



**Cyfoeth
Naturiol
Cymru
Natural
Resources
Wales**

Ein cyf/Our ref:
Eich cyf/Your ref:

Ty Cambria / Cambria House
29 Heol Casnewydd / 29 Newport Road
Caerdydd / Cardiff
CF24 0TP / CF24 0TP

Ebost/Email:
Emyr.roberts@cyfoethnaturiolcymru.gov.uk
Emyr.roberts@naturalresourceswales.gov.uk

Ffôn/Phone:
0300 065 4444

Alun Ffred Jones AM
Chair of the Environment and Sustainability
Committee,
National Assembly for Wales,
Cardiff Bay,
Cardiff
CF99 1NA

By email
(SeneddEnv@Assembly.Wales)

4 March 2016

Dear Alun,

Welsh Government budget allocation to Natural Resources Wales for 2016-17

Thank you for your letter of 17 February regarding the impact of budget reductions on the operations of Natural Resources Wales.

The budget settlement is a reduction in cash terms and comes at a time when additional responsibilities are being placed on Natural Resources Wales, including delivery against new legislation such as the Wellbeing of Future Generations Act, the Planning Act and the Environment Bill. In addition, our cost base is subject to inflationary pressures such as increases in national insurance and pension contributions that come into effect in April 2016.

The reduction in our baseline revenue Grant in Aid allocation for 2016-17 is 7% (£6.1m); this is on top of a £3.2m reduction in 2015-16. To assist us in managing this reduction the Minister has committed to allocating any funding that may become available through end of year flexibility.

Our capital budget is a combination of baseline Grant in Aid, Wales Infrastructure and Improvement Programme funding, and income carried forward from 2015-16. The total capital budget is line with the requirements for our capital programme in 2016-17.

In looking forward, one of our most significant challenges is that our budget allocations are only for one year, 2016-17. This lack of clarity of future funding, especially in relation to capital projects, makes long term financial planning very challenging and we are not able to get the best value out of the funding that is provided to us.

Our approach to the funding pressures in 2016-17 and beyond has been to initiate a transformation programme that is challenging our current operating models and will deliver more efficient ways of working. This 'Business Area Review' programme is covering all parts of Natural Resources Wales, including front-line services and back office support. It is also looking at areas where we can raise additional sources of income to offset the reductions in Grant in Aid funding.

To achieve a balanced budget in 2016-17 we have had to make some difficult decisions to reduce budgets in certain areas of our business. Areas that have had to deliver efficiencies and make changes to ways of working include:

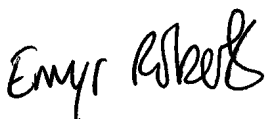
- Monitoring and evidence
- Flood and coastal risk management
- Education services
- Fleet and accommodation
- Grants and partnership funding
- Workforce reductions through a voluntary exit scheme

These proposals will be included within our Business Plan and Budget for 2016-17 and will be presented to the Natural Resources Wales Board on 17 March.

You ask about the impact of the reductions on our services; it is a little early to be precise on this as we have yet to conclude our Business Area Reviews – further information will be available over coming months. However, if I could give an example of the kinds of changes we will need to implement – we are withdrawing from direct delivery of environmental education with schools and colleges, towards a service model which is more enabling and delivers in new and innovative ways.

I trust this sets out the way in which we are dealing with the funding challenges that we face. I am happy to provide further detail on any aspects should you require this.

Yours sincerely,



Emyr Roberts

**Prif Weithredwr, Cyfoeth Naturiol Cymru
Chief Executive, Natural Resources Wales**