



**Cynulliad Cenedlaethol Cymru  
The National Assembly for Wales**

**Y Pwyllgor Cynaliadwyedd  
The Sustainability Committee**

**Dydd Iau, 17 Mawrth 2011  
Thursday, 17 March 2011**

**Cynnwys**  
**Contents**

- 3 Cyflwyniad, Ymddiheuriadau a Dirprwyon  
Introduction, Apologies and Substitutions
- 4 Adolygiad o'r Opsiynau Cyflenwi Amgylcheddol: Sesiwn Dystiolaeth  
Review of Environmental Delivery Options: Evidence Session
- 18 Adolygiad o'r Opsiynau Cyflenwi Amgylcheddol: Sesiwn Dystiolaeth  
Review of Environmental Delivery Options: Evidence Session
- 26 Cynnig Trefniadol  
Procedural Motion

Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,  
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.  
In addition, an English translation of Welsh speeches is included.

**Aelodau'r pwyllgor yn bresennol**  
**Committee members in attendance**

Lorraine Barrett	Llafur Labour
Angela Burns	Ceidwadwyr Cymreig Welsh Conservatives
Alun Davies	Llafur (yn dirprwyo ar ran Karen Sinclair) Labour (substitute for Karen Sinclair)
Irene James	Llafur Labour
Rhodri Glyn Thomas	Plaid Cymru The Party of Wales
Joyce Watson	Llafur Labour
Kirsty Williams	Democratiaid Rhyddfrydol Cymru (Cadeirydd y Pwyllgor) Welsh Liberal Democrats (Committee Chair)
Leanne Wood	Plaid Cymru The Party of Wales

**Eraill yn bresennol**  
**Others in attendance**

Paul Leinster	Asiantaeth yr Amgylchedd Cymru Environment Agency Wales
Chris Mills	Asiantaeth yr Amgylchedd Cymru Environment Agency Wales
Trefor Owen	Comisiwn Coedwigaeth Cymru Forestry Commission Wales
Morgan Parry	Cyngor Cefn Gwlad Cymru Countryside Council for Wales
Roger Thomas	Cyngor Cefn Gwlad Cymru Countryside Council for Wales

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol**  
**National Assembly for Wales officials in attendance**

Aled Jones	Clerc Clerk
Meriel Singleton	Dirprwy Glerc Deputy Clerk

*Dechreuodd y cyfarfod am 1.03 p.m.*  
*The meeting began at 1.03 p.m.*

**Cyflwyniad, Ymddiheuriadau a Dirprwyon**  
**Introduction, Apologies and Substitutions**

[1] **Kirsty Williams:** Good afternoon, ladies and gentlemen, and welcome to this meeting of the Sustainability Committee. We will start with the usual housekeeping announcements. In the event of a fire, please leave the room by the marked exits and follow the instructions of the ushers. I remind everybody to turn off their mobile phones, BlackBerrys and pagers. Facilities for simultaneous translation are available: interpretation is available on channel 1, while the verbatim contributions can be heard on channel 0.

[2] I have received apologies from Karen Sinclair and Brynle Williams. Alun Davies is substituting for his colleague, but I understand that he has been delayed and will be joining us later.

1.04 p.m.

### **Adolygiad o'r Opsiynau Cyflenwi Amgylcheddol: Sesiwn Dystiolaeth Review of Environmental Delivery Options: Evidence Session**

[3] **Kirsty Williams:** We have two sets of evidence for this item. The first is from Environment Agency Wales and the Countryside Council for Wales, and the second is from Forestry Commission Wales.

[4] I welcome to the table Mr Morgan Parry and Mr Roger Thomas from CCW, and Mr Chris Mills, the director of Environment Agency Wales, and Mr Paul Leinster, its chief executive. Gentlemen, welcome to this afternoon's meeting. We are very pleased to have the opportunity to hear your views on future delivery options for the environment. We have received your written papers, but perhaps you would like to begin by making some very brief introductory comments before we go to questions—unless you are happy to go straight into questions. If you have any few opening sentences that you would like to make, I would be happy for you to do so.

[5] **Mr Parry:** Diolch yn fawr, Chair. I will make just a couple of introductory comments.

[6] Times are changing, and so are the environmental challenges. Our environment will be very different in the future to how it was in the past. Add to that the changing political landscape, with different policies emerging from the Westminster Government to those emerging in Cardiff, and the new powers conferred on the National Assembly for Wales, it is an exciting time to be looking at the sector that we work in to see whether now is the appropriate time to make new arrangements that are more suited to the future.

[7] **Kirsty Williams:** Thank you, Mr Parry. Does the Environment Agency have any remarks to make?

[8] **Mr Leinster:** We are happy to go straight to questions, thank you.

[9] **Kirsty Williams:** Mr Parry, you perhaps touched on the answer to my first question. However, what do the organisations believe is the driving force and the reasoning behind holding this review at this time? As you said, Mr Parry, we are seeing a potential divergence from policy in England with the new legislative settlement for Wales. Would you like to expand on that? Our guests from the Environment Agency can perhaps add why they think this review is happening now and explain the driving forces behind it.

[10] **Mr Parry:** The Minister's initial interest in looking at Wales's environmental institutions predates the Westminster elections. What is encouraging is that this was as a result of the realisation that the concepts and frameworks within which the environment is managed by public sector bodies, and the way in which the wider society looks at its environment and our relationship to it, are evolving. So, the whole idea with the ecosystem is about moving up to a higher level of engagement and trying to look more broadly at the environment to engage everybody who has a stake or an interest in it. The framework and conceptual work that has been going on globally—it has quite a firm underpinning in science in the UK and in Wales—was the trigger, and the Minister was quite right to ask, if we are looking at the frameworks, tools and mechanisms, whether we should not also be looking at the institutions that we have in the public sector to do that.

[11] On top of that, as I implied earlier, there are changes in Government policy and changes in the devolution landscape. I could say more about that, but perhaps I will come back to it a little later.

[12] **Mr Mills:** To expand on that, the natural environment framework, which highlights the decline in biodiversity, is an important driver, because there has been a clear failure, not just in Wales, but across Europe, to meet the biodiversity targets. It is an obvious reaction to ask whether there are different ways in which we can deliver for the environment. Funding is also an issue, however, as all three organisations face cuts in funding, and while that is not necessarily the main driver, it is a reason for us to look at value for money and ask how we can deliver environmental services in Wales in the most efficient and effective way. I would just stress, however, that it is about finding a balance between effectiveness and efficiency.

[13] A final point is that, while policies and priorities are changing here in Wales, so too are they in England; the relationship is becoming more complex and needs to be looked at.

[14] **Kirsty Williams:** The committee is aware that the Minister has initiated a feasibility study to consider possible changes. Could you outline your organisations' involvement in that feasibility study?

[15] **Mr Thomas:** We have been involved fully in the work that has been undertaken since the Minister, Jane Davidson, made her announcement. We have contributed staff to various study groups. In the first phase, the intention was to look at the feasibility of bringing the organisations together to see whether that would be the best way of delivering for the environment for the future. What Chris has just said about the natural environment framework then determining the functions of the new organisation is hugely important in this.

[16] **Mr Mills:** I do not think that there is a lot more that I can add. All three organisations have been involved in the initial feasibility study. A key role for us has been in providing information to inform that study. All three organisations have provided a limited amount of manpower to help with putting that together.

[17] **Kirsty Williams:** Obviously, your involvement in the feasibility study is limited by the confines of the study itself. Are you, as organisations, convinced that the feasibility study has been wide-ranging enough to incorporate all the aspects that need to be considered at this stage, or do you have any concerns that issues have been left off the table? Do you think that it has been comprehensive?

[18] **Mr Mills:** We have to put this into the context of the purpose of the initial feasibility study, which was to look at whether a single environment body for Wales was a feasible proposition. So, there is a lot more work to be done, and I think that that has been accepted by the Welsh Assembly Government. While there are some initial conclusions that a single environment body would be a feasible option, we now need to move to a much more detailed examination of the costs and benefits and, indeed, the role of this new organisation.

[19] **Mr Thomas:** We were looking for showstoppers in addressing where we can bring the bodies together, and we did not find any. That is why the next stage is so important.

[20] **Kirsty Williams:** Your organisations are statutory bodies, so we could expect you to be at the table, playing these roles at this stage. Could you outline for the committee what opportunities there have been for stakeholders outside of the statutory bodies to become engaged?

[21] **Mr Parry:** An element of what has happened over the past year is the consultation on

the natural environment framework—the consultation on ‘A Living Wales’ came to an end just before Christmas. One of the questions asked in the consultation was about Government bodies and agencies. That provided an opportunity for stakeholders, for those in the third sector or the private sector, and those in other public sector bodies to express a view. So, in a sense, as well as having a feasibility study, that was asking whether a new body would be desirable. That is important, because we as a society need to ask whether these sorts of changes are desirable as well as feasible. The comments that came in under the consultation suggested strong views in both directions, but good arguments were made for why now is a good time to be reviewing agencies of Government in Wales. So, there has been an opportunity during the consultation process for the third sector and the private sector in the context of the feasibility study. However, I think that the next phase will have to be wider.

[22] **Mr Mills:** I would just add that, should a new environment body be created, it would require a change in legislation. My understanding is that the Welsh Assembly Government would normally consult on any change in legislation, so one imagines that there would be a further opportunity for much wider involvement and consultation.

[23] **Kirsty Williams:** That brings us to the crux of the issue. If it is possible, and there are none of the showstoppers that you referred to, Roger, to prevent it from happening, is it desirable? The Minister was clear in her statement that establishing a new body would provide the greatest opportunity to improve effectiveness and efficiency in the delivery of environmental policies in Wales. Do you agree?

[24] **Mr Thomas:** The compelling reason for me in wanting to look at this whole area of work is not as a result of what we achieve as bodies on our own, because I think that all three bodies achieve an awful lot and we have very dedicated staff—many of whom work many hours more than they are paid for—but because we see that we are not having the influence across the policy spectrum that is demanded. We see what is going on in the world at the moment, and it is very clear to me that we need to put the environment at the heart of all decision making. If this is the way that we get that change then, yes.

1.15 p.m.

[25] **Mr Leinster:** As you know, the Environment Agency is an agency of England and Wales, and we believe that, through that England and Wales body, we have delivered a great deal for people and the environment. So, we are integrated across geographies now for a subset of the outcomes that could be part of this new body in Wales. That is one way of doing it. You can have a wider geographic integration across a narrow range of issues or you can expand the number of issues and then think about doing that in different geographies. Both approaches have merit. One of the important things, through the feasibility study, is to ensure that we are clear about the outcomes that people are looking for and about the most cost-effective and efficient way of delivering those, as well as the strengths and weaknesses of both models.

[26] **Kirsty Williams:** You will be aware that, to date, there has been some discussion about whether the new arrangements might include only the Environment Agency and CCW or whether it is desirable to bring the Forestry Commission into the arrangement as well. Again, there seemed to be quite differing views on whether that is appropriate. We are going to hear from the Forestry Commission later, but what is your view on the appropriateness of all three delivery bodies being brought together?

[27] **Mr Parry:** There are two ways of looking at any reorganisation. One is just about moving furniture around and moving people for bureaucratic efficiency. That has to be done, and we have to understand the costs and the relationships between an agency and Government. That is quite appropriate. However, the other way of looking at it, which is

perhaps where I can bring more experience to bear, is understanding the natural world and the environment and the pressures on it. If we are really accepting the fact that we are facing a period of significant change and pressure from increased resource demand and a growing population, we should understand that there is an expectation from the public that they are involved and that this is as much a bottom-up issue as it is a top-down issue for Government. There are lots of issues to do with how people relate to their environment, and this provides a perfect opportunity to rethink those.

[28] On the question of the Forestry Commission, as three bodies, we have been asked to work together on this. It is an important opportunity to think outside our own institutions and the bodies that we work for to look across the whole piece—to look at the whole environment and the wider situation. From the natural science point of view, the age of the forests being something rather different and separate, the marine environment being different to the terrestrial environment, and the freshwater environment being different to farm land is over. So, the way in which the concepts are now emerging demands that we look across all of those different habitats and ecosystems. From that point of view, there is a strong argument to make the integration work across all of the sectors. The bureaucratic question is another issue, and we have to look at that and think more about it.

[29] **Mr Leinster:** Building on that, we believe that there are economies of scale on some of these issues that would be of benefit. The wider benefit, as Morgan indicated, is the environmental one, and that is taking a truly integrated approach to the issues. If you can consider an environment or habitat in the round, you will get a better answer.

[30] **Kirsty Williams:** That brings us quite nicely on to the issues to do with the natural environment framework.

[31] **Leanne Wood:** Do you believe that, at this stage, there is a clear idea about what the function of the new body would be and what form that would take?

[32] **Mr Thomas:** Not at this stage, no. We are working on the natural environment framework, which will determine the functions of the new body, so we do not have a clear view yet, no.

[33] **Leanne Wood:** Okay. Given the timing of this review and the timing of the natural environment framework, is this review appropriate at this stage?

[34] **Mr Thomas:** We need to run them in tandem, which is what we are doing. We are looking, as are the Environment Agency and the Forestry Commission, at what additional resource we can provide to accelerate work on the natural environment framework so that it runs slightly ahead of the body.

[35] **Leanne Wood:** Thank you for that. Your two organisations have not always seen eye to eye on certain issues. How are you going to resolve conflict?

[36] **Mr Thomas:** Perhaps I can go first, and then I am sure that Chris will want to join in. We have different roles. CCW is often an adviser to the Environment Agency in its regulatory capacity, but it is advice we provide. The agency considers our view and makes a decision based on our advice and that of other people. I do not see that our being in a single body alters that approach, provided we keep it as transparent as it currently is. I am sure that it will be a fundamental requirement of our stakeholders that they are able to see how decisions are taken within a single body.

[37] **Leanne Wood:** So there could be a situation where conflicting advice is given by the same body.

[38] **Mr Thomas:** No, there can be only one answer from the same body, but it will be clear how the body arrived at that answer.

[39] **Mr Leinster:** A number of the issues that we deal with are very difficult and complicated. The benefit that you see is open, transparent discussion. Going forward, we still need to see that open, transparent discussion. I think that arrangements can be made for that to happen. These are not easy decisions. We are the decision maker. Other people provide advice, and you can do the same thing within a single body. However, as I say, it is not easy.

[40] **Mr Mills:** I will add to that, if I may. This is not confined to the relationship between CCW and the Environment Agency. Within the Environment Agency, in carrying out our role, we often have to balance, for example, creating a flood defence with potential environmental impact. There are parts of our organisation providing advice to the people building the flood defence on how to do that in a way that does not damage the environment. There are many mechanisms that make that transparent, starting with a decision document that must record exactly what advice was given. Then there is a variety of challenges, which could be anything from freedom of information requests, right of appeal, judicial review, call-in, the public services ombudsman and so on. So, there are many mechanisms in place to ensure transparency of decision making.

[41] **Mr Parry:** I just wish to add that, within CCW, there are quite often the same sorts of conflicts. We have to deal with questions of access to the countryside against conservation of wildlife sites. We have to provide advice on renewable energy against landscape. There are many issues where we have to come up with a single recommendation to Government, but it will be based on advice coming from many different directions from people with many different skill sets. It does not really matter whether it is one organisation or two; that process will take place within any organisation dealing with issues such as the ones we deal with.

[42] **Kirsty Williams:** However, from our perspective, the crucial point, coming back to what Roger said, is that decisions are arrived at in a transparent way and that, therefore, there is confidence in those decisions.

[43] **Mr Thomas:** To give an example that will give Leanne some comfort on that, the example I described was where the agency was the competent authority and we were the adviser. In other circumstances, CCW, under the same legislation at the moment, is both the competent authority and the determiner and provides the assessment. What we have inside CCW is a sort of Chinese wall, and different people are involved in both aspects, but the whole thing is transparent and people regularly contact us to get information about how a decision has been arrived at. I think that we can show that it works in practice on a smaller scale. Paul referred to the difficult ones, and the ones that we decide between us are often much more difficult than the ones we decide internally.

[44] **Kirsty Williams:** Angela, do you want to come in on this?

[45] **Angela Burns:** Do you think that you could successfully marry your two different sets of objectives? Looking at your submissions, the Environment Agency is quite clear about developing a way forward that focuses on the environment, but in tandem with social and economic benefits, whereas your objectives are much more about preservation, conservation and having an independent authoritative voice. Yours is all about environmental delivery. I did not pick up many references to the social and economic agendas. Do you think that there is enough common ground to make this merger successful?

[46] **Mr Mills:** Could I have a go at that? The three organisations—the Forestry Commission Wales, the Countryside Council for Wales and the agency—at an earlier stage,



when we were looking at shared services, plotted common outcomes. I would be very happy to provide this to the committee. The central area that you can see here shows all of the shared outcomes. We may have very different roles in delivering those outcomes, but they are shared outcomes. That is the area in which greater integration could pay off. Shared activities are relatively limited. We have discussed those before in this committee. However, shared outcomes are where the real potential for a new organisation lies.

[47] **Angela Burns:** Do you think that you will be able to carry that through in the culture change that you will need to make?

[48] **Mr Thomas:** The important thing in terms of culture—and we all have experience of merging organisations—is to ensure that the functions are very clearly defined at the outset through engagement with our stakeholders right across the spectrum and that we then take the time to design and plan the organisation properly and, as far as we possibly can—to refer to Chris’s outcomes, because this is where that work becomes important—mix up the people into new teams. That is how you develop a culture for a new organisation quickly. When I arrived at CCW, which had been around for nearly 15 years, I could immediately tell you who had come from the Nature Conservancy Council and who had come from the Countryside Commission. So, it can take a long time if you do not get the planning right.

[49] **Angela Burns:** Would it be possible to have a copy of that work?

[50] **Kirsty Williams:** I was going to ask, Mr Mills, whether you would be good enough to let the clerk have a copy.

[51] **Mr Mills:** I can leave this copy when I go.

[52] **Kirsty Williams:** We will ensure that it is circulated to all Members. It is probably a very useful way of looking at these issues.

[53] **Irene James:** What are the potential benefits and disadvantages of establishing a new body?

[54] **Mr Parry:** Potentially, there are huge benefits. As I said at the beginning, this is a very good time to be thinking about it in the sense that we have a new approach and new thinking emerging about the environment. There is a real need to address future challenges rather than respond to the environmental problems and crises of the past. To touch on the previous question, we are where we are because we were set up under Acts of Parliament that were relevant to the 1910s or the 1960s, 1970s or 1980s. We know that thinking on the environment has changed. Current events in Japan are really challenging our thinking about energy sources, settlement patterns and how we use our natural environment. Those are the sorts of challenges that a new body could really engage with. Yes, if you simply bureaucratically merge three organisations, you will get culture shocks and overlaps. However, if you think more radically and laterally about what could be done by an environment agency given the challenges we face in future, the opportunities are huge.

[55] **Kirsty Williams:** What about the risks or disadvantages?

[56] **Irene James:** It is all positive at the moment.

[57] **Mr Parry:** Of course, you have got to design it and take time to do it. I am quite relieved that we are now facing a further period of work during which we will really dig into the implications of this and take time over it and consult again. I was in Machynlleth last night at the Dyfi Biosphere annual general meeting, and there was a group of people there from the Aberystwyth and Dyfi Valley area who think of that as their patch and they want to

be involved. They are community leaders, voluntary sector people and local businesspeople looking at the tourist trade, and they are coming together in exactly the same way as the national agencies are coming together to rethink the way that they are engaging with their environment and thinking what their priorities and objectives are. So, one of the dangers is that this is seen as a national agency institutional thing at the all-Wales level. We have got to engage people and communities around Wales. This has got to be a distributed effort around Wales so that people feel that this is an agency that serves them in their locality. So, one of my concerns is that it is seen as a Cardiff reorganisation. I do not think that it is; this is about every single part of Wales and the way that people live and work in their environment.

1.30 p.m.

[58] **Kirsty Williams:** At the stage where we are now, are we in danger of form being decided upon before we have a clear idea about function, when it should be the other way around? Is that one of the risks here?

[59] **Mr Mills:** It is clearly a risk, but, hopefully, the steering group that has been set up will address that in looking at the function, which should absolutely determine the form. If I could just go back to the previous question about some of the benefits, I do not think that we should shy away from the fact that all three statutory agencies—and I totally agree with Morgan about this needing to be wider than the three statutory agencies—are facing considerable funding cuts. By bringing them together into one new organisation there is the potential to protect front-line services in a way that would not be possible if they were to remain three separate organisations. If we are looking at delivering outcomes and delivery on the ground, this has to be an important consideration. It should not be by any means the only consideration, because at the end we want an effective mechanism as well as an efficient mechanism, but it is an important consideration.

[60] **Kirsty Williams:** Roger, did you want to come in here?

[61] **Mr Thomas:** I wanted to remind the committee of the ‘One Wales, One Planet’ outcomes that we are looking to deliver as far as we can, working with our partners: living within environmental limits; healthy, biologically diverse and productive ecosystems; a resilient and sustainable economy; safe and sustainable communities; and a fair, just and bilingual nation. Those are the objectives of our Government, and those are the outcomes that we are seeking to deliver, through looking at how we might bring our work more closely together.

[62] **Irene James:** Which aspects of the different delivery bodies would you want to ensure were incorporated into the new body?

[63] **Mr Thomas:** All of them.

[64] **Mr Parry:** It would be all of them, unless there were strong arguments why certain elements should remain outside. The other interesting thing is that the thinking is now including the Welsh Assembly Government in this. In other words, there are three agencies, but there are also environmental functions that are carried out within Government, and there may well be some movement between the two. There is a danger of making this too wide a project, and looking at absolutely everyone who has a statutory or public sector role in Wales—then you get into the realms of local authorities as well. That is not part of the discussion at the moment, but, at some point, this will influence local authorities, national parks, community councils and the voluntary sector. In England, we have seen interest from the voluntary sector in taking over the management of forests, provided the resources are there; it will not do it as a charitable objective. So, voluntary sector organisations are interested and keen partners, and there is no reason why there should not be more

involvement from the third sector, but resources are a key factor for the sector, as I know from experience.

[65] **Mr Mills:** I would make the same point. The review needs to consider all of the activities of the current bodies. It is already happening—this is an opportunity to look, in certain cases, at whether the existing bodies necessarily have to deliver everything that they do now. For example, we are working closely with the rivers trusts to look at protecting the water habitat and implementing the water framework directive. We are also working closely with third sector organisations such as the RSPB and wildlife trusts to create biodiversity habitats, and I think that there is a natural expansion at the moment, with statutory bodies looking more broadly at their delivery model. The CCW shares that. It has been happening, it is happening, and it is something that needs to be looked at as part of this review.

[66] **Joyce Watson:** Moving on quite nicely, I think that it was Morgan who mentioned briefly the fact that Government is a key player in some places. Could some of the functions performed by the delivery bodies be performed instead by the Welsh Government, and, if so, are there any particular aspects that you think that it could deliver? If you think that the answer is ‘no’, then that is the answer.

[67] **Mr Parry:** We need to think about principles—what needs to be done outside of Government and what inside. That is the way to approach it. I do not want to mention any particular role or function at the moment, because that might pre-empt the discussion that is currently going on, but the independence of advice and the separation that exists between advice and policy development are sometimes unhelpful. On policy and policy development, as opposed to decisions on policy, which is clearly a Government matter, there is a strong case for being able to advise on policy options and having the scientific basis to do that in an organisation that is outside of Government. The Environment Agency clearly has statutory functions that are required to be done outside of the Government and much of the work that the Countryside Council for Wales does involves communities. It is difficult for the Government to have the same sort of relationship with communities around Wales. We can build on the strengths that exist within the organisations, and the appropriate work that needs to be done will be done within the new body. I accept that some things will stay within the Government, but this is the time to think about what we have got used to. Agri-environment schemes are an example of a potential tool for encouraging sustainable land management. That, I am sure, will become part of the discussion in the months to come. We need to have an open mind about where we end up with this, but there are clear principles about why we have independent arm’s-length organisations as opposed to having a Government department that does all this work.

[68] **Kirsty Williams:** It is not that long since the Government took the agri-environment schemes from you.

[69] **Mr Leinster:** There is an opportunity now to look at different experiences within the UK and other places as to what gets done in different places. One of the interesting things that we have in the Environment Agency is an ability to compare and contrast what we do with Whitehall or the UK Government and what we do with the Welsh Assembly Government and how that works, and what the strengths and weaknesses of both approaches are. There is Scotland and Northern Ireland also. It is worth casting widely to learn from those and then to see what the best way forward is.

[70] **Mr Thomas:** I wanted to add to Morgan’s point that Wales is a small nation. You cannot develop policy without understanding delivery and you cannot develop good delivery without understanding policy, either. We must accept that we do not have enough people to have delivery and policy advisers in Government and replicate them in agencies. We must work together closely, which we already do. My marine staff have acted on behalf of the

Welsh Assembly Government in lots of the negotiations over the marine Bill. I am sure that the agency and the Forestry Commission have been doing the same thing. We need to accept in Wales that we are all working towards common goals and outcomes, and that we should use the best players that we have at any one time.

[71] **Joyce Watson:** I think that my question has been answered.

[72] **Kirsty Williams:** It has. We have talked about how we get the independence, so we will move on to issues around money.

[73] **Angela Burns:** I like this statement in the Environment Agency's submission:

[74] 'Once over the initial set up stage, the new organisation should cost less than the sum of its parts and provide best value for money whilst continuing to deliver further improved results for wildlife and people throughout Wales.'

[75] Do you believe that it is possible to merge your organisations and to achieve a cost saving or reduction?

[76] **Kirsty Williams:** We will start with the Environment Agency.

[77] **Mr Leinster:** Yes, I do. Like any body, we are always looking at ways of being more efficient and effective, so this is a continuing part of the work that we do. The experience that we had when the Environment Agency was created, which brought more than 83 different bodies together into one, demonstrated that, once we were over the set-up costs, efficiencies and effectiveness were greater. So, based on our experience and knowledge, this is doable.

[78] **Angela Burns:** How many people ended up losing their jobs as a result? Did any of your outcomes change, and how much money did you actually save? If you cannot answer the questions now, I understand.

[79] **Mr Leinster:** We will come back to you.

[80] **Mr Thomas:** Before the Minister's announcement about looking at a single environment body, the three bodies—the Forestry Commission, the Environment Agency and us—were already looking at how we could share services. So, the work that we have already done adds a great deal of confidence to the statement that you read out from the agency in its paper. We know that we will save money over the long term by bringing the bodies together, because we can deliver common services, particularly what is usually known as back-office services, with cost savings.

[81] **Angela Burns:** I do not doubt your intent, but my reservation is that there is an enormous difference between collaboration and amalgamation. The Finance Committee has just conducted an inquiry where we looked at the amalgamation of the quangos, such as the Welsh Development Agency, which were brought into the Welsh Assembly Government in 2006. There was no long-term cost saving, and the number of staff stayed the same and so on. All Assembly Members will also have been looking recently at, for example, the Proposed Local Government (Wales) Measure, and at what happened in 1997 and so on. So, if your objective is to provide a better service, then that is a tick in the box. However, if your objective is cost saving, then that can be an awful lot harder to deliver, and that is why I want to press you on this. I am simply asking whether we will really be able to see the same levels of service carried out with a cost saving. Also, on the chart that you held up, Mr Mills, there was a point in the middle where the three organisations were overlaying each other. So, a rational mind would say that there will have to be a redeployment of staff there, and that people will lose their jobs and things will change. Or will you keep all the same people? I am

just trying to understand where that cost saving could be and where the reductions that you talked about earlier would be seen.

[82] **Mr Mills:** To respond to that specific point, what I would like to emphasise is that that crossover is about outcomes. The outcome is common, but the role in helping to deliver that outcome could be very different and is very different in the three organisations. That does not necessarily identify efficiency savings, but what it does is to offer greater effectiveness through integration. So, some efficiency savings may come through better integration, but it is not primarily about that. It is just to say that we work in the same area and contribute to the same environmental outcomes.

[83] **Mr Leinster:** The driver for this is not a cost-saving one. However, we know that we have reduced funding, and therefore the driver for us is how we maximise the environmental outcomes that we deliver for the same unit of input. So, the measure that we need is one to increase our productivity. So, by bringing the bodies together and by being more focused and looking at the best ways to deliver an agreed outcome, we can improve our productivity. The experience that we have all been able to demonstrate as individual organisations is that we are improving our productivity over the years. So, we know how to do this, but bringing the three bodies together is just another way of offering more opportunities for improving productivity.

[84] **Kirsty Williams:** Roger, is it a politician's myth that money can be saved by amalgamating organisations such as this?

[85] **Mr Thomas:** I do not think that it is a myth at all, because we know through the shared services work that we can save money. To answer Angela's point about jobs, and perhaps Paul and Chris will want to come in on this, the Environment Agency and Forestry Commission Wales receive services from outside Wales, so if those services were provided from within Wales, then, yes, I guess there would have to be job losses in England and Scotland, but there will not be in Wales. We can focus that service delivery within Wales.

[86] **Kirsty Williams:** Angela, is there anything further that you would like to ask?

[87] **Angela Burns:** No, I think that it would be difficult to answer the rest of it until the natural environment framework is in place. However, this area needs to be looked at carefully, because it is sometimes easy for it to just gallop away from you. As I said earlier, there is a huge difference between collaboration, which tends to have huge benefits, and amalgamation, which can sometimes go pear-shaped.

1.45 p.m.

[88] **Kirsty Williams:** On the issue of cost, the Minister says in her paper that the only significant costs in establishing the body are for pensions and information and communications technology changes. That sounds incredibly optimistic to me. Do you have a view?

[89] **Mr Mills:** They are the two significant areas. We have to find a way forward on pensions, as they are complicated by their nature, and they have also been challenging in other situations where new organisations have been created from component bodies. So, there are certain models for pensions. For example, if agency staff were to transfer into the civil service pension scheme, because the agency scheme is not fully funded—it is quite healthy in that it is 95 per cent funded—there would be a significant cost of transfer. However, we are still working on the most cost-effective way of dealing with pensions.

[90] IT can be very costly, but it depends on exactly what you want to do. There are two separate costs—one is to set up the IT system in the first place, which could be relatively

cheap, because you just need the basic things, but it could be more expensive later on in terms of securing all the IT infrastructure that you need.

[91] **Kirsty Williams:** I do not doubt that pensions and IT are possible significant areas of cost; my concern is that the Minister is being incredibly optimistic if she thinks that those are the only two areas. Do you have any views on whether there are other areas that could add significantly to cost?

[92] **Mr Thomas:** No other significant costs have been identified in the work that we have done to date, although the organisations have different pay scales, for example, and CCW and the Forestry Commission are part of the civil service non-contributory pension scheme. Although agency staff, on the face of it, look as if they earn more, they have to put a significant percentage of that into their pensions. When you balance that out, the pay scales look very similar.

[93] **Rhodri Glyn Thomas:** Beth fyddai'n digwydd pe bai'r uno yn digwydd? A fydddech yn rhagweld problemau yn y cyfnod trosiannol o ran darparu eich gwasanaethau, ynteu a fyddai hynny'n gallu cael ei wneud yn weddol llyfn, gyda phopeth yn mynd yn ei flaen yn union fel ag y mae?

**Rhodri Glyn Thomas:** What would happen if the merger took place? Would you foresee any problems in the transition period with regard to providing your services, or could that be relatively seamless, with everything continuing exactly as it is?

[94] **Mr Parry:** Mae'r broses o feddwl am y materion hyn yn dechrau yr wythnos nesaf. Mae'r grŵp llywio yn cyfarfod gyda chynrychiolaeth o'r tri chorff ac uwch swyddogion y Llywodraeth, a byddwn yn dechrau meddwl am ail gyfnod y gwaith hwn. Ni allwn ragweld beth fydd y penderfyniad yn y pen draw, ond byddwn yn dechrau meddwl am gyfnod lle bydd y ddarpariaeth bresennol yn newid i fod yn rhywbeth arall. Felly, pe baech yn ein holi mewn tair wythnos, efallai y byddai gennym ychydig mwy i'w gynnig. Yr ydym yn ymwybodol o hyn, ond mae'r cam nesaf yn dechrau gyda cyfarfod y grŵp llywio wythnos nesaf.

**Mr Parry:** The process of thinking about these issues will begin next week. The steering group will meet with representatives from the three bodies and senior officials from the Government, when we will begin to think about the second phase of this work. We cannot foresee what the ultimate decision will be, but we will begin to think about a phase where the current provision will change to become something else. Therefore, if you were to question us in three weeks' time, perhaps we would have something more to offer. We are aware of this, but the next phase begins with the meeting of the steering group next week.

[95] **Rhodri Glyn Thomas:** Yn anffodus, ni fyddwn yma mewn tair wythnos—bydd pethau eraill ar ein meddyliau.

**Rhodri Glyn Thomas:** Unfortunately, we will not be here in three weeks' time—our minds will be on other things.

[96] **Mr Leinster:** As we all know, if you go through major change, there will be a reduction in productivity. It is natural that people will be thinking about having to apply for jobs and about moving locations. As I said earlier, this is not the first change that we have gone through within our different organisations. We are going through significant change programmes at the moment. For example, we are merging two of our regions in England—the southern and Thames regions are coming together, which has led to a significant reduction in staff. We have managed to keep our basic service going through that period, although some productivity will have probably been lost. So I think that this is manageable, but it does need to be managed actively. I think that we have the experience and the knowledge to do that.

[97] **Mr Thomas:** What I said at the beginning about the importance of designing the organisation and planning properly is pertinent to this question. You talked earlier about the

fact that CCW lost the agri-environment scheme in the bonfire of the quangos. At that stage, we had about 700 staff, and, although we lost 100 people, we retained about 20 full-time-equivalents on the agri-environment schemes, given that we were a consultee. So, we then had 620 people. Today, we have 440, but we are delivering more than we were four years ago. Provided that you engage with your staff and stakeholders and talk them through what you are doing—and we have been very clear throughout the process, since July, meeting all our staff, keeping them informed regularly and getting them involved in the debate—you can bring people with you. It is all about doing that within the organisations and outside them.

[98] **Rhodri Glyn Thomas:** Yr wyf yn derbyn hynny, ond yn dilyn yr hyn mae Roger newydd ei ddweud, ac i raddau yr hyn yr oedd Paul yn ei ddweud, gellir parhau i gynnig y gwasanaeth, ond a oes perygl mewn proses fel hon o gollu arbenigedd, yn enwedig os ydym yn sôn am leihau'r gweithlu i'r math o ffigurau yr ydych newydd eu defnyddio? Gallaf weld ei bod yn beth da bod rhesymoli yn digwydd os yw elfennau o'r gwasanaeth yn cael eu dyblygu, ond a oes perygl y gellid colli arbenigedd yn y sefydliadau hyn pe baent yn cael eu cyfuno?

**Rhodri Glyn Thomas:** I accept that, but following on from what Roger has just said, and, to an extent, what Paul has said, the service can continue to be provided, but is there a danger in a process such as this of losing expertise, especially if we are talking about reducing the workforce to the sorts of figures that you mentioned? I can see that rationalisation is a good thing if elements of the service are being duplicated, but is there a danger that expertise could be lost in these organisations if they are merged?

[99] **Mr Parry:** Oes, mae perygl, a mater i reolwyr y tri chorff yw penderfynu ar sut y bydd y gwaith o gyfuno a chreu corff newydd yn symud ymlaen. Mae arbenigedd yn y tri chorff, a byddai colli'r gweithwyr mwyaf profiadol yn broblem—dyna yw fy mhryder i. Fodd bynnag, mae'r dynion hyn yn gyfarwydd iawn â sut i ddelio â materion cadw staff neu hyfforddi staff newydd i gymryd eu lle. Felly, bydd yn her, ond nid yw'n amhosibl.

**Mr Parry:** Yes, there is a danger, and it is for the managers of the three organisations to decide on how the work of merging and of creating a new body moves forward. The expertise in the three bodies is of a high calibre, and it would be problematic to lose our most experienced staff—that is my main concern. However, these gentlemen are well used to dealing with staff retention or training new staff to replace them. That will be a challenge, but it is not impossible.

[100] **Mr Leinster:** We are having to reduce our numbers anyway. As I said earlier, the benefit of bringing the three bodies together into a new body is that we maximise the effectiveness and increase the productivity. On the reductions that are going through now, the loss of expertise is a major concern for us, and it is one thing that we have to get managers to focus on. Making sure that the bodies have the needed technical resilience is a prime task for us as managers. So, there is a clear focus in the Environment Agency—and I know that the same is true in CCW—on ensuring that we maintain our technical resilience.

[101] **Lorraine Barrett:** What work is being completed to establish which statutory and non-statutory functions you are responsible for? How would that be affected and taken forward if the merger were to occur?

[102] **Mr Mills:** It goes back to the fact that the steering group that has been set up will look at that. It is not possible to answer that question until that group has got into that work and is giving a steer as to what exactly the new organisation's role should be.

[103] **Kirsty Williams:** That is the difficulty that the committee faces at the moment. We are coming to the end of our work at a time when it is difficult to know some of the detail that will emerge from consultations that are going on.

[104] **Lorraine Barrett:** I do not know whether you will give me the same answer, but are you able to give us any early thoughts on how competing environmental requirements would be considered and decided upon?

[105] **Mr Mills:** Do you mean in terms of the overall environmental priorities?

[106] **Lorraine Barrett:** Yes. How would the environmental requirements delivered by the new single body be considered and decided upon, given that you have two, if not three, competing—

[107] **Mr Thomas:** We are complementary rather than competitive, I think.

[108] **Lorraine Barrett:** Yes, complementary and competing—challenging.

[109] **Mr Mills:** In our evidence, we highlighted three areas that we think are of pressing importance to the environment in Wales. One was sustainable land use, which I am fairly confident the Countryside Council for Wales and the Forestry Commission Wales would fully support. The second is adaptation to climate change, which, again, would be a big priority for any new organisation. The last was the need for a national infrastructure and natural resource plan so that we can manage development in areas where the least environmental impact will be encountered, rather than dealing with development that causes environmental problems, because there has not been that overview of where the least damaging consequences might be.

[110] **Kirsty Williams:** I do not suppose that any of those are things that CCW would find disagreeable.

[111] **Mr Parry:** No. It is just interesting that those three priorities address future challenges—the need to manage land in an integrated way, responding to climate change and so on. This is exactly the way we should be thinking, rather than trying to cobble together the things that we have inherited from 100 different Acts of Parliament over 50 years and asking which of those we carry on doing. That would be the wrong way of doing it. There are clearly statutory duties and legal requirements on all three bodies that we must carry on. We cannot simply stop regulating industry or providing public access. We cannot stop doing certain things, but the way to address this is to look forward and map out future challenges. There are a number of things around the edges, of course, where political priorities might come in and where you, as politicians, will need to influence the terms of the debate. One of those is education. There is very little in the way of statutory requirements on us to educate the public. However, if you ask people what they expect from Government bodies, they will say that educating young people and engaging people in decisions—the softer things that are not set out in legislation—are the areas where there needs to be a debate. I am firmly of the view that we need to educate and engage, but these are all in the mix as the design of any new body goes forward. I think that you will be playing an important role in that as politicians.

[112] **Mr Thomas:** To refer back to the outcome that we are trying to achieve, it is about living within natural limits. We have to do that; we all know that we are eroding resources all over the place and we see the consequences of that in things that are happening worldwide at the moment. That was my compelling reason for change, because we do not seem to be getting the message across to all sectors of society, from policy decisions through to how people operate in communities. So, I hope that this new body will have a major role in the way that we engage in the debate. Education is hugely important. We term it ‘education’, but that engagement with people is where we are getting it wrong at the moment—or not getting it right, certainly.

[113] **Kirsty Williams:** Angela, did you want to raise the issue of working cross-border and the synergies between organisations?



[114] **Angela Burns:** Yes, but may I first ask a question following on from Lorraine's question about conflicts? At the moment, the Environment Agency will regulate something according to the law, whereas you have a slightly more aspirational view. You are looking at something that we perhaps need to do that may not be laid down in law. You may have a target in law, but you are trying to go a bit beyond the target in order to achieve a good outcome, while the Environment Agency is saying, 'We are here to do the regulation'. That must be an area of conflict in various situations. How might that be managed?

[115] **Mr Thomas:** I am not sure whether it is an area of conflict. However, having been involved with both organisations in my career, when I am asked what the difference is between the two bodies, yes, I say that the agency is primarily a regulator and CCW is primarily an enabler. However, both organisations do some enabling and we both do some regulation. It is about how we bring it together. To achieve the outcomes we need to be more ambitious.

[116] **Angela Burns:** It will have to come down to policy, to the direction from Government.

2.00 p.m.

[117] **Mr Mills:** You are absolutely right, with things like regulation you have to follow the law. However, the point to be made is that, in our regulation, we often try, on a voluntary basis, to encourage organisations to go beyond the law. There are a number of examples where, voluntarily, companies have gone beyond what they are obliged to do under the law because they see that as good practice. In many cases, it saves them money, and so on. We have more of an ambition than just to meet the law, but obviously, it is the law and you have to comply with it.

[118] **Angela Burns:** I just wondered if you might quickly be able to give us an update on the Public Bodies Bill, because I do not think that this merger can go through unless that enables it. I have not had an update, and I do not think that committee has. Do we know where we are with it?

[119] **Mr Leinster:** It is still in discussion. It is still at the committee stage.

[120] **Angela Burns:** Finally, you talked earlier about the fact that having one organisation here would have an impact on jobs in Scotland and England. What other cross-border issues might there be? I suppose that that is particularly addressed to the agency.

[121] **Mr Mills:** The most obvious issue is that we have a lot of cross-border water bodies, whether they are rivers, like the Severn, the Dee and the Wye, or common estuaries such as the Dee estuary and the Severn estuary. We currently work across those boundaries as separate parts of the Environment Agency anyway. That would have to be formalised in any new arrangement. It is all practical and can all be managed. There are other examples of managing between Scotland and England or Northern Ireland and the Republic of Ireland. The other area to be looked at is that many of the EU directives apply UK-wide. Clearly, there is a need for a degree of consistency in their application. It would be important for any new body and any new Government, in creating legislation to bear in mind the potential implications of that.

[122] **Mr Parry:** Could I answer two of your questions? First, my understanding is that the 'yes' vote in the recent referendum now provides powers for the Welsh Assembly Government to make the changes required, notwithstanding the fact that the Public Bodies Bill is taking its course.

[123] **Angela Burns:** So, we do not need the Public Bodies Bill at all?

[124] **Mr Parry:** I do not think that we do. You should talk to a lawyer about that, but my understanding is that the power is now there to do it.

[125] I fully support what Chris has said about residual or federal functions at the UK level. They are critical, because we cannot do everything ourselves. At the moment, we share a lot with country agencies in Scotland, Northern Ireland and England. I am a member of the joint nature conservation committee, which was set up when the Countryside Council for Wales was created, in recognition that devolving quite a lot of functions is possible and desirable, but there are still some things, such as standard setting, that are done jointly. A lot of research is done at the UK level, and those links mean that we are able to influence and work closely with Europe on matters where there is European regulation. That level needs to be strengthened. This is not a time to be underfunding that effort. I am strongly in favour of devolution, but if we try to do everything ourselves, we will do some things badly, because we simply will not have the resources to do them. At some point, we need to factor in what we will do. I would rather see us having some ownership of a body at a UK or GB level rather than contracting into a body in England at commercial rates, because I would imagine that that would be a lot more expensive and we would not have as much control over what happens. Having ownership in the way that we do with the joint nature conservation committee is one of the things that has not yet been given enough thought, but will need to be considered in the months to come.

[126] **Mr Thomas:** We could look to history as well, of course, for an alternative model. I have a fifth century map that shows Wales extending eastwards to Peterborough.

[127] **Angela Burns:** An excellent idea—I am all for empire-building.

[128] **Kirsty Williams:** That brings us to the end of our questions this afternoon. I thank you for your attendance. As this is the last meeting of this Sustainability Committee in this third Assembly, I would like to take this opportunity to thank both organisations and your staff for the immense amount of work that you have put into the work of this committee over the last four years. We are very grateful. Some of you have been before the committee on an almost permanent basis, it seems. I am grateful, as are all of the committee members, I am sure, for your help in our work over this term. Some of us will look forward to seeing you, hopefully, next term.

[129] **Mr Parry:** We have always enjoyed it, and we have always taken it very seriously. The work of the committee is hugely important to the development of government in Wales, so thank you as well for your work.

[130] **Kirsty Williams:** Thank you for that.

[131] **Rhodri Glyn Thomas:** If there is a merger, we might see just one of you. [*Laughter.*]

[132] **Mr Parry:** That would be more efficient.

[133] **Kirsty Williams:** Okay, we have not broken up yet.

2.05 p.m.

**Adolygiad o'r Opsiynau Cyflenwi Amgylcheddol: Sesiwn Dystiolaeth  
Review of Environmental Delivery Options: Evidence Session**

[134] **Kirsty Williams:** We will continue our questioning under this item. We welcome to the table Mr Trefor Owen, who is here representing the Forestry Commission Wales. Thank you very much, Mr Owen, for taking time to join us this afternoon and for your paper. How much input has your organisation had into the feasibility study?

[135] **Mr Owen:** We have had a significant input to the process—as much as the other two bodies. We started on the journey in July last year, and the first phase came to a conclusion around Christmas time. We have been involved throughout the process. We allocated staff time to assist the process.

[136] **Kirsty Williams:** Were you content with the way in which your organisation was involved?

[137] **Mr Owen:** Yes. As I said, we have been involved right from the start of the process, so I am very comfortable with that.

[138] **Leanne Wood:** The Minister has said that establishing a new body would provide the greatest opportunities to improve the efficiency and effectiveness of the delivery of environmental policies in Wales. Do you agree?

[139] **Mr Owen:** I think that we need to recognise that that is an ambition at this stage. As we have heard already, the first phase was very much a desk exercise. We were just looking for showstoppers as far as creating a new body is concerned. There is now a second phase of work that is looking in much more detail at purpose, functions and form. I think that we need to wait until that exercise is complete, together with the exercise to define the goal and the functioning of the natural environment framework. Only then can we be sure whether we can answer that question. It is premature to say ‘yes’ or ‘no’ at this stage. However, I certainly recognise that it is an ambition.

[140] **Leanne Wood:** Do you believe that the shared services model for some aspects of the delivery bodies should be pursued before the new body is established?

[141] **Mr Owen:** We are working now on looking at one particular option, developing a business case for the creation of a new environmental body. Inevitably, work will be done to revisit the issue of shared services. As I think the committee has commented this afternoon, a great deal can also be achieved through collaboration without significant cost. That will be a thread running through the detailed work that is now under way, looking at how best the new environmental body would function.

[142] **Leanne Wood:** So, do you think that it would make sense to try collaboration before moving to amalgamation?

[143] **Mr Owen:** Collaboration is taking place now. It is possible to build on that without any organisational change or legislation. There is sufficient freedom within the vires of the three organisations to work more closely. However, you will hit a point where it is not possible to collaborate further because of legal restrictions or whatever. So, if we are now looking at the detailed work of what can be achieved through a merger, effectively, creating a new body, as part of that exercise, we need to be looking at what we can do currently and how far that takes us. Then we need to look at the added value beyond that in terms of moving to a very different institutional framework in Wales.

[144] **Leanne Wood:** If I have interpreted what you have said correctly, it will mean more collaboration in the transition period if we are talking about amalgamation.

[145] **Mr Owen:** Whether it is in transition or beforehand, collaboration is something that

is always open; we do not need to wait for institutional change to build on the collaboration agenda. That is something that we should always be doing in terms of looking at effectiveness, efficiency and economy. There is potentially more growth in that area. It is only fairly recently that the three chief executives—the last two or three years, perhaps—have started working in a more structured way in looking at sharing some services and sharing accommodation. For example, we have a regional office in Dolgellau, which now houses CCW staff on the top floor. That is very good for developing culture, respect and better understanding of agendas. The Environment Agency may well be joining us in that building. Similarly, we will be looking to place some of our staff in north Wales in CCW offices because it makes good business sense, and it also generates additional benefits. However, that does not require any change in legislation, and it does not cost anything.

[146] **Lorraine Barrett:** In the Countryside Council for Wales's paper, it says that it will be very important for Forestry Commission Wales to be part of the new single environment body. What is your opinion on that?

[147] **Mr Owen:** I do not think that I will express an opinion; that is the Countryside Council for Wales's opinion. I noticed that it had put that in its paper, but I am not sure what the justification behind that comment is.

[148] **Lorraine Barrett:** Surely, you would have a view as to whether it would be beneficial for Forestry Commission Wales to be part of the new single environment body, regardless of what the Countryside Council for Wales believes.

[149] **Mr Owen:** Going back to what I said earlier, I am an agent of the Minister and I do not represent an Assembly-Government sponsored body; the Forestry Commission operates as a Government department. My task is to give the Minister and Government the best advice. I want to give that advice throughout this process, but we are not yet at a stage where I can give very clear advice about the benefits of moving one or more organisations into a different model, because there is a significant amount of work to do to define the goals under the natural environment framework. Work will need to follow from that logically, namely the institutional arrangements that we will need to put in place to make sure that we have alignment between the Government's outcomes and priorities, and the best way to arrange and organise ourselves to deliver those outcomes. We will work through that, and if there is a clear case for change, I will have to put aside my personal views on my institution to give the Minister the very best advice.

[150] **Angela Burns:** I understand the difficult situation that that question puts you in, because, as you said, you are following the lead of your Minister. However, could you give a view as to whether or not a regulatory body, an enabling body and a commercial trading body could comfortably live together within one skin?

[151] **Mr Owen:** I am not familiar with that model within government in the UK or anywhere else in Europe. I am also aware that a number of forestry stakeholders have raised the same question as part of the consultation. That question has not yet been answered, and it will have to be considered as part of developing the business case.

[152] **Alun Davies:** I can understand your reticence in these matters, but it is fair for the committee to ask a question and for you, in answering it, to provide more than a narrative, because we all know what the debate is and what the discussions are. We all know what work needs to be done, because it is in the papers that you have provided. What we are interested in are your views on that process. We know what the process is—you do not need to describe it. Do you have a clear view on whether this proposal would have significant merits and benefits for environmental policy in Wales?

2.15 p.m.

[153] **Mr Owen:** I am entirely comfortable with that process—that is the answer to that part of your question. However, I return to my earlier answer, which is that I am not entirely convinced that we have a compelling case for change. We need to work through the business case.

[154] **Alun Davies:** So, you are not convinced.

[155] **Mr Owen:** Not at this stage.

[156] **Kirsty Williams:** I think that that answers Irene's question.

[157] **Joyce Watson:** It has answered mine, too. It has certainly answered the first part.

[158] Do you believe that the loss of Forestry Commission Wales as an identifiable body could potentially lead to a loss of focus on forestry, for example, in the delivery of the woodland strategy or in using UK combined research to combat pests and diseases?

[159] **Mr Owen:** The creation of a new institution would not necessarily lead to the losses that you described. Some thought would have to be given to how that is arranged and supported, but in terms of the principles, we have concluded that it is feasible at this stage for forestry functions to sit within a different institutional arrangement. What we have not yet done, as I have said, is to work out the detail of the risks or the detailed arrangements. We heard about Chinese walls and the like earlier; we have not reached that level of detail yet.

[160] **Kirsty Williams:** To summarise your position, you would accept that it is perfectly feasible and possible to create such an organisation, but you are yet to be convinced that it would be desirable to do so.

[161] **Mr Owen:** It is not a question of desirability, Chair; it is for Ministers to decide what is desirable. My concern at the moment relates to the availability of clear evidence for any change. I think that we are at a stage when it is too early for me to say that sufficient evidence is available to answer questions about costs, risks and performance risks. It is too early.

[162] **Kirsty Williams:** We appreciate your frankness.

[163] **Angela Burns:** Could you explain a little about the money that your organisation makes? You have put in your submission—thank you for that, by the way—that you deal in wood to the value of £10 million a year, that you generate nearly £20 million a year in income and, rather impressively, that you support 22,000 jobs in forestry, wood processing and recreation businesses in Wales. Where does your income of around £20 million go now? How is it deployed?

[164] **Mr Owen:** There is a very simple summary of costs in my paper. Our accounts are extremely complicated, as you can imagine. Effectively, we spent £40 million on delivering all the programmes that are listed in the paper. We are able to generate £20 million in revenue as a contribution towards that £40 million spend. We are very grateful, obviously, for the balance, which is provided by grant in aid from the Welsh Assembly Government.

[165] **Angela Burns:** I do not know whether you had a chance to see Mr Mills's little pie charts, but, basically, there were three overlapping circles with a huge bit in the middle in which all three organisations have this enormously long list of shared outcomes. You talked about collaboration at the back end of the process, as it were. Can you foresee significant collaboration in the outcomes that you are asked to achieve with your £40 million-worth of

spend? Do you therefore think that some of that £40 million could be redeployed within the bigger agency, that is, if we had one agency incorporating all three separate organisations? Also, do you have any views on whether what could happen to the Forestry Commission could yield a good revenue stream that would allow this bigger environment organisation to go forward?

[166] **Mr Owen** You are absolutely right that the three bodies are focused on common outcomes. These are the essence of sustainable development. Forestry in this country embraced sustainable development much earlier than many other sectors. Forestry in the UK has been a world leader in sustainable forest management, which is about creating that challenging mix of social, environmental and economic outcomes, often from the same piece of land at the same time. A large part of the work that we do in Government is managing the relationships between the landowners and stakeholders who have particular interests in one or two of those three sustainable development themes. So, the practice of sustainable forest management is part of those high-level outcomes that we are pursuing here in Wales. We express that through the Government in Wales through its ‘Woodlands for Wales’ strategy. That is the Government’s public statement of its response to its international obligations in terms of sustainable forest management. We play a part in providing advice, and obviously the Government asks us then to go and deliver, or enable delivery of that strategy.

[167] Moving forestry into another organisation does not necessarily have to change those outcomes. It is a matter for Government, if it wishes to change those outcomes. It will be a matter for Government again in terms of resource allocation between the different functions that a particular body—a larger body, perhaps—may have to exercise. My job is to provide good advice to Government on the options for moving resources, because every change has a consequence, whether positive or negative, and there are often cost implications. If there is change, I am very comfortable with providing advice on the implications of moving resources to the Minister, whoever he or she may be, or to a new chief executive, if there is one, depending on the status of that body. I do not have a problem with that; it is normal business management.

[168] **Angela Burns:** Will there be any other costs for this merger? We have already talked about ICT and pensions. If the merger were to go ahead and all three organisations came together, do you foresee any other significant costs?

[169] **Mr Owen:** Yes, there will inevitably be costs of change. The committee has touched on performance issues. It also depends on the type of merger—it is all rather hypothetical at this stage. For example, I draw some of my scientific evidence from a shared resource and if it were decided to split that resource into England, Scotland and Wales provision, there could be cost implications that the Welsh Government might have to bear. There will also be a risk in that expertise being less accessible to the Welsh Government because of different institutional arrangements. I would package risks into one area, which is the cost of change, and once you are through that, then everything should be fine.

[170] **Alun Davies:** I am interested in the commercial activities aspect as well. The Forestry Commission has been enormously successful in both enabling and managing access to woodlands, forests and land across the whole of the UK, particularly Wales. Do you have any concerns about, and what advice are you giving Government regarding these commercial matters? Are you concerned that, if the Forestry Commission—which is probably far more attuned to the commercialisation of our resources than the other two bodies—were to be merged with them, that you would lose elements of that commercial culture within the organisation? Do you have concerns about funding issues, in terms of where your income would go in any new organisation?

[171] **Mr Owen:** I would not call them ‘concerns’. What I would point out—and I think

that the stakeholders would do so as well—is the relationship between the Government’s forest service and the business community. Listening to the business community is going to be very important in answering that question because, technically, anything is possible in terms of moving Government functions around. What is important is understanding the potential implications, not just in terms of cost, but in terms of culture and how that is interpreted or perceived by stakeholders. I know that a number of stakeholders have raised concerns along the lines of your question as part of the consultation. We manage that relationship. You can imagine that it is a tricky relationship—trading with Government. Most businesses trade with consumers or business to business, but many people in Wales in the forestry sector trade with Government, and that exposes them to all of the cultural differences of working with Government as opposed to business to business or business to consumer. We obviously have to comply with public sector procurement rules and other rules that the business sector does not otherwise have to deal with. So, I think that there is a risk with regard to how that culture change—and it would be a culture change—would be interpreted.

[172] The risk it poses has to do with the fact that the timber sector is a very competitive sector; it is a global sector. Wales has what we believe to be an emerging world-class timber processing sector. It generates about £400 million of GVA per annum. It employs people in rural areas in well-paid jobs, using state-of-the-art technology. There is always a choice for these companies in terms of where they locate and where they invest, and business confidence is something that we have to take account of. It is something that I have to take account of in giving advice to Government on any changes that it may wish to consider as part of refreshing constitutional arrangements.

[173] **Alun Davies:** Thank you for that; it was very useful. I spent lunchtime talking to some business people who are very concerned about decision making within Government, and particularly in the business enterprise area. Their concern is that, since the abolition of the WDA, decision making has slowed down considerably in Government and that it is more difficult to take commercial decisions. Let us assume that that is a fair criticism: how would you as the Forestry Commission seek to ensure that that does not happen in this sector, if this merger goes ahead?

[174] **Mr Owen:** At this stage, I do not know whether we would necessarily change anything. We are talking about a hypothetical change and a hypothetical cultural change. What I am saying is that it is a significant risk. The business sector needs to follow us on this journey and to be part of the process of developing an understanding of what the natural environment framework is all about. It is not just about the environment; it is about how the environment contributes a range of services through various ecosystems. Fibre, food and fuel are all valuable services that are produced by our ecosystems. As you would expect, I have a particular focus on sustainably managed wood fibre, which is grown, harvested, restocked and managed in woodland ecosystems. That fibre has a value beyond its environmental value; it has a financial value—

[175] **Alun Davies:** If it has a value, it is commercialised. It is that commercialisation process that I am concerned about. Surely, if you have that fundamental concern, you are considering how you protect that commercialisation in a much wider and more diverse organisation.

[176] **Mr Owen:** It is an area that I will be giving serious consideration to. However, we have not got to that point yet, Mr Davies.

[177] **Kirsty Williams:** I think that is quite clear and very helpful. Finally, Rhodri Glyn, do you have any further questions?

2.30 p.m.

[178] **Rhodri Glyn Thomas:** Yr wyf am eich holi ynglŷn â'r ffordd y mae'r Comisiwn Coedwigaeth yn bodoli fel sefydliad. Mae'n sefydliad ar wahân yng Nghymru, ond eto i gyd, is-adran weinyddol o'r Comisiwn Coedwigaeth Prydain Fawr ydyw. Cyfeiriasoch at y gwasanaethau gwyddonol a gewch chi drwy'r comisiwn Prydeinig ar hyn o bryd—yn ddi-dâl?

**Rhodri Glyn Thomas:** I want to ask you about the nature of the Forestry Commission as an organisation. It is a separate body in Wales, but, at the same time, it is an administrative division of the Forestry Commission of Great Britain. You referred to the scientific services that you currently receive from the British commission—are they for free?

[179] **Mr Owen:** Ie.

**Mr Owen:** Yes.

[180] **Rhodri Glyn Thomas:** Yr ydych yn cyfeirio yn eich papur at dalu £2.86 miliwn yn 2011-12 am wasanaethau. Ai gwasanaethau fel y rheiny y byddai'n rhaid i chi dalu amdanynt?

**Rhodri Glyn Thomas:** You refer in your paper to paying £2.86 million in 2011-12 for services. Are those the kind of services that you would have to pay for?

[181] **Mr Owen:** Na. Mae dwy lefel i'r gwasanaeth a gyflawnir ar ein rhan gan rannau eraill o'r Comisiwn Coedwigaeth. Y rhan gyntaf yw'r gwasanaethau corfforaethol, sef adnoddau dynol, technoleg gwybodaeth, ac elfennau o gyllid. Telir am y tri gwasanaeth hynny gan y comisiynau coedwigaeth yn Lloegr, yr Alban a Chymru—mewn ffordd, mae'r tair gwlad yn berchen ar y gwasanaethau corfforaethol hyn, a'r tair gwlad fydd yn penderfynu felly yr hyn sydd ei angen arnom, ar ba lefel y mae angen y gwasanaeth, a faint yr ydym i'w gyfrannu at hynny, sy'n dibynnu ar i ba raddau y mae'r comisiynau'n defnyddio'r gwasanaeth hwnnw. Mae'r £2.86 miliwn yn cyfeirio at adnoddau dynol ac yn y blaen sydd yn cael eu rhannu dros gorff o dros 3,000 o bobl. Mae 400 o bobl gennyf yng Nghymru, felly ni fyddai llawer o synnwyr mewn cynnal adrannau adnoddau dynol, technoleg gwybodaeth a chyllid ar gyfer corff gweddol fychan.

**Mr Owen:** No. There are two levels to the service that is delivered on our behalf by other parts of the Forestry Commission. The first part consists of the corporate services, namely human resources, information technology, and finance elements. The three services are paid for by the forestry commissions in England, Scotland and Wales—in some respects, the three countries own these corporate services and the three countries will therefore decide what we need, at what level the service is required, and how much we have to contribute towards that, depending on the extent to which the commissions use that service. The £2.86 million relates to human resources and so on that are shared over a body of 3,000 people. I have 400 people in Wales, so there would be little sense in running departments for human resources, information technology and finance in an organisation of such a comparatively small size.

[182] Gyda llaw, Cymru sy'n talu'r £2.86 miliwn hynny—mae'n dod o'r £40 miliwn. Mae cyfraniad gan y Cynulliad a chyfraniad o'r hyn yr ydym yn ei ennill drwy'r farchnad.

By the way, the £2.86 million is what Wales pays—it comes out of the £40 million. There is a contribution from the Assembly Government and a contribution from what we earn through the market.

[183] Mae'r ail fath o gostau am wasanaethau yr ydym yng Nghymru yn eu derbyn yn cael eu hariannu yn bennaf drwy DEFRA. Fel rhan o'r broses o ddatganoli cyfrifoldeb dros goedwigaeth a ddechreuwyd 10 mlynedd yn ôl, mae DEFRA'n ariannu'r

The second set of costs for the services that we in Wales receive is funded primarily by DEFRA. As part of the process of devolving responsibility for forestry that was started 10 years ago, DEFRA funds all the work on research—that research is world class.



holl waith ymchwil—mae'r ymchwil honno o'r radd flaenaf.

[184] **Rhodri Glyn Thomas:** Forest Research yw hi, onid ydyw?

**Rhodri Glyn Thomas:** That is Forest Research, is it not?

[185] **Mr Owen:** Ie. Mae DEFRA'n cyfrannu ychydig dros £10 miliwn at y gwaith hwnnw, ond nid yw Cymru'n talu ceiniog am y gwasanaeth hwnnw ar hyn o bryd.

**Mr Owen:** Yes. DEFRA contributes a little over £10 million toward that work, but Wales does not pay a penny for that service at the moment.

[186] Rhywbeth arall sy'n cael ei rannu—

Something else that is shared—

[187] **Rhodri Glyn Thomas:** Onid yw hynny'n cael ei adolygu ar hyn o bryd?

**Rhodri Glyn Thomas:** Is that not under review at the moment?

[188] **Mr Owen:** Ydyw, mae proses adolygu yn mynd rhagddi, ac yr ydym yn rhan ohoni. Yr wyf yn cynrychioli buddiannau'r Gweinidog yng Nghymru yn y gwaith hwnnw.

**Mr Owen:** Yes, the review process is under way, and we are part of that. I am representing the interests of the Welsh Minister in that work.

[189] Enghraifft arall o'r gwaith nad yw'n cael ei wneud ar ein rhan cymaint ag y mae'n cael ei ariannu ar ein rhan yw'r gwaith ynghylch iechyd planhigion a bioddiogelwch. Fel y dychmygwch, nid oes synnwyr mewn cael un rhan o Brydain yn gwneud hyn a'r afiechydon yn gallu ymwasgaru yn sydyn dros ffiniau. Felly, mae'r tair gwlad wedi cytuno ers sbel fod gwaith ar iechyd coed yn cael ei wneud ar y lefel Brydeinig, a bod rhan fwyaf y cost am hynny'n cael ei chodi gan DEFRA—mae'r gost honno'n sylweddol.

Another example of work that is not so much carried out on our behalf as funded on our behalf is the work on plant health and biosecurity. As you would imagine, there is no sense in having one part of Britain doing this when diseases can spread quickly across borders. So, the three nations have agreed for some time that work on tree health should be done at the British level, and that the lion's share of the cost for that should be borne by DEFRA—that cost is substantial.

[190] **Rhodri Glyn Thomas:** Pe bai un sefydliad yng Nghymru, yr ydych yn awgrymu y byddai cynnydd yn yr hyn yr ydych yn talu ar gyfer rhai o'r gwasanaethau hynny.

**Rhodri Glyn Thomas:** If there were a single organisation in Wales, you suggest that there would be an increase in what you pay for some of these services.

[191] **Mr Owen:** Mae risg yn hynny o beth, gan nad ydym wedi trafod goblygiadau unrhyw newid gyda Lloegr a'r Alban. Fel y gallech ddisgwyl, yr ydym wedi amlygu bod yn rhaid i'r broses ystyried y risg honno.

**Mr Owen:** There is a risk of that happening, as we have not discussed the ramifications of any change with England and Scotland. As you might expect, we have highlighted that the process must take that risk into consideration.

[192] **Kirsty Williams:** That brings us to the end of our questions to you this afternoon, Mr Owen. Thank you very much indeed for coming to the committee today and for sharing your views with us. We are very grateful to you.

[193] **Mr Owen:** Diolch yn fawr—thank you.

2.34 p.m.

**Cynnig Trefniadol  
Procedural Motion**

[194] **Kirsty Williams:** We have now reached the end of the public part of this afternoon's agenda. As Members will be aware, this is the final meeting of the Sustainability Committee in the third Assembly. On behalf of all the Members present, I want to take this opportunity to thank Aled, Meriel and the rest of the team who have provided us with such an excellent service over the years. We are greatly in your debt and, without you all, we would not have been able to carry out the work of this committee. So, I put on record my thanks to the clerking team, the Members' research service and all the members of staff who have assisted us in this work.

[195] I move that

*the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 10.37.*

[196] I see that the committee is in agreement.

*Derbyniwyd y cynnig.  
Motion agreed.*

[197] **Kirsty Williams:** I now declare the public part of this meeting closed. As someone once said: thank you and good night.

*Daeth rhan gyhoeddus y cyfarfod i ben am 2.35 p.m.  
The public part of the meeting ended at 2.35 p.m.*