



National Audit Office

**BRIEFING FOR THE  
HOUSE OF COMMONS  
ENVIRONMENTAL AUDIT  
COMMITTEE**

**JULY 2010**

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# Sustainable Development

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National Audit Office

# Sustainable Development

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AUDIT COMMITTEE

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Sustainable development is a devolved issue and this briefing covers government policy in England with a brief overview of the work of the devolved administrations in Scotland, Wales and Northern Ireland.

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# Summary

**1** This briefing has been prepared by the National Audit Office to provide the new members of the Environmental Audit Committee an overview of sustainable development as a whole. Sustainable development is a devolved issue and this briefing covers government policy in England with a brief overview of the work of the devolved administrations in Scotland, Wales and Northern Ireland. We have prepared this briefing alongside a separate document for the Committee covering related environmental protection issues in more detail.

## **England's progress to sustainable development**

**2** Sustainable development aims to integrate economic, environmental and social needs, to support the quality of life of current and future generations. The UK faces a number of challenges, such as climate change, energy security and the economic crisis. Sustainable development provides a framework which seeks to integrate solutions to such issues. The UK's current Sustainable Development Strategy, published in 2005, is supported by 20 high level framework indicators intended to give an overview of progress. The latest measurement of these indicators, in 2009, found four had improved, one had worsened, four showed a mixed performance, eight showed little or no progress and for three, there were insufficient data (**Figure 1**).

**Figure 1**

The UK's 20 sustainable development framework indicators in 2009

Indicator	Performance relative to baseline		
	Improved	Little or no change	Deteriorated
Greenhouse gas emissions	●		
Waste	●		
Resource use		●	
Bird Populations	Farmland		●
	Woodland		●
	Seabird		●
Fish Stocks		●	
Ecological impacts of air pollution	Acidity		●
	Nitrogen		●
River Quality	Biological	●	
	Chemical	●	
Economic Growth		●	
Active community participation		●	
Crime	Vehicle	●	
	Burglary	●	
	Violent crime	●	
Employment		●	
Workless households		●	
Childhood poverty	Before housing cost	●	
	After housing cost	●	
Pensioner poverty	Before housing cost	●	
	After housing cost	●	
Education	●		
Health inequality	Infant mortality	●	
	Life expectancy		●
Mobility	Walking/cycling	●	
	Public transport	●	
Social justice	Insufficient or no comparable data		
Environmental equality	Insufficient or no comparable data		
Wellbeing	Insufficient or no comparable data		

Source: Department for Environment, Food and Rural Affairs, Sustainable development indicators in your pocket, 2009

## Issues of potential interest to the Committee

**3** Key issues on which the Committee could focus during the next Parliament are highlighted below:

- **The case for updating the Sustainable Development Strategy.** At the 1992 UN Conference on Environment and Development, governments around the world, including the UK, committed to sustainable development. The last UK sustainable development strategy was published in 2005. The strategy represents a top-down framework within which government and society should operate. In practice, however, many environmental issues arise from specific concerns such as the risks associated with hazardous materials or the impact of greenhouse gas emissions on the climate. The Government has a variety of topic-based strategies to address these areas (e.g. on air quality, biodiversity, forestry and soil). These often include a limited number of specific targets and performance measures to monitor progress and they may be refined or developed in response to particular concerns. The Sustainable Development Strategy overlays these topic-based strategies. There has been no exercise to date to establish how well the strategy has driven more sustainable development across the wider range of related topics, particularly the social and economic aspects. The EU's planned revision of its sustainable development strategy in 2011 and the upcoming UN Conference on Sustainable Development in 2012 provide an international context for the UK to consider whether its 2005 strategy is still suitable.
- **Sustainable development and cost reduction.** The new Government announced in its June Budget plans to make spending reductions of £99 billion a year by 2015-16 and to tackle the Government's deficit in a fair and responsible way. The Government has made no commitment to the processes it will follow to identify these savings and to appraise their impact on sustainable development. Sustainability and cost savings have overlapping, and potentially complementary, goals as they both acknowledge that resources are limited and involve doing more with fewer resources.
- **The UK approach to embedding sustainable development into government policy.** Government policies can influence the economy, society or have environmental impact; and impact on progress towards sustainable development. The Committee last examined the Government's approach to addressing sustainable development impacts in its consideration of policy in 2007.
- **Sustainability of Government's own operations.** Central Government departments have improved their performance against their targets to 2010-11 for recycling, renewable energy consumption, water consumption and waste on the Government estate. However, while year-on-year improvements have been achieved for carbon emissions and energy efficiency, Departments are not on track to meet 5 out of the 13 targets set by the previous Government. The new Government has set a target to reduce central Government carbon emissions by 10 per cent by May 2011.

- **Governance and accountability arrangements for sustainable development.**

Under the Sustainable Development Strategy sustainable development was a priority shared by all Government departments. The Department for Environment, Food and Rural Affairs (Defra) was responsible for developing Government policy on sustainable development across the UK. The devolved administrations also have their own strategies and approach. Delivery of the targets on sustainable operations and sustainable procurement for England is overseen by the Cabinet Secretary with support from the Chief Sustainability Officer and the Centre of Expertise in Sustainable Procurement, both based in the Office of Government Commerce. The Sustainable Development Commission acts as watchdog and adviser to Government and reports each year on the sustainability of the Government's operations. Since 2008, when the 'Sustainable Development Ministers' Cabinet Sub-Committee was stood down, policy and progress towards sustainable development have not been overseen by a designated ministerial committee. These governance and accountability arrangements are concerned with performance against the Government's own sustainable development targets. Whilst important, the Government's own targets are only a subset of progress towards sustainable development as a whole. There has been no assessment to date of the effectiveness of the governance arrangements for sustainable development more broadly.

# Part One

## Introduction to Sustainable Development

**1.1** The National Audit Office (NAO) has prepared this briefing to provide the new members of the Environmental Audit Committee (EAC) an overview of sustainable development, performance against the UK targets and objectives as well as government policy contributing to sustainable development. Sustainable development is a devolved issue and this briefing focuses on government policy in England. This part of the briefing covers sustainable development broadly, and in particular:

- what is meant by sustainable development;
- why sustainable development is important;
- the links between sustainable development and environmental protection; and
- the links between sustainable development and climate change;

### What is sustainable development?

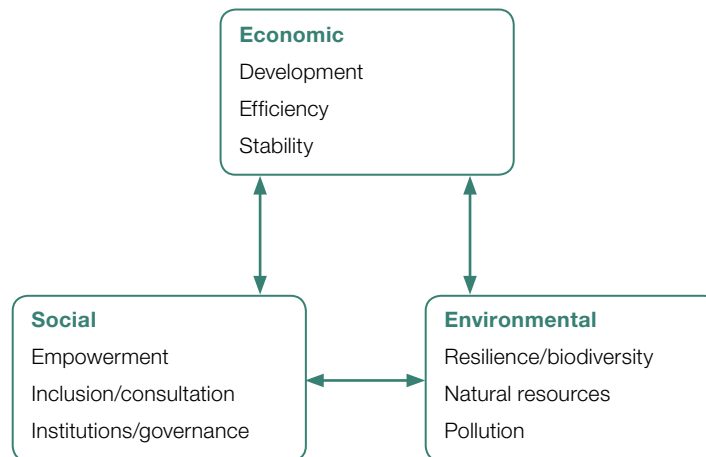
**1.2** Sustainable development aims to integrate economic, environmental and social needs, to support the quality of life of current and future generations. It can be thought of as a long-term, integrated approach to achieving improvements in the present quality of life by jointly addressing current economic, environmental, and social issues, whilst avoiding the over consumption of key natural resources thus allowing future generations to also improve their quality of life. It can also be thought of as development that ‘lasts’.

**1.3** The term sustainable development was popularised widely in 1987 when it was used by the United Nations’ World Commission on Environment and Development (WCED),<sup>a</sup> in its report called ‘Our Common Future’, also known as the Brundtland report after its chairwoman. It set out the most commonly used definition for sustainable development, which is used to this day: “Sustainable development is development which meets the needs of the present without compromising the ability of future generations to meet their own needs”. This weaved together the three components of: environmental protection, economic growth and social equity, which are commonly known as the ‘pillars’ of sustainable development (**Figure 2**). It suggested that social equity, economic growth and environmental maintenance are simultaneously possible, and interdependent, through sustainable development.

<sup>a</sup> The WCED was set up by the UN in 1983 with a mandate to re-examine the critical environment and development issues, to develop proposals to solve them and to ensure that human development continues without depleting the natural resources available for future generations.

**Figure 2**

The three pillars of sustainable development



Source: Adapted from Mohan Munasinghe, 1994

**1.4** The UK Government uses the following definition set out in its Sustainable Development Strategy: “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”.<sup>1</sup> This definition of sustainable development is firmly rooted in the Brundtland definition.

**1.5** To further aid understanding, sustainable development is often framed within the economic concept of ‘capital’. The term ‘capital’ is most commonly used to refer to money and material goods. However, in the context of sustainable development, society has various types of capital that need to be considered. These can include natural, human, social and built capital (**Figure 3** overleaf). This capital approach suggests the need to measure stocks of each form of capital and how they change over time.

**1.6** There is considerable debate about the extent to which losses in natural capital can be compensated for by increases in other capital stocks (for example, through investing profits from oil extraction in education). ‘Weak sustainability’ treats all forms of capital as more or less substitutable for one another; whereas ‘strong sustainability’ states that natural capital cannot be traded for any other forms of capital. Strong sustainability incorporates the concept of ‘environmental limits’, whereby natural capital can be used, but only at a level which will not result in long-term irreversible damage. Exceedance of environmental limits would result in potentially catastrophic changes and widespread damage to all human life, and hence cannot be considered substitutable for other forms of capital. There is now, for example, a clear understanding of the nature of such a limit with regard to greenhouse gas emissions, or the maintenance of fish stocks amongst others. The 2005 UK Sustainable Development Strategy recognised the concept of environmental limits as a key principle of sustainable development.

### Figure 3

#### Definitions of sustainable development capital

Capital	Definition
Natural	This includes stocks of renewable and non-renewable resources such as minerals, fossil fuels and soils and waste sinks that are provided by nature to absorb waste products so that they are not harmful to humans.
Human	The accumulation of health, skills, knowledge and experience in humans, including technological advances.
Social	This form of capital is made up of sound and stable legal, political and commercial institutions and cohesive communities.
Built	This includes the stocks of physical machinery, buildings and infrastructure that are vital to sustaining levels of Gross Domestic Product (GDP).

Source: Adapted from *Handbook of Sustainable Development*, Atkinson, Giles and Dietz, Simon and Neumayer, Eric, 2007

### Why is sustainable development important?

**1.7** Sustainable development as a concept arose over concerns that natural resources, such as fossil fuels or minerals, were being consumed at an unsustainable rate and that natural resources, such as the rainforests, were being degraded. In addition, natural resource use arising from economic activity was resulting in pollution which was adversely impacting the health of humans and ecosystems.<sup>b</sup> At the same time, the distribution of benefits arising from resource use has been, and continues to be, unequal. According to the World Bank and the New Economics Foundation, for example, the share of the benefits reaching those on the lowest incomes has been decreasing (with a quarter of the world living in extreme poverty) and inequality in the developed countries is higher than it was 20 years ago.<sup>2</sup> The need to conserve natural resources and the need to eradicate poverty and inequality are competing priorities that require integrated solutions. Sustainable development was seen as a way to do this both in the short and long term. Essentially, sustainable development is tied to two key concepts: a fair, equitable and strong society; and the limits to development imposed by the environment.

**1.8** Sustainable development offers a framework through which competing challenges can be addressed in a joined-up and integrated manner. For example, unhealthy diets, polluted environments and social deprivation can result in chronic ill health which in turn increases the carbon emissions of the NHS. An integrated approach to healthcare, whereby public funds are invested in measures such as active travel, promoting green spaces and healthy eating can result in positive impacts on health and carbon emissions simultaneously.<sup>3</sup>

<sup>b</sup> For example industrial pollution in the form of SO<sub>2</sub> emissions led to air pollution and acidification of rivers.

## Sustainable development and environmental protection

**1.9** Environmental protection refers to any activity to maintain or restore the quality of the environment through preventing environmental degradation and preserving diversity. The environment is one of the three pillars of sustainable development (Figure 2). Achieving sustainable development requires balancing the competing demands of the environment, the economy and society. Environmental protection can support progress towards sustainable development through: minimisation of the depletion of natural resources; conserving biodiversity; preventing pollution; and ensuring that the earth's ecosystems are protected or enhanced. Although environmental protection safeguards the natural capital and services needed for economic prosperity and wellbeing, it does not necessarily lead to a prosperous society or a healthy economy. Sustainable development aims to achieve prosperity by respecting environmental limits whilst also seeking social and economic benefits. We have covered environmental protection issues more fully in a separate briefing for the Environmental Audit Committee.

## Sustainable development and climate change

**1.10** Climate change, caused by manmade emissions of greenhouse gases such as carbon dioxide, is considered by the Government as one of the biggest manifestations of unsustainable economic development, threatening the basic elements of life for people across the world, for example, access to water, food, the use of land and the environment. The Government has taken significant steps to tackle climate change, and the UK was the first country in the world to legally mandate action on climate change through the Climate Change Act 2008, an action which was above any requirements at the EU and international levels. The UK must also comply with European Union climate change policies, including the European Union Emissions Trading Scheme.<sup>4</sup> The **Climate Change Act** set a legally binding target of at least an 80 per cent cut in greenhouse gas emissions by 2050 against a 1990 baseline. The key measures for achieving this target include:

- **The Carbon Budgeting System**, which caps emissions over five-year periods, with three budgets set at a time. The Carbon Budgets will run from 2008-12, 2013-17 and 2018-22.
- **The Carbon Reduction Commitment Energy Efficiency Scheme** is designed to improve energy efficiency in large organisations not covered by the EU Emissions Trading Scheme, through operating a 'cap and trade' mechanism. It provides a financial incentive to reduce energy use by putting a price on carbon emissions from energy use and covers large public and private sector organisations.

The Climate Change Act also established the Climate Change Committee to advise the Government on setting carbon budgets and to report on the progress made in reducing greenhouse gas emissions.

**1.11** Climate change is a particularly significant consequence from unsustainable development. However, whilst the links between climate change and sustainable development are strong, interventions that act on climate change do not simultaneously offer a solution to all aspects of sustainable development, as they do not, for example, tackle social injustice, depletion of natural resources or endangered ecosystems. So a commitment to sustainable development implies that climate change policy should be pursued as just one issue within the wider framework of pursuit of sustainable development.

# Part Two

## Progress towards sustainable development in the UK

**2.1** This part of our briefing summarises:

- international and European frameworks for sustainable development;
- the framework for sustainable development in the UK;
- progress towards sustainable development in the UK;
- indicators for measuring progress toward sustainable development and societal well-being; and
- sustainable development and economic efficiencies.

### International and EU framework for sustainable development

**2.2** Sustainable development gained international recognition at the 1992 United Nations Conference on Environment and Development in Rio de Janeiro. As part of this, governments adopted Agenda 21<sup>5</sup> – a programme for achieving sustainable development, a key element of which was the need for each country to establish its own sustainable development strategy. It also led to the formation of the UN Commission on Sustainable Development which monitors the implementation of Agenda 21. The UK was one of the first countries to develop a sustainable development strategy in 1994, 'Our Common Inheritance'. Governments at the Rio summit signed treaties: the legally binding Convention on Biological Diversity and the United Nations Framework Convention on Climate Change (UNFCCC).

**2.3** The follow-up World Summit on Sustainable Development (WSSD) was held in Johannesburg in 2002. This evaluated progress towards sustainable development and examined the obstacles to achieving results. The Johannesburg Plan of Implementation was agreed which set new global commitments on sustainable consumption and production and set up the UN Marrakech Process to take them forward. The UN General Assembly will hold a UN Conference on Sustainable Development in 2012 (known as 'Rio+20') which will focus on: reviewing the commitments made in 1992; emerging issues; the green economy and poverty alleviation; and governance of sustainable development.

**2.4** At the EU-level, the current Sustainable Development Strategy was adopted in June 2006, following a revision of the first EU strategy, and provides an EU-wide policy framework to promote sustainable development.<sup>6</sup> The strategy identifies seven key unsustainable trends on which action needs to be taken as follows: climate change and clean energy; sustainable consumption & production; conservation and management of natural resources; sustainable transport; public health; social inclusion, demography and migration; and global poverty and sustainable development challenges. The EU strategy does not contain any legally binding commitments for its member states. The strategy, however, guides the development of EU policy in the areas identified, including regulations which are legally binding in the UK.<sup>c</sup>

### Framework for sustainable development in the UK

**2.5** The UK Government's most recent Sustainable Development Strategy 'Securing the Future' was launched in 2005. It confirmed the last UK Government's ongoing commitment to address sustainability, updating its previous strategy and responding to the 2002 World Summit on Sustainable Development.

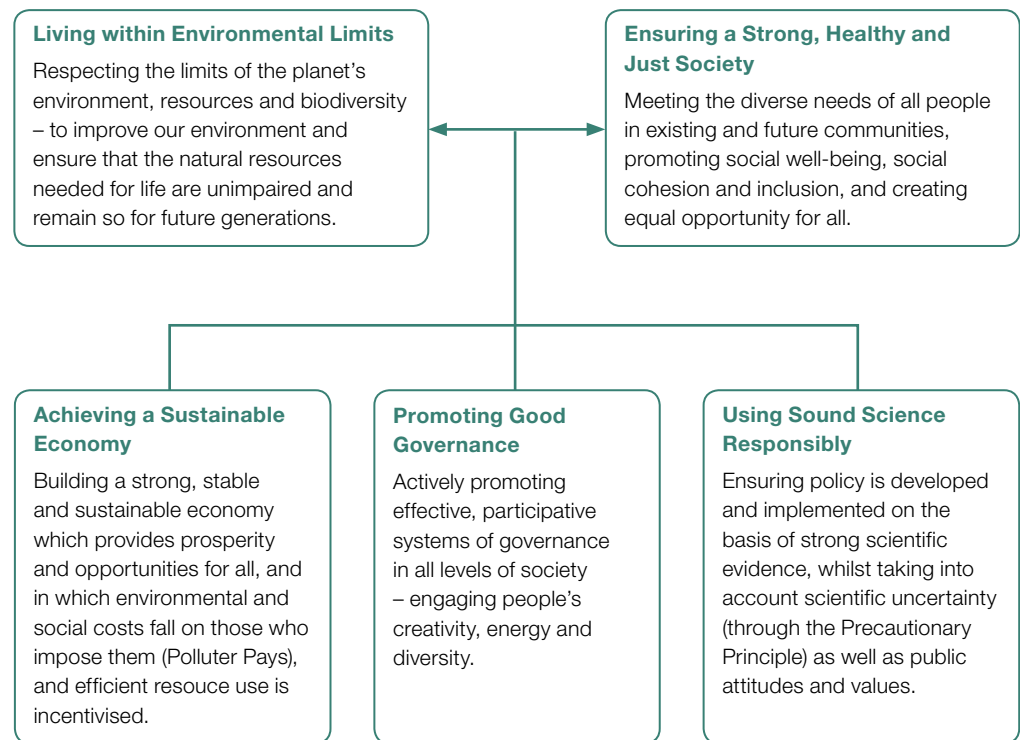
**2.6** The strategy set out guiding principles for sustainable development, which were intended to underpin all policy: living within environmental limits; ensuring a strong, healthy and just society; achieving a sustainable economy; promoting good governance; and using sound science responsibly (**Figure 4**). The strategy further identified four priorities for action in the UK: sustainable consumption and production; climate change and energy; natural resource protection; and sustainable communities.

**2.7** The **Department for Environment, Food and Rural Affairs (Defra)** is responsible for developing UK policy on sustainable development. The Sustainable Development Programme Board oversees the delivery of the UK's sustainable development strategy and its commitments and is made up of officials of key government departments. It is supported by the Sustainable Development Unit as its secretariat. The **Sustainable Development Commission**, set up in 2000, is an independent adviser to government across the UK. The Commission acts as a watchdog scrutinising the Government's progress against its sustainable development commitments and provides capability building support across government, including advice, guidance, skills, and knowledge tailored to the needs of policymakers.

**2.8** At Cabinet level, the last government nominated 'Sustainable Development Ministers', following the launch of the Sustainable Development Strategy in 2005. The Ministers convened as a Cabinet sub-committee chaired by a Minister of State in Defra. The sub-committee, however, ceased to exist in 2008, as meetings had been infrequent. Sustainable development issues were instead covered by the Environment and Energy Cabinet sub-committee. This was a sub-committee of the Economic Development Cabinet Committee. The sub-committee considered international and domestic policy on environment and energy issues.

<sup>c</sup> For more information on the EU policies and Directives aimed at the seven unsustainable trends please see EU COM (2009) 400, *Mainstreaming sustainable development into EU policies: 2009 Review of the European Union Strategy for Sustainable Development*, July 2009.

**Figure 4**  
UK Sustainable Development Strategy's Guiding Principles



Source: *Securing the Future* (2005)

**2.9** The Sustainable Development Commission has frequently commented that there is no clear leadership in relation to sustainable development. It has highlighted the need for more direct involvement of other departments, in particular the Cabinet Office and Treasury which both have responsibility for other cross-cutting programmes and whose engagement would make it clear that sustainability was not merely an environmental concept. Furthermore, the Commission considers the Government's senior civil servants' work objectives do not fully reflect sustainable development thus diminishing the drive for progress towards it. Permanent Secretaries' objectives have included meeting operational and procurement targets, under the Sustainable Operations on the Government Estate (SOG E) framework. Their performance has been assessed against their department's progress on the SOGE and sustainable procurement targets and associated trends. The Commission would like Permanent Secretaries' objectives to be more ambitious and contain targets for sustainable development that have a bearing on policy decisions as well as departmental operations. In June 2010, the new government announced that the Office of Government Commerce, whose Centre of Expertise on Sustainable Procurement has collated and reviewed departments' performance against the Sustainable Operations targets, would become a part of the Cabinet Office.

## Sustainable development in the Devolved Administrations

**2.10** The UK's Sustainable Development Strategy sets out a commonly agreed framework between the UK Government and the Devolved Administrations in Scotland, Wales and Northern Ireland. The framework includes:

- a shared definition and understanding of sustainable development;
- a vision of sustainable development and the guiding principles that must be followed to achieve it;
- sustainable development priorities for UK action; and
- indicators to monitor the key issues on a UK basis.

The strategic Framework is further supported by separate strategies in the devolved administrations.<sup>7</sup>

**2.11** By 2010, the devolved administrations in Wales and Northern Ireland had been established with a statutory duty to prepare a sustainable development strategy (two of the few governments in the world with such a legal duty). The Scottish Government has set for itself a single purpose: for Government and public services to create a more successful country through increasing economic sustainable growth within Scotland. The current government in Scotland does not have a live sustainable development strategy, but uses its single purpose as a guiding principle and states that sustainable development is firmly rooted within its purpose.

## Progress towards sustainable development in the UK

**2.12** The scope of what can be included within sustainable development (e.g. climate change, pollution, social cohesion, jobs creation etc.) means that it cannot be aggregated into one common descriptor or performance indicator. In practice, measurement of progress towards sustainable development requires a framework drawing together indicators from the three pillars (i.e. the economy, the environment and society). Frameworks are required:

- to place different indicators in context and to organise available information;
- to assess trade-offs between different dimensions of sustainable development;
- to help set priorities across different policy areas; and
- to develop summary or aggregated indicators to form a coherent picture of sustainable development trends.

**2.13** The Sustainable Development Strategy outlined a set of 68 national indicators to measure progress towards sustainable development.<sup>8</sup> All 68 indicators in the strategy fall into one or more of the four priority areas (paragraph 2.6). Many of the indicators have more than one component measure. In all there are 126 assessed measures making up the 68 indicators. The set of 68 national indicators includes 20 framework indicators that are shared by the UK Government and the devolved administrations. These give an overview of sustainable development, cover key impacts and outcomes and highlight the priority areas across the UK.

**2.14** The latest measurement of the 20 framework indicators by Defra in 2009 found that four had improved (including greenhouse gas emissions and waste), one had worsened (air quality), four showed a mixed performance (including water quality and crime), eight showed little or no progress (including biodiversity, employment and poverty) (Figure 1). Three (on social justice, environmental equality and well-being) have not been measured due to lack of data.<sup>9</sup>

**2.15** The UK's indicator set covers a large number of issues in a single set making it difficult to assess overall progress towards sustainable development. The indicators also do not assess the probability of future environmental damage as performance is based on a purely historical baseline assessment. In 2008, the Sustainable Development Commission published a portfolio of ideas aimed at setting the UK more decisively on the path to becoming a sustainable society and highlighting the need to improve relevant indicators.<sup>10</sup> In 2010, Defra and the Sustainable Development Commission started a review of the efficacy of the framework indicators. The review's aim is to develop a concise, high-quality and policy-relevant set of sustainable development indicators for the UK which can be used to assess the sustainability impact of public policy in a measurable way. This review was in response to international developments in relation to measuring progress and GDP alternatives. The most influential of these developments was the 2009 report by the Commission on the Measurement of Economic Performance and Social Progress (commonly known as the Stiglitz report).

**2.16** The Stiglitz Commission reported that GDP is an inadequate measure of whether levels of societal well-being can be sustained over time because well-being is dependant on whether stocks of capital (natural, human, social) are passed on to future generations. It recommended that assessing sustainability requires a well-defined set of indicators to supplement GDP, which can be interpreted as variations of underlying 'stocks' of capital (see paragraph 1.7) and which can reflect changes in the quantities of these stocks. In some cases environmental indicators should be used in terms of physical quantities and environmental limits to help highlight potential environmental damage. The Commission also recommended using projections of environmental trends and their interaction with socioeconomic forces as well as taking into account the international context. The Commission's recommendations are challenging to implement as they require additional data, on stocks, their inventories and quality as well

as safe limits to their depletion. The National Ecosystem Assessment, which has been sponsored by Defra, is expected to provide most of the required information related to stocks and environmental limits of environmental assets. Defra has also developed an embedded carbon emissions indicator for the UK to provide a better assessment of the impact of such emissions (see **Box 1**).

## Sustainable development and economic efficiency

**2.17** Sustainable development can deliver economic efficiency as it acknowledges that resources are limited and that they should be used efficiently to achieve best outcomes while securing value for money. Assessing and accounting for the environmental, social and economic impacts of a policy can enable short-term cost reductions and provide long-term value for money and sustainability. For example, cost savings from reduced energy use also achieve reductions in carbon emissions. In difficult economic circumstances, however, investment to secure sustainable development may no longer be seen as a high priority. In a 2009 report by Accounting for Sustainability, almost half of the private sector firms surveyed either had or were planning to scale down their environmental initiatives as a result of the recession.<sup>11</sup>

**2.18** The new Government announced in its June Budget, plans to make spending reductions of £99 billion a year by 2015-16 but has not said how it will appraise the impact on sustainable development. The Environmental Audit Committee has repeatedly stressed, in its annual inquiries into the Treasury's Pre-Budget Report, the importance of considering the impacts on the environment of all Treasury commitments.<sup>d</sup> In its report on the 2008 Treasury Pre-Budget Report, in 2009, the Committee recommended that the Government assess the net impacts of its measures to tackle the recession on the environment so as to understand whether each measure is making a positive or negative net contribution.<sup>12</sup>

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### Box 1

#### Development of an embedded carbon indicator for the UK

There have been concerns that reduction in the environmental impact of the UK economy was being offset by increases in the impacts associated with the production and transportation of imports to the UK. The sustainable development greenhouse gas emissions indicator shows that UK emissions have decreased relative to the baseline. This indicator captures emissions generated from activities occurring within the UK and does not take into account carbon emissions embedded in the products and goods imported into the UK. In 2008, Defra developed an embedded carbon emissions indicator which showed that carbon dioxide emissions associated with UK consumption of all goods and services (whether or not the emissions were generated within the UK) had increased from 1990.<sup>1</sup>

#### NOTE

<sup>1</sup> Department for Environment, Food and Rural Affairs, *Development of an Embedded Carbon Emissions Indicator*, July 2008.

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<sup>d</sup> The Environmental Audit Committee has held inquiries into each of the last government's annual Pre-Budget reports, reviewing the Treasury's approach to the environment.

# Part Three

## Progress towards sustainable development in England

**3.1** To meet its goal of sustainable development, the Government's Sustainable Development Strategy has set out a series of commitments. This part of the briefing summarises progress against the key commitments in England to:

- A new set of **sustainable development indicators** for monitoring progress.
- **Sustainable Development Action Plans** to be produced by all central government departments and their executive agencies which will be reported on regularly.
- All **policies to be properly appraised** against the new principles of sustainable development.
- Sustainable consumption and production.
- A re-emphasis of the Government's commitment to lead on sustainable development by example and to revise the targets for the operations of Government Departments and their executive agencies (**the Sustainable Operations on the Government Estate framework**).
- A **National Action Plan for Sustainable Procurement** which set targets for meeting the Government's objectives on sustainable public procurement.

**3.2** Sustainable development is a priority shared by all Government departments and the wider public sector. For England, the **Department for Environment, Food and Rural Affairs (Defra)** is responsible for developing policy on sustainable development, working with other departments. The **Centre of Expertise in Sustainable Procurement**, within the Office of Government Commerce, has lead responsibility for promoting sustainable development in the day-to-day operations of central government. The last government tasked it to oversee progress against its Sustainable Operations on the Government Estate targets and commitments on sustainable procurement. **The Sustainable Development Commission (SDC)**, which is independent from Government, provides guidance on preparing departmental Sustainable Development Action Plans and assesses them once in place. It also publishes an annual review on Sustainable Development in Government (SDiG) with a focus on Government's

sustainable operations and procurement. This includes progress against the Sustainable Operations on the Government Estate (SOGE) framework and commitments in the sustainable procurement Action Plan. The SDC helps put sustainable development at the heart of Government policy through advocacy, advice, capability building and appraisal. **Figure 5** sets out the respective roles and interactions of different government bodies promoting sustainable development in England.

### **Sustainable development strategy commitments and performance against them**

**3.3** There is no single routine report which indicates progress against the four priority areas set out in the UK Sustainable Development Strategy (paragraph 2.6). The 1999 UK Sustainable Development Strategy committed the Government to produce annual reports on its performance against the strategy. Under the 2005 Strategy, progress reports were focused primarily on operational and procurement targets in central government. The Centre of Expertise in Sustainable Procurement collected information on performance against the targets within the Sustainable Operations on the Government Estate (SOGE) framework and prepared annual reports on Government performance. The Sustainable Development Commission also prepared annual reports on Government's progress against the SOGE framework and departmental Sustainable Development Action Plans, as part of its independent scrutiny role. Defra published an annual report on the sustainable development indicators. The different reports do not offer a clear understanding of how successful the strategy has been in driving and embedding sustainable development across all sectors in the UK. The Sustainable Development Commission is planning to publish a report in 2010-11 looking at the state of sustainable development in Government, progress made to date since the UK Sustainable Development Strategy was published in 2005, and future priorities and challenges. In addition, the sustainable development framework across central Government may be subject to change as the new Government is reviewing its position.

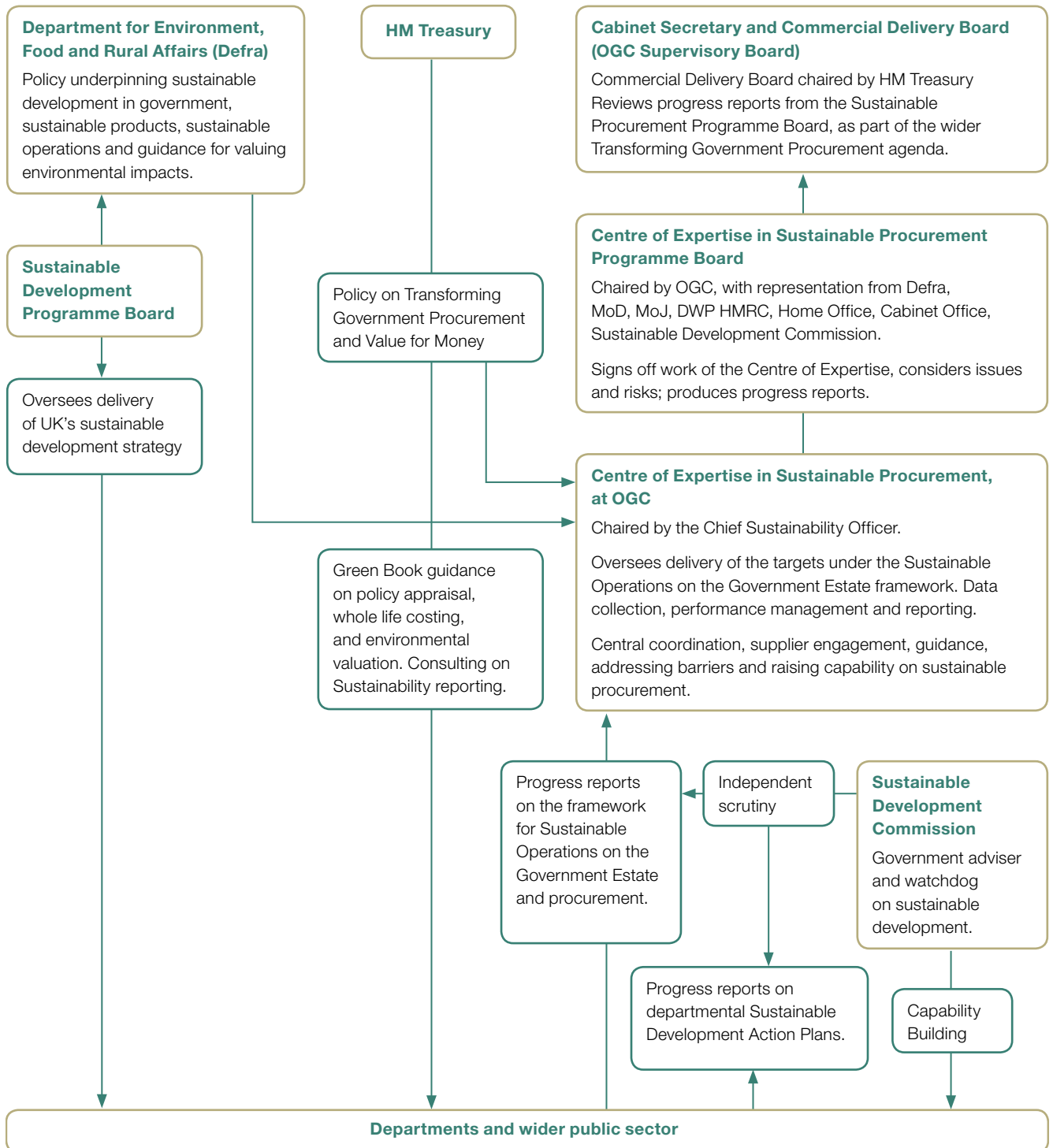
### **Sustainable Development Indicators**

**3.4** In its latest report on sustainable development indicators, in 2009, Defra reported that, for those measures where data were available, performance of 43 had improved, 39 had remained static and nine of the indicators had deteriorated.<sup>e</sup> The indicators where performance had deteriorated include: aviation emissions of greenhouse gases; shipping emissions of greenhouse gases; fossil fuels used for electricity generation; energy supply (consumption exceeding UK production); farmland bird populations; community participation; range of life expectancy between local authority areas; ozone pollution in urban areas and households living in fuel poverty.

<sup>e</sup> National Statistics, *Sustainable development indicators in your pocket*, 2009. Many of the indicators have more than one component measure. In all there are 126 assessed measures making up the 68 indicators. Not all measures have been included as no data are available for assessing some of them.

**Figure 5**

Government bodies responsible for sustainable development in England



Source: National Audit Office

**3.5** The previous Government gave Defra lead responsibility for promoting sustainable development across government as measured by Public Service Agreement (PSA) 13. In the 2007 Comprehensive Spending Review the PSA framework was revised and the number of Agreements was reduced with the majority becoming cross-governmental. At that point the PSA on sustainable development was removed and instead the Government sought to mainstream sustainable development throughout the cross-government performance management framework. This was thought to be more suitable for considering sustainable development, which cuts across Government's activities. The PSAs sat within five overarching objectives:

- Help people and businesses come through the downturn sooner and stronger, supporting long-term economic growth and prosperity (PSAs 1 – 8 & 20).
- Fairness and opportunity for all (PSAs 9-11 & 14-16).
- A better quality of life (PSAs 12-13, 17-19 & 22).
- Stronger communities (PSAs 21 & 23-26).
- A more secure, fair and environmentally sustainable world (PSAs 27-30).

**3.6** The Sustainable Development Programme Board, within Defra, monitored progress across a subset of PSA and Departmental Strategic Objective (DSO) indicators (Appendix One).<sup>f</sup> The new Government has ended the system of Public Service Agreements and is considering the best structures for ensuring departments' accountability.<sup>13</sup> This will include the publication of departmental business plans, the resources for each department and key statistics and data. This information is intended to allow departments to be held to account for spending money efficiently and effectively. It is unclear what role sustainable development considerations will have in any new system for holding departments to account.

## Sustainable Development Action Plans

**3.7** The 2005 Sustainable Development Strategy required each government department and its executive agencies to prepare Sustainable Development Action Plans (SDAPs). These Plans were to set out how these organisations would implement the commitments in the strategy and how they would contribute to sustainable development more broadly. Each department was expected to be covered by a 'live' and current SDAP at all times.

**3.8** The SDC's first review of the first SDAPs, in 2007, found that they had been instrumental in raising the profile of the sustainable development strategy across central government.<sup>14</sup> Currently, most departments have plans to address their operational impacts and most have shown significant progress when drawing up their SDAPs. However, the Sustainable Development Commission's SDAP tracker indicates that

<sup>f</sup> Progress on each PSA was reported annually in Departmental performance reports and Autumn performance reports. Each PSA had a set of supporting indicators against which progress was measured.

eight departments (out of 21) have out of date Action Plans and ten departments have yet to produce updated progress reports.<sup>9</sup> Eight executive agencies (out of the 13 that have prepared SDAPs) do not have up to date SDAPs and four do not have up to date progress reports. The SDC's guidance and assessment have contributed to a gradual increase in the number of departments and executive agencies which have SDAPs with the SDC reporting an increase in the quality and effectiveness of the SDAPs.

### Appraising policy against the principles of sustainable development

**3.9** The strategy required sustainable development to be taken into account at all key stages of selecting and designing policies. The Treasury's Green Book provides guidance on appraisals of policy, projects and programmes, and the Better Regulation Executive's Impact Assessment process requires civil servants to present to policymakers the results of their assessment of the impacts of policies. An Impact Assessment helps policymakers to compare various options for achieving an objective by assessing the likely costs and benefits and impacts of a government-proposed intervention.<sup>15</sup> Impact Assessments include several 'impact tests' that are compulsory and include: economic impacts; social impacts; environmental impacts and sustainability impact tests.

**3.10** A Government Economic Service Review in 2009 found that approaches to using sustainable development in policymaking have, however, varied across departments.<sup>h</sup> The Review found that current guidance, in the Treasury Green Book and on Impact Assessments, is not sufficient to help identify the policies that will contribute the most to sustainable development and risked sustainable development being ignored, because:

- there is no commonly accepted definition of sustainable development that is specific and/or measurable;
- existing sustainable development guidance focuses on how to make a policy option more sustainable, rather than how to choose the most sustainable option; and
- the concept of sustainable development can include consideration of almost everything; work needs to be done to prioritise the efforts of sustainability practitioners.

The Review found that there was no single body responsible for ensuring that Government policy appraisals consider everything that falls under sustainable development.<sup>16</sup>

g The Strategy required departments and their executive agencies to report regularly on their SDAPs, but did not specify timing and frequency. Following a recommendation by the Environmental Audit Committee, however, departments and their executive agencies are now required to prepare progress reports each year.

h Government Economic Service, *Review of the Economics of Sustainable Development Interim Report*, October 2009. Both the EAC and the NAO have also previously reported that Impact Assessments (then known as Regulatory Impact Assessments) were weak in considering sustainability and that their structure did not help policymakers balance environmental impacts against social and economic impacts.

**3.11** The Review also concluded that certain types of assets (e.g. environmental assets) are not adequately valued whilst other assets (e.g. social assets<sup>17</sup>) are not valued at all during policymaking. A review by Defra in 2010 found that the coverage in Green Book and Impact Assessment guidance of techniques for appraising environmental impacts was quite generic and that the guidance on valuing ecosystem services was not clearly linked, with a risk that it was not being used to value costs and benefits of environmental change.<sup>17</sup> Defra has recently reviewed and updated the sustainable development impact test in the Impact Assessment guidance and highlighted the importance of valuing ecosystem services. The renewed guidance was issued in March 2010. The SDC considers the revisions do not go far enough to properly embed a sustainable development approach into government decision-making. Defra is working to define social impacts for inclusion in the sustainable development impact test.

### **Sustainable consumption and production**

**3.12** Following new commitments on sustainable consumption and production at the World Summit on Sustainable Development (WSSD) in 2002, the 2005 UK Strategy included the commitment to take measures that encouraged shifts in consumption and production towards sustainable goods and services.<sup>18</sup> The Strategy included measures to promote this through: better products and services, which reduced the environmental impacts from the use of energy, resources or hazardous substances; cleaner, more efficient production processes, which strengthened competitiveness; and shifts in consumption towards goods and services with lower impacts. The UK's strategy recognised that people's consumption and production had significant environmental impacts, particularly in areas such as household energy use and food, with current patterns of consumption and production requiring three planets' worth of resources if they were to be replicated worldwide.<sup>19</sup>

**3.13** Sustainable consumption can be promoted through ethical consumer choice.<sup>20</sup> Choosing sustainable products and services, however, requires the consumer to be able to discriminate between them. An important tool used by policymakers to inform the wider public and influence consumer behaviour has been labelling (**Figure 6**).<sup>21</sup> Consumers, however, have a limited time to read and absorb labels. The EAC found that labels are more likely to influence a purchasing decision if the consumer has prior awareness and understanding of the label. Labels are also more successful in influencing consumer behaviour when the link between sustainable products and longer-term financial implications is clear. In cases such as energy and fuel consumption, the environmentally 'good' choice can also save the consumer money. Where this link is clear, it can positively influence consumer choice.<sup>22</sup> However, some labels can be 'greenwash' – the use of insubstantial or meaningless environmental claims to promote a product. The EAC recommended the policing of environmental labels by Government and removal of those that are inaccurate or misleading.<sup>23</sup>

i Defra's Social Research Group has been doing work on assessing the social impacts of policy.

**3.14** Businesses can also help improve consumers' choices through making their processes and products more sustainable.<sup>24</sup> There is a range of initiatives encouraging businesses to address their impacts, such as Corporate Social Responsibility and associated reporting, the Carbon Disclosure Project and Accounting for Sustainability (Figure 7).

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### Figure 6

#### The EU energy label

The EU energy label for energy efficiency for household appliances was introduced in 1992. Appliances energy efficiency is rated in terms of classes from A to G on the label, A being the most energy efficient, G the least efficient. Due to the label's impact most appliances in the market now correspond to the levels A or B particularly on white goods, such as refrigerators, freezers and washing machines.

The success of the label is an example of a combination of products, policy and 'choice editing' by retailers. When the label was first introduced the market share of A-rated goods was small. The EU enacted a regulation in 1999 which removed goods rated below C. Retailers then agreed to remove C-rated products. This approach has benefited consumers as A-rated products are now offered by all retailers at normal prices and improved performance.

*Source: Department for Environment, Food and Rural Affairs, Factors influencing the penetration of energy efficient electrical appliances into national markets in Europe, June 2009 and Sustainable Consumption Roundtable, I will if you will Towards sustainable consumption, May 2006, page 20*

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### Figure 7

#### Initiatives to promote sustainable development in business

**Corporate Social Responsibility (CSR)** encourages businesses to consider the impact of their activities on society and the environment and be accountable for them. CSR is an umbrella term relating to the management of business' relationship with society.<sup>1</sup> There is no universally agreed definition, and this allows companies to define it within the context of their own business activities.

The **Carbon Disclosure Project (CDP)** drives disclosure and reporting of climate change information in business to accelerate the move towards a low carbon economy. The OGC has coordinated efforts across 14 government departments to contact over 250 government suppliers and identify their carbon emissions with a view to encouraging the businesses to reduce them.

The **Prince's Trust Accounting for Sustainability** aims to help business integrate environmental and social factors into management reporting, so that sustainability forms part of their decision-making. The initiative has developed a 'Connected Reporting Framework', for businesses to address their impacts and the associated financial costs, which it is encouraging businesses to adopt. Firms that have adopted it include BT, Aviva, EDF Energy and HSBC.

#### NOTE

<sup>1</sup> Blowfield, M. & Murray, A, (2008) *Corporate Responsibility: a critical introduction*.

*Source: National Audit Office*

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**3.15** Corporate Social Responsibility is voluntary and there is no statutory duty for companies to produce a CSR report, or to have a CSR policy. CSR reporting is, nevertheless, increasingly adopted with 80 per cent of the major world companies reporting on their environmental and social impacts.<sup>25</sup> However, under the Companies Act 2006, the directors of companies listed on the London stock exchange have a duty to prepare a Directors' report for each financial year which must also contain a business review.<sup>j</sup> The business review must contain information about: the impact of the company's business on the environment; the company's employees; and social and community issues, and any policies the company has in place to manage these impacts and their effectiveness.<sup>26</sup> Furthermore, under the Climate Change Act 2008, the Government must consider by April 2012 whether to make Directors' reports contain information on their companies' greenhouse gas emissions, or state clearly why they decided against enacting this provision.<sup>27</sup> Some other European countries have gone further. France, for example, has made it mandatory for the annual reports of all publicly listed companies to have a triple bottom line (i.e. report on their actions in relation to people, the planet and profit).<sup>28</sup>

**3.16** Efforts to promote voluntary take up of CSR and regulatory measures have focused less on small and medium enterprises (SMEs). SMEs constitute 99 per cent of UK's businesses and therefore have a significant role in the delivery of sustainable development. SMEs, however, face a different set of challenges in implementing sustainable development, including constrained financial and human resources. A 2007 report by the Federation of Small Businesses<sup>29</sup> found that SMEs need clear examples and guidance, which will minimise the burden on their time and resources.

**3.17** The Sustainable Consumption Roundtable found that whilst businesses (and consumers) are willing to move towards sustainable development, they will only do so to the extent that their competitors also do so; so as not to affect their short-term commercial advantage.<sup>30</sup> The Roundtable suggested that the Government should set clearer and longer-term goals for businesses and not rely solely on a voluntary measure such as CSR to encourage businesses to be more sustainable. Examples include standards, to phase out the worst performing products (such as the EU energy label for non-energy efficient goods, Figure 6) also known as choice editing, or legislation, such as the Carbon Reduction Commitment Energy Efficiency Scheme (a 'cap and trade' mechanism to improve energy efficiency in large organisations).

**3.18** Green taxes can also be a tool to promote more sustainable production and consumption. Green taxes are used because many of the processes of production and consumption result in negative environmental impacts, known as externalities, which are often not incorporated into the prices of the goods, services and activities which give rise to them. Green taxes implement the polluter pays principle and encourage more environmental behaviour.<sup>31</sup> Examples of green taxes include the Climate Change

j In addition to the reporting requirement for quoted companies, under the CA2006, the directors of all companies must act to promote the success of the company for the benefit of its members as a whole, and have regard to the impact of the company's operations on the community and the environment. United Kingdom (2006) *Companies Act 2006* s.15(1).

Levy, a tax on the use of energy in the business sector encouraging them to become more energy efficient, and the Landfill tax, which is a tax on waste disposal encouraging waste producers to produce less waste and to use more environmentally friendly methods of waste disposal. The EAC has found that since 1999 the proportion of tax raised by environmental taxes has followed a decreasing trend. The new Government has pledged to reform the tax system to make it fairer and greener and to increase the proportion of tax revenue accounted for by environmental taxes.<sup>32</sup> It has proposed that aviation taxation should be switched from a per-passenger to a per-plane duty; a key recommendation of the EAC.<sup>33</sup>

### **Sustainable Operations on the Government Estate framework**

**3.19** The UK's strategy committed the Government to lead by example on sustainable development. The mechanism to help achieve this under the previous administration was the Sustainable Operations on the Government Estate Framework (SOGE) Framework. The SOGE Framework covers a five-year period ending in 2010-11. The Framework is made up of three parts: targets; 'Mandated Mechanisms' which underpin the targets; and a Sustainable Procurement Action Plan (SPAP).

**3.20** The current SOGE targets apply to central government departments and their executive agencies. They are divided into the themes of: climate change and energy; energy efficiency and renewables; sustainable consumption and production; and natural resource protection (**Figure 8** overleaf).

**3.21** The mandated mechanisms were intended to be used by departments to improve the sustainability of their operations and their performance against the SOGE targets. They include: adoption of the Carbon Trust's Carbon Management Programme; application and achievement of excellence under the Building Research Establishment Environmental Assessment Method (BREEAM) for the design of all new builds/major refurbishments; use of the Office of Government Commerce's (OGC's) Property Benchmarking Scheme – aimed at improving the efficiency and effectiveness of corporate estate management; work towards an accredited certified environmental management system (EMS) i.e. ISO 14001 or EMAS29; encouragement of staff to take an active role in volunteering in the community; and conducting sustainability appraisals of office relocations.

**Figure 8**  
The 14 Sustainable Operations on the Government Estate (SOGE) targets

Theme	Target	Performance relative to baseline for 2008-09
Climate change and energy	<ul style="list-style-type: none"> <li>● Reduce carbon emissions by 12.5 per cent by 2010-11, relative to 1999-2000 levels</li> <li>● Reduce carbon emissions by 30 per cent by 2020, relative to 1999-2000 levels</li> <li>● Reduce carbon emissions from road vehicles used for Government administrative operations by 15 per cent by 2010-11, relative to 2005-06 levels</li> <li>● Central Government's office estate to be carbon neutral by 2012</li> </ul>	<p><b>Not on target.</b> Reduced carbon emissions by 10 per cent</p> <p><b>Met the target.</b> Carbon emissions have been reduced by 17 per cent</p> <p><b>Not applicable</b></p>
Energy efficiency and renewables	<ul style="list-style-type: none"> <li>● Departments to increase their energy efficiency per m<sup>2</sup> by 15 per cent by 2010 and by 30 per cent by 2020, relative to 1999-2000 levels</li> <li>● Departments to source at least 10 per cent of electricity from renewables (31 March 2008)</li> <li>● Departments to source at least 15 per cent of electricity from Combined Heat and Power (2010)</li> </ul>	<p><b>Not on target.</b> Increased energy efficiency by 7.9 per cent.</p> <p><b>Met the target.</b> 16.9 per cent of electricity is sourced from renewables</p> <p><b>Not on target.</b> 8.7 per cent of electricity is sourced from CHP</p>
Sustainable consumption and production	<ul style="list-style-type: none"> <li>● Departments to reduce their waste arisings by 5 per cent by 2010, relative to 2004-05 levels</li> <li>● Departments to reduce their waste arisings by 25 per cent by 2020, relative to 2004-05 levels</li> <li>● Departments to increase their recycling figures to 40 per cent of their waste arisings by 2010</li> <li>● Departments to increase their recycling figures to 75 per cent of their waste arisings by 2020</li> </ul>	<p><b>Met target.</b> Waste arisings have reduced by 14 per cent<sup>1</sup></p> <p><b>On target</b></p> <p><b>Met target.</b> Recycling has been increased by 48 per cent</p> <p><b>On target</b></p>
Natural resource protection	<ul style="list-style-type: none"> <li>● Departments to meet or exceed the aim of having 95 per cent of Sites of Special Scientific Interest (SSSIs) in sole ownership or control in target condition by 2010</li> <li>● Reduce water consumption by 25 per cent on the office and non-office estate by 2020, relative to 2004-05 levels</li> <li>● Reduce water consumption to an average of 3m<sup>3</sup> per person/year for all new office builds or major office refurbishments</li> </ul>	<p><b>On target.</b> 94 per cent of SSSIs in target condition</p> <p><b>On target.</b> A reduction of 19.9 per cent in water consumption</p> <p><b>Not on target.</b> Average water consumption was at 4.9m<sup>3</sup> per person/year</p>

**NOTE**

<sup>1</sup> In the case of the waste arisings and renewable energy targets performance in 2008-09 had worsened since 2007-08.

Source: Adapted by the NAO from Defra and Sustainable Development Commission Sustainable Operations on the Government Estate Assessment 2009.

**3.22** In its latest progress report, for 2009, the Sustainable Development Commission (SDC) commented that:

- Government had made progress against the Sustainable Operations on the Government Estate (SOGE) framework and had met its targets in many areas including waste arisings, recycling, the use of renewable energy supplies, and reduction of water consumption;<sup>34</sup>
- progress had not been good enough in areas such as carbon emissions from offices, energy efficiency per m<sup>2</sup> and the sourcing of electricity from combined heat and power and was not on track to meet targets in three areas;
- the Government had not been using its mandated mechanisms to the extent that it could and that it was not getting enough from its significant purchasing power; and
- there were areas, such as waste, where data were poor and so the available trend data were misleading.

**3.23** The previous Government revised the Sustainable Operations on the Government Estate framework in March 2010 and renamed it the Sustainable Development in Government (SDiG) framework (Appendix Two), aiming that it would replace the SOGE framework in 2010-11 and streamline the number of targets and mandated mechanisms. The SDiG framework was extended to include all UK-based estates and operations of all English central Government Departments and their executive agencies, as well as all executive Non Departmental Public Bodies above a certain threshold, Regional Development Agencies and non-ministerial departments. The SDiG framework includes more challenging targets for waste reduction and recovery and more efficient use of water. The new Government has set a target to reduce central Government carbon emissions by 10 per cent by May 2011 but has not yet indicated whether it is committed to the SDiG Framework.

**3.24** The SOGE framework does not apply to the devolved administrations. Scotland does not have an equivalent to the SOGE framework in England. Scottish Ministers do, though, have a statutory duty to report each year to the Scottish Parliament on progress made in improving the efficiency and sustainability of buildings that are part of the civil estate in Scotland.<sup>35</sup> The Welsh Assembly Government takes part in a scheme entitled 'Green Dragon', which creates targets for sustainable development on the Welsh Government Estate. The Sustainable Development Commission has commended the Welsh Assembly Government for its commitment to sustainable development particularly in the areas of renewable electricity; reduction of waste arisings; and recycling levels on the government estate, as being 'excellent warranting recognition'.<sup>36</sup>

## Improving the information published on sustainable development in the public sector

**3.25** To provide greater transparency over the use of all resources by public bodies, the Treasury has developed proposals to introduce a mandatory sustainability reporting requirement for all public sector bodies reporting in accordance with the Government Financial Reporting Manual (FRoM). This will require bodies to report their performance on sustainability during the year against their targets for: greenhouse gas emissions; waste minimisation and management; and use of finite resources.

**3.26** The Treasury is planning a staged approach to the mandatory introduction of sustainability reports. It proposes that central Government bodies report from 2011-12, following a dry-run for 2010-11, and the rest of the public sector will report from 2012-13, following a dry-run for 2011-12. The Treasury plans to develop proposals for external assurance of sustainability reporting during 2010-11. The dry run for sustainability reporting by central Government in 2010-11 was approved by the Financial Reporting Advisory Board in May 2010, and is now awaiting Ministerial approval.

## Sustainable Procurement

**3.27** In 2008-09, the public sector procured goods and services worth £220 billion, approximately one third of all public sector expenditure. The Sustainable Development Strategy committed the Government to a goal to be recognised as one of the leaders in sustainable procurement across the EU by 2009.<sup>37</sup> The Government established a Sustainable Procurement Task Force to advise on achieving the goal.<sup>38</sup> The Task Force identified six areas which would drive progress towards sustainable procurement: stronger leadership; clearer priorities; better standards; improved capacity; better market engagement; enhanced scrutiny and the removal of barriers. The Government responded with a Sustainable Procurement Action Plan (SPAP) in 2007.<sup>39</sup> The Plan added five commitments on sustainable procurement to the SOGE Framework:

- **Leadership and accountability.** Permanent Secretaries are accountable for their department's overall progress and for ensuring key staff have appropriate incentives.
- **Budgeting and accounting practice.** Where responsibility for capital and revenue budgets is divided between different organisations, sponsoring departments will review budgeting arrangements and performance frameworks to resolve any barriers to choosing sustainable solutions.
- **Building capacity.** Departments are to set out the actions they will take on sustainable procurement in their Sustainable Development Action Plans (SDAPs), and to consider using the Sustainable Procurement Task Force's Flexible Framework to focus those actions (see **Box 2** and Appendix Three).

## Box 2

### Flexible Framework

The Sustainable Procurement Task Force developed the 'Flexible Framework' to measure progress against the Government's 2009 goal. The Framework identifies five themes for addressing and measuring progress on embedding sustainable procurement and rates each theme on a level of 1 to 5, reflecting how well it is embedded. For the UK to be a leader in sustainable procurement by 2009, all public sector organisations would need to be practising sustainable procurement across their business (Level 3) and to be leading (Level 5) in one of the five themes covered by the framework.

- **Market engagement and capturing innovation.** The Office of Government Commerce (OGC) and departments will strengthen their engagement with suppliers to ensure that they have plans to lower their carbon footprint and that of their supply chains.
- **Raising standards.** Departments are required to adopt a set of minimum environmental standards or Government Buying Standards (formerly known as 'Quick Wins') for the procurement of a variety of goods, which were launched by Government in 2003.<sup>k</sup> They were also expected within 12 months of the SPAP to have removed from existing agreements the ability to buy any products that fell below the Government Buying Standards.

**3.28** In 2009, the NAO found that leadership and governance of sustainable procurement had improved across departments.<sup>40</sup> However, collaboration in government procurement to drive more sustainable outcomes had not been taken up fully by departments, particularly in the areas of ICT and travel. Furthermore, whilst departments had begun engaging suppliers to embed sustainability in their supply chain, more work needed to be done. The OGC has been developing a voluntary sustainable supplier assessment programme and methodology to engage with suppliers and drive improved performance on sustainability across the supply chain, but further work will require Ministerial confirmation of priorities.<sup>41</sup>

**3.29** The Centre of Expertise in Sustainable Procurement was set up to focus on the Government's sustainability targets, which are primarily environmental in nature. The Westminster Sustainable Business Forum noted in 2008 that the Centre's narrow focus on environmental sustainability would limit the benefits of sustainable procurement and send out the message to procurers and the supply chain that social sustainability was not important.<sup>42</sup> In 2009, the last Government set out new commitments to use public procurement to deliver other specific policy agendas that map onto the three pillars of sustainability, known as Policy through Procurement. The priority policies to be delivered through procurement were: lowering the barriers to participation of Small Medium Enterprises; skills, apprenticeships and youth unemployment; and resource efficiency focusing on carbon reduction.

<sup>k</sup> The Government Buying Standards (formerly known as 'Quick Wins') are a set of mandatory minimum environmental standards for the procurement of a variety of goods, including IT equipment, white goods, paper and construction materials. They apply to central government departments and their executive agencies. The standards relate to characteristics such as energy consumption, recycled content, and biodegradability.

## Sustainable development at local authority level and across the wider public sector

**3.30** Wider public services such as local authorities, schools, and the NHS play an important role in sustainable development. They have significant social and economic effects on communities through providing jobs, housing and other services. In addition, they have significant environmental impacts. For example, the NHS in England accounts for 18 million tonnes of carbon dioxide a year – 25 per cent of UK public sector total; and the education sector produces almost 700,000 tonnes of waste per year. There are various initiatives across wider government to promote sustainable development: for example, both local government and the NHS have sustainable procurement policies.<sup>43</sup> Environmental sustainability is further promoted through the Code for Sustainable Homes,<sup>44</sup> the suite of Planning Policy Statements, and specifically Planning Policy Statement 1<sup>45</sup> and the Sustainable Communities Act.<sup>46</sup> The Department of Health has also set energy and carbon targets for the NHS<sup>l</sup> and the Department for Education has a target that all schools should be sustainable by 2020.<sup>m</sup>

**3.31** Local authorities have a statutory duty to produce a Sustainable Community Strategy (SCS) under the Sustainable Communities Act, which demonstrates how public, private and voluntary organisations will work together to improve the economic, social and environmental well-being of the area to deliver sustainable communities.<sup>47</sup> These Sustainable Community Strategies are translated into corresponding action plans known as Local Area Agreements (LAAs). These Agreements set out targets for sustainable development at the local level and act as a shorter-term delivery mechanism for the Sustainable Community Strategies.<sup>48</sup> The Agreements include up to 35 indicators which represent central government priorities and are drawn from the national indicator set and include indicators on: climate change mitigation and adaptation; local environment; waste; and transport.

**3.32** Progress towards sustainable development at a local authority level was assessed by the Audit Commission through its comprehensive area assessment (CAA). All CAA judgements considered four underpinning themes: sustainability; tackling inequality; people whose circumstances make them vulnerable; and value for money. The 2009 CAA found that many local areas are starting to address issues that contribute to a sustainable community, such as reducing carbon emissions, using renewable energy and reducing crime rates, but fewer were successfully making links across the whole range of relevant issues.<sup>49</sup> The new Government has abolished the CAA and is committed to cutting local government inspection but has pledged to provide incentives for local authorities to deliver sustainable development. It is unclear how progress towards sustainable development at the local level will be assessed.

<sup>l</sup> Mandatory energy/carbon efficiency targets were set on the NHS to achieve 15 per cent energy/0.15 million tonnes carbon efficiency savings between March 2000 and March 2010.

<sup>m</sup> The Government has established a National Framework for Sustainable Schools to help schools to become sustainable schools by 2020.

**3.33** In a review of Government operations in 2008, the EAC noted that there were no systematic and comprehensive assessments of progress in the wider public sector.<sup>50</sup> It recommended that comprehensive annual assessments of progress in sectors such as NHS bodies and schools should be developed to drive up performance throughout the public sector. The SDC has suggested that this can be achieved through giving clear powers and duties for sustainable development to public service regulators.<sup>51</sup> The regulators – the Audit Commission, the Care Quality Commission (CQC) and the Office for Standards in Education, Children’s Services and Skills (Ofsted) – can influence the way the councils, the education sector and hospitals are run and can play a pivotal role in ensuring progress towards sustainable development. The SDC found that the Audit Commission had already made significant progress in embedding sustainable development across its work; that Ofsted was working to help its teams incorporate sustainable development into its inspection frameworks but that CQC had not taken any significant action to include sustainable development within its performance assessment framework.

# Appendix One

## Sustainable development related PSA indicators and lead departments

The Department for Environment, Food and Rural Affairs had selected the following indicators from, the now abolished, set of Public Service Agreements and Departmental Strategic Objectives as being most relevant to sustainable development.

### Sustainable growth and prosperity

- Labour productivity (output per hour worked) over the economic cycle (PSA 1, Indicator 1) **Department for Business, Innovation and Skills (BIS)**
- Proportion of people of working age possessing functional literacy and numeracy skills (PSA 2, Indicator 1) **BIS**
- Business R & D expenditure – average UK R&D intensity in six most R&D-intensive industries, relative to the US, Japan, France & Germany (PSA4, Indicator 6) **BIS**
- Sustainable consumption and production (**Department for the Environment, Food and Rural Affairs (Defra)** DSO3)
- To improve the environmental performance of transport and tackle climate change (**Department for Transport (DfT)** DSO2)

### Fairness and opportunity for all

- An increase in overall employment rate taking account of the economic cycle (PSA 8, Indicator 1) **Department for Work and Pensions (DWP)**
- The number of children in relative low income households and in material deprivation (PSA 9, Indicator 3) **HM Treasury (HMT)**
- Proportion achieving 5 A\*-C GCSEs, including GCSEs in both English and Maths, at Key Stage 4 (PSA 10, Indicator 4) **Department for Children, Schools and Families (DCSF)**
- Achievement gap between pupils eligible for free school meals (FSM) and their peers in achieving the expected level at Key Stages 2 and 4 (PSA 11, Indicator 2) **DCSF**
- Levels of childhood obesity (PSA 12, Indicator 3) **DCSF**
- The percentage of pensioners in low income (PSA 17, Indicator 2) **DWP**

### Stronger communities

- The percentage of people who feel that they belong to their neighbourhood (PSA 21, Indicator 3) **Department for Communities and Local Government (CLG)**
- Trends in affordability: this will be measured using the ratio of lower quartile house prices to lower quartile earnings (PSA 20, Indicator 2) **CLG**
- Average Energy Efficiency Rating for new homes (SAP) (PSA 20, Indicator 2) **CLG**
- Percentage of people who feel they can influence decisions in their locality (PSA 21, Indicator 4) **CLG**
- The percentage of people perceiving anti-social behaviour as a problem (PSA 23 Indicator 4) **Home Office (HO)**

### A better quality of life

- Difference in All Age All Cause Mortality (AAACM) between England
- Average and spearhead areas (PSA 18, Indicator 2) **Department of Health (DH)**
- Red/Amber/Green (RAG) status of the Olympic Delivery Authority (ODA) sustainability strategy to 2011 (PSA 22, Indicator 3) **DCSF**

### A more secure, fair and environmentally sustainable world

- More effective UK capability to prevent, manage and resolve conflict and build peace (PSA 30, Indicator 4) **Foreign and Commonwealth Office (FCO)**
- Size of the global carbon market (PSA 27, Indicator 3) **Department for the Environment, Food and Rural Affairs (Defra)/ Department of Energy and Climate Change (DECC)**
- Total UK greenhouse gas and CO<sub>2</sub> emissions (PSA 27, Indicator 4) **Defra/DECC**
- Proportion of population with sustainable access to an improved water source (PSA 29, Indicator 7) **Department for International Development (DFID)**
- Championing Sustainable Development (**Defra** DSO5)
- Water quality as measured by parameter assessed by EA river water quality monitoring programmes (PSA 28, Indicator 1) **Defra**
- Health of biodiversity (bird populations) (PSA 28, Indicator 2) **Defra**
- Air quality (PSA 28, Indicator 3) **Defra**
- Marine Health (PSA 28, Indicator 4) **Defra**

# Appendix Two

## Sustainable Development in Government Framework

The new Sustainable Development in Government framework targets are set out below.

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### Climate Change

- |                           |  |
|---------------------------|--|
| Climate Change            | <ul style="list-style-type: none"> <li>● Government aims to meet its carbon budgets<sup>n</sup> for operations and estate.</li> <li>● Reduce greenhouse gas emissions by 35 per cent by 2020 from 1999-2000 levels.</li> <li>● Central Government's estate to be carbon neutral by 2012.</li> </ul>  |
| Climate Change Adaptation | <ul style="list-style-type: none"> <li>● By 2015, all Departments will increase their resilience to the impacts of climate change by completing a risk assessment and developed, implemented, monitored and reviewed an action plan to improve their estate's preparedness to the impacts of climate change. Thereafter, a system of continuous review will be required on an annual basis.</li> </ul> |

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### Sustainable Consumption and Production

- |                          |  |
|--------------------------|--|
| Waste and Recovery       | <ul style="list-style-type: none"> <li>● Reduce waste arisings by 20 per cent by 2016-17, relative to 2010-11 levels.</li> <li>● Increase waste recovery (recycling, external re-use, composting and energy from waste) to 80 per cent of waste arisings by 2016-17 (60 per cent of which would need to be achieved by recycling, external re-use and composting).</li> </ul>  |
| Sustainable Construction | <ul style="list-style-type: none"> <li>● To minimise construction waste in support of the wider aspirations on reducing waste to landfill.</li> </ul>  |
| Sustainable Procurement  | <ul style="list-style-type: none"> <li>● Central Government Departments and executive agencies to reach an average of Level 3 (mode) of the Flexible Framework that includes at least a Level 3 for measurement and results by end of 2012 and at Level 5 for all areas by end of March 2015.</li> <li>● Executive NDPBs all to reach Level 1 or above (across all areas: People, Policy) by 2011-12 and thereafter Level 5 by end of March 2015. This includes Non-Ministerial Departments which do not currently report against the SOGE targets.</li> </ul> |
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<sup>n</sup> The Carbon Budgeting System caps emissions over five-year periods, with three budgets set at a time. The first Carbon Budgets will run from 2008-12, 2013-17 and 2018-22.

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**Natural Resource Protection**

- Water Consumption
  - Reduce water consumption by 7 per cent (non-office estate) by 2016-17, relative to 2010-11 levels.
  - Achieve a water consumption level of 6m<sup>3</sup> per Full Time Equivalent on the office estate by 2016-17.
  
- Biodiversity
  - Produce a biodiversity action plan (or demonstrate how they are building biodiversity planning into their estate/environmental management systems) and report progress annually.
  - Where applicable, Sites of Special Scientific Interest (SSSIs) are maintained in target condition with continued progress towards achieving favourable condition.

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**Sustainable Communities**

- Community Impacts
    - All Departments, Agencies and Executive NDPBs to conduct sustainability appraisals of office relocations.
    - All Departments to encourage staff to take an active role in volunteering in the community.
-

# Appendix Three

## The Flexible Framework

	<b>Level 1 – Foundation</b>	<b>Level 2 – Embed</b>
Policy, Strategy & Communications	Agree overarching sustainability objectives. Simple sustainable procurement policy in place endorsed by CEO. Communicate to staff and key suppliers.	Review and enhance sustainable procurement policy, in particular consider supplier engagement. Ensure it is part of a wider sustainable development strategy. Communicate to staff, suppliers and key stakeholders.
Measurements & Results	Key sustainability impacts of procurement activity have been identified.	Detailed appraisal of sustainability impacts of the procurement activity has been undertaken. Measures implemented to manage the identified high risk impact areas.
Procurement Process	Expenditure analysis undertaken and key sustainability impacts identified. Key contracts start to include general sustainability criteria. Contracts awarded on the basis of value for money, not lowest price. Procurers adopt Government Buying Standards.	Detailed expenditure analysis undertaken, key sustainability risks assessed and used for prioritisation. Sustainability is considered at an early stage in the procurement process of most contracts. Whole-life-cost analysis adopted.
Engaging Suppliers	Key supplier spend analysis undertaken and high sustainability impact suppliers identified. Key suppliers targeted for engagement and views on procurement policy sought.	Detailed supplier spend analysis undertaken. General programme of supplier engagement initiated, with senior manager involvement.
People	Sustainable procurement champion identified. Key procurement staff have received basic training in sustainable procurement principles. Sustainable procurement is included as part of a key employee induction programme.	All procurement staff have received basic training in sustainable procurement principles. Key staff have received advanced training on sustainable procurement principles.

**Level 3 – Practice**

Augment the sustainable procurement policy into a strategy covering risk, process integration, marketing, supplier engagement, measurement and a review process. Strategy endorsed by CEO.

Sustainability measures refined from general departmental measures to include individual procurers and are linked to development objectives.

All contracts are assessed for general sustainability risks and management actions identified. Risks managed throughout all stages of the procurement process. Targets to improve sustainability are agreed with key suppliers.

Targeted supplier engagement programme in place, promoting continual sustainability improvement. Two-way communication between procurer and supplier exists with incentives. Supply chains for key spend areas have been mapped.

Targeted refresher training on latest sustainable procurement principles. Performance objectives and appraisal include sustainable procurement factors. Simple incentive programme in place.

**Level 4 – Enhance**

Review and enhance the sustainable procurement strategy, in particular recognising the potential of new technologies. Try to link strategy to EMS and include in overall corporate strategy.

Measures are integrated into a balanced score card approach reflecting both input and output. Comparison is made with peer organisations. Benefit statements have been produced.

Detailed sustainability risks assessed for high impact contracts. Project/contract sustainability governance is in place. A life cycle approach to cost/impact assessment is applied.

Key suppliers targeted for intensive development. Sustainability audits and supply chain improvement programmes in place. Achievements are formally recorded. CEO involved in the supplier engagement programme.

Sustainable procurement included in competencies and selection criteria. Sustainable procurement included as part of employee induction programme.

**Level 5 – Lead**

Strategy is: reviewed regularly, externally scrutinised and directly linked to organisations' EMS. The sustainable procurement strategy recognised by political leaders is communicated widely. A detailed review is undertaken to determine future priorities and a new strategy is produced beyond this framework.

Measures used to drive organisational sustainable development strategy direction. Progress formally benchmarked with peer organisations. Benefits from sustainable procurement are clearly evidenced. Independent audit reports available in the public domain.

Life cycle analysis has been undertaken for key commodity areas. Sustainability Key Performance Indicators agreed with key suppliers. Progress is rewarded or penalised based on performance. Barriers to sustainable procurement have been removed. Best practice shared with other organisations.

Suppliers recognised as essential to delivery of organisations' sustainable procurement strategy. CEO engages with suppliers. Best practice shared with other/peer organisations. Suppliers recognise they must continually improve their sustainability profile to keep the clients business.

Achievements are publicised to attract procurement professionals. Internal and external awards are received for achievements. Focus is on benefits achieved. Good practice shared with other organisations.

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