

# Natural Resources Wales:

## Annual scrutiny 2024-25

May 2025

### Introduction

- 1.** The Welsh Government created Natural Resources Wales (NRW) on 1 April 2013, merging three bodies; the Countryside Council for Wales, Environment Agency Wales, and Forestry Commission Wales. It also incorporated several Welsh Government responsibilities and, from 1 April 2016, the functions of the three Internal Drainage Boards operating wholly or partly in Wales.
- 2.** NRW is the principal Welsh Government adviser on natural resource issues, alongside a wide range of operational and regulatory responsibilities.<sup>1</sup> As a Welsh Government Sponsored Body, it's accountable to the Welsh Ministers through the Sponsorship Minister (currently the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs, Huw Irranca-Davies MS) and subject to scrutiny by Senedd Committees. NRW's Board is responsible for ensuring it exercises its statutory functions appropriately and effectively.
- 3.** On 12 March 2025, the Committee held an annual scrutiny session with representatives of NRW. These were Ceri Davies, Acting Chief Executive Officer, Sir David Henshaw, Chair and Rachael Cunningham, Executive Director for Finance and Corporate Services. We are grateful to them for their cooperation.

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<sup>1</sup> Natural Resources Wales (NRW): [Our roles and responsibilities](#)



# 1. Governance

## Remit

4. NRW's 2022-26 remit letter states that the organisation should integrate its work and activities with the overarching well-being objectives identified in the Programme for Government.<sup>2</sup> NRW is expected to help deliver Welsh Government priorities around:

- circular economy and clean air;
- energy;
- flood and coastal erosion risk management, sustainable drainage and climate adaptation;
- forestry, nature, designated landscapes and countryside access;
- marine and fisheries; and
- water quality.

## Corporate plan and business plan

5. NRW's most recent corporate plan - *Nature and People Thriving Together* - was published in April 2023.<sup>3</sup> It is aligned with the term of government remit letter and is centred around three well-being objectives:

- nature is recovering;
- communities are resilient to climate change; and
- pollution is minimised.

6. During last year's annual scrutiny, Sir David Henshaw said the plan was a "seminal moment" for NRW, referring to it as a fundamental shift from describing the organisation's functions to an emphasis on priorities and delivery.

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<sup>2</sup> Welsh Government: *Natural Resources Wales: term of government remit letter*, Feb 2023.

<sup>3</sup> NRW: *Nature and People Thriving Together*, April 2023.

**7.** NRW's annual business plan 2024-25 sets out how the organisation will deliver against the well-being objectives set out in *Nature and People Thriving Together* through a planned transition to multi-year planning.<sup>4</sup>

**8.** NRW says that:

*"This approach is setting us on a pathway to be a different organisation, measuring those things that have most impact and using this to drive our decision making on priorities."*<sup>5</sup>

**9.** However, this process of change is not yet complete:

*"This is our clear direction of travel, but without the multi-year planning, the 2024-25 annual business plan reflects a stepping-stone to our new approach and does not reflect our full ambition. The 2024-25 business plan signals a difference in tone and approach with the annual commitments clearly aligned to the well-being objectives and steps to take. This year we've developed as an interim, key deliverables, not key results, which are not as stretching nor as SMART as we would like but we are focussing on developing these for 2025-26. We recognise this change of emphasis is significant and we will need to build the trust and confidence of colleagues in the approach over time."*<sup>6</sup>

**10.** Last year, the Committee recommended that NRW should provide an update on the progress of developing these final strategic indicators and performance metrics.<sup>7</sup> However, in January 2025, NRW wrote to the Committee saying this work had been delayed due to the Case for Change programme (see below).<sup>8</sup>

**11.** In its written evidence to the Committee, NRW said that it is focused on aligning its performance management framework to the intent of the corporate plan, and sets out steps it is taking to achieve this.<sup>9</sup> Staff leading work on the performance management framework have been heavily involved in Case for Change work. This, alongside vacancies, has meant work on corporate plan

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<sup>4</sup> NRW: [Business plan 2024-25](#).

<sup>5</sup> NRW: [Business plan 2024-25](#).

<sup>6</sup> NRW: [Business plan 2024-25](#).

<sup>7</sup> Climate Change, Environment, and Infrastructure (CCEI) Committee: [NRW: Annual Scrutiny 2023-24](#), May 2024.

<sup>8</sup> NRW: [Annual Scrutiny 2023-24: Updates to recommendations](#), January 2025.

<sup>9</sup> NRW: Written evidence [Annual Scrutiny of Natural Resources Wales](#), March 2025.

impacts and strategic indicators paused in the autumn. The paper also says NRW needs to recruit to a specific vacancy, so it cannot confirm a set date for publishing the final report on this work. It is hoping to do this by the autumn of this year. Asked about this vacancy, Ceri Davies said:

*"It's not just one vacancy...the team that had led on the developments for the corporate plan are the ones who lead on our performance management framework."*

**12.** She added:

*"they've been focused on the prioritisation in the Case for Change. So, they've been working on that, working with staff on that area, and we just parked the work that we'd done for now."*<sup>10</sup>

**13.** Asked when the vacancies would be filled, Ceri Davies said:

*"In the next couple of months. We are releasing now the vacancies that are not required any longer, to balance out reducing redundancies. So, we will this week be going out with a number of vacancies that we can now crack on and fill."*<sup>11</sup>

## The budget

**14.** In its written evidence to the Committee, NRW welcomed the increase in funding in the Welsh Government 2025-26 Budget.<sup>12</sup> Although final decisions had not been made at the time of the scrutiny session, NRW's evidence to the Committee envisaged using the additional funding to invest in water quality and in action to support biodiversity and nature recovery.

**15.** Setting out the priorities for the increased funding, Rachel Cunningham said:

*"We also got £5 million for the Infrastructure Consenting Act ... we've had another £4 million ... to look at very specific areas... water quality, biodiversity, monitoring and evidence, flood risk management, and also our transformation programme....We also then have had a further £12.5 million in specific grants ...*

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<sup>10</sup> CCEI Committee, Record of proceedings, 12 March 2025, paragraphs 31 & 33.

<sup>11</sup> CCEI Committee, Record of proceedings, 12 March 2025, paragraph 39.

<sup>12</sup> NRW: Written evidence: Annual Scrutiny of Natural Resources Wales, March 2025.

*things like peatland restoration, waste reform, reservoir safety, coal tip safety and the sustainable farming scheme.”<sup>13</sup>*

**16.** In its recent report on the Welsh Government’s Draft Budget 2025-26, the Committee recommended that:

*“The Deputy First Minister should ensure that the adequacy and use of funding for flood management is monitored and evaluated, following its inclusion in NRW’s main budget line.”<sup>14</sup>*

**17.** In addition, the Committee welcomed the £2.7m capital funding increase to support NRW’s service transformation programme, particularly for marine licensing improvements and a new customer platform.

**18.** In her evidence to the Committee, Ceri Davies described how the additional funding would be used to digitise and streamline the application process for a marine license.<sup>15</sup>

## The position of Chief Executive

**19.** The Committee took evidence from Ceri Davies as Acting Chief Executive in the absence of Clare Pillman. The Chairman explained:

*“Clare Pillman has been off sick .... and is on the road to recovery, I think. That’s why Ceri has been, wonderfully, acting up for us.”*

On 19 March 2025, NRW announced Clare Pillman’s retirement and that Ceri Davies, would continue in the role of acting CEO.<sup>16</sup>

## Case for Change

**20.** On 6 November, NRW announced it would be implementing changes to its structure to streamline its activities and focus on delivering essential services.<sup>17</sup> The proposals, known as the Case for Change, include a reduction of 235 in staff numbers.

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<sup>13</sup> CCEI Committee, [Record of proceedings, 12 March 2025](#), paragraph 51.

<sup>14</sup> CCEI Committee: [Scrutiny of the Welsh Government Draft Budget 2025-26](#), 3 February 2025.

<sup>15</sup> CCEI Committee, [Record of proceedings, 12 March 2025](#), paragraph 54.

<sup>16</sup> NRW: [Clare Pillman announces retirement as Chief Executive of NRW](#), 19 March 2025.

<sup>17</sup> NRW: [Case for Change](#) Nov 2024.

**21.** NRW has said it is carrying over 200 vacancies, and will look to use these as a source of alternative employment for staff affected by the restructure. It has already taken steps this year to control its staff budget, including implementing a recruitment freeze and terminating fixed-term appointments.

**22.** NRW says the Case for Change is required to address financial constraints, and to ensure the organisation is better equipped to deliver the objectives in its new corporate plan. It is aiming to find £12m in savings, with £10.9m to be realised by 1 April 2025. NRW started the 2024-25 financial year with a £9m deficit and estimates this would have exceeded £17m by 2026-27 if no action was taken.

**23.** Environmental NGOs have expressed concern. WWF Cymru has said that NRW's plans "put Welsh nature at risk", and expressed concern that the regulator will not have sufficient capacity to respond to environmental incidents.<sup>18</sup>

**24.** Acknowledging this change in approach, Ceri Davies said:

*"Our corporate plan provides a bit of a pivot point.... we are, obviously, going through a restructuring to reprioritise ... and focus more on the things that only we can do, that we've been set up to deliver."*<sup>19</sup>

**25.** Sir David Henshaw added:

*"It's difficult to understate the shift here from where we were as an organisation and where we're going ... because a lot of our delivery model has been locked in the past, really, in the way we measure things and how we do things....we [are] fundamentally changing the delivery model, and that means a lot of change for a lot of people, but it means more focus for the organisation."*<sup>20</sup>

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<sup>18</sup> BBC News [Natural Resources Wales job cuts put nature at risk, campaigners warn](#), 23 September 2024.

<sup>19</sup> CCEI Committee, [Record of proceedings, 12 March 2025](#), paragraph 5.

<sup>20</sup> CCEI Committee, [Record of proceedings, 12 March 2025](#), paragraph 13.

## Our view

At the time of last year's annual scrutiny, NRW had recently developed its new corporate plan, Nature and People Thriving Together. The focus of our scrutiny then was on the implementation of this plan through the development, by NRW with the Welsh Government, of Service Level Agreements across a range of priority areas, together with the development of new strategic indicators.

Nevertheless, at that time, the budget situation was challenging. The then CEO Claire Pillman told the Committee that "you cannot work with a lower budget and fewer people and deliver the same services".

In the twelve months since, the full scale of the challenges facing NRW have been revealed. There is, understandably, significant concern as NRW has announced cutbacks, job losses and widespread reductions in services. While described as a "pivot", it is clear that NRW is an organisation facing un-paralleled challenges. It does so during a period of change in its leadership team. NRW recently announced the retirement of its Chief Executive Officer, whilst the Chairman's term of office will come to an end in October 2025.

The Committee wishes to put on record our thanks to everyone who is working at NRW during this period. No organisation can undertake such change without an impact on staff morale. We appreciate both the vital work that the organisation does and the impact this period will have on staff at all levels.

**Recommendation 1.** NRW must move swiftly to recruit a permanent Chief Executive Officer within the next six months and ensure that plans are in place for an orderly succession to a new Chairperson in October 2025.

## 2. The impact of Case for Change

**26.** As part of the Case for Change programme, NRW announced that it would cease operating catering and retail provision at its three visitor centres (Bwlch Nant yr Arian, Ynyslas, and Coed y Brenin) from 31 March 2025.<sup>21</sup> NRW intends to launch a public exercise to seek partners to run these services.

**27.** NRW has said that all paths, trails, car park, play area and toilet facilities will remain open and it is seeking suppliers to provide concession services at each centre on a temporary basis.

**28.** Updating the Committee, NRW said that:

*“our Visitor Centre staff are not responsible for managing the land in and around the centres. This is the responsibility of our land management teams. Therefore, there will be no change to trail and access management nor the maintenance and management of wildlife and the natural environment.”<sup>22</sup>*

**29.** However, NRW has also acknowledged that:

*“some of the duties carried out by visitor centre staff are not purely retail and catering - for example, some staff at Bwlch Nant yr Arian assist in feeding the red kites.”<sup>23</sup>*

**30.** The proposed changes have raised significant public and political concern. A petition with over 13,000 signatures was debated in the Senedd on 9 October 2024.<sup>24</sup> The Committee has received correspondence from the Petitions Committee and from some of those concerned about the proposals.<sup>25</sup> The Chair of the Committee wrote to NRW about these concerns on 25 March.<sup>26</sup> Sir David Henshaw responded on 15 April 2025.<sup>27</sup>

**31.** Sir David Henshaw stressed to the Committee that:

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<sup>21</sup> NRW: [Update on retail and catering at Natural Resources Wales’ visitor centres](#), 20 Nov 2024.

<sup>22</sup> Natural Resource Wales: [Annual Scrutiny 2023-24: Updates to recommendations](#), January 2025.

<sup>23</sup> Natural Resources Wales: [Response from NRW to Chair of Petitions Committee](#), 4 March 2025.

<sup>24</sup> Senedd Petition: [Stop Natural Resources Wales closing Bwlch Nant yr Arian, Coed y Brenin & Ynyslas visitor centres](#).

<sup>25</sup> Senedd Petitions: [Letter from the Chair of the Petitions Committee to NRW](#), 7 February 2025.

<sup>26</sup> CCEI: [Letter to Chair Natural Resources Wales](#), 25 March 2025.

<sup>27</sup> NRW: [Letter from NRW to CCEI](#), 15 April 2025.



*"These forests and places are not being closed. Let's be clear about that—absolutely not being closed. What is being looked at is the closure of cafe facilities and shops, which, actually, we've been running. It's near enough £1 million a year that it's been costing us to do that. So, we're looking for other partners, if they wish, to take some of those facilities over. But other facilities will still be available."*<sup>28</sup>

**32.** Although catering and retail provision at the visitor centres ceased on 31 March 2025, NRW has not yet commenced the public tender process to find new operators at Coed y Brenin and Bwlch Nant yr Arian. NRW says it has received interest in both sites but has not set out a timetable for the procurement. Sir David Henshaw said:

*"We've had to wait, for some legal reasons, to actually stop the facilities and then start the tender operations. We hope to move to a position in the next few months".*<sup>29</sup>

**33.** Ceri Davies added:

*"What we're looking at, in the meantime...is around concessions, a coffee stand in facilities—the same in Ynyslas, Coed y Brenin and Nant yr Arian—so that we're not losing customers ... before the opportunity arises for people to take them on in the longer term."*<sup>30</sup>

## Ynyslas visitor centre

**34.** Ynyslas visitor centre forms part of the Dyfi National Nature Reserve (NNR) and as such, has specific statutory needs and requirements. The Committee asked NRW about the approach at Ynyslas, pointing out that it is an important site for nature conservation, home to a protected species, the ringed plover, and an estuary with red-flag status.

**35.** NRW is inviting expressions of interest for community use of facilities at Ynyslas, rather than offering the centre commercially. It will retain an onsite office for land management staff. It is also seeking tenders for the provision of full-time site management for the beach car park, for a three-year period.

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<sup>28</sup> CCEI Committee, Record of proceedings, 12 March 2025, paragraph 83.

<sup>29</sup> CCEI Committee, Record of proceedings, 12 March 2025, paragraph 84.

<sup>30</sup> CCEI Committee, Record of proceedings, 12 March 2025, paragraph 88.

**36.** The Committee has been told that catering staff perform a broader function in terms of site management.

**37.** Ceri Davies said:

*“In terms of the importance of the nature reserve, that will be with our land management teams, who will look after the nature reserve and what’s required to keep it in the condition that it needs to be in.”<sup>31</sup>*

**38.** In response to these concerns Sir David Henshaw added in his letter:

*“Although the NNR Officer at Ynyslas is only one individual, they are and will continue to be ably supported by a wider team of conservation and land management experts. Now that our visitor centre services have ceased, the NNR will continue to be managed in line with the other NNRs we manage across Wales, which do not have any visitor centre provision.”<sup>32</sup>*

## Other services

**39.** NRW has agreed changes to its Natural Resources Management Group, which uses evidence and provides advice to secure integrated environmental outcomes for biodiversity, land, water and marine. This will include scaling back:

- activities relating to strategic environmental policy and climate change;
- work on Area Statements, well-being planning co-ordination and support, and the green infrastructure programme; and
- outdoor access and recreation activities.

**40.** NRW has regulatory responsibilities covering a wide range of activities including industry and waste, water quality and resources, forestry, fisheries, species protection, and designated sites.

## Enforcement

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**41.** NRW has said that there will be “some small reductions in enforcement” and some reductions in the development of regulatory approaches as a result of the

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<sup>31</sup> CCEI Committee, Record of proceedings, 12 March 2025, paragraph 96.

<sup>32</sup> NRW: Letter from NRW to CCEI, 15 April 2025.

Case for Change.<sup>33</sup> Regulatory compliance capacity will be increased for water and maintained at current levels for waste and industry.

**42.** NRW is also reviewing its approach to pollution incident management. It will be “adopting a higher tolerance for risk”, reducing the number of low category incidents it responds to, in order to focus time and effort on sectors and areas which have the greatest impact on the environment.<sup>34</sup>

**43.** NRW has previously faced criticism of how it responds to and investigates water pollution incidents.<sup>35</sup>

**44.** Asked how the Case for Change would impact on enforcement services. Ceri Davies told the Committee:

*“Enforcement is one of those areas that’s wholly funded through grant in aid. So, we have had to take some measures to cut back there.... We are, though, streamlining our processes to ensure that we can continue to do the best we can with the investment that we are continuing to make in enforcement.”<sup>36</sup>*

**45.** Ceri Davies also told the Committee that:

*“Enforcement is obviously an important part of our role, but where we want to put more investment ... is in the preventative work that comes ahead of that, because when we’re in the enforcement territory, the damage has already been done. So, what we want to do is to spend more of our time with operators and organisations to ensure that they comply with the requirements, and then we don’t need to take enforcement action.”<sup>37</sup>*

**46.** The Committee also heard from NRW that sanctions and penalties are not high enough, a matter that Sir David Henshaw said he had discussed with the Deputy First Minister.<sup>38</sup>

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<sup>33</sup> Senedd Research, [NRW finds £12m of savings](#), November 2024.

<sup>34</sup> Senedd Research, [NRW finds £12m of savings](#), November 2024.

<sup>35</sup> BBC News: [River pollution: Shake-up call for investigations in Wales](#), 20 January 2022.

<sup>36</sup> CCEI Committee, [Record of proceedings, 12 March 2025](#), paragraph 108.

<sup>37</sup> CCEI Committee, [Record of proceedings, 12 March 2025](#), paragraph 107.

<sup>38</sup> CCEI Committee, [Record of proceedings, 12 March 2025](#), paragraphs 136 & 142.

## Flood risk management

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**47.** NRW has a strategic oversight role for flood risk management, as well as powers to manage flooding from main rivers, reservoirs and the sea. Its services include modelling and predicting flood risk, providing advice and guidance to planning authorities, operating a flood warning system, and providing a “plan, respond and aid” service during flood events.

**48.** NRW’s written evidence to the Committee says it will conduct a review of its Flood Risk Management Service to identify an additional £1.1m of savings, to be realised by 1 April 2026. It previously reported that it was seeking to achieve savings of £2.1m within the service.<sup>39</sup>

**49.** In 2020, NRW reviewed its response to flooding incidents following Storms Ciara, Dennis and Jorge. It suggested that an additional 60 to 70 staff would be required over the long term to sustain the service and deliver key improvements.

**50.** In January 2024, NRW published its report, Long-term Investment Requirement for Flood Defences. The report found that addressing the flood risk created by future climate change projections across Wales “requires 3.4 times current funding levels”.<sup>40</sup>

**51.** As the Committee discussed during the scrutiny of the Welsh Government budget, NRW’s flood funding has been incorporated into NRW’s general funding stream. The Committee has sought reassurance from the Deputy First Minister about the level of oversight possible as a result of this arrangement. The Deputy First Minister told the Committee that:

*“NRW will bring forward their proposals for capital funding each financial year ... They’ll be presented very specifically to the flood and coastal risk management board, the programme board, for agreement in February. My officials are in regular dialogue with NRW throughout the year to monitor this spend and the investment, the flood investment, reflects our Welsh Government strategic priorities and our commitments as well.”<sup>41</sup>*

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<sup>39</sup> Senedd Research: [NRW finds £12m of savings. What does this mean for its services?](#) 8 November 2024.

<sup>40</sup> NRW: [Long-term Investment Requirements for Flood Defences in Wales](#), January 2024.

<sup>41</sup> CCEI Committee, [Record of proceedings, 8 January 2025](#), paragraph 80.

**52.** In relation to flooding, the Committee asked what level of cuts were being made in the Flood Risk Management Service. Rachel Cunningham said:

*"We've identified £1 million of savings within the flood-risk management service. .... However, we did recognise that our flood risk service is an absolute core duty and that we are facing more and more flood events because of climate change. So, as a result of that, the extra funding that the chair and the Deputy First Minister had agreed, we were able to put back into that service £1.1 million, which meant that they didn't need to find any further savings."*<sup>42</sup>

## Our view

NRW has been in a constant state of evolution and change for many years. The Case for Change programme is described as a fundamental alteration to the delivery model, that will "mean lot of change for a lot of people".<sup>43</sup>

The programme will involve widespread redundancies and redeployments and impact on front line services across the organisation. This change is expected to last throughout the coming financial year. As Sir David Henshaw acknowledged, "it's going to be a rough old 12 months or so."<sup>44</sup>

The Committee is concerned about the impact on front line services, just as it is upon the impact on NRW's workforce. We are likely to see this affect the breadth of NRW's services that are crucial in Wales' ability to tackle climate change, flooding, environmental pollution and other vital environmental services.

### Visitor centres

The future of NRW's three visitor centres is, understandably, the focus of much public concern. The visitor centre closures have been the subject of Senedd petitions and debates and concerns have been expressed by Members from all parties. These centres play an important role in community engagement and tourism. Their closure will be keenly felt.

<sup>42</sup> CCEI Committee, [Record of proceedings, 12 March 2025](#), paragraph 113.

<sup>43</sup> CCEI Committee, [Record of proceedings, 12 March 2025](#), paragraph 13.

<sup>44</sup> CCEI Committee, [Record of proceedings, 12 March 2025](#), paragraph 27.

Whilst NRW stresses that the wider visitor sites will remain open, the Committee is concerned that visitor centres form a crucial part of the “visitor offer”, without which the sites may no longer be able to attract the visitors previously seen.

Further concerns have been raised about the specific contribution of the staff at the Ynyslas visitor centre, where NRW has acknowledged that, whilst centre staff are not responsible for managing land or wildlife habitats, visitor centre staff do not purely perform a retail and catering role. For example, some staff at Bwlch Nant yr Arian assist in feeding red kites.<sup>45</sup> In the face of such budget challenges, it is understandable that NRW feels that cafés and parking facilities could be outsourced. However, the Committee remains concerned about the way in which this transition is being managed.

In last year’s report we recommended that “NRW should develop and implement an engagement strategy that includes consultation with the public and stakeholders about decisions on service reductions or restructuring. This strategy should aim to manage expectations and explain changes in service delivery”. NRW’s update from January 2025 referenced the “steps being taken to support a smooth transition”.<sup>46</sup> However, this laudable aim is not being delivered. The Committee is concerned that some proposed measures, such as the mothballing of visitor centres and outsourcing car park management at the centres, will make it less viable for others to take on these facilities.

The Committee is hugely disappointed that the visitor centres have closed. Already the opportunity to provide continuity of service has been lost. Further, it remains very unclear that NRW has any plan or vision for viable and sustainable visitor centres, the level of service it would expect to see and the timetable for reopening the centres. Such a plan should have been developed long before the visitor centres were mothballed. It must be provided now as a matter of urgency.

## **Flooding**

Towards the end of 2024, Storms Bert and Darragh caused significant flooding and widespread disruption. This included damage to homes, businesses and critical infrastructure in parts of Wales. As extreme weather events become more frequent due to climate change, the risk of flooding is set to increase, along with the cost of managing it. We recognise that the Welsh Government has made sizeable investment in flood risk management in recent years.

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<sup>45</sup> Senedd Petitions: [Letter from NRW to the Chair of the Petitions Committee](#), 4 March 2025.

<sup>46</sup> NRW: [Annual Scrutiny 2023-24: Updates to recommendations](#), January 2025.

However, and as we have previously pointed out, an increase in investment is required to keep pace with climate change as illustrated in the National Strategy for Flood and Coastal Erosion Risk Management in Wales.<sup>47</sup>

Whilst we welcome the news that proposed cuts to the flooding service have been plugged by additional government funding, this episode illustrates the dangers that are posed to Wales' flooding resilience by the cuts that NRW is proposing. We shall be considering these issues in greater depth in the Committee's forthcoming report on the impact of Storms Bert and Darragh.<sup>48</sup>

## Enforcement

As Wales' environment regulator, NRW is on the front line of Wales' response, ensuring compliance with a wide range of regulations around water, waste, industry and responding to pollution incidents.

NRW's decision to adopt a "higher tolerance of risk" in managing pollution incidents is therefore a matter of concern. Focusing on the areas that have the greatest environmental impact has a logic to it, but it remains unclear what the impact will be of the inevitable lack of enforcement in other areas, even if these incidents cause less environmental damage. The Committee noted in last year's report the widespread concern about the adequacy of the budget for environmental enforcement. NRW already faces significant criticism for its response to pollution incidents. It isn't clear to us how a reduction in enforcement can be justified through an emphasis on preventative work.

The Committee has consistently heard that NRW is not funded sufficiently to deal with its multitude of functions, duties, and responsibilities. Years of under investment have stretched NRW too thin. This has clearly limited its ability to respond effectively to the nature and climate crisis. We remain concerned that the inevitable result of cutbacks will be a further weakening of NRW's ability to respond.

**Recommendation 2.** NRW must urgently provide a credible plan to reopen all three visitor centres. This must include clarity about its vision for the future of the visitor centres, the service levels it wishes to see and a financially viable strategy and timetable to achieve this. This should be provided to the Committee within three months.

<sup>47</sup> Welsh Government: [The National Strategy for Flood and Coastal Erosion Risk Management in Wales](#), October 2020.

<sup>48</sup> CCEI Committee, [Storm response](#).

**Recommendation 3.** In relation to the Dyfi National Nature Reserve, NRW must set out its proposed management of the nature reserve to reassure the Committee, and the wider public, that this will be adequate, at a minimum, to meet its statutory obligations.

**Recommendation 4.** NRW should ensure that it monitors and evaluates the adequacy and use of funding for flood management. It should report back to the Committee within six months to ensure that this informs next year's Welsh Government budget decisions.

**Recommendation 5.** NRW should continue to monitor closely its performance on preventing and responding to environmental pollution incidents to ensure that its change of emphasis does not result in more pollution incidents or a failure to respond.

**Recommendation 6.** NRW should set out for the Committee where it feels the level of sanctions and fines is too low for it to be able to perform its environmental regulation duties effectively.

**Recommendation 7.** NRW should continue to press for a multi-year funding regime to help it manage its budgets for the long term.



### 3. HMRC Tax issues

**53.** In October 2024, the Welsh Government provided a £19m loan to NRW to cover unpaid tax liabilities following an investigation by HM Revenue and Customs (HMRC). The tax bill relates to historical compliance issues with off-payroll workers under IR35 regulations.<sup>49</sup>

**54.** NRW's written evidence to the Committee says:

*"NRW recently engaged professional advice from Deloitte, who have provided a report on their review of NRW's historic engagement of these contractors. The report is due to be considered by NRW Board this month. Subject to Board approval, Deloitte will write to HMRC by the end of February setting out our position and the extent of liability accepted. HMRC would then be in a position to review the individual and personal service company taxation circumstances of the contractors concerned to calculate the final liability due from NRW, including any interest and penalties."<sup>50</sup>*

**55.** NRW has agreed a repayment instalment of the funds advanced for 2024-25 with the Welsh Government and has submitted a proposal for future repayments of the balance (which will be subject to the final settlement figure with HMRC).

**56.** NRW's written evidence sets out that HMRC and Welsh Government colleagues are meeting on a weekly basis to monitor progress and agree milestones towards resolution.<sup>51</sup>

**57.** In the Committee's report on the Welsh Government's draft budget 2025-26 it said:

*"The £19 million loan to address tax issues highlighted serious governance failures at NRW. The Welsh Government must assure the Committee and stakeholders that it is satisfied that appropriate oversight is now in place, and that these issues will not be repeated."<sup>52</sup>*

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<sup>49</sup> BBC News: [Welsh ministers pay £19m to settle unpaid tax bill](#), 22 October 2024.

<sup>50</sup> NRW: [Written evidence to CCEI Committee: Annual Scrutiny of NRW](#) March 2025.

<sup>51</sup> NRW: [Written evidence to CCEI Committee: Annual Scrutiny of NRW](#), March 2025.

<sup>52</sup> CCEI Committee: [Scrutiny of the Welsh Government Draft Budget 2025-26](#), 3 February 2025.

**58.** A statement from the Deputy First Minister in February 2025 set out that the final liability is expected to be confirmed in time for inclusion in NRW's annual accounts for 2024-25 and that "Enhanced monitoring arrangements remain in place to provide assurance in our oversight of NRW".<sup>53</sup>

**59.** Sir David Henshaw told the Committee that this is an issue that affects many public sector organisations:

*"This is not just us. We are amongst many ...public sector organisations who are in this position as a result of very different interpretations of rules that the HMRC put down then changed .... We appear to be the first one in Wales that HMRC have taken an interest in. I don't know of any others at the moment, but our sense is that there will be others coming along."*<sup>54</sup>

**60.** Rachel Cunningham told the Committee that this would be paid back to the Government over a period of ten years. She agreed that it "is being paid back...out of money that would ordinarily be available to you to deliver your services."<sup>55</sup>

**61.** The Committee asked how NRW would make sure this doesn't happen again. Sir David Henshaw said:

*"A number of steps we've taken already. And let's be fair, the oversight issues triggered by IR35 are appropriate and the DFM and I have reached agreement about what those are. There's a series of objectives, if you like, and monitoring measures that are in place. We have a risk register—always have had a risk register the last few years—and that is, again, more transparent, I think, to the board and to the Welsh Government. There are a number of other steps we've taken, particularly in relation to off-payroll contractors."*<sup>56</sup>

## Our view

The £19 million loan to address tax issues highlighted serious governance failures at NRW. NRW should take no comfort from any similar failures in other parts of the public sector. Indeed, it is disappointing that the experience

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<sup>53</sup> Welsh Government: [Written Statement: NRW Budget Transfer - IR35 liability](#), 21 February 2025.

<sup>54</sup> CCEI Committee, [Record of proceedings, 12 March 2025](#), paragraphs 147.

<sup>55</sup> CCEI Committee, [Record of proceedings, 12 March 2025](#), paragraphs 156 -158.

<sup>56</sup> CCEI Committee, [Record of proceedings, 12 March 2025](#), paragraphs 170.

elsewhere in the public sector does not appear to have provided the “alarm bell” that might have been expected.

NRW and the Welsh Government must provide the assurance to the Committee and stakeholders that it is satisfied that appropriate oversight is now in place, and that these issues will not be repeated. It is right that the Welsh Government has put in place enhanced oversight arrangements. Nevertheless, at a time of squeezed budgets, cuts in services and closures, it is highly regrettable that taxpayers’ money is, in effect, being diverted from front line services in order to pay for such errors.

**Recommendation 8.** Following the conclusions of the negotiations with HMRC, NRW should provide a full update on the outcome as soon as possible, together with a full explanation of how this money will be paid back through efficiency savings and without impacting on frontline services.

**Recommendation 9.** In addition to the enhanced monitoring arrangements that the Welsh Government has already put in place, it is critical that lessons are learned from the HMRC experience through a comprehensive review. NRW should report back to the Committee with full details of its approach.

## 4. Environmental Governance Bill

**62.** The Environment (Principles, Governance and Biodiversity Targets) (Wales) Bill is anticipated to be introduced to the Senedd in June 2025, and will bring more responsibility for NRW. The Bill is expected to:

- introduce a framework to protect and restore nature, including biodiversity targets;
- introduce overarching environmental principles to underpin all future policy decision-making; and
- establish a permanent environmental governance body to ensure public authorities uphold environmental law.<sup>57</sup>

**63.** In its written evidence to the Committee's recent biodiversity inquiry, NRW acknowledged a lack of adequate resource for monitoring.<sup>58</sup> Expanding monitoring to cover at least 30 per cent of land and sea, a global biodiversity target,<sup>59</sup> presents a "substantial challenge", it said. It further asserted that investment in monitoring infrastructure, developing standardised methods, and building capacity at all levels was needed.<sup>60</sup>

**64.** The Committee asked NRW if it was confident that it would be resourced adequately to implement the new biodiversity framework expected in the Bill. A lack of resource for monitoring, in particular, has been a concern for the environmental sector. For example, NRW is responsible for monitoring the condition of protected site features through UK "Common Standards Monitoring". The UK Environmental Law Association has highlighted that under the Common Standards Monitoring, Sites of Special Scientific Interest (SSSIs) should be monitored at least every six years. However, some have not been visited for over ten years.<sup>61</sup>

**65.** Ceri Davies highlighted that monitoring is an area where more resource will be required to enable progress against the new biodiversity targets expected to be proposed under the Bill, commenting:

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<sup>57</sup> Welsh Government: [Environmental principles, governance & biodiversity targets](#), April 2024.

<sup>58</sup> CCEI: [Halting and reversing the loss of nature by 2030](#), January 2025.

<sup>59</sup> Convention on Biological Diversity, Kunming-Montreal Global Biodiversity Framework, 2022.

<sup>60</sup> NRW: Written Evidence to CCEI: [Halting and reversing the loss of nature by 2030](#), October 2024.

<sup>61</sup> CCEI: [Evidence from: UK Environmental Law Association](#), 2024.

*“That is an area that is going to need some sustained investment. ...there's a more significant conversation to be had about that whole monitoring of the targets, the condition, the additional sites that would make up the 30x30 commitment.”<sup>62</sup>*

**66.** In its proposal for a new environmental governance body, the Welsh Government has highlighted a need to ensure its functions do not overlap with NRW's, for example, NRW's role in providing advice to the Welsh Government in relation to the sustainable management of natural resources.<sup>63</sup> Commenting on this, Ceri Davies said:

*“There will be work to be done, but I think it'll be around setting out clearly where those responsibilities complement each other, rather than overlap.”<sup>64</sup>*

## Our view

The Committee has consistently heard calls for increased funding to help NRW monitor and manage protected areas, provide ecological expertise, and enforce environmental regulations. In our recent biodiversity report we said that we are concerned that, without sufficient resources for NRW, key initiatives such as the Nature Networks Programme, will not be sufficient to halt and reverse the loss of nature.

While NRW highlighted it is already undertaking some of the activity that will be within the scope of the forthcoming Bill, it will “be doing more of it and on a bigger scale.”<sup>65</sup> It is therefore essential that NRW is appropriately resourced to deliver the ambitions of the legislation. The biodiversity targets will not have their desired impact if it is not possible to monitor and report on progress towards them and to ensure that they drive improvements through better management. The Committee fully supports NRW in pursuing this goal.

We also remain concerned about the dangers of overlap of function between NRW and the new environmental governance body proposed. We will want to explore this in our Stage 1 scrutiny of the Bill.

<sup>62</sup> CCEI Committee, [Record of proceedings, 12 March 2025](#), paragraph 188.

<sup>63</sup> Welsh Government: [Environmental principles, governance & biodiversity targets](#), April 2024.

<sup>64</sup> CCEI Committee, [Record of proceedings, 12 March 2025](#), paragraph 190.

<sup>65</sup> CCEI Committee, [Record of proceedings, 12 March 2025](#), paragraph 184.

**Recommendation 10.** NRW should report back to the Committee (before the Bill is introduced) on the conclusions it has reached with Welsh Government on the resources required to implement the legislation adequately.

## 5. Tree planting and timber production

**67.** Tree-planting rates remain considerably below the Welsh Government's target of 43,000 hectares (ha) of new trees by 2030 (almost 5,000 ha per year), rising to 180,000 ha by 2050 (over 6,000 ha per year), as recommended by the UK Climate Change Committee (CCC).<sup>66</sup>

**68.** Woodlands for Wales is the Welsh Government's 50-year overarching strategy for woodlands and trees.<sup>67</sup> The Welsh Government is currently reviewing the Woodlands for Wales indicators to ensure they remain relevant and fit-for-purpose.<sup>68</sup>

**69.** The Welsh Government is also consulting on a Timber Industrial Strategy.<sup>69</sup> The strategy aims to sustainably increase and to add value to Welsh-grown timber. The strategy discusses increasing the volumes of timber brought to market from the Welsh Government Woodland Estate (WGWE), which is managed by NRW.

**70.** NRW told the Committee that they have a team dedicated to their woodland programme which is focused on extending and speeding up tree planting. They are working with partners to reviewing their processes to see where these can be sped up.<sup>70</sup> NRW also explained that they work with private woodland owners and undertake compensatory planting where land is taken away from forestry for other purposes.<sup>71</sup>

**71.** The Committee asked NRW how they strike a balance between planting sufficient commercial timber crops and trees for biodiversity purposes. Rachel Cunningham told the Committee:

*"Harvesting timber is an essential part of ... sustainable management ..., you need to fell trees, you need to encourage regrowth ... to get the biodiversity gains that we want .... About 80 per cent of the woodland is managed as a plantation, as a*

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<sup>66</sup> CCC: [The path to Net Zero and progress on reducing emissions in Wales](#), December 2020.

<sup>67</sup> Welsh Government: [Woodlands for Wales: strategy](#), March 2009.

<sup>68</sup> Welsh Government: [Written evidence CCEI Committee](#), 27 March 2025.

<sup>69</sup> Welsh Government: [Timber Industrial Strategy](#), 16 April 2025.

<sup>70</sup> CCEI Committee, [Record of proceedings, 12 March 2025](#), paragraph 205.

<sup>71</sup> CCEI Committee, [Record of proceedings, 12 March 2025](#), paragraph 206.

*crop, and about 20 per cent is then managed as a natural forest with very minimal intervention.”<sup>72</sup>*

**72.** NRW is not permitted to manage its timber income across financial years because its accounts are consolidated with those of the Welsh Government. Timber market volatility also impacts on NRW’s ability to manage its WGWE finances. NRW is therefore constrained in how it can plan and invest in growing and harvesting timber.

**73.** The Welsh Government has given NRW an underwritten budget of £33m to help it manage uncertainty in its timber income for 2024-25. Discussions are ongoing between NRW and the Welsh Government around how NRW can manage this uncertainty more effectively in the future, so NRW can increase the volume of timber coming to market.<sup>73</sup> Rachel Cunningham commented:

*“We see it [the timber industrial strategy] as a big opportunity, actually, because it is perceived that there's this conflict between commercial harvesting and biodiversity, but this could be a real help in terms of providing the clarity of what the aims of the Welsh Government woodland estate actually are in terms of the commercial production, and all the other associated benefits that come with commercial production, because there are lots of other benefits, around the economy, jobs, skills”.<sup>74</sup>*

**74.** Asked whether trees fallen through recent storms would be lost to the market, Ceri Davies said:

*“We lost ... probably half a year's worth of timber supply in that last storm. That's a significant quantity of timber, but .... that's not lost timber; we can feed that into the market chain over the next couple of years. But then, what we can do is accelerate the work that we would want to do then on biodiversity and peatland.”<sup>75</sup>*

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<sup>72</sup> CCEI Committee, [Record of proceedings, 12 March 2025](#), paragraph 209.

<sup>73</sup> Welsh Government: [Timber industrial strategy consultation document](#), January 2025.

<sup>74</sup> CCEI Committee, [Record of proceedings, 12 March 2025](#), paragraph 211.

<sup>75</sup> CCEI Committee [Record of proceedings, 12 March 2025](#), paragraph 213.



## Our view

We have noted previously our concerns about the lack of progress on tree planting, which we have raised with the Deputy First Minister. The recent storms saw a large amount of fallen trees on the Welsh woodland estate. Decisions about whether to replant, restock, or allow natural regeneration must be made taking into account a range of environmental as well as commercial factors. This should include an increase the use of native species and mixed planting to enhance biodiversity and build resilience against diseases. However, the Committee is concerned that NRW is not permitted to manage its timber income across financial years and is therefore constrained in how it can plan and invest in growing and harvesting timber. It is essential that this is addressed in the forthcoming Timber Industrial Strategy.

**Recommendation 11.** NRW should work closely with the Welsh Government to ensure that the forthcoming Industrial Timber Strategy allows NRW to manage its income from commercial timber effectively across financial years.