



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

Y Pwyllgor Cyllid **The Finance Committee**

Dydd Iau, 9 Gorffennaf 2015
Thursday, 9 July 2015

Cynnwys **Contents**

[Cyflwyniad, Ymddiheuriadau a Dirprwyon](#)
[Introductions, Apologies and Substitutions](#)

[Papurau i'w Nodi](#)
[Papers to Note](#)

[Bil yr Amgylchedd \(Cymru\): Sesiwn Dystiolaeth 1](#)
[Environment \(Wales\) Bill: Evidence Session 1](#)

[Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r Cyfarfod](#)
[Motion under Standing Order 17.42 to Resolve to Exclude the Public from the Meeting](#)

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included.

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

Peter Black

Democratiaid Rhyddfrydol Cymru
Welsh Liberal Democrats

Christine Chapman	Llafur Labour
Paul Davies	Ceidwadwyr Cymreig (yn dirprwyo ar ran Nick Ramsay) Welsh Conservatives (substitute for Nick Ramsay)
Jocelyn Davies	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)
Mike Hedges	Llafur Labour
Alun Ffred Jones	Plaid Cymru The Party of Wales
Ann Jones	Llafur Labour
Julie Morgan	Llafur Labour

**Eraill yn bresennol
Others in attendance**

Dr Andy Fraser	Pennaeth Rhaglen Adnoddau Naturiol, Llywodraeth Cymru Head of Natural Resource Management Programme, Welsh Government
Jasper Roberts	Dirprwy Gyfarwyddwr yr Is-adran Effeithlonrwydd Gwastraff ac Adnoddau, Llywodraeth Cymru Deputy Director Waste and Resource Efficiency Division, Welsh Government
Carl Sargeant	Aelod Cynulliad, Llafur (Y Gweinidog Cyfoeth Naturiol) Assembly Member, Labour (The Minister for Natural Resources)

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

Bethan Davies	Clerc Clerk
Martin Jennings	Y Gwasanaeth Ymchwil Research Service
Tanwen Summers	Dirprwy Glerc Deputy Clerk
Joanest Varney-Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser

*Dechreuodd y cyfarfod am 09:00.
The meeting began at 09:00.*

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

[1] **Jocelyn Davies:** Welcome, everybody, to a meeting of the Assembly's Finance Committee. Can I just remind you that, if you've got a mobile device with you, if you'd turn it to silent we'd be very grateful? We've got just one apology, from Nick Ramsay, who's been substituted today by Paul Davies. Welcome, Paul.

[2] **Paul Davies:** Thank you.

**Papurau i'w Nodi
Papers to Note**

[3] **Jocelyn Davies:** We've got a couple of papers to note. Is everybody happy with those before we move on to our first substantive item? Yes.

09:01

**Bil yr Amgylchedd (Cymru): Sesiwn Dystiolaeth 1
Environment (Wales) Bill: Evidence Session 1**

[4] **Jocelyn Davies:** Our first substantive item this morning, then, is the Environment (Wales) Bill. This is our first evidence session and we've got the Minister with us. Minister, would you like to introduce yourself and your officials, just for the record, and then we'll go straight to questions?

[5] **The Minister for Natural Resources (Carl Sargeant):** Of course. Good morning, Chair and committee. I'll ask Jasper to give his title first, please.

[6] **Mr Roberts:** I'm Jasper Roberts. I'm working on waste and resource efficiency in the natural resources department.

[7] **Dr Fraser:** Dr Andy Fraser, head of natural resource management in the department for natural resources.

[8] **Jocelyn Davies:** Thank you very much. Minister, how confident are you that the regulatory impact assessment accompanying the Bill is thorough and robust?

[9] **Carl Sargeant:** Very. We believe the document we've laid before the Assembly is accurate based on historical work we've done on the Bill. We've had three independent consultants working on the RIA and we believe it is as accurate as it possibly can be at this time.

[10] **Jocelyn Davies:** As you mentioned, you've got three independent consultants. Each of them has their own methodologies contributing to the calculations that go into the assessment. Do you think it's appropriate to combine these in the summary table?

[11] **Carl Sargeant:** What we're trying to be is very helpful, actually. The more information the better, we believe. It gives us a more accurate reflection of individuals trying to understand what we mean by the Bill, and we've got three versions of that. We believe that's helpful.

[12] **Jocelyn Davies:** Okay, thank you. On the research that was conducted into the ban on the disposal of waste into the sewer, did the consultants engage with a wide range of stakeholders?

[13] **Carl Sargeant:** Yes.

[14] **Jocelyn Davies:** Can you tell us, or send us a note maybe, on who they were?

[15] **Carl Sargeant:** Jasper can give more detail.

[16] **Jocelyn Davies:** Jasper, can you tell us?

[17] **Mr Roberts:** We can. As officials, in the consultation, we also engaged with a wide range of stakeholders, from manufacturers of equipment to users of equipment, hospitals, universities, and so forth. So, we've tried to listen to all sides of the industry.

[18] **Jocelyn Davies:** Okay, thanks. Ann, shall we come to your questions—yes, Ffred?

[19] **Alun Ffred Jones:** A gaf i ofyn cwestiwn ar y tablau yma, jest er mwyn i mi gael deall yn iawn? Sut mae manteision *environmental impact* yn cael eu mesur? Rydych chi'n dweud bod yna werth o £148 miliwn ar yr amgylchedd. Sut ydych chi'n mesur hynny mewn termau ariannol?

Alun Ffred Jones: May I ask a question on these tables, just so that I can understand correctly? How are the benefits of the environmental impact measured? You say that there is a value of £148 million on the environment. How do you measure that in financial terms?

[20] **Carl Sargeant:** I will have to ask Andy for the specifics around the science behind that, if I may, Chair. The assessments that are made, there is a value to change on environmental impact. I'll perhaps ask Andy for the science behind that, if I may.

[21] **Dr Fraser:** Apologies, Chair; I didn't catch the second half of that question.

[22] **Jocelyn Davies:** Okay. Ffred, would you mind repeating the question?

[23] **Alun Ffred Jones:** Wel, rwyf eisiau deall sut mae'r *environmental impact* yma yn cael ei fesur o ran gwerth ariannol. Mae yna werth ariannol iddo fo, wedyn mae hwn yn cael ei gydbwyso gydag, er enghraifft, cost wirioneddol i gynhyrchwyr, neu siopwyr, neu bwy bynnag. Felly, rwyf jest eisiau deall sut mae hwn yn cael ei fesur. A ydy o'n arian, neu jest rhyw swm ydy o sy'n cael ei—. Wel, nid wyf yn siŵr iawn a ydy o'n cael ei—. Sut mae'n cael ei fesur? Dyna ydy'r cwestiwn.

Alun Ffred Jones: I want to understand how the environmental impact is measured in terms of financial value. There is a financial value to it, and then that is balanced with, for example, the real cost to producers, shoppers, or whoever. So I just want to understand how that is measured. Is it money, or is it just a sum that is—. I'm not quite sure whether it is—. How is it measured? That's the question.

[24] **Dr Fraser:** In relation to the quantification of the value of the environment, the three independent consultants took forward different methodologies. For example, in the Economics for the Environment Consultancy consultation, they looked at the value of the services that the environment provides to then quantify the potential benefit of the provisions of the Bill. So, it's particularly focusing on the value of the services of the environment, of the ecosystems within Wales. That is reflected in some of the figures that the consultants set out. For example, they considered that there would be, potentially, a 20 per cent uplift in the benefits to the Welsh economy as a result of the Bill. It was based on an assumption that the environment contributes around £8 billion per year to the Welsh GVA.

[25] **Alun Ffred Jones:** Mae'n ddrwg gennyf; nid wyf yn deall sut mae—. A allwch chi ddweud wrthym beth ydyw'r fantais i'r economi? Sut y mae hynny'n cael ei fesur? Ym mha ran o'r economi y mae'r arian yma yn crynhoi, felly?

Alun Ffred Jones: I apologise; I don't understand how—. Can you tell us what the benefit is to the economy? How is that measured? In what part of the economy is this money accumulating, therefore?

[26] **Jocelyn Davies:** Yes. So, how do you monetise a cleaner environment? So, if my local park has got less litter, how does that translate into a benefit to the economy? How do you count the benefit to the economy?

[27] **Carl Sargeant:** Yes; that's a very fair question. There are many strands to this. One example would be based on tourism. We know that there is a monetary element to tourism. If we can protect and enhance the natural environment, then of course there is a value to that. We've reckoned, with the advice we received from the consultants, that if you can add value to an environment, there is a financial gain to that, or a financial benefit. It is—

[28] **Jocelyn Davies:** Obviously, this is a difficult thing for most people to do, but the method used is robust in terms of it would actually happen.

[29] **Carl Sargeant:** That's the benefit of having three separate studies using three different methods. That's why we think it's much more robust than just using one consultant to deliver on this. What I'd be happy to do, Chair—and it is very complex and, obviously, there are many strands to understanding the economic benefit to the proposals—is I'd be happy to write to you with some examples of how they've come to those conclusions and what methodology they've done it with—

[30] **Jocelyn Davies:** Lovely. Thank you. I think, Ffred, you had another supplementary on this.

[31] **Alun Ffred Jones:** Wel, rwy'n siŵr bod yr hyn sy'n cael ei ddweud yn wir, ond rwy'n credu ei fod yn—wnaf i ddim defnyddio'r gair 'anonest', ond mae yna rywbeth—. Dywedwch chi fod yna gost gwirioneddol ar Gyfoeth Naturiol Cymru oherwydd eu bod yn gorfod gwneud rhywbeth, mae hwnnw'n gost gwirioneddol ar Gyfoeth Naturiol Cymru. Mae offsetio hwnnw yn erbyn enillion potensial i dwristiaeth, er enghraifft, bron â bod yn nonsens oherwydd y mae'n gost go iawn ar y corff, ond mae'r arian yma yn dod i rywun arall. Nid yw'n dod i Gyfoeth Naturiol Cymru, ac felly mae'r gost hwnnw'n aros. Rwyf i'n meddwl y dylid cadw'r cost gwirioneddol a'r manteision ar wahân a pheidio, rywsut neu'i gilydd, â threio dweud bod un yn gorbwyso'r llall neu yn—. Ni fuasech yn gwneud hynny efo'ch cyfrif banc eich hun, na fydddech, drwy ddweud, 'Wel, rwyf wedi glanhau'r ardd ac felly mae yna fanteision i'r amgylchedd'? Oes, ond mae'r costau yn aros, onid ydynt, ar y banc? Beth bynnag, rwyf i jest yn dweud hynny fel pwynt cyffredinol.

Alun Ffred Jones: Well, I'm sure that what is being said is true, but I think that it is—I won't use the word 'dishonest', but there is something—. Say, for example, that there is a real cost to Natural Resources Wales because they have to do something, that is a real cost for NRW. Offsetting that against potential earnings for tourism, for example, is nearly nonsense because it is a real cost on the body, but this money is coming to someone else. It's not coming to NRW, and so that cost remains. I think that the real costs and the benefits should be kept separate and not, some way or another, try to say that one outweighs the other, or is—. You wouldn't do so with your own bank account, would you, by saying, 'Well, I've cleared the garden and therefore there are benefits to the environment'? Yes, there are, but the costs remain, don't they, with the bank? However, I'm just saying that as a general point.

[32] **Carl Sargeant:** I do understand what the Member is trying to allude to, but I think there is a well-founded economic basis for developing the consultation and the output of that. The same principle could be applied to linguistic opportunities in Wales. If the Member would like to reflect on that, actually, it's not a tangible thing, but actually the Welsh language has economic benefits. So, it's exactly the same trying to understand that as environmental skills. It's a very difficult concept, but there is a tried and tested method of how we measure the environment.

[33] **Jocelyn Davies:** I don't think the Member is suggesting that there wouldn't be an

economic benefit, but presenting it in a table with the one offset against the other gives the impression that that's tangible in terms of what is actually happening. I don't think there's any suggestion here, Minister, that the economy wouldn't be enriched by it, but that benefit falls to individuals outside, you know, that we can't—. Natural Resources Wales will have the cost, but other people will have the benefit. I think that's what the Member is saying.

[34] **Carl Sargeant:** I'd be interested in the committee's views in terms of how you would benefit from the presentation—

[35] **Jocelyn Davies:** I don't think that there's a—. We'll try to come up with a solution for you.

[36] **Dr Fraser:** If it's helpful, Chair, we did identify through the regulatory impact assessment that there would be specific benefits that would flow directly to Natural Resources Wales as a result of the opportunities the provisions in Part 1 provide, separate to the wider benefit to the Welsh economy.

[37] **Jocelyn Davies:** It's simplifying it in a table, I think, rather than a challenge to the assumptions that are used there. Ann, shall we come to your questions?

[38] **Ann Jones:** Yes. Most of what I was going to ask about has been touched upon. I wonder if you could just give us some detail on how you calculated the environmental benefits of £140 million over 10 years. How robust do you think that is, given that it's over a 10-year period?

[39] **Carl Sargeant:** We recognise the transition from where we currently are to moving to a new environment Bill will have an initial transitional cost. That's why that's reflected in budgets around NRW's activity. We think it gives a more holistic picture if we are able to model this over the long term. In fact, what I often say within the environmental field is actually, both in measurements financially but also about impact, that it's very difficult to make assessments or very presumptuous to make assessments on one year's activity because of fluctuations in the programme and how the environment operates. You get a much more stable effect if you can do it long term. So, we've done it over a 10-year period. The figures, we believe, are robust, and the figures are reflected in the activity of savings longer term.

[40] **Ann Jones:** Okay. Then, if I may, the Auditor General for Wales stated that the RIA for the Regulation and Inspection of Social Care (Wales) Bill is potentially misleading because it displays monetised benefits along cash costs in the summary table. What's your view on that?

[41] **Carl Sargeant:** It's a matter for him. [*Laughter.*]

[42] **Ann Jones:** But you've done the same thing—

[43] **Jocelyn Davies:** It is similar to the point that Ffred was—

[44] **Ann Jones:** Yes. You've done the same thing, so, obviously, you're—

[45] **Carl Sargeant:** I'd certainly be grateful for advice from committee on how they think, presentationally, this would enhance the understanding of the committee. I'd be very happy to present it differently, if that's useful, but the issue around the RIA on that Bill is a matter for the auditor general and a matter for another Minister. We believe we've presented this appropriately.

[46] **Jocelyn Davies:** Yes. And, obviously, there is no suggestion that you were intending

to be misleading—

[47] **Carl Sargeant:** No.

[48] **Jocelyn Davies:** It's just understanding the summary tables more than challenging the assumptions that are there. In relation to the collection and disposal of waste and the environmental benefits and so on, have you any idea what proportion of waste that goes through the recycling stream then ends up having to be cleaned up and then landfilled—the costs of that borne by individuals and outside organisations?

[49] **Carl Sargeant:** I'd have to give you a note on the actual figures, Chair, regarding that, but what we do know is that, already, businesses have to pay for their waste stream to be collected. We know the fact that businesses—. When you create a waste stream, if it's clean waste, there is much more value to that at source, and therefore it just makes sense. We've seen this in municipal collection: sorting at source gives a better value to the waste stream. That's what we're trying to legislate for in terms of businesses here, but, in terms of numbers, we'll have to give you some detail by letter, if we may.

[50] **Jocelyn Davies:** Perhaps I didn't make myself clear. I'm talking about the costs that may fall on local authorities and others if something goes into the recycling waste stream, but then ends up in landfill. Do you know what proportion of current waste that is supposed to be recyclable has to be cleaned up and then ends up in landfill, in terms of your cost estimates? Do you know what proportion that is at the moment, Mr Roberts?

[51] **Mr Roberts:** We know that, potentially, as much as 90 per cent plus of the waste stream can be recovered, but that's very much at the top end of performance. At the moment, the target has been 52 per cent, rises to 58 per cent, and they can landfill or otherwise dispose of the material beyond that. The prices per tonne: local authorities can charge businesses for the cost of collecting business waste. So, they can recover their full cost on that—

[52] **Jocelyn Davies:** I'm not talking about business waste now. I'm talking about when we think something is going to recycling; it starts off going through the recycling scheme but ends up in landfill. Does your assessment account for when things don't go right and the cost, including the environmental cost, of it ending up in landfill when I think that it's gone into the recycling stream?

09:15

[53] **Carl Sargeant:** This is not municipal waste that we're dealing with here; this is purely commercial waste, Chair.

[54] **Jocelyn Davies:** But it might happen.

[55] **Carl Sargeant:** Of course. I'm sorry that I didn't understand the detail of your question.

[56] **Jocelyn Davies:** It might happen with commercial waste—that something is intended for the recycling stream but ends up at some point in landfill.

[57] **Carl Sargeant:** Of course. We'll have to give you some more detailed numbers on that, Chair; we don't have those figures with us. But the principle is the same. What we are doing here is legislating for an at-source selection of materials to be collected separately, and therefore that gives better value to the industry. We have done assessments with the industry, and we think that this, as in municipal waste success, can be reflected in the commercial sector as well, but there will be similarities in terms of what you were saying.

[58] **Jocelyn Davies:** Mike, did you have—

[59] **Mike Hedges:** Just to carry on from what you're saying, Chair, I think the direction that we're moving in is of waste that gets contaminated downstream; it starts off as recyclable waste but, somewhere downstream, because something has happened, it gets contaminated by something.

[60] **Jocelyn Davies:** So, does your impact assessment take that into consideration?

[61] **Carl Sargeant:** It does, but it would be minimal, Chair, because local authorities are already bound by legislation in terms of how they separate waste on collection.

[62] **Jocelyn Davies:** But there is a consideration of that based on experience in this. Peter.

[63] **Peter Black:** Yes, I'll ask my questions—[*Inaudible.*]

[64] **Jocelyn Davies:** Right, okay, you do them now.

[65] **Peter Black:** In terms of how this is going to work, in domestic waste streams, the people collecting the waste are, of course, the local authorities, but, in terms of commercial waste streams, there's a whole range of different companies actually collecting them. Local authorities are used to collecting separated waste streams. Commercial companies are not necessarily geared up for that. So, what additional costs have you built into it, not in terms of the businesses putting the waste out but in terms of the companies collecting the waste, to help them adapt to this particular regime?

[66] **Carl Sargeant:** We recognise that this is a transitional process, and that's why we will be doing work with the waste collection services. Once we've got the legislation in place, we know that will be the process to collect. The market is very, very effective at changing the way that they operate in order to collect, like in local authorities. But we didn't want to put the cart before the horse in this case, really—we didn't want to make businesses start to change if we didn't have the legislation in place. We will be presenting a different way or methodology for collection and sort, therefore the market will adapt to that process. We're confident about that. We've already talked to the industry about this as well.

[67] **Peter Black:** I guess most of the increased costs will fall on the companies collecting the waste as opposed to companies that are actually producing the waste, because it's very straightforward to organise your waste disposal into separate containers if you get organised. So, what estimate of costs have you actually put in place for the collection companies?

[68] **Carl Sargeant:** Jasper.

[69] **Mr Roberts:** The waste is already being collected, and there's a process for that—it's about change, so we expect the differences to be marginal. As the Minister has said, we will have some upfront work to do with them about the changing practices. The costs will be offset by the higher value of the material they're collecting. I'm struggling to find the page at the moment, but there were some figures, I thought, in the RIA.

[70] **Jocelyn Davies:** From what you've said, Minister—while Mr Roberts is looking for the page—the industry has indicated that whatever your rules are, they will adapt to them, and you're confident. Right, okay. Peter.

[71] **Peter Black:** In terms of the costs, you just have to look at the local authority's

operation—to collect separately glass, plastic and garden waste, they have separate vehicles, they have different collection times, different crews. Surely, that's going to be reflected again in how the commercial companies do it, and that is going to be a cost, isn't it?

[72] **Mr Roberts:** Overall, if you look at the modelling, Chair, in, for example, the blueprint, taking the example of municipal waste, the overall cost of separate collection comes down substantially because of the benefit of the higher value material.

[73] **Jocelyn Davies:** Okay.

[74] **Peter Black:** You're saying that, because they can sell on the material, that will offset their costs.

[75] **Mr Roberts:** Yes.

[76] **Carl Sargeant:** Yes.

[77] **Jocelyn Davies:** And the contamination will be less and so—

[78] **Peter Black:** There will still be a cost though.

[79] **Mr Roberts:** The contamination will be less because the material's recovered when it's cleaner, at the start of the process and not when contaminated downstream.

[80] **Peter Black:** But there's still a cost. I mean, local authorities only do this because you subsidise them.

[81] **Mr Roberts:** Pardon?

[82] **Peter Black:** Local authorities can only do this because you subsidise them to do it.

[83] **Mr Roberts:** We don't subsidise them. We give them grant to pay for the service—
[*Laughter.*]

[84] **Peter Black:** Okay. Local authorities can only do this because you give them a grant to pay for the service [*Laughter.*] Are you going to give a grant to these companies to offset their additional costs?

[85] **Mr Roberts:** On the economics of it, this works commercially. As I say, all of the modelling in the collections blueprint shows that the cost of collection will come down substantially, and that's why there are overall benefits to the economy.

[86] **Peter Black:** So, why doesn't that work on domestic waste?

[87] **Mr Roberts:** It does.

[88] **Peter Black:** You're giving them grants.

[89] **Carl Sargeant:** The grants aren't long-term grants, and they know this is a transition for that organisation.

[90] **Peter Black:** So, will there be a transitional grant for these commercial companies?

[91] **Carl Sargeant:** The market will manage the process because they can sell on their waste.

[92] **Peter Black:** So can local authorities.

[93] **Carl Sargeant:** They can, but this is the public sector.

[94] **Peter Black:** I understand that. The point I'm making is that you're asking the private sector to collect their waste in a different way and there's going to be additional cost to them to set it up. What I'm asking you is: have you put in place grants to help them meet that transition?

[95] **Carl Sargeant:** No, we haven't.

[96] **Jocelyn Davies:** Because your assessment is that it is not required because of the value of what they're collecting and it will be cheaper. Therefore, there is no need. Okay.

[97] **Mr Roberts:** The modelling in the collections blueprint, Chair, is very clear. There is an upfront investment cost, yes, of changing the kit, and Welsh Government is trying to help local authorities in this case with that investment insofar as we can with reduced public expenditure. But all the modelling shows that substantial financial savings kick in after two or three years, and we've estimated a total of between £20 million and £30 million per annum.

[98] **Peter Black:** But that's still two or three years in which those businesses are going to have to find these extra costs.

[99] **Carl Sargeant:** Well, let's put this in a different way. May I just present a question? Do you think skip companies or private refuse collection companies do this for nothing currently? The fact is that there is a significant amount of money in waste. It's just a different model of collection, and I'm sure the market will adapt to that very quickly, because they know the quality of waste collected, as it will be pre-sorted, enhances the provision of opportunity for investment and returns. I do accept that, in changing the process, there is a transitional cost to that, but I'm sure the market will manage that very effectively.

[100] **Peter Black:** Well, that's the point, really. I mean, we're asking the questions here, not you, but—

[101] **Jocelyn Davies:** But it was a rhetorical question, so let's—

[102] **Peter Black:** The issue here is that we accept that, in the long run, they might be able to make this cost neutral, but there is, as you just said, a two or three-year transitional cost to those companies. What I'm trying to establish is how robust your figures are in terms of what that cost is and whether you have in place any mechanisms to help those companies meet those costs.

[103] **Carl Sargeant:** The answer to the latter question is 'no'; we will not be supporting a transitional fund for the private sector. But our figures are robust, and in terms of it being cost neutral, actually, there will be cost benefits in the long term.

[104] **Peter Black:** Yes, but in the short term—what's the cost in the short term?

[105] **Jocelyn Davies:** Can I just say that you are satisfied that this is a lucrative business and that, if somebody wants to make that investment, they will be able to make a profit later on? That's what you're saying. That is the basis of it.

[106] **Carl Sargeant:** Absolutely.

[107] **Jocelyn Davies:** Okay, Peter, shall we move on?

[108] **Peter Black:** I'm just trying to understand what the cost is in the short term. So, have you found those figures or—

[109] **Mr Roberts:** The figures I've got for the sorts of amounts that waste producers will be paying—. There is a range. The majority of companies will not see a substantial impact. There are some outlying businesses that may face a worst-case additional cost, on some of the scenarios we model, of around £70 a week for the producer.

[110] **Peter Black:** Okay.

[111] **Mr Roberts:** But, as the thing gathers momentum, that value should be fed back in reduced prices to the producers.

[112] **Jocelyn Davies:** Okay. Peter.

[113] **Peter Black:** That's fine.

[114] **Jocelyn Davies:** Okay. Chris, shall we do your questions? And then we'll come onto Alun Ffred's questions.

[115] **Christine Chapman:** Okay. I think some of the question that I wanted to ask has been already discussed. Just a general question then: obviously, we do take evidence from the Minister for Finance and Government Business on the impact of certain policies. I just wonder, Minister, what discussions are you having with the finance Minister relating to the development of policies such as the separation of waste, which impact on future Welsh tax revenue?

[116] **Carl Sargeant:** The finance Minister presses us very hard in terms of legislation, making sure that we fully understand the costs around that. I have had discussions around landfill tax issues. It's a bit perverse, really, because, actually, what we're trying to do is reduce the waste to landfill. So, there's a negative effect in the longer term, I suppose, in terms of take. The finance Minister is fully aware of that and of the proposals for our environmental impact of trying to prevent waste going into landfill and the reuse profile. As I was trying to explain earlier on, there is economic value in waste. We are fully apprised of that, and, certainly, the finance Minister is, too.

[117] **Christine Chapman:** Okay, thank you.

[118] **Jocelyn Davies:** So, the finance Minister is content that revenue might be lost to the Welsh Government in order to enrich the economy. Is that what—?

[119] **Carl Sargeant:** That is correct; that's an understanding we have.

[120] **Jocelyn Davies:** That's the understanding you have. Okay, Ffred, shall we come to your questions, then?

[121] **Alun Ffred Jones:** Iawn, diolch yn fawr. Rwyf eisiau sôn am gost gyffredinol y Bil i Gyfoeth Naturiol Cymru. Sut fydddech chi'n ymateb i'r pryderon sydd wedi cael eu nodi yn yr ymatebion i'r ymgynghoriad nad oes adnoddau digonol gan Gyfoeth Naturiol Cymru ar hyn o bryd i roi'r Bil ar waith? **Alun Ffred Jones:** Thank you. I want to talk about the general cost of the Bill to Natural Resources Wales. How would you respond to the concerns expressed in the consultation responses that NRW is currently not adequately resourced to implement the Bill?

[122] **Carl Sargeant:** I don't recognise those comments, Chair. I'm not sure who made those comments, but our discussions with Natural Resources Wales are regular, and we agree that there is a transition cost for NRW to implement the Bill, but this is why NRW was set up—to implement this Bill.

[123] **Alun Ffred Jones:** Wel, mae'r **Alun Ffred Jones:** Well, that sentence frawddeg yna'n dod gan Gyfoeth Naturiol comes from NRW:
Cymru:

[124] 'These will undoubtedly incur additional costs, which we are currently estimating'.

[125] Felly, Cyfoeth Naturiol Cymru sy'n dweud hynny. A fydddech yn cadarnhau inni sefyllfa Cyfoeth Naturiol Cymru o ran incwm? A ydw i'n iawn i ddweud bod Cyfoeth Naturiol Cymru, yn y flwyddyn 2014-15, wedi derbyn gan y Llywodraeth £203 miliwn? A wyf yn iawn wrth ddweud hynny?

So, NRW is saying that. Could you confirm the situation in NRW in terms of income? Am I right in saying that, in 2014-15, NRW received £203 million from the Government? Am I correct in saying that?

[126] **Carl Sargeant:** I can only assume that, if those were the figures that we provided, Chair, that will be the figure.

[127] **Alun Ffred Jones:** Wel, rwy'n cymryd bod y ffigurau fan hyn yn gywir. Yr amcangyfrif ar gyfer eleni, 2015-16, ydy £182 miliwn. Gan gymryd bod y ffigurau yna'n gywir, mae hynny'n ostyngiad o £21 miliwn. Felly, mae yna doriadau sylweddol o fewn Cyfoeth Naturiol Cymru, yn naturiol. Y cwestiwn ydy: beth fydd y costau ychwanegol o ran y Bil yma? Rydych yn derbyn y ffigurau yna, felly, a ydych chi?

Alun Ffred Jones: Well, I take it that these figures are correct. The estimate for this year, 2015-16, is £182 million. Taking that these figures are correct, that is a decrease of £21 million. So, there are significant cuts within NRW, naturally. The question, therefore, is: what will the additional costs be in terms of this Bill? So, you accept those figures, do you?

[128] Yn ei ymateb i'r ymgynghoriad, mae Cyfoeth Naturiol Cymru yn dweud y bydd yn trafod cyllid gyda Llywodraeth Cymru wrth ddatblygu dealltwriaeth well o'r costau tebygol. A ydych chi wedi cael y drafodaeth yna, ac a ydych chi wedi dod i ganlyniad?

In its response to the consultation, NRW says that it will be discussing funding with the Welsh Government as they develop a better understanding of the likely cost. Have you had that discussion, and have you come to an outcome on that?

[129] **Carl Sargeant:** As I said, Chair, just to qualify what I said in response to Alun Ffred in my first participation in committee, we have had many discussions with NRW. We accept that there is a transitional cost, moving forward, about which we have had many discussions with NRW. There is a long-term saving on this proposal, too, which they, I understand, accept. There are still details to be discussed, but, broadly, we agree on the way forward.

[130] With regard to the reduction in the budget that the Member suggests, that has nothing to do with the Bill process; that is the business case of how NRW was set up in the first place. Again, it was a transitional arrangement where enhanced funding was given at first, and then there was an understanding by NRW and the Welsh Government that that budget will reduce in the short term. That is just an effect of the business plan—nothing to do with reductions generally in budgets. It is a programme change.

[131] **Alun Ffred Jones:** Wel, mae Cyfoeth Naturiol Cymru yn derbyn gostyngiad oherwydd bod yna wasgfa ar y gyllideb yn gyffredinol, ac mae hynny jest yn ffaith. Nid wyf yn dadlau bod hynny'n beth da neu'n beth drwg; jest dweud ydw i ei bod yn amlwg eu bod nhw dan bwysau ariannol. Wrth gwrs, nid ydym jest yn sôn am y Bil yma; mae gennych chi dri Bil, onid oes, sydd wedi mynd drwodd, sef Deddf Llesiant Cenedlaethau'r Dyfodol (Cymru) 2015, Deddf Cynllunio (Cymru) 2015 a'r Bil yma? Mae'r tri yn gosod dyletswyddau ar Gyfoeth Naturiol Cymru, ac felly'r cwestiwn ydy: pa mor hyderus ydych chi fod yr asesiad effaith rheoleiddiol yn rhoi amcangyfrif cadarn o'r costau i Gyfoeth Naturiol Cymru?

Alun Ffred Jones: Well, there is a reduction for NRW because there is a squeeze on budgets in general. That is just a fact. I'm not saying that that's a good or a bad thing; I'm just saying that it's clear that they are under financial pressure. Of course, we're not just talking about this Bill; you have three pieces of legislation, do you not, namely the Well-being of Future Generations (Wales) Act 2015, the Planning (Wales) Act 2015 and this Bill. These three pieces of legislation place duties on NRW, and so the question is: how confident are you that the regulatory impact assessment provides a robust estimate of the costs to NRW?

9.30

[132] **Carl Sargeant:** That was the very first question the Member raised with me. Am I confident that the RIA is accurate? I am. The issue is well presented in terms of that there are three Bills. The jigsaw of this department of legislation is coming together. We've worked very hard to make sure that the overlaps in the Bill are fully understood, and we have provided information to committee with regard to how they interact together. What we've been very clear about is that we didn't double count some of those issues. So, there are things within this Bill that will help NRW and other bodies on their duties around the future generations Act, in terms of the environmental impact that they have to deal with in this Bill, that will have the outcome that is required by the future generations Act. So, you won't have to do it twice. It's a case of doing it once, which will have an effect on another Bill. So, in the RIA we've made sure we've been thorough in making sure what actions you have to do in this Bill, taking into account either the planning Bill or the future generations Act.

[133] **Dr Fraser:** If it's helpful, Chair, just to confirm, the requirements on NRW in Part 1 of the environment Bill have been specifically designed to enable NRW to meet its obligations under the Well-being of Future Generations (Wales) Act. There is a key link in there in terms of supporting those requirements to avoid that overlap and duplication.

[134] **Jocelyn Davies:** Ffred.

[135] **Alun Ffred Jones:** Ie, ond mae yna oblygiadau. Mae Bil llesiant cenedlaethau'r dyfodol yn gofyn i Gyfoeth Naturiol Cymru fod yn rhan o'r rhwydwaith yma o gynlluniau lleol sydd yn mynd i gael eu paratoi. Mae'r Bil cynllunio yn golygu eu bod nhw yn mynd i fod yn rhan llawer mwy rhagweithiol o'r drefn gynllunio, ac mae hwn, wrth gwrs, yn gofyn iddyn nhw fod yn rhan o greu'r cynlluniau ardal yma. Ond nid ydym ni'n gwybod, er enghraifft, faint o gynlluniau ardal sydd yn mynd i gael eu paratoi. Nid oes neb yn gwybod, a nid ydym ni'n gwybod eu costau nhw.

Alun Ffred Jones: Yes, but there are implications. The wellbeing of future generations Bill requires NRW to be part of this network of local plans that are to be produced. The planning Bill means that they have to take a much more proactive part in the planning process, and this, of course, asks them to be part of the creation of area statements and area plans. But we don't know, for example, how many area plans will be prepared. No-one knows, and we don't know the costs of them.

[136] Felly, er enghraifft, y cynlluniau ardal yma—mae yna dri dreial sydd wedi digwydd yn barod, ond nid ydym ni'n gwybod y canlyniadau rheini, na'r costau sydd ynghlwm â nhw. Felly, y cwestiwn sydd gennyf ydy: sut y gallwch chi fod yn sicr o'r costau ychwanegol yma pan nid ydym ni'n gwybod hyd yn oed beth ydy datganiad ardal, na faint ohonyn nhw fydd yna? Yn sicr, mae Cyfoeth Naturiol Cymru yn sôn yn benodol y bydd angen adnoddau ychwanegol arny'n nhw i gyflawni hynny. Felly, rwy'n dal i ddod nôl i ofyn: a ydych chi'n gwybod beth fydd gwir oblygiadau'r Bil yma i Gyfoeth Naturiol Cymru o ran costau, staff, ac ati?

So, for example, these area plans—there are three trials that have happened already, but we don't know the outcomes of those, or the costs that are related to them. So, the question that I have is: how can you be certain of the additional costs when we don't even know what an area statement is, or how many there will be? Certainly, NRW talks specifically about the need for additional resources to achieve this. So, I still come back to the same point: do you know what the real implications of this Bill will be for NRW in terms of costs, staff, et cetera?

[137] **Carl Sargeant:** We put in the RIA figures that we believe are accurate to the cost of the provision of services by NRW. We don't believe that they are disputed by NRW, although there are obviously issues of detail that we're happy to speak about and to continue to work with the organisation in terms of how they will enact that. We don't believe we're miles away. I've taken through Bills before where I've had interesting discussions with the WLGA on their figures and our figures, and, towards the end of the Bill, they've come much closer together. The irony of this is that NRW are very close to us on these numbers already, and we think we are accurate in that proposal. Let's not—

[138] **Jocelyn Davies:** Did they help you at all in working out the likely costs?

[139] **Carl Sargeant:** Yes, they did.

[140] **Jocelyn Davies:** So, you can understand the committee's confusion here, when they say they are now developing a better understanding of costs that they helped you work up. It seems to me a bit odd.

[141] **Carl Sargeant:** I haven't seen the detail of the correspondence or the evidence that NRW have provided you in terms of their statement of they're not having enough money.

[142] **Jocelyn Davies:** We're just quoting from it, where it is—

[143] **Carl Sargeant:** Could you just repeat that to me, Chair?

[144] **Jocelyn Davies:** 'As we develop a better understanding of the likely costs we will discuss funding with Welsh Government'.

[145] So, it's as if they're not certain—and now we're hearing that, actually, they helped you work up, and contributed to, your understanding of what the likely costs would be.

[146] **Carl Sargeant:** That's correct. Maybe I could take from the statement they've made to you, Chair, that they're envisaging that the costs will be much reduced, and that's very helpful.

[147] **Dr Fraser:** If it's helpful, Chair, just to confirm, the regulatory impact assessment sets out a range of costs for the implications on NRW. That is because the provisions of the Bill provide a great deal of flexibility for how NRW takes forward the different requirements, such as area statements. Of course, the area statements depend on the commitments in the national natural resources policy, which is yet to be produced by Ministers in the future.

That's what's reflected in the regulatory impact assessment, to provide NRW with the flexibility to implement the requirements in the most cost-efficient and joined-up manner possible.

[148] **Jocelyn Davies:** So, they haven't told you that they expect their costs to be higher.

[149] **Carl Sargeant:** No.

[150] **Alun Ffred Jones:** Well, there's a statement here from NRW:

[151] 'These will undoubtedly incur additional costs which we are currently estimating.'

[152] If I asked you a simple question, how many area statements will there be?

[153] **Carl Sargeant:** We don't know that answer. That's an assessment by NRW. I think that the statement that you read there, about additional costs, we recognise there are transitional costs. We've factored that in in the RIA, moving forward. It's depending on—. I don't understand it. I will discuss this with NRW in terms of whether they mean, and whether they're saying to you, long term there will be additional costs that aren't factored into the RIA. That is not my understanding, to be correct. We've had a discussion about what the costs will be to develop, and the costs, moving forward, on their business case, which has been agreed and signed off by their chief executive.

[154] **Alun Ffred Jones:** But if you don't know how many area statements there will be, it is very difficult to estimate the cost. Area statements are conditioned on working with partners. It says very clearly that there's a huge—. Because the present exercises—the three that have been—are desktop exercises. It doesn't reflect the actuality of what will happen. Any partnership working, you know, is very costly in terms of human resources and so on. So, I'm merely pressing—. How robust are these estimates, since we don't know how many area statements there will be?

[155] **Carl Sargeant:** Well, the trials are certainly not desktop exercises. There are people on the ground actually delivering on area activities. I visited one in Swansea most recently, working very effectively. So, there are actual costs and actual activities taking place. So, I don't accept the Member's reference.

[156] **Jocelyn Davies:** So, do you know the range of numbers of how many plans that you'd need?

[157] **Carl Sargeant:** Well, again, it's entirely up to the organisation. But, look, this is not doing something completely new for this organisation. They're putting structures around what they currently do, and this Bill enables them to do that. That's what we're saying. The organisation was set up on the principle of understanding and being able to deliver what the environment Bill was. This hasn't just come out of thin air. This has been a long-term discussion with the organisation about how we enable them to do things better. Area statements will give a consistency over a particular area, but they already have baseline statistics about what activities they are, because these are—. This is the organisation that manages natural resources. What we're doing here is giving them the ability to work better together with other organisations on a more collective basis. I don't think area statements are far from what they're already doing in their core business already. It's just giving them the tools within legislation to make sure this happens.

[158] **Dr Fraser:** To be clear, Chair, NRW already—under the existing suite of legislation—has to produce over 25 different plans, both statutory and non-statutory. The area statements process enables them to consolidate that planning. Through those existing

processes—through the existing planning processes—they would need to engage other organisations in developing those plans. This is about providing an opportunity to streamline those processes.

[159] **Jocelyn Davies:** Well, perhaps we can link this to the invest-to-save that was invested here in order to save. There could be a link there. We'll take that up with the finance Minister, no doubt, at some point. Ffred, did you have any further questions?

[160] **Alun Ffred Jones:** No.

[161] **Jocelyn Davies:** Julie, shall we come to yours?

[162] **Julie Morgan:** Yes. Thank you very much, Chair. I was going to ask about the cost implications for the Government, for the Welsh Government. The RIA states that the cost of producing a national natural resources policy will be managed within present budget constraints, and through managing the finances in-house. Could you give us some more details about how you will, you know, manage that within house to produce the NNRP?

[163] **Carl Sargeant:** Again, the skill base is already within the department, with many of our team capable of that activity. We estimate that to be around about £200,000. With in-year flexibilities, we'll manage that within budgets. I'm confident we can do that.

[164] **Julie Morgan:** Right. And you say that the skills are there.

[165] **Carl Sargeant:** Yes.

[166] **Julie Morgan:** So, you will draw on the skills from each part of the department and bring them together, and you're confident you can do that within the financial constraints.

[167] **Carl Sargeant:** Indeed. Yes, we do.

[168] **Julie Morgan:** Thank you. On consultation on the development of a state of natural resources report, and on area statements, the costs for the consultation are not in the RIA. Is there any reason why they're not there?

[169] **Carl Sargeant:** Part of the issue around that is, again, about the double counting, because part of the wellbeing of future generations Act is about community engagement and consultation. So, what we've tried to do is make sure, where funding is allocated to do that, that the duty of NRW is to comply with the future generations Act as well, which is part of the consultation programme. They will be able to glean that information to develop this programme, as well as Welsh Government too.

[170] **Jocelyn Davies:** So this is the overlapping that you were talking about earlier.

[171] **Carl Sargeant:** Yes, it is.

[172] **Julie Morgan:** So the costs of consultation are covered elsewhere.

[173] **Carl Sargeant:** Yes.

[174] **Julie Morgan:** Thank you. That's fine.

[175] **Jocelyn Davies:** There would not need to be a separate consultation for this, because you're already doing it for a different purpose. Paul, shall we come to your questions?

[176] **Paul Davies:** Yes. Thanks, Chair. The explanatory memorandum makes it clear that you as a Government and NRW are currently undertaking a marine licensing fees review. Can you confirm that this fees review will actually look at whether NRW can keep any additional funding from the licensing scheme and use those funds then to support marine licensing service users?

[177] **Carl Sargeant:** Technically, yes. We believe that there is a direct link between fees and delivery. There is a small issue within the Government of Wales Act 2006 where you have to apply—. It has to go to the consolidation fund in order to be lawful. Or you have to amend that to ensure that it can go direct to NRW for the fees. So, it's just a technical complication, but my view is that the fees should go back to NRW to enhance the marine fisheries industry.

[178] **Paul Davies:** Have you got a timeframe to introduce this new charging regime, at all?

[179] **Carl Sargeant:** Well, we intend for the regime to come in around 2017, but we will be doing some public consultation during the summer of next year in order to comply with the consultation process.

[180] **Paul Davies:** Can you explain to us why the costs associated with the marine licensing scheme are not actually included in the RIA, given, of course, that it does include other costs on other matters?

[181] **Carl Sargeant:** Andy, can you help with that process?

[182] **Dr Fraser:** The reason for that is that, obviously, there is a process to go through in terms of consultation and developing the proposals. That would be the appropriate point for setting out those potential costs and benefits, because the detail doesn't exist at this point.

[183] **Paul Davies:** So at the moment, then, you have no idea what the costs would be.

[184] **Dr Fraser:** Well, the detail isn't there.

[185] **Paul Davies:** Do you have an indication of the costs?

[186] **Dr Fraser:** It will depend on the detail of the proposals for the scheme.

[187] **Carl Sargeant:** 'No' is the answer to your question, because we haven't done the consultation process yet.

[188] **Paul Davies:** So you don't have an indication or an understanding of how much the licensing scheme is likely to cost.

[189] **Carl Sargeant:** No, we don't, because we haven't consulted on that.

[190] **Paul Davies:** Okay. There have also been suggestions that changes to freshwater licensing could also be looked at within this review. Could you confirm that that is the case? Will you be looking at this, and have you actually looked at any associated costs at all around this?

[191] **Carl Sargeant:** I've asked for some advice from my officials in terms of freshwater licensing, how that activity takes place, and whether there is potential for it to be included in this Bill, possibly at a later stage. What we're trying to do is make sure we've got sustainable fisheries. That is part of a licensing regime. There is a significant cost in managing the fisheries across Wales. It isn't based on cost recovery through the licensing system currently;

it is something that I'm doing some work on.

[192] **Paul Davies:** Can you tell us how you're going to ensure that NRW plans to ensure value for money from any marine licensing scheme? How are you going to ensure that, as the Minister responsible?

[193] **Carl Sargeant:** That is one of their core values, again, about the wellbeing of future generations Act; they have to act appropriately and consult with individuals who have an interest in this. They have to demonstrate they've done that, and that's something that the auditor general and the well-being of future generations commissioner would be able to test them on, that process. So, it's not about me testing NRW, there are many other bodies that can make sure that they are acting appropriately through whatever activities take place, including fisheries and marine licensing.

09:45

[194] **Paul Davies:** And, one final question, if I may. The RIA states that the costs of issuing a site protection notice to the Welsh Government would be £550 including legal and administration costs. No costs are actually provided in relation to the appeal mechanism or for the cost of monitoring compliance with a site protection notice. Have the costs of any appeals and the monitoring of compliance with site protection notices been calculated by you?

[195] **Carl Sargeant:** Our assessment is that this will be very, very low in terms of numbers of appeals—again, historic evidence would suggest that. We haven't included a cost assessment on that basis—that we think it would be very low—and we will manage those costs internally for Government, within budgets.

[196] **Jocelyn Davies:** Mike, shall we come to your question?

[197] **Mike Hedges:** I've got a lot of questions about this one area. Paragraph 513 of the RIA assumes that NRW would inspect 1 per cent of the 88,000 business waste producers in Wales per annum, to confirm compliance with separation requirements and that food wastes were not being disposed of to the public sewer. Do you think that that's regular enough?

[198] **Carl Sargeant:** What we don't want to do is use a big stick on the industry. I think this is about making sure. Generally, you know, most people are lawful, they act within the realms of legislation, including businesses and commercial premises. One per cent is just that test to make sure that people are complying, and it's very effective actually, because once one company is found not to be compliant, and there is a consequence to that, generally, people start to understand that they must fulfil their duties. So, do we think 1 per cent is effective? We think that's probably a fair inspection regime.

[199] **Mike Hedges:** If somebody fails, assuming you're going to carry on at 1 per cent, it would be 100 years' time before you go and inspect them again. Is there any reinspection regime?

[200] **Carl Sargeant:** I'm sure that the inspection regime that will be developed will be proportionate to risk.

[201] **Jocelyn Davies:** It's going to be a risk-based inspection regime.

[202] **Mike Hedges:** Can I carry on after that question? Somebody fails, you've done your 1 per cent, you've gone round, this company fails. Now, next year, you're going to inspect 1 per cent of companies. Does that mean you're not going to visit that company that's failed for 100 years to see if they've failed again, or does it mean you're going to visit them next year,

and if you visit them next year, you're drifting over 100 years to visit all of them?

[203] **Carl Sargeant:** I see the Member is using—. Yes, the statistics that the Member uses are effective. We expect that NRW will use the 1 per cent inspection rate. Now, the reality, as I was explaining to you earlier on, is we're making an assumption here that people will continue to be unlawful in their activity after the first event. We know, by experience of the many other activities that we legislate for, that people start to move into compliance, we are therefore confident that the inspection rates of moving to organisations will not be perhaps needed at 1 per cent even, once we move this, because it will just become the norm.

[204] **Mike Hedges:** Talking about the 1 per cent; you currently say there are 88,000 business waste producers. I know that in 10 years' time, there won't be 88,000; it might be ninety-something thousand, it might be eighty-something thousand, but it will not be 88,000. It's a moving number, and a continuing moving number. Is the 1 per cent a moving number, or are you going to do 880 no matter how many are in there, or if it goes up to 100,000, does that go up to 1,000?

[205] **Carl Sargeant:** Our provision within the Bill and the RIA is for 1 per cent for the inspection rate. Is it moveable? Of course it is. And is it based on risk? I would expect that NRW will act effectively to meet the needs within the requirements of the Bill.

[206] **Mike Hedges:** If it's 1 per cent though, how can you predict for the future it's going to 1 per cent of 80,000 or 1 per cent of 100,000? You don't know that, so you're predicting costs, but you're really predicting that things will stay the same. The one thing we do know is that things will not stay the same.

[207] **Carl Sargeant:** That is a fact; I can't argue with the Member.

[208] **Jocelyn Davies:** I think what the Member is saying is that if the overall number changes, the cost of 1 per cent changes, so your costs, then, will no longer be correct.

[209] **Mike Hedges:** They might be more or less.

[210] **Jocelyn Davies:** Your cost is a fixed cost. You say it'll cover 1 per cent; well, 1 per cent of a number that changes is bound to change the cost of that inspection.

[211] **Carl Sargeant:** Is the cost of the inspection based on premises or based on inspectors?

[212] **Jocelyn Davies:** I think that Peter Black mentioned to you earlier that we're supposed to ask you the questions. I'm not sure, Minister, what the answer to that is, but, again, it is probably rhetorical. I think what Mike Hedges is saying is: if there's a substantial change to the overall number, then this cost of 1 per cent—. Are you saying that they might be inspecting more than 1 per cent sometimes, or sometimes less than 1 per cent?

[213] **Carl Sargeant:** The regulations expect them to inspect 1 per cent of premises. I accept that there will be some increase in the numbers of businesses. I'm not quite sure I recognise the numbers in ten years' time of 3,000, 4,000 or 5,000 more businesses or less. Either way, there is some flexibility in the system—of course there is. I can't predict that, and nor can the Member, I expect, but I do accept there will be some variability in there. I would expect, over a 10-year period, if we need to discuss that with NRW about increased inspections or less, I'd be happy to do that, but I don't see these numbers being prohibitive in terms of financing.

[214] **Mike Hedges:** A—

- [215] **Jocelyn Davies:** Yes. Hang on, Ffred wants to ask a supplementary.
- [216] **Mike Hedges:** Let me ask this.
- [217] **Jocelyn Davies:** Okay, and then Ffred.
- [218] **Mike Hedges:** How many were there 10 years ago, then?
- [219] **Carl Sargeant:** I don't have the numbers with me.
- [220] **Jocelyn Davies:** I thought you were going to ask me, then, Minister. [*Laughter.*] Ffred, did you have a supplementary to this?
- [221] **Alun Ffred Jones:** Are these inspections a new imposition on NRW, or are they doing it already in some form or other?
- [222] **Carl Sargeant:** This will be a new duty.
- [223] **Alun Ffred Jones:** Have you calculated the number of staff that is needed to do this?
- [224] **Carl Sargeant:** We have had discussions with them about the affordability of this. I may have to provide that in a note to the Chair, if I may, unless you've got something, Jasper.
- [225] **Mr Roberts:** NRW have commented to us that the indicative costs provide a reasonable reflection of the costs they would incur, and they've also made the point that the emphasis is getting more resource out so there's less need for regulation for what they call the dirty end of the supply chain. The whole point is to get all of the stuff in upfront so you need less regulation at the end.
- [226] **Jocelyn Davies:** And you expect practices to change because the law's changed.
- [227] **Mr Roberts:** Indeed.
- [228] **Jocelyn Davies:** Mike?
- [229] **Mike Hedges:** The last question on this, Minister, before I move on to something else: obviously, I don't know whether 1 per cent is the right number, or whether it is 10 per cent or 0.1 per cent—I have no knowledge in this area. The question I would ask is: what other inspection regime looks at 1 per cent? What have you based this 1 per cent on? Where else has it worked?
- [230] **Carl Sargeant:** I don't know the answer to that.
- [231] **Jocelyn Davies:** No, because it's not within your—. You haven't got this—. Okay, well—
- [232] **Mike Hedges:** I would have thought that if you base—
- [233] **Jocelyn Davies:** Okay, perhaps you could send a note to us on that if there is some experience within Government about inspections.
- [234] **Carl Sargeant:** I would be happy to do that. Jasper may be able to answer.
- [235] **Mr Roberts:** I'd just add one thing for today, which is that the inspection rate varies

with the risk of the activity; for example, if you're dealing with permitted waste management sites, there's a similar number of inspections carried out, but it represents a much greater proportion of the whole number of businesses operating in that particular activity. However, in terms of the presentation of waste—waste of the character of household waste and not hazardous, for example—then there is a lower risk, so there can be a proportionately lighter weight inspection regime, especially when combined with the effort of getting collection correct at the start of the supply chain process, not at the end.

[236] **Mike Hedges:** My last question is on something different. NRW have said they don't think they should be the enforcement regime. That's a decision, obviously, that you will make. The question is: are you in a position to allow the sewer companies to be the enforcement regime, because they're actually people who've got a pecuniary interest in it? NRW are doing it as a task; the sewerage companies may well want to inspect more regularly if they're getting a problem in an area. Will you be linking with the sewerage company? If you're getting a big problem in Connah's Quay, for example, would you expect most inspections to be concentrated in that area because there's a sewerage problem? So, will the two be talking to each other, and why can't the sewerage company be doing it?

[237] **Carl Sargeant:** Indeed. Jasper will want to respond about the sewerage companies, but there is, we estimate, over 200,000 tonnes of waste food going into the sewerage system. Sorry: 20,000 tonnes of waste material goes into the sewerage system. That shouldn't happen. We know that we can get energy from waste. Anaerobic digestion processes can use this much more effectively. But actually, if we take it a step back again so, at source, people understand that, instead of throwing food waste away, they don't procure it in the first place or actually use it better. Don't buy it in the first place or give it to food banks or something. So, it's about understanding what we use and how we manage waste at the front end rather than at the disposal part of that. In terms of the sewage element and the sewerage companies, Jasper will be able to give you a detailed response on that.

[238] **Mr Roberts:** We are talking to NRW about the best way to construct a regulatory system. We have also talked to the water companies. They have certain powers at the moment under the Water Industry Act, but, as the Minister says, they tend to regulate the stuff that is in the sewer, and they work back then to prosecute people, for example, who are causing blockages with fats and other materials. But, of course, this measure is about capturing the food waste for beneficial treatment. That's the primary purpose. It's a secondary benefit that it improves the management of the sewerage infrastructure.

[239] **Jocelyn Davies:** Minister, you mentioned that word would soon spread that there would be consequences of this. So, have you estimated costs of spreading the word and naming and shaming because of breaches?

[240] **Carl Sargeant:** Well, our intention is, again, not consider the breach end. It's about encouraging good practice. It's about a very similar principle to the wear-the-seatbelt scenario, making sure people are aware of the legislation and that they understand fully about it. We'll be doing work with the commercial sector. We have already started discussions with hoteliers and other industries—the Federation of Small Businesses et cetera—about how this will impact on businesses and how best to communicate with organisations to do so.

[241] **Jocelyn Davies:** Well, you did say that there would be consequences for breaches and that word would soon spread and that that would act as a deterrent. That was what you presented to us earlier.

[242] **Carl Sargeant:** Yes, of course.

[243] **Jocelyn Davies:** So, I'm assuming that, for word to spread, the word has to be out

there. So, is there a cost attached to ensuring that, for businesses that do breach this, there are consequences so that others will be deterred? It was you who raised that, not me.

[244] **Carl Sargeant:** Yes, of course, I did. My point was that, once somebody breaches it and there's a consequence to that, you'd be surprised how many hotel businesses or commercial premises will realise very quickly that what happened to that organisation isn't something that they'd like to happen to them.

[245] **Jocelyn Davies:** So, are there going to be costs to that or are you just going to let this spread by informal methods?

[246] **Carl Sargeant:** Jasper, what's our communication method?

[247] **Mr Roberts:** I mean, there will be all these things. There will be guidance. I mean, we have yet to do the regulations under the Bill when enacted. There will be guidance to various parties. There will be guidance to business. We will probably supplement that with information campaigns. Thinking back to the campaigns we ran with the retail sector when the carrier bag charge was first introduced, we were talking about a sum, I think, in the region of £100,000, which was found from existing budgets.

[248] **Jocelyn Davies:** Mike, have we finished with—?

[249] **Mike Hedges:** You've finished with me, yes.

[250] **Jocelyn Davies:** I was going to ask you about carrier bag charges because, obviously, there are proposals here. Do you think that the additional complexity in changing the scheme will lead to additional administrative costs? What are you doing to minimise those?

[251] **Carl Sargeant:** There are two ends to that question, I suppose. On the administrative costs to businesses, we don't believe those to be overburdensome. The regulations will allow Ministers to apply charges to different types of carrier bags—so, the bags for life or the thicker gauge plastic rather than the single-use carrier bag. We believe that activity will not have an effect on the shop owner or the shopkeeper. The elements where we think there may be some additional costs are around the enforcement of that with local authorities about inspection rates. We've got a very successful carrier bag regime in Wales, and we are very proud of that, but there are some loopholes in the system and we believe this will close those loopholes in terms of activity. People perhaps perceive that some of the finance that comes in from the carrier bag levy goes to charitable causes. In fact, it doesn't in some cases, and we believe that this will close that loophole in terms of inspection.

[252] 10:00

[253] **Jocelyn Davies:** Okay. Ffred, did you have a supplementary on this?

[254] **Alun Ffred Jones:** Wel, rŷch chi'n sôn am y costau posibl a fydd yn dod ar awdurdodau lleol i weinyddu'r cynllun yma, ac mae yna ryw ffigwr o £400,000 wedi cael ei grybwyll. A allwch chi (a) ddweud beth ydy'r £400,000 yna, a (b), ar adeg pan mae awdurdodau lleol yn colli staff ac, yn fwy na thebyg, yn wynebu toriadau sylweddol i'r dyfodol, sut mae disgwyl iddyn nhw ymgymryd â'r dasg ychwanegol yma, oni bai bod yna ryw incwm yn dod iddyn nhw? A

Alun Ffred Jones: Well, you talk about the possible costs that would be on local authorities to administer this scheme, and there is a figure of £400,000 being mentioned. Could you (a) say what that £400,000 is, and (b), at a time when local authorities are losing staff and likely to face significant cuts in the future, how are they expected to undertake this additional task, unless some income is getting to them? How do you foresee that?

ydych chi'n rhagweld hynny?

[255] **Carl Sargeant:** We have indicated around £400,000 in additional costs to that, but we're not suggesting that local authorities should, all of a sudden, develop carrier bag police. We're saying that this could be an activity done by the local authority in their duties of the regular inspection of premises that they undertake already, so this is not a significant burden on the authorities. We do accept it's additional as part of an inspection regime, but we don't think this is over-onerous. Actually, we would hope, again, that through the comms process, shopkeepers and stores will act appropriately within the law to understand, because it will be very clear to them that they have to discharge their duty in terms of charging and therefore the transition of funds to a charitable cause. It's very rare you go into a shop now where they don't charge you 5p for a carrier bag, so they fully understand that. And it's not that difficult to ensure that the comms suggest to that organisation that, once the income comes in, they must pass that finance back out.

[256] **Jocelyn Davies:** There's some evidence that that doesn't happen at the moment, is there?

[257] **Carl Sargeant:** That is true, yes.

[258] **Mr Fraser:** If it's helpful, Chair, just to confirm that any regulations brought forward to enact these provisions will be supported by a more detailed regulatory impact assessment, which will provide further details on those elements.

[259] **Jocelyn Davies:** Okay. Any other questions on carrier bags? Just one last question, Minister, on the secondary legislation: do you have a timetable for publishing the secondary legislation relating to the Bill?

[260] **Carl Sargeant:** We do, Chair. I recently wrote to the Chair of the Environment and Sustainability Committee with the detail of that. I'm more than happy to supply that to you, as a committee, as well.

[261] **Jocelyn Davies:** And what input will stakeholders have in the formation and scrutiny of the policy and the costings relating to those regulations?

[262] **Carl Sargeant:** Again, as a standard principle of Welsh Government legislation, we have a consultation period, during which we will engage with communities and interest groups around that in order to give us more detail on the production of the RIA.

[263] **Jocelyn Davies:** And you fully envisage that all of the secondary legislation and regulations will follow the normal route in relation to consultation and costings.

[264] **Carl Sargeant:** Yes, we do.

[265] **Jocelyn Davies:** Any other questions, Members? Okay. Thank you, Minister.

[266] **Carl Sargeant:** Thank you, Chair.

[267] **Jocelyn Davies:** We'll send you a transcript and if you'd check it to make sure it's accurate, we'd be grateful. I think you said you'd send us one or two pieces of information.

[268] **Carl Sargeant:** We've made some notes on that. Thank you, Chair.

[269] **Jocelyn Davies:** Thanks very much.

10:04

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r
Cyfarfod**
**Motion under Standing Order 17.42 to Resolve to Exclude the Public from the
Meeting**

Cynnig:

bod y pwyllgor yn penderfynu gwahardd y cyhoedd o weddill y cyfarfod yn unol â Rheol Sefydlog 17.42(vi).

Motion:

that the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order 17.42(vi).

*Cynigiwyd y cynnig.
Motion moved.*

[270] **Jocelyn Davies:** I think we can now move into private session, if Members are content. We are. Thank you.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10:04.
The public part of the meeting ended at 10:04.*