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Paper Title	PARTNERSHIP FUNDING STRATEGIC APPROACH
Paper Reference:	NRW B O 25.14
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Purpose of Paper:	To propose a strategic approach to partnership funding for Natural Resources Wales
Recommendation:	That the Board endorse the approach set out in this paper and the next steps of developing the detailed schemes and a communication plan.
Decision Required:	To agree and endorse the approach set out.

Impact:	Impact on the environment: Natural Resources Wales Partnership Funding will be directed at achieving environmental outcomes and outputs and promoting the adoption of environmental management systems. 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. 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. Impact on knowledge: Partnership Funding will be used to acquire knowledge services such as data collection and storage both relevant and important to Natural Resources Wales activities.
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NRW PARTNERSHIP FUNDING STRATEGIC APPROACH

Issues

1. The three legacy bodies all delivered some of their corporate objectives through funding external partners to undertake works both on and off their 'estate'. (The scale of that funding is indicated in Annex 1). The establishment of Natural Resources Wales, with a new set of corporate objectives and different priorities, requires a new strategic approach to ensure that partnership funding is aligned to these new priorities.

2. This paper and its annexes set out a partnership funding approach for Natural Resources Wales.

Summary

3. Partnership Funding is any funding paid to third party organisations to support or enable them to deliver outputs or to bring about outcomes that relate directly to Natural Resources Wales's corporate objectives as set out in our Corporate and Business Plan. An organisation that delivers a service for market rates is not providing any cash or in-kind contribution to a project; it is not engaged in partnership and therefore is not relevant to this approach (but to standard procurement processes).

4. The priority work areas for partnership funding from Natural Resources Wales are detailed in Annex 3 which is driven by our Corporate and Business Plan.

5. Key headline points of our approach are:

- We will be a funding organisation with a dedicated budget for partnership funding for the next three years.
- We will distribute this budget in two ways – via joint working approaches and via targeted competitive rounds.
- We will take a risk based approach to the funding process and we will streamline the process where we can.
- We will have a minimum funding level of £10k to limit administrative costs of servicing lower levels of funding.
- There will be an expectation that the funded organisation will match fund Natural Resources Wales's contribution (either in cash or in-kind).
- We will normally only provide project or direct delivery funding. We would encourage Welsh Government to take on the role of core funding for relevant organisations where appropriate.

Background

6. Prior to the establishment of Natural Resources Wales, the three legacy bodies (EAW, CCW and FCW) all delivered some of their objectives through funding external partners. Annex 1 offers an overview of the financial value of funding to partners during 2013-14, a period which reflects the inheritance from commitments made by the legacy organisations.

7. The three legacy bodies used varying approaches to fund external partners which can be broadly categorised as **competitive awards/grants** (directed to discrete projects with targeted

outputs) and **strategic grants/MoAs**¹ (involving long term commitments to work towards specified joint outcomes). Other financial instruments, such as management agreements, were also used but they are outside the scope of this review.

8. Whilst funding was agreed with a range of bodies including local authorities, third sector organisations, land and water managers and community groups, the legacy bodies lacked a system of tracking and recording programme-level performance information. Details of achievement could only be obtained from a manual examination of files on a case by case summation of project level outputs.

9. In the autumn of 2013 Executive Team took decisions regarding the annual grants to local authorities, the annual competitive scheme and ex-EAW partnership funding for 2014-15. Annex 1 offers an overview of the financial value of funding to partners during the current and next financial years.

10. It was agreed by Executive Team that a fundamental review of Natural Resources Wales' grants and partnership funding should be carried out during the 2013/14 financial year. The purpose of the Review was to answer the following questions:

- Which of our objectives are most appropriately delivered through partnership funding?
- What should be the purpose, scope and priorities of partnership funding?
- How can we best organise partnership funding to ensure good strategic alignment, governance and affordability for the future?

Context

11. We invited feedback from those with long-term experience of partnership working. Responses were received from 81 external partners and 57 internal practitioners. The high level points from the analysis of the feedback are:

- great value is put upon working in partnership by all involved;
- Natural Resources Wales gains substantial outputs and outcomes from partnership funding, across its remit, it levers in additional resources;
- funding over 3 – 5 years is needed to deliver strategic work;
- there is a lack of standard, programme-level, outputs to highlight and assess the achievement of funding as a whole;
- Natural Resources Wales partnership funding processes need to be more straightforward and proportionate.

This feedback was used to shape the recommendations in this paper.

12. When undertaking the review, we considered various other funding approaches a summary of which is given below:

¹ MoAs or Memoranda of Agreement are documents that set out the terms of an agreement involving collaboration to work jointly towards shared outcomes (e.g. details of the amount of funding to be provided by one or more parties, conditions, statement of the outcomes sought, etc). A 'grant offer letter' is a similar document but the term 'grant' is usually employed in connection a response to an application by an external body for funds for a specific project with specific targets. The terminology is further complicated by the fact that some organisations (such as CCW) use the concept of 'strategic grant' to mark a relationship which is intermediate between a full collaboration agreement and a project grant.

- *Natural England* (NE) operates a range of competitive grants and discretionary payments that change and adapt to the priorities of NE and environmental policy. They operate with varying timescales and intervention rates. They also have about £5million in MoA agreements where the selected partner is the only organisation that can deliver a piece of work. A *formal* single tender process is used in these cases to ensure agreements not only secure value for money but are also within the bounds of probity.
- HLF focuses on 'heritage', defined very broadly to encompass land and biodiversity. In its *Strategic Framework 2013-18* it aims to devote 75% of funding to open programmes (where organisations define and deliver the projects that they consider will address vital heritage needs) and 25% to targeted programmes focused on needs identified in its consultation with stakeholders.
- BIG Lottery is focused on outcomes rather than activities and outputs and offers a range of funds, some UK-wide and some Wales specific, aimed at benefiting individuals and communities. In its *Strategic Framework to 2015* it aims to deliver: small grants, open funding and targeted approaches. Some elements of their funding can be used for work in the natural and built environments.
- The *Sustainable Development Fund* operates in National Parks and AONBs. It is a competitive fund for sustainable development activities within these geographic areas. It is open to the public, private and voluntary sectors, accepts applications for a range of values (from a few hundred to many thousands of pounds), and offers an intervention rate of 50%. The annual budget is in the order of £350k for all of the AONB areas and £100k for each National Park area.
- *Environment Wales* operates five competitive grant streams to support voluntary organisations and community groups undertaking practical projects that deliver sustainable development activities. The maximum grant available is £12,000 and the maximum timescale is 6 years at a varying intervention rate. In 2013/14 they awarded £644,404.
- *Communities and Nature* (CAN), the EU-funded strategic project managed by Natural Resources Wales, involved developing a model of setting out objectives and inviting delivery solutions on a competitive basis. But this competitive stage was built on a prior consultation with practitioners in the field, to identify problems and solutions. This model was approved by Welsh Government and has been a tried and tested means of distributing funding to a range of other organisations aligned to a single set of overall objectives, but attuned to particular community contexts.
- The £6 million *Nature Fund* (Welsh Government) is being established to fund more collaborative and effective landscape-scale action that benefits nature while delivering clear benefits for communities and the economy. The Nature Fund's 'call for ideas' is a departure from the usual approach to funding, where stakeholders would be asked to respond to a defined set of criteria. To better understand the key

problems and potential solutions to the decline in the state of nature in Wales, those involved in the management of natural resources have been asked for ideas on practical action that will benefit nature, create opportunities for new jobs and income and support local communities. The Nature Fund Advisory Group (NFAG) has been established to oversee delivery of the Nature Fund. An announcement on the programme to take forward the Nature Fund will be made at the end of March.

13. The current context is a dynamic one and Natural Resources Wales will need to build flexibility into its overall approach.

This is particularly important because Welsh Government's legislative programme includes a number of Bills which will be relevant to Natural Resources Wales, in particular, the Environment Bill and the need for a more integrated approach to natural resource management. In addition, Welsh Government is itself undertaking a review of grants. This may lead to Welsh Government taking over core funding for some organisations. Local authority funding is one area that Welsh Government may take over, reducing NRW's budget accordingly. But where Welsh Government is funding direct delivery it is likely to hand this over to Natural Resources Wales with the funding that relates to it. Further, there will be closer coordination over what Welsh Government funds and what Natural Resources Wales funds.

14. Welsh Government view grants as just one in a suite of tools available to Natural Resources Wales,

possibly one which could be used to fill skill gaps in the organisation. Welsh Government is keen that Natural Resources Wales should explore what other organisations can do to deliver Natural Resources Wales's objectives (whether by procurement or grant). It wants Natural Resources Wales to consider whether there are other organisations better placed to deliver some of its objectives. Welsh Government is also looking more widely at how it and others deploy funding to support delivery and what the appropriate mechanisms should be. Competitive funding is one particular mechanism - and one that Welsh Government has specifically sought to transform in the approach to the Nature Fund.

The Approach

15. Strategic Alignment - Partnership funding should be driven by Natural Resources Wales's Corporate and Business Plans. The priorities eligible for partnership funding from NRW are detailed in Annex 3. This is a key document that lists the work areas that will be eligible for funding and how these derive from Natural Resources Wales's Business Plan. This approach provides a 'golden thread' that links each individual funded project to our corporate objectives.

16. A set of **standard outputs** applicable to Natural Resources Wales's business plan will be devised to be used for monitoring purposes and to identify the achievements delivered through partnership funding. This approach will be vital in making clear the results of each project and how it contributed to Natural Resources Wales's Corporate Plan and corporate objectives.

The Structure:

17. Structure –Our partnership funding will cover:

- a) **Joint Working partnerships** – Natural Resources Wales works jointly with other organisations on a programme or project with strategic outcomes that all partners share. (NB: This mechanism is likely to be particularly important in the move to an

area planning approach). The types of work to be funded through Joint Working partnerships are set out in column 6 of Annex 3.

- b) **Competitive Funding** opportunities for third parties to bid in for funds to Natural Resources Wales where they have ideas that relate to delivering towards Natural Resources Wales's Corporate Plan through implementation of discrete projects with clear outputs, results and impacts and a clear duration. It is hoped that this approach will engender innovative solutions and will not be too prescriptive in the types of projects that will be funded. The types of work to be funded through Competitive Partnerships are set out in column 7 of Annex 3.
- c) **Match Funding Support** – to enable good projects that draw in additional funds to the environmental sector (e.g. from Europe or HLF) to go ahead. This strand will not have a distinct budget but will be assessed within the operation of a) and b) above. Natural Resources Wales believes that it will sometimes be essential to get in at the outset on some of these projects whilst in development rather than wait for the next Natural Resources Wales competitive round to open. But where a competitive round is running then that will be the preferred route to considering applications for match funding from Natural Resources Wales.

18. Ring-fenced funding where Natural Resources Wales acts as a distributor-manager on behalf of others (e.g. Splash; Wales Coastal Path; Communities and Nature; Water Framework Directive; Ecosystem Resilience Fund) will have specific requirements. However, the schemes will be administered according to the strategic and operational principles below.

19. **Budget** – Natural Resources Wales's budget over the next three years to support other organisations best able to deliver outputs that directly relate to Natural Resources Wales's corporate objectives may be supplemented further through departments' revenue budgets.

20. **Competitive Funding** - Competitive Funding offers targeted focus, promotes adaptability and minimises dependence on Natural Resources Wales as a funding source. Over the next three years Natural Resources Wales will utilise an element of its Partnership Funding budget for Competitive Funding rounds which invite other organisations to submit delivery solutions which:

- focus on environmental outcomes and the products that Natural Resources Wales needs - see column 7 of Annex 3.
- are up to 3 years in duration, in step with our Corporate Plan delivery process, and have a clear exit plan within this time frame
- are of a scale that requires more than £10k of Natural Resources Wales funding (no awards of less than £10k will be made)
- involve a significant contribution of match funding from other sources, including the applicant organisation (normally at least 50%).
- build a programme of activity on the prior identification of key problems and potential solutions by those involved in the management of natural resources which then integrates ideas received into joined up collaborative action.

21. The **selection criteria** to be used to select Competitive Funding bids is still subject to development but could include assessment, as appropriate, of how they might:

- Deliver value to Natural Resources Wales environmental, social and economic priorities (see column 7 of Annex 3)

- Maximise economic benefits – using the economic model developed by Cardiff Business School
- Maximise economic benefits to communities (using learning from CAN on targeting benefits).
- Maximise social benefits (using learning from CAN on inclusion of provisions for disadvantaged groups)
- Involve Community Engagement and hard to reach groups (*Come Outside!* best practice)
- Induce strategic collaboration between organisations rather than single organisation bids
- Deliver benefits to people through connecting them both physically and in terms of knowledge and awareness, to the environment.

Strategic Monitoring and Evaluation

22. Natural Resources Wales will:

- evaluate its Partnership Funding Strategy every three years, and in line with each new Corporate Plan period, to consider how it has made a difference to meeting corporate objectives and outcomes; whether it merits additional funding; whether priorities and approaches need changing; what changes have occurred in the field.
- monitor how its programme of partnership funding is contributing to corporate objectives throughout the year and report on this annually.
- evaluate individual projects and/or types of intervention to understand, learn, and promote good practice and incorporate in future operations.

23. **Strategic Principles to Govern Operation** – The following high level principles will govern the broad operation of Natural Resources Wales's partnership funding:

- Natural Resources Wales should use partnership funding to facilitate delivery of those shared outcomes with Welsh Government that NRW cannot deliver on its own.
- Natural Resources Wales partnership funding should be driven by Natural Resources Wales's corporate priorities.
- Partnership funding should have a legacy value (i.e. once Natural Resources Wales has withdrawn) with tangible and sustainable physical, environmental or behavioural outcomes.
- No partnership funding should be embarked upon without a clear exit strategy and clear exit arrangements.
- Natural Resources Wales should incorporate social value through its partnership funding, through benefits to local communities such as creating or supporting jobs and local enterprise or through community and volunteer engagement.
- Natural Resources Wales should hold a portfolio of partnership projects, be risk based and encourage innovative or different approaches.

24. **Grants or awards below £10k** – Natural Resources Wales is considering a lead partner approach as part of the competitive process, that could bring together smaller organisations to deliver work, building on the experience gained through the *Communities and Nature* (CAN) strategic project and on the role played by Environment Wales in dispensing small grants. The aim is not to be too prescriptive so that innovative solutions might be forthcoming – but we would encourage collaboration of project delivery.

25. **Administration** – The financial administration associated with partnership funding should be centralised in a single unit in order to minimise costs (as suggested by recent report on grant making from Wales Audit Office and the National Assembly's Scrutiny Committee). Such centralisation will aim to accommodate the diversity in the demands and needs of different schemes encompassed by Natural Resources Wales. The existing processes will be streamlined. Central administration will be a vital tool in tracking activity according to the different 'tools' used to formalise partnership funding relationships, namely grant officer letters (mainly for Competitive Funding) and memoranda of agreement (MoAs) (mainly for Joint Working partnerships).

26. **Project Assurance Issues** – Project assurance will be integrated into partnership funding. Awards of over £50,000 will be considered by the Project Assurance Board or subject to whatever assessment parameters that the Board lays out.

27. **Integration of cross-cutting themes** – The following cross-cutting issues can be integrated into partnership funding:

- Equality
- Welsh language
- Environment sustainability
- Child poverty.

28. **Proportionate financial scrutiny and risk** – Natural Resources Wales will draw together best practice in proportionality and devise a dedicated system for Natural Resources Wales. This should reflect the principle that:

'Funding bodies should seek to minimise the monitoring and inspection burden on the recipients of funds to a level proportionate to the level of funding and risk, and which maintains proper control of public monies' (HM Treasury, National Audit Office, Office of Government Commerce, *Improving Financial Relationships with the Third Sector: Guidance to Funders and Purchasers*, HM Treasury, 2006).

29. **Selection of Partners** - Selection of Partners for joint working will be made on the basis of fair, objective and documented criteria. Systems will be designed to ensure that there is no unjustified avoidance of competition.

30. **Account managers and the Practitioner Group** – A formal practitioner Group will be established within Natural Resources Wales. This will operate as a network to consolidate and extend expertise and coordination through the organisation. Members of the Practitioner Group will act as Account Managers for each organisation funded.

31. **Coordination with Welsh Government funding** – Account managers will be able to provide Welsh Government with a full picture of what funding awards are made to each organisation, for what purpose and what are the expected (or delivered) outputs so as to ensure clarity and avoid any potential double funding issues. Natural Resources Wales will ensure that funding within the Natural Resources Management umbrella aligns with the objectives of the Welsh Government's Nature Fund.

32. **Coordination with other funders in Wales** – The implementation of Natural Resources Wales Partnership Funding Strategy set out in this paper will need to maximise alignment and non-duplication between its funding and that of other funders.

Next Steps

33. **Competitive Funding round** –The timetable will be as follows:

- May 2014: Call for ideas via an open invitation for delivery solutions that link to Natural Resources Wales's Corporate and Business Plans.
- June 2014: Host workshops to build on this.
- Late October 2014: Receive final responses.
- November - December: Analyse the responses (scoring). Undertake due diligence.
- End of December 2014: Announce final recommendations on funding.
- Projects to run between April 2015 and end of March 2017.

34. **Joint Working Partnerships** – These types of partnership are to be funded from current grant budgets already allocated to operational teams. Based on the analysis in columns 4-7 of Annex 3, an internal consultation will be undertaken of Natural Resources Wales departments to identify emerging implementation plans and intent to utilise partnership working to deliver Natural Resources Wales objectives. Preparations for this will be informed by further discussion with Welsh Government over core and project funding. All formal joint working partnerships will be made through a central finance team to ensure that there is complete coordination and information available. In addition, a three year maximum funding period will be applied.

35. **Other Steps:**

- Implement a Communication Plan.
- Arrange awareness seminars for relevant staff.
- Develop systems to monitor progress at a partnership funding 'programme' level.
- Establish a group to look at the propositions for funding, involving Welsh Government so as to avoid duplication.
- Establish a process whereby underspends in departmental budgets come to a central team to consider priorities. This will build in a link to the programme approach for the business plan.
- Agree with Welsh Government how the division between core and project funding is to be made operational (see paragraph 13 above).

Risks

36. Annex 2 sets out a risk analysis of adopting the Partnership Funding strategy.

Financial Implications

37. The new Natural Resources Wales Partnership Funding approach will commence on 01/04/2015.

38. Natural Resources Wales has a budget of approximately £3.8m for strategic partnership grants in 2014-15. This has already been allocated due to commitments inherited from legacy bodies which are unaffected by the new Partnership Funding approach.

39 Natural Resources Wales will not make any new strategic partnership grants or competitive funding offers in 2014/15, as agreed and communicated in October 2013.

40 From April 2015 the annual budget for all partnership funding will reduce in line with any reduction in Natural Resources Wales's indicative budget. However we expect it to be a fund proportionately in line with current levels.

41 Although we will not run a competitive fund for 2014/15, we anticipate providing a fund of the order of £1.5m - £2m per annum as part of the new Partnership Funding approach.

Communications

42. Disseminating information to past, current and potential partners is crucial and this is why a full communications plan has been agreed. The first step, if this Board Paper is agreed, is to reassure our partners that we will be a partnership funding organisation, albeit with different terms to what we fund and how we will do it.

43. We have completed a stakeholder identification process and we will share any information in a timely way.

44. Among the key points that we will emphasise now are that:

- We will be a funding organisation with a modest budget for the next three years.
- We have a set of principles that will guide our work and our thought processes.
- Partnership funding will be delivered in two ways – via strategic joint working and via competitive rounds along the lines of the Welsh Government's Nature Fund and CAN.
- We will take a risk based approach to the funding process and we will aim to streamline the process where we can.
- We will have a minimum funding level of £10k.
- There will be an expectation that the funded organisation will match fund Natural Resources Wales contribution
- We will only provide project or direct delivery funding. We will encourage Welsh Government to provide core funding to relevant organisations where appropriate.

45. As we develop our funding priorities and have a better understanding of how we will structure our process we will develop a more engaging programme (rather than just communicating messages) so that potential partners understand how we will work.

Equality Impact Assessment

46. Equality issues will be integrated as one of the cross-cutting themes in the implementation of the Partnership Funding approach by Natural Resources Wales (see noted above in connection with the assessment criteria).

Index of Annexes

1. Estimate of value of funding to external partners

2. Risk analysis
3. Strategic work areas for partnership funding aligned with Natural Resources Wales business plan.