

# NRW PROPOSAL FOR ORGANISATIONAL CHANGE – extracts for external audiences

## Summary

This document sets out the case for change and is written for all colleagues across the organisation. We intend to use the document to:

- formally consult with trade unions about the proposals
- communicate to all colleagues about the proposals
- engage with those directly affected by the proposals

Our executive and leadership teams will be leading these conversations, alongside the trade unions, from now until the 13 September 2024. We have agreed these timescales with the trade unions who have encouraged us to meet the 45 day consultation period defined in ACAS guidelines, but be mindful of the need to minimise the period of uncertainty for colleagues.

The formal responses from the trade unions, alongside feedback from senior leaders, will be reviewed by the project team and an amended proposal for change will be presented to the NRW Board for sign off on 25 September. Once the Board has approved the final proposal we will move to implement the changes. Our intention is to complete the changes by March 31<sup>st</sup> 2025, allowing the new structure to go live from the 1 April 2025. Other reviews, running to longer timescales, are set out in the document.

The document is set out in seven sections:

- Section 1 – focuses on why the change is necessary.
- Section 2 – details the proposed changes in resourcing within Business Groups and Enabling Service Directorates.
- Section 3 – the change you will see.
- Section 4 - explains how the change will be implemented and the timeline.

- Section 5 – describes how and when we will engage with colleagues.
- Section 6 – details how we will inform partners of the change.
- Section 7 – provides details of how we will track and monitor progress in the short to medium term.

**We are seeking specific feedback on:**

Question 1: Does the proposal for change align with the strategic direction set out in our corporate plan and address the financial pressures facing NRW over the next three years mindful of the context of wider challenges to public sector finances?

Question 2: Are the measures we've taken to mitigate the financial pressures and minimise the risks of redundancy reasonable?

Question 3: Is the process, timetable for change and support for staff clear?

Question 4: Is the approach to post-implementation monitoring to manage risks and impacts clear?

# Introduction from the Chief Executive

Dear Colleagues

This time last year I spent time with many of you at the Gatherings when we talked about the new Corporate Plan “Nature and People Thriving Together” and the challenges and opportunities associated with its delivery. At the time we recognised that NRW would have to shift its focus to maximise our impact in terms of delivering against our three well-being objectives of minimising pollution; helping nature recover; and increasing resilience to climate change. We also discussed the way in which availability of resources would impact the pace of our delivery.

The energy, passion and commitment evident at those Gatherings may feel somewhat depleted in the colder light of the financial pressures facing us, but it is the clarity of purpose set out in the Corporate Plan which will enable us to work our way through these towards a more focussed, resilient and agile organisation which will take us up to 2030 and beyond.

The financial challenges we face are not of our own making, nor are they unique to us. Over recent years our core grant in aid from Welsh Government has not increased, whilst our costs have risen in line with the high levels of inflation that we have seen across the economy. At the same time, we have seen new money from Welsh Government for specific projects, which is welcome, but is ring-fenced to deliver particular outcomes, such as peatland restoration or water quality. Last financial year we had to make significant in-year savings to ensure that we came in on budget; this year we have significantly reduced our non-staff budgets, and controls on our staff budgets, such as the recruitment freeze and the termination of many of fixed term appointments, will allow us to meet the £9m pressure on our staff budget. Next year, our forecasts indicate that the pressure on our staff budget will rise to £13million (£9m + £4M) and this will grow by a further £4m in 2026/27. Hence the need to revisit our structure and permanent headcount numbers.

We could, like many other organisations, have applied a blanket cut across the organisation, but given the focus of the Corporate Plan and the need for ongoing resilience and agility to respond to the pollution, nature and climate crises, we believed that it would be better to look to tailor our response, stopping some activity completely, and protecting other areas. This has taken a lot of hard work and soul-searching by senior colleagues and Board members. Whilst there will be many different views as to how we might do things differently, I believe that what we are proposing to you is sustainable and will deliver maximum impact in terms of our strategic objectives for the resources we have at our disposal.

There is never a perfect time to launch a consultation of this nature, and I know that many of you will be heading off on well-deserved breaks over the summer. But the length of consultation should allow everyone time to discuss with line managers, Trade Union representatives and colleagues, the impact on them and their teams, and to understand the options and process going forward, before feeding back views. There is a wealth of support from the Trade Unions, employee assistance (ViVup), our well-being team and our brilliant network of mental health first aiders, and no one should feel that they cannot voice their concerns and anxieties.

I want to stress that the tough choices we have had to make to balance the books this year, and to build a stable platform for the future, are in no way judgements on the value or quality of the work that people have been doing to date in those areas where we have decided to stop or reduce our activity. Our decisions are based on a need to focus our energies on those areas where we, and only we, can have the most impact, we cannot go on doing everything we have done in the past.

In tough times our values are key to how we work and behave as an organisation and as individuals. We are bold, caring, resourceful and connected. I see these values lived by you every day, and they are what will carry us through the next weeks and months.

My commitment to you is to seek to minimise the need for redundancies, and, whilst doing so, to continue to support you through these changes, to fight for additional resource to enable us to deliver our Corporate Plan, and to build a strong, modern, flexible organisation that we can all be proud of, and which will deliver for the people and environment of Wales to 2030 and beyond.

A handwritten signature in black ink, appearing to read "Clive R. He", followed by a horizontal line underneath.

# Section 1: Why we need to change

## Our strategic direction

The urgent imperative to address the nature, climate and pollution emergencies is at the heart of our corporate plan – Nature and People Thriving Together. The vision, mission and well-being objectives set us on a pathway to 2030 and the more difficult global challenges to 2050.

The well-being objectives and steps to take define the impacts and outcomes we want to see by 2030 and are ambitious and stretching. We have set our focus on where we are best placed to lead and make a difference using our unique set of tools and powers. Changing the current trajectories is vital if Wales is to secure nature's recovery, build the resilience of communities to climate change and minimise pollution. Of equal significance, the plan underlines how our collective success is dependent on adapting and evolving the way we work. Incremental improvements will not turn the curve - we need to take every opportunity to innovate and improve the way we do things.

The corporate plan asks us all, as individuals and teams, to really focus our energy on those things which have the greatest impact for nature, climate and pollution minimisation. Doing those things that only we can do and doing them well is vital to securing our vision of nature and people thriving together. There is no question that we are all motivated to give our best to deliver our plan. Our passion and commitment to nature is clear for all to see. But asking you to do more and more as we strive towards this vision is not the answer. Through the Ein Llais survey and the well-being forums, you have asked senior leaders to prioritise, simplify and streamline processes to release capacity.

We are committed to improving and transforming tools and processes to empower agile and flexible ways of working, releasing capacity for the tougher challenges to 2030 and beyond. A number of buildings blocks are already in place, including the Adfywio, People Transformation and ICT Programmes with NRW2030 managing and coordinating these transformation programmes to best effect. More programmes will come through over time as we consciously earmark funding to invest.

We have already made significant changes to our people policies and processes, with the newly agreed Agile Working Policy, the establishment of the Flexible Resource Pool (FRP), the streamlining of the recruitment process and the introduction of the Learning Management System. As part of our strategic workforce planning there will be stronger focus on the skills we need as an organisation and in 2024/25 we have increased the learning and development budget. Other improvements are also starting to come on-line through our work to strengthen business planning and the development of strategic and operational performance metrics to monitor progress

## Our financial stability

Like the rest of the public sector in Wales we are operating in a tough economic environment. High inflation over the last 3 - 4 years has increased our costs, resulting in a real-terms decline in funding. Put simply, our purchasing power secures 20% less than 4 years ago. Although a new Westminster Government is likely to implement a spending

review, in Wales the budgetary implications are unlikely to be felt until 6 months after the Senedd Elections in May 2026 when we receive our Term of Government Remit Letter. In stark terms, the best we can hope for is a flat cash funding settlement in 2025/26 and 2026/27.

Our funding model is complex. In broad terms we receive money in four different ways:

- Revenue Grant in Aid from Welsh Government, which has remained at a relatively constant level of £74 million non-flood revenue and £24.5 million flood revenue. This is the area where we are facing the main funding pressures. We are also allocated Capital Grant in Aid which can only be used for works of a capital nature.
- Regulatory income, which has increased as a result of our work on the Strategic Review of Charges
- Other income, including timber income where the impact of volatility in timber prices is now underwritten by Welsh Government in a new funding arrangement.
- Specific grants from Welsh Government, for delivery of specific programmes of work (mainly capital but with some revenue allocations), which have increased significantly from £4 million in 2019/20 to £34 million in 2023/24. In 2024/25 the budget is £36m with the majority being for capital investment - £7m is for revenue activities. We also receive grants from Europe and Heritage Lottery.

Each of these funding streams have different pressures and uncertainties, and we are actively seeking to mitigate these. We are engaging with Welsh Government Sponsorship and Finance teams to simplify our funding model where possible. Working through the Planning and Resources Group (PRG), we are developing new controls to ensure that all new funding is planned and managed effectively, capturing the full costs incurred by all who provide support.

Securing a balanced budget each financial year is a key duty of the Chief Executive. Recognising the pressures on our financial position in 2023/24 and 2024/25 we completed a number of detailed reviews to manage our expenditure and financial risk including:

- a zero-based review of non-staff budgets
- headcount controls on both internal and external recruitment
- a review of all fixed term appointments, including agency temps
- reducing our reliance on contractors
- simplifying our processes to enable colleagues to reduce their hours or buy additional annual leave

Implementing these controls to balance the budget in 2023/24 was essential to protect the jobs of our permanent staff. However, we also recognise the significant challenges and sacrifices this has required from everyone and we acknowledge the toll this has taken on colleagues.

After making a significant amount of other budgetary reductions, we started the 2024/25 financial year knowing we still needed to manage a budget deficit of circa £9 million through controlling staff costs. The controls introduced in 2023/24 have remained in force as they set us on a pathway to balance our budget at year end.

Nevertheless, this is not a sustainable approach to apply year on year, as our cost base will inevitably continue to rise in response to inflation, future pay awards, the need to invest in infrastructure and contingencies to deal with legal liabilities.

In very simple terms, without any interventions, the funding gap of £9 million will grow by circa £4m in 2025/26 to £13 million, with a further £4 million added in 2026/27. This means that by 2026/27 the gap will exceed £17 million if we take no action.

This is clearly unsustainable. The tightening financial position, particularly on our Grant-in-Aid funding, means we need to face into these challenges now, to put us on a pathway to financial stability and resilience to future changes. We are committed to supporting our staff through this transition, ensuring we follow-through on the prioritisation intent and stopping and scaling back on activities by aligning team workplans. Staff well-being is a priority, and we will provide support during this challenging period.

The changes we are proposing to the Trade Unions show how we plan to reduce our budget by £13 million for the 1 April 2025, through removing 265 posts, of which 108 posts are vacant, from our structure. In addition there are a number of vacancies and new posts (currently around 200), particularly in areas of the organisation which have ringfenced funding, such as peatland restoration and supporting the work of Trydan Gwyrdd Cymru. Our aim is to limit the number of redundancies but it is possible that the skills required for these posts will not match what is required.

Many public bodies in Wales are facing similar financial challenges and have implemented, or are in the process, of implementing cuts and redundancy programmes. Many are adopting a blanket percentage reduction to all parts of the organisation to secure the saving. Our approach has been more targeted using our prioritisation approach to inform decision making. This does not make it any easier. We recognise the impact that a change of this scale will have on the organisation, but our hope is that we will be able to recover quickly from the change and have a stronger focus on delivering against our three wellbeing objectives.

## Approach to prioritisation

Aligning our resources to the corporate plan has been central to our prioritisation approach, to make sure we maximise the impact of what we do for nature, climate and pollution minimisation. This is a markedly different approach to ones we've applied in the past and has taken more time as we've taken care to ensure we have remained true to our intention of the corporate plan guiding everything we do.

We have applied a number of perspectives: the alignment and impact of activities on delivery of our well-being objectives and steps to take; the statutory drivers of our work as set out in the Baseline exercise; the priorities from the Term of Government Remit Letter; and the application of the Sustainable Development Principle as set out in the Well-being of Future Generations Act.

The Term of Government Remit Letter provides an important steer as it sets the Government’s expectations that we should prioritise the delivery of our statutory obligations and regulatory functions in pursuit of our over-arching purpose of the Sustainable Management of Natural Resources (SMNR), including any direction from Welsh Ministers, but also notes that:

*Activities that are not statutory or identified as a priority in this letter are discretionary and should be identified for potential efficiency savings to meet your overall objectives.*

By integrating these different perspectives, our intent has been to:

- protect those things that only we can do, given our unique set of levers and tools as an environmental regulator and statutory advisor.
- protect our work for nature, given we are the only public body in Wales with this remit.
- focus on those activities which deliver multiple benefits for nature, climate and pollution minimisation.
- build on the investment we have already made to improve capacity in some areas.
- build our financial sustainability and resilience to 2026/27.

Using the Baseline activity language Executive Team categorised activities into different groups – stop, scale back, reassess risk appetite, do differently, maintain and invest. Once this assessment had been completed, the scale of the financial gap became clearer and rather than apply a flat percentage reduction across all teams and directorates, a sliding percentage reduction was applied to activities in each category. Because of the scale of the financial challenge, we have had to apply a savings target to those activities identified as ‘maintain’ whilst those activities marked as ‘invest’ were not given a savings target.

These percentage reductions were then aggregated to inform a target for each business group and corporate services directorate.

Prioritisation category	Percentage reduction applied
Stop	100%
Scale back	30%
Reassess risk	17.5%
Do differently	12.5%
Maintain	6.15%



Invest	0%
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Leadership Team were commissioned to develop a proposal for change for each Business Group and Enabling Service Directorates. Each proposal was required to respond to the financial target, using the prioritisation categorisations as a steer, as well as consider the distribution of vacancies within the service. Using the strategic, business group, place and directorate risk registers leadership team were tasked with assessing the impact of the change proposals through a risk lens.

## Governance and Scrutiny

The Planning and Resources Group (PRG), made up by representatives from Evidence, Planning and Permitting, Operations, Communications, Customer and Commercial, Finance and Corporate Services, chaired by the Director of Corporate Strategy and Development, was tasked by the Executive Team to develop our corporate approach to prioritisation and advise on the implementation of measures to manage the pressure on budgets.

PRG has scrutinised the commission proposals, assessing the alignment with the target and prioritisation steer alongside an assessment of the impacts and risks, including on our strategic risks. A series of recommendations to Executive Team focussed on adjustments to the target for NRM, Evidence, Land Stewardship and Flood Risk Management.

An Equalities Impact Assessment has been developed and will be updated at each stage of the implementation process

By applying these different lenses, we have sought to provide an integrated, organisation-wide view, looking at the dependencies and synergies between services and directorates to ensure we avoid any unintended consequences. We have been explicit on what we will and will not do after the change, to manage expectations and ensure that the prioritisation steer really follows through and matches the reduced capacity.

We have provided regular updates to Board Members on the proposals for change, ensuring they are sighted on the emergent risks and impacts. Finance Committee has scrutinised the financial case for change, while the People and Customer Committee has considered the approach to implementation of the change from a people management perspective.

## Section 2: Our proposals for change

We remain committed to our Place focussed way of working and the organisational oversight across the end-to-end provision of services from Evidence, Policy and Permitting (EPP) into Operations through the six Business Groups. Functions provided by corporate services will continue to be provided centrally to ensure compliance with standards demanded of Public Bodies in Wales.

The proposals for change have been prepared for the six Business Groups covering the end-to-end service from EPP to Operations, and include:

- Evidence
- Natural Resource Management
- Land Stewardship
- Flood Risk Management
- Incident Management
- Regulation

Proposals for Enabling Services have been prepared at the Directorate level for:

- Communications, Customer and Commercial
- Corporate Strategy and Development
- Finance and Enabling Services

The proposals focus on:

- meeting the funding gap of £13 million in 2025/26; and
- meeting the further pressure of c£4 million in 2026/27

## **Section 3 The change you will see – the organisation we become**

Change is an inevitable part of all our working lives. Our ways of working continually adapt and evolve to emerging science, new technologies, financial crisis, changing political priorities and shifts in societal values and behaviours.

What's different now is the scale and magnitude of the nature and climate emergencies, which will drive profound societal change if not addressed. Our personal and professional commitment and passion for the nature and environment of Wales means we see and understand the scale of the challenge and the need for action. When faced by the enormity of what needs to happen, it can feel personally overwhelming. The best way, the only way, that we as an organisation can support colleagues through this is to prioritise so that the resources that we have are focused on those things that will have the biggest impact. Setting the direction so that our individual and collective focus is on those things with the greatest impact for nature, climate change and pollution minimisation is essential.

We remain committed to our Place-focussed way of working and the organisational oversight across the end-to-end provision of services from Evidence, Policy and Permitting (EPP) into Operations through the six Business Groups.

Over the next 12-18 months, we will have to pivot our ways of working, stop and scale back our work on some activities and adapt and build new networks and partnerships not only across teams in NRW but also with others.

We will also continue to discuss with Welsh Government their priorities and where they may want to allocate additional funding to accelerate delivery. In 2024/25, we will be receiving additional funding to undertake work on Peatland Restoration as well as funding to support the work of Trydan Gwyrdd Cymru, the Welsh Government's renewable energy developer.