

# **Financial statements and notes to the accounts for 2020/21**

# Statement of Comprehensive Net Expenditure

For the year ended 31 March 2021

	Note	2020/21 £'000	Restated 2019/20 £'000
Staff costs	3	106,498	100,252
Capital works expensed in year	4	19,657	11,751
Other expenditure	5	98,788	95,139
<b>Total operating expenditure</b>	Not Applicable	224,943	207,142
Charge income	6	(36,721)	(38,223)
Commercial and other income	6	(39,467)	(34,333)
European and other external funding	6	(2,218)	(1,141)
<b>Total operating income</b>	Not Applicable	(78,406)	(73,697)
<b>Net operating expenditure before gain on revaluation of biological and financial assets</b>	<b>Not Applicable</b>	<b>146,537</b>	<b>133,445</b>
Gain on revaluation of biological assets	7.1	(231,689)	(17,693)
Gain of revaluation of financial assets		(8,607)	(859)
<b>Net expenditure for the year after gain on revaluation of biological and financial assets</b>	<b>Not Applicable</b>	<b>(93,759)</b>	<b>114,893</b>
Financing on pension scheme assets and liabilities	14.2.5	117	1,369
Net (gain)/loss on revaluation	Not Applicable	18	(108)
<b>(Deficit)/Surplus for the year</b>	<b>Not Applicable</b>	<b>(93,624)</b>	<b>116,154</b>
<b>Table section: Other comprehensive net expenditure</b>			

	<b>Note</b>	<b>2020/21 £'000</b>	<b>Restated 2019/20 £'000</b>
<b>Pension actuarial remeasurements</b>	14.2.5	97,861	(56,500)
<b>Gain on revaluation of property, plant and equipment</b>	Not Applicable	(637,477)	(200,906)
<b>Total comprehensive net expenditure for the year</b>	<b>Not Applicable</b>	<b>(633,240)</b>	<b>(141,252)</b>

The comparative figures were re-stated to recognise the gain on revaluation of property, plant and equipment under Other comprehensive net expenditure. The gain on revaluation of biological and financial assets is now shown before Net expenditure for the year after gain on revaluation.

# Statement of Financial Position

As at 31 March 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
<b>Table section: Non-current assets</b>			
Property plant and equipment	7.1	1,688,090	1,066,515
Heritage assets	7.1	7,403	7,099
Biological assets	7.1	360,940	135,744
Intangible assets	7.2	27,308	22,049
Financial assets	9	14,128	5,521
Long term receivables	10	3,342	3,982
<b>Total non-current assets</b>	<b>Not Applicable</b>	<b>2,101,211</b>	<b>1,240,910</b>
<b>Table section: Current assets</b>			
Assets held for sale	Not Applicable	703	1,133
Inventories	Not Applicable	2,082	1,295
Trade and other receivables	10	19,456	16,111
Cash and cash equivalents	11	7,855	25,101
<b>Total current assets</b>	<b>Not Applicable</b>	<b>30,096</b>	<b>43,640</b>
<b>Total assets</b>	<b>Not Applicable</b>	<b>2,131,307</b>	<b>1,284,550</b>
<b>Table section: Current liabilities</b>			
Trade and other payables	12	(32,026)	(27,904)
Provisions	13	(73)	(412)
<b>Total current liabilities</b>	<b>Not Applicable</b>	<b>(32,099)</b>	<b>(28,316)</b>

	<b>Note</b>	<b>31 March 2021</b> <b>£'000</b>	<b>31 March 2020</b> <b>£'000</b>
<b>Assets less current liabilities</b>	<b>Not Applicable</b>	<b>2,099,208</b>	<b>1,256,234</b>
<b>Table section: Non-current liabilities</b>			
<b>Pension liabilities</b>	14.2.5	(106,644)	(1,511)
<b>Financial liabilities</b>	8	(39,897)	(39,942)
<b>Long term payables</b>	12	(4,055)	(4,722)
<b>Total non-current liabilities</b>	<b>Not Applicable</b>	<b>(150,596)</b>	<b>(46,175)</b>
<b>Assets less liabilities</b>	<b>Not Applicable</b>	<b>1,948,612</b>	<b>1,210,059</b>
<b>Table section: Taxpayers' equity and other reserves</b>			
<b>General fund</b>	SoCTE	459,285	234,407
<b>Revaluation reserve</b>	SoCTE	1,595,971	977,163
<b>Pensions reserve</b>	SoCTE	(106,644)	(1,511)
<b>Total taxpayers' equity</b>	<b>Not Applicable</b>	<b>1,948,612</b>	<b>1,210,059</b>

# Statement of Cash Flows

For the year ended 31 March 2021

	Note	2020/21 £'000	2019/20 £'000
<b>Table section: Cash flows from operating activities</b>			
Net operating expenditure	SoCNE	(146,537)	(133,445)
Adjustment for non-cash transactions	Not Applicable	39,053	26,868
Movement in trade and other receivables	10	(2,705)	(1,835)
Movement in trade and other payables	12	3,455	4,977
Movement in financial liabilities	SoFP	(45)	0
Movement in provisions	SoFP	(339)	(54)
<b>Net cash flow from operating activities</b>	<b>Not Applicable</b>	<b>(107,118)</b>	<b>(103,489)</b>
<b>Cash flows from investing activities</b>			
Purchase of tangible assets	7.1	(7,344)	(3,411)
Purchase of intangible assets	7.2	(8,827)	(7,508)
Proceeds on disposal of property, plant and equipment	Not Applicable	730	436
<b>Net cash flow from investing activities</b>	<b>Not Applicable</b>	<b>(15,441)</b>	<b>(10,483)</b>
<b>Table section: Cash flows from financing activities</b>			
Grants from Welsh Government	SoCTE	105,313	90,048
<b>Net Financing</b>	<b>Not Applicable</b>	<b>105,313</b>	<b>90,048</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>	Not Applicable	(17,246)	(23,924)
<b>Cash and cash equivalents at the beginning of the period</b>	Not Applicable	25,101	49,025

	<b>Note</b>	<b>2020/21</b> <b>£'000</b>	<b>2019/20</b> <b>£'000</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>11</b>	<b>7,855</b>	<b>25,101</b>

# Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2021

	General Fund £'000	Revaluation Reserve £'000	Pension Reserve £'000	Total £'000
Opening balance	234,407	977,163	(1,511)	1,210,059
Comprehensive net expenditure for year	633,240	0	0	633,240
<b>Table section: In-year movement</b>				
Revaluation of Property, Plant and Equipment	(637,477)	637,477	0	0
Realised revaluation	18,669	(18,669)	0	0
Actuarial movement on pension scheme	97,861	0	(97,861)	0
Increase in pension liability	7,272	0	(7,272)	0
<b>Total in-year movement</b>	<b>(513,675)</b>	<b>618,808</b>	<b>(105,133)</b>	<b>0</b>
<b>Table section: Funding</b>				
Grants from Welsh Government	105,313	0	0	105,313
<b>Balance at 31 March 2021</b>	<b>459,285</b>	<b>1,597,854</b>	<b>(106,644)</b>	<b>1,950,495</b>

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.

## Comparative figures for the year ended 31 March 2020 (Restated)

	General Fund £'000	Revaluation Reserve £'000	Pension Reserve £'000	Total £'000
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<b>Opening Balance</b>	242,669	792,178	(56,088)	978,759
<b>Comprehensive net expenditure for year (Restated)</b>	141,252	0	0	141,252
<b>Table section: In-year movement</b>				
<b>Revaluation of Property, Plant and Equipment</b>	(200,906)	200,906	0	0
<b>Realised revaluation</b>	15,921	(15,921)	0	0
<b>Actuarial movement on pension scheme</b>	(56,500)	0	56,500	0
<b>Increase in pension liability</b>	1,923	0	(1,923)	0
<b>Total in-year movement</b>	(239,562)	184,985	54,577	0
<b>Table section: Funding</b>				
<b>Grants from Welsh Government</b>	90,048	0	0	90,048
<b>Balance at 31 March 2020</b>	234,407	977,163	(1,511)	1,210,059

The comprehensive net expenditure for the year was re-stated to include the gain on revaluation of property, plant and equipment of £200,906k. This value is shown as a transfer from the General Fund to Revaluation Reserve within the in-year movements.

# Note 1 Accounting policies

## 1.1 Requirement to prepare accounts

The financial statements have been prepared in accordance with the 2020/21 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 in line with our policies to account for the revaluation of property, plant and equipment, biological, intangible and financial non-current assets to fair value as determined by the relevant accounting standard.

These financial statements are based on the going concern principle."

## 1.3 Grant-in-aid

Grant-in-aid and other grants received from Welsh Government are treated as financing received from a controlling party. They are recorded as a financing transaction and are credited directly to the general reserve in the Statement of Financial Position and not through the Statement of Comprehensive Net Expenditure.

## 1.4 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 the relevant activity takes place, rather than when cash payments are made or received.

Option fees and related income received from windfarm operators are the only exception, being accounted for in the year of receipt. The income generated by windfarms which are subject to Welsh Government's Technical Advice Note 8: Planning for Renewable Energy (TAN 8) is surrenderable to Welsh Government. The income is collected by Natural Resources Wales, the relevant expenditure is deducted from the income and the balance is transferred to Welsh Government. The lease for Cefn Croes windfarm is an exception in that the income generated by

this lease is retained by Natural Resources Wales. To correspond to accounting treatment by Welsh Government, the net value of windfarm income after deducting the payment to Welsh Government is shown within renewable energy income in note 6.

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. When debts might 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.

Sale and purchase transactions which are inherently linked, and for which a single payment is made or received, are accounted for as a single transaction. The accounting policy appropriate to the main element of the transaction is applied.

Grant contributions received which are not grant-in-aid or received from Welsh Government is recognised as income within the Statement of Comprehensive Net Expenditure.

## **1.5 Inventories**

Inventory consists of felled timber stocks and is valued as fair value less estimated selling costs expected to be incurred to completion and disposal. Fair value is estimated using expected sales prices.

## **1.6 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.

## **1.7 Internal drainage districts**

NRW acts as the drainage board that runs thirteen internal drainage districts in 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 drainage rates, special levies and precepts for 2020/21 were set by Natural Resources Wales acting as the drainage board. This income is included in Note 6.

## **1.8 Adoption of new and revised IFRS or FReM interpretations and changes in accounting policies**

### **Changes in accounting policies**

There were no changes in accounting policies during the year ended 31st March 2021.

### **Changes in accounting estimates**

"Land and buildings and public structures (reported within operational structures) are subject to full

professional valuation every five years in accordance with the Royal Institution of Chartered Surveyors (RICS)'s Appraisal and Valuation Standards (the Red Book). These assets were last fully valued at 31 March 2016 by chartered surveyors and signed off by a registered valuer. "

It has been decided to establish a rolling programme for full Quinquennial Valuations (See Note 7). In between full valuations, assets are subject to an annual interim valuation. For 2020/21, these valuations were provided by the relevant firms of Chartered Surveyors or by internal valuers. The valuations for these assets were also undertaken in line with the requirements of the RICS Red Book as referred to above.

Where no valuation has taken place, indexation rates are applied, which in conjunction with our valuers there has been a change in relation to operational structures, from BCIS Building indices to the Office of National Statistics (ONS) Construction Output Price Indices (OPI's) – Infrastructure. This index is thought to be more relevant to the type of assets contained within this category. The index has been applied to the asset values at the 1 April 2020, these assets are:

- Boreholes
- Gauging Stations
- Locks and Weirs
- Pumping Stations
- Sea and River Structures
- Sluices
- Fish Passes
- Other Operational Assets

### **IFRS's Effective in these financial statements**

All International Financial Reporting Standards (IFRS), interpretations and amendments effective during this reporting period have been adopted in these statements.

### **IFRS's Effective for future financial years**

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, requires

disclosures in respect of new IFRS's, amendments and interpretations that are, or will be

applicable after the reporting period. There are a number of IFRS's, amendments and interpretations that have been issued by the International Accounting Standards Board that are effective in future reporting periods. Those with relevance to Natural Resources Wales are outlined below. Natural Resources Wales has not adopted any new IFRS standards early and will apply the standards upon formal adoption in the FRoM.

#### **IFRS 16 – Leases**

The implementation of this standard has been delayed and is now effective in the public sector from 1 April 2022. It will supersede all existing IFRS standards on leases. The main effect is that IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for almost all leases. IFRS 16 is expected to have a material impact in financial reporting terms which is currently being assessed."

"IFRS 17 – Insurance Contracts

This standard will apply to all types of insurance contract and proposes a building blocks approach based on the expected present value of future cash flows to measuring insurance contract liabilities. IFRS 17 is effective for annual periods beginning on or after 1 January 2023."

The Government Financial Reporting Advisory Board (FRAB) receives multiple updates from HM Treasury on the work ongoing to implement IFRS 17. FRAB was informed of discussions ongoing as part of the Technical Working Group for IFRS 17 implementation including attempting to fully understand and outline the scope of IFRS 17. FRAB is keen to fully understand the scope of and impact this standard will have on the public sector especially as this will be the first standard adopted in the UK following the UK withdrawal from the EU. FRAB will therefore continue to work alongside the relevant authorities and the technical working group to ensure an effective implementation of IFRS 17. We will continue to keep the developments and potential impact under review.

## **1.9 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 12)
- Cash deposits with Natural Resources Wales (shown in note 12)
- Escrow accounts
- Local authority deed agreements
- Parent company guarantees
- Umbrella agreements (covering a number of sites)

## **1.10 Notes to the accounts**

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

Notes 3 to 14 provide analysis of material figures reported in the statements of comprehensive net expenditure, financial position and cash flows.

Notes 15 to 23 relate to figures not disclosed elsewhere in these accounts.

## 2. Analysis of net operating expenditure by segment

### For the year ended 31 March 2021

These segments are components for which financial information is managed and reported internally.

Income and expenditure shown below were directly attributed to the segments.

	Finance & Corporate Services £'000	Operations £'000	Evidence, Policy & Permitting £'000	Customer, Communications and Commercial £'000	Corporate Strategy and Development £'000	Centrally Controlled £'000	Total £'000
<b>Table section: Reported by segments</b>							
<b>Operating Expenditure</b>	7,730	94,851	56,300	17,433	8,081	40,548	224,943
<b>Operating Income</b>	(37,150)	(35,706)	(1,462)	(4,004)	(84)	0	(78,406)
<b>Total</b>	<b>(29,420)</b>	<b>59,145</b>	<b>54,838</b>	<b>13,429</b>	<b>7,997</b>	<b>40,548</b>	<b>146,537</b>
<b>Capital expenditure</b>	11,147	4,160	864	0	0	0	16,171

Natural Resources Wales determines that the following categories can be used to meet the disaggregation disclosure requirement in IFRS 15.

	<b>Finance &amp; Corporate Services</b> <b>£'000</b>	<b>Operations</b> <b>£'000</b>	<b>Evidence, Policy &amp; Permitting</b> <b>£'000</b>	<b>Customer, Communications and Commercial</b> <b>£'000</b>	<b>Corporate Strategy and Development</b> <b>£'000</b>	<b>Centrally Controlled</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
<b>Table section: Reported by segments</b>							
<b>Fees and charges</b>	36,526	119	72	0	4	0	36,721
<b>Commercial</b>	623	33,932	828	4,004	80	0	39,467
<b>European and other external funding</b>	1	1,655	562	0	0	0	2,218
<b>Total</b>	<b>37,150</b>	<b>35,706</b>	<b>1,462</b>	<b>4,004</b>	<b>84</b>	<b>0</b>	<b>78,406</b>
<b>Table section: Reported by segments</b>							
<b>Government</b>	1,263	3,009	353	0	66	0	4,691
<b>Non-Government</b>	35,887	32,697	1,109	4,004	18	0	73,715
<b>Total</b>	<b>37,150</b>	<b>35,706</b>	<b>1,462</b>	<b>4,004</b>	<b>84</b>	<b>0</b>	<b>78,406</b>

# Analysis of net operating expenditure by segment (continued)

## Description of segments

### Finance & Corporate Services

The Finance and Corporate Services Directorate provides financial services, audit and risk assurance, ICT services, buildings and fleet management.

### Operations

The Operations Directorate has principal responsibility for achieving the sustainable management of natural resources in Wales' geographical area, including its marine environment, across the range of Natural Resources Wales' remit. Also provides capital programme management, commercial operations and planning and marine services for the whole of Wales.

### Evidence, Policy and Permitting

The Evidence, Policy & Permitting Directorate provides outward-facing central co-ordination for the organisation, leading on policy and strategy development, evidence, tools, standards, guidance and advice to enable other Natural Resources Wales teams, Welsh Government colleagues and partners fulfil their remit. There are also some direct delivery roles within the Directorate such as the Permitting Service and Flood Forecasting Service.

### Customer Communications and Commercial.

External relations, communications and customer contact centre. In 2020/21 this directorate also took on responsibility for commercial services and procurement support which were previously included within Finance and Corporate Services.

### Corporate Strategy and Development

The Corporate Strategy and Development Directorate leads a number of Natural Resources Wales' cross-cutting functions, including strategic planning and performance; continuous improvement and programme management; organisational development and staff engagement; and corporate governance. It also supports the Natural Resources Wales Board and Chief Executive.

### Centrally Controlled

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



## Comparative figures for the year ended 31 March 2020

	Finance & Corporate Services £'000	Operations £'000	Evidence, Policy & Permitting £'000	Customer, Communications and Information £'000	Corporate Strategy and Development £'000	Centrally Controlled £'000	Total £'000
<b>Table section: Reported by segments</b>							
<b>Operating Expenditure</b>	40,029	87,803	44,897	2,311	4,847	27,255	207,142
<b>Operating Income</b>	(42,064)	(31,061)	(528)	0	(44)	0	(73,697)
<b>Total</b>	<b>(2,035)</b>	<b>56,742</b>	<b>44,369</b>	<b>2,311</b>	<b>4,803</b>	<b>27,255</b>	<b>133,445</b>
<b>Capital expenditure</b>	5,138	1,028	6,420	0	0	0	12,586

### 3. Staff costs

Further details of staff costs and numbers are disclosed in the Remuneration and Staff Report.

	<b>Permanent Staff</b>	<b>Other Staff</b>	<b>Total</b>	<b>Total</b>
	<b>2020/2021</b>	<b>2020/2021</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Wages and salaries</b>	70,812	16,526	<b>87,338</b>	77,605
<b>Social security &amp; Other taxation costs</b>	7,488	601	<b>8,089</b>	7,295
<b>Other pension costs</b>	13,344	556	<b>13,900</b>	21,267
<b>Total net salary costs</b>	<b>91,644</b>	<b>17,683</b>	<b>109,327</b>	<b>106,167</b>
<b>Other expenditure for staff</b>	Not Applicable	Not Applicable	<b>8,301</b>	2,004
<b>Less amounts charged to capital projects</b>	Not Applicable	Not Applicable	<b>(11,130)</b>	(7,919)
<b>Total staff costs</b>	<b>Not Applicable</b>	<b>Not Applicable</b>	<b>106,498</b>	<b>100,252</b>

## 4. Capital works expensed in year

Categories	Actual 2020/21 £'000	Actual 2019/20 £'000	Committed 31 March 2021 £'000	Committed 31 March 2020 £'000
Operational Work	16,609	10,709	6,722	9,036
Capital grants	3,048	1,042	111	54
<b>Total</b>	<b>19,657</b>	<b>11,751</b>	<b>6,833</b>	<b>9,090</b>

Capital works expensed in year relates to expenditure which is capital in nature but where Natural Resources Wales does not retain the related risks and rewards of ownership of the asset being constructed.

### Operational work includes:

Flood and coastal risk management assets built on land which Natural Resources Wales does not own but where it has permissive powers to maintain defence, such as:

- Restoration and refurbishment.  
Work to ensure that the condition of the flood defences are retained in the appropriate condition and restored to that condition as necessary.
- Embankments.  
Creation, improvement or heightening of embankments along watercourses to reduce the risk of the water escaping from the river channel.
- Flood Mapping.  
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.
- Piling.  
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.
- Culverts and channel improvements.  
Repairing or replacing culverts under land, roads and properties and channel improvements that assist the flow of watercourses.
- Flood risk management strategies.  
Development of strategies to provide long term flood risk management options to cover a large area. It is from the long term strategies that individual flood risk projects are developed.
- Flood management plans.  
Water Level Management Plans and Catchment Flood Management Plans are prepared

with the aim of establishing flood risk management policies that deliver sustainable flood risk management for the long term across a catchment."

– Other works.

Improvements to locks and other waterways, telemetry replacement and fish habitat improvement. Detailed design of water treatment systems to prevent water pollution from mines. Feasibility studies, construction and development of adits around the mines to divert the water away from the mines.

Works which improve the conservation status of land not under the direct control of Natural Resources Wales. This includes improving Priority 1 planted ancient woodland sites and new trails constructed for public use.

Improvements to reservoirs where the Reservoirs Act 1975 places that responsibility on the reservoir owner. Specifically these measures are taken in the interests of safety.

### **Capital grants**

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

## 5. Other expenditure

	2020/21	2019/20
	£'000	£'000
<b>Table section: Cash items</b>		
<b>Bought in services</b>	19,680	20,058
<b>Reservoir operating agreements</b>	9,591	9,456
<b>ICT costs</b>	6,398	6,538
<b>Forest roads network maintenance</b>	4,718	3,227
<b>Materials and equipment</b>	4,396	4,044
<b>Office running costs</b>	3,781	4,108
<b>Fleet costs</b>	3,579	3,639
<b>Collaborative agreements</b>	2,654	1,727
<b>Grants</b>	2,631	2,713
<b>Service level agreements</b>	2,289	2,470
<b>Staff related costs</b>	2,199	2,443
<b>Rents</b>	1,969	2,056
<b>Fees and court costs</b>	1,681	1,445
<b>Rates</b>	823	978
<b>Operational costs</b>	562	612
<b>Travel and subsistence</b>	227	1,290
<b>Statutory audit fees</b>	188	177
<b>European grants</b>	167	105
<b>Losses and special payments</b>	121	2

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Sub-total</b>	<b>67,654</b>	<b>67,088</b>
<b>Table section: Non-cash expenditure</b>		
<b>Value of sold timber</b>	22,824	18,117
<b>Depreciation, amortisation and impairment</b>	8,855	8,177
<b>Derecognition of intangible software asset</b>	451	0
<b>Losses</b>	18	174
<b>Movement on expected credit loss</b>	199	254
<b>(Gain) / Loss on disposal</b>	(250)	203
<b>Movement on other provisions</b>	(327)	(651)
<b>Movement on reservoir repair costs</b>	(636)	1,777
<b>Sub-total</b>	<b>31,134</b>	<b>28,051</b>
<b>Total</b>	<b>98,788</b>	<b>95,139</b>

Details of write-offs, losses and special payments are shown in the Parliamentary and Audit Report

Intangible ICT development costs of £451k have been de-recognised during the year.

## 6. Income analysis

For the year ended 31 March 2021

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Abstraction charges</b>	18,795	21,122
<b>Environmental permitting regulations: water quality</b>	6,917	6,242
<b>Environmental permitting regulations: installations</b>	3,346	3,139
<b>Environmental permitting regulations: waste</b>	2,405	2,156
<b>Other environmental protection charges</b>	1,506	1,350
<b>Fishing licences</b>	1,166	1,107
<b>Nuclear regulation</b>	474	1,142
<b>Hazardous waste</b>	929	842
<b>Water resources rechargeable works</b>	671	658
<b>Marine licensing</b>	299	224
<b>Emissions trading</b>	213	241
<b>Total Charge Income</b>	<b>36,721</b>	<b>38,223</b>
<b>Timber income</b>	30,561	25,198
<b>Renewable energy income<sup>1</sup></b>	3,976	3,997
<b>Internal drainage district income</b>	1,630	1,607
<b>Income from estates</b>	1,448	2,416
<b>Legal costs recovered and Proceeds of Crime Act income</b>	871	178
<b>Provision of information and services</b>	719	824

<sup>1</sup> Renewable energy income is shown net of fees due to Welsh Government in respect of wind energy income. The balance of £3,976k represents income of £14,749k (in 2019/20, £11,891k) after deducting the fee payment to Welsh Government of £10,773k (in 2019/20, £7,894k).

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Miscellaneous income</b>	236	68
<b>Interest receivable</b>	26	45
<b>Total Commercial and other income</b>	<b>39,467</b>	<b>34,333</b>
<b>European income<sup>2</sup></b>	1,657	919
<b>Grants and contributions</b>	561	222
<b>Total European and other external funding</b>	<b>2,218</b>	<b>1,141</b>
<b>Total income</b>	<b>78,406</b>	<b>73,697</b>

## 6.1 Analysis of fees and charges

### Year ending 31 March 2021

	<b>Income billed</b>	<b>Expenditure</b>	<b>Surplus/ (Deficit)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Abstraction charges</b>	18,979	18,795	184
<b>Environmental permitting regulations: water quality</b>	6,421	6,917	(496)
<b>Environmental permitting regulations: installations</b>	3,526	3,346	180
<b>Environmental permitting regulations: waste</b>	2,480	2,405	75
<b>Other environmental protection charges</b>	1,316	1,506	(190)
<b>Fishing licences</b>	1,166	1,166	0
<b>Nuclear regulation</b>	476	474	2
<b>Hazardous waste</b>	989	929	60

<sup>2</sup> Including income claimed via Welsh European Funding Office for European funded projects.



	<b>Income billed</b> <b>£'000</b>	<b>Expenditure</b> <b>£'000</b>	<b>Surplus/ (Deficit)</b> <b>£'000</b>
<b>Water resources rechargeable works</b>	671	671	0
<b>Marine licences</b>	312	299	13
<b>Emissions trading</b>	213	213	0
<b>Total</b>	<b>36,549</b>	<b>36,721</b>	<b>(172)</b>

### Comparative figures – year ending 31 March 2020

	<b>Income billed</b> <b>£'000</b>	<b>Expenditure</b> <b>£'000</b>	<b>Surplus/ (Deficit)</b> <b>£'000</b>
<b>Abstraction charges</b>	21,215	21,122	93
<b>Environmental permitting regulations: water quality</b>	6,230	6,242	(12)
<b>Environmental permitting regulations: installations</b>	3,325	3,139	186
<b>Environmental permitting regulations: waste</b>	2,300	2,156	144
<b>Other environmental protection charges</b>	1,224	1,350	(126)
<b>Fishing licences</b>	1,107	1,107	0
<b>Nuclear regulation</b>	1,049	1,142	(93)
<b>Hazardous waste</b>	1,061	842	219
<b>Water resources rechargeable works</b>	658	658	0
<b>Marine licences</b>	232	224	8
<b>Emissions trading</b>	207	241	(34)
<b>Total</b>	<b>38,608</b>	<b>38,223</b>	<b>385</b>

Revenue is recognised based on the consideration specified in a contract with the customer. Natural Resources Wales recognises revenue in accordance with the five stages set out in IFRS 15 Revenue from contracts with customers. Revenue is recognised when, or as, Natural Resources Wales satisfies a performance obligation.

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. Charges income falls into two main categories: an application for a licence or permit for which revenue is recognised at the time of the application, and the subsistence charge associated with licences and permits, which give the customer legal entitlement to carry out their operation for a period of time under Natural Resource Wales's regulation. Such subsistence income is recognised when billed at the point the new permit period commences.

For commercial transactions, the customer simultaneously receives and consumes the benefits provided, and the revenue is recognised at a point in time.

In accordance with Managing Welsh Public Money, fees and charges are set on a full cost recovery basis taking into consideration scheme balances. Accumulated surpluses and deficits relating to our charge schemes 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 they have arisen accidentally as a result of unplanned circumstances in line with Managing Welsh Public Money definition, or where there is a future plan to utilise those balances. The deferred and accrued income balances are considered when setting future years' fees and charges, to enable a cost recovery position to be achieved over a reasonable period of time, which due to timing differences is not considered appropriate within a single financial year.

We have a transitional arrangement where material balances without a plan will be reduced by 31 March 2022. This treatment overrides the standard revenue recognition criteria outlined in the first paragraph above.

### **Significant judgment**

A judgement is made regarding the satisfaction of performance obligations on fees and charges and commercial income per IFRS15. Within receivables (Note 10) and payables (Note 12) there are accrued and deferred income balances for fees and charges where there is a surplus or deficit. As mentioned above, charging schemes are required to break even over a reasonable period of time and judgment is required in assessing the factors behind whether the surplus or deficit will result in a break-even position over this reasonable period (reported in notes 10 and 12).

Expenditure funded by grant-in-aid has been excluded from the table below. The table does not include the effect of IAS 19 pension adjustments but does include in-year employer contributions to the pension schemes, which are passed on to charge payers. The financial objective for the charging schemes 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 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 – regulation of deposits, removals, construction projects on or under the sea bed and all forms of dredging.
- Other environmental protection – licensing for registration of waste carriers and brokers, trans frontier shipments, producer responsibility licensing for waste electronic and electrical equipment , end of life vehicles, polychlorinated biphenyls, flood defence consents, reservoir compliance, development planning advice 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 Natural Resources Wales and the cost of the expenditure can be reliably measured. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, if appropriate.

Assets leased to external parties under an operating lease are capitalised under the appropriate accounting policy.

A judgement is made to the categorisation of expenditure as capital works expensed in year, and tangible and intangible assets.

### 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 Natural Resources Wales' purpose. Because of the diverse nature of the land held and the lack of comparable market values, Natural Resources Wales 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 7.1.3.

Plant and machinery, information technology equipment and intangible assets are all short term assets and depreciated historical cost is used as a proxy for fair value.

Assets capitalised as under construction are carried at costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. They are not revalued and are transferred to the appropriate non-current asset category when completed and ready for use.

### Indexation and Revaluation

The table below summaries the different valuation methodologies deployed for the different categories of assets reported in Note 7.1

The valuations and indices applied were quality assured by the Natural Resources Wales Principal Surveyor. All valuers had enough current local and national knowledge of the market, and the skills and understanding to undertake the valuation competently.

All valuations were undertaken in line with the requirements of the RICS Red Book.

## Rolling Programme

Table Key:

BCIS - Building Cost Information Service

ONS - Office of National Statistics

DRC - Depreciated Replacement Cost

<b>Reporting column in Note 7.1</b>	<b>Class of Asset</b>	<b>Valuation Methodology</b>	<b>Process for 20/21</b>	<b>Valuer</b>
<b>Forest Estate</b>	Forest Estate	Market value	Full valuation	Savills
<b>Freehold Land</b>	Agricultural Land - Equipped Asset	Market value	Full valuation	Internal
<b>Freehold Land</b>	Agricultural Land - Unequipped Beacon properties valued as a guide	Market value	Full valuation - on beacon sites	Internal
<b>Freehold Land</b>	Agricultural Land - Unequipped Beacon properties valued as a guide	Market value	Full valuation - on beacon sites	Llywelyn Humphreys
<b>Freehold Land</b>	Other Welsh Government Woodland Estate Land	Market value	Full valuation	Savills
<b>Freehold Land</b>	Flood Land	Market value	Index	Internal
<b>Leasehold Land</b>	Flood Land	Market value	Index	Internal
<b>Other Land</b>	Wind Farms	Market value	Full valuation	Savills
<b>Other Land</b>	Hydro Schemes	Market value	Desktop	Internal
<b>Other Land</b>	Third party Access	Market value	Desktop	Internal
<b>Other Land</b>	Telecom Masts	Market value	Desktop	Internal
<b>Other Land</b>	Mineral Leases	Market value	Desktop	Internal

<b>Reporting column in Note 7.1</b>	<b>Class of Asset</b>	<b>Valuation Methodology</b>	<b>Process for 20/21</b>	<b>Valuer</b>
<b>Other Land</b>	Other Agreements	Market value	Desktop	Internal
<b>Other Land</b>	Forest Holidays	Market value	Desktop	Internal
<b>Buildings</b>	Dwellings	Market value	Land Registry House Index / BCIS*	Internal
<b>Buildings</b>	Offices & Commercial	Market value	BCIS Index*	Internal
<b>Buildings</b>	Depots (specialised)	Modern equivalent asset value	BCIS Index*	Internal
<b>Buildings</b>	Deer Larders (specialised)	Modern equivalent asset value	BCIS Index*	Internal
<b>Buildings</b>	Information Centres (specialised)	Modern equivalent asset value	BCIS Index*	Internal
<b>Buildings</b>	Toilet Blocks (specialised)	Modern equivalent asset value	BCIS Index*	Internal
<b>Buildings</b>	Visitor Centres (specialised)	Modern equivalent asset value	BCIS Index*	Internal
<b>Buildings</b>	Other (specialised)	Modern equivalent asset value	BCIS Index*	Internal
<b>Buildings</b>	Agricultural (Specialised)	Modern equivalent asset value	BCIS Index*	Internal
<b>Operational Structures</b>	Boreholes	Modified historic cost	ONS Index*	Internal
<b>Operational Structures</b>	Gauging Station	Modified historic cost	ONS Index*	Internal

<b>Reporting column in Note 7.1</b>	<b>Class of Asset</b>	<b>Valuation Methodology</b>	<b>Process for 20/21</b>	<b>Valuer</b>
<b>Operational Structures</b>	Locks & Weirs	Modified historic cost	ONS Index*	Internal
<b>Operational Structures</b>	Sea & River Structures	Modified historic cost	ONS Index*	Internal
<b>Operational Structures</b>	Sluices	Modified historic cost	ONS Index*	Internal
<b>Operational Structures</b>	Other	Modified historic cost	ONS Index*	Internal
<b>Operational Structures</b>	Pumping Stations	Modified historic cost	ONS Index*	Internal
<b>Operational Structures</b>	Fish Passes	Modified historic cost	ONS Index*	Internal
<b>Operational Structures (Public Structures)</b>	Boardwalks	Modern equivalent asset value	Desktop	Internal
<b>Operational Structures (Public Structures)</b>	Bike Trails	Modern equivalent asset value	Desktop	Internal
<b>Operational Structures (Public Structures)</b>	Bird Hides	Modern equivalent asset value	Desktop	Internal
<b>Operational Structures (Public Structures)</b>	Other	Modern equivalent asset value	Desktop	Internal
<b>Operational Structures (Public Structures)</b>	Car Parks	Modern equivalent asset value	Desktop	Internal
<b>Operational Structures</b>	Walking Trails	Modern equivalent asset value	Desktop	Internal

<b>Reporting column in Note 7.1</b>	<b>Class of Asset</b>	<b>Valuation Methodology</b>	<b>Process for 20/21</b>	<b>Valuer</b>
<b>(Public Structures)</b>				
<b>Biological Assets</b>	Biological Assets	Market value	Full valuation	Savills
<b>Heritage Assets</b>	Heritage Assets	Historical cost	Held at cost	Internal

The Forest Estate, land, buildings and public structures (reported within operational structures) have been subject to full professional valuation every five years in accordance with the Royal Institution of Chartered Surveyors (RICS)'s Appraisal and Valuation Standards (the Red Book). Most of these assets were last fully valued at 31 March 2016 by chartered surveyors and signed off by a registered valuer.

It has been decided to establish a rolling programme for full valuations. In between these full valuations, assets are subject to an annual interim valuation. For 2020/21, these valuations were provided by the relevant firms of Chartered Surveyors or by internal valuers. Where a full valuation was undertaken in 2020/21, this is noted in the table above. A desktop valuation was undertaken for public structures in 2020/21 but a full valuation will be undertaken in 2021/22 for public structures as well as for buildings and the remaining classes of land assets as part of the rolling programme.

Where internal valuations were undertaken, they were undertaken by our in-house team of Chartered Surveyors, under the direction of the Principal Surveyor.

Where no valuation has taken place, the appropriate indexation rates were supplied by the Principal Surveyor.

For operational structures, FReM would expect us to use the depreciated replacement cost method. For Natural Resources Wales, that is impractical and not cost effective, so we have used modified historic cost as a proxy for depreciated replacement cost to give us fair value. In conjunction with our valuers we have decided to change the type of index from BCIS Building indices to the Office of National Statistics (ONS) Construction Output Price Indices (OPI's) – Infrastructure. This index is thought to be more relevant to the type of assets contained within this category. The index has been applied to the asset values at the 1 April 2020.

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 and amortisation**

Land (forest estate and non-forest land) and intangible rights to land are not depreciated, unless the land 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 to the Statement of Comprehensive Net Expenditure in the month of disposal, but not in the month of acquisition.

A judgement is made on the useful economic lives that form the basis for the period over which property, plant and equipment is depreciated and intangible assets amortised. The estimated asset lives are reviewed, and adjusted if appropriate, at each reporting date. The principal useful lives used for depreciation purposes are:

<b>Asset Category</b>	<b>Principal useful life</b>
<b>Table section: Tangible assets</b>	
<b>Buildings and Dwellings</b>	10 - 60 years
<b>Plant and Machinery</b>	4 - 25 years
<b>Information Technology</b>	3 - 10 years
<b>Operational Structures</b>	5 - 100 years
<b>Table section: Intangible assets</b>	
<b>Software licences</b>	5 - 25 years
<b>Other licences</b>	5 - 50 years
<b>Software developments</b>	3 - 10 years
<b>Website</b>	5 - 10 years

The range in the useful lives above reflects the variety of assets within the asset categories. An exception would be leasehold improvement assets, which are given the same life as the relative lease.

Other licences also include assets which are held in perpetuity.

Most assets within these categories have principle useful lives within these ranges.

## **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 gain or loss on disposal. 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 Natural Resources Wales 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 carrying amount of the assets and depreciation based on the asset's original 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, a loss in economic benefit or reduction of service potential. 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 only those impairment losses that do not result from a clear consumption of economic benefit or reduction of service potential should be 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. Impairment losses that arise from a clear consumption of economic benefit or reduction in service potential should be taken in full to the Statement of Comprehensive Net 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 and a sale within 12 months of the reporting date is considered to be highly probable, management is committed to a plan to sell and the asset is being actively marketed in its present condition at a price which is reasonable in relation to its current condition.

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 and are recorded as current assets in the Statement of Financial Position.

## 7.1 Tangible non-current assets

	Forest estate £'000	Other land £'000	Buildings £'000	Plant and machinery £'000	Information technology £'000	Operational structures £'000	Assets under construction £'000	Total Property, Plant & Equipment £'000	Biological assets £'000	Heritage assets £'000	Total Tangible Assets £'000
<b>Table section: Cost or Valuation</b>											
<b>At 1 April 2020</b>	788,517	188,383	18,946	21,589	13,511	90,709	3,215	<b>1,124,870</b>	135,744	7,099	<b>1,267,713</b>
<b>Additions</b>	0	0	115	1,440	404	843	4,238	<b>7,040</b>	0	304	<b>7,344</b>
<b>Assets commissioned in year</b>	0	393	0	1,863	79	140	(2,475)	<b>0</b>	0	0	<b>0</b>
<b>Disposals and derecognition</b>	(1)	(353)	(200)	(904)	(4)	0	0	<b>(1,462)</b>	0	0	<b>(1,462)</b>
<b>Movement from/(to) held for sale</b>	1	26	425	(345)	0	0	0	<b>107</b>	0	0	<b>107</b>
<b>Fellings</b>	(17,118)	0	0	0	0	0	0	<b>(17,118)</b>	(6,493)	0	<b>(23,611)</b>
<b>Indexation and revaluation</b>	640,597	(3,428)	(771)	0	0	(8,269)	0	<b>628,129</b>	231,689	0	<b>859,818</b>
<b>Reclassification</b>	0	(472)	(1,679)	1,620	0	393	120	<b>(18)</b>	0	0	<b>(18)</b>
<b>At 31 March 2021</b>	<b>1,411,996</b>	<b>184,549</b>	<b>16,836</b>	<b>25,263</b>	<b>13,990</b>	<b>83,816</b>	<b>5,098</b>	<b>1,741,548</b>	<b>360,940</b>	<b>7,403</b>	<b>2,109,891</b>

	Forest estate £'000	Other land £'000	Buildings £'000	Plant and machinery £'000	Information technology £'000	Operational structures £'000	Assets under construction £'000	Total Property, Plant & Equipment £'000	Biological assets £'000	Heritage assets £'000	Total Tangible Assets £'000
<b>Table section: Depreciation</b>											
<b>At 1 April 2020</b>	0	0	3,534	14,997	13,133	26,691	0	<b>58,355</b>	0	0	<b>58,355</b>
<b>Charged in year</b>	0	0	596	1,503	54	3,567	0	<b>5,720</b>	0	0	<b>5,720</b>
<b>Disposals and derecognition</b>	0	0	(126)	(833)	(5)	0	0	<b>(964)</b>	0	0	<b>(964)</b>
<b>Movement from/(to) held for sale</b>	0	0	0	(323)	0	0	0	<b>(323)</b>	0	0	<b>(323)</b>
<b>Indexation and revaluation</b>	0	0	(100)	(6)	0	(9,224)	0	<b>(9,330)</b>	0	0	<b>(9,330)</b>
<b>Reclassification</b>	0	0	(747)	747	0	0	0	<b>0</b>	0	0	<b>0</b>
<b>At 31 March 2021</b>	<b>0</b>	<b>0</b>	<b>3,157</b>	<b>16,085</b>	<b>13,182</b>	<b>21,034</b>	<b>0</b>	<b>53,458</b>	<b>0</b>	<b>0</b>	<b>53,458</b>
<b>Carrying amount at 1 April 2020</b>	788,517	188,383	15,412	6,592	378	64,018	3,215	<b>1,066,515</b>	135,744	7,099	<b>1,209,358</b>
<b>Carrying amount at 31 March 2021</b>	<b>1,411,996</b>	<b>184,549</b>	<b>13,679</b>	<b>9,178</b>	<b>808</b>	<b>62,782</b>	<b>5,098</b>	<b>1,688,090</b>	<b>360,940</b>	<b>7,403</b>	<b>2,056,433</b>

	<b>Forest estate</b> <b>£'000</b>	<b>Other land</b> <b>£'000</b>	<b>Buildings</b> <b>£'000</b>	<b>Plant and machinery</b> <b>£'000</b>	<b>Information technology</b> <b>£'000</b>	<b>Operational structures</b> <b>£'000</b>	<b>Assets under construction</b> <b>£'000</b>	<b>Total Property, Plant &amp; Equipment</b> <b>£'000</b>	<b>Biological assets</b> <b>£'000</b>	<b>Heritage assets</b> <b>£'000</b>	<b>Total Tangible Assets</b> <b>£'000</b>
<b>Table section: Asset Financing</b>											
<b>Owned</b>	1,366,059	180,818	13,679	9,178	808	64,665	5,098	<b>1,640,305</b>	360,940	7,403	<b>2,008,648</b>
<b>Leased</b>	45,937	3,731	0	0	0	0	0	<b>49,668</b>	0	0	<b>49,668</b>
<b>Carrying amount at 31 March 2021</b>	<b>1,411,996</b>	<b>184,549</b>	<b>13,679</b>	<b>9,178</b>	<b>808</b>	<b>62,782</b>	<b>5,098</b>	<b>1,688,090</b>	<b>360,940</b>	<b>7,403</b>	<b>2,056,433</b>

Buildings include dwellings with a carrying amount of £325k. The other buildings are offices and workbases.

The amount held in the Revaluation Reserve for tangible assets at 31st March 2020 was £1,595,339k

## Comparative figures for the year ended 31 March 2020

	Forest estate £'000	Other land £'000	Buildings £'000	Plant and machinery £'000	Information technology £'000	Operational structures £'000	Assets under construction £'000	Total Property, Plant & Equipment £'000	Biological assets £'000	Heritage assets £'000	Total Tangible Assets £'000
<b>Table section: Cost or Valuation</b>											
<b>At 1 April 2019</b>	736,567	60,168	16,463	22,535	13,464	82,770	510	<b>932,477</b>	122,538	7,000	<b>1,062,015</b>
<b>Additions</b>	0	1,145	206	375	13	230	2,919	<b>4,888</b>	0	0	<b>4,888</b>
<b>Assets commissioned in year</b>	0	0	0	19	34	161	(214)	<b>0</b>	0	0	<b>0</b>
<b>Disposals and derecognition</b>	(22)	(508)	(133)	(1,335)	0	(192)	0	<b>(2,190)</b>	0	0	<b>(2,190)</b>
<b>Movement from/(to) held for sale</b>	21	(309)	(492)	(23)	0	0	0	<b>(803)</b>	0	0	<b>(803)</b>
<b>Fellings</b>	(12,489)	0	0	0	0	0	0	<b>(12,489)</b>	(4,487)	0	<b>(16,976)</b>
<b>Indexation and revaluation</b>	64,440	127,986	2,902	0	0	7,740	0	<b>203,068</b>	17,693	0	<b>220,761</b>
<b>Reclassification</b>	0	(99)	0	18	0	0	0	<b>(81)</b>	0	99	<b>18</b>
<b>At 31 March 2020</b>	<b>788,517</b>	<b>188,383</b>	<b>18,946</b>	<b>21,589</b>	<b>13,511</b>	<b>90,709</b>	<b>3,215</b>	<b>1,124,870</b>	<b>135,744</b>	<b>7,099</b>	<b>1,267,713</b>

	Forest estate £'000	Other land £'000	Buildings £'000	Plant and machinery £'000	Information technology £'000	Operational structures £'000	Assets under construction £'000	Total Property, Plant & Equipment £'000	Biological assets £'000	Heritage assets £'000	Total Tangible Assets £'000
<b>Table section: Depreciation</b>											
<b>At 1 April 2019</b>	0	0	2,527	14,822	13,077	21,246	0	<b>51,672</b>	0	0	<b>51,672</b>
<b>Charged in year</b>	0	0	711	1,392	56	3,791	0	<b>5,950</b>	0	0	<b>5,950</b>
<b>Disposals and derecognition</b>	0	0	(133)	(1,201)	0	(90)	0	<b>(1,424)</b>	0	0	<b>(1,424)</b>
<b>Movement from/(to) held for sale</b>	0	0	113	(21)	0	0	0	<b>92</b>	0	0	<b>92</b>
<b>Indexation and revaluation</b>	0	0	316	(6)	0	1,744	0	<b>2,054</b>	0	0	<b>2,054</b>
<b>Reclassification</b>	0	0	0	11	0	0	0	<b>11</b>	0	0	<b>11</b>
<b>At 31 March 2020</b>	<b>0</b>	<b>0</b>	<b>3,534</b>	<b>14,997</b>	<b>13,133</b>	<b>26,691</b>	<b>0</b>	<b>58,355</b>	<b>0</b>	<b>0</b>	<b>58,355</b>
<b>Carrying amount at 1 April 2019</b>	736,567	60,168	13,936	7,713	387	61,524	510	<b>880,805</b>	122,538	7,000	<b>1,010,343</b>
<b>Carrying amount at 31 March 2020</b>	<b>788,517</b>	<b>188,383</b>	<b>15,412</b>	<b>6,592</b>	<b>378</b>	<b>64,018</b>	<b>3,215</b>	<b>1,066,515</b>	<b>135,744</b>	<b>7,099</b>	<b>1,209,358</b>

	<b>Forest estate £'000</b>	<b>Other land £'000</b>	<b>Buildings £'000</b>	<b>Plant and machinery £'000</b>	<b>Information technology £'000</b>	<b>Operational structures £'000</b>	<b>Assets under construction £'000</b>	<b>Total Property, Plant &amp; Equipment £'000</b>	<b>Biological assets £'000</b>	<b>Heritage assets £'000</b>	<b>Total Tangible Assets £'000</b>
<b>Table section: Asset Financing</b>											
<b>Owned</b>	745,101	183,656	15,412	6,592	378	64,018	3,215	<b>1,018,372</b>	135,744	7,099	<b>1,161,215</b>
<b>Leased</b>	43,416	4,727	0	0	0	0	0	<b>48,143</b>	0	0	<b>48,143</b>
<b>Carrying amount at 31 March 2020</b>	<b>788,517</b>	<b>188,383</b>	<b>15,412</b>	<b>6,592</b>	<b>378</b>	<b>64,018</b>	<b>3,215</b>	<b>1,066,515</b>	<b>135,744</b>	<b>7,099</b>	<b>1,209,358</b>

Buildings include dwellings with a carrying amount of £296k. The other buildings are offices and workbases.

The amount held in the Revaluation Reserve for tangible assets at 31st March 2020 was £976,506k.



### **7.1.1 Forest estate including biological assets**

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 Natural Resources Wales 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.

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 8% and 10% of the estate then extrapolating these for the whole estate, 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 50 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 2021. The percentage split is currently 27.5% for biological assets and 72.5% 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 3% of timber values and reflect the costs of selling the woodland or forest.

### **7.1.2 Windfarms**

Some forest estate land is leased to external parties as windfarm sites. The development of a windfarm is split into three stages. Each stage requires a different type of lease agreement.

- The first stage is the Option Lease Agreement. This provides the windfarm developer the right to exercise the option to build on the land. At this stage, Natural Resources Wales receives an option fee based on a financial formula set out in the agreement.
- The second stage is the Development Lease Agreement. Planning permission has been granted and construction takes place during this stage. Similar to the first stage, Natural Resources Wales receives an option fee based on a financial formula set out in the agreement.
- The third stage is the Operating Lease Agreement. The windfarm is fully operational and is generating electricity. Natural Resources Wales receives two elements of income; a guaranteed base rent and a royalty rent based on electricity generation.

Leases for windfarms which are in the development or operation stage are capitalised as land asset within other land in note 7.1. In previous years, Cefn Croes has been the only windfarm included within property, plant and equipment. An additional 3 windfarms were capitalised during 2019/20. At the point of capitalisation, the value of the land is deducted from the Forest Estate valuation which is disclosed within Other Land and is included with the windfarm valuation. A RICS red book valuation is carried out at the point of recognition. At 31 March 2021, Savills provided a full professional valuation for all four windfarms.

Pen y Cymoedd, Brechfa West and Clocaenog are all operational now. These are TAN 8 windfarms where the income (after deducting the relative expenses) is transferred to Welsh Government.

The individual values for the windfarms as at 31 March 2021 are shown below.

	<b>£000</b>
<b>Cefn Croes</b>	7,100
<b>Pen y Cymoedd</b>	82,775
<b>Brechfa West</b>	15,000
<b>Clocaenog</b>	<u>31,660</u>
<b>Total</b>	<b>136,535</b>

Two other windfarms are currently at the Option Lease Agreement stage. There will be just two stages for these windfarms as the development stage and operational stage will be merged. These will be capitalised when they move into the next stage.

### **7.1.3 Heritage assets**

Heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are 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 2021 Natural Resources Wales manages 58 of Wales's National Nature Reserves, either entirely, or in partnership, and one Marine Nature Reserve (MNR). NRW purchased heritage land at a cost of £304k during 20/21.

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.

#### Heritage Assets 4 year movements

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Opening Balance</b>	6,432	6,432	7,000	7,099
<b>Additions</b>	0	295	0	304
<b>Reclassifications</b>	0	273	99	0
<b>Closing Balance</b>	6,432	7,000	7,099	7,403

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 the [Natural Resources Wales website, National Nature Reserves page](#)

## 7.2 Intangible non-current assets

	<b>Software Licences</b>	<b>Other Licences</b>	<b>Software Development Expenditure</b>	<b>Web Site</b>	<b>Assets under construction</b>	<b>Total Intangible Assets</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>						
<b>At 1 April 2020</b>	9,341	2,338	17,587	477	8,866	<b>38,609</b>
<b>Additions</b>	246	0	496	0	8,085	<b>8,827</b>
<b>Assets commissioned in year</b>	0	0	6,978	0	(6,978)	<b>0</b>
<b>Disposals and derecognition</b>	(6)	0	(451)	0	0	<b>(457)</b>
<b>Indexation and revaluation</b>	0	0	0	0	0	<b>0</b>
<b>Reclassification</b>	0	(1)	0	0	19	<b>18</b>
<b>At 31 March 2021</b>	<b>9,581</b>	<b>2,337</b>	<b>24,610</b>	<b>477</b>	<b>9,992</b>	<b>46,997</b>
<b>Table section: Amortisation</b>						
<b>At 1 April 2020</b>	<b>6,349</b>	<b>38</b>	<b>9,782</b>	<b>391</b>	<b>0</b>	<b>16,560</b>
<b>Charged in year</b>	678	10	2,404	43	0	<b>3,135</b>
<b>Disposals and derecognition</b>	(6)	0	0	0	0	<b>(6)</b>

	<b>Software Licences</b>	<b>Other Licences</b>	<b>Software Development Expenditure</b>	<b>Web Site</b>	<b>Assets under construction</b>	<b>Total Intangible Assets</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Indexation and revaluation</b>	0	0	0	0	0	<b>0</b>
<b>Reclassification</b>	0	0	0	0	0	<b>0</b>
<b>At 31 March 2021</b>	<b>7,021</b>	<b>48</b>	<b>12,186</b>	<b>434</b>	<b>0</b>	<b>19,689</b>
<b>Carrying Amount at 1 April 2020</b>	<b>2,992</b>	<b>2,300</b>	<b>7,805</b>	<b>86</b>	<b>8,866</b>	<b>22,049</b>
<b>Carrying Amount at 31 March 2021</b>	<b>2,560</b>	<b>2,289</b>	<b>12,424</b>	<b>43</b>	<b>9,992</b>	<b>27,308</b>
<b>Table section: Asset Financing</b>						
<b>Owned</b>	2,560	2,289	12,424	43	9,992	<b>27,308</b>
<b>Carrying Amount at 31 March 2021</b>	<b>2,560</b>	<b>2,289</b>	<b>12,424</b>	<b>43</b>	<b>9,992</b>	<b>27,308</b>

The amount held in the Revaluation Reserve for these assets at 31st March 2021 was £632k

## Comparative figures for the year ended 31 March 2020

	<b>Software Licences £'000</b>	<b>Other Licences £'000</b>	<b>Software Development Expenditure £'000</b>	<b>Web Site £'000</b>	<b>Assets under construction £'000</b>	<b>Total Intangible Assets £'000</b>
<b>Table section: Cost or valuation</b>						
<b>At 1 April 2019</b>	<b>10,069</b>	<b>2,354</b>	<b>13,003</b>	<b>477</b>	<b>5,076</b>	<b>30,979</b>
<b>Additions</b>	112	0	1,113	0	6,473	<b>7,698</b>
<b>Assets commissioned in year</b>	135	0	2,545	0	(2,680)	<b>0</b>
<b>Disposals and derecognition</b>	0	0	(47)	0	(3)	<b>(50)</b>
<b>Indexation and revaluation</b>	0	0	0	0	0	<b>0</b>
<b>Reclassification</b>	(975)	(16)	973	0	0	<b>(18)</b>
<b>At 31 March 2020</b>	<b>9,341</b>	<b>2,338</b>	<b>17,587</b>	<b>477</b>	<b>8,866</b>	<b>38,609</b>
<b>Table section: Amortisation</b>						
<b>At 1 April 2019</b>	<b>6,153</b>	<b>41</b>	<b>7,832</b>	<b>349</b>	<b>0</b>	<b>14,375</b>
<b>Charged in year</b>	763	6	1,416	42	0	<b>2,227</b>
<b>Disposals and derecognition</b>	0	0	(31)	0	0	<b>(31)</b>

	<b>Software Licences £'000</b>	<b>Other Licences £'000</b>	<b>Software Development Expenditure £'000</b>	<b>Web Site £'000</b>	<b>Assets under construction £'000</b>	<b>Total Intangible Assets £'000</b>
<b>Indexation and revaluation</b>	0	0	0	0	0	0
<b>Reclassification</b>	(567)	(9)	565	0	0	(11)
<b>At 31 March 2020</b>	<b>6,349</b>	<b>38</b>	<b>9,782</b>	<b>391</b>	<b>0</b>	<b>16,560</b>
<b>Carrying Amount at 1 April 2019</b>	<b>3,916</b>	<b>2,313</b>	<b>5,171</b>	<b>128</b>	<b>5,076</b>	<b>16,604</b>
<b>Carrying Amount at 31 March 2020</b>	<b>2,992</b>	<b>2,300</b>	<b>7,805</b>	<b>86</b>	<b>8,866</b>	<b>22,049</b>
<b>Table section: Asset Financing</b>						
<b>Owned</b>	2,992	2,300	7,805	86	8,866	<b>22,049</b>
<b>Carrying Amount at 31 March 2020</b>	<b>2,992</b>	<b>2,300</b>	<b>7,805</b>	<b>86</b>	<b>8,866</b>	<b>22,049</b>

The amount held in the Revaluation Reserve for these assets at 31st March 2020 was £657k.

## 8. Financial liabilities and instruments

### 8.1 Financial liability

The financial liability of £39,897k 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.

£5,926k was paid to Dŵr Cymru Welsh Water during 2020/21 (2019/20: £5,848k) for the indexed fixed payments. These are included with other payments under the reservoir operating agreements in Note 5.

"Recently introduced legislative obligations relating to enhanced standards for spillways, pipes & dams as well as assets coming to the end of their useful lives have resulted in Dŵr Cymru Welsh Water implementing a capital programme over 8 years across the Clwyd, Dwyfor, Aled, Dee, Wye & Tywi catchments. This programme of new works has significantly increased costs to unprecedented levels which has resulted in Natural Resources Wales agreeing an incremental payment schedule with Dŵr Cymru Welsh Water over 10 years at a total projected cost of £26.9m.

Through the 'smoothing' of these costs and manageable increased charges for the abstractor, this facility has enabled Natural Resources Wales to forecast a sustainable Standard Unit Charge Account over the duration of this timeline. The cost is reported within Reservoir operating agreements in note 5 and the in-year surplus has been deducted against the long term payables in note 12. The corresponding reduction in attributable income to be received is reported within abstraction costs in Note 6.1 and long term receivables in note 10."

### 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.

IFRS 9 introduced a new Expected Credit Loss (ECL) model to estimate and account for expected credit losses for all relevant financial assets. Natural Resources Wales's estimate is based on our historic experience of credit losses updated for known future credit issues.



## 9. Financial Assets

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Lake Vyrnwy forest</b>	13,528	4,811
<b>Forest holidays</b>	600	710
<b>Total</b>	<b>14,128</b>	<b>5,521</b>

Hafren Dyfrdwy are responsible for the management of the forest at Lake Vyrnwy, collecting the income and incurring the relative costs. Natural Resources Wales have an advisory role under the afforestation scheme agreement and receives 50% of the operating surplus from Hafren Dyfrdwy.

## 10. Trade and other receivables

	31 March 2021	31 March 2020
	£'000	£'000
<b>Table section: Due within 1 year</b>		
Trade receivables	5,481	5,629
Expected credit loss	(871)	(672)
<b>Table section: Contract assets</b>		
Commercial and other	5,926	3,673
<b>Table section: Accrued income</b>		
European and other external funding	942	1,044
Charges	1,874	1,325
Other	1,033	77
VAT receivable	2,894	3,110
Prepayments	2,151	1,890
Other receivables	26	35
<b>Total</b>	<b>19,456</b>	<b>16,111</b>
<b>Table section: Due after 1 year</b>		
Long term receivables	3,342	3,982
<b>Total Trade and other receivables</b>	<b>22,798</b>	<b>20,093</b>

## 11. Cash and cash equivalents

	31 March 2021	31 March 2020
	£'000	£'000
<b>Opening balance</b>	25,101	49,025
<b>Net change in cash and cash equivalent balances</b>	(17,246)	(23,924)
<b>Total</b>	<b>7,855</b>	<b>25,101</b>
<b>Table section: The following balances were held at 31 March</b>		
<b>Government Banking Service</b>	5,465	20,980
<b>Other bank accounts</b>	2,388	4,120
<b>Cash in hand</b>	2	1
<b>Total</b>	<b>7,855</b>	<b>25,101</b>

Cash and cash equivalents comprise cash in hand, financial provisions (see Note 1.9) and current balances which are held in Government Banking Service and Barclays bank accounts. They are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in value. Financial provisions are not available for use by Natural Resources Wales. Only when the permit conditions are breached by the landfill operator will NRW give due consideration to drawing down the provision in place.

## 12. Trade and other payables

	31 March 2021 £'000	31 March 2020 £'000
<b>Table section: Due within 1 year</b>		
Trade payables accrual	15,576	12,561
<b>Table section: Deferred income</b>		
European and other external funding	3,061	2,595
Charges	5,118	5,017
<b>Table section: Contract liabilities</b>		
Charges	198	478
Commercial and other	15	101
Holiday pay	3,607	2,665
Trade payables	3,117	3,153
Bonds and deposits	1,301	1,301
Finance leases (current)	20	20
Other payables	4	4
Taxation and social security	9	9
<b>Total</b>	<b>32,026</b>	<b>27,904</b>
<b>Table section: Due after 1 year</b>		
Long term payables	3,193	3,829
Finance leases (non-current)	456	459
Long term deferred income	216	244
Long term bonds and deposits	190	190

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Total</b>	<b>4,055</b>	<b>4,722</b>
<b>Total Trade and other payables</b>	<b>36,081</b>	<b>32,626</b>

## 13. Provisions

	Early departure costs £'000	Other £'000	Total £'000
<b>Balance at 1 April 2020</b>	<b>12</b>	<b>400</b>	<b>412</b>
<b>Provided in the year</b>	0	0	0
<b>Released in year</b>	0	(57)	(57)
<b>Used in the year</b>	(12)	(270)	(282)
<b>Balance at 31 March 2021</b>	<b>0</b>	<b>73</b>	<b>73</b>
<b>Table section: Estimated timing of discounted cash flows</b>			
<b>Due within one year</b>	0	73	73
<b>Due between one and five years</b>	0	0	0
<b>Total</b>	<b>0</b>	<b>73</b>	<b>73</b>

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 and it is probable that Natural Resources Wales will be required to settle the obligation and a reliable financial estimate can be made. The total provisions reported above are in the Statement of Financial Position under liabilities.

Provision for early departure costs consist of annual compensation payments to former staff who left under legacy bodies' early retirement programmes.

Other provisions is for an injury claim (£73k).

The costs of the other provisions are shown in note 5. The additional provision for the movement in expected credit loss is also shown in note 5, and the total provision for expected credit loss is shown in Note 10 and included in the Statement of Financial Position under Trade and other receivables.

# 14. Pension obligations

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

## 14.1 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. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). 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. 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 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and 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 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 8% and 14.75% (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 0.5% of pensionable salary 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 part of that pension may be payable from different ages).

Further details about the Civil Service pension arrangements can be found at [the Civil Service pension scheme website](#).

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 and it is probable that Natural Resources Wales will be required to settle the obligation and a reliable financial estimate can be made. The total provisions reported above are in the Statement of Financial Position under liabilities.

Provision for early departure costs consist of annual compensation payments to former staff who left under legacy bodies' early retirement programmes.

Other provisions include £73k in respect of an injury claim.

The costs of the other provisions are shown in note 5. The additional provision for the movement in expected credit loss is also shown in note 5, and the total provision for expected credit loss is shown in Note 10 and included in the Statement of Financial Position under Trade and other receivables.

## 14.2 Local Government Pension Scheme (LGPS)

On 1 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 Natural Resources Wales 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, primarily governed by the LGPS Regulations 2013 and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014. These are subject to amendment over time. Further details on the pension fund, including its annual report and accounts, are on [the EAPF website](#),

The total LGPS pension charge for Natural Resources Wales for the financial year 2020/21 was £9,191k (£12,513k in 2019/20). 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. Natural Resources Wales' funding arrangements are to pay the employer contributions to the Pension Fund either on a monthly basis or as lump sum payments.

The latest triennial actuarial valuation of the EAPF was at 31 March 2019. The assets taken at market value (£3.6 billion) were sufficient to cover 106% of the value of liabilities in respect of past service benefits which had accrued to members. Natural Resources Wales accepted the independent actuary's recommendation in respect of future employer contributions. The next



triennial actuarial valuation will be as at 31 March 2022 and will be used to set employer contribution rates for the three-year period starting 1 April 2023.

The annual report and financial statements for the EAPF estimated that it had sufficient assets to meet 111% of its expected future liabilities at 31 March 2021 on an ongoing funding basis. Natural Resources Wales'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.

There are two main differences in the assumptions used in these financial statements and those used for funding purposes, as reported by EAPF. These differences are in the discount rate assumption and the pension increase assumption used to value pension liabilities. The EAPF discount rate for funding purposes is based on a prudent expectation of the return generated from the portfolio of assets owned by the EAPF. At 31 March 2021 this discount rate is 2.9% p.a.. The discount rate used in the Natural Resources Wales financial statements (2.0% p.a.), as required by IAS 19, is based on high quality corporate bond yields with no additional asset performance assumption. The pension increase assumption derivation for accounting purposes has changed since the most recent valuation of the EAPF as a result of RPI reform announcements. The pension increase assumption reported by the EAPF allows for a gap between RPI and CPI of 1.0% p.a. and an inflation risk premium of 0.3% p.a.. However the assumption reported in these financial statements allows for a pre-2030 gap between RPI and CPI of 1% and a post-2030 gap of 0.1%. The resulting pension increase assumptions are 2.0% p.a. on the funding basis and 2.85% p.a. on the IAS19 basis. The real terms discount rate in these financial statements is therefore 1.75% lower than the rate used in the EAPF for funding purposes. This lower rate results in a significantly higher value being placed on the liabilities for accounting purposes.

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 was assumed at the 2019 actuarial valuation that present and future pensions in payment will increase at the rate of 2.5% per annum. The estimated contribution payable by NRW, excluding any discretionary lump sum payments, for the year to 31 March 2021 will be approximately £0 as it has paid all of its normal employer contributions.

The notes below set out the disclosure requirements of IAS 19 for the current year in relation to Natural Resources Wales'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 2019 updated to 31 March 2021. The assumptions underlying the calculation of a net liability at 31 March 2021 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 Natural Resources Wales to the pension fund will continue to be set by reference to assumptions agreed at each triennial actuarial valuation of the scheme.

Over the past year, COVID-19 has had a significant impact in the financial markets and the global economy as the world has responded to the challenges raised by the pandemic. From February 2020, asset values became increasingly volatile with the Fund's asset values falling by around 10% by 31 March 2020. However, following 31 March 2020, financial markets began to see some 'bounce-back' – perhaps as the initial sell-off was deemed to be excessive. By 30 June 2020, the Fund's asset values had increased by around 10%, returning to their 31 December 2019 levels. At 31 March 2021 the asset values of the Pension Fund are c15% higher than at 31 March 2020.

## **McCloud Judgement**

When the Local Government Pension Scheme was reformed in 2014, transitional protections were applied to certain older members within ten years of normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means they cannot be lower than what they would have received under the previous benefit structure. The underpin

ensures that these members do not lose out from the introduction of the new scheme by effectively giving them the better of the benefits from the old and new schemes.

In December 2018, the Court of Appeal upheld a ruling that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. This is referred to as the McCloud case. The implications of the ruling applied to the LGPS and other public service schemes as well.

In June 2019, the Supreme Court refused the Government permission to appeal the McCloud case in respect of age discrimination and pension protection. In July 2020, the Government entered into consultation on changes to the LGPS which outlined proposals to amend 'transitional proposals'. The overarching aim is that the changes will address the findings of the Courts and provide protection to all qualifying members when their benefits are drawn from the scheme. A full Government response to the issues addressed in the consultation is due to be published later in 2021. It is anticipated that regulations giving effect to these changes will be made after new primary legislation in relation to public service pensions has completed its passage through Parliament and the Government's intention is that regulations will come into force on 1 April 2023. The impact on Natural Resources Wales is reflected in the fund's closing valuation.

### 14.2.1 Financial and longevity assumptions

As at the date of the most recent valuation, the duration of the employer's funded liabilities is 22 years.

<b>Period Ended</b>	<b>31 Mar 2021</b> <b>% p.a.</b>	<b>31 Mar 2020</b> <b>% p.a.</b>
<b>Pension Increase Rate</b>	2.85%	1.60%
<b>Salary Increase Rate</b>	3.35%	2.10%
<b>Discount Rate</b>	2.00%	2.30%

Figures for future pensioners assume members aged 45 as at the last formal valuation date

	<b>Males</b>	<b>Females</b>
<b>Current Pensioners</b>	22.1 years	24.2 years
<b>Future Pensioners</b>	23.4 years	26.2 years

### 14.2.2. Sensitivity analysis

Change in assumptions at 31 March 2021:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	12%	63,703
0.5% increase in the Salary Increase Rate	3%	13,767
0.5% increase in the Pension Increase Rate	9%	48,146

### 14.2.3. Duration of defined benefit obligation

The duration of the defined benefit obligation (i.e. the weighted average of the time until payment of future cash flows) for scheme members calculated at the last triennial valuation as at 31st March 2019 was calculated by the actuary as 22 years.

### 14.2.4. Fair Value of Assets

#### Fair Value of Assets for the year ended 31 March 2021

Asset Category	Quoted 31 March 2021 (£000)	Unquoted 31 March 2021 (£000)	Undetermined 31 March 2021 (£000)	Total 31 March 2021 (£000)	% 31 March 2021 (£000)
<b>Table section: Equity Securities:</b>					
Common Stock	94,234.9	0.0	0.0	94,234.9	22%
Preferred Stock	0.0	0.0	0.0	0.0	0%
Rights/Warrants	0.0	0.0	0.0	0.0	0%
Other Equity Assets	1,693.4	0.0	0.0	1,693.4	0%
<b>Table section: Debt Securities</b>					
UK Government Bonds	0.0	38,279.9	0.0	38,279.9	9%
Corporate Bonds	0.0	35,420.4	0.0	35,420.4	8%

<b>Asset Category</b>	<b>Quoted 31 March 2021 (£000)</b>	<b>Unquoted 31 March 2021 (£000)</b>	<b>Undetermined 31 March 2021 (£000)</b>	<b>Total 31 March 2021 (£000)</b>	<b>% 31 March 2021 (£000)</b>
<b>Other</b>	0.0	2,432.6	0.0	2,432.6	1%
<b>Table section: Pooled Investment Vehicles</b>					
<b>Equities</b>	0.0	108,165.2	0.0	108,165.2	25%
<b>Bonds</b>	0.0	67,774.4	0.0	67,774.4	16%
<b>Funds - Common Stock</b>	0.0	0.0	0.0	0.0	0%
<b>Funds - Real Estate</b>	0.0	14,145.8	0.0	14,145.8	3%
<b>Funds - Venture Capital</b>	0.0	88.9	0.0	88.9	0%
<b>Table section: Venture Capital and Partnerships:</b>					
<b>Partnerships &amp; Real Estate</b>	0.0	53,992.5	0.0	53,992.5	12%
<b>Other Investment:</b>					
<b>Stapled Securities</b>	0.0	0.0	0.0	0.0	0%
<b>Table section: Derivative Contracts:</b>					
<b>Equity Derivatives - Futures</b>	0.0	0.0	0.0	0.0	0%
<b>Forward FX Contracts</b>	0.0	(128.3)	0.0	(128.3)	0%
<b>Table section: Cash and Cash equivalents</b>					
<b>All</b>	0.0	0.0	19,119.4	19,119.4	4%
<b>Totals</b>	<b>95,928.3</b>	<b>320,171.4</b>	<b>19,119.4</b>	<b>435,219.1</b>	<b>100%</b>

## Fair Value of Assets for the year ended 31 March 2020

Asset Category	Quoted 31 March 2020 (£000)	Unquoted 31 March 2020 (£000)	Undetermined 31 March 2020 (£000)	Total 31 March 2020 (£000)	% 31 March 2020 (£000)
<b>Table section: Equity Securities:</b>					
Common Stock	53,259.0	0.0	0.0	53,259.0	14%
Preferred Stock	0.0	0.0	0.0	0.0	0%
Rights/Warrants	0.0	0.0	0.0	0.0	0%
Other Equity Assets	109.2	0.0	0.0	109.2	0%
<b>Table section: Debt Securities</b>					
UK Government Bonds	0.0	37,883.2	0.0	37,883.2	10%
Corporate Bonds	0.0	32,404.0	0.0	32,404.0	9%
Other	0.0	2,095.3	0.0	2,095.3	1%
<b>Table section: Pooled Investment Vehicles</b>					
Equities	0.0	83,132.2	0.0	83,132.2	22%
Bonds	0.0	84,414.3	0.0	84,414.3	23%
Funds - Common Stock	0.0	0.0	0.0	0.0	0%
Funds - Real Estate	0.0	17,009.6	0.0	17,009.6	5%
Funds - Venture Capital	0.0	0.0	0.0	0.0	0%
<b>Table section: Venture Capital and Partnerships:</b>					
Partnerships & Real Estate	0.0	53,428.9	0.0	53,428.9	14%

<b>Asset Category</b>	<b>Quoted 31 March 2020 (£000)</b>	<b>Unquoted 31 March 2020 (£000)</b>	<b>Undetermined 31 March 2020 (£000)</b>	<b>Total 31 March 2020 (£000)</b>	<b>% 31 March 2020 (£000)</b>
<b>Table section: Other Investment:</b>					
<b>Stapled Securities</b>	0.0	0.0	0.0	0.0	0%
<b>Derivative Contracts:</b>					
<b>Equity Derivatives - Futures</b>	0.0	0.0	0.0	0.0	0%
<b>Forward FX Contracts</b>	0.0	(563.3)	0.0	(563.3)	0%
<b>Table section: Cash and Cash equivalents</b>					
<b>All</b>	0.0	0.0	8,898.6	8,898.6	2%
<b>Totals</b>	<b>53,368.2</b>	<b>309,804.2</b>	<b>8,898.6</b>	<b>372,071.0</b>	<b>100%</b>

#### **14.2.5 Change in fair value of plan assets, defined benefit obligation and net liability**

**Period ended 31 March 2021**

The current service cost includes an allowance for administration expenses of 0.6% of payroll.

	<b>Assets £(000s)</b>	<b>Obligations £(000s)</b>	<b>Net (liability)/ asset £(000s)</b>
<b>Fair value of employer assets</b>	372,071	0	372,071
<b>Present value of funded liabilities</b>	0	373,582	(373,582)
<b>Present value of unfunded liabilities</b>	0	0	0
<b>Opening Position as at 31 March 2020</b>	372,071	373,582	(1,511)

	<b>Assets</b> <b>£(000s)</b>	<b>Obligations</b> <b>£(000s)</b>	<b>Net (liability)/ asset</b> <b>£(000s)</b>
<b>Table section: Service cost</b>			
<b>Current service cost*</b>	0	9,119	(9,119)
<b>Past service cost (including curtailments)</b>	0	72	(72)
<b>Effect of settlements</b>	0	0	0
<b>Total service cost</b>	<b>0</b>	<b>9,191</b>	<b>(9,191)</b>
<b>Table section: Net interest</b>			
<b>Interest income on plan assets</b>	8,506	0	8,506
<b>Interest cost on defined benefit obligation</b>	0	8,623	(8,623)
<b>Impact of asset ceiling on net interest</b>	0	0	0
<b>Total net interest</b>	<b>8,506</b>	<b>8,623</b>	<b>(117)</b>
<b>Total defined benefit cost recognised in Profit or (Loss)</b>	<b>8,506</b>	<b>17,814</b>	<b>(9,308)</b>
<b>Table section: Cashflows</b>			
<b>Plan participants' contributions</b>	2,038	2,038	0
<b>Employer contributions</b>	2,036	0	2,036
<b>Contributions in respect of unfunded benefits</b>	0	0	0
<b>Benefits paid</b>	(8,033)	(8,033)	0

	<b>Assets</b> <b>£(000s)</b>	<b>Obligations</b> <b>£(000s)</b>	<b>Net (liability)/ asset</b> <b>£(000s)</b>
<b>Unfunded benefits paid</b>	0	0	0
<b>Effect of business combinations and disposals</b>	0	0	0
<b>Expected closing position</b>	376,618	385,401	(8,783)
<b>Table section: Remeasurements</b>			
<b>Change in financial assumptions</b>	0	152,421	(152,421)
<b>Change in demographic assumptions</b>	0	6,837	(6,837)
<b>Other experience</b>	0	(2,796)	2,796
<b>Return on assets excluding amounts included in net interest</b>	58,601	0	58,601
<b>Changes in asset ceiling</b>	0	0	0
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	58,601	156,462	(97,861)
<b>Exchange differences</b>	0	0	0
<b>Fair value of employer assets</b>	435,219	0	435,219
<b>Present value of funded liabilities</b>	0	541,863	(541,863)



	<b>Assets</b> <b>£(000s)</b>	<b>Obligations</b> <b>£(000s)</b>	<b>Net (liability)/ asset</b> <b>£(000s)</b>
<b>Present value of unfunded liabilities</b>	0	0	0
<b>Closing position as at 31 March 2021</b>	<b>435,219</b>	<b>541,863</b>	<b>(106,644)</b>

It is estimated that the present value of funded liabilities comprises of approximately £305,400,000, £94,153,000 and £141,538,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2021. The employer's fair value of plan assets is approximately 10% of the Fund's total.

#### **14.2.5 Change in fair value of plan assets, defined benefit obligation and net liability (Continued)**

##### **Period ended 31 March 2020**

The current service cost includes an allowance for administration expenses of 0.6% of payroll

	<b>Assets</b> <b>£(000s)</b>	<b>Obligations</b> <b>£(000s)</b>	<b>Net (liability)/ asset</b> <b>£(000s)</b>
<b>Fair value of employer assets</b>	373,104	0	373,104
<b>Present value of funded liabilities</b>	0	429,192	(429,192)
<b>Present value of unfunded liabilities</b>	0	0	0
<b>Opening Position as at 31 March 2019</b>	373,104	429,192	(56,088)
<b>Table section: Service cost</b>			
<b>Current service cost*</b>	0	13,497	(13,497)
<b>Past service cost (including curtailments)</b>	0	(984)	984
<b>Effect of settlements</b>	0	0	0
<b>Total service cost</b>	0	12,513	(12,513)

	<b>Assets</b> <b>£(000s)</b>	<b>Obligations</b> <b>£(000s)</b>	<b>Net (liability)/ asset</b> <b>£(000s)</b>
<b>Table section: Net interest</b>			
<b>Interest income on plan assets</b>	9,043	0	9,043
<b>Interest cost on defined benefit obligation</b>	0	10,412	(10,412)
<b>Impact of asset ceiling on net interest</b>	0	0	0
<b>Total net interest</b>	9,043	10,412	(1,369)
<b>Total defined benefit cost recognised in Profit or (Loss)</b>	9,043	22,925	(13,882)
<b>Cashflows</b>			
<b>Plan participants' contributions</b>	2,080	2,080	0
<b>Employer contributions</b>	11,959	0	11,959
<b>Contributions in respect of unfunded benefits</b>	0	0	0
<b>Benefits paid</b>	(8,141)	(8,141)	0
<b>Unfunded benefits paid</b>	0	0	0
<b>Effect of business combinations and disposals</b>	0	0	0
<b>Expected closing position</b>	388,045	446,056	(58,011)
<b>Table section: Remeasurements</b>			

	<b>Assets</b> <b>£(000s)</b>	<b>Obligations</b> <b>£(000s)</b>	<b>Net (liability)/ asset</b> <b>£(000s)</b>
<b>Change in financial assumptions</b>	0	(37,917)	37,917
<b>Change in demographic assumptions</b>	0	(10,258)	10,258
<b>Other experience</b>	0	(24,301)	24,301
<b>Return on assets excluding amounts included in net interest</b>	(15,976)	0	(15,976)
<b>Changes in asset ceiling</b>	0	0	0
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	(15,976)	(72,476)	56,500
<b>Exchange differences</b>	0	0	0
<b>Fair value of employer assets</b>	372,071	0	372,071
<b>Present value of funded liabilities</b>	0	373,582	(373,582)
<b>Present value of unfunded liabilities</b>	0	0	0
<b>Closing position as at 31 March 2021</b>	<b>372,071</b>	<b>373,582</b>	<b>(1,511)</b>

## 15. Capital commitments

Where Natural Resources Wales has contractual capital commitments which are not provided for in the financial statements, they are disclosed in the table below. Commitments relating to Capital Works Expensed in Year is shown in note 4.

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Table section: Property plant and equipment</b>		
<b>Plant and machinery</b>	392	206
<b>Transport equipment</b>	205	940
<b>Operational structures</b>	1,096	1,262
<b>Public Structures</b>	108	150
<b>Total</b>	<b>1,801</b>	<b>2,558</b>
<b>Table section: Intangible assets</b>		
<b>Information technology - software licences</b>	22	420
<b>Information technology - software development</b>	581	1,248
<b>Total</b>	<b>603</b>	<b>1,668</b>
<b>Total</b>	<b>2,404</b>	<b>4,226</b>

## 16. 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.

### 16.1 Operating leases

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

**31 March 2021 obligations under operating leases are**

	<b>Land £'000</b>	<b>Buildings £'000</b>	<b>Vehicles £'000</b>	<b>Total £'000</b>
<b>Not later than one year</b>	117	1,484	994	<b>2,595</b>
<b>Later than one year and not later than five years</b>	349	3,043	2,128	<b>5,520</b>
<b>Later than five years</b>	1,998	1,054	0	<b>3,052</b>
<b>Total value of obligations</b>	<b>2,464</b>	<b>5,581</b>	<b>3,122</b>	<b>11,167</b>

**31 March 2020 obligations under operating leases are**

	<b>Land £'000</b>	<b>Buildings £'000</b>	<b>Vehicles £'000</b>	<b>Total £'000</b>
<b>Not later than one year</b>	128	1,799	1,050	<b>2,977</b>

	<b>Land £'000</b>	<b>Buildings £'000</b>	<b>Vehicles £'000</b>	<b>Total £'000</b>
<b>Later than one year and not later than five years</b>	379	3,718	1,839	<b>5,936</b>
<b>Later than five years</b>	2,118	1,711	0	<b>3,829</b>
<b>Total value of obligations</b>	<b>2,625</b>	<b>7,228</b>	<b>2,889</b>	<b>12,742</b>

## 16.2 Finance leases

	<b>31 March 2021 £'000</b>	<b>31 March 2020 £'000</b>
<b>Table section: Obligations under finance leases for land are</b>		
<b>Not later than one year</b>	20	20
<b>Later than one year and not later than five years</b>	48	49
<b>Later than five years</b>	408	410
<b>Total value of obligations</b>	<b>476</b>	<b>479</b>

## 17. Other financial commitments

Natural Resources Wales has entered into non-cancellable contracts not reported in note 4 - Capital Works Expensed in year, note 15 - Capital commitments or note 16 - Commitments under leases. The total other payments to which Natural Resources Wales is committed at 31 March 2021 are :

	<b>31 March 2021</b> <b>£'000</b>	<b>31 March 2020</b> <b>(Restated)</b> <b>£'000</b>
<b>Not later than one year</b>	16,540	13,087
<b>Later than one year and not later than five years</b>	16,165	13,784
<b>Later than five years</b>	1,343	1,379
<b>Total</b>	<b>34,048</b>	<b>28,250</b>

Other commitments due after 5 years has been restated from £948k to £1,379k to reflect the commitments under management agreements for the next 100 years rather than 50 years.

## 18. Lease receivables

Assets (land and buildings) which are leased to external parties under an operating lease are capitalised in accordance with the non-current assets policy which is 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 shown in the table below. The table includes projected income from windfarms, as NRW manages these leases on behalf of Welsh Government and royalties from Energy Delivery Programme, Third party access, Hydro and other leases.

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Not later than one year</b>	13,839	11,567
<b>Later than one year and not later than five years</b>	53,258	42,097
<b>Later than five years</b>	226,029	179,625
<b>Total</b>	<b>293,126</b>	<b>233,289</b>

The income from windfarm leases represents a large part of the values disclosed in the table above. Where windfarms are subject to Welsh Government's Technical Advice Note 8: Planning for Renewable Energy (TAN 8), the income is not retained by Natural Resources Wales and is surrendered to Welsh Government. More information regarding this income can be found in note 1.4.

The table includes commitments under the Operating lease for Clocaenog windfarm for the next 25 years. Although the Operating Lease wasn't signed as at 31 March 21, the windfarm itself is operational and Natural Resources Wales receives royalty rents based on electricity generated just as it would under the Operating Lease agreement. It is expected that the lease will be signed imminently.



## 19. Contingent liabilities

Natural Resources Wales discloses contingent liabilities in accordance with IAS 37 when a possible obligation exists depending on whether some uncertain future event occurs, or a present obligation exists but payment is not probable, or the amount cannot be measured reliably.

Natural Resources Wales has the following contingent liabilities:

	31 March 2021	31 March 2020
	£'000	£'000
<b>Timber sales claims</b>	250	508
<b>Property damage claims</b>	836	210
<b>Public and employee liability</b>	44	170
<b>Judicial reviews</b>	0	100
<b>Other</b>	17	0
<b>Total</b>	<b>1,147</b>	<b>988</b>

### Timber sales claims

Natural Resources Wales have received a claim from a timber firm in respect of their contract with Natural Resources Wales. The amount disclosed in the table above relates to one claim.

### Property damage claims

Damage to properties following failure of storm drains and culverts

### Public and employee liability

The value of three public liability claims is included in the table above. These claims are for damage to farm property.

### Other claims

The value of three claims, referring to animal and road haulage damage.

## Unquantified contingent liabilities

In accordance with IAS 37, Natural Resources Wales discloses the following unquantifiable contingent liabilities. The above table does not include values for the following contingent liabilities:

### Property damage claims

Thirty-eight claims have been received where the values are yet to be quantified.

### Public and employee liability

One claim has been made relating to a Mountain Biker, a member of Foel Downhill Riders, who was seriously injured on one of our cycle tracks.

### **HM Revenue and Customs Audit**

An HM Revenue and Customs audit of Natural Resources Wales treatment of Off-payroll working (IR35) is under way and will continue into 2021/22. An unquantifiable contingent liability is disclosed to recognise the possibility of non-compliance liabilities arising from the audit.

### **Minerals**

A trial took place between the 17 -26 June 2020 for a civil claim by a third party for the use of stones by Natural Resources Wales and one of its predecessor bodies. The court found entirely in Natural Resources Wales' favour and rejected the claim that Natural Resources Wales had used third party stone without permission. The claimants were ordered to pay Natural Resources Wales legal costs with £500k paid on account by the 25 September. A further £255k on account is payable by the 4 January 2021, with the remainder of the costs to be subject to detailed assessment. The claimants have however, applied for permission to appeal the judgement. At the first attempt, the trial judge rejected their application in its entirety. The claimants have now applied directly to the Court of Appeal with relevant papers served by both parties in September. The Appeal was granted to the claimants and Natural Resources Wales are now waiting the outcome of the Appeal which it is anticipated would take place in early 2021. If the Appeal is successful, Natural Resources Wales could be ordered to repay £755k to the claimants, pay the claimant's legal costs and pay compensation. It is not possible to know the actual value of the claimant's legal costs nor the value of any compensation that may be ordered until an appeal is concluded and the court makes a final decision.

A second, similar claim has been received but Natural Resources Wales have agreed to an extension on a standstill agreement with the other party. No values have been discussed in relation to this second claim.

## **22. Events after the end of the reporting period**

There are no events to be reported after the end of the reporting period.

## 23. Related parties

Natural Resources Wales is a Sponsored Body of the Welsh Government, which is regarded as a related party. During the year Natural Resources Wales has had significant material transactions with the Welsh Government in the normal course of business (the grant-in-aid and grants received from Welsh Government during the year is reported in the Statement of Taxpayers Equity). Natural Resources Wales has also had transactions with other entities for which the Welsh Government is regarded as the parent department namely Welsh Local Authorities and National Parks, and transactions with other government departments and other central government bodies. Most of these transactions have been with Environment Agency, Forestry Commission and HMRC.

During the year Natural Resources Wales, 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.

<b>Organisation</b>	<b>Member</b>	<b>Nature of relationship</b>	<b>Total payments £'000</b>	<b>Total income £'000</b>	<b>Amount owed by NRW at 31 March 2021 £'000</b>	<b>Amount owed to NRW at 31 March 2021 £'000</b>
<b>Aneurin Bevan University Health Board</b>	Catherine Brown	Independent member - Ministerial appointment	0	9	0	0
<b>Cardiff University</b>	Steve Ormerod	Professor	22	16	0	0
<b>Cardiff University Water Research Institute</b>	Steve Ormerod	Co-Director	22	16	0	0

<b>Organisation</b>	<b>Member</b>	<b>Nature of relationship</b>	<b>Total payments £'000</b>	<b>Total income £'000</b>	<b>Amount owed by NRW at 31 March 2021 £'000</b>	<b>Amount owed to NRW at 31 March 2021 £'000</b>
<b>Cardiff University Llyn Brianne Observatory</b>	Steve Ormerod and spouse	Principal Investigators	22	16	0	0
<b>DEFRA including: Joint Nature Conservation Committee and Support Company</b>	Karen Balmer	Independent member of JNCC Audit and Risk Committee	24	35	0	0
<b>Environment Agency</b>	Steve Ormerod	Member of Science Advisory Group	3,380	852	165	652
<b>Leonard Cheshire Disability</b>	Elizabeth Haywood	Board Member and Trustee	0	1	0	0
<b>North Wales Wildlife Trust</b>	Howard Davies	Honorary Vice President	65	0	12	0

<b>Organisation</b>	<b>Member</b>	<b>Nature of relationship</b>	<b>Total payments £'000</b>	<b>Total income £'000</b>	<b>Amount owed by NRW at 31 March 2021 £'000</b>	<b>Amount owed to NRW at 31 March 2021 £'000</b>
<b>Pembrokeshire Coast National Park Authority</b>	Rosie Plummer	Welsh Government appointed board member	150	240	100	0
<b>Plantlife International</b>	Rosie Plummer	Trustee	111	0	108	0
<b>Refurb Flintshire (Subsidiary of Groundwork North Wales)</b>	Karen Balmer	Group Chief Executive Officer	0	1	0	0
<b>Pobl Group - Homes and Communities</b>	Julia Cherrett	Non-Executive Director and Vice Chair	5	0	5	0
<b>RSPB</b>	Steve Ormerod	Vice President	343	38	278	0

During the year Natural Resources Wales, in the normal course of its business, entered into the following direct transaction with the following Board member:

<b>Member</b>	<b>Nature of transactions</b>	<b>Total payments £'000</b>	<b>Total income £'000</b>	<b>Amount owed by NRW at 31 March 2021 £'000</b>	<b>Amount owed to NRW at 31 March 2021 £'000</b>
<b>Geraint Davies</b>	Section 16 agreements under the Environment (Wales) Act 2016	3	0	0	0