

Financial statements and notes to the accounts for 2021/22

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2022

	Note	2021/22 £'000	Restated 2020/21 £'000
Staff costs	3	119,215	106,498
Capital works expensed in year	4	25,635	19,657
Other expenditure	5	110,128	98,788
Total operating expenditure	Not Applicable	254,978	224,943
Charge income	6	(37,311)	(36,721)
Commercial and other income	6	(48,072)	(39,467)
European and other external funding	6	(2,198)	(2,218)
Income from contracts with customers	Not Applicable	(87,581)	(78,406)
Net operating expenditure before gain on revaluation of biological and financial assets	Not Applicable	167,397	146,537
Gain on revaluation of biological assets	7.1	(104,647)	(231,689)
Gain of revaluation of financial assets	9	(4,154)	(8,607)
Net expenditure for the year after gain on revaluation of biological and financial assets	Not Applicable	58,596	(93,759)
Financing on pension scheme assets and liabilities	14.2.5	2,294	117
Net (gain)/loss on revaluation	Not Applicable	975	18
Deficit/(Surplus) for the year	Not Applicable	61,865	(93,624)
Table Section: Other comprehensive net expenditure			

	Note	2021/22 £'000	Restated 2020/21 £'000
Pension actuarial remeasurements	14.2.5	(64,008)	97,861
Gain on revaluation of property, plant and equipment	SoCTE	(356,562)	(637,477)
Total comprehensive net expenditure for the year	Not Applicable	(358,705)	(633,240)

Statement of Financial Position

As at 31 March 2022

	Note	31 March 2022 £'000	31 March 2021 £'000
Table section: Non-current assets			
Property plant and equipment	7.1	2,020,356	1,688,090
Heritage assets	7.1	7,403	7,403
Biological assets	7.1	457,790	360,940
Intangible assets	7.2	29,602	27,308
Financial assets	9	16,807	14,128
Long term receivables	10	3,451	3,451 3,342
Total non-current assets	Not Applicable	2,535,409	2,101,211
Table section: Current assets			
Property, plant and equipment held for sale	Not Applicable	399	703
Financial asset held for sale	9	1,475	0
Inventories	Not Applicable	580	2,082
Trade and other receivables	10	26,536	19,456
Cash and cash equivalents	11	8,993	7,855
Total current assets	Not Applicable	37,983	30,096
Total assets	Not Applicable	2,573,392	2,131,307
Table section: Current liabilities			
Trade and other payables	12	(38,206)	(32,026)

	Note	31 March 2022 £'000	31 March 2021 £'000
Provisions	13	(266)	(73)
Total current liabilities	Not Applicable	(38,472)	(32,099)
Assets less current liabilities	Not Applicable	2,534,920	2,099,208
Table section: Non-current liabilities			
Pension liabilities	14.2.5	(54,374)	(106,644)
Financial liabilities	8	(39,844)	(39,897)
Long term payables	12	(3,733)	(4,055)
Total non-current liabilities	Not Applicable	(97,951)	(150,596)
Assets less liabilities	Not Applicable	2,436,969	1,948,612
Table section: Taxpayers' equity and other reserves			
General fund	SoCTE	565,154	459,285
Revaluation reserve	SoCTE	1,926,189	1,595,971
Pensions reserve	SoCTE	(54,374)	(106,644)
Total taxpayers' equity	Not Applicable	2,436,969	1,948,612

Statement of Cash Flows

For the year ended 31 March 2021

	Note	2021/22 £'000	2020/21 £'000
Table section: Cash flows from operating activities			
Net operating expenditure	SoCNE	(167,397)	(146,537)
Adjustment for non-cash transactions	Not Applicable	54,775	39,053
Movement in trade and other receivables	10	(7,189)	(2,705)
Movement in trade and other payables	12	5,858	3,455
Movement in financial liabilities	SoFP	(53)	(45)
Movement in provisions	SoFP	193	(339)
Net cash flow from operating activities	Not Applicable	(113,813)	(107,118)
Table section: Cash flows from investing activities			
Purchase of tangible assets	7.1	(8,154)	(7,344)
Purchase of intangible assets	7.2	(7,705)	(8,827)
Proceeds on disposal of property, plant and equipment	Not Applicable	1,158	730
Net cash flow from investing activities	Not Applicable	(14,701)	(15,441)
Table section: Cash flows from financing activities			
Grants from Welsh Government	SoCTE	129,652	105,313
Net Financing	Not Applicable	129,652	105,313
Net increase/(decrease) in cash and cash equivalents in the period	Not Applicable	1,138	(17,246)
Cash and cash equivalents at the beginning of the period	Not Applicable	7,855	25,101

	Note	2021/22 £'000	2020/21 £'000
Cash and cash equivalents at the end of the period	11	8,993	7,855

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2022

	General Fund	Revaluation Reserve	Pension Reserve	Total
	£'000	£'000	£'000	£'000
Opening balance	459,285	1,595,971	(106,644)	1,948,612
Comprehensive net expenditure for year	358,705	0	0	358,705
Table section: In-year movement				
Revaluation of Property, Plant and Equipment	(356,562)	356,562	0	0
Realised revaluation	26,344	(26,344)	0	0
Actuarial movement on pension scheme	(64,008)	0	64,008	0
Increase in pension liability	11,738	0	(11,738)	0
Total in-year movement	(382,488)	330,218	52,270	0
Table section: Funding				
Grants from Welsh Government	129,652	0	0	129,652
Balance at 31 March 2022	565,154	1,926,189	(54,374)	2,436,969

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 2021

	General Fund	Revaluation Reserve	Pension Reserve	Total
	£'000	£'000	£'000	£'000
Opening Balance	234,407	977,163	(1,511)	1,210,059
Comprehensive net expenditure for year	633,240	0	0	633,240
Table section: In-year movement				
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
Total in-year movement	(513,675)	618,808	(105,133)	0
Table section: Funding				
Grants from Welsh Government	105,313	0	0	105,313
Balance at 31 March 2021	459,285	1,595,971	(106,644)	1,948,612

Note 1 Accounting policies

1.1 Requirement to prepare accounts

The financial statements have been prepared in accordance with the 2021/22 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, and 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 although in this financial year part of this income was surrendered to Welsh Government. 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 15 February of the financial year preceding the year to which they relate.

The drainage rates, special levies and precepts for 2021/22 were set by Natural Resources Wales acting as the drainage board. This income is included in Note 6.

1.8 Tangible assets

Land and buildings and public structures (reported within operational structures) have historically 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).

In 2020/21 a rolling programme for full Valuations (See Note 7) was established. In between full valuations, assets are subject to an annual interim valuation. For 2021/22, 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.

1.9 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 31 March 2022.

Changes in accounting estimates

There were no changes in accounting estimates during the year ended 31 March 2022.

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

This 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 FReM.

IAS 1 - Presentation of Financial Statements

This standard sets out the overall requirements for financial statements including how they should be structured, minimum content requirements and overriding concepts such as going concern. On 23 January 2020 the IASB issued 'Classification of Liabilities as Current or Non-Current (Amendments to IAS1)' This was subsequently deferred with an implementation date of 1 January 2023. This amendment is not expected to have a material impact on financial reporting.

IAS 16 - Property, plant & equipment

This standard outlines the accounting treatment for most types of property plant & equipment. On 14 May 2020 the International Accounting Standards Board (IASB) issued 'Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) ' to be effective for periods beginning on or after 1 January 2022. This amendment is not expected to have a material impact on financial reporting.

IAS 37 - Provisions, contingent liabilities and contingent assets

This standard outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable). On 14 May 2020 the IASB issued 'Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) ' to be effective for periods beginning on or after 1 January 2022. This amendment is not expected to have a material impact on financial reporting.

IAS 41 – Agriculture

This standard sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). On 14 May 2020 the IASB issued 'Annual Improvements to IFRS Standards

2018–2020 (taxation in fair value measurements) ' to be effective for periods beginning on or after 1 January 2022. This amendment is not expected to have a material impact on financial reporting.

IFRS 16 – Leases

The implementation of this standard has been delayed and is now effective in the public sector from 1 April 2022, and will supersede all existing IFRS standards on leases. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets.

The introduction of IFRS 16 is expected to have a material impact in financial reporting terms (see note 16.3 for more details).

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.

1.10 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)

1.11 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 22 relate to figures not disclosed elsewhere in these accounts.

2. Analysis of net operating expenditure by segment

For the year ended 31 March 2022

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
Table section: Reported by segments							
Operating Expenditure	27,058	99,224	59,746	8,156	8,245	52,549	254,978
Operating Income	(37,593)	(43,295)	(1,307)	(5,256)	(130)	0	(87,581)
Total	(10,535)	55,929	58,439	2,900	8,115	52,549	167,397
Capital expenditure	8,806	2,358	4,695	0	0	0	15,859

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

	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
Table section: Reported by segments							
Fees and charges	36,813	268	230	0	0	0	37,311
Commercial	780	41,720	186	5,256	130	0	48,072
European and other external funding	0	1,307	891	0	0	0	2,198
Total	37,593	43,295	1,307	5,256	130	0	87,581
Table section: Reported by segments							
Government	1,219	2,249	619	5	129	0	4,221
Non-Government	36,374	41,046	688	5,251	1	0	83,360
Total	37,593	43,295	1,307	5,256	130	0	87,581

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, fleet management and the renewal programme.

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. During 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 2021

	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
Table section: Reported by segments							
Operating Expenditure	7,730	94,851	56,300	17,433	8,081	40,548	224,943
Operating Income	(37,150)	(35,706)	(1,462)	(4,004)	(84)	0	(78,406)
Total	(29,420)	59,145	54,838	13,429	7,997	40,548	146,537
Capital expenditure	11,147	4,160	864	0	0	0	16,171

3. Staff costs

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

	Permanent Staff	Other Staff	Total	Total
	2021/2022	2021/2022	2021/2022	2020/2021
	£'000	£'000	£'000	£'000
Wages and salaries	78,250	14,873	93,123	87,338
Social security & Other taxation costs	8,346	625	8,971	8,089
Other pension costs	19,804	611	20,415	13,900
Total net salary costs	106,400	16,109	122,509	109,327
Other expenditure for staff	Not Applicable	Not Applicable	9,463	8,301
Less amounts charged to capital projects	Not Applicable	Not Applicable	(12,757)	(11,130)
Total staff costs	Not Applicable	Not Applicable	119,215	106,498

4. Capital works expensed in year

Categories	Actual 2021/22 £'000	Actual 2020/21 £'000	Committed 31 March 2022 £'000	Committed 31 March 2021 £'000
Operational Work	23,113	16,609	10,211	6,722
Capital grants	2,522	3,048	1,719	111
Total	25,635	19,657	11,930	6,833

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. In accordance with IAS 16, expenditure is capital in nature when it relates to assets which are intended for use, on a continuing basis, in the production or fulfilment of NRW's functions or for an administration purpose. They are not intended for sale in the ordinary course of business. For the purpose of capital works expensed in year, being of capital nature may also be defined through a capital grant agreement from Welsh Government.

The criteria for expenditure to be classed as capital works expensed in year are;

- Where designated Welsh Government capital funding has been allocated to a scheme, which would not normally result in the acquisition of a tangible or intangible asset owned by Natural Resources Wales in accordance with IAS 16
- Where the risk and rewards relating to ownership of the asset do not reside with Natural Resources Wales, but with a third party; or
- Where the asset being created, regardless of funding source, would be unable to be readily identified in any future asset verification exercise.

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

	2021/22	2020/21
	£'000	£'000
Table section: Cash items		
Bought in services	18,944	19,680
Reservoir operating agreements	10,510	9,591
ICT costs	7,879	6,398
Forest roads network maintenance	5,319	4,718
Materials and equipment	4,423	4,396
Office running costs	3,950	3,781
Fleet costs	3,916	3,579
Collaborative agreements	1,405	2,654
Grants	1,087	2,631
Service level agreements	2,450	2,289
Staff related costs	2,242	2,199
Rents	1,853	1,969
Fees and court costs	1,165	1,681
Rates	721	823
Operational costs	564	562
Travel and subsistence	440	227
Statutory audit fees	193	188
European grants	88	167
Losses and special payments	1,154	121

	2021/22	2020/21
	£'000	£'000
Sub-total	68,303	67,654
Table section: Non-cash expenditure		
Value of sold timber	29,856	22,824
Depreciation, amortisation and impairment	9,700	8,855
Derecognition of assets	1,928	451
Losses	1,555	18
Movement on expected credit loss	(778)	199
(Gain) / Loss on disposal	(219)	(250)
Movement on other provisions	102	(327)
Movement on reservoir operating agreements	(319)	(636)
Sub-total	41,825	31,134
Total	110,128	98,788

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

Public structure assets of £1,718k which Natural Resources Wales do not own or maintain and intangible ICT development costs of £210k were derecognised during 2021/22 (ICT development costs of £451k in 20/21).

6. Income analysis

For the year ended 31 March 2022

	2021/22	2020/21
	£'000	£'000
Abstraction charges	19,132	18,795
Environmental permitting regulations: water quality	6,563	6,917
Environmental permitting regulations: installations	3,158	3,346
Environmental permitting regulations: waste	2,029	2,405
Other environmental protection charges	1,830	1,506
Fishing licences	1,166	1,166
Nuclear regulation	1,375	474
Hazardous waste	979	929
Water resources rechargeable works	684	671
Marine licensing	300	299
Emissions trading	95	213
Total Charge Income	37,311	36,721
Timber income	36,944	30,561
Renewable energy income	5,166	3,976
Internal drainage district income	1,611	1,630
Income from estates	2,966	1,448
Legal costs recovered and Proceeds of Crime Act income	283	871
Provision of information and services	882	719
Miscellaneous income	188	236

	2021/22	2020/21
	£'000	£'000
Interest receivable	32	26
Total Commercial and other income	48,072	39,467
European income	1,773	1,657
Grants and contributions	425	561
Total European and other external funding	2,198	2,218
Total income		78,406

Renewable energy income is shown net of fees due to Welsh Government in respect of wind energy income. The balance of £5,166 (in 2020/21, £3,976k) represents income of £12,900k (in 2020/21, £14,749k) after deducting the fee payment to Welsh Government of £7,734k (in 2020/21, £10,773k).

Including income claimed via Welsh European Funding office for European funded projects.

6.1 Analysis of fees and charges

Year ending 31 March 2022

	Income billed	Expenditure	Surplus/ (Deficit)
	£'000	£'000	£'000
Abstraction charges	19,827	19,132	695
Environmental permitting regulations: water quality	6,506	6,563	(57)
Environmental permitting regulations: installations	3,498	3,158	340
Environmental permitting regulations: waste	2,106	2,029	77
Other environmental protection charges	1,599	1,830	(231)
Fishing licences	1,166	1,166	0
Nuclear regulation	1,339	1,375	(36)

	Income billed £'000	Expenditure £'000	Surplus/ (Deficit) £'000
Hazardous waste	1,003	979	24
Water resources rechargeable works	684	684	0
Marine licences	300	300	0
Emissions trading	94	95	(1)
Total	38,122	37,311	811

Comparative figures – year ending 31 March 2021

	Income billed £'000	Expenditure £'000	Surplus/ (Deficit) £'000
Abstraction charges	18,979	18,795	184
Environmental permitting regulations: water quality	6,421	6,917	(496)
Environmental permitting regulations: installations	3,526	3,346	180
Environmental permitting regulations: waste	2,480	2,405	75
Other environmental protection charges	1,316	1,506	(190)
Fishing licences	1,166	1,166	0
Nuclear regulation	476	474	2
Hazardous waste	989	929	60
Water resources rechargeable works	671	671	0
Marine licences	312	299	13
Emissions trading	213	213	0
Total	36,549	36,721	(172)

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 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 2023. 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 above. 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 summarises 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:

ONS - Office of National Statistics

Reporting column in Note 7.1	Class of Asset	Valuation Methodology	Date of previous full valuation	Process for 2021/22	Valuer
Forest Estate	Forest Estate	Market value	31 March 2021	Interim valuation	Savills
Freehold Land	Agricultural Land - Equipped Asset	Market value	31 March 2016	Full valuation	Internal
Freehold Land	Agricultural Land - Unequipped	Market value	31 March 2016	Full valuation	Internal
Freehold Land	Agricultural Land - Unequipped	Market value	31 March 2016	Full valuation	Bruton Knowles, Internal, Llywelyn Humphreys
Freehold Land	Other Welsh Government Woodland Estate Land	Market value	31 March 2021	Interim valuation	Savills
Freehold Land	Freehold Land	Market value	31 March 2016	Full valuation	Internal
Leasehold Land	Leasehold Land	Market value	31 March 2016	Full valuation	Internal
Other Land	Wind Farms	Market value	31 March 2021	Full valuation	Savills
Other Land	Hydro Schemes	Market value	31 March 2021	Desktop	Internal
Other Land	Third party Access	Market value	31 March 2021	Desktop	Internal
Other Land	Telecom Masts	Market value	31 March 2021	Desktop	Internal

Reporting column in Note 7.1	Class of Asset	Valuation Methodology	Date of previous full valuation	Process for 2021/22	Valuer
Other Land	Mineral Leases	Market value	31 March 2021	Desktop	Internal
Other Land	Other Agreements	Market value	31 March 2021	Desktop	Internal
Other Land	Forest Holidays	Market value	31 March 2021	Full valuation	Avison Young
Buildings	Dwellings	Market value	31 March 2016	Full valuation	Baileys & Partners Bruton Knowles, Cooke & Arkwright
Buildings	Offices & Commercial	Market value	31 March 2016	Full valuation	Baileys & Partners Bruton Knowles, Internal
Buildings	Other buildings (Non-Specialised)	Market value	31 March 2016	Full valuation	Baileys & Partners Bruton Knowles, Cooke & Arkwright Internal
Buildings	Depots (specialised)	Modern equivalent asset value	31 March 2016	Full valuation	Baileys & Partners Bruton Knowles, Cooke & Arkwright, Internal
Buildings	Deer Larders (specialised)	Modern equivalent asset value	31 March 2016	Full valuation	Internal
Buildings	Toilet Blocks (specialised)	Modern equivalent asset value	31 March 2016	Full valuation	Internal
Buildings	Bird Hides (specialised)	Modern equivalent asset value	31 March 2016	Full valuation	Internal

Reporting column in Note 7.1	Class of Asset	Valuation Methodology	Date of previous full valuation	Process for 2021/22	Valuer
Buildings	Visitor and Information Centres (specialised)	Modern equivalent asset value	31 March 2016	Full valuation	Baileys & Partners Bruton Knowles, Cooke & Arkwright
Buildings	Other (specialised)	Modern equivalent asset value	31 March 2016	Full valuation	Baileys & Partners Bruton Knowles, Cooke & Arkwright Internal
Buildings	Agricultural (Specialised)	Modern equivalent asset value	31 March 2016	Full valuation	Baileys & Partners Bruton Knowles, Cooke & Arkwright
Operational Structures	Boreholes	Modified historic cost	N/A	ONS Index*	Internal
Operational Structures	Gauging Station	Modified historic cost	N/A	ONS Index*	Internal
Operational Structures	Locks & Weirs	Modified historic cost	N/A	ONS Index*	Internal
Operational Structures	Sea & River Structures	Modified historic cost	N/A	ONS Index*	Internal
Operational Structures	Sluices	Modified historic cost	N/A	ONS Index*	Internal
Operational Structures	Other	Modified historic cost	N/A	ONS Index*	Internal
Operational Structures	Pumping Stations	Modified historic cost	N/A	ONS Index*	Internal
Operational Structures	Fish Passes	Modified historic cost	N/A	ONS Index*	Internal

Reporting column in Note 7.1	Class of Asset	Valuation Methodology	Date of previous full valuation	Process for 2021/22	Valuer
Operational Structures (Public Structures)	Boardwalks	Modern equivalent asset value	31 March 2021	Full valuation	Internal
Operational Structures (Public Structures)	Bike Trails	Modern equivalent asset value	31 March 2021	Full valuation	Internal
Operational Structures (Public Structures)	Other	Modern equivalent asset value	31 March 2021	Full valuation	Internal
Operational Structures (Public Structures)	Car Parks	Modern equivalent asset value	31 March 2021	Full valuation	Internal
Operational Structures (Public Structures)	Walking Trails	Modern equivalent asset value	31 March 2021	Full valuation	Internal
Biological Assets	Biological Assets	Market value	31 March 2021	Interim valuation	Savills
Heritage Assets	Heritage Assets	Historical cost	N/A	Held at cost	N/A

The Forest Estate, land, buildings and public structures have historically 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).

In 2020/21 a rolling programme for full valuations was established. Prior to this, the last full quinquennial valuations were undertaken as at 31 March 2016. The valuations as at 31 March 2022 are provided by the relevant firms of Chartered Surveyors or by internal valuers. Where a full valuation was undertaken this is noted in the table above. In between these full valuations, assets are subject to an annual interim valuation.

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.

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:

Asset Category	Principal useful life
Table section: Tangible assets	
Buildings and Dwellings	10 - 60 years
Plant and Machinery	4 - 25 years
Information Technology	3 - 10 years
Operational Structures	5 - 100 years
Table section: Intangible assets	
Software licences	5 - 25 years
Other licences	5 - 50 years
Software developments	3 - 10 years
Website	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
Table section: Cost or Valuation											
At 1 April 2021	1,411,996	184,549	16,836	25,263	13,990	83,816	5,098	1,741,548	360,940	7,403	2,109,891
Additions	0	4,635	0	688	29	161	2,641	8,154	0	0	8,154
Assets commissioned in year	0	0	0	1,411	198	2,169	(3,778)	0	0	0	0
Disposals, derecognition and write-offs	0	(625)	(2,151)	(1,509)	(508)	(2,817)	0	(7,610)	0	0	(7,610)
Movement from/(to) held for sale	0	280	(54)	259	0	0	0	485	0	0	485
Fellings	(20,557)	0	0	0	0	0	0	(20,557)	(7,797)	0	(28,354)
Indexation and revaluation	332,201	15,653	(254)	0	0	3,949	0	351,549	104,647	0	456,196
Reclassification	0	(19)	193	119	0	314	(626)	(19)	0	0	(19)

	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
At 31 March 2022	1,723,640	204,473	14,570	26,231	13,709	87,592	3,335	2,073,550	457,790	7,403	2,538,743
Table section: Depreciation											
At 1 April 2021	0	0	3,157	16,085	13,182	21,034	0	53,458	0	0	53,458
Charged in year	0	0	604	1,685	131	3,483	0	5,903	0	0	5,903
Disposals, derecognition and write-offs	0	0	(377)	(1,321)	(508)	(104)	0	(2,310)	0	0	(2,310)
Movement from/(to) held for sale	0	0	(87)	268	0	0	0	181	0	0	181
Indexation and revaluation	0	0	(3,192)	7	0	(853)	0	(4,038)	0	0	(4,038)
Reclassification	0	0	0	24	0	(24)	0	0	0	0	0
At 31 March 2021	0	0	105	16,748	12,805	23,536	0	53,194	0	0	53,194
Carrying amount at 1 April 2021	1,411,996	184,549	13,679	9,178	808	62,782	5,098	1,688,090	360,940	7,403	2,056,433

	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
Carrying amount at 31 March 2022	1,723,640	204,473	14,465	9,483	904	64,056	3,335	2,020,356	457,790	7,403	2,485,549
Table section: Asset Financing											
Owned	1,675,323	200,380	14,465	9,483	904	64,056	3,335	1,967,946	457,790	7,403	2,433,139
Leased	48,317	4,093	0	0	0	0	0	52,410	0	0	52,410
Carrying amount at 31 March 2022	1,723,640	204,473	14,465	9,483	904	64,056	3,335	2,020,356	457,790	7,403	2,485,549

Buildings include dwellings with a carrying amount of £788k. The other buildings are offices and workbases.

The amount held in the Revaluation Reserve for tangible assets at 31 March 2022 was £1,925,564k.

Comparative figures for the year ended 31 March 2021

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

	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
Table section: Depreciation											
At 1 April 2020	0	0	3,534	14,997	13,133	26,691	0	58,355	0	0	58,355
Charged in year	0	0	596	1,503	54	3,567	0	5,720	0	0	5,720
Disposals, derecognition and write-offs	0	0	(126)	(833)	(5)	0	0	(964)	0	0	(964)
Movement from/(to) held for sale	0	0	0	(323)	0	0	0	(323)	0	0	(323)
Indexation and revaluation	0	0	(100)	(6)	0	(9,224)	0	(9,330)	0	0	(9,330)
Reclassification	0	0	(747)	747	0	0	0	0	0	0	0
At 31 March 2021	0	0	3,157	16,085	13,182	21,034	0	53,458	0	0	53,458
Carrying amount at 1 April 2020	788,517	188,383	15,412	6,592	378	64,018	3,215	1,066,515	135,744	7,099	1,209,358
Carrying amount at 31 March 2021	1,411,996	184,549	13,679	9,178	808	62,782	5,098	1,688,090	360,940	7,403	2,056,433

	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
Table section: Asset Financing											
Owned	1,366,059	180,818	13,679	9,178	808	64,665	5,098	1,640,305	360,940	7,403	2,008,648
Leased	45,937	3,731	0	0	0	0	0	49,668	0	0	49,668
Carrying amount at 31 March 2021	1,411,996	184,549	13,679	9,178	808	62,782	5,098	1,688,090	360,940	7,403	2,056,433

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 31 March 2021 was £1,595,339k.

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 comprises of 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 2022. 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 5% 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. Four (2020/21 : four) windfarms are included within property, plant and equipment. 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 2022, Savills provided a full professional valuation for all four windfarms.

The individual values for the windfarms as at 31 March 2022 are shown below.

	£000
Cefn Croes	6,960
Pen y Cymoedd	88,645
Brechfa West	17,235
Clocaenog	34,805
Total	147,645

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 2022 Natural Resources Wales manages 56 of Wales' National Nature Reserves, either entirely, or in partnership, and one Marine Nature Reserve (MNR). There were no purchases of heritage assets (2020/21: £304k) during the year.

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

	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000
Opening Balance	6,432	7,000	7,099	7,403
Additions	295	0	304	0
Reclassifications	273	99	0	0
Closing Balance	7,000	7,099	7,403	7,403

Further information on Natural Resources Wales' heritage assets and policies on the acquisition, preservation, management, disposal and access to heritage assets can be found on the Natural Resources Wales website on the [Natural Resources Wales website, National Nature Reserves page](#)

7.2 Intangible non-current assets

	Software Licences £'000	Other Licences £'000	Software Development Expenditure £'000	Web Site £'000	Assets under construction £'000	Total Intangible Assets £'000
Cost or valuation						
At 1 April 2021	9,581	2,337	24,610	477	9,992	46,997
Additions	298	0	1,239	0	6,168	7,705
Assets commissioned in year	0	0	5,746	9	(5,755)	0
Disposals, derecognition and write-offs	(504)	0	(2,277)	0	(1,613)	(4,394)
Indexation and revaluation	0	0	0	0	0	0
Reclassification	(3,653)	19	3,653	0	0	19
At 31 March 2022	5,722	2,356	32,971	486	8,792	50,327
Table section: Amortisation						
At 1 April 2021	7,021	48	12,186	434	0	19,689
Charged in year	453	12	3,280	52	0	3,797
Disposals, derecognition and write-offs	(490)	0	(2,271)	0	0	(2,761)

	Software Licences	Other Licences	Software Development Expenditure	Web Site	Assets under construction	Total Intangible Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Indexation and revaluation	0	0	0	0	0	0
Reclassification	(3,020)	0	3,020	0	0	0
At 31 March 2022	3,964	60	16,215	486	0	20,725
Carrying Amount at 1 April 2021	2,560	2,289	12,424	43	9,992	27,308
Carrying Amount at 31 March 2022	1,758	2,296	16,756	0	8,792	29,602
Table section: Asset Financing						
Owned	1,758	2,296	16,756	0	8,792	29,602
Carrying Amount at 31 March 2022	1,758	2,296	16,756	0	8,792	29,602

The amount held in the Revaluation Reserve for these assets at 31 March 2022 was £625k.

Comparative figures for the year ended 31 March 2021

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

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

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

8. Financial liabilities and instruments

8.1 Financial liability

The financial liability of £39,844k reported in the Statement of Financial Position represents the 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.

£6,282k was paid to Dŵr Cymru Welsh Water during 2021/22 (2020/21: £5,926k) 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 13 years at a total projected cost of £39.4m.

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' expected purchase and usage requirements and Natural Resources Wales is therefore exposed to little credit, liquidity or market risk.

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

9. Financial Assets

	31 March 2022	31 March 2021
	£'000	£'000
Table section: Non-current		
Lake Vyrnwy forest	16,807	13,528
Forest holidays	0	600
Table section: Current asset held for sale		
Forest holidays	1,475	0
Total	18,282	14,128

Lake Vyrnwy forest

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.

Forest Holidays

Natural Resources Wales holds a minority shareholding in Forest Holidays via Forest Holidays LLP; a partnership organisation between Natural Resources Wales, Forestry England and Forestry Land Scotland. During the year, Forest Holidays made re-financing arrangements where there was no option for existing shareholders to reinvest and Forest Holidays LLP was legally obliged to support the majority stakeholder in the outcome. During 2021/22 it was agreed that Forest Holidays LLP would divest from Forest Holidays. The sale will take place in early 2022/23 and Forest Holidays LLP will be dissolved. Moving forward, the relationship between the three public sector organisations and Forest Holidays will be that of landlord and tenant and the existing charge on the leases will be transferred to the new owner.

10. Trade and other receivables

	31 March 2022	31 March 2021
	£'000	£'000
Table section: Due within 1 year		
Trade receivables	5,538	5,481
Expected credit loss	(93)	(871)
Contract assets Commercial and other	4,502	5,926
Table section: Accrued income		
Fees and charges	1,976	1,874
Other	6,881	1,033
European income	1,746	942
VAT receivable	2,982	2,894
Prepayments	2,273	2,151
Deposit	713	0
Other receivables	18	26
Total	26,536	19,456
Table section: Due after 1 year		
Long term receivables	3,451	3,342
Total Trade and other receivables	29,987	22,798

11. Cash and cash equivalents

	31 March 2022	31 March 2021
	£'000	£'000
Opening balance	7,855	25,101
Net change in cash and cash equivalent balances	1,138	(17,246)
Total	8,993	7,855
Table section: The following balances were held at 31 March		
Government Banking Service	4,201	5,465
Other bank accounts	4,790	2,388
Cash in hand	2	2
Total	8,993	7,855

Cash and cash equivalents comprise cash in hand, financial provisions (see Note 1.10) 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 Natural Resources Wales give due consideration to drawing down the provision in place.

12. Trade and other payables

	31 March 2022	31 March 2021
	£'000	£'000
Table section: Due within 1 year		
Trade payables accrual	18,986	15,576
Table section: Deferred income		
Fees and Charges	4,546	4,265
European and other funding	7,148	3,492
Table section: Contract liabilities		
Fees and Charges	144	198
Commercial	426	437
Holiday pay	3,467	3,607
Trade payables	1,943	3,117
Bonds and deposits	1,301	1,301
Finance leases (current)	20	20
Other payables	215	4
Taxation and social security	10	9
Total	38,206	32,026
Table section: Due after 1 year		
Long term payables	2,874	3,193
Finance leases (non-current)	452	456
Long term deferred income	217	216
Long term bonds and deposits	190	190

	31 March 2022	31 March 2021
	£'000	£'000
Total	3,733	4,055
Total Trade and other payables	41,939	36,081

13. Provisions

	Grants £'000	Other £'000	Total £'000
Balance at 1 April 2021	0	73	73
Provided in the year	91	175	266
Released in year	0	(73)	(73)
Used in the year	0	0	0
Balance at 31 March 2022	91	175	266
Table section: Estimated timing of discounted cash flows			
Due within one year	91	175	266
Due between one and five years	0	0	0
Total	91	175	266

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.

Provisions for grant payments are included where the work carried out by the grant partners had completed on or before 31 March 2022, but the claim is not due to be submitted to Natural Resources Wales until June 2022. The value of the provision is based on the grant offer letter.

Other provisions include compensation payments due to employees whose employment contracts have been amended in relation to incident rota duties and a refund due to a customer in relation to hazardous waste. The brought forward provision of £73k in relation to a personal injury claim was released during the year.

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 an occupational defined contribution pension arrangement, which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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](#).

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 financial statements, are on the EAPF website, www.eapf.org.uk

The total LGPS pension charge for Natural Resources Wales for the financial year 2021/22 was £16,353k (£9,191k in 2020/21). 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 110% of its expected future liabilities at 31 March 2022 on an ongoing funding basis. Natural Resources Wales' share of the EAPF's liabilities as reported in these financial statements is calculated on an accounting basis using different actuarial assumptions, required by IAS19.

There are two main differences in the assumptions used in these financial statements under an accounting basis (IAS 19) 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 2019 this discount rate was 3.1% p.a. The discount rate used in the Natural Resources Wales financial statements (2.7% 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 for accounting purposes has changed since the most recent valuation of the EAPF as a result of RPI

reform announcements. The pension increase assumption, for accounting purposes, has changed since the 2019 valuation of the EAPF as a result of RPI reform announcements. The pension increase assumption reported by the EAPF, on a funding basis, allows for a gap between RPI and CPI of 1.0% p.a. and an inflation risk premium of 0.5% 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 3.2% p.a. on the IAS19 basis. The real terms discount rate in these financial statements is therefore 2.1% 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 2023 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' participation in the EAPF. All calculations have been made by a qualified independent actuary. The assumptions underlying the calculation of a net liability at 31 March 2022 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.

There is a real recognition that Responsible Investment Funds have outperformed during the global pandemic which have helped to protect the EAPF's net asset value. It must be remembered that the Active Fund employers are able to take a long-term outlook when considering the high-level funding implications of external shocks. Markets were severely disrupted by COVID-19 in March 2020, but in the 2020/21 year they recovered strongly and continued to do so through 2021/22. However, no one knows what the long-term impact of COVID-19 may be on the economy and ultimately on the long-term cost of funding defined benefit pensions.

A new external event unfolded in Eastern Europe in February 2022, which will have consequences in many aspects of our lives both now and in the longer term. Whilst the focus is understandably on what the invasion means for the people of Ukraine and the geo-political situation in Europe, the pension fund has appropriately addressed its exposure to Russian assets. The Fund has very minimal exposure with just 0.01% of the EAPF's asset portfolio invested in Russia. These have subsequently been written down to nil with instructions in place to sell these existing holdings when possible.

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.

Period Ended	31 Mar 2022 % p.a.	31 Mar 2021 % p.a.
Pension Increase Rate		2.85%
Salary Increase Rate		3.35%

Period Ended	31 Mar 2022 % p.a.	31 Mar 2021 % p.a.
Discount Rate		2.00%

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

	Males	Females
Current Pensioners	21.9 years	24.1 years
Future Pensioners	23.1 years	26.0 years

14.2.2. Sensitivity analysis

Change in assumptions at 31 March 2022:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	11,680
1 Year increase in member life expectancy	4%	20,712
0.1% increase in the Salary Increase Rate	0%	2,482
0.1% increase in the Pension Increase Rate	2%	9,088

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 31 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 2022

Asset Category	Quoted 31 March 2022 (£000)	Unquoted 31 March 2022 (£000)	Undetermined 31 March 2022 (£000)	Total 31 March 2022 (£000)	% 31 March 2022 (£000)
Table section: Equity Securities:					
Common Stock	65,729.6	0.0	0.0	65,729.6	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	1,273.4	0.0	0.0	1,273.4	0%
Table section: Debt Securities					
UK Government Bonds	0.0	0.0	0.0	0.0	0%

Asset Category	Quoted 31 March 2022 (£000)	Unquoted 31 March 2022 (£000)	Undetermined 31 March 2022 (£000)	Total 31 March 2022 (£000)	% 31 March 2022 (£000)
Corporate Bonds	0.0	0.0	0.0	0.0	0%
Other	0.0	0.0	0.0	0.0	0%
Table section: Pooled Investment Vehicles					
Equities	0.0	141,236.6	0.0	141,236.6	30%
Bonds	0.0	160,377.2	0.0	160,377.2	35%
Funds - Common Stock	0.0	0.0	0.0	0.0	0%
Funds - Real Estate	0.0	0.0	0.0	0.0	0%
Funds - Venture Capital	0.0	0.0	0.0	0.0	0%
Table section: Venture Capital and Partnerships:					
Partnerships & Real Estate	0.0	72,686.6	0.0	72,686.6	16%
Table section: Other Investment:					
Stapled Securities	0.0	0.0	0.0	0.0	0%
Table section: Derivative Contracts:					
Equity Derivatives - Futures	0.0	0.0	0.0	0.0	0%
Forward FX Contracts	0.0	(124.4)	0.0	(124.4)	0%
Table section: Cash and Cash equivalents					
All	0.0	0.0	22,255.1	22,255.1	5%
Totals	67,003.0	374,176.0	22,255.1	463,434.1	100%

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)
Table section: Equity Securities:					
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%
Table section: Debt Securities					
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%
Other	0.0	2,432.6	0.0	2,432.6	1%
Table section: Pooled Investment Vehicles					
Equities	0.0	108,165.2	0.0	108,165.2	25%
Bonds	0.0	67,774.4	0.0	67,774.4	16%
Funds - Common Stock	0.0	0.0	0.0	0.0	0%
Funds - Real Estate	0.0	14,145.8	0.0	14,145.8	3%
Funds - Venture Capital	0.0	88.9	0.0	88.9	0%
Table section: Venture Capital and Partnerships:					
Partnerships & Real Estate	0.0	53,992.5	0.0	53,992.5	12%

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)
Table section: Other Investment:					
Stapled Securities	0.0	0.0	0.0	0.0	0%
Table section: Derivative Contracts:					
Equity Derivatives - Futures	0.0	0.0	0.0	0.0	0%
Forward FX Contracts	0.0	(128.3)	0.0	(128.3)	0%
Table section: Cash and Cash equivalents					
All	0.0	0.0	19,119.4	19,119.4	4%
Totals	95,928.3	320,171.4	19,119.4	435,219.1	100%

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

Period ended 31 March 2022

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

	Assets £(000s)	Obligations £(000s)	Net (liability)/ asset £(000s)
Fair value of employer assets	435,219	0	435,219
Present value of funded liabilities	0	541,863	(541,863)
Present value of unfunded liabilities	0	0	0
Opening Position as at 31 March 2021	435,219	541,863	(106,644)

	Assets £(000s)	Obligations £(000s)	Net (liability)/ asset £(000s)
Table section: Service cost			
Current service cost*	0	16,182	(16,182)
Past service cost (including curtailments)	0	171	(171)
Effect of settlements	0	0	0
Total service cost	0	16,353	(16,353)
Table section: Net interest			
Interest income on plan assets	8,637	0	8,637
Interest cost on defined benefit obligation	0	10,931	(10,931)
Impact of asset ceiling on net interest	0	0	0
Total net interest	8,637	10,931	(2,294)
Total defined benefit cost recognised in Profit or (Loss)	8,637	27,284	(18,647)
Table section: Cashflows			
Plan participants' contributions	2,132	2,132	0
Employer contributions	6,909	0	6,909
Contributions in respect of unfunded benefits	0	0	0
Benefits paid	(8,345)	(8,345)	0

	Assets £(000s)	Obligations £(000s)	Net (liability)/ asset £(000s)
Unfunded benefits paid	0	0	0
Effect of business combinations and disposals	0	0	0
Expected closing position	444,552	562,934	(118,382)
Table section: Remeasurements			
Change in financial assumptions	0	(42,935)	42,935
Change in demographic assumptions	0	(3,083)	3,083
Other experience	0	892	(892)
Return on assets excluding amounts included in net interest	18,882	0	18,882
Changes in asset ceiling	0	0	0
Total remeasurements recognised in Other Comprehensive Income (OCI)	18,882	(45,126)	64,008
Exchange differences	0	0	0
Fair value of employer assets	463,434	0	463,434
Present value of funded liabilities	0	517,808	(517,808)

	Assets £(000s)	Obligations £(000s)	Net (liability)/ asset £(000s)
Present value of unfunded liabilities	0	0	0
Closing position as at 31 March 2021	463,434	517,808	(54,374)

It is estimated that the present value of funded liabilities comprises of approximately £298,149,000, £87,497,000 and £132,162,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2022. 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 2021

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

	Assets £(000s)	Obligations £(000s)	Net (liability)/ asset £(000s)
Fair value of employer assets	372,071	0	372,071
Present value of funded liabilities	0	373,582	(373,582)
Present value of unfunded liabilities	0	0	0
Opening Position as at 31 March 2020	372,071	373,582	(1,511)
Table section: Service cost			
Current service cost	0	9,119	(9,119)
Past service cost (including curtailments)	0	72	(72)
Effect of settlements	0	0	0
Total service cost	0	9,191	(9,191)

	Assets £(000s)	Obligations £(000s)	Net (liability)/ asset £(000s)
Table section: Net interest			
Interest income on plan assets	8,506	0	8,506
Interest cost on defined benefit obligation	0	8,623	(8,623)
Impact of asset ceiling on net interest	0	0	0
Total net interest	8,506	8,623	(117)
Total defined benefit cost recognised in Profit or (Loss)	8,506	17,814	(9,308)
Cashflows			
Plan participants' contributions	2,038	2,038	0
Employer contributions	2,036	0	2,036
Contributions in respect of unfunded benefits	0	0	0
Benefits paid	(8,033)	(8,033)	0
Unfunded benefits paid	0	0	0
Effect of business combinations and disposals	0	0	0
Expected closing position	376,618	385,401	(8,783)
Table section: Remeasurements			

	Assets £(000s)	Obligations £(000s)	Net (liability)/ asset £(000s)
Change in financial assumptions	0	152,421	(152,421)
Change in demographic assumptions	0	6,837	(6,837)
Other experience	0	(2,796)	2,796
Return on assets excluding amounts included in net interest	58,601	0	58,601
Changes in asset ceiling	0	0	0
Total remeasurements recognised in Other Comprehensive Income (OCI)	58,601	156,462	(97,861)
Exchange differences	0	0	0
Fair value of employer assets	435,219	0	435,219
Present value of funded liabilities	0	541,863	(541,863)
Present value of unfunded liabilities	0	0	0
Closing position as at 31 March 2021	435,219	541,863	(106,644)

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.

	31 March 2022	31 March 2021
	£'000	£'000
Table section: Property plant and equipment		
Plant and machinery	553	392
Transport equipment	728	205
Operational structures	439	1,096
Public Structures	125	108
Total	1,845	1,801
Table section: Intangible assets		
Information technology - software licences	14	22
Information technology - software development	151	581
Total	165	603
Total	2,010	2,404

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 2022 obligations under operating leases are:

	Land £'000	Buildings £'000	Vehicles £'000	Total £'000
Not later than one year	156	1,653	1,125	2,934
Later than one year and not later than five years	250	4,555	2,237	7,042
Later than five years	1,870	601	0	2,471
Total value of obligations	2,276	6,809	3,362	12,447

31 March 2021 obligations under operating leases are:

	Land £'000	Buildings £'000	Vehicles £'000	Total £'000
Not later than one year	117	1,484	994	2,595

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

16.2 Finance leases

	31 March 2022 £'000	31 March 2021 £'000
Table section: Obligations under finance leases for land are:		
Not later than one year	20	20
Later than one year and not later than five years	47	48
Later than five years	405	408
Total value of obligations	472	476

16.3 Implementations of IFRS 16

From 1 April 2022 NRW will apply IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 "Leases".

The calculation of the anticipated lease liability and right of use assets is included below.

In applying IFRS 16, for all leases (except as noted below), NRW will:

- recognise right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments.
- recognise depreciation of right-of-use assets and interest on lease liabilities in the Statement of Comprehensive Net Expenditure; and
- separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

The cumulative effect of adopting IFRS 16 will be included as an adjustment to equity at the beginning of the period of implementation.

For short term leases (lease term of 12 months or less) and leases of low-value assets (such as photocopiers), NRW will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

This expense will continue to be presented within other expenditure in the Statement of Comprehensive Net Expenditure.

The following table summarises the expected impact of adopting IFRS 16 for the year ended 31 March 2023:

	31 March 2022 £'000	Adjustments – operating leases £'000	Adjustments – finance leases £'000	1 April 2022 after IFRS 16 Adjustment £'000
Property plant & equipment	2,020,356	0	(52,410)	1,967,946
Right of use asset	0	11,725	52,410	64,135
Rent prepayment/accrual	358	(358)	0	0
Trade & other payables (Due within 1 year)	(20)	0	20	0
Trade & other payables (Due after 1 year)	(452)	0	452	0
Lease liability (current)	0	(2,683)	(20)	(2,703)
Lease liability (non- current)	0	(8,684)	(452)	(9,136)
Total	2,020,242	0	0	2,020,242

	1 April 2022 £'000
Operating lease at 31 March 2022 as disclosed under IAS 17	12,447
Rent prepayment/accrual	358
Discounted using incremental borrowing rate at 1 April 2022	(812)
Leases with less than 12 months term/low value leases	(237)
Other exclusions (licences, flooding rights etc.)	(31)
Total	11,725

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 2022 are:

	31 March 2022	31 March 2021
	£'000	£'000
Not later than one year	24,681	16,540
Later than one year and not later than five years	16,700	16,165
Later than five years	1,390	1,343
Total	42,771	34,048

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 Natural Resources Wales manages these leases on behalf of Welsh Government and royalties from Energy Delivery Programme, Third party access, Hydro and other leases.

	31 March 2022	31 March 2021
	£'000	£'000
Not later than one year	14,076	13,839
Later than one year and not later than five years	54,679	53,258
Later than five years	205,465	226,029
Total	274,220	289,228

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 22, 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. The lease was signed on 6th April 2022.

The comparative values for 31 March 2021 have been re-stated to correct a duplication error in relation to the forest holiday lease at Beddgelert. The overall commitment has been reduced by £3,898k.

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 2022	31 March 2021
	£'000	£'000
Timber sales claims	60	250
Property damage claims	802	836
Public and employee liability	94	44
Other	0	17
Total	956	1,147

Timber sales claims

Natural Resources Wales have received claims 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 as a result of Storms Ciara, Dennis and Arwen.

Public and employee liability

The value of twelve public liability claims is included in the table above. These claims are for personal injury, damage to property and employee grievances.

Other claims

The value of two claims relating to property damage have been resolved during the year ended 31 March 2022.

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

Forty-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 2022/23. An unquantifiable contingent liability is disclosed to recognise the possibility of non-compliance liabilities arising from the audit.

Japanese Knotweed

There are six claims for damage caused by Japanese Knotweed awaiting expert opinion about the potential costs of damage and repair.

20. Events after the end of the reporting period

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

21. Date of authorisation for issue

Natural Resources Wales' Financial Statements are laid before the Senedd by the Minister for Climate Change, Julie James MS. IAS 10 requires the accounting officer to disclose the date on which the financial statements are authorised for issue. The authorised for issue date is the date of the of the Auditor General's audit report on pages 81 to 85.

22. 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 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.

Organisation	Member	Nature of relationship	Total payments £'000	Total income £'000	Amount owed by NRW at 31 March 2022 £'000	Amount owed to NRW at 31 March 2022 £'000
Canals and River Trust	Spouse of Julia Cherrett	Trustee	0	2	0	2
Cardiff University	Steve Ormerod	Professor	67	10	31	0
Cardiff University Water Research Institute	Steve Ormerod	Co-Director				
Cardiff University Llyn	Steve Ormerod and spouse	Principal Investigators				

Organisation	Member	Nature of relationship	Total payments £'000	Total income £'000	Amount owed by NRW at 31 March 2022 £'000	Amount owed to NRW at 31 March 2022 £'000
Brianne Observatory						
Centre for Alternative Technology	Rosie Plummer	Trustee	0	1	0	0
DEFRA including: Joint Nature Conservation Committee and Support Company	Karen Balmer	Independent member of JNCC Audit and Risk Committee	35	0	0	42
DEFRA including: Joint Nature Conservation Committee and Support Company	Sir David Henshaw	Board member representing NRW				

Organisation	Member	Nature of relationship	Total payments £'000	Total income £'000	Amount owed by NRW at 31 March 2022 £'000	Amount owed to NRW at 31 March 2022 £'000
DEFRA including: Joint Nature Conservation Committee and Support Company	Steve Ormerod	Member of Science Advisory Group				
Environment Agency	Steve Ormerod	Member of Science Advisory Group	3,151	340	130	398
Groundwork North Wales	Karen Balmer	Group Chief Executive	1	0	0	0
North Wales Wildlife Trust	Howard Davies	Trustee and Honorary Vice President	125	0	2	0
Pembrokeshire Coast National Park Authority	Rosie Plummer	Welsh Government appointed board member	184	8	171	0
Plantlife International	Rosie Plummer	Trustee	52	0	29	0

Organisation	Member	Nature of relationship	Total payments £'000	Total income £'000	Amount owed by NRW at 31 March 2022 £'000	Amount owed to NRW at 31 March 2022 £'000
RSPB	Steve Ormerod	Vice President	726	28	552	1
Wild Ground	Karen Balmer	Group Chief Executive	1	0	0	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:

Member	Nature of transactions	Total payments £'000	Total income £'000	Amount owed by NRW at 31 March 2021 £'000	Amount owed to NRW at 31 March 2021 £'000
Geraint Davies	Section 16 agreements under the Environment (Wales) Act 2016	7	0	0	0