

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