



Environment, Food and Rural Affairs Committee

Oral evidence: [Appointment of the Chair of the Environment Agency](#), HC 545

Tuesday 15 July 2014

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Members present: Miss Anne McIntosh (Chair); Jim Fitzpatrick; Mrs Mary Glendon; Iain McKenzie; Sheryll Murray; Ms Margaret Ritchie

Questions 1-58

Witness: **Philip Dilley**, Government's preferred candidate for Chair of the Environment Agency, gave evidence.

Q1 Chair: Good afternoon, Mr Dilley, and welcome to our pre-appointment hearing. It is a pleasure to meet you and we look forward to exploring a little bit about you and your new position, which is before us today. Looking back over your very impressive CV, it has been primarily in the private sector. What drew you, at this stage of your career, to a public sector appointment?

Philip Dilley: As you appreciate, until recently I had a full-time executive chairman role and that is a termed role, which I knew was coming to an end. Therefore I had always looked forward to a time when I would take on some non-executive roles. The Environment Agency role, to me, is particularly attractive because many non-executive roles are quite contained to issues of governance whereas this role is where one can get quite well involved, make a difference on the ground and influence strategy. I find that particularly attractive. It was a happy coincidence that it came along at the time when I was available.

Q2 Chair: One of the suitabilities of the appointment at the application stage was that the applicant should have an understanding of and a feeling for how to protect the environment. Is the environment something you have cared about for some time?

Philip Dilley: My background is one of an engineer, so I am used to taking decisions based on analysis and evidential processes, which is what I see the Environment Agency doing. However, I have also, in my time, worked with a number of developers—and I use that in the broadest sense: commercial developers, but also developers of infrastructure and developers of environmental schemes—to create products and interventions that necessarily relate to and harmonise with the environment. All of these people who do these things these days want to see themselves and want to be seen as environmentally friendly and environmentally enhancing. So, although I have not had direct environmental experience, in the sense that you are asking the question, I have had a lot of interface with it and certainly understand the language.

Q3 Chair: In terms of protecting the environment, for example, if one was looking to protect the countryside from future flooding, could we assume from the background that you are from that you would immediately seek an engineering solution and a very physical, hard defence structure? Or would you be open to a softer, more natural, less engineered solution?

Philip Dilley: I can see that these issues are very complex, and it also relates to budget, and I am quite sure we will come on to that later. It is clear to me that alleviating flooding can be improving the infrastructure in the way that you are describing, but it also has to be to do with slowing down water flows and improving schemes such that they do not create water runoff. So it is all of those things; it is influencing and interfering with all of those activities to reduce the likelihood of flooding and therefore reduce the likelihood of engineering intervention.

Q4 Chair: Have you been involved at all in the infrastructure—I forget what it is called now, when the Chief Executive launched the infrastructure package where we are trying to spend billions of pounds on infrastructure going forward. Were you involved in that?

Philip Dilley: Are you referring to the infrastructure plan?

Chair: Yes, thank you.

Philip Dilley: Not involved in the sense of authoring it, but as a consultee, indeed. That infrastructure plan that the Government has produced is something that identifies effectively a number of priority projects around Britain. It is a big move forward from the previous circumstances where that did not exist. However, I would not say I have been actively involved in its production, no.

Q5 Chair: In that capacity, without expecting you to have a detailed knowledge at this stage of the work, do you think that you would have an advantage over other applicants into potential for leveraging in more private sector funding? Because I know there is a lot of emphasis on partnership funding of flood defences but, when you look at it, it is nearly all public sector partnerships. Are you in a strong position to possibly look to lever more private sector funding in, given your background?

Philip Dilley: I hope so. What is clear to me, and I have learnt much more about this recently of course, is that it has always been obvious that there will never be enough money to do everything you would like to do. There has to be a way of prioritising activity and also, as you are describing, attracting extra funding. That has other advantages too in that it gets buy-in from the local communities or providers of that finance, which is also a benefit. I can see that there are opportunities that have not yet been harnessed. For example, to spend a number of millions on a flood alleviation scheme that saves, for example, Network Rail spending tens of millions in changing the elevation of a railway would give them a lot of logic to them contributing to that scheme, so there are those kinds of partnerships that are not yet established.

Q6 Chair: There is a tradition of water companies contributing to it, but do you see the scope for insurance companies or pension funds potentially contributing to flood defences?

Philip Dilley: Potentially. This is not something I have particularly thought about but an insurance company would want to be able to link, I would suspect, the reduction of risk to them and be able to value, in financial terms, a reduction in risk in order to judge how much they might contribute. So, in those circumstances, yes, I am quite sure it would be possible.

Q7 Chair: Could you just explain a little bit about your work as Chairman of London First, and would you expect to continue to do that work? Is the work relevant?

Philip Dilley: Yes, that is a non-executive Chairman. There is a Chief Executive, who is Baroness Valentine, who does a very good job. It is a membership organisation, so commercial

organisations join it and pay a fee in order to help the mission, which is to make London the best place in the world to do business. So it is a little bit like a mini-CBI or a geographically-focused CBI. In my Chairman role, I clearly chair the board meetings, of which there are four a year. We have set a strategy, which I had a lot to do with, but I will not be setting the next one, because that is also a termed role and it expires at the end of this calendar year. So I will carry on until the end of December. I have thought about conflict issues. I do not think there is any conflict at all in that respect.

Q8 Chair: When would you expect to take up the post?

Philip Dilley: If I am successful, we have a provisional date of 8 September. I understand that my predecessor, the current Chairman, has extended his term to that date.

Q9 Chair: Has that been confirmed?

Philip Dilley: That he has extended?

Chair: Yes.

Philip Dilley: I would have to check.

Chair: Someone is nodding behind you but that is helpful. Thank you very much.

Q10 Ms Ritchie: The parent Act specifies the desirability of appointing someone with experience of and capacity in some matter relevant to the functions of the agency. How do you fit that bill?

Philip Dilley: The company I recently chaired has about 11,500 people, largely pretty intelligent and with a scientific and engineering background, and all opinionated. It has a fee income of about £1.1 billion. The Environment Agency has 10,000 people and a budget of about £1 billion, so in that sense there is quite a similarity of activity.

I also, in the recession times in Arup—so 2009 onwards—made quite a lot of effort growing our business outside the UK, and that connected me with Government and with UKTI; I have been on some of the Government missions. Therefore, my knowledge and understanding of the workings of this house and Government is much greater now than it would have been before those years, also something which I think is very relevant to the agency.

Apart from chairing the board and running a successful team, I do see a lot of the purpose of the Chairman to be the interface with third parties, including Government.

Q11 Ms Ritchie: A supplementary to that: in that respect, do you see that your formal role would help and assist you in understanding, directing and leading a Department that has such varied responsibilities in terms of regulating the water, major industries in waste, flood and coastal risk management, fisheries, island, river, water quality and resources?

Philip Dilley: I cannot point to direct evidence of experience in the majority of those areas but this is a non-executive Chair role. The agency has a very effective executive with experience in all of those areas. Certainly the language of those things, I will be able to understand fairly easy, so I am confident of the ability to do it effectively.

Q12 Jim Fitzpatrick: Mr Dilley, good to see you this afternoon. I should declare, Chair, possibly totally anecdotally, I was at a London First dinner about two to three weeks ago, which is not relevant at all, but probably useful just to mention it. Two questions this time, if I may: given your answer previously that the advert came up at the same time as you were looking to do

something different, the advert was extended twice; were you in the first, second or third wave? What of the Arup ethos will you bring to the role once appointed?

Philip Dilley: I did not realise it was in twice. I think I was there for the second wave and, from my point of view, the process has been very thorough and effective, albeit rather drawn out in time. I do not see any consequence of that change of heart, whatever it was at the time.

The Arup ethos is very strong, and it is based on a firm that is owned in trust for the benefit of employees, rather like the John Lewis Partnership. It is one where the benefits of the firm are shared in a fairly flat way across the entire firm, so it is the opposite of these people who earn vast amounts at the top and everyone else does not. It has an ethos where it attracts people who are interested in that kind of structure. It also has people who are highly dedicated to what they do, so they very much enjoy what they do. The whole philosophy of its founder, who has long since passed away, was that people who enjoy what they are doing do it well, and people who do things well enjoy what they are doing, so it is a virtuous circle.

I have not had a lot of interface with the Environment Agency so far. I have met quite a large number of people in Defra, but the ones I have met I do see an affinity. There is a similarity. There are lots of people who are quite dedicated to what they do. I had an unofficial visit—I went as a private individual—down to the Somerset Levels and one of the people from the agency took me round on a Saturday, which was rather nice. This particular lady had lived in the area for 25 years, and her enthusiasm for improving things, doing the right thing and understanding the community and so on, was just obvious. I am thinking and hoping that that ethos that I have been used to for a large number of years I can see continuing.

Q13 Iain McKenzie: Looking at some of the past projects with your previous employer, I am very impressed, and you see in there an innovative approach as well. Would you say that would be something you would be taking into the Environment Agency—an innovative approach to those problems, setting new standards? Because some of the buildings that are named are very cutting-edge, changed architecture.

Philip Dilley: Arup has always been an organisation that looks at innovation and innovative ways of doing things, so we are not somebody who churns out a slightly modified version of what we did last time. There are experiences that range from purely environmental-driven projects—and a brilliant example of that is called Beam Parklands at Dagenham, which was an Arup-designed project that created new parkland on previously derelict land, but it was a multi-disciplinary or multi-purpose function. So it is parkland. It is an amenity. It connects with rather poor communities in some cases, but it also provides floodwater reservoir and it has provided something like 12 acres or so of new habitat for biodiversity. It is creating several things in one go. That is at one end of the spectrum.

The other end of the spectrum is where we get involved in projects as big and important as HS2, where a number of my colleagues have been involved in lots of things, but one of them is in environmental aspects of it and all the flood risk assessments and so on. There will be occasions when the agency is looking at, reviewing and approving work that is provided by Arup. Again, thinking of the Chairman's question, I do not think those issues would ever come to board level at the Environment Agency and therefore would not be a conflict. If they did, I would simply have to stand aside and let a deputy take over for that matter.

Q14 Sheryll Murray: What experience have you had of leading an organisation that is facing a tightened fiscal belt, staff reductions and, as a result of that, could lead to some loss of morale amongst the staff?

Philip Dilley: I have had some. The recession really officially started in 2008 but my firm did not notice it until 2009. From 2009 until 2013, the global firm actually grew ever so slowly, but that

disguised some ups and downs. There were some downs and one of the downs was in the UK, where we did lose some staff. I am quite familiar with the processes, if you like, and the consultation processes, and they are always very difficult. The important way of dealing with these things is to be very open and honest to the people whom it has affected, to try to do it in one go, so it is not 1,000 cuts but a proper assessment of what is needed and what will happen, and then good quality, intelligent staff, as the majority will be, will understand the need; they will not be happy about it but they will understand the need and see the outcome. The crucial thing then is once the necessary reduction has taken place is to get the others reengaged and reactivated, and make them understand that we are all sad that some of our colleagues have gone but actually we are leaner and ready for the future. So, yes, I have had some experience of that.

Q15 Sheryll Murray: Your new role involves acting on priorities set by Government rather than by your own organisation alone. What will your approach be to implementing priorities that are set by Ministers?

Philip Dilley: That puts my mind in two directions with the answer to that question. One is where there is, if you like, a tension between the Government's intention and what the Environment Agency would like to do. In those circumstances, the very purpose of the agency is to be arm's-length and keep those decisions away from political influence, if you like, so there would have to be consultation, collaboration and resolution of those tensions. I am up for that. I think I could deal with that in an appropriate way.

The other strand that comes into my mind is where there are priorities and there is a funding formula for capital projects, I understand, and it could be that that is too rigid on occasions. To change it is a legislative process, which is probably difficult, but to interpret it differently and intelligently is something that I am very keen to explore. I say that without knowing; it may be there are just too many obstacles to effecting that, but that is where I am interested to explore.

Q16 Sheryll Murray: The advertisement specifically mentioned the need for commercial acumen. How do you think that your own proven acumen in that direction will prove useful in running a substantial public sector organisation?

Philip Dilley: I have already explained that the Environment Agency budget and the Arup fee income are broadly similar. Arup is trust-owned but it can run out of money just like anybody else, so there is a commercial drive to make that work as a business, which is a high-level evidence. Prior to my chairmanship of Arup, it was not the managing director title, but I was effectively the managing director of the Europe region of Arup, which is about half of the total company, including the UK—overall about 4,500 people—so I was, in effect, the Chief Executive of that business. You would have to ask some of my colleagues, but I think I ran it very effectively.

Q17 Iain McKenzie: Moving on to the public face, you are expected to be the principal public of the agency. You will be aware of the considerable media-handling skills that are required for the job as well, not least if you look back to last winter's storms and flooding and the media-handling skills that were required there. What qualifications do you have for handling that mixture of media and political pressure, and what experience do you have of doing so in a politically charged environment?

Philip Dilley: In terms of, if you like, normal political environments, I am quite familiar with dealing with a number of politicians. I was on David Cameron's Business Advisory Group for a while. I know a number of the current—well, yesterday's cabinet. From the point of view of dealing with politicians, that does not particularly faze me. I will deal with that effectively

In the media, of course, and in times of crisis, it is rather more difficult. I have had some experience of that on occasions when things have not gone well. Probably the best example I can cite is, shortly after the Scottish Parliament opened, there was an incident where there was a problem with the roof and, in fact, the floor was closed for a while, while that was sorted out. At the beginning, of course, nobody knows why there is a problem with the roof and so I was involved—

Q18 Iain McKenzie: It was one of the supports, was it not? One of the supports had come down?

Philip Dilley: One of the supports came loose.

Iain McKenzie: You missed every one of them.

Philip Dilley: If it had been B&Q, they would have put up a ladder, put it back up and put the bolt back in, but because it was the Scottish Parliament, it raised quite a lot of press and public interest, as you can imagine. So, at that time, I dealt with that issue and problem. We had to report weekly to the leader of the Scottish Parliament house, so I travelled to Scotland weekly and gave a report of what had happened in that interim period. It was all accessible through Freedom of Information. Then we would go down to the press gallery and meet the press, who were, of course, looking for a sensational story. That was fairly aggressive, as you could tell, but I think I got on fairly well. You will probably find some of it in the BBC archives and on the internet. Clearly I have thought about these things and I see them as a bit of a challenge. I believe I could cope with it.

Q19 Iain McKenzie: You also know that last winter there was a clear distancing of the Minister.

Philip Dilley: Are you talking about the Somerset issue?

Q20 Iain McKenzie: How would you deal with that scenario?

Philip Dilley: It is difficult for me to comment on what went on, apart from what I saw in the public realm, because I was not involved; I did not have any access to any of that. It seems to me that in those circumstances, the important thing to do—let's face it: there will be another flood somewhere; nobody is pretending that the Environment Agency can stop all flooding, so there will be a major flood. At that time, to show great interest, care, visit, turn up in your wellingtons and so on very early on will take some of the concern from it. From what I saw as a member of the public, that did all happen but it happened a bit late.

Q21 Chair: If I could just interject at this point because I think speaking to the gallery—to the printed press—is one thing, and they are called various names at various times, but with the 24-hour rolling television cameras in your face, have you considered the intrusion? Defra has been described as the fourth emergency service, of which the agency is very much an arm. One thing we have not considered is that there could be a major fire. There could be a question of the Environment Agency having to remove the permit from a particular business. What specific training do you think you have had for having a camera thrust in front of you and you not being the backroom adviser anymore? Meeting Ministers in private or meeting the printed press is completely different to a media scrum. Also, Mrs or Mr Bloggs coming up and saying that they have lost their worldly possessions and you were not able to save them.

Philip Dilley: I have had some training of that, admittedly some time ago. I also had refresher training, if you like, when I took on my Chairman role. It might well be appropriate, if I am selected for this role, that I have a further training process, because, as you rightly say, there is a difference, is there not? It is quite important not to say the wrong thing, if I can put it that way, so showing sympathy, taking active interest and all that sort of thing is so important at the

beginning of these things, but I would be very open to having further training, if it were thought necessary.

Q22 Chair: The point I am trying to make on the back of the questions that Mr McKenzie asked is that everything you have done has been in a leadership role but it has been in an advisory role. This will be you would be the Chief Exec: in the event of having a major fire or a major flood, an east coast tidal surge or whatever, you will be the one facing the cameras, but you have never been in that position. You must have given this some thought.

Philip Dilley: Yes, indeed I have. I see two different circumstances in this position. One is where conceivably there is a fault on the agency and that gives a certain set of difficulties. The other is where there is an incident that the agency has properly dealt with but it is a very unfortunate incident and there is some explaining to do. Often the public do not see the difference, so they blame the agency—and this happens elsewhere as well, not just in the Environment Agency—for whatever has happened. Generally speaking, there is never enough of the right type of communication. Normally there is a simple story and somehow it does not get told. It is a question of how it is presented I think.

Q23 Chair: The point I am trying to make is that you have been in the background before and you have taken some good decisions. Do you feel—it is only a question; it is not a trick question—that you are able to put yourself out there and be the public face, though perhaps you have never actually had to put yourself in that position before?

Philip Dilley: Yes, if I am not being clear, yes, I do.

Q24 Chair: Defending 10,000 employees and going out there to really pitch in for them?

Philip Dilley: In my previous a role, a significant part of it was external profile. I admit quite readily that the majority of that was not in aggressive circumstances and some of the circumstances you are describing would be. However, I am very happy about being the public face and I think, with training, I can certainly cope with those more aggressive circumstances.

Q25 Iain McKenzie: Have you ever held any post or undertaken any activity that could put in question your political impartiality?

Philip Dilley: I have not been a supporter of any particular party. I have never given any donations. I have connected with this Government. If you check back you will find out my predecessor connected with the previous Government, so we connect with Government, rather than a particular party. A mischievous inquirer would associate me probably with the current coalition but I do not have any skeletons in that respect.

Q26 Iain McKenzie: Your membership with the PM advisory group would have been to any PM or any Government. It is not specific to this.

Philip Dilley: Yes, I would have been proud to have joined that body whoever the Prime Minister, indeed.

Q27 Mrs Glendon: What other professional activities do you expect to continue or undertake in addition to your position at the Environment Agency?

Philip Dilley: I do have a continuing consultancy role with Arup, but that will be largely in relation to some client relationships and some project activity, mainly in the London commercial market, but it could be elsewhere. As I did touch on earlier, I cannot see that there would ever be a conflict there. However, if there were, I would either have to drop that piece of activity in Arup or I would have to declare the interest and step out of that particular discussion in the Environment Agency. It is hard for me to think of a circumstance in that area that would reach the agency board. So that is one.

The other one is that I have agreed to join the board of Grosvenor Estates—it is Grosvenor Group Limited actually—who you will know as the owner of estates, land and property in the UK and globally. That will be a non-executive role, helping them think about their investment portfolio and how they diversify it. Again, I cannot see any direct conflict in any of those activities.

Indeed, if you want, in the role of the Environment Agency, someone who has had an active business connection, there are inevitably things that that will touch. You could choose somebody from the public sector who has not had those things, but if you take anybody who is not from the public sector, it is inevitable that there are going to be some activities that touch each other.

Q28 Mrs Glindon: You are happy that there will not be conflicts of interest, but do you think that these other interests could impinge on the time you should spend as chair of the Environment Agency—to be able to manage all three?

Philip Dilley: No, I have looked at this very carefully, of course. The Arup responsibility is very flexible, so I do not think that that would interfere at all. The Grosvenor activity does have a number of board meetings, so there are days—or periods of days—that I would have to block out for those purposes. It would be difficult to miss. I could miss one occasionally but otherwise it would be difficult.

That apart, the agency role is described as two to three days a week, which I have interpreted as typically two days a week with an allowance for crises, which will no doubt come. I can well see that if there is a crisis, it will be six days a week or even seven days a week. This would be my core role, apart from the occasional board meeting or other timetabled activity that I could not possibly avoid.

Q29 Iain McKenzie: Just quickly, to take you back, you made a comment that you are an adviser to a company—on their board, advisory capacity, a non-executive director—whose business is land investment.

Philip Dilley: No, Grosvenor Estates is the Duke of Westminster portfolio, and mostly his investments are property—a lot of it in London, but elsewhere. He also has land investments.

Q30 Iain McKenzie: And you do not see that as a conflict.

Philip Dilley: No. He would be absolutely intent on complying with all the necessary regulations; in fact, he is an enthusiast for the environment.

Q31 Chair: I will just ask a couple of questions if I may, before we move on. I understand that the contract with the agency as non-exec chair would be two to three days per week?

Philip Dilley: Yes.

Q32 Chair: And that includes travel.

Philip Dilley: Yes.

Q33 Chair: So presumably, in September, you would probably want to visit most of the outlying regional offices to get a feel of the restructuring process and how it has gone with that. Just talk us through two to three days doing that, and that includes travel time, which might be a little bit more in perhaps the first three or six months. When do you give up your responsibilities in your current role at Arup?

Philip Dilley: I have already given up—end of March.

Q34 Chair: The consulting role with Arup?

Philip Dilley: The consulting role actually starts now, in August. That is nominally one day a week, but it is a very flexible one day a week. I have to explore how this works, but I think it is

probably a collection of bits of activity. I am not intending to go one day a week into the office at Arup.

Q35 Chair: You are not suggesting that you will be inviting Arup to apply for certain contracts or investments—flood defence work—with the Environment Agency. It is not that type of consultancy role?

Philip Dilley: They do get invited and I would be delighted if they continue to get invited, but I cannot imagine that the board, and certainly the Chairman, ever gets involved in those kinds of selection processes. As I said earlier, if for one very unusual reason they did, I would simply have to step aside for that. But, no, I do not think, even if I wanted to, the Chairman would have any influence over those issues because the agency has a properly set-up executive, selection processes, frameworks and so on, which I would not have the power to interfere with even if I wanted to.

Q36 Chair: You are continuing as a member of the governing council of Imperial College.

Philip Dilley: Yes.

Q37 Chair: What is the time for that?

Philip Dilley: That is a very small time consumption. There are, I think, five council meetings a year, which tend to happen on a morning with optional lunch. That is just about it, frankly. There are obviously papers to read and so on, but I do that, in any event, out of working time.

Q38 Chair: But if there was an event like the floods of 2012-13, or the floods of 2013-14, bearing in mind that you would be the public face, you would step up to the plate and just let the other commitments go by the board.

Philip Dilley: Yes. Well, I think “go by the board” is a bit extreme, but I would have to manage my time and I am expecting that it would be substantially full-time over that period. That is correct.

Q39 Sheryll Murray: Could you describe the links that are cited as very good links and explain how you intend to approach the task of representing the environment in meetings with Ministers? Your CV said you had very good links with the UK Government. Could you expand on how you would use those?

Philip Dilley: What I am referring to there is that, in my period as Chair of Arup, I have expanded our recognition—the recognition of the company, if you like, and the influence of the company. Because we are not an organisation that you can invest in—we are not a shareholder organisation—generally speaking, we have been modestly in the background for decades. Now we find ourselves subject to the attention of people like the *Financial Times*—for opinion, not for investment purpose. Part of that growth of our profile and so on has been a connection with Government—central Government but also the various local governments, including the GLA, for example. In that sense, I have made a special effort to be helpful, give advice and give technical input where it is appropriate to the benefit of, I think, both the recipient and Arup and its profile.

Q40 Sheryll Murray: That is how you would approach the task of representing the EA in meetings with Ministers?

Philip Dilley: Yes. It is probably slightly different because ultimately, of course, the EA reports to the Secretary of State. Therefore, it is probably a slightly different arrangement. But, yes, absolutely. The agency is such that it does give technical advice and opinion. It is not just instigating the policy of Government; it needs to be a two-way relationship.

Q41 Sheryll Murray: The job description calls for a “proven track record of success working in highly political environments”. Can you give any examples of where you have effectively handled a high-profile and sensitive political issue?

Philip Dilley: The one I mentioned on the Scottish Parliament is probably the best one. Other than that, there are frequently, on projects, political issues of a relatively minor nature, but there will be things undoubtedly coming up where there are going to be these sorts of matters. Nobody yet has mentioned fracking. The issue of flooding will come up, I am quite sure, but the next equivalent issue for the agency is probably going to be fracking. There are going to be lots of politics attached to that.

Q42 Sheryll Murray: What work have you done as part of the Prime Minister’s Business Advisory Group that might indicate how you will approach the task of dealing with Defra to negotiate suitable goals and, in particular, funding for the Environment Agency?

Philip Dilley: If I made a difference to that group—and there were probably 25 or so business people on the group at any given time, and I served for two years—my mantra for that group and the thing I was pushing was to encourage Government to invest in infrastructure as a driver of growth because, of course, it creates jobs and gives capacity and efficiency to the country, and actually it does not change the balance sheet. You could make a similar argument for the Environment Agency. In other words, investment in a piece of capital activity costs money, but you have the asset—the benefit—at the end of it and it creates jobs. It can be a driver of the economy. I could see that being a similar kind of argument.

Q43 Chair: On the question of fracking, could I ask a hypothetical question? I think you live in London?

Philip Dilley: I do.

Q44 Chair: Imagine you lived in Witney and there was a major proposal to frack. How would you feel as a local resident in those circumstances?

Philip Dilley: I will first say that my view—and this does not, in a sense, matter for the agency—is that if the hydrocarbons that are buried deep in shale are recoverable at an economic base, it would be good for Britain. It will be good for Britain from an economic point of view, it will be good from the point of view of diversity of energy supply—security of energy supply—and, actually, it is good environmentally, because it is a lot less damaging to burn gas than it is to burn coal. Therefore, as an interim step to get from where we are today to an ultimately sustainable energy supply, it is a positive one.

All of that depends on it being done in a way that does not harm the environment, and that is where the Environment Agency comes in. Setting regulation and making sure it is done properly is a role for the agency, and I am quite sure that that can be done effectively. It is actually in the interests of the commercial organisations to do it effectively as well because if they were to create a pollution incident, they would not be able to fulfil their commercial aims. So it is in their interests as well. For me, a lot of these things make a lot of sense. I do understand also, though—and this is really where your question is founded—the significant concerns of the public. This is then outside the agency remit. There are planning processes and there are clearly going to be issues of disturbance during the activity. But, actually, provided those are handled properly—and they will have to be, otherwise there simply will not be public support for it—I think that is an appropriate thing.

Q45 Chair: Obviously the Government will set the policy—Defra will set a policy—but, say, the new Secretary of State came to you and said, “Which is least harmful for the environment

between fracking a fossil fuel almost of shale gas and burning waste through combined heat and power of energy from waste?" would you have a view? Is that something you would consider?

Philip Dilley: That is a technical question. I do not actually know the answer, but both have some purpose because, with burning solid waste, a lot of that solid waste is effectively carbon-neutral. For example, if it is forestry waste or paper and so on, it is putting back into the environment the CO₂ that the process took out. Taking energy from waste is rather better than landfill, so I am in general—generically—a believer in waste-from-energy schemes. I think they are a rather nice cycle. Of course, the energy from, effectively, the waste from effluent as well is a rather good process, because it cleans up the effluent and it generates energy.

Q46 Jim Fitzpatrick: I detected a little bit of anti-metropolitan bias there—that Londoners are not allowed to ask questions about the countryside, but maybe we will leave that for the fracking inquiry in the autumn.

Mr Dilley, since last winter's floods, Lord Smith has made clear his view that maintenance is as important as capital projects—capital spending in projects. It might not be entirely fair to ask whether you agree with that, given you may not have had a chance to look at it, but if you have a view, that would be of interest. Have you had discussions with Lord Smith about what he might think ought to be your priorities? Without encroaching on confidential conversations, has he offered you advice as to what you should be looking at as your first priority when you take up the post?

Philip Dilley: I have certainly met Lord Smith a couple of times now, and we have discussed a whole number of issues. I would not say that he has given me priorities exactly, but I understand where we are today and where we are heading. The question about maintenance versus capital projects relates probably to the budget, because the budgets for those items are effectively ring-fenced, as I understand it, so it is not possible, at the moment, to take money from the capital allocation and spend it on maintenance.

Clearly, both are important. When I went to the Somerset Levels and saw the—there was not any actual dredging going on, because it was at the weekend, but when I saw the profile of the channel that is now being created, which I think took it back to the 1960s profile, compared with the parts that have not been re-dredged, there is a very considerable difference. It is obvious. You do not need to be a hydrologist to see that what is being created now has got a much bigger capacity to discharge water rather more quickly than what was there before.

On the other hand, there is a balance, of course, because you are actually causing some environmental—or some people would say habitat—damage by doing that dredging. All of these things are a balance. Maintenance is important. It is easy to get excited about capital projects because they are very visible and they are probably good for local councils and so on. But maintenance is equally important. Quite what needs to be changed to improve that circumstance, I do not yet know.

Q47 Jim Fitzpatrick: It is interesting that you see the clear distinction between capital and maintenance projects. I cannot remember the phrase that the former Secretary of State used—because that is what he is now—but he basically said that there was a blurring between the two budgets, so it will be interesting to see how you get on with that, because certainly it was the Committee's very strong view that there should be more flexibility between the two, so that the agency can set priorities on the basis of, "We have got so much money available; this is a better way of doing it than that."

Philip Dilley: I may not have a correct understanding, but certainly we are in agreement: to have more flexibility in sharing money between the two budgets would be valuable.

Q48 Chair: What we have proposed is that there should be a total expenditure budget. It would be quite revolutionary and it would actually be for the Treasury to propose. But I think you would agree that it seems strange to have artificial arguments about the size of the dredger or the size of the pump that was meant to help take the flood water off the Somerset Levels. That led to delays because if it was one size—if it was big—it was capital expenditure, but if it was smaller, it was maintenance expenditure. It would be interesting to see, in time, how your thoughts develop in that regard.

Philip Dilley: Yes, I was not aware of that before.

Q49 Ms Ritchie: Considering the day of reshuffles, what discussions have you had with former Secretary of State Paterson or others about the tight fiscal climate mentioned in the job description and its impact on the Environment Agency's staffing budget and priorities?

Philip Dilley: I have had a couple of meetings with Owen Paterson and he has been very open with me about where these things are likely to head. There is a complexity, of course, which I am sure you all well understand more than I, with the agency because, so far, the flood money, if I can put it that way, has been protected. So taking a percentage cut from the agency tends to adversely affect the parts of the agency that are not related to flood, which is actually less than half.

There is some complexity in making further cuts to costs. It would be foolish to say that there are no other efficiencies. With an agency, business or collection of activities this size, there are bound to be, without even looking, efficiencies to be made. In the non-flood area, which is mainly the regulated activity, it is about doing less but in an intelligent way that gives a better service to those who do comply with regulation. In other words, being more open to self-regulation for those companies and organisations that have that credibility is probably the good way forward. For example, in the waste area, there are a lot of companies that do comply and are very enthusiastic to show they comply and, in a sense, it could be argued that it is a waste of money to set up a regime to check them at the same level as one would check a business that is actively not complying.

Q50 Ms Ritchie: Going back to frontline flood risk management issues, have you had any discussions either with the former Secretary of State or with others about the protection of frontline flood risk management jobs at the Environment Agency?

Philip Dilley: The simple answer to that is no, I have not.

Q51 Ms Ritchie: Have you had any discussions today with the new Secretary of State?

Philip Dilley: No. I think she will be busy on other matters.

Q52 Ms Ritchie: Yes, first-day brief no doubt. What, if any, early priorities have you set yourself and the organisation?

Philip Dilley: It is clear to me that there is an awful lot to learn. I have, so far, met quite a large number of people from Defra and a number of third-party organisations. So I have spoken with the head of the RSPB, for example, and Anglian Water's Chief Executive. Everybody has said to me that their relationship with the agency is positive and helpful and if it is changing at all, it is getting better. I do not see my role as needing any kind of turnaround activity, certainly in its early days, which pleases me enormously. It is a good place to start.

So my first few weeks are going to be largely ones of learning. As the Chair suggested, I am going to have to travel around the country quite a bit, meet a number of the executive team, go to some of the offices, listen to some of the staff and understand a lot about what is going on. It is

quite unreasonable to think that someone like me could come along and re-shape in any way the agency without getting very much involved in what is there already. That is my priority.

Q53 Ms Ritchie: The job description for your post calls for someone with exposure to working with organisations undergoing significant change. Can you give the Committee an example when you met with resistance to a change you were trying to drive through and how you handled that?

Philip Dilley: Yes. I am sorry all these examples are Arup, but I have spent quite a lot of time there. I mentioned previously that I used to run what was then known as the Europe region, which included the UK and continental Europe. At the time that I took that over, it was actually the assembly of three different previous parts of Arup. Those parts were culturally quite different in a way. So, for example, there are people who get involved in the design of buildings and so are very much aligned with architects and have a very enthusiastic design component to what they do. I brought that alongside the infrastructure group who are very much more to do with delivery focus and quite often have public sector clients. That was two different groups of people that I brought together.

How do you deal with it? You have to have open discussions and get people's buy-in. Most organisations do not work from a director directing. It needs to be a consultation, a consultative process, a buy-in process. That is how I did it.

Q54 Mrs Glendon: The Environment Agency is going through a period of substantial reform. What are your initial thoughts on the triennial review's conclusion that the Environment Agency and Natural England should be more closely integrated?

Philip Dilley: I was not involved with any discussions at the time that review was going on, but it is quite clear that that was looked at quite extensively. There is a difference between the two, in that the Environment Agency is fundamentally science and engineering-based and evidential-based, whereas Natural England is more the carer for the rural environment. It is different. Could they be brought together? Probably.

I do know that a lot of work is going on not to bring them together, not to merge them, but to bring together activity where there can be efficiency gain from that, including the sharing of office space, for example. In a sense, this is for somebody else to decide—certainly not me—but given the instruction, if you like, or given the triennial review conclusion that they should remain separate, I would expect to work with Andrew Sells to do as much as we could to share and make efficiencies. I have met Andrew a couple of times and I expect to get on well with him.

Q55 Chair: Looking at your role in the private sector, which is probably more competitive, your new role will require a more collaborative focus on the work between the agency, Defra, other Government Departments and other agencies, such as the Forestry Commission. You alluded in answer to Ms Ritchie's question about being more consensual: what experience can you bring to bear in terms of the focus on cooperation and persuasion, rather than in the past, when you have done more project delivery and competitive contracting?

Philip Dilley: It is probably not right to say that the parts of the private sector I have been involved in have been more delivery-focused and less collaborative. A lot of collaboration has to happen to create a complex project of any kind and there are normally a lot of parties involved. In the design phase, there are a number of consultants—from architects to cost advisors to engineers and possibly to different types of engineers. There will be a client body. There will be the consultation bodies, including the Environment Agency very frequently. All of these individual components that are involved in the delivery of a complex project can only work through collaboration. My reputation, if anything, is probably as somebody who is quite

collaborative. When I said I did not think there was a turnaround need, that would not really be my experience. My experience has been collaborative evolution, rather than highly directive revolution.

Q56 Chair: If confirmed, you will be chairing one of England's major environmental regulators. Some might say that you are gamekeeper turned poacher. How would you see your role and what view do you take of the environmental regulatory burden on business?

Philip Dilley: The regulatory aspect of the agency, in a sense, is clearer-cut. The regulations are set. They might come from Europe, but in the end they arrive via Defra, I presume, or via Government with advice from Defra. Therefore it is a question of implementing them. The judgments that come into play are: what happens when somebody is not quite complying? Do you close them down? Do you prosecute them? Do you encourage them to do better, and so on? That side of it, in a way, is more clear-cut than the active intervention in the environment.

Q57 Chair: You alluded to the fact that you will be meeting, as you go around the regions, people who probably feel quite insecure, in the sense that I think we have had a commitment that those who are occupied in frontline protection—flood defence roles—will be kept in that position. Will you seek to keep those people there as the first line of defence in the interface with the public in the event of a major event?

Philip Dilley: We are getting into quite detailed territory and I really have not had a chance to look sufficiently to be able to honestly answer that question. What I do know is that, at the time of the emergency, there were a lot more people working in the region of flood than had a badge as a flood employee. One of the attractions of the agency in the shape that it is is that it can divert staff from other activities into flood assistance and emergency assistance if it needs to. However, the detailed question, about whether there are the right number of people and whether they will be maintained, I honestly cannot answer at this point.

Q58 Chair: A more general question at the end: what would you seek to do first on your first day in your new role?

Philip Dilley: I have spoken with Paul Leinster, the Chief Executive, and I want to make a plan with him. If and when I hear that I have been successful, I want to make a plan with him to work out what I do in the first six, eight weeks, or whatever the appropriate time is. My appointment is four days before the first board meeting, so I am quite sure my immediate focus will be what is on the agenda and what I need to understand to direct that meeting in the appropriate way.

Chair: Thank you very much indeed. You have been very cooperative and very generous with your time. It has been a pleasure to meet you, Mr Dilley. Thank you for being with us this afternoon. I am going to ask the Committee to remain for a private session on Committee business and we will draw the formal proceedings at this point to a close