

NRW Board

NRWBoardsecretariat@naturalresourceswales.gov.uk

6th May 2015

Dear NRW Board Member,

Re: Natural Resource Management – partnership project funding 2015/16

We have reviewed the Board papers on partnership funding for tomorrow meeting and would like to make a few comments and highlight a number of concerns.

We welcome the decision to continue funding the sector. However, we were surprised to see this paper, as we would have expected significant consultation with the third sector before any Board consideration. This risk was highlighted within the Annex which states;

“NRW fails to appreciate the experience of applicants. NRW has collected a lot of feedback/lessons learnt and will build this into the next funding round”

However, we believe that this is exactly what has happened. NRW have not taken account of the experience of the applicants. At the current NRW scrutiny session being undertaken by the Environment and Sustainability Committee, many organisations including the Wildlife Trusts and RSPB, highlighted significant concerns regarding the partnership funding including that,

1. funding decisions were not transparent
2. the fund was not developed in consultation with the third sector
3. imposition of a capped overhead rate of 7% for projects.

All projects accrue overhead costs, and the Third Sector should be able to rely on being able to recover the full costs associated with those projects, this is the principle of Full Cost Recovery and does not imply that the Third Sector expects grants to cover other core costs of their organisations. However, the **imposition of 7% overhead rates has forced third sector organisation to run partnership projects at a loss** which is not sustainable. **NRW should recognize that third sector organisations need full cost recovery to be a principle of grant funding.** It should be noted that purchasing capital items requires no overheads.

It is suggested, in the Board paper, that the 7% cap aligns with EU funding streams. However, what this fails to recognize is that EU funding covers up to 75% of costs and is a source of funding that allows organisations time to secure the remaining match funding. The NRW grant only covers 50% of costs with the remaining costs coming from the third sector. However, **this cap on overheads means that the figure is much nearer to 70-75% of costs being met by the third sector.**

The funding also appears to be designed to encourage community groups to become more active in their local environment, which we fully support. However, with

- a 50% intervention rate
- funding levels set at a minimum of £10,000 (thus a £20,000 project) and a maximum of £20,000 (£40,000 project)

this scale of project, and level of match funding, is outside the scope of many communities.

The paper also highlighted a number of areas that will be a priority for funding, many of



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ac yn Gwmni wedi ei
Chyfyngu gan Warant
Rhif: 3032775

Wildlife Trusts Wales is
a Registered Charity:
104567
and a Company Limited
by Guarantee: 3032775

which are outside the technical expertise of community groups, such as

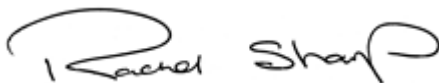
- Water Framework Directive (WFD),
- mitigating and adapting to climate change using Natural Flood Management techniques,
- linking to NRW land but not impinging on designated sites.

These priorities simply will not happen without the expertise, knowledge, match funding and administration capacities of third sector organisations. Also, many of these priorities will not happen without involving local contractors (which is an important source of income for many local farmers and companies). Community groups might apply for funding without fully knowing what they are signing up for, which may cause problems further down the line.

We believe that the overall sum of £874,000 is much needed. Indeed, against the wider backgrounds of austerity and funding community rarely focussed on the environment, this fund is increasingly essential. Therefore, we would ask you to consult with the third sector and reconsider this proposal for partnership funding.

Thank you for considering the above.

Yours sincerely,

A handwritten signature in black ink that reads "Rachel Sharp". The signature is written in a cursive, flowing style.

Rachel Sharp
Chief Executive Officer
Wildlife Trusts Wales



7th May 2015

Paper Title	Natural Resource Management - Partnership Project Funding - 201516
Paper Reference:	NRW B B 29.15
Paper Prepared By:	Rhian Jardine, Head of Sustainable Communities, Emyr Thomas, Team Leader Strategic Funding, Clare Southard, Strategic Funding Officer, Helga Dixon Strategic Funding Officer

Purpose of Paper:	To decide and agree how partnership funding for 2016/17 and 2017/18 should be targeted
Recommendation:	To agree the approach for the next 2 years of partnership funding and more specifically to agree the thematic scope and the criteria as set out in paragraphs 11- 14 of the paper
Decision Required:	Yes

Impact: To note – all headings might not be applicable to the topic	<p>Impact on the Environment: Natural Resources Wales Partnership Funding will be directed at achieving environmental outcomes and approaches as set out in our corporate plan and promoting the adoption of environmental management systems.</p> <p>Impact on the Economy: Tools for fostering interventions that generate economic benefits, will be integrated into Natural Resources Wales’ Partnership Funding. In addition, Partnership Funding levers in match funding which increases levels of direct employment, purchasing of goods and services, and capital works in Wales.</p>
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	<p>Impact on the community: Partnership Funding can be used to carry out community engagement work around environmental issues. The provision of funding support to other organisations can be an effective means of securing interventions that generate social benefits for disadvantaged communities.</p> <p>Impact on knowledge: Partnership Funding will be used to acquire knowledge services such as data and information collection and use both relevant and important to Natural Resources Wales activities. This knowledge will be shared with others.</p>
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Issue

1. The Board agreed in April 2014 to a new Partnership Funding approach, setting aside for the next three financial years up to a total of £4.2 M per annum (decreasing pro rata in line with reductions in our Grant in Aid from Welsh Government).
2. The first year's successful competitive and joint working partnership applications have been assessed and the results communicated to applicants. The amounts are currently being finalised and the offer letters dispatched.
3. The total sum is committed for 2015/2016 with a significant number of successful projects being offered funding for the full three years. An approach for allocating remaining funding that will be available for Years 2 and 3 (currently estimated at £349K & £525K respectively) is proposed in this paper. The Board agreed at its last meeting that the Communities Group would develop the approach for allocating the funding for years 2 and 3 and that this would be reported to the Board at its next meeting in May 2015. The Communities Group met on Friday 17th April and this paper reflects their discussions.
4. Some concern was expressed around the appropriateness of the term 'Partnership Funding' however after discussion at the Communities Group it was agreed that a change at this stage might confuse partners and internal colleagues and it would be more appropriate to change in the new round of funding, commencing 2018, rather than at this midway stage. Therefore the recommendation is to keep the term 'Partnership Funding'.
5. Natural Resource Management is key to everything we deliver, however, as the pilots are still under development, we cannot yet make it the basis for partnership funding. It is recommended that any future rounds of funding should be launched as 'NRM – Fund for... People/Environment/ Communities/ Biodiversity etc. We will bring this suggestion back to the Board at the appropriate time.

Background

6. It was hoped that through our first round of partnership funding we might attract new applicants that would deliver aspects of our wider remit. However it transpired that most of the applicants had relationships with the legacy bodies. In round one the initial analysis of the grants (not including Local Authority Joint Working Partners and figures subject to further scrutiny by Finance Directorate) allocated indicate that:
 - over £6million allocated over 3 years for competitive projects
 - 88 partners
 - average grant is £68,600
 - over 3 years smallest NRW grant £10,000, largest NRW grant £240,000.

7. NRW introduced the 7% cap on overheads in order to help equalise the distribution of funding in the first round of applications. We were concerned that some organisations were securing a disproportionate share of funds because they failed to distinguish overheads at project level from those at the level of the organisation. In offering competitive opportunities, it is inevitable that some organisations can offer better value for money than others.

8. The Welsh Government's endorsement of full cost recovery is clear. In its document entitled *Third Sector Scheme* (January 2014) Welsh Government re-visited its working with the voluntary sector and re-affirms this principle. NRW is not offering core funding. . NRW has only a modest and finite sum of money to give out each year (£4.2m). Paying high or all overheads to some organisations has the effect of reducing the funding available to deliver environmental outcomes.. The 7% cap is intended as a means of distributing funding as widely as possible and is in line with the approach adopted by European funding streams.

9. The Key Facts and Assumptions for designing Round 2 are as follows:

- Subject to Finance Directorate confirmation there may be £349k in year 2016-17 and £525k in year 2017-18 available for grants.
- Projects can be up to 2 years (start April 2016. End March 2018).
- A prioritised list of projects will be drawn up from applications and funding allocated as monies become available.
- The next round will be open to Third Sector organisations only.

Next Steps

10. The table sets out the proposed timeline recognising that last year the application window was too late in the year and needed to be brought forward.

Date	Action	Notes
Early May	Paper to NRW Board	
	Continue discussions with WG to ensure maintain fit with WG ESD funding	
End May	Funding Round opened to partners	Digital launch
June 6th	Info to Internal Strategic Funding Board	
End July	Deadline for submissions	

August	Partnership Funding & Finance Team scan bids for completeness, request any outstanding info,	prepare for Assessment Panels
September	Assessment Panels take place	involving relevant staff from Ops/EPP/KSP/Finance and Audit
End September/Begin October	Recommendations from Assessment Panels to Strategic Board	
	Recommendations go to NRW/WG board	
December 2/3	Report back to NRW Board	
End of December	Letters go out to Grant Applicants	
Jan/March 2016	Negotiation/Entry onto Cronfa	
April 2016	Projects Start	
March 2018	All projects finish	

11. The Communities Group discussed the options for the scope and criteria for Round 2 of Partnership Funding 2016/17 and 2017/18. They agreed an approach to offer smaller grants with an aim to reduce bureaucracy and engage with new partners, although recognising the difficulties in the current financial climate of securing match funding for smaller organisations. It was proposed that we should attempt to achieve an equal split if possible between the rural and urban projects and that exemplar projects that could be replicated in other areas to share best practice should be funded.

12. The following are the criteria proposed for Round 2:-

- To focus the next 2 years of partnership funding on smaller grants.
- The purpose of the grants are for direct delivery projects, either to fund community participation and community activities or to purchase capital equipment
- All bids will be competitive
- Maximum 50% intervention rate
- Minimum Grant of £10,000 per annum. Maximum Grant of £20K per annum.

- No salaries costs are eligible for NRW payment but organisations can count salaries as Match Funding (subject to provision of timesheets). There will be a cap on overheads of a maximum of 7% of direct costs
- All outdoor recreational provision supported by NRW grants must adhere to the principle of least restrictive access and be developed in accordance with the Equality Act 2010. This will be made a condition of funding.

13. In terms of the thematic scope for this round NRW will invite proposals which aim to use our environment and natural resources for one of the following benefits:-

- a. Increased public understanding of and care for natural resources – leading to behaviour change and more sustainable ways of living
- b. Improved social equity and cohesion of people & communities
- c. Improved health, wellbeing and resilience of people and communities
- d. Increase the economic benefits for people and communities – reducing levels of poverty.

12. Further points of prioritisation will be applied namely for projects that:

- i. Take place within the natural resource management pilots (Tawe, Rhondda, Dyfi) and/or use NRM concepts
- ii. Involve engagement and participation of disadvantaged groups in Wales
- iii. Provide links to NRW land whilst not impinging on protected areas or where visitor demand is already too high
- iv. Enable communities to adapt to and mitigate the effects of climate change (for example could use Natural flood management techniques).
- v. Identify specific positive biodiversity outcomes.
- vi. Address issues to meet Water Framework Directive targets.
- vii. Are sustainable beyond the life of the NRW grant request.

Governance

13. As the remaining money within the Partnership Funding pot is only a modest sum we need to be proportionate in the manner in which we select projects and monitor them.

14. The projects will be selected by the establishment of assessment boards comprising NRW staff and specialists from across the organisation with knowledge pertinent to the field of activity selected. The assessment boards will also check whether the applicants are

constituted bodies and perform all due diligence checks. The projects will be scored and prioritized by these project boards. A high level board will then make the final decision on prioritization.

15. Because these are only small grants (max £20K pa) the decisions on risk and due diligence will be made by the Partnership Funding Board. All successful applications will be entered onto Cronfa (our grants IT system) by a single team in order to facilitate fast issue of offer letters for these small amounts.

16. Monitoring of outputs will be conducted by NRW Partnership Officers based in an NRW region. This officer will make contact with the grant recipient at the outset, monitor in connection with quarterly claims and undertake a final inspection visit.

17. Update reports will be provided to ARAC.

18. We will liaise with Welsh Government prior to the launch of this round to ensure that there is no duplication of funding and we update them on progress as the projects are selected.

Risks

19. The risks associated with Partnership Funding are set out in Annex 1.

Financial Implications

20. Natural Resources Wales has a budget of approximately £4.2m per annum for both Joint Working Partnerships and Competitive Projects for the next 3 years commencing in April 2015 reducing in line with any reductions in our indicative budget from Welsh Government.

21. As some projects that we will fund are only 1 or 2 years in length money will come back to be distributed in years 2 and 3 which is the fund that we now wish to target for the next application round. This paper sets out our approach for allocating this sum estimated to be up to £874,000.

22. The new Natural Resources Wales Partnership Funding approach will commence in May 2015 and we aim to have all of the £4.2m allocated and committed before April 2016.

Communications

24. A full communications plan is being prepared, with the intention that there will be a digital launch of this round at the end of May. The aim will be to ensure that we engage with as

many stakeholders as possible, and providing ample opportunities for them to engage with partnership officers so that they fully understand the process and the focus for this round of funding. We will also create a programme to showcase successful projects from the 2015/16 funding round.

Equality impact assessment (EqIA)

25. Equality issues will be integrated as one of the cross-cutting themes in the implementation of the Partnership Funding approach by Natural Resources Wales Screening for the Equality Impact Assessment is underway.

Conclusion

26 .The aim of this paper is to secure agreement from the Board on how the remaining unallocated money for Partnership Funding should be targeted for 2016/17 & 2017/18.

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Annex 1 - Risk

