

National Assembly for Wales
Environment and Sustainability Committee

Report - the business case for a single
environment body

May 2012



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Environment and Sustainability Committee

The Committee was established on 22 June 2011 with a remit to examine legislation and hold the Welsh Government to account by scrutinising expenditure, administration and policy matters encompassing: the maintenance, development and planning of Wales's natural environment and energy resources.

Current Committee membership



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Plaid Cymru
Dwyfor Meirionnydd



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Welsh Labour
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Welsh Labour
Mid and West Wales



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Contents

Chair's foreword	5
Recommendations	6
1. Introduction	7
2. Aims and objectives of a new body	8
3. Forestry Commission Wales	9
4. Benefits.....	10
5. Risks.....	11
I.T. Risks.....	11
Human Resources and Pensions	11
Existing Relationships	11
Transparency and resolution of conflicts	12
Cross-Border Issues.....	12
6. Business Continuity	14
7. Stakeholder Relationships and Partnerships.....	15
Stakeholder Engagement	15
Local Relationships	15
8. Governance and Structure.....	16
Leadership and timeline	16
Culture	16
Locality.....	17
9. Conclusions	18

Chair's foreword

I am pleased to set out the conclusions drawn by the Environment and Sustainability Committee following its consideration of the business case for a single environment body.

We have conducted this work against the backdrop of an evolving policy context, with the Sustaining a Living Wales and Natural resources Wales consultations being launched during the course of our investigations. Both of these developments will have a bearing on our work, and that is why we have decided to issue a short report to cover the specific conclusions we have drawn in relation to the business case. We intend to undertake further work in relation to the broader policy context, but are minded to hold off on conducting this work until later in the year to allow the policy context to further develop and for a more settled position to emerge.

The most controversial issue raised with us was around the inclusion of the Forestry Commission Wales in a single body, as opposed to the merger of Environment Agency Wales and Countryside Council for Wales. Our concern that risks in this area persist has not been assuaged during the course of our inquiry. We ask that the Welsh Government provides assurance that it appreciates the additional risk posed by the inclusion of Forestry Commission Wales in a new body and elaborate the steps the Welsh Government is taking to mitigate the risks associated with this approach.

Before summarising our recommendations, I would like to make a point of general principle. The single environment body is being created to deliver high-level Welsh Government policy, to be set out in the Natural Environment Framework. This policy is being consulted on at the moment and it has yet to be finalised. We were somewhat surprised that the Welsh Government decided to determine the mechanism by which it wishes to see a policy delivered (in this case the SEB) before the policy it is meant to deliver has been finalised. To our mind, it is a scenario analogous to the 'cart before the horse' idiom. We seek reassurances from the Welsh Government that ongoing work on the Green Paper and the structure of the new body is closely interlinked and is not being completed in isolation.

Recommendations

Moving on to our recommendations, we recommend that the Welsh Government ensures that:

1. The commercial acumen that exists within the Forestry Commission Wales is not lost and is mainstreamed into the work of a new body. This commercial expertise should be built upon to improve the commercial focus in all other appropriate areas of the new body's business. (Page 9)
2. There is no weakening of performance or reduction in the quality of service delivered by the three existing bodies during the transition period. (Page 12)
3. Robust arrangements are made to separate the permitting and advisory functions of a single body. (Page 14)
4. The pathway to creating a new and coherent organisational culture from the merger of three organisations with different cultures is clearly set out and the practical outcomes for stakeholders of this significant institutional change are clearly articulated. (Page 17)

It is our intention to monitor progress in these areas throughout the transition, establishment and delivery phases of the single environment body programme and we will be looking to see demonstrable progress towards minimising the risks and meeting the recommendations that we have identified in this report.

1. Introduction

The Environment and Sustainability Committee has conducted a short inquiry into the business case for a single environment body. It conducted this work over the course of four meetings during January and February 2012. In addition to taking oral evidence, it issued a questionnaire to stakeholders to canvass a broader range of views.

The evidence received by the Committee can be viewed on the Committee's 'Inquiry into the Business Case for the Single Environmental Body' webpage. The conclusions drawn below are based on that evidence.

¹Webpage: <http://www.senedd.assemblywales.org/mgIssueHistoryHome.aspx?IId=2629>

2. Aims and objectives of a new body

There was a general consensus in the evidence we received that sustainable development should be the guiding aim of any new body. There was some divergence of opinion between the commercial sector and some conservation groups on where the balance of priority for a new body should lie; whether a focus on nature conservation or economic and social outcomes should be prioritised.

We support the view that sustainable development should be the guiding aim of the new body and at the heart of any decisions taken by it. By this, we mean that equal weight should be given to environmental, economic and social considerations so that no one function of the body is exercised in a way which would be detrimental to another.

We agree with the evidence received by the Committee that this aim is not necessarily apparent in the Business Case and urge the Welsh Government to ensure that this guiding aim is clearly enshrined in the functions of the new body and the work of the shadow board.

Sustaining a Living Wales presents the position that what is best in relation to environmental resources is likely also to be the most effective economic approach. Whilst this may offer a starting point for communicating this message, it was apparent from the evidence that we received that more needs to be done if stakeholders are to be convinced of this position.

3. Forestry Commission Wales

The most controversial issue raised was around the inclusion of the Forestry Commission Wales (FCW) in a single body and the concern that exists, particularly within the private commercial forestry sector, about the potential loss of the FCW's commercial focus within a single environment body.

We heard that the commercial forestry sector in Wales has confidence in the commercial expertise and focus that is currently provided by FCW. To maintain this confidence, it is crucial that this sector is assured that a new body will continue to maintain the same, or a better, commercial focus.

To provide this assurance, we believe that details of the steps that will be taken to ensure this are set out at the earliest opportunity and that this should be one of the first tasks of the shadow body, once established.

We welcome the proposals contained in Natural Resources Wales, to provide the new body with clear duties, targets and directions in respect of managing the forest estate and we urge the Welsh Government to ensure that these targets are developed in close consultation with key stakeholders from the sector.

We seek assurance from the Welsh Government that it will monitor the actions of the new body in relation to forestry closely to ensure that the commercial focus and expertise of FCW is preserved in a new body.

Uncertainty in this area poses risks to business and potential investment, which could be of detriment to the Welsh economy. We therefore encourage the Welsh Government to ensure that there is adequate representation from this sector on the board of the new body and that every effort is made by the new body to engage and listen to the commercial forestry sector in Wales.

Recommendation 1: We recommend that the Welsh Government ensures that the commercial acumen that exists within the Forestry Commission Wales is not lost and is mainstreamed into the work of a new body. This commercial expertise should be built upon to improve the commercial focus in all other appropriate areas of the new body's business.

4. Benefits

We were pleased to hear from the evidence presented to us by the Minister for Environment and Sustainable Development that a benefits change manager is to be appointed for a two-year period to ensure benefits are tracked and delivered. In the interests of transparency and accountability we urge the Welsh Government to publish progress reports on the achievements of the benefits outlined in the Business Case.

It is our intention to return to this issue and trust that details of progress towards benefits realisation will be shared with us to inform our ongoing scrutiny of this significant area of policy.

5. Risks

I.T. Risks

The assessment of IT risks in the Business Case was one of the main concerns expressed by stakeholders and the existing environmental organisations.

It is vital that the risks posed by IT integration are afforded suitable priority and that lessons from other organisations that have undergone mergers are considered. We believe that the example of Natural England may be of particular use in this regard. We urge the Welsh Government to ensure that careful monitoring of progress on this aspect of the work is undertaken.

Human Resources and Pensions

Whilst much of the evidence we received related to FCW, it is important to recognise that risks in relation to IT, human resources and pensions apply across all three organisations and the specific discourse in relation to the FCW should not detract from the fact that risks in these areas relate to all three organisations.

It is difficult for us to pass further comment on this aspect of the work programme until details of how these risks are to be addressed are made clear. It is important that certainty is brought to these issues at an early juncture so that the staff of the existing three organisations can plan for the future. In doing so, due regard should be given to the views of staff groups and trade unions.

Existing Relationships

Some stakeholders identified the loss of relationships with key staff in the existing organisations as a risk.

The Minister of Environment and Sustainable Development told us that he believes that the three bodies cover the same sort of territory and that they interact with the same sort of stakeholders, so a single body would create efficiencies through providing a single point of contact.

We welcome his commitment to ensuring that there is to be no diminution of service during the transitional period. However, this is an area of

considerable concern to the stakeholders who presented evidence to us and it is important that steps are taken to ensure that existing relationships between key stakeholders and the body are not lost during the transition period. We note that the Countryside Council for Wales (CCW) has put measures in place to address this risk and we would encourage you to ensure that FCW and Environment Agency Wales (EAW) both give this issue sufficient consideration.

Transparency and resolution of conflicts

Some respondents expressed concern about the lack of detail in the Business Case in relation to how conflicts between the different functions of a new body will be resolved, particularly the challenge of securing a transparent decision-making process when a body is required to deliver both a permitting and advisory role.

We were content to note the Minister of Environment and Sustainable Development's commitment to ensuring transparency in the decision-making processes of a new body and further note that he will be securing this by ensuring that all assessments and advice upon which decisions are made are published. The Minister provided us with his view that transparency could also be achieved by the creation of Chinese wall structures or perhaps by the transfer of some decision-making functions to the Welsh Government.

We accept that that these mechanisms form part the ongoing consultation on the form and function of the new body and look forward to considering the detail of the Minister's proposals in this area as they emerge from the consultation process.

Recommendation 2: We recommend that the Welsh Government ensures that robust arrangements are made to separate the permitting and advisory functions of a single body.

Cross-Border Issues

Although there are a number of cross-border issues which may result from the separation of FCW and EAW from their parent bodies, particular concern was expressed by stakeholders about risks associated with the loss of access to expertise and the loss of access to Forest Research.

When the Minister of Environment and Sustainable Development appeared before us he was clear in his confidence that an agreement with the UK Government and Scottish Government on the provision of cross-border services would be reached. Additionally, he stated that the provision of Forest Research would not be affected by the creation of a single environment body. These commitments, when delivered, will go a considerable way towards meeting the concerns that were raised by stakeholders. We would ask that the Minister keeps the Committee and stakeholders informed of progress towards reaching a final agreement on the issues as our concerns in this area cannot be entirely assuaged until a clear pathway to delivering these commitments is set out.

We note Dŵr Cymru's concerns about ensuring a commonality in the regulatory framework that is applied across England and Wales and would encourage the Minister to ensure that good working relationships are maintained between the new body and its former constituency bodies outside Wales.

6. Business Continuity

Some stakeholders in their responses emphasised the importance of ensuring business continuity during the transition period and in the first years of the new body.

In the Minister of Environment and Sustainable Development's evidence, he again made it clear that he expects no weakening of performance or reduction in the quality of service delivered by the three bodies during the transition period. The Minister stated that his officials were working with the three bodies to make sure that everyone was clear about the vital services that will need to be delivered during a transition period.

As with previous areas of concern addressed in this letter, we are reassured by the Minister's commitment to meeting the concerns that have been raised but we cannot be wholly satisfied until we see the detail of how these commitments are to be delivered. In addition, we would encourage the Minister to ensure that stakeholders reliant on the existing organisations for the delivery of essential services are consulted on the procedures that will be put in place during the transitional period.

Recommendation 3: We recommend that the Welsh Government ensures that there is no weakening of performance or reduction in the quality of service delivered by the three existing bodies during the transition period.

7. Stakeholder Relationships and Partnerships

Stakeholder Engagement

A number of the forestry stakeholders who responded to the Committee stated that they did not believe the views they had expressed had been reflected in the Business Case.

Concern was also expressed by a number of respondents that the Business Case failed to include sufficient detail on how a new body would work with partners and communities.

We were encouraged to hear that the Minister of Environment and Sustainable Development recognises the importance of engaging with stakeholders and that he recently had a profitable meeting with CONFOR. Continued engagement at this level will be required if the transition to a single environment body is to be successful. We hope that the views of all stakeholders will be given equal attention and consideration in the current consultation process on the form and function of the new body.

Local Relationships

Both the WLGA and Wales National Parks stated that there had been insufficient discussion in the development of the Business Case about the relationship between the new body and local authorities and National Parks.

Effective working relationships between the new body, local authorities and National Parks will be essential to the success of the new body and the delivery of a new natural environment framework for Wales. The Business Case does not provide sufficient detail on these important relationships. We ask that the Minister of Environment and Sustainable Development ensures that the shadow board looks carefully at this issue and that it holds detailed discussions with local authorities and the National Parks on their relationship with the body.

8. Governance and Structure

Leadership and timeline

A number of respondents highlighted the importance of leadership to the success of a new body.

In the Minister of Environment and Sustainable Development's own words, he has set a demanding timescale for establishing a new body. Whilst the Minister suggested that the new body may be governed by a board appointed by Welsh Ministers, we accept that the detail of the eventual governance structure will not be determined until the outcome of the ongoing consultation is considered and the shadow board has been established. We await the detail of this with interest and will wish to comment in more detail once firmer proposals emerge.

In making appointments to a shadow board we would urge the Minister of Environment and Sustainable Development to consider the points raised by evidence submitted to this Committee and to ensure that the board contains the breadth of skills and knowledge required to ensure that the delivery of this new body is effective.

As Assembly Members, we are also eager to ensure that there is appropriate accountability to the National Assembly for Wales for matters of financial control. We seek the Minister of Environment and Sustainable Development's assurance that the chief executive officer of the new body will be designated an Additional Accounting Officer and thus made accountable to the National Assembly for Wales for the discharge of their accounting officer responsibilities.

Culture

A number of stakeholders made comments in relation to the culture of the new body. In its questionnaire response RSPB Cymru stated that it will be important to ensure that a new culture is created in the organisation so that all staff have a shared vision and shared ways of working. In its written evidence CONFOR stated that the driver for change should be to create a body which is more than the sum of its parts. This was echoed by Mr Parry, Chair of CCW, in his oral evidence. He said that it was important to remember that the single environment body would be a brand new body and not merely the merger of three existing bodies.

We note that a consultation on the form and function of a new body is on-going. We recommend that through this process the Minister of Environment and Sustainable Development ensures that the practical outcomes for stakeholders of this significant institutional change are clearly articulated. This will be important to ensure the engagement of stakeholders.

We support the view that the creation of the new body should result in an organisation that is more than the sum of its parts and look forward to monitoring the work of the shadow body on this issue. The delivery of a new culture will be an important component on ensuring the effective implementation of a new natural environment framework for Wales.

Defining clear strategic goals for the new body, embodying the principles of the natural environment framework, that can be reported on regularly will be a crucial task for the shadow body and we will be interested to see how these goals develop.

Recommendation 4: We recommend that the Welsh Government ensures that the pathway to creating a new and coherent organisational culture from the merger of three organisations with different cultures is clearly set out and the practical outcomes for stakeholders of this significant institutional change are clearly articulated.

Locality

Both the WLGA and Wales National Parks expressed views about the physical location of a new body.

We agree with the view expressed by a number of stakeholders; that opportunities should be taken to ensure that the new body maintains a local presence throughout Wales. Adopting best practice in terms of a Welsh Language policy is a sine qua non for the formation of any Welsh public body, and our expectations for the new body reflect this view.

9. Conclusions

The detail of how many of the concerns raised by stakeholders will be met is as yet unknown. This is because the Minister of Environment and Sustainable Development is awaiting the outcome of ongoing consultations and the establishment of the shadow body. Consequently, we cannot yet be confident that mechanisms will be in place to mitigate the risks and concerns that have been raised.

We appreciate that further detail will emerge in the coming months and ask that the Minister of Environment and Sustainable Development ensures that we are provided with up to date information as it emerges so that we, and the stakeholders that have contributed to our work, can be confident that the risks and concerns that have been identified in this letter are being properly addressed.

As a Committee, we will have an important role in the development of the new body, in terms of our policy, financial and legislative scrutiny roles. We will be looking back to issues that have been raised with us at this time when we come to this future work and we will expect the concerns that have been raised in this report have been adequately addressed.