



Welsh Government Response

Climate Change, Environment and Infrastructure Committee's *Natural Resources Wales: Annual Scrutiny 2024-25* report

2 July 2025

As Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs with Ministerial accountability for the performance and delivery of Natural Resources Wales, I very much welcome the Climate Change, Environment and Infrastructure (CCEI) Committee's Annual Scrutiny report of Natural Resources Wales.

I thank the Committee for its careful and professional consideration in undertaking this scrutiny as laid out in its comprehensive report which was published on 21 May 2025.

This sets out the Welsh Government's response to the report's 11 recommendations.

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Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid Hinsawdd
a Materion Gwledig

Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs

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1. Governance

Within this section, the CCEI Committee focused on Natural Resources Wales' Remit Letter, Corporate Plan, Business Plan, budget pressures and recruitment, including the Chief Executive Officer vacancy.

The Committee made one recommendation within this section.

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.

Welsh Government Response: Accept

1. Following a comprehensive, public and transparent recruitment exercise earlier this year, led by Welsh Government it identified a proposed candidate for the role of Chairperson for the Deputy First Minister's consideration. The CCEI Committee undertook a pre-appointment hearing on 11 June 2025 with the candidate ([CCEI Committee report of this hearing was published on 16 June](#)). Subject to the Deputy First Minister's consideration of the committee's report and his final decision, the appointment of the new Chairperson is anticipated to commence on 1 November 2025.
2. The Welsh Government is working with Natural Resources Wales to develop a comprehensive induction programme for the incoming Chairperson. The induction programme, including specific Natural Resources Wales and Welsh Government activities, will build on the successful induction process Natural Resources Wales established in introducing three new non-executive Board members in May. The successful delivery of this programme will ensure the Chairperson will deepen the detailed understanding of the organisation, its stakeholders, Welsh culture and the specific environmental challenges faced in Wales.

- 3.** Upon the Chairperson's arrival, they, supported by Natural Resources Wales' Board members, will identify the criteria and person specification for the appointment of a new Chief Executive Officer. This timeline means the process will begin within the Committee's deadline however, it is unlikely this will be fully concluded. The Welsh Government will support Natural Resources Wales's Board to ensure any delay in the recruitment is kept to a minimum.

2. The Impact of Case for Change

Within this section, the CCEI Committee focused on Natural Resources Wales' visitor centres, regulatory and enforcement services, environmental pollution incidents and flood risk management.

The Committee made six recommendations within this section.

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.

Welsh Government Response: Accept

4. It is important that it is absolutely clear all three visitor centre sites managed by Natural Resources Wales are not closed and continue to remain open for walking, biking, access to play areas, car parking and toilet provision. These visitor centres provide a wonderful gateway to outdoor recreation and an important attraction to tourism in mid Wales.
5. Natural Resources Wales is seeking partners who are better placed to provide retail and catering services at two of the sites. The offer to market, to identify potential operators for Bwlch Nant y Arian and Coed y Brenin visitor centres, is expected to be launched via Sell2Wales in autumn 2025, with a view to awarding the successful contracts in spring 2026.
6. A community management agreement is being finalised with Borth Community Council for the use of space at Ynyslas Visitor Centre to continue its community outreach programmes and is expected to be operational by the summer.
7. Natural Resources Wales will provide the Committee with more information regarding arrangements within the Committee's timeframe.

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.

Welsh Government Response: Accept

- 8.** Natural Resources Wales will continue to deliver the ongoing management of Dyfi National Nature Reserve (NNR) as NNR management is a core element of Natural Resources Wales' statutory functions. The funding that supports Natural Resources Wales' management of the NNR is contained within Natural Resources Wales' Grant in Aid budget which has been unaffected by the Case for Change.
- 9.** The Welsh Government will continue to work with Natural Resources Wales as it continues to provide assurance that its focus remains on the delivery of its core functions and statutory duties.
- 10.** Natural Resources Wales will share information with the Committee, setting out its proposed management of the nature reserve to provide assurance to the Committee that its statutory obligations are being met.

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.

Welsh Government Response: Accept

- 11.** Natural Resources Wales engages with the Flood and Coastal Erosion Risk Management (FCERM) Programme Board, which approves the necessary funding request ahead of submission to Welsh Government, throughout the year. It also meets with flood officials on a monthly basis to review progress, funding use, and programme delivery. Last autumn, Natural Resources Wales presented its FCERM Programme Business Case which was subsequently approved by Deputy First Minister as part of the wider Flood and Water Programme. This Case sets out the proposed levels of investment, which are assessed by officials for affordability and alignment with strategic priorities.

The business case is updated on an annual basis as the programme progresses.

- 12.** In addition to annual planning, Natural Resources Wales identifies longer-term priorities through its Long-Term Investment Requirements (LTIR), which help shape future investment needs and support our flood management and wider shared climate resilience goals.
- 13.** We will continue to work closely with Natural Resources Wales as it provides assurance of effective delivery of its flood management programme, ensuring its reporting is timely, robust, and supports effective scrutiny and budget planning.
- 14.** Natural Resources Wales will report back to the Committee with the requisite information, including its longer-term priorities, within the requested timeframe.

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.

Welsh Government Response: Accept

- 15.** Natural Resources Wales' role in monitoring and responding to pollution incidents remains a statutory function under the Environment (Wales) Act 2016.
- 16.** The Welsh Government continues to work with Natural Resources Wales as it provides assurance on its ability to maintain its operational capacity, using its technical expertise help ensure that any shift in regulatory emphasis does not lead to increased pollution incidents or diminished responsiveness.
- 17.** Natural Resources Wales is currently developing metrics to capture performance data which will demonstrate progress having undertaken a risk-based approach in responding to pollution incidents. The Welsh Government will continue to work closely with Natural Resources Wales as it monitors the latter's performance in this area, through its regular reporting structures.

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.

Welsh Government Response: Accept

18. The Welsh Government understands and accepts Natural Resources Wales' appetite to move to a civil sanctions approach as an alternative to criminal prosecution. It supports the Committee's recommendation for Natural Resources Wales to provide the evidence illustrating where the level of sanctions and fines are too low for further consideration.

Recommendation 7.

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

Welsh Government Response: Accept in Principle

19. The Welsh Government agrees in principle that we should work to minimise funding uncertainties and fully understands the funding uncertainties related to the current budget setting process. However, this must be subject to the specific constraints in which we operate. The timing of UK Fiscal events, the UK Government election cycle and the Senedd election cycle all have significant impact on our ability to deliver multi-year settlements.

20. The Welsh Government Budget Improvement Plan sets out our vision to improve the Welsh Government's budget process using the Well-being and Future Generation Act and the five ways of working to drive continuous improvement. To support the Welsh Government in the development of long-term ambitions we have drawn on the expertise of the Budget Improvement and Impact Advisory Group (BIAG), alongside a range of experts and other governments.

21. In the meantime, the Welsh Government is committed to continuously working closely with Natural Resources Wales, providing all necessary support in ensuring agreed multi-year focussed programme and projects are delivered.

3. HMRC Tax Issues

Within this section, the CCEI Committee focused on the tax bill relating to historical compliance issues with off-payroll workers, future budget reduction arrangements to recognise the tax liability, and enhanced monitoring arrangements.

The Committee made two recommendations within this section.

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.

Welsh Government Response: Accept

22. The Welsh Government understands that HMRC investigations into Natural Resources Wales' compliance with IR35 requirements is to conclude imminently, with both agreeing on a final settlement. Natural Resources Wales will provide the Committee with a full update regarding the outcome of these investigations as soon as possible.

23. The Welsh Government has worked with Natural Resources Wales to agree a budget reduction plan to its Grant in Aid Budget to recognise the IR35 liability. The Welsh Government will continue to work with Natural Resources Wales to ensure it provides the necessary assurance that its core function and statutory duties continue to be delivered within available budgets.

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.

Welsh Government Response: Accept

24. The Welsh Government supports the need for Natural Resources Wales to undertake a comprehensive review to understand how practices can be improved following the HMRC experience. Natural Resources Wales will ensure that it reports to the Committee the full details of its approach in meeting this recommendation.

4. Environmental Governance Bill

Within this section, the CCEI Committee focused on resourcing the ambitions of the Bill and separation of functions between Natural Resources Wales and the new environmental governance.

The Committee made one recommendation within this section.

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.

Welsh Government Response: Accept in principle

- 25.** The Welsh Government acknowledges that the Bill was introduced on the 2 June, so it was not possible for Natural Resources Wales to report back to the Committee ahead of its introduction. The Welsh Government will continue to work closely with Natural Resources Wales to ensure it reports back to the Committee as soon possible.
- 26.** Natural Resources Wales has provided ongoing input into the development of the policies contained within the Bill. There has been extensive engagement on both a one-to-one basis and in the context of broader stakeholder workshops. The Explanatory Memorandum (EM) that supported the introduction of the Bill quantifies the costs of delivering the legislation, including, where possible, the additional resource costs. The EM highlights where further work will be undertaken through secondary legislation to further quantify costs associated with certain policies.
- 27.** In relation to Environmental Principles the duty placed on Natural Resources Wales is significant and reflects the importance of taking long-term, consistent action to protect and improve the environment. However, it is important to note that Natural Resources Wales already operates within our environmental governance regime as a steward for the environment and has

a general purpose to pursue Sustainable Management of Natural Resources. There will be marginal compliance costs (estimated in the Regulatory Impact Assessment (RIA) at around £12k per annum) associated with this new duty, primarily in the form of officials' time in ensuring the duty is applied. Training materials and guidance will be given by Welsh Government to minimise direct cost exposure to Natural Resources Wales and further analysis will be undertaken to quantify when the implementation of the Environmental Principles is agreed after Royal Assent.

28.In relation to the Biodiversity Targets, a detailed analysis of the expected costs of the secondary legislation will be carried out during its development when the specific target details have been finalised. The work to identify suitable targets and indicators has already commenced through the Biodiversity Targets Advisory Panel. The Welsh Government is collaborating specifically with Natural Resources Wales and the Joint Nature Conservation Committee (JNCC) to understand both the costs and benefits associated with suitable target options. It is envisaged that programmes currently run by Natural Resources Wales including (but not limited to) the Nature Network Programme, Natur am Byth, work on the Marine Protected Area Network and Protected site network and the State of Nature Resources Report (SoNaRR) will continue to play a key role in supporting target delivery to halt and reverse biodiversity decline in Wales.

29.Extensive engagement with Natural Resources Wales will be maintained throughout the passage of the Bill and subsequent implementation workstreams to further understand the resource required to implement the legislation adequately.

5. Tree Planting and Timber Production

Within this section, the CCEI Committee focused on challenges with tree planting rates, the Timber Industrial Strategy and timber income.

The Committee made one recommendation within this section.

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.

Welsh Government Response: Reject

- 30.** Managing income across financial years is not possible as Natural Resources Wales accounts are consolidated with those of the Welsh Government. Recognising the impact this has on Natural Resources Wales' ability in managing the Welsh Government Woodland Estate (WGWE), along with timber market volatility, the arrangements regarding the Welsh Government underwritten timber budget will continue to remain in place 2025-26. These arrangements provide certainty to Natural Resources Wales and its management of the WGWE and ensure it is not constrained by timber markets. To ensure there is flexibility, these arrangements are reviewed annually as part of Natural Resources Wales budget negotiations to ensure arrangements remain fit for purpose and continue to bring stability to Natural Resources Wales' planning and management of the WGWE.
- 31.** In addition, the Welsh Government set out in the Timber Industry Strategy consultation its commitment to work with Natural Resources Wales to consider whether support to enable investment in building harvesting capacity and infrastructure is necessary to maximise the amount of timber coming to market between now and 2030. More detail on this will be announced when this Strategy is launched later in the year.