



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

**Y Pwyllgor Cyfrifon Cyhoeddus
The Public Accounts Committee**

**Dydd Mercher, 10 Chwefror 2010
Wednesday, 10 February 2010**

Cynnwys
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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
Christine Chapman	Llafur (yn dirprwyo ar ran Irene James) Labour (substitute for Irene James)
Bethan Jenkins	Plaid Cymru The Party of Wales
Sandy Mewies	Llafur Labour
Jonathan Morgan	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Chair of the Committee)
Nick Ramsay	Ceidwadwyr Cymreig Welsh Conservatives
Jenny Randerson	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Janet Ryder	Plaid Cymru The Party of Wales
Joyce Watson	Llafur (yn dirprwyo ar ran Alun Davies) Labour (substitute for Alun Davies)

Eraill yn bresennol
Others in attendance

Clive Bates	Cyfarwyddwr Cyffredinol, Dyfodol Cynaliadwy, Llywodraeth Cynulliad Cymru Director General, Sustainable Futures, Welsh Assembly Government
Gillian Body	Partner Rheoli, Archwiliad Perfformiad, Swyddfa Archwilio Cymru Managing Partner, Performance Audit, Wales Audit Office
Mark Jeffs	Arbenigwr Perfformiad, Swyddfa Archwilio Cymru Performance Specialist, Wales Audit Office
Dr Peter Jones	Pennaeth, Rheoli'r Perygl o Lifogydd a'r Perygl i'r Arfordir, Llywodraeth Cynulliad Cymru Head of Flood and Coastal Risk Management Branch, Welsh Assembly Government
Andy Phillips	Arbenigwr Perfformiad, Swyddfa Archwilio Cymru Performance Specialist, Wales Audit Office

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

Alun Davidson	Clerc Clerk
Joanest Jackson	Cynghorydd Cyfreithiol Legal Adviser
Andrew Minnis	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 9.27 a.m.
The meeting began at 9.27 a.m.

Ymddiheuriadau a Dirprwyon Apologies and Substitutions

[1] **Jonathan Morgan:** Good morning. I welcome Members to the Public Accounts Committee. I remind everybody that ours is a bilingual institution. If you need translation from Welsh to English, headsets are available. Channel 0 is for amplification, and channel 1 is for the translation. I remind all Members to switch off their mobile phones, BlackBerrys and pagers. If the fire alarm sounds, please follow the advice of the ushers.

[2] We have apologies this morning from Irene James, Jeff Cuthbert, and Alun Davies. We have two substitutions in Joyce Watson and Christine Chapman, however. Thank you both for joining us this morning. I also welcome Jenny Randerson to the Public Accounts Committee. Jenny is technically substituting for Mike German this morning, but I understand that, subject to a decision in Plenary this afternoon, Jenny will be elected as a permanent member of this committee. We offer a warm welcome to you, Jenny. I place on record my thanks to Mike German for his work as a member of this committee for some 15 or 16 months.

[3] I also welcome Gillian Body and Andy Phillips from the Wales Audit Office. Before we move on to the next item on the agenda, Gillian wants to say a few words.

[4] **Ms Body:** Thank you, Chair. I suspect that you are all wondering how we are coping at the Wales Audit Office, so I will take this opportunity to say a few words about it. It is hard to imagine anything as traumatic for an organisation as the sudden departure of its head and the circumstances under which he has departed. You may be aware that the Wales Audit Office is currently led by an executive committee, which is now a team of three. I am on it, with my two fellow managing partners. We have been trying to hold the place together in these rather difficult times.

[5] As you can imagine, uppermost in our minds has been communication with staff. We have had a series of face-to-face and e-mail communications to ensure that all staff hear what is going on at first hand from us, rather than from reading about it in the papers or any other source. We have impressed upon staff that the allegations under investigation are a matter of Jeremy's personal conduct—they are not to do with his professional conduct as auditor general. We have also impressed upon staff the need to maintain business as usual.

9.30 a.m.

[6] Given the previous narrative about what was sometimes termed as 'unhealthy' management style within the Wales Audit Office, you might also be interested to know that, as managing partners, we have been inundated with support and encouragement from the staff. They have shown their appreciation for the open way in which we have communicated with them throughout, even if it is to tell them that there is no news and no developments; we have been trying to do that.

[7] As well as the support from staff, we have had support from stakeholders and audited bodies, and I also wish to express my thanks for the support that we have had from this committee. You might also like to know that the comments of the Chair, along with the comments from the Presiding Officer, have been provided to staff so that they know about the support that we have from the Assembly. With that, I express my thanks on behalf of the organisation for your support.

[8] **Jonathan Morgan:** Thank you, Gillian. I am very grateful to you for making those remarks. Perhaps you could take back to the Wales Audit Office our thanks to the staff for the incredible work that they do. We have highly professional and committed staff at the Wales

Audit Office, and we value the work that they do and the engagement that we have with them when members come to provide these reports to the committee. We appreciate the very difficult time that they have been through in the past week to 10 days.

[9] Before we move on to the first item of evidence, I also welcome guests who are in the gallery. I understand that we have visitors here who are on a programme that is being run by Public Administration International. They are undertaking a two-week internal audit and performance management training programme, so a very warm welcome to our guests in the gallery.

9.32 a.m.

**Risgiau o Erydu Arfordirol a Llifogydd Llanw yng Nghymru: Sesiwn
Dystiolaeth y Swyddog Cyfrifyddu
Coastal Erosion and Tidal Flooding Risks in Wales: Accounting Officer
Evidence Session**

[10] **Jonathan Morgan:** Members will be aware that we are in the middle of an inquiry, having undertaken evidence sessions at our previous meetings of the committee. I am delighted that we have the accounting officer with us this morning. Before we start, I ask you both to identify yourselves for the record.

[11] **Mr Bates:** My name is Clive Bates, and I am the director-general of Sustainable Futures in the Welsh Assembly Government, who is the accounting officer that covers the Department for Environment, Sustainability and Housing, the Department for Rural Affairs and the Department for Heritage.

[12] **Dr Jones:** My name is Peter Jones, and I am the head of flood and coastal risk management branch within the Climate Change and Water Division.

[13] **Jonathan Morgan:** Thank you very much. If you are happy to do so, we will proceed to questions. We have 13 questions to ask, and probably some supplementary questions if time permits. Paragraphs 1.6 and 1.7 of the auditor general's report alludes to a sense of complacency about the risks posed by coastal erosion and tidal flooding. As the accounting officer, are you confident that the increased risks of coastal erosion and tidal flooding associated with climate change are recognised and well understood at all levels of Government, and that any complacency about this issue has now been overcome?

[14] **Mr Bates:** There is no complacency about this. We are heavily engaged in the process of adaptation to climate change. The risks are formidable and they were analysed in some depth in the Foresight 'Future Flooding' report, which painted a potentially troubling view of the future. As the sea level rises and as we expect more extreme weather—storm surges, storms, and so on—the risk of a given defence of a given height being overtopped will gradually increase over time. That is a fact, and each time a defence is due for some type of replacement or the risk becomes unacceptable, we have to make a decision as to whether to replace it, increase its height or adopt some other strategy for dealing with the risk. The way of deciding the right approach is through a long-term planning process—the shoreline management planning and the inland catchment flood-management planning approach—which will determine the best sort of policy to adopt in each particular circumstance. Within that, we have an investment appraisal and a cost-benefit analysis that will tell us which approach will give us value for money. We are in a position to respond to this and we are cognisant of the risk. We are getting good information from the climate impact studies that are telling us what risk assumptions to make. We do not necessarily have the money committed, for the next 100 years, to manage this with no increase in risk.

[15] **Jonathan Morgan:** What do you expect local authorities to do to improve their understanding of whether the coastal defences in their area are sufficient to protect against the future risks associated with climate change?

[16] **Mr Bates:** We are working closely with the Environment Agency and local authorities on the shoreline management planning process. That is the main planning process that aims to get a grip on how to handle the changing risks on the coast and to understand the various policies that could be applied in order to manage risk on the coast. The purpose of that is to try, in a given area, to provide us with a long-term framework for understanding the risks and designing policies. Once we have that—as you know, they will be refreshed by 2011—we will have a framework in which local government can bring forward investment programmes.

[17] That is not to suggest that nothing is happening thus far and that we are waiting for 2011 when some sort of starting gun will be fired. That is not correct. We are already adopting a risk-management approach. We have secured a considerable sum of additional funding from the European Union convergence and competitiveness funds, which amounts to about two thirds of our capital programme. We are using a strongly risk-based approach to that and we are starting to get back good proposals that have a good risk-based approach built into them. The system is working quite well and our progress going forward will make it deeper and stronger.

[18] If there is a problem, it is that we are not calling it New Approaches. We are carrying on with the convergence and competitiveness funds, the shoreline management programme, the Flood and Water Management Bill, and the response to Pitt and all the other things that have been keeping Peter and his team busy since 2007.

[19] **Lorraine Barrett:** In paragraphs 1.25 to 1.28, it is noted that there is a shift in focus to a risk-based approach to coastal management, as proposed by the New Approaches programme, but it is not unique to Wales and reflects similar thinking in England. I understand that there is relatively little good practice to follow, but the Netherlands has been dealing with this issue for many years and has made some good progress. What would a shift to a risk-based approach to coastal management mean in practical terms and what are the main challenges for the Government?

[20] **Mr Bates:** In some ways, the report suggests that we will move from just building defences to a completely different paradigm, but that is not quite what is happening, as acknowledged in the text of the report. This process of change has been happening over many years, but the risk-based approach looks at the risk that there will be a flood and at the consequences following a flood, and it attempts, across both aspects, to minimise the total amount of harm done to society. Given that we cannot always stop flooding, the question is how we can develop a harm-minimisation process. The kind of things that would be included would be better forecasting and understanding of how floods will arise, mapping floods, and a warning system that is personalised to each property. There was an announcement this week that people will be mandatorily included in the Floodline Warnings Direct system. It is about defending, and that could mean a proper defence at community level, but we are increasingly looking at resistance and resilience at property level—what you do to a property to stop water coming in, or ensuring that there are hard floors and metal cabinets, so that, if water should come in, it does less damage. That approach is now taking off and it will be coded into the building regulations. In addition, there is development control through TAN 15, which is about people living out of harm's way and not sitting, for example, old people's homes in places where they cannot be evacuated and so on.

[21] That process has been going on for some time and it is intensifying as we go forward.

It will be codified much more strongly in the flood-risk management plans that we must deliver under the EU directive and following the Flood and Water Management Bill.

9.40 a.m.

[22] **Lorraine Barrett:** Looking at this risk-based approach and at experiences from around the world—not just in the Netherlands—are you able to garner some of the good practice and learn from that? You have mentioned the building regulations and building control, and I am sure that other Members are interested in this. How much power is there to say that if you are going to build 20 new houses where there is risk of coastal erosion or sea flooding, you must build them in a certain way, build defences or build houses on a plinth?

[23] **Mr Bates:** The issue for new houses is much more straightforward. The planning system has finally got a grip on that. We have TAN 15 and a strong series of tests to determine whether new buildings can be located on a floodplain and under what circumstances and conditions. The problem has always been the existing housing stock. Housing, because it is on a floodplain and, therefore, vulnerable, is often cheaper, and you will find more deprived communities in such locations. The building regulations are not going to force people to upgrade their housing pre-emptively, but if there is a flood and repair is undertaken, the building regulations could require them to build in more resistance and resilience to strengthen the property in case a flood happened in the future. I believe that that is a good development.

[24] With regard to taking in international experience, Peter and his team are part of this international community and network, and are well connected with that. We also have the Environment Agency—which is an England-and-Wales body—that is very large and has large resources based at its headquarters, which we draw upon. They are also part of the international network. So, I feel that we are set up quite well to draw on best practice internationally.

[25] **Janet Ryder:** I would just like to ask you about building on floodplains. You have talked about TAN 15. We all know that there is increasing pressure on local authorities, especially as they are putting together local development plans, to identify that land for building. From my experience in the north Wales region, which I represent, I know that there are areas that have been clearly identified by Environment Agency as being in severe danger of flooding through surface water, and areas that are very close to the coast that are susceptible to coastal flooding. Should those areas be built on, how do you ensure that the impact of new buildings will be minimal on those areas that have been clearly identified as being in danger of surface water flooding? How will you ensure that water will not be displaced into areas that are identified as being in danger of severe flooding?

[26] **Mr Bates:** That is a good question. The 2007 floods in England brought this issue dramatically to the fore. Those floods were to do with surface water flooding and an overwhelming of drainage systems during severe downpours. It was not the typical type of flooding that the system is geared-up for, which is rivers breaching their banks after days of rain, or tidal storm surges and so on. That has prompted huge amount of activity around risk-management, which was led by the Pitt review. That review focused on that kind of flooding. I think that the problem with that kind of flooding is that it is much harder to categorise than fluvial flooding or coastal flooding. It is much harder to predict and to know where the water will go, because it is a function of the surface geometry and the specific downpour. It is not easy to draw a flood risk map for surface water flooding and, therefore, to say that developments should not be in a certain location. However, it is not impossible to do anything. Local authorities are now taking on responsibility for localised flooding. They are meant to develop, over time, surface water management plans with the water companies. We have Welsh Water, which is an important player in looking at how drainage is managed.

[27] If this surface water management planning identifies disproportionate risk—I am afraid that I do not know which specific circumstances you are referring to—then, exactly the same concerns would apply in relation to building in the conventional fluvial floodplain; you are just exposing people and putting them in harm’s way. There are mitigating measures, such as sustainable urban drainage and things that can reduce the speed of flow. One of the frightening things about that type of flooding is the sheer speed with which water moves over the surface. So, mitigating measures would be things that soften the surfaces and divert water into channels, or ensuring that drainage is unblocked. It is a package of things, but local authorities will be taking responsibility for that in the future.

[28] **Joyce Watson:** I have a real interest in surface water, and I have put forward an LCO on this. There are things that we can do now, following the Pitt review, and we should be doing them. How do you aim to take those forward? The difficulty, as I see it, in monitoring risk with surface water stems from the fact that we do not control the concreting over, as it is called, or the urban creep. Can you find out how much urban creep or concreting over has taken place? It is obvious that you cannot assess something that you do not know anything about. You spoke about sustainable drainage systems, but would you agree that it should not just be properties that are subject to SuDS? If you are building something new, then the entire surface area, including the car park or the access roads, should have permeable surfaces to keep the water where it is. You have just said that you do not know where it is going to go, and my response would be ‘do not let it go anywhere’.

[29] **Mr Bates:** I could not agree more. That, in a sense, is why having local authorities take responsibility for this, when they also have responsibility for the planning system and can impose conditions and so on—

[30] **Joyce Watson:** [*Inaudible.*] pass regulations against the advice—

[31] **Jonathan Morgan:** Order. We are not having a two-way conversation, Joyce.

[32] **Mr Bates:** It is a good point actually. It is difficult because we cannot, and do not want to, operate a command and control system from Cathays park telling local authorities what they should do. Ultimately, they have to make trade-offs between all the different competing demands of local development, and that is why, with regard to things like the guidance in TAN 15, the local authority ultimately decides. It is the democratically accountable body and it lives or dies by its decision. It can go against the Environment Agency if it is determined to do so. It will be the same with surface water management plans, but I suspect that when these things happen more, people will be more sensitive to it and local authorities will do the right thing; they will have surface water management plans and they will insist that SuDS be ubiquitous, as you suggest.

[33] **Jenny Randerson:** You refer in paragraph 1.13 to the need to make hard decisions. Paragraphs 1.29 to 1.45 point to the potential incidental benefits of sustainable coastal management solutions and things like the natural environment. The report refers to all of that. How will you ensure that you take full advantage of the incidental benefits that arise from the risk-based approach, as referred to in the audit report? What comes to mind is regeneration and local regeneration and, obviously, environmental benefits in terms of the natural habitat.

[34] **Mr Bates:** Essentially, the way in which the system works is that the Assembly Government responds to investment proposals that are made by local government and the Environment Agency, and are developed in local fora with many of the relevant players involved, such as the Countryside Council for Wales and the National Trust. In our overall objectives for flood-risk management there are environmental objectives associated with maintaining biodiversity and contributing to the biodiversity action plan, so we are looking

for signs of those things having been factored in and considered in the overall business case.

9.50 a.m.

[35] On regeneration, you are absolutely right that it would be a poorly conceived scheme if we had flood defences that just cut across creating something that had a high amenity value or that would develop a sense of place in a coastal town. So, again, we are looking for those kinds of synergies to be wrapped into the business case. Increasingly, that is happening as we move down this route. We do stress those sorts of benefits. The old model of building a ruddy great concrete wall to keep the sea out is not really how we are doing things now. Peter, you are more of an expert on this than I am. Do you wish to add anything?

[36] **Dr Jones:** Yes. I think that the strategic plans are a key element of this. They require a group of organisations with an interest in coastal flooding and coastal erosion risk to consider all the objectives for a particular community, including the economic, social and environmental objectives, before coming to a decision on the preferred policy for the area. Once that policy has been agreed, it is a case of delivering it. When we get to the delivery phase, the promoting authority—essentially, the local authority—will be undertaking a detailed assessment focusing on all the benefits resulting from a specific project, which would include all the social and economic benefits that would accrue.

[37] **Jenny Randerson:** How significant are these potential benefits when set against the more negative consequences, the obvious ones being the loss of homes and even communities?

[38] **Mr Bates:** In a sense, that would be assessed on a case-by-case basis. The primary objective is the protection of communities, people's homes and their property. When we carry out the investment appraisal, the objective of doing this ranks very highly. However, the interesting thing is that some of these risk-management approaches can create environmental benefits at no extra cost—indeed, at lower cost, often. If you create a mudflat where there used to be a flood defence, and that slows the movement of water, you may get lots of biodiversity benefits. So, there is a great deal of scope for win-win situations, and it is not always a trade-off between the environment and community protection. It cannot always be done, but when it can be done, that is a great achievement for this philosophy.

[39] **Jenny Randerson:** Who do you think will be the main winners and losers from the risk-based approach? I note that the report says that New Approaches alters the balance between capital and revenue expenditure, and puts much more pressure on local authority services. In other words, that implies that local authorities could be the losers. How will they be enabled to cope with that?

[40] **Mr Bates:** Behind this, there is a change of approach from spending very large sums of money to prevent a flood happening—essentially, a Canute-type approach of trying to hold back the water—to spending money more efficiently to minimise the consequences once a flood has happened. The argument is that, for a given sum of money, the overall harm to the communities affected and perhaps the benefits for the environment and regeneration are improved if you take that approach, compared with a hold-the-line-at-all-costs approach, trying to reduce the risks to 10,000:1. So, implicit in the approach is greater efficiency in delivering flood risk management and protection. Therefore, for a given outcome—reduced harm—local authorities' total spend should be lower.

[41] It is true that the balance between capital and revenue will change. As we get the shoreline management plans and catchment flood management plans, we will orientate the funding so that it fits the actions that are coming out of those risk-based planning models. However, Peter and I cannot just say, 'The total amount of money needed to deal with the

whole problem is X, which is very much larger than the current sum'. Essentially, that is a matter for the Assembly, Ministers, the Treasury and all the people who ultimately determine how much money goes into flood risk management.

[42] **Sandy Mewies:** You have spoken an awful lot about existing stock, existing homes and so on, and we heard about that at our last evidence session. It seems to me that a laissez-faire approach is being taken now, in some ways. I am not quite sure how clear you are that you can convince people that that is a win-win situation when they may have lived with the risk for a while. We heard from local authorities how they were trying to do that. Do you think that it is an attainable target to get the public to sign up to that?

[43] Secondly, do you have enough information? Going back to surface water flooding, one question that I am asked regularly is whether it is Welsh Water or the local authority that is responsible for mapping the underground situation. It has changed, has it not? In some areas, I know that people do not know what is happening underground. How is that being tackled, because no-one has said? How is that being mapped now?

[44] **Mr Bates:** Let us start with the first question on the laissez-faire approach. I sometimes feel as though we are drowning in plans. We have them coming out of our ears. It does not feel laissez-faire to me. It feels almost dirigiste in some ways. In planning this, the key instrument is the shoreline management plan embedded within integrated coastal zone management, and that is heavily planned. We will also have marine spatial planning, which will deal with the coastal areas and everything. So, a lot of planning activity goes on around this. From those plans, which have very long-term horizons of 50 to 100 years, we start to get a sense of where we will need to manage realignment at the coast and where we will hold the line. We have not completed the planning yet, but no-one is really envisaging any sort of realignment for the major settlements for the next 50 years or so. So, people can breathe easy—or they will be able to once they are published. It is not a guarantee, but that is where it is heading.

[45] In some places, it is very hard to justify spending millions and millions of pounds of Welsh money on defending relatively small numbers of properties or pieces of coastline, and we have to have a carefully managed process in deciding how to handle that and what the right trade-offs are. That process will unfold once we have understood the nature of the risk and the likely policy approach to be taken, through the shoreline management planning process. To my knowledge, Peter, we have not lost a home to the sea—bar one or two, perhaps—since 1990. In parts of England, properties are dropping into the sea every other month, so it is not like that. We are nowhere near that intensity of urgency of action.

[46] **Nick Ramsay:** Houses are being built in the wrong place, though, are they not?

[47] **Mr Bates:** We make strenuous efforts to ensure that they are not built in the wrong place. That is the purpose of development control and TAN 15. As I said earlier, in answer to a question, we go to some lengths to ensure that they are not, from the Environment Agency challenging local development plans through to the agency scrutinising planning applications. However, in the end, local authorities are trying to square multiple objectives to do with regenerating parts of towns that are on a floodplain. Ultimately, the decision is left to them, unless there is a call-in, in which case the Welsh Ministers take the decision.

10.00 a.m.

[48] So, there will be some houses that are. However, the vast majority of objections made by the Environment Agency result in either the developer withdrawing or the local authority amending the planning application. A tiny proportion of the total ends up being built against Environment Agency advice. There is a good report by the Environment Agency called

'Flooding in Wales', which contains a table listing the exact breakdown of how its objections have been handled. You will see a tiny column at the end, which shows the number of times in which local government has brazened it out and gone ahead.

[49] **Nick Ramsay:** You mention the huge pressures on local authorities to provide housing—and there is a great need for housing, so it has to go somewhere. Do you really think that local authorities have that sort of freedom? I understand that guidelines for authorities come from the Assembly and other places but, from my own experience, I know that there is a great deal of pressure. I can think of a housing development in my area that is being built on a floodplain. It is an area that was taken out of a local plan but was put back in on the inspector's advice. The threat was that, if it was not put back in by the authority, it would be put back in by someone else down the line. You mentioned the guidelines, but how could they be improved so that they do not somehow imply that local authorities need to build on these areas in order to meet their housing allocation requirements?

[50] **Mr Bates:** It is a very good question.

[51] **Nick Ramsay:** It is very difficult to answer.

[52] **Mr Bates:** I do not feel sorry for local authorities, but I recognise that they have a tremendously difficult job to do in dealing with this. It is extremely challenging, as we are trying to reconcile many competing objectives. Many towns and villages are built next to rivers or in coastal settings quite deliberately, because they have fishing fleets or whatever. They are there because of the very thing that threatens them, and to tell them that they cannot rebuild or regenerate those areas is not straightforward. So, it is not tenable to say that they cannot build on a floodplain or in areas of flood risk. However, we rely on local government—and I think that this is right—to reconcile these tensions as best it can. I am not for one minute pretending that that is easy or straightforward. Sometimes, local authorities reconcile them in a way that does not follow Environment Agency advice and Welsh Assembly Government policy on flooding, and sometimes they do. Most of the time they do, they make changes to development plans and work around them. Using the process of challenge, through TAN 15's guidance and the way in which it is applied by the Environment Agency, we secure a substantial amount of change in the plans. So, we are probably not far off getting it right. It is just inherently difficult to make those trade-offs, and, depending on its capacity, local government does it well, more or less.

[53] **Sandy Mewies:** Part 2 of the report suggests that New Approaches could develop an effective integrated response but it has been constrained by a lack of capacity and by objectives, roles and processes that are unclear. Specifically, paragraph 2.4 notes that key stakeholders are still unsure about the Welsh Government's expectations of their role in delivering the New Approaches programme, while paragraphs 2.9 to 2.14 reflect in more detail on the extent of progress made to develop that partnership between public and private sector bodies, which is needed. Flood risk is nothing new. Surface water flooding has been going on for many years and, in my opinion, there has been a great deal of neglect over time of some of the facilities and in the capacity needed to deal with this. Why is it that, despite the existence of groups such as the Wales coastal forum and the Wales flood group, some key stakeholders still seem to be unclear about the part that they should be playing in the New Approaches programme?

[54] **Mr Bates:** We must accept some responsibility for a little confusion in this area. The New Approaches programme has been subsumed by a new agenda that was established in the wake of the 2007 floods and became the Pitt agenda. In many ways, everything that the Pitt review and the Flood and Water Management Bill are doing, the EU flood directive, the pilots that we are running, and the approach that we have taken to spending the European convergence and competitiveness money is all taking forward the objectives of the New

Approaches programme—with stakeholders on board, but under a different banner. So, in a sense, we have almost left the New Approaches programme behind without explicitly doing so.

[55] Our Minister has made periodic statements to keep people updated as to what we are doing, but I do not think that we have ever said that the New Approaches programme has now morphed into our response to Pitt, the development of the consultation for the Flood and Water Management Bill, the approach that we are taking to European funding, and so on. That is what has happened. I do not think that we have explained ourselves that well with regard to the fact that that has happened. However, the good thing is that Peter and his team, and the Environment Agency have been working hard with the stakeholders to deliver Pitt's 92 recommendations—15 of which were urgent and have all been done—and to develop the clarity that we need to get the legislation through on the Flood and Water Management Bill. So, the concerns that the auditor general had about roles not being clear are all dealt with now with absolute clarity in the Flood and Water Management Bill and through the consultation processes that have allowed us to get there.

[56] My one gripe about the report is that, if you read it, you could think that we had been a bit indolent and were not working very hard on this. In practice, Peter and his team, the Environment Agency, and everyone involved have all been running very hard since 2007, but not under the banner of the New Approaches programme.

[57] **Sandy Mewies:** Can I take it that you are absolutely clear in the message that you are giving to key stakeholders about the fact that it has morphed and that they are aware of the change? I refer you to the competitiveness programme board, which, as you may know, I have an interest in—as I am sure that Peter does—where it seems that not all applicants have been clear about the sort of information that they should be given to achieve grant funding. So, can I take it from what you are saying now that there has been a huge change—I was going to say that there has been a sea change, but I will not—and that you are making it clear to stakeholders what their role is?

[58] **Mr Bates:** One of the strongest messages that we got from the auditor general's report is that we need to have clarity. He will not say so himself, but they have been running hard on this and they have been taking people with them. Perhaps the communication about where the New Approaches programme is and the point that this is essentially a development of that has not been as clear as it could be. That is something that we are now being clear about. With regard to the stakeholder groups and all of the various participants in the system, I am quite confident that they are engaged. I do not know whether you want Peter to comment on that.

[59] **Sandy Mewies:** It is up to the Chair.

[60] **Jonathan Morgan:** Yes, briefly.

[61] **Dr Jones:** We are fully engaged and we are working hard to take the convergence programme forward. As part of that, we hold routine meetings with all of the promoters of schemes included within the programme to advise them on the direction in which we are going.

[62] With regard to achieving absolute clarity, the opportunity presents itself in the national strategy, which will flow from the Flood and Water Management Bill, if enacted later in this session. Work has already started on developing the national strategy. We are planning for that to be out for consultation in the summer. It will then clarify the risk management approach, the 'new' approach. It will define operational roles and responsibilities and will provide a high-level summary of the direction of travel; in particular,

what the new approach will look like.

[63] **Bethan Jenkins:** It seems quite worrying that the New Approaches programme has been subsumed by these new policies because the focus groups have shown that citizens are not aware that the New Approaches programme exists.

10.10 a.m.

[64] My concern, given these paragraphs about citizen engagement, is around how you intend to communicate EU directives and the Pitt review—and the fact that the New Approaches programme has been combined with these other programmes—to the people who are affected. We heard two weeks ago from the Environment Agency that its communication effectively amounted to press releases to local areas. What is your role in communicating, and how easy is that when so much of the information is scientific and quite detailed?

[65] **Mr Bates:** There is always the question of what to emphasise in communication and consultation. We consult on some very scientific and technocratic information, but that would not be a community focused consultation—we would be trying to get advice from expert bodies, local government, chairs of internal drainage boards, and so on. Where it is important to be stronger on consulting at community level is in the development of plans that directly affect local communities—often, in the implementation of policy, such as the formulation of shoreline management plans and the specific actions that flow from them. We also focus on community consultation where we have schemes, so, for example, there is a £150 million capital programme going forward over the next five years, and there will be consultation on all of the schemes under that programme, and on the various impacts and local effects. That is where we would really focus on community consultation. Anyone could be involved in the consultation on the national strategy, and we hope that people will get involved. There will be a strong stakeholder engagement approach to that consultation. There was a great deal of public interest and engagement around the Pitt review that dealt with a lot of these local risk-management issues. There has been consultation on the Flood and Water Management Bill as it has been put together, and there has been consultation on the EU directive. So, there have been many opportunities for everyone to have their say, but where we have focused the real effort—not us, but the Environment Agency and local government—at local level is when we have been dealing with schemes and developments that directly have a local impact, because that is what people are most interested in reacting to.

[66] **Bethan Jenkins:** The reason I pick up on it is because the report states that those being affected by flooding are not being consulted. I am not talking about people in areas that are not affected by flooding. Figure 9 on page 30 shows that people in areas affected by flood are at risk, and that is the whole point that I am trying to make. You are saying that communication is happening, but people in these fora are saying the opposite.

[67] **Mr Bates:** What I am saying is that that kind of consultation happens when a decision is being made in a particular locality. A different kind of consultation—a broader one—happens when we develop the overall policy for flood-risk management. Perhaps I am not being clear. I am trying to make a distinction between how we consult on national policy, legislation, the recommendations of the Pitt review and the EU directive, and, on the other hand, the local consultations when something will change in the locality, and the issue in question is driving change in a particular area.

[68] **Jonathan Morgan:** Could I stop you there? The point that Bethan is raising is extremely important because there is a world of difference between consulting groups about the Pitt recommendations—and frankly, I cannot imagine lots of community groups in Wales rushing to the internet to read them. I am sure that some do, but if you think that high-brow consultation documents engage communities, then I think that you are mistaken. The issue

here in the report, which was alluded to by the auditor general, is whether communities are aware of their level of risk, and whether there is engagement at that level. I am not saying that you need to frighten people, but I wonder whether people are aware of the risks that they face.

[69] **Mr Bates:** I may have been unclear. I was not saying that we would expect a massive groundswell of interest in a consultation on legislation, or whatever. We consult on that in a particular way, and although anyone can express a view, the focus is on expert stakeholders and the various bodies in the delivery chain. We focus consultation on communities when something affects them more directly, which they can respond or react to. Do you want to elaborate, Peter?

[70] **Dr Jones:** There was a question earlier about one of the most significant challenges to Government, which is to get to a point where the communities that are at risk understand those risks and the consequences and how those consequences can be managed. If we look back at the environment strategy that was issued in 2006, we would see that one of the two outcomes for flood and coastal risk management was to ensure that communities at risk understand the risks and consequences. So, we are aware that there is a need for that, and we have given a fair amount of consideration to how we deliver on that target by 2026.

[71] The real challenge for getting communities to understand the risk is, first, to have a true understanding of the risks. The risks are complicated and are covered and managed by a large group of organisations. The first step is to ensure that all the organisations that are involved in risk management and understanding the risks work together so that they have a common understanding of the risks for a particular community. Once we have established that, the next step is to share that information with the community and, again, we have given a fair amount of thought as to how we can establish that communication at a local level. It is essential that that communication happens at the local level. The Flood And Water Management Bill will help us to move down that path by first identifying the appropriate authority to front the communities and ensure that the local authority has been given a duty to take on board that role. So, everything is leading us to a point that we want to get to, but it will take many years to get to that point, and that is why we had the target of 2026.

[72] **Bethan Jenkins:** I would like clarification on a point. The report mentions that people were not aware of the New Approaches programme. Is it your opinion, therefore, that it is not through the New Approaches programme that you are reaching out to people, but through other means of consultation? I am confused as to how the consultation is happening, if people are not aware of the risk that they face.

[73] **Mr Bates:** That is basically right. The New Approaches programme is a label that we give for a suite of activities relating to the rather technocratic discussion that we have been having about managing risk and that sort of thing. That is how we have branded those activities. However, you do not necessarily go to a community with that and discuss those sorts of policies. What we want to discuss there is what is going to affect them directly, which is often the outcome of these planning processes, such as shoreline-management planning and the development of schemes. That means that you can be specific about what is happening in the communities, without being distracted by the New Approaches programme. That is not to exclude anyone from having a view or from getting engaged with that programme—far from it. It is about targeting, so that we are asking people about things that directly matter to them. There has been quite a lot of activity in risk communication, for example we have things like the flood map and floodline warnings direct service. It is not as though we are somehow ignoring communities and the communication of risk to them; that is far from it.

[74] **Christine Chapman:** Following on from communication, as a department, are you liaising and working collaboratively with other Welsh Assembly Government departments on this? Local groups and Communities First partnerships, for example, are the sort of groups

that you should be working with because, at the end of the day, they are the people who are most at risk. That is always a problem, so how much collaboration is going on with other WAG departments?

10.20 a.m.

[75] **Dr Jones:** We are certainly collaborating. This is a new area and an important area that we need to expand. We have done a lot of activities to raise awareness in the past, and the Environment Agency has developed a lot of expertise in that, which you are probably aware of. You are right in that we need to broaden that collaboration and get closer to other delivery mechanisms. One way of doing that is through Communities First partnerships and community groups, and the third sector is another. We are exploring that wide range of delivery mechanisms to establish a suite of activities and delivery mechanisms to ensure that we can embed that raised awareness in communities. Having said that, that is all about sorting out the best way of delivering the message. When we engage with a particular community, the message has to be right, and it has to be based on a detailed understanding of the risks. So, we cannot go diving into communities too early without an understanding of all the risks and a way of describing those risks that is appropriate to share with the community. It is important not only to advise the community of the risks, but also of the public services that will be put in place to help them to manage those risks and, indeed, what the community itself can do to increase its resilience to those risks.

[76] **Jenny Randerson:** ‘Consultation’ is a word that trips easily off the tongue, but the issue is what happens when you consult. In this case, you have said that it is the role of local authorities to deal with local communities. What happens when you consult and they do not like what you are planning to do? I was struck by the example in ‘Case Study 3—A lesson in communicating change’, where hundreds of houses were going to go. There was consultation, everyone said, ‘Absolutely no way’, and the local authority now refuses to implement the outcome that was agreed between the various organisations. So, I am interested in the legal position when you consult. Do you have to pay attention to what is said in response, or does the Assembly Government have the power to order action whatever the public’s response?

[77] **Mr Bates:** Where is the case study?

[78] **Jenny Randerson:** It is case study 3 on page 24. It is the one about north Norfolk. It is an example of how badly it has gone wrong in England. I am only using it as an example.

[79] **Dr Jones:** That is a particularly interesting case study from Wales’s perspective, because it is a scenario that we could face at some point in the future. The important issue, to which Clive has referred, is that, at this time, the emerging conclusions from the strategic plans are that, for the next two epochs, which cover the next 50 years, we are not looking at sites where we are anticipating a managed retreat or a move away. For the next 50 years, we are looking at a scenario in which our policies will generally be to hold the line on urbanised frontages.

[80] If climate change continues as forecast, and sea levels continue to rise, I have no doubt that there will be communities for which the option to hold the line will not be sustainable, and we will have to look at alternatives. At that point, we will have to address those kinds of issues. We are not there yet, however.

[81] The first step is to identify where those locations are, and the shoreline management plans will give us a good pointer in that regard. Once we have established where those sites are, we need to open an informed debate with the local community on the way forward to decide the change in policy and how the transition from one policy to the other would happen. We would be looking at the experiences of the east coast of England to help us to develop an

appropriate approach to deal with that.

[82] **Mr Bates:** I have an additional point on that. If there are places where continuing to hold the line would cost a fortune—remember, that would mean money being transferred from somewhere else and opportunity costs in things that the Welsh Assembly Government can no longer do—there is no legal leverage from the people affected. They cannot make us spend that money; they do not have a legal right to be protected over the long term. Essentially, we have to decide whether that is good value for money for the Welsh taxpayer, or for the money that Wales has to spend.

[83] So, the consultation would tend to be on how we manage this, not on whether we will continue to spend way beyond what a sensible cost-benefit analysis would suggest. That sounds quite hard-nosed, but that is the legal position; we cannot be forced to keep spending money to hold the line in places where the property value and the size of the community cannot justify that according to any measure.

[84] **Janet Ryder:** I have some questions about your ability to deliver this, because paragraphs 2.32 to 2.35 express a great deal of concern about the lack of engineering capacity and skills in the Welsh public sector to deliver this programme. Whether you call it New Approaches or something else, I doubt that its name will change the capacity and the skills that are available. Is it your assessment that there is a shortage of skills to deliver this?

[85] **Mr Bates:** Peter is the chartered engineer.

[86] **Dr Jones:** We certainly recognise that there is a shortage of skills. As we move forward, there will be a greater demand for those skills and we need to address that. On how we will address it, we are in close contact with the operating authorities in talking about the additional workload that is likely to result from the initiatives that we have in place, and also how to deliver that workload in terms of acquiring the right expertise.

[87] From an Assembly point of view, one option, as is clearly spelt out in the paper, is to make use of the technical expertise of the Environment Agency to supplement our in-house expertise on the technical side. Traditionally, we pull a lot of this expertise from the private sector, and we will be looking to expand on that. We will also be looking at opportunities to train, retrain and fund educational facilities to deliver that. It is early days, in terms of detailed plans, but that is the type of approach that we will adopt.

[88] **Janet Ryder:** So, it is a combination of identifying the skills that are available in various agencies now and combining them, and of identifying new courses that may need to be developed and attracting people on to them.

[89] **Dr Jones:** Yes.

[90] **Janet Ryder:** Are you satisfied that you are working with all Government departments to ensure that where new courses need to be developed in particular, there is the capacity to do that?

[91] **Dr Jones:** There is more work to be done on that—we need to widen the net—but that is certainly the direction in which we will be moving.

[92] **Mr Bates:** We will have a skills element in the national strategy.

[93] **Janet Ryder:** At what point will you be ready to assess that? If a college or university is asked to provide a new course, you are talking about two or three years at least to develop that course.

[94] **Dr Jones:** Work is already being undertaken by the Environment Agency for training staff within its area, and we would be looking to make use of that wherever we can, and to expand it where possible. However, there is more work to be done in that regard. There is no doubt about that.

[95] **Janet Ryder:** So, there is still a great deal of work to be done.

[96] **Dr Jones:** Yes.

[97] **Janet Ryder:** The other thing that came up in the last evidence session from the Caldicot and Wentlooge Internal Drainage Board was that it wanted to become more involved in the delivery of these programmes. Is there a role for those internal drainage boards, and how can that be developed?

[98] **Dr Jones:** The new approach was very much directed at flood and coastal risk management. The internal drainage boards are specific bodies with expertise in local drainage. The expertise that they have links very closely, in my view, to sustainable drainage systems, which we want to encourage greater use of. So, I see a great opportunity for the likes of the internal drainage boards to get more engaged in that kind of work. The Flood and Water Management Bill that is going through will provide the bulk of the provisions that will enable us to take forward the risk-management approach. However, we need to add a few other provisions, and that is planned for future sessions of Parliament. One of those is to do with the governance of internal drainage boards. So, there is an opportunity there for us to look a little more closely at what the internal drainage boards can offer us in the future.

10.30 a.m.

[99] **Joyce Watson:** We have already touched on this programme—we will call it the New Approaches programme for now. The report states that it is likely to ease the pressure on capital funding, but, at the same time, increase revenue-funded activities for local authorities and the Environment Agency. When do you expect to have a better idea about the cost and general affordability of the New Approaches programme?

[100] **Mr Bates:** The understanding of the overall costs over a long period emerges through the development of the shoreline management plans and the catchment flood-management plans, which are the two major planning documents for a given area, for coastal and inland flooding respectively. Once we have them and they have been formalised as flood-risk management plans—there are many plans in the system, as I say, but those are the plans that are now being driven by the European Union floods directive, as implemented in UK legislation—that starts to give us a sense of what the total cost of this endeavour will be over a given period. Based on that, the Environment Agency starts to formulate its long-term investment strategy, and we get a sense of how much money it believes is needed to meet the challenge. If the amount of money available is not enough to meet that need, there is an iterative process, in which plans are revisited and rethought, to the point where we return to having the money that we need. At the same time, the case for spending more is made through the development of these plans, so, as usual, it is a process of making a case and of a political negotiation about priorities. We arrive at a spending profile over time, but those plans are the main device for doing that.

[101] **Joyce Watson:** You have talked about money. Are optimal solutions likely to be tempered by financial resource and capacity constraints, particularly given the anticipated squeeze on public finances over the next few years and the funding pressures that are likely to result from the Pitt review?

[102] **Mr Bates:** Basically, yes. Until quite recently, we were almost finding it difficult to spend the total amount of money that was available, but the impetus that has now been put behind flood-risk management means that we are spending the money that is available and that planning is going on that will create very large investment programmes. I cannot say whether Ministers will decide not to meet those plans, but, to make a comparison with England, in England there are large numbers of schemes that do not go ahead that have attractive benefit-to-cost ratios. The challenge in England, relative to the money that is available, is more severe than it is in Wales. In the process of developing the shoreline management plans and the catchment flood-management plans, with climate change gradually increasing the risk, I think that we will reach a point where we feel that we need to spend a lot more than we are spending at present. As you said, years of austerity probably lie ahead with regard to the total budget, and there are many competing priorities. There will be a lot more tension in the system and it will feel more like it feels in England, where the available investments are severely rationed to those that have only the highest cost-benefit ratios.

[103] **Joyce Watson:** How will you ensure that local authorities' revenue funding is sufficient and prioritised effectively to deliver sustainable coastal management solutions? Also, Chair, for the record, I did not say that there were years of austerity ahead.

[104] **Mr Bates:** No, I think that I said that. *[Laughter.]* I have lost my train of thought. Did you want to comment, Peter?

[105] **Dr Jones:** The important first step is to try to get a better understanding of the balance between capital and revenue activities. The traditional approach to addressing flooding, as you are well aware, has been to make a lot of capital available. The challenge is to get the right balance between capital and revenue, and the first step is to identify the kind of activities that would require revenue budgets. We are starting to make a move on that. If we are to influence the capital revenue balance at local government level, what we will need to do, alongside the WLGA, is start to think about what kind of levels of increase it is looking at—it certainly would be looking at an increase in revenue. We have already entered into discussions with the WLGA to start thinking about the kind of business case that we would develop.

[106] **Jonathan Morgan:** I call Jenny Randerson on this point, unless Andy wants to make an observation.

[107] **Mr Phillips:** During the research for the project, we did a quick survey of local authorities, and the revenue budget for each of the authorities was part of this survey. Authorities like Newport, which is an area with quite a high risk of tidal flooding, had a zero revenue budget, which does not acknowledge that there is a risk or a problem. Other authorities frequently have £20,000 to £50,000 a year to cover this entire problem. It is tiny compared with what they need to do, with climate change on the agenda.

[108] **Jenny Randerson:** You referred to costs and benefits, and recommendation 3 of the report refers to the need for a development of a methodology to more accurately evaluate the costs and benefits of coastal management solutions. The Environment Agency stated in its written evidence that this methodology already exists and is being updated. Therefore, are you confident with the updating and that the methodology will accurately reflect the full social, economic and environmental costs and benefits of the different solutions?

[109] **Mr Bates:** It is a good question. This issue is one of the reasons why we think it is important that Ministers retain overall responsibility for the policy and the decisions that are made. In terms of the way in which costs and benefits are evaluated and weighted in investment appraisal, value judgments are necessarily made. So, for example, if you just focused on damage to property, you would be disproportionately protecting the houses of the

well-off because they have houses that are very expensive. So, what Ministers insist on is a kind of equity weighting that goes into the calculation, which reflects that even though your house may not be expensive, it is still your house, it is very serious when you lose it, and your capacity to bounce back may not be as good when you are poor. It is not a purely technocratic exercise that we can just devolve to the Environment Agency and say ‘run a model and out will pop all these schemes’. We have to code in such value judgments that are, properly, the concern of politicians and Ministers. So, I am confident that we are making progress on codifying into the investment appraisal all the various intangible things associated with equity that should make for a good judgment. However, they are judgments, in many ways, and they have to flow from Government policy. There are very sophisticated models behind all this, but coding the right things and real values into them is the real challenge.

[110] **Jenny Randerson:** How will you be working with the Environment Agency, and the other partners, to refine and roll out this methodology? What is the timescale on it, for example?

[111] **Mr Bates:** I will have to ask Peter to comment on the specifics, but the methodology exists. It is there cranking away at the moment and it is used when we evaluate schemes. We have a large programme of works going on and those schemes are evaluated using that methodology. The Environment Agency said that it already has one and that is what it is using. The point is that the methodology must be kept up to date and refreshed and different priorities should be coded in according to ministerial preferences and what people think is the right thing to do. There is an ongoing process of updating that model. Peter, is there a new update due?

10.40 a.m.

[112] **Dr Jones:** There has been a recent review of the appraisal guidance. Appraisal guidance runs to many volumes of literature and information. That has been rolled out, and the agency is trialling it in Wales for its programme. With regard to the process for embedding it across all operating authorities, we routinely issue guidance and memos to all operating authorities. Clive has explained what it hopes to achieve; there is a great deal of it.

[113] If I may, I would like to add one area that we will need to focus on in future. It has to do with what we were talking about earlier. When we get to a situation where we feel that a community on the coast is not sustainable and that we need to change the policy, perhaps from a hold-the-line policy to a managed realignment policy, the guidance needs a little more refinement. Looking at those sorts of situations, we need to look at the costs and benefits of holding the line, but also at the overall cost to the public purse of managing the transition from a hold-the-line policy to managed realignment. That will be very expensive, and it could well inform the decision as to whether you make that change; indeed, it may be more cost-effective and better value for money to continue to hold the line. So, there is an area of work that needs to be done on that, but, as I said before, for Wales, we are not there yet. It will be a few decades yet before we start thinking about that, in my opinion.

[114] **Jenny Randerson:** I am a bit dismayed, Clive, by the answer that you gave about ministerial preferences, because a cost-benefit analysis is supposed to be an objective tool. It is not supposed to be subject to ‘ministerial preferences’. That is a very worrying phrase. Perhaps you would like to clarify that.

[115] **Mr Bates:** You are right that it can be a purely objective thing; you can do contingent valuation studies and so on. However, I tried to give an example related to property—

[116] **Jenny Randerson:** I understand that. However, ministerial preference is a particular approach to cost-benefit analysis. It is well recognised.

[117] **Mr Bates:** You are right, and there is Treasury guidance on equity weighting that would give greater value to a poorer person's house, and generally we take a technocratic approach to this sort of methodology. However, I think that it is important to consider how much weighting is given to different things such as biodiversity in the evaluation. When I say 'ministerial preferences', it is more that Ministers need to stand behind the judgments that are made when it is not purely a matter of adding up numbers. You are dealing with quite different things when you are looking at a biodiversity objective, the protection of property, the protection of a poor community and so on. There is a sort of trade-off between them, and, strictly speaking, the approach to that cannot be purely technocratic. I think that there is a need to feel that there is a sort of political backstop for that, that someone is actually taking responsibility.

[118] As Peter says, the work runs to many volumes—it is totally impenetrable and very technocratic. However, I think that it is important that, ultimately, Ministers stand behind it rather than devolving it all to the Environment Agency to carry out.

[119] **Jonathan Morgan:** We will move to part 3 of the report.

[120] **Nick Ramsay:** Part 3 of the report deals with the whole issue of strategic leadership and levels of citizen engagement. The auditor general has identified weaknesses in the way in which the Assembly Government has translated the high level objectives of the New Approaches programme—to use technocratic language—into action. How do you respond to the auditor general's criticisms?

[121] **Mr Bates:** Perhaps I could return to the point that I made earlier, which is that the New Approaches programme essentially got subsumed into our response to Pitt and the development of the Flood and Water Management Bill, which in itself was a response to Pitt. Essentially, something else was setting the agenda at that point. I think that we have done a good job in leading Wales through those two processes. That is essentially an account of what happened, and perhaps it explains why there is some confusion about where the New Approaches programme has gone.

[122] **Nick Ramsay:** You have said repeatedly today that Pitt has almost overtaken the New Approaches programme. Do you think that that is a bad thing? Would it have been better if New Approaches had just taken its course?

[123] **Mr Bates:** I think that it was inevitable. Huge amounts of good analysis, insight and consultation were coming out of Pitt. There was a focus on surface water issues, because that dominated the 2007 floods, but that is a new area and people were concerned about it. If we had ignored that and had had some horrible surface water flooding incident, we would have been very exposed. Pitt was much wider than that, and it evolved into the Flood and Water Management Bill. Its 92 recommendations have been largely accepted and we are working to take it forward. Therefore, it was a case of agenda-setting in a good way that was consistent with the objectives that we set for the New Approaches programme. The same is true of the Flood and Water Management Bill. In terms of what we have actually done, we have been pursuing the right agenda, but perhaps not labelling it with the right banner.

[124] **Dr Jones:** Going back three years to 2007, the aim of the New Approaches programme was basically to shift the focus of operating authorities from defence to a wider approach to addressing flooding and coastal risk. Essentially, there was legislation that provided the rules for the game and the New Approaches programme was going to expand the range of activities within the existing rules. Pitt changed the agenda, and resulted in a change of the rules, which was essentially the legislative change. That legislative change was needed because you can trace it back almost centuries. Pitt quite rightly said that we want to

modernise legislation, but we need flood legislation that takes into account measures across the broader range that we are looking for. Essentially, that is what the Bill is doing. I think that it was quite right to take advantage of the initiatives that Pitt prompted, because right at the early stage, having assessed what Pitt was concluding, we concluded that the principles on which Pitt was basing his way forward were exactly the same as what we had assumed in Wales and embedded in the New Approaches programme.

[125] **Jonathan Morgan:** Before we move to Chris Chapman's question, the auditor general was very clear about what the New Approaches programme set out to achieve. You will have signed off this report and, therefore, you accept the criticism in paragraphs 3.3 to 3.8 that there has been a slow pace of implementation, that there is a lack of understanding of what the strategic objectives are, and that the Assembly Government has not established the robust and detailed understanding of the management of coastal risks in Wales, which the auditor general states in paragraph 3.7. You almost seem to be telling us that the New Approaches programme is somewhat irrelevant now because of other things that have happened. If the New Approaches programme is now not relevant, will it be scrapped or is it still the aim of the Assembly Government to meet those objectives? You seem to be avoiding the fact that you still have a New Approaches programme. If it is of no relevance at all, I do not see why you still have it.

[126] **Mr Bates:** That is a good question. It might be something for us to look at. Perhaps we should say, 'We have moved on, we are responding to Pitt, we have the Flood and Water Management Bill, and we have the EU funding programme and so forth'. What we are doing is absolutely consistent with the objectives of the New Approaches programme. The Minister has made statements in which she has reinforced the fact that what we are doing is consistent with that. I would accept that the clarity on what we are doing now and the New Approaches programme is not as sharp as it might be, and that is for us to think about.

10.50 a.m.

[127] **Dr Jones:** We recognise that there is an overlap between the initiatives that have been progressed over the past few years and the original intention of the New Approaches programme. We need to revisit the objectives of the New Approaches programme in the light of the changes that have been made over the last few years, and then ask whether it is appropriate to relaunch the new approach, and whether the national strategy is the mechanism for taking that change in approach forward. That could mean that we put the New Approaches programme on the back burner or take it off the top plate, as it were.

[128] **Jonathan Morgan:** We could see a new approach to your new approach. *[Laughter.]*

[129] **Christine Chapman:** Before I move on to my question, I want to say that I agree with Members that there needs to be more clarity; otherwise, stakeholders and local authorities will get confused.

[130] Further on in part 3 of the report, it is noted that developing a more strategic approach to coastal erosion and flooding will rely on local authorities first developing new shoreline management plans by 2011. However, the Welsh Assembly Government has yet to provide the promised guidance on how the review of the plans should align with the objectives of New Approaches, and I understand that delays in the provision of funding have also hampered the development of the plans. Has the Welsh Assembly Government now provided its promised guidance on how to align the development of new local authority shoreline management plans with the New Approaches programme?

[131] **Mr Bates:** We have provided the guidance, and we think that we are on track to deliver the shoreline management plans in 2011, with local authorities. Peter, would you like

to elaborate?

[132] **Dr Jones:** Yes, I will expand on this. Shoreline management plans are an initiative that covers both England and Wales. We were heavily involved with colleagues in the Department for Environment, Food and Rural Affairs in London in developing guidance on refreshing the first generation of shoreline management plans, which were completed in 2000 or thereabouts. That guidance applies equally in Wales and England. The additional guidance refers to embedding the risk-management approach more explicitly in the shoreline management plans. As you would imagine, we have fairly close working relationships with the coastal groups, via the Wales coastal forum, in monitoring and developing the plans, and we sit on the quality review panel to make sure that the plans are implemented in accordance with the guidance. We are working very closely with the groups to ensure that the shoreline management plans take into account the risk-management approach, which we talked about earlier. So, we are working closely with them, and we are issuing guidance. Much of it is informal, and is done through discussion at local and national groups. There is also written guidance. The primary guidance was developed in consultation with DEFRA in the early days.

[133] **Christine Chapman:** You have said that you are issuing guidance, but is it out there now or is it still in the process of being issued? If I were in a local authority, would I be absolutely clear about this guidance?

[134] **Dr Jones:** Again, we will never be 100 per cent confident on what the guidance should and should not cover. As shoreline management plans are developed, they are reviewed by a review panel, and lessons are learned and fed back into the preparation of the ongoing shoreline management plans. We are continually passing that guidance through, which is done very much on an informal basis. We have also issued documentation, through the groups, to explain the direction of travel.

[135] **Christine Chapman:** I am a bit concerned about the informal mechanism. I am sure that you have good relationships with local authorities, but it depends on who is seeing these.

[136] **Dr Jones:** Yes, I accept that, but there is a process that we have to go through to ensure that we are satisfied with the end result, and that process allows us to change and tweak it as it develops, which is what is happening.

[137] **Christine Chapman:** Further to that, you say that you have been working closely with DEFRA, so how necessary was it to adapt the guidance already available in England?

[138] **Dr Jones:** There is a huge amount of commonality in the problems that we face in Wales and those faced in England, as you would imagine. Our roots are interlinked in the past, so there is a lot of commonality. There are minor differences, but they are important. A particular one is the need for shoreline management plans to cover a risk-management approach on the coastal flooding side. We felt that it was important to get a better feel for the cost of implementing the policies during the development of the shoreline management plans, because an affordability issue will flow from them. There are important areas of development that we wanted to focus on.

[139] I also want to make the point that many of these plans—in fact, the majority—are prepared by national consultants who are doing some in England and some in Wales, so we are getting the benefit of experience from England being fed through the technical experts into the preparation of the plans.

[140] **Christine Chapman:** Finally, why was funding to support the development of these plans not available sooner?

[141] **Dr Jones:** We funded the first round of SMPs, and it was always clear that we would fund the second round of plans. There was an issue about the grant rate, but we have now resolved that and clarified that we are consistently funding 85 per cent of them across Wales. That was quite contentious at the time and there was pressure on us to resolve that issue, but it is now resolved, and delivery is well under way.

[142] **Bethan Jenkins:** In paragraph 3.12, the audit report states that the Assembly Government is not benefiting fully from the supervision and expertise available in Environment Agency Wales. We received evidence from Environment Agency Wales on the difference between its roles in England and in Wales, the most notable of which were the coastal overview role, the allocation of capital grants, and the approval of shoreline management plans. How do you see the role of Environment Agency Wales evolving in relation to any new plans? Do you see it staying within the ministerial portfolio?

[143] **Mr Bates:** We have taken a different approach to that in England and, to be frank, I think that ours is better—but then I would say that. The Welsh Ministers and the Welsh Assembly Government will be responsible for overall policy and strategy, and we will give an enhanced oversight role to the Environment Agency when it comes to delivery and integration. We are doing some of the things that are being done to change the Environment Agency's role in England, but not all of them. For reasons similar to those that I gave earlier, it is important that Ministers retain clear responsibility and accountability for the overall strategy and policy, and then you can hold us and our Minister to account. It feels to me like a better system of accountability—

[144] **Bethan Jenkins:** Sorry to interrupt, but are you saying that the accountability issues in England are less serious now that it has delegated these powers? I would have thought that, ultimately, the Minister would be responsible regardless.

11.00 a.m.

[145] **Mr Bates:** Ultimately, yes, because the Minister is responsible for the Environment Agency, but we have retained a clearer split. When we publish the national strategy for consultation in the summer, that will be a Welsh Assembly Government effort, and our Ministers and we will be standing behind that. In England, the approach is to devolve more of that to the Environment Agency to take the strategic overview. So, we have a separation between policy and strategy, which we think is the proper preserve of Ministers. We also have some differences in Wales: we have almost a single water company and flatter levels of local government. Some of those things incline us to do things in a certain way. However, it is primarily about accountability and a division of responsibility between policy and strategy and delivery and integration, which is the role that we are giving to the Environment Agency.

[146] In practice, in England and Wales, the Environment Agency and Ministers will be heavily involved in both ways. The Environment Agency in England is unlikely to come up with something that its Ministers do not stand behind, and we are unlikely to come up with a policy without talking to the Environment Agency. So, in practice, there will be a lot of cross-fertilisation between the two, but I think that we take the right approach to accountability. Our Ministers actually want to stand behind the policy and strategy, and present it as a product of the Welsh Assembly Government.

[147] **Bethan Jenkins:** Just to play devil's advocate, figure 11 demonstrates the lack of progress in some of the schemes put forward by different councils because of the fact that there may be problems with the way in which decisions are made—and I am only presuming, as I am not sure—because they must go via a ministerial decision-making process. Do you agree with that or do you think that this would happen anyway, regardless of who was in

control?

[148] **Mr Bates:** I think that it is the latter. I do not know much about the specifics of these schemes, so if you want those, you will have to ask Peter. In the process of agreeing these schemes, there are often many local objections to be squared off and so on. It is sometimes true that the schemes take a long time to get through the system. There may be local issues to take into account that cannot be resolved, the necessary money may not be forthcoming, or there may be a prioritisation process so that more urgent schemes are done now and less urgent ones are left until later. There are all sorts of reasons why things do not happen as quickly as everyone would like them to.

[149] **Dr Jones:** I will pick up on the particular case study, although I have no doubt that there will be case studies on the other side of the border that could be compared with it. I do not think that it is anything to do with ministerial involvement in the decisions. The reason for the timescale for delivery of this scheme was to do with differences in the understanding of the problem and what was considered to be the appropriate solution. It has taken a long time and we have just announced funding, some of which is European, to deliver this scheme. We are happy that it represents the right solution to resolve the local flood risks along that part of the coast.

[150] **Janet Ryder:** I want to question you on the need for urgency. You have spoken today about considering a retreat policy. I lived for many years in Beverley, which is very close to Hornsea and Withernsea, and retreat was a very real possibility there, as you regularly saw bits of the coast dropping into the sea. I am pleased to hear that we are not going to see that regularly here, but it needs planning for, because there was no planning there. You have spoken about decades of planning, but are we moving at a quick enough pace? There is criticism in paragraphs 3.27 and 3.33 of the report that we need to see things moving more quickly.

[151] **Mr Bates:** We would always like to do things quicker. We are moving towards the production of the revised shoreline management plans in 2011, and that is the primary vehicle for resolving or even articulating these issues. That is as quickly as we are moving. We feel that we are on track, although there will undoubtedly be problems at some point in that, but that is where we are heading.

[152] **Janet Ryder:** Are you satisfied that that is a sufficiently robust plan to cope with future coastal erosion and the effects of climate change?

[153] **Mr Bates:** It will give us what we need to know at this stage. What it does not do is create a 100-year plan for a community because, clearly, we do not know what some of these places will be like in 2050. It tells us what we need to be focused on and thinking about now, but it is not a blueprint for a 100-year flood management programme for a particular area. It gives broad approaches and approximate timescales based on these three epochs—20 years, 50 years and 100 years. That should enable us to prioritise our policy and investment focus, which is the purpose of these plans.

[154] **Jonathan Morgan:** Thank you for coming here this morning. I apologise for the fact that we are running 40 minutes later than I anticipated, but, as you might imagine, there is a significant level of interest in this matter.

11.06 a.m.

Prosiect y Ddraig Goch: Cyngor gan Swyddfa Archwilio Cymru
Red Dragon Project: Advice from the Wales Audit Office

[155] **Jonathan Morgan:** We have the responses from Welsh Assembly Government and the Wales Audit Office to the report on the Red Dragon project. The Welsh Government responded in January, and we have had a chance to discuss that response with the Wales Audit Office, which provided a suggested way forward for the project. To summarise that, the suggestion is that, in 12 months' time, we request an update from the Welsh Government on the outcome of discussions with the Treasury on updating the Green Book, the application of the Government's project management tools and collaborative projects, and work to update the bilateral concordats with the UK Government. Do committee members have any observations or questions on the recommendation for handling this?

[156] **Jenny Randerson:** On the issue of the Treasury Green Book, is it possible via the usual processes here to get some further information on the timescale for that, because it is fundamental, and it is important that this is proactive and moves swiftly?

[157] **Jonathan Morgan:** It is wise that we return to this to get an update in 12 months anyway. However, if the committee wishes, I could write to the Permanent Secretary asking for more information on when she would anticipate the work being done. It is urgent, because we do not know when the next collaborative project might come along. There might not be another one for a year or two, but it is possible that it could happen sooner.

[158] **Bethan Jenkins:** What is the significance of the 12-month period?

[159] **Jonathan Morgan:** It is just to give the Assembly Government time to work through these things, because there were fairly big suggestions coming out of the report. I can tighten it up to six months if you want, but I thought that 12 months seemed reasonable. I will write to the Permanent Secretary to ask for some sort of timetable for the work being done on the Green Book.

11.08 a.m.

Penodi Archwilwyr i Archwilydd Cyffredinol Cymru
Appointment of Auditors to the Auditor General for Wales

[160] **Jonathan Morgan:** A briefing note on this has been circulated to Members. The background is that, under the Government of Wales Act 2006, the Assembly must appoint an auditor of the accounts of the auditor general. Assembly Standing Order No. 13 states that one of our duties as the Public Accounts Committee is to advise the Assembly in the exercise of its functions relating to the appointment of the auditor of the accounts of the auditor general. As Members know, we went out to tender. Those tenders were examined by officials, and I therefore wish to ask your approval that I recommend to the Assembly the appointment of KTS Owens Thomas as auditors of the accounts of the Auditor General for Wales for the next six years, following a competitive tender process. The rules are that, in consultation with committee members, provided that you are happy and wish to approve this, I must table a Plenary motion asking the Assembly to agree to the appointment.

[161] The contract has altered slightly from the previous contract. It now also takes into account the recommendation of the peer review, which discussed our role in securing a value for money study of the Wales Audit Office.

11.10 a.m.

[162] That has now been built into the new contract, and I have already discussed that particular part of the contract with KTS Owens Thomas. Obviously, I was keen to ensure that we were able to satisfy the outcome of the recommendation that the former auditor general commissioned as part of the peer review. So, are you happy for me to propose in Plenary the appointment of KTS Owens Thomas? Are there any questions?

[163] **Lorraine Barrett:** I am pleased that you went along and visited the company, and we put a lot of trust in you, as Chair, that its proposals were adequate. Only four companies applied in the first instance, which, to me, is not very many. I do not want to prolong this, and I have no problem with this company, but we did not have a very big pool to start with.

[164] **Jonathan Morgan:** My understanding is that all four companies were highly respected and reputable companies. The officials went through a process of examining the proposals and approved KTS Owens Thomas, who, incidentally, was the previous auditor of the auditor general. The key factor for us was the coincidence of the timing. The original contract had expired and we were at the point then, in looking at a new contract, of being able to add in the requirement for a value-for-money study whenever the committee wishes to commission that. I forgot to mention that quite a few organisations would be excluded from being able to audit the accounts of the auditor general because the Audit Office already engages with a number of private companies. So we had to exclude those companies who already have a working relationship of sorts with the Audit Office to ensure propriety. I am grateful to Members for their agreement, and that concludes the public session of the committee.

Cynnig Trefniadol Procedural Motion

[165] **Jonathan Morgan:** I move that

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

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

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 11.12 a.m.
The public part of the meeting ended at 11.12 a.m.*