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Dear Oliver,

SDC advice on the use of sustainable development principles to help measure progress, improve performance and increase transparency of Government.

At our recent meeting we discussed the above. You suggested that it would be useful if the SDC could give its views on the issues that a Cabinet Committee or Sub-Committee might usefully focus upon, and on the sorts of indicators against which the Government as a whole, and individual departments, should report. This was in recognition of the need for better information to assess Government's progress on sustainable development, and of the inadequacy of GDP as a stand-alone indicator of responsible decision-making. Our advice on these points is set out below.

Indicators

Over the last five years the SDC has completed a number of pieces of work with Defra, HMT and others on the identification of indicators which better measure the overall progress of Government from a sustainable development perspective. This is especially relevant now given HMT's work on a new performance management framework, the Public Services Transparency Framework, and the significant activity internationally on developing indicators for well-being and sustainable development, particularly through the Stiglitz Commission for President Sarkozy.

We have taken as our starting point the five principles set out in the last Sustainable Development Strategy, *Securing the Future*. These require equal weight to be given to measurement of environmental limits (not just carbon) and social progress, together with better economic indicators. On well-being (which we see as being synonymous with quality of life), the SDC agrees with the assertion of the Stiglitz Commission that appropriate measures can provide a current status report, but do not provide information about the potential for future well-being or sustainable development. Sustainable development is inherently forward-looking, requiring information about the future as well as the present. Any new indicator set to measure well-being must, we believe, sit within a wider sustainable development framework - the government should set out its aims and indicators for well-being and sustainable development separately as the former is a subset of the latter.

We would support the idea of reporting through a "dashboard" of aggregated indicators which can effectively convey a high level measure of progress. Inevitably a dashboard cannot tell the whole story, so the high-level indicators must also be disaggregated to an appropriate level to show, for example, the distributional effect across social grade, ethnicity, age, level of deprivation, gender, income, and whether the social and environmental footprint is positive or negative. We would argue that both a dashboard and a full indicator set are necessary to allow effective performance management, but that one can be a subset of the other. In addition, many other data should be collected to help understand trends and to determine priorities in individual policy areas. A proposed set of indicators, based on the work currently underway between the SDC, Defra and ONS, is presented in Annex A.

Overall architecture for sustainable development in Government

We have attached a paper in Annex B which sets out our current thinking on a new governance architecture for sustainable development in Government, including our thoughts on the possible roles and remits for the Environmental Audit Committee and the proposed Cabinet Committee or Sub-Committee on Sustainable Development. To drive improvements in Government's performance against its agreed indicators, will require a transparent and robust performance management system with clear goals and milestones to oversee and monitor progress, co-ordinate departments' activities, agree and facilitate any necessary changes to priorities, and report on progress to Parliament. The Government will need to be very clear how any new indicator set will be used to improve performance and increase transparency about policy and operational objectives.

In order for indicators to be used effectively as part of a performance management framework, they should:

- exist within a transparent governance model with clear and accountable roles and responsibilities (the indicators chosen should be used by the Environment Audit Committee (EAC) and the potential Cabinet Committee or Sub-Committee on Sustainable Development);
- be linked to appropriate departmental policy levers;
- be clearly linked to departmental business and structural reform plans
- be integrated into the policy appraisal process;
- have timely and concise reporting mechanisms (including a high level 'dashboard' presenting key aggregated indicators);
- have key milestones and projections, not simply observations;
- incorporate mechanisms for improvement or adjustment; and
- provide strong incentives for cross-government working and collaboration.

Increasing transparency through democratic accountability

A central aim of the revised performance framework is to improve the level of democratic accountability and transparency. The experience of the SDC in performing a watchdog function can usefully inform this new approach and, in particular, the enhanced role of the EAC in providing independent challenge and assessment of departmental business and structural reform plans, and overall Government performance, from a sustainable development perspective. The attached paper in Annex C on the potential transfer of scrutiny functions from the SDC sets out in more detail how we think this might work and what we suggest are the minimum scrutiny activities necessary to do this effectively and credibly.

We would be delighted to contribute to any further discussion on indicators and performance management, and would like to take up your suggestion of a meeting involving Cabinet Office, No 10 and HM Treasury representatives. We will be writing to you shortly with our suggestions on how the challenge of improving well-being is linked with developing a new and more responsible economic model.

Kind Regards



Will Day
Chairman

cc. Caroline Spelman, Chris Huhne

Annex A: Measuring progress in Quality of life indicator matrix

Over the years the SDC, and others, have researched and advised Government on this issue. Our detailed thinking is set out in two key documents which largely still stand today: the SDC Panel consultation *Redefining Progress*¹ and our 2007 advice to Government which drew on this *Living Well – Within Limits*². Indeed our recommendations for a much smaller set of indicators, and suggestions as to what they might be, were supported by the Conservative Quality of Life Commission. However, our thinking has evolved to support the “dashboard” approach of a set of high level indicators as it is difficult to find three indicators which would resonate with the public and policy-makers and encompass the complexity of delivering sustainable development. The dashboard approach is also recommended by the Stiglitz Commission for President Sarkozy.

We would also see value in reviewing how sustainable development indicators might be useful at a local level. We have published work on local sustainability indicators, the SD Lens³, which is a way of helping local authorities assess the sustainability at a local level.

Context for possible indicators

We have taken as our starting point the principles set out in the Sustainable Development Strategy, *Securing the Future*. “The goal of sustainable development is to enable all people throughout the world to satisfy their basic needs and enjoy a better quality of life, without compromising the quality of life of future generations... The issue of well-being lies at the heart of sustainable development, and it remains important to develop appropriate well-being indicators”⁴.

Central to the concept of sustainable development is the achievement of social, economic and environmental policy objectives in an *integrated* fashion. Ideally, Government policies on all three would be mutually supportive, and achieving one objective would not have an unforeseen negative impact on another. This is clearly reflected in the opportunities currently being explored within government to align economic development and environmental protection, and to do so in a manner which abides by clear principles of fairness (both within and between generations).

Economic – *indicators to test how far there has been a move beyond GDP as a measure of how well the economy is doing. Indicators should focus on reducing inequality, promoting sustainable growth, and inter-generational well-being.*

Social – *indicators to test how far the country has progressed against an objective of securing a strong, healthy and just society with greater, fairer access to key services, reduction in inequality and greater social cohesion and the realisation of human potential.*

Environmental – *indicators to test how far we respect environmental limits, resources and biodiversity, assess the threat to our critical environmental assets; as well as improve the quality of our environment.*

On well-being (or quality of life), the SDC agrees with the assertion of the Stiglitz Commission that appropriate measures can provide a current picture of the situation on that particular area but do not in themselves provide information about the potential for future well-being or on sustainable development more generally. Sustainable development is inherently forward-looking, requiring information about the future as well as the present. Whilst any new indicator set to measure well-being must sit within an indicator set on sustainable development, government will need to set out its aims for each theme separately as the two are not synonymous.

¹ <http://www.sd-commission.org.uk/publications.php?id=527>

² <http://www.sd-commission.org.uk/publications.php?id=546>

³ <http://www.sd-commission.org.uk/publications.php?id=880>

⁴ HM Government, *Securing the Future – Delivering the UK Sustainable Development Strategy*, March 2005

Indicators

Discussions on a proposed indicator set point to it being a small “dashboard” of indicators. Inevitably a dashboard cannot tell the whole story of how sustainable the country is and/or its well-being (including its global impact). This means that the indicators must also be disaggregated to an appropriate level to show, for example, the distributional effect across social grade, ethnicity, age, level of deprivation, gender, income, and whether the social and environmental footprint is positive or negative. Clearly the question over which roles the indicator set will play strongly influences whether the set takes the form of a ‘dashboard’ or fuller set of indicators. We would argue that both are necessary to play the roles required but that one can be a subset of the other.

In addition many other data must also be collected which will help understand trends and determine priorities in individual policy areas. The indicators should be objective and subjective, quantitative as well as qualitative. It will be for ONS and Defra to devise the data sets needed building on the advice the SDC has previously given. It will be important that the choice of indicators is not constrained by the current data collection systems in place.

Over the years the SDC has worked closely with Defra and others to advise on the suitability of sustainability indicators. The table below sets out the key areas on which SDC has recently advised Defra and ONS that some measurement is needed for a new set of indicators to assess both the state of the nation’s sustainability and well-being. As noted above, when agreeing the new dashboard of indicators it is important to be clear whether it is intended to report on both, in which case it will be important to identify where the two areas intersect and identify appropriate indicators.

There is an increasing trend within government and from Stiglitz to use a “capitals” model to understand and measure sustainable development impacts. This concept is useful to ensure that economic, social and environmental factors are understood in terms of both flows and stocks. Current economic measures (production, income and consumption) are essential “flows” and exclude “stocks”, or wealth. A consideration of stocks can deter short-termism and encourage greater emphasis on longer-term sustainability. We therefore recommend that the indicator set wherever possible measures stocks. One example of this concerns carbon emissions – although the issue is complicated by the international nature of climate change, the UK’s carbon budget effectively provides a form of assessing the stock involved – i.e. how much carbon can the UK emit if global emissions are to be reduced to avoid average surface temperatures rising by more than 2°C by 2050 – the meaningful indicator for future well-being is therefore not the emission rate at any one time but how much of the carbon budget is left.

The indicators below aim to cover the main economic, human, social and natural assets that affect quality of life now, and in the future. They reflect the current thinking by SDC working with Defra and ONS. In particular, the indicator set:

- Should be relevant to maintaining and improving quality of life now and in the long-term
- Picks-up on issues not adequately covered by GDP
- Covers both objective and subjective measures
- Should cover distributional aspects and inequalities
- Contains indicators relevant for policy at both the National and Local levels
- Should be relevant and understandable for members of the public
- Should use up-to-date data and be evaluated in a way that identifies problems early

Capital	Domain	Suggested indicators
Economic	<ul style="list-style-type: none"> Material living standards 	<ul style="list-style-type: none"> Poverty/Income distribution Material deprivation Local environmental quality – satisfaction with local area (incl. noise/air quality)/ access to green space Housing affordability/quality/quantity/overcrowding/ satisfaction with accommodation Future financial security Household income and consumption reflecting in-kind services provided by government Child poverty
Economic	<ul style="list-style-type: none"> National Economic wellbeing 	<ul style="list-style-type: none"> Net Domestic Product rather than GDP (as this includes depreciation) Employment/unemployment/economically inactive Non-market activities Wealth measure % who class themselves in meaningful employment/employment suitable for their skills and work objectives
Social	<ul style="list-style-type: none"> Insecurity 	<ul style="list-style-type: none"> Fear of crime Reported crime
Human	<ul style="list-style-type: none"> Education⁵ 	<ul style="list-style-type: none"> Educational attainment assessed against the SD objective e.g. for those on free school meals Numbers of NEETS or receiving alternative education provision e.g. in pupil referral units or entering the youth justice system Numbers of young people who have had an experience in a sustainability project while in formal education. Young people’s attitude to their own resilience with regard to global issues e.g. poverty, climate change, resource use, equality Research and development output
Human	<ul style="list-style-type: none"> Health 	<ul style="list-style-type: none"> Self-reported general health Mortality rates by deprived areas showing the worst and best districts Healthy life years Life expectancy People fit to work Mental health Relative spend on preventative health over clinical spend Obesity levels Active travel/increased usage of alternatives to motorised transport

⁵ The ability of the education sector to contribute to the GDP as currently structured and measured should not be a criterion for choosing the indicators used on education

Social	<ul style="list-style-type: none"> • Personal activity 	<ul style="list-style-type: none"> • Volunteering/community participation / or a better qualitative measure such as social connectivity or social isolation • A Big Society Measure • Satisfaction with/participation in local community • Accessibility of essential services • Leisure time activities • Confidence in ability to describe aspects of sustainable lives
Social	<ul style="list-style-type: none"> • Social connections 	<ul style="list-style-type: none"> • Community participation • Satisfaction with sense of community
Natural	<ul style="list-style-type: none"> • Environmental 	<ul style="list-style-type: none"> • Embedded greenhouse gas emissions coupled with 'carbon budget' – CO2 left to emit • Food security • Air quality (exceeding target levels) • Environmental equality
Natural	<ul style="list-style-type: none"> • Natural resources 	<ul style="list-style-type: none"> • Energy supply • Water stress • Waste to landfill/waste prevention⁶ • Biodiversity⁷ • Bird populations • Habitats • Land indicator e.g. land use/soil quality/soil productivity
Overall	<ul style="list-style-type: none"> • Wellbeing 	<ul style="list-style-type: none"> • Subjective life satisfaction overall and with various aspects of life⁸

⁶ Indicators should not focus on “end of pipe” issues e.g. how much less waste has gone to landfill, but focus on indicators which will help assess how much less resource is being wasted e.g. waste arisings, water usage per head.

⁷ Indicators should go beyond measuring numbers of species or habitats but examine factors which help assess whether threats are being realised e.g. the size of fish less than 40cm is an indicator of poor marine environment and lack of long-term sustainability of fish stocks. Indicators should not focus on pre-existing protected areas (e.g. SSSIs) to ensure positive rates generally.

⁸ A subjective measure of life satisfaction should be included in the indicator set to provide a double-check on the state of well-being. This is additional to measures of social capital, and while it tends not to increase over time, it could be an important measure if it declined.

Annex B: Developing future arrangements for SD in UK Government

Context

1. On the 22nd July, the Secretary of State for the Environment, Food and Rural Affairs made a statement to the House of Commons in which she made a commitment that the two Secretaries of State at Defra and DECC would take the lead directly on sustainable development in Government, and that as a consequence Defra would withdraw funding from the SDC in London from the end of this financial year:

The Government is committed to delivering sustainable development and becoming the greenest government ever, promoting economic development, environmental protection and an improving quality of life for everyone in the UK. We want to mainstream sustainability, strengthen the Government's performance in this area and put processes in place to join-up activity across government much more effectively.

2. As Ministers take a fresh view of the arrangements needed to underpin these commitments and make sustainable development a revitalised part of the Coalition Government's programme, the SDC has been asked to contribute its own thoughts on the future arrangements based on the networks, reports, knowledge and experience its people have built up over the last sixteen years.

The Challenge Ahead

3. The Coalition Government has committed to be the greenest ever, to deliver a green and more responsible economy, fairness and the Big Society whilst cutting the budget deficit, increasing efficiency and delivering structural reform to create better value for the taxpayer:

The Government will look beyond near-term pressures to support reforms that better position the UK for meeting long-term demographic, economic, environmental and social challenges, any of which could imperil long-term fiscal stability if left unattended.

HM Treasury (2010)- The Spending Review framework.

4. For the new Government to do this effectively, it will need robust cross-Whitehall mechanisms to ensure that immediate decisions are well-informed, subject to challenge during their formation, and taken in the context of longer term objectives. Without these mechanisms, and the leadership, knowledge and skills needed within departments to act on them effectively, there is a risk that deficit reduction and structural reform may entrench silo working, and lead to narrow policy formulation and delivery as well as unintended longer-term consequences.
5. Government not only needs to ensure its decisions are well informed and take longer term environmental, economic and social consequences fully into account, it also needs to ensure it is adequately prepared to meet its national and international green and sustainable development commitments, and is able to influence those commitments by making the fullest contribution to the ongoing debate and decision making – for example at the upcoming 'Rio plus 20' conference.
6. Given the enormity of the challenges countries face on this agenda, and the highly complicated nature of the associated policy issues, governments internationally have chosen to support different means of receiving independent advice as well as challenge to their policies and their

implementation. In Hungary, for example, there is a Council for Future Generations that reviews Government policy. In New Zealand the role is undertaken by the Parliamentary Commissioner for the Environment. Canada has a Parliamentary Commissioner as well as a National Round Table on Economy and Environment, and a variety of arrangements exist across other EU Member States.

7. In the UK, this role was first performed (under the last Conservative Government) by the Round Table on Sustainable Development, which helped the UK deliver the world's first sustainable development strategy. More recently this role was taken on by the Sustainable Development Commission. Discussions are now underway in Government about possible mechanisms at Cabinet level to ensure that sustainable development is mainstreamed – for example in a new Sub-Committee or as part of the agenda for the Home Affairs Committee

The 4 Tests for proposals to mainstream Sustainable Development in Government

8. It is not for the SDC to tell new Ministers how they should configure such arrangements, but we believe that there are four overarching tests which should be applied to ensure that they really do help the Coalition Government drive its policy ambitions and give it credibility with both the business community and Civil Society:

Test 1: They must include activities to improve policy innovation and long term performance.

- Responsibility for driving the Sustainable Development (SD) Agenda within Government must rest with a senior Minister i.e. who sits as a member of Cabinet, overseeing Government's overall SD policy development and implementation;
- The Minister should be properly supported by a Cabinet Committee or sub-Committee, overseeing a clear and robust performance management system across Government;
- Essential also are mechanisms and skills to improve 'whole government' and cross-departmental working, for example through assessing and acting on potential synergies in departmental structural reform and business plans; understanding the impacts and interactions between various government policies (domestic and international) and finding ways in which multiple outcome and innovation can be achieved whilst balancing short-term and long-term outcomes;
- Finding and nurturing the right leaders to drive change across Government and within departments, and ensuring that roles and responsibilities for driving change on SD are clear at official level and that government decisions can be made and followed through within individual departments;
- Access to expert policy advice will be essential for the development of robust action plans that take long term consequences into account;
- Encouraging SD skill development and innovation by key individuals within government, and also encouraging challenge and ideas from the general public, and the wider public and private sectors, as well as by learning from international experience.

Test 2: Effective Stakeholder Engagement

- Government must also make arrangements for ongoing engagement with representatives from civil society, business and other stakeholders including international bodies in order to:
 - inform domestic policy as well as influence the European and international agenda;
 - Share best practice and learn from international examples;

- Act as a focal point and sounding board for those organisations needing advice and guidance on specific areas of sustainable development relevant to their organisation's aims. This will become increasingly important as a means for supporting Big Society initiatives as they start to gather momentum. It is also a critical part of the preparations for the Earth Summit.

Test 3: They must improve transparency by putting in place, and reporting on, the performance of Government against better measures of progress

- Essential here are clear long-term goals and specified actions for achieving them. In order for the Government to fulfil its green and sustainable development objectives particularly against the background of severe budgetary constraint, it requires a balanced set of measures of progress, and a solid understanding of the relationship between individual measures. This set should include quality of life, green economy and environment, and should be devised in a way that allows Government to measure and report on its progress against agreed indicators transparently (i.e. a balanced scorecard against which the public can hold Government to account);
- To inspire confidence and ensure transparency, the methods and arrangements of assessing progress towards these goals must, as far as possible, be agreed ahead of time, including assessment of agreed milestones for implementation. The *minimum* scrutiny package would include: independent assessment of government's own operational activities and operational delivery plan, ongoing assessment of draft and final policy plans, scrutiny of government's arrangements for policy development and for assessing impacts, commentaries on the adequacy of governance arrangements, and commentary on how well SD is being driven through the skill development of civil servants;
- Again to inspire confidence, those conducting assessments and the assessments themselves must be credible; i.e. individuals who understand sustainable development and SD scrutiny, producing robust advice and reports based on clear evidence. A simple audit against an SD checklist will not be enough. Credibility of advice and assessments is only possible where the authors are independent from those responsible for developing and implementing policy;
- All scrutiny should abide by agreed principles including, as far as possible, a 'no surprises' policy i.e. by ensuring that the right constellation of scrutiny measures are in place to forewarn, encourage best practice and provide a good overview of performance and recommended next steps - making use, for example, of opportunities to challenge during policy formulation. This entails awareness of government intentions and being able to provide ongoing commentary as well as periodic overviews and scrutiny reports where useful in a timely fashion.

Test 4: They must drive further improvements in departments' operational performance

- This must be in ways which include, but go well beyond cost and carbon, building on what has already been achieved through SDC, Defra, OGC and others on Government operations.
- Evidence that the right people with the right skills, systems and procedures are in place, for example HR and procurement processes;
- Evidence that government departments are encouraged to make operational improvements, and that genuine progress is indeed being made against agreed aspirations;
- Evidence that the synergies between different operational activities are understood and that innovation is encouraged to make use of opportunities for better integration of different operational plans;

- Evidence that government's operational performance compares well with the best in class in the wider public and private sectors;
 - Evidence that opportunities are created for better co-operation with the wider public and private sectors, and within the geographical locality where particular government departments operate.
9. These four tests are mutually reinforcing. For example, the independence needed to inspire trust coupled with the 'no surprises' principle, can only work well when backed by close engagement with government departments. This is needed to understand their circumstances so that scrutiny activities – including ongoing challenge - can be carefully designed to help government incrementally build its capability to deliver.

What has been proposed already and how might the four tests be applied?

10. As part of the discussion around the time of the Defra statement, a number of ideas have already been floated within parts of the Government.

Enhanced EAC role

11. It is envisaged by Defra that the watchdog role of the SDC will be transferred to the Environmental Audit Committee (EAC) as part of the Coalition government's commitment to enhanced Parliamentary scrutiny. This is a good idea in principle as it strengthens Parliamentary scrutiny of the Executive, but its efficacy will be dictated by the availability of resources to support the Committee with this broader remit. Additionally, in our experience, Ministers and their departments have not always been very receptive to the Committee's findings – a situation which could be improved by, for example, jointly sponsored scrutiny e.g. for DfE an investigation by both the Education Committee and EAC.
12. In the past, the EAC consistently drew upon evidence and analysis from the NAO and the SDC in preparing for its chosen inquiries. In addition, excellent though its work has been, it has tended to focus on environmental and especially climate change issues, and on the operational impacts of Government, and its work has not been designed to comprehensively prepare Government for the whole range of improvements needed or to present it with an overview of its green and SD performance. Sustainable development is much broader than a 'green' issue, and for the EAC to succeed in holding Government to account on the wider social and economic impacts of both its operations and policy it will need enhanced support and expertise available to it. This support has been provided by the SDC since the transfer of functions from Defra SDU and has been built up to cover: thematic reviews, assessment of departmental SDAPs and their performance against SOGE targets (data for which has been collated by NAO).
13. Our experience suggests that scrutiny has had the biggest impact on performance when the scrutinising body engages closely with government departments to provide ongoing challenge during the *formation* of policy and operational plans. This process also serves to inform the scrutineer of departments' circumstances and plans, so that the level of ambition across government can be raised. Effective scrutiny also entails providing government with an *overview* of progress on how well SD people and mechanisms are being embedded in departments, as well as an assessment of actual performance and the next steps needed to not only stay on track but rather to become a World leader (see the third test of SD in Government above). It is not yet clear how the EAC, and the NAO, could perform all of these functions. Whilst the NAO is expert in the assurance of procedures it is not currently geared up either to conduct scrutiny in a way that would result in ongoing challenge to departments or to provide an overview of progress and actual performance across government.

Strengthening Cabinet Engagement with SD

14. It has also been floated that engagement with sustainable development at Cabinet level should be strengthened: for example via a new Committee or Sub-Committee or by building this remit into the Home Affairs or Economic Affairs Committee. This is an excellent idea in principle but lessons must be drawn from the previous initiative in this area, which failed to gain traction. Under the last administration, *Sustainable Development* Ministers were nominated for every Department, and these Ministers were supposed to meet on a regular basis. Despite efforts by Defra to get this to happen, the lack of a clear mandate for the group and of a mechanism for servicing it meant that it never got off the ground. The previous Scottish Government ran an arguably more successful Cabinet Sub-Committee for Sustainable Development, which was chaired by the First Minister and including places for external advisors, but this too was subsequently scrapped by the SNP.
15. To succeed, new Cabinet arrangements will require strong leadership (preferably by the Prime Minister or Deputy Prime Minister, clarity of purpose, a clear agenda (see Appendix A for suggestions on key areas to address) and capacity in the Cabinet Office, Defra or DECC for effective support and analysis, much of which has been provided in the past by the SDC and other ALBs such as RCEP and the CRC. There will need to be strong synergies with other parts of Cabinet machinery such as, for example, the Committee on Social Justice, given many of the areas in its remit will contribute to SD e.g. fairness and equity policy areas.

The role of Defra and DECC

16. The future role of the Defra SD Unit itself also needs careful consideration, as does the role of DECC in sharing responsibility for the mainstreaming of SD. Under the previous Government, there was an explicit move to transfer advisory, watchdog and capability building functions out of Defra and into the SDC, as this was seen as a more efficient and effective way of holding other departments to account and also supporting them. The success of this arrangement has been demonstrated in a number of areas such as the measurable improvements in operational performance and consequent savings and the numerous improvements made to departments' Sustainable Development Action Plans
17. Whatever the Government decides to do, there is ample evidence – demonstrated in the SDC's advice and numerous reports on the performance of the last administration - that there remains very significant room for improvement in the sustainability of both operations and policy. It has taken many years to building up the level of knowledge and skills in the SDC and across Government Departments to champion sustainable development and it would, we feel, be an unacceptable loss to allow this hard won capacity to disappear virtually overnight.

Environment Audit Committee

1. Some suggested areas for possible investigations by the Environment Audit Committee are set out below.

Fairness

Transport

2. DfT's carbon reduction strategy is 92% dependent on biofuels and new car CO₂ legislation – both of which are driven by regulation at EU level. What are their contingency plans if the EU review of biofuels finds the current targets are unsustainable, and if vehicle manufacturers lobby against/look unlikely to meet the 95gCO₂/km target for new cars in 2020?

Fairness

3. The Coalition have confirmed subsidies of up to £5000 for purchasers of new ultra-low carbon vehicles as well as investing money in 'plugged-in places' (infrastructure for electric vehicles). They are also pressing ahead with plans for high speed rail. Both of these areas represent massive investment which is likely to benefit higher income groups to a much greater extent than lower ones. What will be done to ensure that transport policy does not contribute to widening the gap between the rich and the poor?

Education

4. To what extent is the education system assisting with the development of a green, low carbon economy, or developing the skills and knowledge needed by young people to live healthy, sustainable lives?

Children and young people

5. To what extent are young people, particularly those with low income or levels of opportunity, losing their connection with the natural environment and what impact is this having on (a) their mental wellbeing and behaviour and (b) their ability to look after the environment in future?

Health inequalities

6. Why, given the wealth of evidence about the value of sustainable living, do we still encourage ill-health through economic, transport, food and neighbourhood design policies?

Preventative health

7. How does the Government plan to redress the present imbalance of investment between prevention of ill-health and health care (the former only 4% of spending at present)?

Sustainable Places

Outcome / impacts of the planning system reform

8. Strategic planning (at a “larger than local level”) needs to be embedded into the reform as without that it will be impossible to consider any cross border / cumulative impacts of decision making. Any enquiry into this area could be run from an environmental limits perspective, which is difficult to consider at the local level due to lack of robust data. Alternatively it could focus on topics that require a more strategic scale of analysis such as flood protection, climate change adaptation or biodiversity.

Nationally significant infrastructure projects

9. Whilst departmental committees will scrutinise the NPSs themselves, and CLG will (presumably) scrutinise the role of the IPC / reformed body, the role of assessing cumulative environmental impacts appears to fall between the gap and the EAC would be the most appropriate committee to consider this issue.
10. Both of these areas would also highlight the lack of emphasis placed on our failure to achieve national and EU targets on biodiversity and the lack of understanding on environmental limits.

Local Economic Partnership

11. Consider LEP activities either from an SD perspective or specifically as regards their environmental impact.

Enabling Sustainable Lives

Assessment of whether certain policies are enabling people to access more sustainable lifestyles

12. Some key risks are associated with the Coalition Government’s approach:
 - If government leaves everything up to ‘nudge’ and personal choice, what happens if people don’t choose more sustainable options? And who is going to make sure sustainable options are available? Who is going to provide the necessary leadership?
 - There are social risks of devolving responsibility to business to ‘sell’ more sustainable lifestyles – will this lifestyle be available to everyone? At what cost? Can consumption solve the challenges we face?
 - There are risks associated with the Localism agenda – will it be more costly and more patch-work (postcode lottery?) Will lots of local action add up to the targets we need to achieve as the UK? How is government going to ensure that local action does add up to a more sustainable whole?

Effectiveness of government campaigns and initiatives

13. What is the impact of a certain campaign – has it actually resulted in behaviour change rather than simply being the provision of information (cf Act on CO2). How is government enabling other actors to perform this role, ie. how is it engaging and empowering businesses, the third sector, local authorities etc. An important additional angle (and one that relates well with other SDC work) is whether interventions aimed at enabling people to live more sustainable lives are accessible to everyone in society.

Government

SDAPs:

14. This will depend on whether SDAPs are retained or replaced:
 - If SDAPs are kept the EAC could scrutinise the ambitiousness of the plans they set out, the extent to which the plans are integrated within the work of the department i.e. are they aligned **with and do they support business planning/corporate reporting**.
 - If SDAPs are replaced with an alternative mechanism scrutiny could be undertaken of the successes of this, how the transition from SDAPs to an alternative has been managed, and what changes have been made within a department as a result.
 - If SDAPs are scrapped, under the assumption that SD is mainstreamed within government, there is potential here to scrutinise the extent to which SD actually *is* the central organising principle of individual departments by looking into the way in which sustainability is integrated into policy and decision-making processes. With this area of work being a priority for Defra as set out in their Structural Reform Plan a starting point could be examining Defra's role, particularly in relation to advising other departments.
15. For all, a key focus for EAC would be to examine approaches taken to policy appraisal by Government rather than solely focus on their operations and procurement. Decision-making and embedding sustainable development into policy-making (including the Impact Assessment process) is now a formal part of Defra's work as set out in the Structural Reform Plan. EAC could undertake an inquiry into how well Defra has embedded SD into policy making, how well Defra has supported departments to use these tools, and how well departments are using the tools.

SD Indicators

16. The EAC could assess progress against the full set of SD indicators to produce an overall "State of SD" analysis on a regular basis (annual – five yearly?)

SDIG/SOGE:

17. The SDC has always reported SOGE/SDiG findings to the EAC, and has responded to committee hearings. It is unclear whether the SDIG/SOGE framework will be replaced and with what although the 10:10 requirement and carbon budgets will also need to be monitored. Procurement is a key issue for the new Government. EAC could consider the reasons behind performance data, and recommend structural improvements.

18. Thematic Reviews

19. The Committee could look at progress on key themes which Government have committed to such as the effectiveness of the commitments on Big Society, Localism, Greenest Government Ever, Fairness, building a new economy, unlocking of social mobility, new approaches to government. This would enable a macro picture about how Government is doing in these areas.

Cabinet Committee on Sustainable Development

Background

1. At a recent meeting with Oliver Letwin, Cabinet Office Minister, to discuss Government's proposals for mainstreaming SD the issue of cross Governmental working was discussed. SDC raised concerns that the cuts process risked accentuating departmental silos (which are a generic challenge even without the cutbacks) as individual departments focused on more narrowly defined core business. The suggestion to establish a Cabinet Committee or Sub Committee, raised by Defra Secretary of State, Caroline Spelman, was noted as being at a very early stage in its development but was thought to be one way of moving sustainable development thinking into the heart of government.
2. Oliver Letwin expressed interest in hearing the SDC's thoughts on what the remit and agenda for such a Committee might be, recognising that it would need to complement the Social Justice Committee.

Cabinet Committee Structure

3. "Cabinet and Cabinet Committees are groups of Ministers that can take collective decisions that are binding across Government. The Cabinet is the supreme decision-making body in government, dealing with the big issues of the day and the Government's overall strategy. Cabinet Committees reduce the burden on Cabinet by enabling collective decisions to be taken by a smaller group of Ministers. The composition and terms of reference of Coalition Cabinet Committees are a matter for the Prime Minister, in consultation with the Deputy Prime Minister. Each Committee has a Chair from one Party and a Deputy Chair from the other Party".
4. As well as the Social Justice Committee there are some key committees whose remit would have a bearing on a SD Cabinet (Sub)Committee so the latter's remit would need to be clearly differentiated:
 - **Social Justice Committee** *To consider issues relating to poverty, equality and social justice.*
 - **Public Health sub-Committee** *To consider issues relating to public health.*
 - **Economic Affairs Committee** *To consider issues relating to the economy.*
 - **Home Affairs Committee** - *to consider issues relating to constitutional and political reform, and home affairs, including migration, health, schools and welfare.*
5. There is no Committee which considers environmental issues. Whilst this is an omission the risk is that the remit of the mooted Cabinet Committee on SD is confined to environmental issues and there is no committee charged with reviewing sustainable development of new Government policy or of the progress of the country (England) in terms of sustainable development.

6. It is therefore proposed that the remit of the Committee should be to *“consider issues relating to sustainable development in particular (a) whether key policies and proposals proposed by Government will improve quality of life, have respected environmental limits and have minimised any adverse impact on future generations and (b) to monitor the sustainability of the country (England) against agreed indicators and (c) consider the recommendations of the EAC which has been tasked as the “SD watchdog” .*

7. The key policy areas which such a Committee could examine have been taken from the SDC’s Business Plan which followed extensive consultation with Government and a range of stakeholders such as civic society and business. The following areas must also include taking a global perspective. The forthcoming revision of the EU SDS (scheduled for 2011) and the Earth Summit 2012 present important opportunities for Government to reach agreements in Europe and globally on those issues critical to enabling people to live more sustainable lives both in developed and developing countries.

8. **Economy - How can Government support a transition to a sustainable economy?** Whilst action is taken to reduce the deficit and strengthen the economy in the short term what action has been taken to move to a more resilient and more inclusive economy in the long term respective environmental limits? (The focus on moving to a long-term and more inclusive economy would differentiate this Committee’s remit from that of the Economic Affairs Committee)

9. **Places - How can Government ensure that our society stays within environmental limits ,while creating sustainable places?** Have environmental limits, in particular the cumulative environmental impacts, been considered in the decision making for delivering the sustainable security of supply of energy, water, natural resources, biodiversity and food and the development of essential infrastructure.

10. **Fairness - How can Government ensure that policies reduce disadvantage on sections of our society rather than having a disproportionate impact?** Have the *co-benefits* from policies to help us live within environmental limits and policies on fairness and improving wellbeing been assessed and understood? (*This approach would differentiate the Committee’s remit from that of the Social Justice and Home Affairs Committees or Public Health Sub Committee*).

11. **Lives - What can Government do to support action in communities and business that encourages changes to people’s behaviour and which enables more sustainable lives?** Our current consumption patterns are unsustainable given the environmental limits we have to live within. Is there a shared understanding and agreement across government on what the desired behavioural goals are; and have departments considered in their policy proposals how they might assist in bringing about the changes in how society through their own policy agendas, and in synergy with other departments?

12. **Government - How can Government better organise itself to deliver more sustainable outcomes?** Is a sustainable development approach being taken consistently across Government? Are departments working together to properly assess the risks and impacts across policy areas to achieve better policy outcomes? This process would usefully identify any conflicts, and means of bringing the right people together to resolve these conflicts (e.g. around the messages of eating less meat). If their capability is lacking then what further structural changes or changes to the machinery of Government needed?

13. Finally, the Committee could look at progress on key themes which Government have committed to such as the effectiveness of the commitments on Big Society, Localism, Greenest Government Ever, Fairness, building a new economy, unlocking of social mobility, new approaches to government . This would enable a macro picture about how Government is doing in these areas.

Annex C: Transfer of SDC Scrutiny Functions to the Environmental Audit Committee

Purpose

1. This paper advises on the key issues for transferring the SDC's essential scrutiny functions to the EAC, given the Government's decision to withdraw funding from the SDC from next financial year.

Background

2. The SDC has drawn on its extensive experience of embedding sustainable development (SD) in Government to advise the new Administration of the 4 key tests which need to be satisfied for any new SD arrangements to work well (see attached):
 - 1) Improve policy innovation and performance
 - 2) Effective Stakeholder engagement
 - 3) Effective and transparent assessment against improved measures of progress
 - 4) Drive further improvements in departments' operational performance
3. Test Number 3 indicates that:
 - Essential here are clear long-term goals and specified actions for achieving them. In order for the Government to fulfil its green and sustainable development objectives particularly against the background of severe budgetary constraint, it requires a balanced set of measures of progress, and a solid understanding of the relationship between individual measures. This set should include quality of life, green economy and environment, and should be devised in a way that allows Government to measure and report on its progress against agreed indicators transparently (i.e. a balanced scorecard against which the public can hold Government to account).
 - To inspire confidence and ensure transparency, the methods and arrangements of assessing progress towards these goals must, as far as possible, be agreed ahead of time, including assessment of agreed milestones for implementation. The *minimum* scrutiny package would include: independent assessment of government's own operational activities and operational delivery plan, ongoing assessment of draft and final policy plans, scrutiny of government's arrangements for policy development and for assessing impacts, commentaries on the adequacy of governance arrangements, and commentary on how well SD is being driven through the skill development of civil servants.
 - Again to inspire confidence, those conducting assessments and the assessments themselves must be credible; i.e. individuals who understand sustainable development and SD scrutiny, producing robust advice and reports based on clear evidence. A simple audit against an SD checklist will not be enough. Credibility of advice and assessments is only possible where the authors are independent from those responsible for developing and implementing policy.
 - All scrutiny should abide by agreed principles including, as far as possible, a 'no surprises' policy i.e. by ensuring that the right combination of scrutiny measures are in place to forewarn, encourage best practice and provide a good overview of performance and recommended next steps - making use, for example, of opportunities to challenge during policy formulation. This entails awareness of government intentions and being able to provide ongoing commentary as well as periodic overviews and scrutiny reports where useful in a timely fashion.

4. For SD scrutiny to work effectively and make a real difference to government performance, the scrutinising body must engage closely with government departments to provide ongoing challenge during the *formation* of policy and operational plans. This also serves to inform the scrutineer of departments' circumstances and plans so that the level of ambition across government can be raised incrementally in a targeted fashion. Effective scrutiny also entails providing government with an *overview* of progress on how well SD people-skills and mechanisms are being embedded in departments, as well as an across-the-board assessment of actual performance and the next steps needed to not only stay on track but to excel.
5. It is the SDC's view that keeping its main scrutiny functions together is essential because of the synergies between different aspects of assessment work and also because of the necessary and significant liaison with government departments. Fragmenting the function is likely to result in duplication, inefficiencies and lack of clarity. It must be noted that a key aim of any scrutiny function should be to provide government with an overview of progress and actual performance, and this requires a very carefully crafted constellation of measures.

Transition

6. Before turning to the minimum functions that must transfer for effective scrutiny to be viable, we should note that the SDC's enormously successful assessment work has evolved over the years to account for a better understanding of SD in departments, improved or changing performance, and most importantly to ramp up the level of ambition across government. When the Watchdog Team was set up 4 years ago, the initial focus was on getting departments to improve their basic operational performance and to start developing strategic policy plans. The SDC applied additional influence through its extensive inside-track work and by contributing to critical consultations. Our commentary on the Government's Sustainable Procurement Action Plan is a good example of how challenge provided through consultation responses coupled with close engagement and formal scrutiny can work together to deliver massive results. More recently we have commented on the leadership and innovation needed to capitalise on the synergies between different government activities, and the adequacy of government arrangements for assessing sustainable development policy impacts.
7. In liaison with the SDC, Government has also been looking to create better integrated and more transparent departmental reporting. So independent scrutiny and changes to departmental reporting is all very much 'work in progress', and the work of any new SD scrutiny function will no doubt need to keep evolving in line with wider changes. Another factor in managing any transition to the EAC is the Committee's overall work schedule and how any new or expanded scrutiny function would affect and fit in to its whole programme.

Which Scrutiny Functions?

8. As stated in Test 3 above, the minimum activities the SDC needs to transfer into the EAC to form a credible new scrutiny function are:
 - Commentary on Departments' Structural Reform and Business Plans and progress against them
 - Ongoing assessment of draft and final policy plans (whether they are part of new, integrated reporting or under the current system of separate Sustainable Development Action Plans)
 - Assessment of government's own operational activities and operational delivery plan - whether they are part of new, integrated reporting or under the current system of

separate operational reporting (this would focus mainly on SDiG/SOGE type work, but would also include assessment of Sustainable Procurement, and ongoing challenges on new initiatives and commentary on major consultations. We would also expect to comment on how well government operations connect with those in the wider public sector and whether Government is making the most of opportunities to work with local government and local communities and organisations)

- Scrutiny of government's arrangements for policy development and for assessing impacts (with spot checks and possibly in-depth analysis of selected Impact Assessments using expert advice where needed)
 - Occasional commentary on the effectiveness of governance arrangements, and also on how well SD is being driven through the skill development of civil servants.
9. In addition to these activities, and depending on resources and the availability of additional expert advice where needed, we would expect the scrutiny function to continue to undertake periodic in-depth reviews of selected operational and policy areas to challenge departments and help keep them focused on Government's strategic priorities.

Resources

10. While much more detail can be provided on the SDC's work in these areas, based on the activity of the current team and the additional support required from across the SDC and minimal external consultancy, *and also based on the transfer of SOGE data collation back to Government either in CESP or NAO (approx 1 EO)*:

Grade 6* - 1 (first year only)

Grade 7 - 1

SEO - 1

HEO - 2

EO - 1

Consultancy services - approx £20k

Total budget estimated = £230,000 (excl Gr. 6 costs)

Grade 6* - for the first year someone of at least Gr. 6 equivalent with relevant experience in SD, Scrutiny, and creating new functions in Government will be needed to develop the work programme, liaise with EAC colleagues and Government departments at a senior level, and manage the overall transition.

11. As we have already indicated to Government, wherever it decides to place the scrutiny function, there is ample evidence - already presented through the SDC's advice and numerous reports - that there continues to be very significant room for improvement on the sustainability of both operations and policy, and also the skills and governance needed to make the drastic improvements now essential to meet national and international commitments in an ambitious and genuinely sustainable fashion. Building up the knowledge and skills to advise on sustainable development and to develop and conduct evidence-based assessments on a wide range of government activities takes years of experience, and we urge government to make the best possible use of this invaluable resource.