

13 July 2017

<b>Paper Title:</b>	<b>Funding Sustainable Management of Natural Resources</b>
<b>Paper Reference:</b>	<b>NRW B B 32.17</b>
<b>Paper Sponsored By:</b>	<b>Ceri Davies, Executive Director EPP</b>
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<b>Purpose of Paper:</b>	<b>Decision</b>
<b>Recommendation:</b>	<p>We recommend endorsing the development of our future charging scheme in the wider context of an SMNR Funding Framework, allowing us to seek the support of Welsh Government for change (Option 4/5).</p> <p>We recommend endorsement of the drafted strategy document (see Annex A) that describes our future charging approach and narrative, “Funding the Sustainable Management of Natural Resources (SMNR) - The strategic role of the NRW Charging Framework”, which we will use to engage with Welsh Government in seeking their support for change.</p>

<b>Impact:</b> To note – all headings might not be applicable to the topic	<p>How do the proposals in this paper help NRW achieve the Well-Being of Future Generations Act principles in terms of:</p> <p><b>Looking at the <u>long term</u>:</b> The strategy/narrative looks at how to secure an SMNR Funding Framework into the future, within which NRW can develop its charging scheme.</p> <p><b>Taking an <u>integrated</u> approach:</b> The strategy/narrative looks beyond the NRW charging scheme, to a broader SMNR Funding Framework.</p>
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	<p><b>Involving a <u>diversity</u> of the population:</b> Not applicable</p> <p><b>Working in a <u>collaborative</u> way:</b> The strategy/narrative highlights the need to work with others to identify the best funding arrangements, looking for complementary approaches.</p> <p><b><u>Preventing issues from occurring:</u></b> The strategy/narrative, where this could lead to an SMNR Funding Framework, could optimise interventions, including early action and prevention.</p>
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### **Issue**

1. The Well-being of Future Generations (Wales) Act 2015 places public bodies under a duty to apply its sustainable development principles in their work. This is reinforced by the Environment (Wales) Act 2016 in the specific provisions relating to Natural Resources Wales, and the delivery of sustainable management of natural resources (SMNR).
2. Delivering the ambitions requires investment, whether money, time, expertise or natural resources. At a time of significant pressures on public finances, and scrutiny on the use of public funds, there is a need to consider what the future landscape for financing these ambitions might be, the roles existing provisions may play, identification of gaps and the potential for new approaches.
3. We seek to describe this in a strategic narrative “*Funding the Sustainable Management of Natural Resources (SMNR) - The strategic role of the NRW Charging Framework and how this works in the wider funding model for SMNR*” for use when engaging with others and, in particular, to initiate a conversation with Welsh Government officials (see Annex A). Complementing this is a document which sets out the options for NRW in relation to charging, and whether we wish to pursue the vision set out in the strategic narrative (see Annex B), and commence engagement and conversation with Welsh Government.

### **Background**

4. In April 2014, a Board Paper presented our approach to charging identifying two elements; maintaining and updating our existing charging scheme, and the development of a new charging scheme.

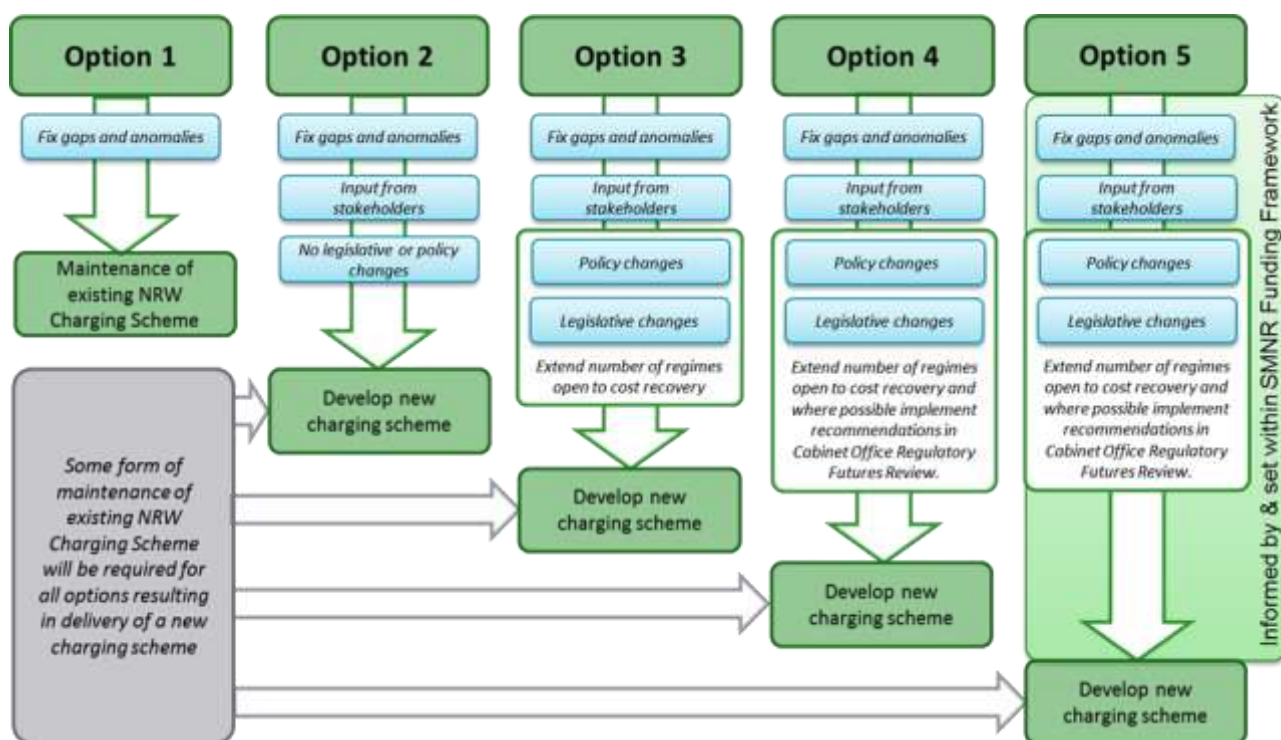
5. Since then there has been greater pressure and scrutiny on the finances of public bodies resulting in us undertaking investigations into our existing charging scheme to look for anomalies or where charges could be raised where historically they had not. This work resulted in us introducing new elements into our charging scheme e.g. compliance band multipliers for permitted waste sites, charges for Reservoir Safety Compliance, combining charges for Flood Risk permits to simplify the fee, and changing the charges for Intensive Farms permitted under the Environmental Permitting Regulations.
6. Additionally, the organisation has looked at all our work through the Business Area Reviews, looking at our priorities, ways of working, resources and income. This work took priority over the development of a new charging scheme model and highlighted fundamental challenges that will need to be addressed ahead of moving forward with any significant changes to our current charging scheme.
7. We are also aware of potential Welsh Government ambitions regarding further legislation, and the opportunities and challenges arising from the UK exit from the European Union (EU). This presents an opportunity for NRW to influence the process and further ensure the appropriate framework is in place to secure SMNR and progress against the well-being goals.

### **Assessment**

8. Due to the pressures facing NRW, we have focused our resources on modifying and extending our existing charging scheme rather than beginning the development of a new, more innovative approach to charging. This exercise highlighted significant obstacles arising from the use of the Public Bodies Act 2011 to establish NRW (e.g. legal vires to charge for felling licences) that need to be addressed ahead of any significant change let alone the introduction of a wholly embracing innovative SMNR funding approach.
9. Our charging scheme is only part of a broader SMNR funding picture, and only by understanding this picture can we better develop an innovative scheme, that can support the delivery of SMNR. We therefore set out a strategy that explains how we see this broader picture (Annex A), to both inform our discussions with Welsh Government and help us to inform our priorities.
10. We aim to set out how we see the broad landscape for funding SMNR, to provide context for specific funding/charging mechanisms and how these may be related and/or mutually supportive. It is important that we take this strategic view as whilst it is easier to be selective and target existing mechanisms that have current issues or problems, this would not be done in the broader context and thus fail to support the delivery of the wider picture.
11. We do recognise that this broad picture is only to support conversation with others, especially Welsh Government, as it is unlikely we will have access to or control over a number of the wider mechanisms. This broad picture will however provide a better

understanding of how to approach those mechanisms that are within the scope of NRW, for example, charging schemes, payment for ecosystem services etc., and inform those aspects where we would wish to influence change.

12. The options considered in leading to the recommendation are detailed in Annex B, and summarised in the illustration below.



13. Discussions at Executive Team endorse options 4 or 5. Option 5 is the most ambitious, and looks to fully integrate the NRW charging scheme into a broader SMNR funding framework, as described in our strategic narrative. This also reflects the engagement with Welsh Government to allow for the revision of the NRW charging scheme in within a wider SMNR funding framework. Endorsement of this would allow us to engage in further conversation with Welsh Government on the broader funding of SMNR including the role of NRW’s charging scheme within this.

## **Recommendations**

14. We recommend endorsing the development of our future charging scheme in the wider context of an SMNR Funding Framework, allowing us to seek the support of Welsh Government for change (Option 4/5).

15. We recommend endorsement of the drafted strategy document (Annex A) that describes our future charging approach and narrative, “Funding the Sustainable Management of Natural Resources (SMNR) - The strategic role of the NRW Charging

*Framework*”, which we will use to engage with Welsh Government in seeking their support for change.

### Next Steps

16. With option 4/5 endorsed we would:

- Use the strategy/narrative to engage in a conversation with Welsh Government officials on the an SMNR Funding approach;
- Progress work on the development of a revised NRW Charging Scheme based on the narrative.
- In the interim, continue with short term or interim changes (i.e. maintenance) identified to the existing charging scheme.

### Key Risks

17. A key risk is that although there may be opportunities arising as a result of further legislative changes being examined by Welsh Government these may become dominated by the response to the UK’s exit from the EU. This may therefore delay progress on option 4/5 where specific legislative change is required, but cannot be accommodated in the legislative changes needed to deal with EU exit.

18. Further risks are described in the paper in Annex B

### Financial Implications

19. The current NRW charge scheme accounts for £37m of income per year. Charges must be determined in accordance with ‘HMT Fees and Charges Guide’ and ‘Managing Welsh Public Money’ principles, which include rules on strict cost recovery with no cross subsidy between regimes.

20. Currently, the changed finances as a result of a new NRW Charging Scheme and any other funding which may arise through the more comprehensive SMNR Funding Framework are unknown. A new NRW charging scheme may result in higher or lower income levels for NRW and charges for fee payers. However, these will be transparent and justified under the appropriate and relevant policy and legislative framework.

21. Further financial implications are described in the paper in Annex B

### Equality impact assessment (EqIA)

22. As the strategy/narrative is written as a strategic document which does not face the individual, an EqIA is not required.

## **Index of Annex**

Annex A – Funding the Sustainable Management of Natural Resources (SMNR) - The strategic role of the NRW Charging Framework and how this works in the wider funding model for SMNR

Annex B – Funding the Sustainable Management of Natural Resources (SMNR) - NRW Options and Next Steps