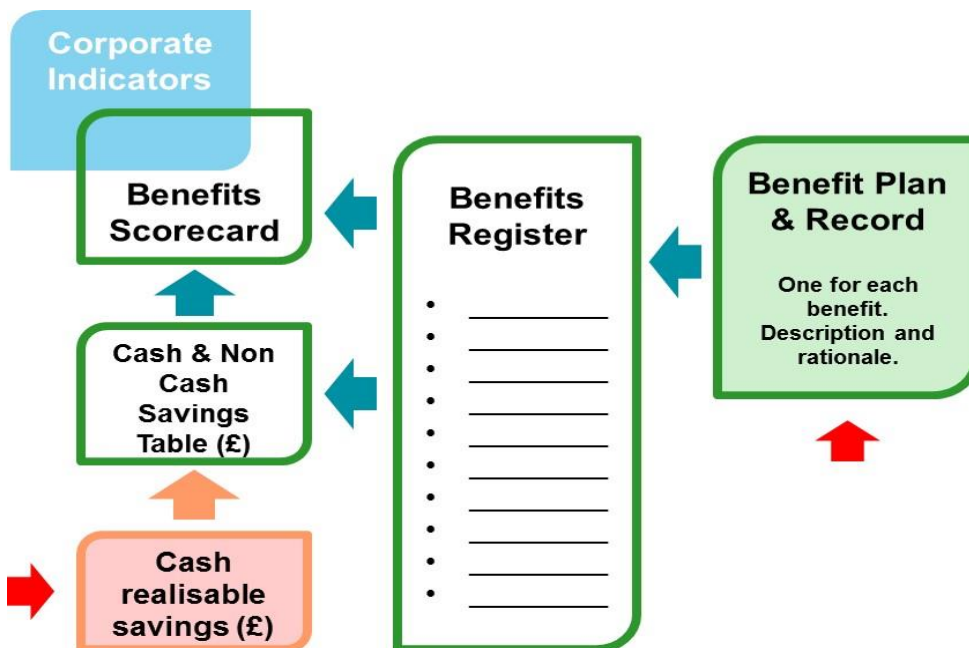
The benefits scorecard tracked 25 indicators, sharing some with NRW's suite of corporate indicators.

NRW's Finance team tracked the cash-realisable benefit, including savings as we reduced transitional service payments to EA and FCGB.

As forecast by the Business Case, there were also non-cash realisable improvements in productivity. However, opportunities for redeploying resource freed in this way were curtailed by the constraints on public finances that were not forecast in the Business Case. Therefore, in practice, many improvements in productivity have helped NRW cope with reduced staff numbers and so have contributed to the cash-realisable benefit instead.

4.   Progress with benefits realisation.

At the end of March 2017 we had over 75 examples of benefits listed in the Benefits Register, ranging from big programme interventions down to local examples of how Natural Resources Wales is joining up to deliver better customer service and achieve outcomes that were not possible before (see Annex 2).

The sections below describe some of our benefit highlights and how they are delivering the Welsh Government's investment aims for Natural Resources Wales.

4.1   NRW's achievements

Natural Resources Wales has achieved the goals set by legislation so far. We were established to change the way Wales approaches its natural resources, ensuring they are managed sustainably and winning the benefits for our society and economy. NRW's purpose was amended by the Environment (Wales) Act 2016 to bring it in line with other legislation, notably the Well-being of Future Generations (Wales) Act 2015.

In March 2017, NRW passed a significant milestone by publishing our Well-being Statement –"Managing today's natural resources for tomorrow's generations". *Link to NRW's Statement of Well-being Objectives here: http://cyfoethnaturiol.cymru/about-us/how-we-work/our-well-being-statement/?lang=en*

As well as driving change, we have needed to maintain core functions across our very broad range of business activities, including regulation, flood risk management, conservation, managing land, and delivering timber to market. For example, since April 2013, we have: issued approx.16,000 environmental permits and 400 marine licences; advised on over 25,000 planning consultations; delivered approx. 3.5 million cubic metres of timber to market; planted 16 million trees on the Welsh Government Woodland Estate; maintained 513 km (319 miles) of flood defences; built new defences that reduce flood risk for a further 3,046 properties; worked with land managers to sustain 235,000 hectares of our rarest and most diverse wildlife sites; gained £18m of health benefits per year from the

Wales Coast Path, and we have collected and analysed approx. 100,000 water samples as part of our environmental monitoring programmes.

State of Natural Resources Report (SONaRR):

Published in September 2016, SONaRR was the first major deliverable under the new Wales legislation by NRW. It is wholly aligned with Welsh Government priorities for Wales and is an essential foundation for the ways in which Wales will evolve to achieve sustainable management of its natural resources.

Development of SONaRR within NRW was made much easier and perhaps only possible, because we were drawing on data and expertise that was previously scattered amongst legacy body staff and multiple data systems.

Link to SONaRR here: http://cyfoethnaturiol.cymru/our-evidence-and-reports/the-state-of-natural-resources-report-assessment-of-the-sustainable-management-of-natural-resources/?lang=en

Wellbeing Assessments:

NRW delivered thorough and focussed evidence into the wellbeing assessments that we developed with our Public Service Board (PSB) partners. It would have been very difficult, if not impossible, to deliver a coherent package of evidence and engage with our PSB colleagues from the perspectives of the 3 legacy bodies.

Review by the Better Regulation Delivery Office (BRDO):

After a year-long process, the Better Regulation Delivery Office (BRDO) advised that we should have continued access to civil sanction powers. The BRDO noted that our commitment to regulatory excellence is demonstrated through commitments made, policy development in training and aspirations to build staff capacity. The review saw NRW as an organisation that is cultivating a regulatory approach that aims to support compliance and business growth and the approach to the hydropower sector was seen as particularly noteworthy and an exemplar of regulatory co-production. This is a significant outcome as it will underpin all our regulatory approaches in the future and we are implementing the recommendations.

4.2   Our approach and ways of working

We are fulfilling Welsh Government's ambition for Natural Resources Wales to be an organisation that works collaboratively and now applies the principles in the Well-being of Future Generations (Wales) Act 2015 and of Sustainable Management of Natural Resources as set out in the Environment (Wales) Act 2016. As envisaged by the Business Case, the combination of different expertise and experience in a single body has created many opportunities for joined up thinking and solutions that are better for our customers and the environment, and save money. The following outline examples for Area

Statements, timber harvesting, nitrate vulnerable zones, resilience and our work with a developer.

Area Statements:

NRW has worked extensively with stakeholders to inform proposals for Area Statements. Our approach to co-production has drawn on all of the 5 ways of working and the principles for sustainable management of natural resources. Running the trials in Dyfi, Tawe and Rhondda and the engagement with stakeholders has only been possible by the combination of expertise and new remit that now exists in NRW. *Links to our reports on the trials are at this link: https://naturalresources.wales/about-us/how-we-work/natural-resource-management-trials/?lang=en*

Timber harvesting, water management and protected species:

Our harvesting teams now work more closely with our water and protected species specialists to agree safeguards more quickly and avoid the delays to harvesting contracts that were once common. Having the teams in the same organisation has been the main reason that 90% of harvesting contracts start on time now, compared to only 67% before NRW, when our staff were working in different organisations. This is more efficient for NRW and gives greater certainty for harvesting contractors, sawmills and other timber processors. Our customers have told us that they have noticed and welcome the improvement.

Integrated forest management – Forest Resource Plans:

NRW is replacing Forest Design Plans with Forest Resource Plans, that are broader in scope to consider the impacts and benefits for the wider landscape, including biodiversity, social and economic outcomes. This is underpinned by a new ecosystems approach developed specifically for forest resource planning. The Forest Resource Plans will impact on the ground in the medium to long term, However, in the meantime, the advantages of applying the principles of sustainable management of natural resources are being felt in local initiatives. For example, the project put together for the Welsh Government's Sustainable Management Scheme by farmers and NRW at Pennal near Machynlleth. This scheme combines work on the Welsh Government Woodland Estate with work on private land to manage water and help reduce flood risk in the village of Pennal.

Nitrate Vulnerable Zones review:

Our review of Nitrate Vulnerable Zones (NVZs) for the Welsh Government was more integrated and efficient than would have been possible before NRW. Initially we followed the legacy approach and pursued the option of utilising specialist external contractors to undertake the entire review process, at a cost of at least £150k. However, we were able to realise the benefits of becoming one organisation by drawing on internal expertise to develop the majority of the evidence base in-house, reducing the support needed from the external consultants and saving £90k in consultancy costs. In addition we are better placed to provide the required technical support to the Welsh Government during any appeals process and future reviews of NVZ designations and de-designations.

Resilience:

We have increased the resilience of our flood response capability at no extra cost by training extra an extra 28 staff in legacy FC and CCW roles to join the duty rotas with staff from EA. This enabled us to cope with some of the worst storms in living memory over the 2013/14 winter period and is worth at least £228k of non-cash realisable benefit per year.

Surf Snowdonia:

The new ethos of Natural Resources Wales as an enabling and solution oriented organisation helped us work collaboratively with the developers of the Surf Snowdonia tourist attraction to overcome the contamination legacy of the aluminium smelting works at Dolgarrog in Dyffryn Conwy. This £12m investment is reported to have created over 100 jobs in a rural part of Wales.

4.3   Aligned to Wales' priorities

The Business Case concluded that Natural Resources Wales would align closer with the Welsh Government's priorities for Wales and also be much better at finding solutions to Welsh issues and become an organisation that works better for its customers and stakeholders in Wales. The following examples illustrate benefits of being aligned with Wales's priorities.

Salmon and Sewin stocking policy:

After a comprehensive review of scientific research we have agreed a major change to the way that we work to protect wild salmon. We found that stocking young fish provides an initial boost to restore the population but more salmon and sea trout would be produced if fish were left in the river to spawn rather than taken for hatchery rearing. As a result, we have phased out salmon and sea trout stocking and closed our hatcheries at Mawddach, near Dolgellau and Maerdy near Corwen. We kept our Cynrig hatchery as a possible research centre. This is an example of how Natural Resources Wales has prioritised an issue that affects Wales and would not have ranked so high in an English context.

Hydropower permits:

The creation of Natural Resources Wales allowed us to develop an effective and consistent approach to the type of high head hydropower scheme that predominates in Wales. We worked with developers to give much greater clarity than was possible with previous approaches that were more suited to other types of scheme in England. For straightforward hydropower applications we reduced the average turnaround from 27 weeks to 18 weeks and the longest applicants wait for these types of licenses was reduced by 42%, from 47 weeks to 27 weeks. We also managed to reduce the amount of effort our permitting staff put into processing this work by around 50%. Working with the hydropower

sector and improving our guidance, the quality of applications we receive has improved with a reduction in invalid applications from 52% to 21%.

Analytical jobs:

We secured 37 high quality jobs secured for Wales by converting the inherited laboratory , previously a research facility with an insecure future, into the analytical services facility for Natural Resources Wales. Relocating the lab creates the opportunity to develop a centre of excellence based around our highly respected team of chemists. As well as these benefits for Wales, having control of the service allows us have increased capacity for commercial work. Even working within public sector competition rules, we can generate significant income to offset our analytical costs. This has recently moved into Swansea University campus to be seen as a centre of excellence for NRW.

Procurement in Wales:

With the focus of NRW's procurement being for goods and services delivered entirely within Wales, the Business Case considered it likely that the scope and scale of contracts would be more likely to attract businesses based in Wales than contracts previously let for the whole of England and Wales or including Scotland as well. The proportion of spend with suppliers based in Wales increased from a baseline of 44% in 2012/13 to 54% in 2016/17.

Commercial and enterprise activity:

We have increased gross income from commercial and enterprise activities, including wind energy, renewables and other enterprise activity, from a baseline of £19.6m to £23.8m in 2016/17 and we expect this to rise as we develop more enterprise activity in the future. This indicates greater benefit for the businesses that we are working with and for jobs and the economy.

Renewable energy:

Prior to NRW, the Forestry Commission Wales worked with Welsh Government to enable commercial companies to develop several large wind farms on the Welsh Government's Woodland Estate. With the creation of NRW and its new purposes, it became feasible to develop a much more diverse programme of small to medium sized renewable energy schemes on NRW managed estate. Since April 2013, 13 schemes have created a total generating capacity of 1,223 kW, predominantly hydropower and including 3 community schemes, NRW self-build and the private sector. There are another 2 schemes in the pipeline that will increase the total generating capacity to 1,264 kW when they are completed. Our Energy Delivery Team has also worked with developers and communities to enable a further 221 MW generating capacity from 18 schemes that needed to cross NRW managed estate. All of these schemes have created jobs and enterprise, especially for rural economies.

4.4   Customer benefits

The Benefits Register includes several examples that represent many ways in which customers have benefited from the new capability of an organisation with a new purpose and focussed entirely on the needs of Wales.

Customer Care Centre:

Our fully bilingual Customer Care Centre gives a single point of contact for natural resource matters in Wales and is focussed exclusively on issues of importance to customers in Wales.

Our more modern online registration services offer greater functionality for customers and, in the case of waste registrations, show us trends that help us target interventions to avoid environmental impacts. Our most recent campaign on farm waste registration achieved an increase of nearly 20% of the registrations online, making the process easier and faster for farmers and NRW, as well as contributing to better environmental outcomes.

Reservoir regulations:

Natural Resources Wales became the enforcement authority for around 200 regulated reservoirs in Wales under the Reservoir Regulations that were previously regulated from Exeter. Our more proactive engagement with customers is helping us to spot problems and issues earlier and address non-compliance, all leading to improved public safety.

Waste approach:

We have started using a storyboard that is giving our regulated customers a much clearer view of our role and their responsibilities. The storyboard explains the situation with waste in Wales in a way that is helping regulated customers work with us to improve outcomes for the environment and businesses.

Planning advice:

The scope of our remit makes Natural Resources Wales the key adviser to local planning authorities and other development planning processes in Wales. We are working collaboratively with the local planning authorities and our shared customers to improve the end to end service for developers. At the time of this report, we are starting to implement improvements that we identified as part of a joint improvement project sponsored by the Planning Officers Society for Wales, Welsh Government and ourselves. We expect this work to help consolidate non-cash realisable productivity improvements already made that have enabled us to deal with a 25% increase in the number of planning consultations with 10 fewer FTE than the baseline.

4.5   3 into 1 savings

The Business Case identified significant savings from merging the corporate services from the 3 legacy organisations into one.

Accommodation:

Our Accommodation Strategy aims to have reduced the 79 offices, depots and workshops that we inherited down to just under 40, with a non-staff cost saving of £1.6m. We are on target, having already closed 26 sites that will deliver non-staff running cost savings of £840k per year by 2020/21, when final lease commitments expire.

In addition, the merger of 3 facilities management operations into one has saved about £560k of staff costs per annum. The consolidation of offices into fewer locations has helped drive integration of the expertise and experience of our staff.

We expect to realise further savings from rationalising our main offices in South and West Wales.

Fleet:

We have saved £900k non-staff costs per year by removing lease cars from our fleet model, instead working with pool cars for most travel and grey fleet for shorter journeys.

HR and Finance Services:

We replaced the HR & Finance systems of the 3 legacy organisations with a single ERP (Enterprise Resource Planning) system and single Business Support Service team to manage Finance and HR services. The service is costing about £2.4m less per year than the baseline, with the saving comprising £790k on ICT systems and £1.6m staff costs.

ICT:

Creating a new ICT network presented NRW with its greatest technical and logistical challenge, as we worked to undo our dependency on the systems run by the Environment Agency and Forestry Commission and migrate off the old CCW systems. The Business Case recognised the challenge, but the scale, complexity and pace required proved to be significantly greater than anticipated. Our ICT budget for 2017/18 is now only £5.85m, which achieves our aim of delivering ICT services for under £6m and saving over £2m from the baseline of £8m.

As well as establishing a flexible and future proof system on Microsoft's cloud based 365, a public sector leader in Wales on this) we have made excellent progress in reducing the approx. 1,400 individual legacy applications to a smaller, more rational and economical suite of about 200 permanent corporate systems and less than 100 infrastructure and standard ICT tools. At the end of March 2017 we have closed about 900 applications, achieving a much better fit for our business.

Although the baseline cost to Wales was £8m, additional work to cost the agreement for transitional services from the Environment Agency revealed the true cost of the legacy systems to be nearer £12m. This emphasises the value for money achieved by Natural Resources Wales, with a modern ICT system costing half that of the combined legacy models. We have not included this additional £4m in the cash realisable savings total.

NRW's ICT cost as a percentage of operating expense is about 3.1% compared to figures of 5.6% for the Environment Agency and 4% for Defra, as reported in the Cabinet Office's 2009/10 benchmarking report.

Mobile phones:

The rationalisation made possible by the creation of NRW allowed us to switch off 800 accounts and save £132k per year.

4.6   Efficiencies

There have been many opportunities to redesign or reprioritise areas of business to be more efficient. The Business Case envisaged recycling time freed by greater productivity to give non-cash realisable benefits, assigning a cash value to greater productivity. In practice, the shrinking budget has mitigated against recycling savings back into better service or environmental gains. However, we have several impressive examples of efficiencies that deliver better results, improved customer service and greater job satisfaction. The Benefits Register records such efficiencies, for example, from the Customer Care Centre (160k per annum cash-realisable), our planning advice service (£600k per annum non-cash realisable), and species licensing (about £35k per annum non-cash realisable).

NRW's focus on continuous improvement will continue to drive out efficiencies, to ensure NRW is being as effective and customer-focussed as possible. The Continuous Improvement team's outputs to date have included guidance on effective programme and project management, workload management in the Incident Communication Centre, a streamlined requisitions process, improved finance reports, and fully mapping forestry processes (sales, civil engineering, strategic planning, harvesting and restocking).

Sample collection and analysis:

NRW collects and analyses over 20,000 water samples every year. This monitoring tells us about the health of our rivers and beaches and supports reporting under EU Directives and for the Blue Flag beach scheme. Natural Resources Wales needed to create its own systems for collecting and managing samples, including their transport to the new lab facility that we created in South Wales. By replacing 4 ICT systems with one, we have streamlined and integrated the scheduling, tracking and recording samples and the results of analysis. We have given flexibility to field teams to plan routes and schedules that are efficient. The field teams report that the systems and the greater freedom for decision making on the ground is making their jobs easier, getting samples to the lab more quickly and saving significant amounts of travel. In combination with a re-prioritisation of the

number and type of samples we need to collect, we estimate that we are saving 200,000 miles year, with consequent savings on our fuel bill and saving staff time worth over £250k per annum.

Our new laboratory has used the freedom to innovate by introducing new multi-residue and multi-element methods, which drive down costs per sample to about 35% and 20% of previous costs respectively.

Skype:

Moving on to the Microsoft Cloud has enabled our use of Skype at least six years earlier than could have happened cost effectively in the legacy bodies. As a free at point of use service, Skype is now displacing over 3,000 conference calls and face to face meetings per month. As well as enabling good communications across the organisation, the efficiency is worth a very conservative £1.4m per year in terms of travel time saved and thus making a significant contribution to reducing our carbon dioxide emissions.

Timber Sales system:

NRW's new Timber Management Package replaces a Forestry Commission system that we used to use for marketing and managing timber sales. It has additional functionality for customers, including removing the need for paper contracts and, for example integration of data from customer weighbridges. When the new system is fully bedded in, it will be easier for customers and our staff to use.

Asset Management system:

NRW's new asset management system, AMX, is proving more flexible and with greater functionality than the 3 legacy EA systems that it replaces. The system is scalable and we will be expanding it to manage all assets managed by NRW, including those on the Welsh Government Woodland Estate.

Protected species and timber harvesting

This LEAN improvement project halved the number of steps in the species licensing process for timber harvesting from 248 to 124. This has reduced the effort required by at least 25%. We are working on further changes that will increase the efficiency by at least another 50%. The improvement in productivity will be worth about £35k per year.

Environmental Management System (EMS)

Merging has helped us reduce our carbon footprint by over 5% a year, which is a faster rate than achieved by the legacy bodies for the complete direct and indirect footprints. Savings in fuel and electricity contribute to the cash realisable benefit. We have applied our EMS to all the business and now brought into the regime forestry operations that were previously outside of this.

Flood Forecasting

We developed our own flood forcasting system instead of joining the Environment Agency in their upgrade of the system that we had been sharing. Investing in our own forecasting system has put us in direct control of our development costs and we expect lower annual running costs. We now have a tool that we can adapt to the specific needs of Wales, is more accessible for our staff and is more flexible for us when we need to make changes and is attracting attention outside Wales for its innovative approach to this system.

4.7 'One Organisation'

Many of the changes and new systems described in other sections have helped us move towards working as a single organisation, with common objectives, culture and ways of working. The social partnership, corporate planning and work on wellbeing health and safety are making significant contributions to this.

Social Partnership:

We have a new Social Partnership between management and trade unions. This leading edge approach to industrial relations for the public sector is in place of the more traditional management / trade union relationships in the legacy bodies.

Corporate and Business Planning:

Our Corporate Plan and Business Plan have replaced eight separate plans and aligned our work into a single set of integrated priorities for the environment, people and businesses. We had extensive consultations with stakeholders to understand their priorities and help shape our plans around priorities for Wales.

Wellbeing, Health and Safety:

The merging of legacy bodies has required us to develop a consistent basis for managing wellbeing, health and safety for staff and the public visiting NRW sites. The generic risk assessments for types of activity and situations across all of our business represent progress towards a common health and safety culture, lifting all areas up to the best practice found within the organisation.

4.8 Benefits Scorecard

Most of the 25 indicators in the Benefits Scorecard (Annex 3) show that NRW has improved performance in most of the areas identified in the Business Case. NRW has either delivered the benefits or is on track to meet targets in most cases. The Scorecard also reflects the impact of the volume of change on staff, with the engagement indicator remaining around 40% (indicator 25). (note some on the lead roles have changed through staff movement).

We have not been able to report on all of the indicators:

a) It proved impractical to monitor Indicator 16, the "Number of Natural Resources Wales work areas that reflect the needs of Wales based on a single view of natural resources management principles and their application". Nevertheless, we are clearly on track to have changed our outlook and policies from legacy to future NRW needs, and a training programme on the sustainable management of natural resources and development of Area Statements will help us conclude that evolution.

b) Although we are receiving good feedback from customers, we have not completed a sufficiently general customer survey to report on the overall stakeholder satisfaction indicator (21). The feedback from our survey of regulated customers is 80% positive (indicator 10).

5. The financial picture

5.1 Cash-realisable benefits

The calculations for the cash-realisable benefit compare NRW's annual running costs on a like for like basis with the baseline legacy running costs in 2012/13. The like for like comparison is obtained by excluding transition costs and new financial pressures (not related to the set up of NRW) from the total annual running costs: for example to take account of the the increase in employers' pension, National Insurance contributions and pay awards.

We have accumulated £51m of cash realisable benefit to date – that's an average £13m per annum (total - £51m) over the first four years (2013/14 to 2016/17) which will rise to over £15m per annum for the remaining six years (2017/18 to 2022/23) delivering a further £90m benefits as we complete our exit of Service Level Agreements with the 2 legacy bodies, Environment Agency and Forestry Commission. Total cash realisable savings will then realise £141m.

Including ICT services, we have reduced annual payments to EA and FCGB by £16m and are on target to reduce payments by £18m per annum from 2018/19 onwards. From 2017 onwards we will continue to work with EA and the Forestry Research Agency on services that are UK wide legislation driven, UK wide partnerships or long term contract based. The ongoing cost of this collaboration will be about £3m for NRW.

The savings achieved were partly offset by the cost of approximately 100 FTE (£4m) that transferred into Wales to carry out work previously delivered by EA's Head Office.

By 2022/23, the areas where we will have made the most significant savings are:

- Reducing services received from EA and FCGB,
- Rationalising Accommodation and Facilities Management,
- Integrating Corporate Services functions and systems, for example, HR and Finance services (new single ERP system and Business Support Service team),
- Replacing legacy ICT (systems, business applications and service),

- Rationalising Fleet and fleet management,
- Reduce net cost of Analytical Services.

5.2 Non-cash-realisable benefits

The significant improvements in productivity (non-cash realisable benefits) we have made are more difficult to convert to cash, but we forecast that changes already made (at end of March 2017) will accumulate to £30m of non-cash realisable benefit over the first 10 years up to 2022/23. The maximum annual and cumulative non-cash realisable gains are listed in the Benefits Register (Annex 2).

The continued Transformation of the organisation will improve productivity in many more parts of the business as part of the drive to improve efficiency and service delivery. Therefore, we will exceed the Business Case target of £31m non-cash realisable benefit.

5.3 Cost of setting up NRW

The actual cost of setting up NRW is forecast to be £78m by 2022/23, which is £9m more than estimated when the Business Case was drawn up. The majority of spend was on developing the Information Systems Infrastructure within NRW and implementing a single Finance/HR system for all NRW staff.

5.4 Overall position on value for money

Table 3 below sets out the costs and cash realisable benefits as per the original Business Case, the July 2013 revision and the latest positon.

Although the cost of set up of NRW has increased so have the benefits, giving us a revised Net Present Value of £44m by the end of the 10 years, exceeding the revised Business Case target of £41m by £3m.

Table 3: Comparison of Original Business Case, Revised WG Target and Current forecast of the position by the end of Year 10 (2022/23)

all figures in £m	Original Business Case	WG Revised Target	Final position forecast at 31st March 2017
Benefits	127	127	141
Costs	-69	-66	-78
Net	**59**	**61**	**63**
Net Present Value	**42**	**41**	**44**

5.5 Overarching financial context

The Business Case set out the benefits and costs of various options, in line with the Treasury 5 case model, with the Economic Case setting out how £158m of benefits would be delivered over the first 10 years of NRW. The intention was to re-cycle the cash-realisable benefits into filling gaps created by the separation from EAW and FCW, invest in Welsh priorities, and to improve services. The financial pressures and reductions in Grant in Aid (GiA) faced by NRW have compromised these aspirations.

The cash releasing benefits identified in the Business Case are delivered across the whole range of NRW activities. Any benefits relating to charge income have also been used to absorb inflationary pressures and brought 'real term' reductions in charges since the creation of NRW.

The following pressures were not included within the Business case. In summary they are:

- Revenue Grant in Aid – reductions in the first 2 years after vesting compared to the Business Case, and baseline Grant in Aid reductions of 5% (£3m) and 7% (£6m) in 2015/16 and 2016/17 respectively;
- Staff costs – impact of pay awards, increments and Job Evaluation (estimated at £7m in 2016/17);
- Pensions and National Insurance Contributions – increase in contribution rates, principally due to the decision on creation of NRW to close one of the legacy schemes to new members (nearly £5m in 2016/17);
- Inflation on non-staff costs – impact of nearly £7m compared to 2012/13;
- ICT Transformation – total costs is higher than the Business Case assumed;
- Continue to pay for Forestry Commission 'residual' costs for which we do not receive a service in line with a pre-vesting legal agreement, approximately £1m per annum.

By the end of 2016/17 we had accommodated a cumulative impact of £52m, comprising pay, inflation, pension and national insurance contributions pressures that were not included in the Business Case. We managed these pressures through a combination of

the cash realisable benefits delivered, reductions in staff numbers, re-prioritisation of activities and driving increased efficiencies.

With further budgetary pressures, NRW's focus on balancing budgets requires cost reductions that although independent of the Business Case benefits, interact in ways that mean it will no longer be possible to track the Business Case value for money benefits accurately in future.

6   Risks and Challenges

The Business Case correctly identified ICT services as a significant area of risk and challenge for NRW, but under-estimated the challenges of establishing standalone capability and the costs of transitional services. Nevertheless, the opportunity to use future-proofed and scalable solutions has delivered systems that are much more efficient and usable in many cases.

The risk of losing expertise previously available from England and Scotland has been there throughout. We have managed this in several ways, including greater use of virtual teams of experts, contracts for specialist advice and, for example in the case of nuclear expertise, buying the service from Environment Agency. We are seeking to reduce the reactive demands on our specialists by improving and extending the guidance available for operational staff and stakeholders. This will also help us develop as an enabling and influencing organisation.

The Business Case recognised the risk that change may adversely impact upon staff and organisation performance during and after transition. However, budget pressures and the pace of change required, neither fully anticipated by the Business Case, put an even greater strain on our workforce. Our capacity for change was consumed by many and varied changes to our operating environment as NRW created its standalone capability. As illustrated in the benefits register, we have many examples that show how our staff are joining up and taking new approaches in ways anticipated by the Business Case. However, the biggest challenge of creating a fully unified workforce is still work in progress. At the time of this final benefits report, we are in the final major phase of building NRW. We established a standalone capability and have shown many ways in which we are unlocking our potential. We are now approaching organisational design for the longer term, supporting the joined up, efficient, customer-focussed and collaborative ways of working that NRW needs to fulfil its purpose. This phase continues the significant risks of change overload for staff. We are actively managing the risk by fully involving staff in the design and implementation of the change and by our development programme for managers.

7   Conclusion

This report shows that Natural Resources Wales is achieving what was expected and has made the savings expected, so the Welsh Government can be confident that it has achieved its objectives for Natural Resources Wales, as set out in the Business Case.

NRW is delivering in the flexible and joined up way envisaged by the Business Case, achieving outcomes that are only feasible with the combined expertise and experience in one organisation.

NRW is achieving its purpose to implement the Environment (Wales) Act 2016 and pursuing the objectives of the Well-being of Future Generations (Wales) Act 2015. NRW has also already started adapting the way it delivers its core functions to incorporate the principles of sustainable management of natural resources.

NRW has already made the necessary changes to deliver the annual savings that will accumulate to exceed the Business Case's benefits target of £158m by 2022/23 and the net present value target of £41m.

The new remit and ways of working have helped us deliver significantly better outcomes for Wales, while at the same time continuing to deliver our core functions.

We remain concerned about the effects of the pace of change on the organisation. The disruptive effects of change noted in the Business Case have proved more challenging than anticipated, in part because public sector finance is more challenging than anticipated back in 2011. Nevertheless, we have many examples of the new organisation being able deliver better for Wales and proving that the principle of a single body for natural resources can work and is working in practice.

The changing pressures and opportunities on NRW are now taking the organisation beyond the benefits envisaged by the Business Case. As a result, it is no longer possible to accurately attribute changes to the creation of NRW alongside all of the other changes that the organisation is responding to.

ANNEX 1: Organisational Development Roadmap.

Our roadmap for developing Natural Resources Wales

Proud to be leading the way to a better future for Wales by managing the environment and natural resources sustainably
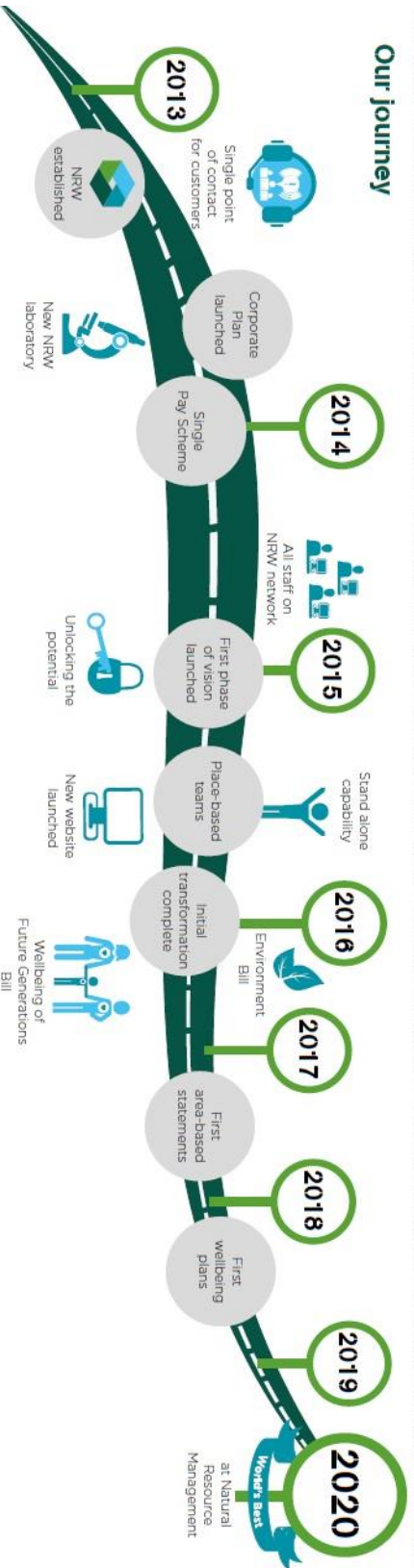
ANNEX 2: Benefits Register

Separate document

"Annex 2 – Benefits Register"

ANNEX 3: Benefits Scorecard

Separate document

"Annex 3 – Benefits Scorecard"