

Environment and Sustainability Committee

Meeting Venue:
Committee Room 3 – Senedd

Meeting date:
1 February 2012

Meeting time:
09:45

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



For further information please contact:

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Agenda

1. Introductions, apologies and substitutions (09.45)

2. Inquiry into the Business Case for the Single Environmental Body – Evidence from the Minister for Environment and Sustainable Development (09.45 – 10.45) (Pages 1 – 5)

E&S(4)–06–12 paper 1

John Griffiths AM, Minister for Environment and Sustainable Development
Matthew Quinn, Director, Environment & Sustainable Development
Dave Clarke, Technical Advisor, Sustainable Futures
Nigel Reader, Consultant

3. Papers to note (10.45) (Pages 6 – 7)

Minutes of the meeting held on 18 January
E&S(4)–03–12 minutes

3a. Inquiry into the Business Case for the Single Environmental Body – Written evidence from the Confederation of Forest Industries (Confor) (Pages 8 – 15)

E&S(4)–06–12 paper 2

3b. Inquiry into the Business Case for the Single Environmental Body – Written evidence from Maelor Nurseries Ltd (Pages 16 – 17)

E&S(4)–06–12 paper 3

3c. Letter from the Chair of the Petitions Committee – P-04-339 Enforcement of

Animal Welfare Standards in the Puppy Farming Industry in South Wales West
(Pages 18 – 19)
E&S(4)-06-12 paper 4

- 4. Motion under Standing Order 17.42(vi) to resolve to exclude the public from the meeting for item 5 (10.45)**
- 5. Inquiry into the Business Case for the Single Environmental Body
– Consideration of evidence**

Environment and Sustainability Committee

E&S(4)-06-12 paper 1

Inquiry into the Business Case for the Single Environment Body - Paper from the Minister for Environment and Sustainable Development

1. Purpose

This paper summarises the background, development and the main conclusions of the business case for the creation of a Single Environment Body in Wales. It also seeks to address the main areas highlighted in the terms of reference highlighted by the Committee.

2. Context – The phase 1 review

The context for the work was originally set out in a written statement to Assembly Members in July 2010. That statement noted that although work was currently underway between the Environment Agency Wales (EAW), the Countryside Council for Wales (CCW) and the Forestry Commission Wales (FCW) to share support services and operational services, there was a need to look at:

“more fundamental restructuring of delivery arrangements and functions in Wales in order to give best value in delivering an integrated, eco-system approach to the natural environment. This work will look at roles and functions, including the potential costs and benefits of separate Wales bodies and merging some or all of the delivery bodies and will make an initial report in the autumn”.

A review was therefore undertaken to look at these issues and recommend the way forward. The review was largely undertaken by staff from the three bodies but was led by Welsh Government officials. Oversight was by a programme board comprising Welsh Government representatives and the Chief Executive / Directors of the three bodies.

In parallel, the Welsh Government further developed and consulted on its proposed Natural Environment Framework, ‘A Living Wales’. This consultation sought views on a range of issues, including the best way of organising the functions and delivery of the work currently undertaken in or for Wales by the ‘three bodies’, the CCW, EAW and FCW. The consultation concluded at the end of December 2010 and responses informed the final conclusions of the review and advice to Ministers.

The initial review reported in January 2011 and is available on the Welsh Government website. The review examined six options,

including no change, sharing services, combinations of two of the bodies, and creating a new body from all three.

The review concluded that the option with the potential to provide the greatest benefits and deliver improvements in the effectiveness of how environmental policies are managed and delivered was the establishment of a single environmental body involving all three organisations. It also identified three main risks which required further assessment; pensions, ICT costs, and VAT exemptions status.

Consequently the Minister for Environment, Sustainability and Housing and the Minister for Rural Affairs presented a Written Statement to Assembly Members on the Natural Environment Framework on 28 January 2011, in which they confirmed that they had asked officials to undertake more detailed work on the particular option of establishing a single environmental body.

The conclusions of this review, and the overall process, were reported to the Sustainability Committee on 17th March 2011.

As a government we subsequently made clear our intention to create a single body, in our manifesto and our programme for government.

3. The phase 2 business case

3.1 Scope and overall approach

This second phase of work, and the development of the business case, focused on the single environment body option, with a counterfactual (or baseline) option based on achieving budget cuts through further developing the shared services agenda. Two additional options (the most promising from phase 1) were shortlisted and considered further – these were the CCW/FCW and EAW/CCW options.

The business case was developed by a Programme Team including staff from the Welsh Government, EAW, CCW and FCW. All four organisations were also represented on the Programme Board which guided the work of the programme, including overseeing the development of the business case. A Steering Group also provided strategic advice and guidance on the work of the programme. Its membership included six non-executive directors – two each from EAW, CCW and FCW.

The business case was presented in the form of the Treasury five case model, at the request of the Accounting Officer. The full case, together with annexes is available on the Welsh Government website.

The business case recommends that we proceed with work to create a new body based on the functions of FCW, EAW and CCW. Cabinet has

accepted that recommendation, and we will publish a consultation setting out further details of our proposals, and seeking further views on them, during February. I will take the results of this consultation into account before forming a final view on the way forward.

3.2 Specific issues

The sections below briefly summarise some key aspects of the development of the business case which are relevant to the terms of reference that the Committee has set itself.

3.3 Supporting 'A Living Wales'

The policy approach set out in the Natural Environment Framework is an important part of the context for the creation of a single body but is one of a number of factors considered in the business case.

Both the economic and strategic case evaluations showed that the single body option was best aligned with the delivery of 'A Living Wales' as well as scoring highly against the other criteria set out in the business case.

As we have developed the business case, the single body and Living Wales teams have worked closely together, sharing much of their programme governance arrangements. A joint Steering Group of non-executives provided advice on both programmes, and I also established a joint reference group to provide stakeholder views.

The 'Living Wales' policy approach has developed further and we will shortly publish our Green Paper 'Sustaining a Living Wales'. We will publish a consultation on our single body proposals in February which will further explain this alignment. I will seek to ensure that this Committee is provided with the consultation as soon as is practicable. We see the single body as having an important role in developing and refining the policy direction set in the Green Paper ahead of a proposed Environment Bill.

3.4 Benefits, Costs and Risks

Risks and benefits were initially identified through staff and stakeholder workshops and discussions. These discussions were quite extensive (see annex 2 of the business case). In order to further quantify benefits and costs, the work of the bodies was broken down into 12 work streams, with work undertaken by working groups of practitioners from the three bodies. Each team produced a report (or reports), identifying benefits, costs and risks, and the report was jointly agreed and signed off by the team.

Where necessary, expert advice was commissioned to provide information and estimates; in particular on ICT and pension costs. Estimates were also obtained from EA and FCGB on the cost of separation.

The reports were then reviewed and signed off by the Programme Board. For brevity, the 12 work stream reports were consolidated into two summary reports (included in the annexes of the business case), covering corporate services and operational services.

The main risks identified in the phase 1 report, pensions, ICT and VAT status are addressed in the business case and detailed annexes. A range of more detailed risks, dependencies and issues were also identified, and summarised in the main report and the appendices, together with proposed mitigation.

Section 7 of the business case, and the associated annex, sets out the management case and summarises the key work to deliver transition. This includes work packages to actively manage key risks, such as legislation, ICT and reputation.

The business case also quantifies risks where appropriate and includes £18.4m in the economic costing to take account of risks such as the potential for project overrun, for unexpected ICT costs and for loss of productivity. This figure is additional to the £50.3m identified costs.

3.5 Quality Assurance and Approvals

Prior to submission to (and approval by) the programme board, the business case was reviewed by the three bodies in Wales, EA and FCGB and DEFRA.

Internally it was also subject to internal review within Welsh Government, including by economists, finance and a treasury business case expert.

The business case was also subject to a detailed external review. This was undertaken by a highly experienced individual, who is a Board Member of the Marine Management Organisation, Chairs the audit committee of Natural England and participated as Director of Finance during the creation of both the National Rivers Authority and the Environment Agency.

His report, which I have attached in full, identifies some specific issues which will need careful management as we go forward. These arrangements are already being put in place. However his overall conclusion is:

On the strength of my review, my overall opinion is that the business case is plausible, robust and fit for purpose.

The business case was approved by the programme board, the Senior Responsible Officer and the Director General Sustainable Futures as accounting officer, before being submitted to me.

3.6 Legal approach and further development of the body

The institutional changes we are proposing may be given effect through orders made by the Welsh Ministers under powers provided by the Public Bodies Act 2011 (available from www.legislation.gov.uk)

I propose that the new body should be operational from 1 April 2013. I then intend inviting the Assembly to consolidate and further develop the single body legislation in the proposed Planning and Environment Bills.

Further details about this proposed approach and our rationale for it will be contained in the forthcoming consultation.

3.7 Next Steps

The immediate next step is to consult on our proposals. A single programme is being set up to take forward both the work of the 'Living Wales' programme and the single body changes. This consolidated approach will ensure that the two areas of work remain fully aligned.

Work on future implementation is beginning immediately so that officials can progress the most time critical work, particularly on legislation, business continuity, IT and pensions. Each team will be resourced by staff from the three delivery bodies and managed by the Welsh Government Programme Manager/ Programme Office team. These costs were included in the business case.

In order to ensure that the new body is functional on 1 April 2013, we consider that a 'shadow body' will need to be in place from late summer 2012.

Once the shadow body is established, work will be progressively transferred from the implementation programme to the shadow body.

John Griffiths AM
Minister for Environment and Sustainable Development

Agenda Item 3

Environment and Sustainability Committee

Meeting Venue: **Committee Room 1 – Senedd**

Meeting date: **Wednesday, 18 January 2012**

Meeting time: **10:15 – 12:00**

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This meeting can be viewed on Senedd TV at:

http://www.senedd.tv/archiveplayer.jsf?v=en_200002_18_01_2012&t=0&l=en

Concise Minutes:

Assembly Members:

Dafydd Elis-Thomas (Chair)
Mick Antoniw
Rebecca Evans
Russell George
Vaughan Gething
Llyr Huws Gruffydd
Julie James
William Powell
David Rees
Antoinette Sandbach

Witnesses:

Professor Robert Lee, Sustainable Places Research Institute, Cardiff University
Professor Terry Marsden, Sustainable Places Research Institute, Cardiff University
Dafydd Jarrett, NFU Cymru
Bernard Llewellyn, NFU Cymru
Rhian Nowell-Phillips, Farmers' Union of Wales
Ben Underwood, Country Land and Business Association

Committee Staff:

Alun Davidson (Clerk)
Catherine Hunt (Deputy Clerk)
Nia Seaton (Researcher)

1. Introductions, apologies and substitutions

1.1 There were no apologies or substitutions.

2. Motion under Standing Order 17.42(vi) to resolve to exclude the public from the meeting for item 3

2.1 The Committee agreed the motion to exclude the public from the meeting for item 3.

3. Inquiry into the Business Case for the Single Environmental Body – Private briefing from expert advisers

3.1 The Committee received a briefing from Professor Robert Lee and Professor Terry Marsden on the Business Case for a Single Environment Body for Wales.

4. Inquiry into the Business Case for the Single Environmental Body – Evidence from farming and countryside organisations

4.1 The witnesses responded to questions from Members of the Committee on the Business Case for a Single Environment Body in Wales.

TRANSCRIPT

View the [meeting transcript](#).



Environment and Sustainability Committee

E&S(4)-06-12 paper 2

Inquiry into the Business Case for a Single Environmental Body – Evidence from Confederation of Forest Industries (Confor)

Confor: *promoting forestry and wood* is a membership organisation that promotes sustainable forestry and low-carbon businesses. Confor represents and supports members by helping build the market for wood and forest products, creating a supportive policy environment, and helping members to become more competitive and successful.

Confor examined the pros and cons of the Single Body proposal and concluded that, on balance, it will be detrimental to the interests of the forestry and wood-using sector. There is sense in bringing EAW and CCW together, but the role and functions of FCW are very different.

Loss of access to shared FC resources

FCW operates as an independent, fully devolved entity reporting to Welsh ministers, while benefiting from collaborative activity with England and Scotland, as well as Westminster-funded resources such as Forest Research (FR), statistics and forest expertise for standard setting.

If FCW were separated from the rest of FC, then it is near certain that the England and Scotland arms would merge with departments in their respective countries and shared functions would be significantly downgraded or lost in the near future. FR is widely respected within the sector. Statistics/production forecasting helps underpin investment in markets for wood and forest expertise is crucial in ensuring there is a standard for forest management that has a basis in sustainability.

This shared resource has played a crucial role in the fight against *Phytophthora ramorum*. Any merger process will be extended over time and result in staff resource being diverted, just at a time when we need it to be active and available.

Environmental regulation

Members occasionally complain about poor service from the FC, and the debacle over Glastir has not been an advert for competence. At the same time, FC staff have at least some understanding of forestry and the challenge of making that financially sustainable.

EAW and CCW are environmental regulators, and are used to limiting the negative environmental impact of industry rather than stimulating activity. They will dominate the new body and it will quickly become focused narrowly on environmental protection through regulation. In five years' time, instead of a woodland officer visiting a forest it will be an ex-CCW manager who is not interested in how to make any money out of the

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forest.

By the time the new body realises that it is actually destroying the environmental benefits of well-managed woodland, it will be too late.

What we need is FCW taking control of the agenda and delivering a workable scheme, not spending the next few years being diverted by integration into a new body.

Damage to wood-using businesses

Businesses along the supply chain including agents, woodland managers and the mills have all expressed deep concern that the merger will undermine investment in wood processing. Views are mixed on the impact FCW has on timber prices, but it is clear that the merger will threaten investment, which in turn damages markets for wood.

Loss of influence by the forestry sector

Since devolution, forestry has increased its visibility at a political level. This is partly because forestry was fully devolved and the FCW were able to react to a Welsh agenda and partly because the private sector realised it needed to promote the role of forestry in a new green economy through a new representative body Confor.

If there is no department for forestry, and especially if it is submerged into an environmental regulator, the understanding of the importance of forestry will diminish significantly. There is a risk that EAW and CCW will dominate the SEB. Forestry and wood will be downgraded.

The business case for the merger fails to understand the nature of the sector or its interests. Any concerns which are noted are quickly skipped over and any potential financial costs are promptly forgotten. It is a 'best case' scenario that focuses on the benefits of merging EAW and CCW, with a narrow perspective that FCW is similar, which it is not.

Economics facts

- FC Wales (FCW) manages by far the largest single rural business in Wales.
- FCW with its visitor centres and mountain biking operates the largest commercial outdoor recreation business in Wales.
- The public forests are the largest single visitor destination in Wales after the Welsh coast, attracting about 80% of all visitors to woodlands.
- As a result of these services and commercial activities the public forests are of fundamental importance to rural tourism, which is either the top or 2nd largest economic sector in Wales. The facilities and opportunity for recreation represented by the forests are the platforms on which many touristic businesses are built.
- In addition the public forests produce timber, a renewable material that not only generates considerable income for the Welsh Government directly but also supports a large and modern wood processing sector that is competitive with the best in the world. The commercial capital that allowed this was made available

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because of long-term guarantees of supply by FCW, guarantees that are not available from the private sector.

The Business Case Analysis

A The strategic case

1. The SEB is to be set up primarily to implement the Natural Environment Framework (NEF). But the NEF, as currently proposed, has the following key weaknesses which undermine the case for the SEB.
 - its detailed roles have still to be defined and it therefore makes little sense to form a SEB to implement a yet undefined set of functions
 - its thinking is dominated by environmental considerations and it largely ignores economic and social drivers which are arguably much more significant for those managing and operating in the rural sector
 - it speaks repeatedly of an integrated approach and integrated delivery of the management of the natural environment without explaining what this means in practice
2. Many claims are made of the SEB's benefits (table 1) without providing convincing evidence of how these will be realised. They are all speculative.
3. Several references are made to external stakeholder consultation eg para 2.3, but it's unclear how far and how seriously these inputs were taken into account. The strong opposition by the forestry sector to including FCW in the merger seems to have been completely ignored.
4. Several claims are made that the SEB will strengthen the autonomy of decision making in Wales eg paras 2.12.2 and 2.13.2. In the case of forestry, FCW is already autonomous and the inclusion of forestry in these comments is disingenuous.
5. Expenditure outside Wales and reinvestment of savings in Wales para 2.13.2. FCW expenditure in Scotland and England is only a small % of the £23m. Forest Research already has a research station in Wales which focuses on research priorities for Wales. FCW also commissions studies concerned with Welsh questions. I suspect the points in these paragraphs relate primarily to the EA and it is wrong to imply they apply equally to FCW.
6. References are also made to the importance of partnerships for SEB and it is implied these need strengthening. para 2.6 FCW has well developed partnerships which play an integral part in delivering *Woodlands for Wales*.
7. The descriptions of the roles of the SEB focus on regulatory and planning functions. No mention is made of the benefits to SEB of commercial operations eg FCW timber production, recreation services and wind farm developments

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8. Farming and fishing, the largest rural industries, are the responsibility of a different WG ministry. How will a SEB improve regulatory control over these industries compared with the present situation?

B The economic case

The main problem with this section is that we are expected to take the figures on trust, notwithstanding the peer review by Mr Reader. Although the review process is described it is impossible to understand how the estimates were derived and the annexes throw no further light on this. The following points raise serious questions about the conclusion that option 4 gives the best economic outcome.

1. Table 4 p 56 show non-cash realisable benefits but gives no explanation of what these are. They are not shown separately in annex 8.
2. Annex 8 shows benefit calculations for each option. The para headed "Limitations" hardly fills one with confidence that the figures are meaningful.
3. In option 4 the largest benefits (cost savings) come from row 2 "Operational-technical advice, strategy and guidance planning" and row 6 "Operational- field workforce including reserve, forest and asset management" (Cumulative savings of £64m out of a total of £158m) How do these arise eg in the case of FCW what cuts are envisaged and how will FCW programmes be delivered with progressively reduced expenditure on forest operations?
4. A comparison of benefits for options 2 (CCW+EA) and 4 (FCW+CCW+EA) in annex 8 show that almost half the increased benefits claimed for option 4 over option 2 over the project life (£17m out of £37m) arise in row 6 ie savings on field workforce operations. No details are given of where the savings originate (ie in CCW, EA, FCW) but as option 2 excludes FCW the implication is that these additional savings will occur in FCW. Is this the case and if so how will existing FCW programmes be delivered?
5. Qualitative benefits scoring para 3.7.1 and risk appraisal para 3.8. These would have been more convincing if external evaluators had been used. It could be argued that as the people who did this were intimately involved in the SEB programme they were inevitably biased.
Sensitivity analysis para 3.10 and table 12. The margins between options 2 and 4 are small when seen against:
 - the acknowledged approximations of the benefit calculations (see annex 8)
 - the 10 year time scale
 - the higher risk attached to option 4 than option 2
 - also if the non-cash realisable benefits are omitted (£19m for option 2 and £31m for option 4) from the total net benefits the margins between options 2 and 4 narrow and the sensitivity % for 2 over 4 will fall.

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The economic analysis fails to provide a convincing case for preferring option 4 over option 2.

C The commercial case

1. Human Resources para 4.2.1. An all-Wales pension system might hinder staff transferability across the UK. This would be highly undesirable.
2. IT para 4.2.3
 - It reports that the IT workstream recommended a figure of £74.3m and that this was incorporated in the business case. I cannot see how this figure is derived from appendix 9 (p118) where IT capital costs total £14.3m and revenue costs £22.2m (total £36.6m). Where is the balance of £37.7m?
 - The difference in IT costs between option 2 (p116) and option 3 (p 117) suggest the overwhelming cost of IT is for the EA
 - I think it's important that the new IT system should interface easily with FCGB systems and presumably also England's EA system
 - It is absolutely clear that failure to deliver a working IT system on time will seriously jeopardise the project. The record of public sector IT systems doing this is very poor. Is this risk realistically accounted for?
3. Charging systems para 4.3.4 Where is the revenue generated by FCW (timber sales, recreation revenue etc) shown? At the moment this offsets FCW expenditure. Will this continue to be shown as income earned by forestry or subsumed into the SEB budget? It's desirable that it is clearly identified as income earned from forestry activities.

D Financial case.

1. Annex 18 section 4 sources of funding (p204). This has some revealing information. In option 4 cash realisable benefits from FCGB (does this mean FCW?) total £13.6m just 10% of total cash realisable benefits. It indicates that inclusion of FCW is marginal to the whole case.

Overall conclusions

- The report provides a far from convincing case for including FCW in the SEB
- Virtually no disaggregated financial information is given to show exactly where (ie from FCW, EA, CCW) benefits arise or costs are incurred
- Several assertions are made which clearly do not apply to FCW (eg the autonomy argument). This is misleading.

The New Body

The Minister has decided to proceed with the creation of a new body. While disappointed with the decision, the forestry sector will be proactive in helping shape this new organisation. Confor and the Wales Forest Business Partnership are organising an industry briefing event on 9th February in Newtown. The aim of the event is to enable

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companies, individuals and organisations to respond to the forthcoming government consultation.

The Minister has confirmed his commitment to the Welsh Government's Strategy "Woodlands for Wales" and in particular to a competitive and integrated forest sector as part of the Government's sustainable development principle. Forestry Commission Wales has been the lead organisation taking forward the strategy.

The delivery of Woodlands for Wales must not be jeopardised by the merger of FCW with the Environment Agency (EA) and Countryside Council for Wales (CCW) into the new Body.

To guarantee the continuation and future development of these forestry benefits the following safeguards should be embedded.

1. Guiding principles

Economic and social objectives must have equal weight as environmental objectives in the guiding principles. The emphasis in the Natural Environment Framework (NEF) as described in "Living Wales" is overwhelmingly on environmental considerations to the virtual exclusion of economic and social factors as guiding principles. If economic and social objectives are not given due weight, the new body's decisions will seriously damage the rural sector.

2. Definitions

Words such as "Natural Resources", "Environment", "Natural Environment", "Sustainable Development" need to be clearly defined.

3. Policies for Welsh woodlands

The Welsh government's forestry strategy "Woodlands for Wales" (2010) has wide support across the forestry sector. It should be adopted as the blueprint for the future of forestry in Wales.

4. Nomenclature

The word Forestry (or Forests or Woodlands) should be included in the title for the new body. Virtually all governments in Europe have a Forestry ministry or agency. The absence of any reference to forests in the title will undermine the high international reputation of Welsh forests and forestry.

5. Links across the UK

Existing links to UK/GB forestry bodies must be maintained as these benefit Wales. The most important of these are:

- Forest Research (the research agency of FCGB which serves the interests of all countries)
- Statistics, in particular production forecasting
- Forestry standards (the UK Forestry Standard sets out standards for forest management required to meet international treaty obligations) and statistics

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- Plant health regulations (principally measures to prevent the importation and spread of plant pathogens). These are mainly administered by DEFRA

6. Governance

The Minister must not underestimate the difficulty of the task of bringing three organisations together with such different cultures. The driver for change must be to create an organisation better than the sum of its parts.

The appointment of a Chief Executive with a track record of successful change management is essential. The culture of the new organisation needs to move away from regulation “no, you can’t” to enabling “let’s make it happen”. Internal communication procedures will need to be established early. There needs to be a change audit process involving external users where structural issues can be identified and rectified rapidly.

There must be a clear organisational structure for managing the current assets of FCW. There should be a Head of Forestry who champions the importance and needs of the forestry sector within the sustainable development principle. S/He must be a director of the new body.

The two positions of Forestry Commissioners for Wales should be retained and they should be non-executive directors of the new body. This will ensure senior level links with UK forestry.

At the field level, officers must have expertise in the area they are working in. Currently woodland owners/managers have to deal with officers from all three organisations. This can be simplified. An appeals process which is clear, transparent and with defined timelines for resolution will be necessary.

7. Partnerships within Wales

Successful implementation of the NEF will require active participation and commitment by the private and voluntary sectors which own and manage most rural land in Wales. FCW has an established network of partner organisations which are already actively involved in delivering the policies in “Woodlands for Wales”. These partnerships should be retained.

8. External advice

The new body should have an external advisory body on forests and woodlands to reflect stakeholders’ views. The current Woodland Strategy Advisory Panel is a possible model.

9. Professional career structure

A UK wide career structure for forestry professionals should be retained. All countries benefit from cross-border staff movements.

10. Commercial activities

The new body must continue with the current commercial activities of FCW in particular timber production. These provide income which meets approx 50% of FCW expenditure. They will also ensure that the new body is kept abreast of economic and commercial

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Confor

Promoting forestry and wood
Hyrwyddo coedwigaeth a choed

trends affecting the forestry sector. The commercial skills, knowledge and acumen of FCW staff must not be lost.

11. Finance

Income and expenditure related to forestry activities in the new body must be transparent and not hidden within consolidated accounts for the new body. In particular revenues earned from timber sales, recreation services and other sources must be clearly identified and should be ring-fenced for use on forest/woodland related activities.

Kath McNulty
National Manager for Wales
January 2012

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Confederation of Forest Industries (UK) Ltd
Registered in Scotland No. SC34467



Agenda Item 3b

Environment and Sustainability Committee

E&S(4)-06-12 paper 3

Inquiry into the Business Case for Single Environmental Body – Evidence from Maelor Forest Nurseries Ltd

To assess whether the business case put forward for the creation of a single environment body takes sufficient account of the broad outcomes set out in the Natural Environment Framework.

Sustainable development is the central organising principle of the NEF. (We assume the basic aims of the NEF will not alter from the plans already shared when the Green Paper is published on Jan 30th.) The business case does appear to support this principle, however it is the details that will matter; whether every employee of the new SEB will have sustainable development ‘delivering positive environmental change, not just conserving what we have’ (John Griffiths, 2011) as their common goal. Conservation has a role within environmentalism, but if Wales is to truly aim towards sustainable development (in order to maximise the delivery of ecosystem services and to reduce its dependency on imports), the new body should understand the difference.

The business case does state that all project managers involved in the transition will be asked to ‘act in the best interests of SEB Wales regardless of past affiliations and moralities’. However, our concern is that conflict will inevitably occur due to the broad nature of the role the SEB will play.

Will the SEB really manage ALL aspects of the Welsh Natural Environment? For example, farming and fishing? The current Glastir vs FCW influence on forestry is challenging, often producing difficulties and we are concerned that this does not continue to occur.

Forestry in Wales is a vital rural industry because it employs 18,500 people (directly and indirectly), and contributes over £841million to the Welsh economy (CEBR, 2006). The proportion of total country GVA (gross value added) generated in the forest industries is larger in Wales (2.1%) than anywhere else in the UK (Scotland second highest with 1.1%; UK average 0.7%).

However, this economic significance is based on unsustainable harvesting and planting in recent years; the conifer area in Wales has shrunk by 13,000 ha since 2001. This represents a loss of approximately 5 million tonnes of commercial timber which is not being replaced. At the same time the area of broadleaf woodland has been increased by 8,000 ha; this is unlikely to ever produce any value except for fuel wood. There is overall a net woodland loss of 5,000 ha (Welsh Assembly Government, 2011).

We are currently planting 200 ha / yr compared to the target of 5,000 ha per year set by Welsh Government in 2010.

In addition to the economical benefits, forestry alone could abate half of Wales’ annual CO₂ emissions by 2050, if Wales achieves its carbon reduction targets (Read *et. al.*, 2009).

To analyse whether the business case takes sufficient accounts of the potential risks associated with the creation of a single environment body including:

– Financial and economic risks,

Freeing resources by minimising duplication is a primary reason for creating a new SEB but it will not happen automatically. Other options should be considered e.g. in forestry; planting applications could be initially approved by meeting UK Forestry Standards, which comply with many international forestry certification standards. Any special issues on the site would be identified and appropriate action taken.

Does Forest Research count as a 'core activity best delivered once for the whole of the UK'? (e.g. flood forecasting and emissions trading). If the SEB intends to buy in Forest Research skills, has this contribution been costed for the private sector in Wales as well as public sector? How will private businesses access Forest Research resources?

-Performance risks,

Our main worry, as already stated, is that overall performance may well be compromised by conflicts of interest within the SEB. This is currently the case between the existing bodies (e.g. Bryn Brawd proposed planting scheme attached). We feel the current lack of structure presented in the business case means these conflicts of interest could continue. Although the business case repeatedly acknowledges this risk, there are no detailed solutions (e.g. prioritising interests, conflict resolution protocols) explained hence our concern. What or who will decide the outcome of internal conflicts?

This concern is particularly pressing to us as we believe forestry will be overlooked despite its sustainable economic potential as described previously. Our beliefs in this area are drawn from current experience of forestry in Wales being focused on recreation and conservation with productive forestry on the margins. Many of the larger charitable organisations are able to voice opinions on where they feel policy direction should focus. This can lead to policy being focused on these areas and the bigger picture (i.e. sustainable economic development for Wales) being missed.

We raised our concerns with Lord Dafydd Elis-Thomas during his visit to the nursery on January 6th 2012, and they are summarised in the booklet presented.

- Accountability and transparency risks

We feel there is currently a lack of clarity regarding the type of body that will be created, its exact aims when in operation, and the procedures by which it will achieve those aims.

- Reputational risks.

We don't foresee any problems providing common goals are met transparently. Any improvement in the meeting of goals from the current situation (e.g. in terms of meeting planting targets) provides an improvement to reputation.

To assess whether the business case take sufficient account of the views of key stakeholders affected by the creation of a single environment body.

As a company employing ~40 full time staff, we have had the resources to attend many consultation meetings and feel we have had adequate opportunity to develop and express our viewpoints. 80% of forestry businesses employ <10 people and therefore are relatively isolated from political events and struggle to contribute effectively to consultation processes. This is particularly evident in comparison to larger organisations more practiced and effective at these processes.

In many cases, the business case does not go into enough detail to determine whether views expressed were taken into account.

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Y Pwyllgor Deisebau Petitions Committee



Lord Dafydd Elis-Thomas AM
Chair, Environment and
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National Assembly for Wales
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Our ref: P-04-339

13 January 2012

Petition: Enforcement of Animal Welfare Standards in the Puppy Farming Industry in South Wales West

The Petitions Committee considered the following petition, which has collected 2169 signatures, at its meeting of 10 January:

We call on the Welsh Assembly to urge the Welsh Government to stage an independent inquiry into the enforcement of animal welfare standards in the puppy farming industry in South West Wales.

This intervention and independent investigation is as a result of the widespread abhorrence at the ease with which the licenses are issued and subsequent lack of enforcement. This abhorrence is creating an extremely negative image of Wales throughout Wales, the United Kingdom and internationally. It is our contention that the setting up of an independent inquiry is the only way forward and will go some way in restoring the reputation of Wales throughout the UK and Internationally. Hopefully it will

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E-bost / Email: petition@wales.gov.uk / deisebau@cymru.gov.uk

Croesewir gohebiaeth yn y Gymraeg a'r Saesneg/We welcome correspondence in both English and Welsh

also curtail the activities of unlicensed puppy farmers & their reprehensible practices.

The Committee agreed to write to ask whether the Environment and Sustainability Committee would consider including consideration of this petition and the issues raised in it in the Committee's forward work plan.

Thank you for your consideration of this petition. I look forward to your response.

Yours sincerely,

A handwritten signature in blue ink that reads "William".

William Powell AM
Chair, Petitions Committee