



House of Commons
Environmental Audit
Committee

**Sustainable Development
Reporting by Government
Departments**

Seventh Report of Session 2005-06

*Report, together with Annex, formal minutes
and written evidence*

*Ordered by The House of Commons
to be printed Wednesday 21 June 2006*

The Environmental Audit Committee

The Environmental Audit Committee is appointed by the House of Commons to consider to what extent the policies and programmes of government departments and non-departmental public bodies contribute to environmental protection and sustainable development; to audit their performance against such targets as may be set for them by Her Majesty's Ministers; and to report thereon to the House.

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References

In the footnotes of this Report, references to oral evidence are indicated by 'Q' followed by the question number. References to written evidence are indicated by page number as in 'Ev12'. number HC *-II

Contents

Report	<i>Page</i>
Conclusions and recommendations	3
Sustainable Development in Government reports	5
The state of sustainability reporting in central government	6
Sustainable Development Action Plans	7
The financial planning and reporting cycle	8
Annex	11
NAO Briefing Prepared for the Environmental Audit Committee	11
Sustainable development reporting by government departments	11
Executive summary	11
Part 1: Introduction	13
Part 2: Assessment of sustainable development reporting by UK government departments	17
Appendix 1: Existing standards and guidance for sustainable development reporting	26
Appendix 2: Our framework for assessing departmental reporting	27
Appendix 3: The UK government's sustainable development principles	31
Appendix 4: Summary of sustainable development reporting by departments in 2004	32
Appendix 5: Changes in reporting which departments plan for 2005	39
Appendix 6: Departmental abbreviations	41
Past reports from the Environmental Audit Committee since 1997	43

Conclusions and recommendations

1. The Framework for Sustainable Development on the Government Estate set a target that Departments should have arrangements to verify their sustainability performance data by April 2003. While the latest evidence suggests that departments have largely fulfilled this requirement, we remain concerned that the framework targets are neither demanding nor specific. We expect Defra and the Treasury to set out what they would expect in terms of validation or verification. (Paragraph 7)
2. We strongly recommend that Departments which have not yet taken steps to improve the quality of their sustainability reporting, in response to the NAO's analysis or our consultation on it, should do so as soon as possible in order that these improvements can be seen in the 2006-07 reporting cycle. (Paragraph 10)
3. We are concerned that there are some very significant areas of departmental activity which currently fall outside the parameters for what sustainable development reporting there is in Government. Individual departments must look to find mechanisms for reporting comprehensively on the environmental or SD content of PFI contracts and other private investment initiatives with which they are involved. (Paragraph 11)
4. The UK Sustainable Development Strategy requires all Departments and Executive Agencies to produce an annual Sustainable Development Action Plan (SDAP) by December 2005 and "report on their actions by December 2006, for example, in their departmental annual reports and regularly thereafter." This clearly opens the way for valuable momentum to be lost. The Government should remove the ambiguity inherent in this formulation by requiring departments to update SDAPs and monitor progress against them on an annual basis. (Paragraph 12)
5. We are disappointed that 14 Departments and Executive Agencies did not meet the deadline for the submission and publication of their Sustainable Development Action Plans, which will be a key influence for the future of sustainability reporting. We urge the 5 which have still to publish these Plans to do so as a matter of urgency. (Paragraph 14)
6. Departmental Sustainable Development Action Plans must be sufficiently robust and specific to allow progress can be monitored. It is early days for such Plans, and Departments will need to improve their performance in this area. We look to DEFRA and the Sustainable Development Commission (SDC), responsible for overseeing the completion and quality of the Plans, to ensure that these Plans are of the requisite quality. We expect to take evidence both from DEFRA and from the SDC in the future in respect of their responsibility for this area of SD monitoring. (Paragraph 15)
7. We recommend that Sustainable Development Action Plans should be published alongside Departmental Annual Reports in the spring, in order to set out plans and priorities. Sustainability reports should be published alongside the annual report and accounts, in order to set out results and performance. (Paragraph 19)

8. Sustainability reports would link to and almost certainly expand on the relevant section of the Departmental Management Commentary. Whereas the Management Commentary would focus on environmental and social matters which were significant to the Department's financial affairs, and be forward looking, we recommend that the sustainability report would capture past performance in more detail than can be accommodated within the Management Commentary. We would expect the sustainability report to cover achievement against the Action Plan, which in turn would cover both the Department's operations and policy and its contribution to the UK Sustainable Development Strategy. (Paragraph 20)
9. Whilst we recommend that all Departments produce an annual sustainability report, we also believe that there needs to be flexibility for Departments about how they approach their reporting, within some broad parameters. On the policy side, we would expect sustainability reporting to cover how the Department's work links to and supports the UK Sustainable Development Strategy, headline indicators and any related PSA targets for which it is wholly or mainly responsible. On the operational side, we would expect the report to cover performance against the SDiG Framework. An area for further development would be a set of core measures to measure environmental footprint, along the lines of the Key Performance Indicators that Defra proposed for Operating and Financial Reviews in the private sector. (Paragraph 23)
10. It will be important that a single department, and indeed a named senior official takes ownership and responsibility for the development of departmental sustainability reporting. DEFRA and the Treasury are the main candidates for doing so, notwithstanding the role that the Sustainable Development Commission have in the development of SDAPs. (Paragraph 25)

Sustainable Development Reporting by Government Departments

Sustainable Development in Government reports

1. Since its establishment in 1997, the Environmental Audit Committee (EAC) has been instrumental in the “greening government” initiative—encouraging and monitoring the extent to which central Government departments and agencies incorporate environmental objectives within their operations and policy making. Our First Report of this Session, *Greening Government 2005*, contains a full history of our involvement in this agenda.¹

2. One of the successes over this period has been the development of a regular annual report covering the whole of central Government on environmental and sustainable development issues—the Sustainable Development in Government Report (SDiG). These reports are supported by comprehensive data gathered from departments each year. Another success has been the development of the Framework for Sustainable Development on the Government Estate.² The Framework was launched in July 2002 and represents a more comprehensive approach to setting targets across all departments and monitoring them in a systematic way.

3. The situation with regard to sustainable development reporting by individual departments remains, however, less satisfactory. The current Framework includes two targets relating to the way Departments report on their sustainability performance. Target A4 asked all departments to review their arrangements for public reporting of their sustainable development impacts by October 2002, including:

- environmental performance of buildings and facilities;
- social impacts of the Department, including as an employer; and
- policies which contribute to sustainable development objectives, particularly headline indicators.

A second target (A5) asked all Departments to ensure that by April 2003 they had arrangements to:

- report publicly on their key sustainable development impacts, including their performance against targets in this Framework; and
- verify their performance data.

4. The Framework is permissive as to how departments should report their progress. Current guidance suggests that “there is no need to duplicate information already published elsewhere A sustainable development report may be selected as the main

1 First Report of Session 2005-2006, *Greening Government: the 2004 Sustainable Development in Government Report*, HC698

2 <http://www.sustainable-development.gov.uk/government/estates/index.htm>

vehicle for reporting environmental and social performance data, or it may simply refer to data published elsewhere, for example in the Departmental annual report. As a minimum, Departments should include a sustainable development section covering the issues set out in target A4 above. Electronic reporting mechanisms may be another way of making linkages between a Department's social, economic and environmental impacts”.

5. The Framework targets for reporting, set out above, were not very demanding or specific. Not surprisingly therefore, most Departments were able to report in 2005 that they had met the requirements to report in some way or other on their sustainable development performance and to validate some of their sustainability data or the systems used to collate that data. Our concern is with the content and quality of that reporting. We have commented before – quite recently with regard to sustainable procurement – about how vague and unambitious targets set by Government for Government often tend to be, with the results that progress is neither clear nor decisively encouraged.

6. In response to a previous EAC recommendation, the National Audit Office (NAO) reviewed how Departments reported on their sustainability performance in 2004, and on Department's plans for reporting in 2005. In October 2005, we published the NAO's subsequent briefing on our website – reproduced as the Annex to this Report—and invited comments from Departments and others. We received comments from 14 government departments, from English Nature and Biffa Waste Services. We are grateful to the NAO for the valuable work they have done on this important aspect of the greening government agenda, and to those who responded to our request for comments.

7. The Framework for Sustainable Development on the Government Estate set a target that Departments should have arrangements to verify their sustainability performance data by April 2003. While the latest evidence suggests that departments have largely fulfilled this requirement, we remain concerned that the framework targets are neither demanding nor specific. We expect Defra and the Treasury to set out what they would expect in terms of validation or verification.

The state of sustainability reporting in central government

8. The NAO review focused on departmental sustainable development reporting that is annual, routine and in the public domain. It found that methods and standards of reporting in 2004 were highly variable across government:³

- There is no mandatory standard for sustainability reporting in government, and no clear consensus on which external standards should apply.
- Most government departments presented their annual sustainable development reporting as a short section within their main annual report and accounts.
- Three departmental annual reports used sustainable development as an explicit over-arching framework for their vision, aims and objectives. Sustainable development was more often treated as an essentially environmental issue.

3 See Annex, Part 2, *passim*.

- Nearly all departments' reports mentioned the environmental and social impacts resulting from their operational or housekeeping activities. However, quantified performance data for key housekeeping issues—disclosed separately in the government-wide Sustainable Development in Government (SDiG) report—were generally not disclosed in departmental annual reports.
- Few departmental reports made an explicit link between their key policies and the UK government's Strategy for Sustainable Development.
- No departmental report mentioned independent third party verification of sustainable development performance or impact.

9. We are encouraged that most Departments responding to our consultation had improvements already made or planned for 2005, in response to the NAO's analysis or our consultation on it. A common commitment, for example, was to ensure that future reports make closer links to the UK Sustainable Development Strategy. Another positive step was that some Departments had established indicators and targets to measure their progress on sustainable development. These are to be welcomed.⁴

10. We strongly recommend that Departments which have not yet taken steps to improve the quality of their sustainability reporting, in response to the NAO's analysis or our consultation on it, should do so as soon as possible in order that these improvements can be seen in the 2006-07 reporting cycle.

11. We are concerned that there are some very significant areas of departmental activity which currently fall outside the parameters for what sustainable development reporting there is in Government. One such area is departmental involvement in PFI contracts or in other private investment projects. There is some concern that the environmental components of PFI construction projects, for example, are not as rigorous as they ought to be, or indeed would be were they funded by public money alone. **Individual departments must look to find mechanisms for reporting comprehensively on the environmental or SD content of PFI contracts and other private investment initiatives with which they are involved.**

Sustainable Development Action Plans

12. The UK Sustainable Development Strategy requires all Departments and Executive Agencies to produce an annual Sustainable Development Action Plan (SDAP) by December 2005 and “report on their actions by December 2006, for example, in their departmental annual reports and regularly thereafter.” This clearly opens the way for valuable momentum to be lost. The Government should remove the ambiguity inherent in this formulation by requiring departments to update SDAPs and monitor progress against them on an annual basis.

13. Most Departments responding to our consultation saw their new SDAPs as a key vehicle or influence for future reporting. As the Treasury's response to our consultation says, “these action plans will be a key tool in ensuring that sustainable development is taken

4 See, for example, the memorandum from the Department for Work and Pensions, Ev13&14

into account in policy formulation and operational decisions in government Departments. The plans will provide a basis for assessment of progress and ... reporting of sustainable development". It is welcome that SDAPs are expected in time to provide a better foundation for sustainability reporting. But the Sustainable Development Commission, responsible for overseeing the first round of SDAPs, found that only 5 Departments managed to both submit and publish their action plans on their website by the required deadline of December 2005⁵.

14. We are disappointed that 14 Departments and Executive Agencies did not meet the deadline for the submission and publication of their Sustainable Development Action Plans, which will be a key influence for the future of sustainability reporting. We urge the 5 which have still to publish these Plans to do so as a matter of urgency.

15. Departmental Sustainable Development Action Plans must be sufficiently robust and specific to allow progress can be monitored. It is early days for such Plans, and Departments will need to improve their performance in this area. We look to DEFRA and the Sustainable Development Commission (SDC), responsible for overseeing the completion and quality of the Plans, to ensure that these Plans are of the requisite quality. We expect to take evidence both from DEFRA and from the SDC in the future in respect of their responsibility for this area of SD monitoring.

The financial planning and reporting cycle

16. Another key influence for the future is the scope for linking sustainability reporting with the annual cycle of financial plans and reports in Whitehall. At present all Departments produce a spring Departmental Report, in support of their Estimate and expenditure proposals. Some Departments also produce an autumn annual performance report as well as publishing their annual resource accounts; until now those accounts needed to be approved and laid in the House by 31 January. However, the landscape of departmental financial reporting is changing. It is expected that Departments will continue to produce spring documents in support of their Estimate. But the Treasury's "earlier closing" initiative will mean that in future accounts should be audited and laid before the summer recess.

17. In addition, from 2005-06 those accounts will include a 'Management Commentary'—a statement similar to the Operating and Financial Review (OFR) which was proposed for listed companies. The Commentary is intended to provide the board's forward looking view of the company's prospects, including significant environmental and social concerns. Proposals for an OFR for listed companies have now, somewhat controversially, been abandoned—as we have discussed in our recent report on PBR 2005⁶—but a similar requirement still remains within central government.

18. The Financial Reporting Advisory Board (FRAB), which advises the Treasury on accounting and financial reporting in government, agreed at its June 2005 meeting that in future, in view of these separate initiatives, Departments will be producing an annual

⁵ <http://www.sd-commission.org.uk/pages/150106.html>

⁶ Fourth Report of Session 2005-06, Pre-Budget 2005: Tax, Economic Analysis and Climate Change, HC882

report and accounts incorporating the OFR, the timing of which would follow the availability of their audited accounts.⁷

19. We recommend that Sustainable Development Action Plans should be published alongside Departmental Annual Reports in the spring, in order to set out plans and priorities. Sustainability reports should be published alongside the annual report and accounts, in order to set out results and performance.

20. Sustainability reports would link to and almost certainly expand on the relevant section of the Departmental Management Commentary. Whereas the Management Commentary would focus on environmental and social matters which were significant to the Department's financial affairs, and be forward looking, we recommend that the sustainability report would capture past performance in more detail than can be accommodated within the Management Commentary. We would expect the sustainability report to cover achievement against the Action Plan, which in turn would cover both the Department's operations and policy and its contribution to the UK Sustainable Development Strategy.

21. The same meeting of the FRAB in June 2005 also considered the question of sustainability reporting in central government, on the basis of a paper prepared by the Treasury. The paper noted the variation in practice across departments but did not recommend a more prescriptive approach. The Board was keen to encourage development in this area, and suggested that this could be achieved and incorporated in the OFR and the website devoted to financial reporting in government.⁸

22. The NAO briefing explored the variety of possible models for sustainability reporting, most notably the Global Reporting Initiative and associated public sector guidelines.⁹ Whilst those models have merits, they need to be adapted to the particular circumstances. In the case of central government, those circumstances include the existence of the UK Sustainable Development Strategy, the development of SDAPs, and the SDiG Framework. Sustainability reporting should fit with those separate initiatives and not be seen as some additional reporting burden. Moreover, the contents of sustainability reports should align with and complement these other initiatives.

23. Whilst we recommend that all Departments produce an annual sustainability report, we also believe that there needs to be flexibility for Departments about how they approach their reporting, within some broad parameters. On the policy side, we would expect sustainability reporting to cover how the Department's work links to and supports the UK Sustainable Development Strategy, headline indicators and any related PSA targets for which it is wholly or mainly responsible. On the operational side, we would expect the report to cover performance against the SDiG Framework. An area for further development would be a set of core measures to measure environmental footprint, along the lines of the Key Performance Indicators that Defra proposed for Operating and Financial Reviews in the private sector.

7 [http://www.hm-treasury.gov.uk/media/A7B/70/FRAB_\(75\)01__MINUTES_OF_THE_FRAB_MEETING_24_JUNE_2005.pdf](http://www.hm-treasury.gov.uk/media/A7B/70/FRAB_(75)01__MINUTES_OF_THE_FRAB_MEETING_24_JUNE_2005.pdf)

8 *ibid.*

9 Annex: appendix 1

24. The NAO briefing described the various bodies within government with responsibility for reporting and sustainable development.¹⁰ DEFRA has responsibility for sustainable development generally, and for development of the Framework. Recently, the Sustainable Development Commission has taken on a role in encouraging the development of SDAPs and in collating the annual SDiG report. The Treasury, assisted and advised by the FRAB, is responsible for financial reporting and departmental annual reporting. However, no one body is responsible for sustainability reporting.

25. It will be important that a single department, and indeed a named senior official takes ownership and responsibility for the development of departmental sustainability reporting. DEFRA and the Treasury are the main candidates for doing so, notwithstanding the role that the Sustainable Development Commission have in the development of SDAPs.

26. The NAO's briefing to us asked if it is time for a change in how issues of sustainability are reported on by the different departments within Government. We believe it is. The changes in the annual cycle for financial reporting, and the advent of an annual report and accounts, provide an opportunity for a more coherent system of sustainability planning and reporting in parallel with the financial reporting cycle. We look to the Government to provide a clear and comprehensive plan for departments to follow, which, while preserving some necessary flexibility, will ensure more regular and thorough sustainable development reporting in future.

Annex

NAO Briefing Prepared for the Environmental Audit Committee Sustainable development reporting by government departments

Executive summary

This briefing presents the findings of the National Audit Office's review of annual sustainable development reporting by UK government departments in 2004. Sustainable development refers to the integration and achievement of three interrelated areas for progress: environmental, social and economic. Sustainable development reporting refers to the way in which such progress is reported. Our review focused on departmental sustainable development reporting that is annual, routine and in the public domain.

There is no mandatory reporting framework for sustainable development reporting. To assess departments' reporting, we developed criteria by drawing on the widely-accepted Global Reporting Initiative (GRI) guidelines and the UK government-wide definition and approach to sustainable development. Our main findings are:

- Most government departments presented their annual sustainable development reporting as a short section within their main annual report and accounts. Those departments with a substantial environmental component to their work tended to give sustainable development more prominence in their departmental annual reporting.
- Three departmental annual reports used sustainable development as an explicit overarching framework for their vision, aims and objectives. Sustainable development was more often treated as an essentially environmental issue.
- The stakeholder engagement mechanisms disclosed in departmental reports mostly focused on specific subject areas, rather than how the department engaged stakeholders on its overall, strategic, contribution to sustainable development.
- Nearly all departments' reports made some mention of the environmental and social impacts resulting from their operational or housekeeping activities. However, quantified performance data for key housekeeping issues—disclosed separately in the government-wide Sustainable Development in Government (SDiG) report—were generally not disclosed in departmental annual reports.
- About half of departmental reports linked some key policies with targets related to integrated social, economic and environmental objectives. But few departmental reports made an explicit link between their key policies and the UK government's strategy for sustainable development.
- No departmental report mentioned independent third party verification (for example, by auditors accredited on the Environmental Auditors' Register) of departments' sustainable development performance or impact.

Our analysis raises some important issues for the future of sustainable development reporting in government. This field is still in its infancy, when compared to the more established disciplines of financial reporting and corporate governance. To date the government's approach has been permissive rather than prescriptive, and it has been left to each department to develop its sustainable development reporting. Our briefing demonstrates the variety of reporting practices which have emerged, and the very patchy coverage of sustainable development in departmental annual reporting. This is not surprising, perhaps, in the absence of standards or models which departments can look to. But is it time for a change?

Amongst the issues which government and the Environmental Audit Committee may wish to consider are:

- is there an existing standard or model which departments could be encouraged to follow ?
 - are the GRI guidelines suited to the task ?
 - if not, is there a better standard or model ?
- if not, should there be one ?
 - is the cause of sustainable development better served by allowing departments to develop their own approach, or by a common standard?
 - is sustainable development reporting at a stage where a suitable common standard can be found or developed?
 - is the notion of sustainable development sufficiently well established and understood to permit or underpin standardisation?
- what would it look like?
 - how prescriptive or detailed should it be?
 - should it lead a single “look and feel” for departments’ reports?
 - should sustainable development reporting feature as a separate report, or be integrated and embedded within departments’ main annual reports?
 - what should it cover ? what are its essential elements?
 - how might it cover both housekeeping and policy?
 - how should it link to the government’s principles of sustainable development and the new UK sustainable development strategy?
 - how might the concept of materiality be applied, to help determine what gets included?
 - to what extent should reporting be subject to verification or audit ?

- who might develop it?
 - an external body such as GRI or the public sector accounting body the Chartered Institute of Public Finance and Accountancy (CIPFA)?
 - government itself?
 - an existing standard setting body, such as the Financial Reporting Advisory Board (FRAB), which sets accounting and reporting standards for government?
 - a combination of the above in consultation with the Accounting for Sustainability Group?
- how would it sit alongside other developments in reporting?
 - does sustainable development reporting co-exist with other standards for reporting on financial risk and governance (such as the Operating and Financial Review)?
 - does sustainable development reporting take away the need for reporting on financial governance and corporate social responsibility?
 - is further guidance in the Financial Reporting Manual needed in addition to that on the Operating and Financial Review?
- where should responsibility for the development of sustainable development reporting lie within government?
 - Department for Environment, Food and Rural Affairs (Defra)
 - Her Majesty's Treasury (HM Treasury)
 - who else should be involved?

The Financial Reporting Advisory Board recently discussed the question of sustainability reporting, at its June 2005 meeting: the outcome of these discussions is expected to be available in September. The NAO would be willing to take part in any government initiative to help develop and promote good sustainable development reporting.

Part 1: Introduction

Purpose of this briefing

1.1 This briefing presents the findings of the National Audit Office's review of annual sustainable development reporting by UK government departments, in response to a request from the Environmental Audit Committee of the House of Commons. Government has also commented that it would "welcome any input from the NAO on how departments could improve their reporting on sustainable development". We have focused on departmental reporting that is corporate, annual, routine and in the public domain; we have excluded reporting that is internal or unpublished, ad hoc, special purpose or extends beyond departmental boundaries.

1.2 Sustainable development refers to the integration and achievement of three interrelated areas for progress: environmental, social and economic. Sustainable development reporting refers to the way in which such progress is reported. The value of departmental annual reporting on sustainable development is three-fold. First, it enables government departments to demonstrate, on a regular basis, their progress in contributing to the delivery of the UK sustainable development strategy. Second, it demonstrates that government is practising what it encourages UK business to do. Third, it allows government to demonstrate progress on its aim of “putting sustainable development at the heart of every Government Department’s work” .

Types of reporting, and standards

1.3 Corporate annual reporting in the private sector has expanded in recent years to embrace a wider range of disclosures. From an original focus on financial or economic performance (later extended to include financial governance and risk), corporate reporting has expanded to take in separate disclosure of environmental and societal impacts. More recently, reporting has sought to cover all three dimensions of sustainable development, in a more integrated way (see Figure 1 below).

Figure 1: Types of corporate reporting

Type of reporting	Primary focus of reporting		
	Economic	Environmental	Social
Financial reporting	✓		
Corporate environmental reporting		✓	
Corporate social responsibility reporting			✓
Sustainable development or ‘triple bottom line’ reporting	✓	✓	✓

Source: National Audit Office

1.4 The take-up of extended reporting across the private sector is variable, although many major companies now include additional disclosures about their environmental or societal performance and impacts, either separately or combined with disclosure of their financial results . Some companies have further extended their sustainable development disclosures to include sustainability accounting—defined as “the generation, analysis and use of monetised environmental and socially related information in order to improve corporate environmental, social, and economic performance” .

1.5 There is as yet no settled or universally accepted standard for wider corporate reporting. There is also competition between three key reporting themes—social responsibility, sustainable development, and financial governance and risk—for centrality and prominence in corporate reporting. And there are overlaps between them—social responsibility can include environmental impacts, and financial risk can include social and

environmental matters. There is a plethora of codes and guidance (see Appendix 1) and some standards are gaining wider acceptance:

- For financial governance and risk, the new Company Law regulation issued by HM Government requires listed companies to produce an “Operating and Financial Review (OFR)” . Directors must report on any risks, including in relation to environmental, social and sustainable development issues, which they consider to be ‘material’ to the future of the business.
- For social responsibility, the AA1000 series of standards produced by AccountAbility provides guidance on the processes, including stakeholder engagement, which organisations may use to embed corporate social and ethical behaviours. The series includes guidance on reporting and audit.
- For sustainable development, the Global Reporting Initiative (GRI) is an international effort to promote organisation-level sustainable development reporting .

1.6 In the UK public sector, and in central government in particular, whilst there is a large body of standards for financial statements and reporting there are no standards for wider reporting, except in relation to financial governance and risk—through the Statement of Internal Control which features alongside department’s financial statements. In due course it is possible that the Operating and Financial Review regulations will be extended or adapted to the public sector. In contrast, on societal and environmental impacts and performance:

- The Framework for Sustainable Development on the Government Estate, and resultant government-wide Sustainable Development in Government reports, provide a vehicle for separate annual reporting of environmental and social impacts of departments’ operations, but these reports do not extend to reporting on departments’ policies and programmes.
- In addition, the government’s sustainable development website provides links to sources of guidance but does not endorse any one source:
 - the Department for Environment, Food and Rural Affairs’ (Defra) General Guidelines for corporate environmental reporting ;
 - the Association of Chartered Certified Accountants (ACCA) awards for environmental reporting ; and
 - the guidelines of the GRI.

1.7 The GRI has very recently produced a GRI Guidelines - Public Sector Supplement , which could provide a framework for sustainable development reporting by government departments, although in our view it would need further adaptation for reasons we explore in paragraph 1.17 below.

1.8 Defra has indicated an interest in developing a framework for sustainable development reporting by government departments. In response to the Environmental Audit Committee’s report on Greening Government 2003, the government stated that it

“will give further consideration during 2004 to how Departments can improve upon their reporting of sustainable development outside the Framework, i.e. in a policy context” .

1.9 Any framework Defra develops could draw on a variety of sources, notably the GRI Guidelines and its Public Sector Supplement. The Chartered Institute for Public Finance and Accountancy has also expressed interest in developing a framework, and other accounting bodies have work in progress too, although principally in relation to the private sector.

1.10 The various standards for reporting referred to above usually include calls for disclosures of social and environmental impacts and performance to be supported by quantification where possible and sensible. They do not, in general, extend to the valuation and disclosure of monetised social and environmental impacts within or alongside financial statements—such environmental or sustainability accounting is at the frontier of sustainability reporting.

Responsibility for reporting and sustainable development

1.11 HM Treasury is responsible for financial reporting by government and departments. The Financial Reporting Advisory Board (FRAB) provides independent advice on accounting to HM Treasury, the National Assembly for Wales, the Scottish Ministers and the Department of Finance and Personnel, Northern Ireland. It focuses on promoting standards in financial reporting by government and to help to ensure that any adaptations of, or departures from, Generally Accepted Accounting Practice (GAAP) are justified and properly explained. The role of the Board was given statutory footing by the Government Resources and Accounts Act 2000, which requires HM Treasury to consult on financial reporting principles and standards.

1.12 HM Treasury also has responsibility for producing general guidance for the production of Corporate Plans and Annual Reports by Government departments.

1.13 Defra has lead responsibility for sustainable development policy in the UK. Defra is also responsible for the Framework for Sustainable Development on the Government Estate.

1.14 The Green Ministers’ Committee has for some years had responsibility for monitoring the sustainable development performance of government departments—the first Annual Report of the Committee was published in 1998-1999. During this time the monitoring and reporting approach has evolved, and this process is a continuing one.

1.15 Government departments have substantial discretion, within the guidance provided by Defra and others, over the way they report their sustainable development performance and impacts.

Our approach

1.16 In this briefing, we focus on:

- reporting by 20 central government departments in 2004—the 16 major departments on the Green Ministers’ Committee, plus a further 4 departments: Exports Credit Guarantee Department (ECGD); Office for National Statistics (ONS); HM Customs and Excise (HMCE); and Inland Revenue (IR) . Reports in 2004 in general covered the financial year 2003-04.
- reporting that is annual, routine and in the public domain—that is, excluding one off or ad-hoc disclosures or internal documents. This approach has covered sustainable development reporting in integrated departmental annual reports (including the annual autumn performance report) and in stand-alone annual sustainable development or environmental reports.
- reporting on both departments’ internal administration or operations (“housekeeping”) and their wider public policy impacts and performance.

1.17 Given the lack of a mandatory framework or standard covering both housekeeping and public policy reporting, we have not tested departments’ reporting against any single model. Instead, we developed a more flexible framework for evaluation, by drawing on the GRI guidelines for the public sector and the UK government definition and approach to sustainable development. We have not used the GRI guidelines in full, in part because they came out after the period covered by our review, and because we have some reservations about the suitability of GRI as currently formulated. First, the guidelines are very detailed, and contain a large number of process-based questions whereas we consider that reporting should focus primarily on impact and performance. Second, the GRI guidelines are focused primarily on housekeeping operations, with less attention to the disclosure of policy impacts and outcomes. For these reasons, we consider that a simpler, less prescriptive framework, focusing on key attributes and more closely linked to the UK government sustainable development principles, provides a better basis for evaluation. These key attributes are summarised, and departmental reporting assessed against them, in

Part 2: Assessment of sustainable development reporting by UK government departments

2.1 As discussed in Part 1, we assessed departments’ sustainable development reporting against key attributes, drawing on the GRI guidelines:

- Prominence and accessibility: How prominent was sustainable development within the department’s annual public reporting?
- Coherence: How coherent were the department’s vision, strategy, and integration of sustainable development; and were they consistent with the government’s key principles in relation to sustainable development (set out in Appendix 3)?
- Governance and stakeholders: Did the department’s reporting highlight progress in making the policy-making process more transparent, inclusive and integrated?
- Coverage: Did the department’s reporting identify its most significant housekeeping and policies related to sustainable development?

- Reliability: How robust was the assurance provided in respect of the reliability and completeness of the department's sustainable development reporting?
- Our approach is set out in more detail in Appendix 2.

2.2 In the sections that follow, we examine departments' reporting against these attributes. Reporting by individual departments in 2004 is summarised in Appendix 4.

2.3 A number of departments already plan improvements to their reporting in 2005, in some cases informed by the work we have done in preparation for this briefing. These improvements and developments are summarised in Appendix 5.

Sustainable development does not feature prominently in most departmental annual reporting

2.4 With some notable exceptions, sustainable development was not given much prominence in departmental annual reporting in 2004.

- Most government departments presented their annual sustainable development reporting as a short section within their main annual report and accounts. In contrast, four departments – Defra, the Department for Transport (DfT), the Office of the Deputy Prime Minister (ODPM), and the Department for Trade and Industry (DTI)—integrated reporting on sustainable development within their mainstream annual report.
- Those departments with a substantial environmental component to their work tended to give sustainable development more prominence in their departmental annual reporting. Of those departments with less substantial environmental interests, the Department for Work and Pensions (DWP) was unique in reporting prominently on sustainable development (see case example 1).

Case example 1: Prominence of DWP sustainable development reporting

In addition to including a sustainable development section within the main DWP annual report, DWP also produces a separate stand-alone annual sustainable development report. A statement from the department's "Green Minister" is included in this stand-alone report as is a record of the successes that the department has had in raising the profile of sustainable development. The internet address for DWP's stand-alone sustainable development report is included within the sustainable development section of the departmental annual report. In addition, a "resource centre" is easily accessible from the departmental home page which contains a suite of relevant sustainable development publications, including past annual DWP sustainable development reports. DWP has produced annual sustainable development reports every Autumn since 2001, and these are available in both hard copy and on-line.

2.5 The GRI guidelines recommend that reporting include a statement from a senior authority and that ideally these should include a commitment to key targets, and report performance against benchmarks such as the previous year's performance and targets.

2.6 Nearly all departments included a statement from a senior authority, such as the Secretary of State, in their mainstream annual report and accounts. Only in four departments—Defra, ODPM, DWP and the Foreign and Commonwealth Office (FCO)—did these statements make a direct or clear reference to sustainable development, for example by referring to integrated progress on environmental, economic, and social objectives.

2.7 The statements in the Defra and ODPM annual reports were the only ones which made a link to sustainable development and also highlighted a commitment to key targets and a measure of their performance against benchmarks:

- In the ODPM annual report, the foreword by the Deputy Prime Minister highlighted a commitment to targets on new housing supply, greenfield land, and the proportion of new homes on brownfield sites. In terms of performance against benchmarks, the foreword compared unemployment and GCSE pass rates in New Deal for Communities areas with the national average.
- Similarly, the foreword by the Secretary of State for Defra highlighted the Kyoto target and the government's domestic CO₂ 2010 commitment, and reported that the UK is on course to meet the Kyoto target.

Reporting on long-term vision and sustainable development principles has been variable

2.8 Annual sustainable development reporting by departments varied in the extent to which departments:

- treated sustainable development as an over-arching framework rather than as an essentially environmental issue;
- disclosed a coherent vision and strategy in relation to sustainable development and;
- made an explicit link to the UK government's 10 key sustainable development principles.

2.9 Three departmental reports (ODPM, Defra, DfT) used sustainable development as an over-arching framework for their vision, aims, and objectives. Though many other departments cited the government's broad definition of sustainable development—the integration of environmental, social, and economic objectives—sustainable development was more often treated only as an environmental issue. Three different themes—corporate responsibility, sustainable development, and financial governance and risk—competed for centrality and prominence in departmental annual reporting. For example:

- the Defra annual report made sustainable development central;
- the HMCE annual report gave more prominence to financial and wider risk management; and

- the Department for Education and Skills (DfES) annual report was one of many reports that gave significant space to departmental corporate responsibility.

As we discussed in Part 1, these three themes are not mutually exclusive, and can include elements of each other.

2.10 Four departments (Defra, DfT, the Department for International Development (DfID) and ODPM—see Case Example 2) linked their vision with the department’s strategy on sustainable development and identified the main departmental issues in relation to sustainable development. Most of the departmental reports disclosed a general vision or aim which was a desired direction of change or travel rather than a coherent vision with a quantified or more explicit goal. For example, DTI discloses a vision of “prosperity for all”, and DfT discloses an overall departmental aim of “transport that works for everyone”. A few departments reported a long term vision which defined specific destinations or outcomes. For example, DWP’s vision included “to end child poverty by 2010” and DfD’s vision of achieving the Millennium Development Goals included the target to halve the proportion of people suffering from hunger by 2015.

Case example 2: ODPM’s vision, as highlighted in its departmental annual report

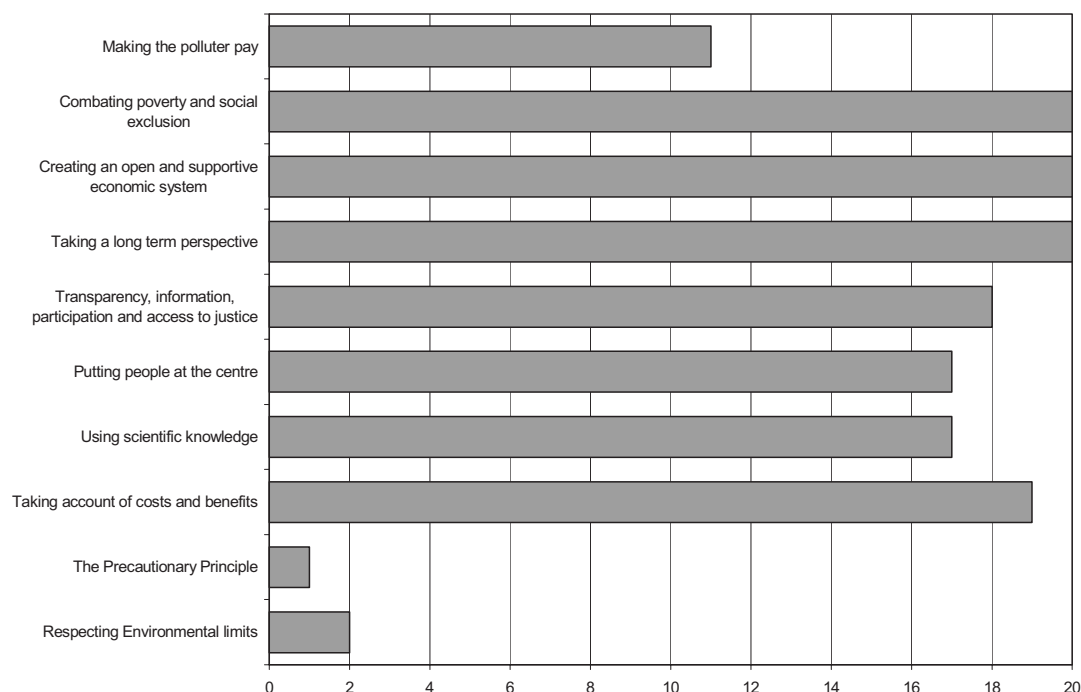
ODPM’s annual report highlights its aim “to create sustainable communities—places where people want to live—that promote opportunity and a better quality of life for all.” Considerable space is given to explaining the social, economic, and environmental issues that underpin this headline—for example:

“Creating sustainable communities requires a step change in the way our housing and communities are planned, designed and built—but creating sustainable communities is about much more than bricks and mortar. It is about good governance, public participation, partnership working and civic pride. It is about learning from the mistakes of the past and linking social, economic and environmental programmes. We are helping to narrow the economic divide between and within regions and giving people a bigger say in what happens in their region.”

The aim concludes by linking the department’s focus on sustainable communities directly with the government’s overall “quality of life” concept of sustainable development.

2.11 Since 1999 the UK government has signed up to ten sustainable development principles—see Appendix 3 for more details. The extent to which these principles featured in departmental annual reporting was variable – see Figure 2.

Figure 2: The number of 2004 departmental reports which cited the UK sustainable development principles



Source: National Audit Office

2.12 All departmental reports referred to combating poverty and social exclusion, creating an open and supportive economic system, and taking a long term perspective. In contrast, only two departmental annual reports (DfT, Defra) mentioned respecting environmental limits, and only one departmental report (DfID) refers to the precautionary principle:

- DfT's annual report referred to the air quality limits that must be respected in the context of aviation growth, whilst Defra's annual report referred to the limits on fishing in the North Sea .
- On the precautionary principle, DfID's report mentions climate change uncertainties and discusses climate change programmes in the context of those uncertainties.

It should be recognised, though, that not all sustainable development principles are equally relevant to all departments. Furthermore, our analysis looks at what has been reported, not what has been done—departments may be paying greater heed to the principles than is evident through their reporting.

Departments report on how sustainable development features in governance, but there remains scope for improvement

2.13 The GRI guidelines and other standards suggest that sustainable development reports should disclose the processes that an organisation uses to make its policy and programmes transparent, inclusive and reflective of sustainable development concerns.

Particular emphasis is placed on engagement with relevant stakeholders. This section considers the extent to which departmental reports:

- disclosed governance arrangements and the extent to which sustainable development featured in them; and
- report on stakeholder engagement.

2.14 Around half of departments mentioned their general or high-level processes for overseeing the management of key risks and opportunities, and the manner in which sustainable development featured in them. The Defra annual report provides an example of a good disclosure of steps to improve policy making and the consideration given to sustainable development (case example 3):

Case example 3: Making policy development more inclusive and integrated: Defra's report

The Defra 2004 annual report includes disclosure of:

- progress with effective consultation (e.g. in relation to Agricultural labour providers (gangmasters) and Common Agricultural Policy reform negotiations)
- progress with novel consultation (e.g. in relation to the genetically modified organisms debate) and initiatives aimed at improving policy integration
- initiatives aimed at improving policy integration (e.g. the Whole Farm Approach, a long-term project that is working towards an integrated solution to the regulation and support of the farming industry across the entire range of its activities)

In addition, the section in the annual report profiling Defra's change programme highlights a range of action to improve the use of scientific advice in the policy making process. This section emphasises that science within Defra's remit can often be contentious or uncertain, and that there is an increasingly important public dimension to the use of science in policy-making.

2.15 In relation to stakeholder engagement, most departments reported on mechanisms (such as advisory groups) for key stakeholders to provide recommendations or direction to Ministers. Only the Defra annual report mentioned the Sustainable Development Task Force as a key body established to provide direction on the new UK Sustainable Development Strategy, even though the Strategy and Task Force's work is relevant to several other departments. More usually, the stakeholder engagement mechanisms disclosed in departmental reports related to specific policy areas. For example:

- DfT mentions the Low Carbon Vehicles Partnership—a new group, established in January 2003, set up to operate as an 'action and advisory' group ; and
- ODPM mentions the Building Regulations Advisory Committee—set up to advise the Secretary of State on the building regulations and related issues.

Reporting on housekeeping is better than reporting on policy, but both could still be improved

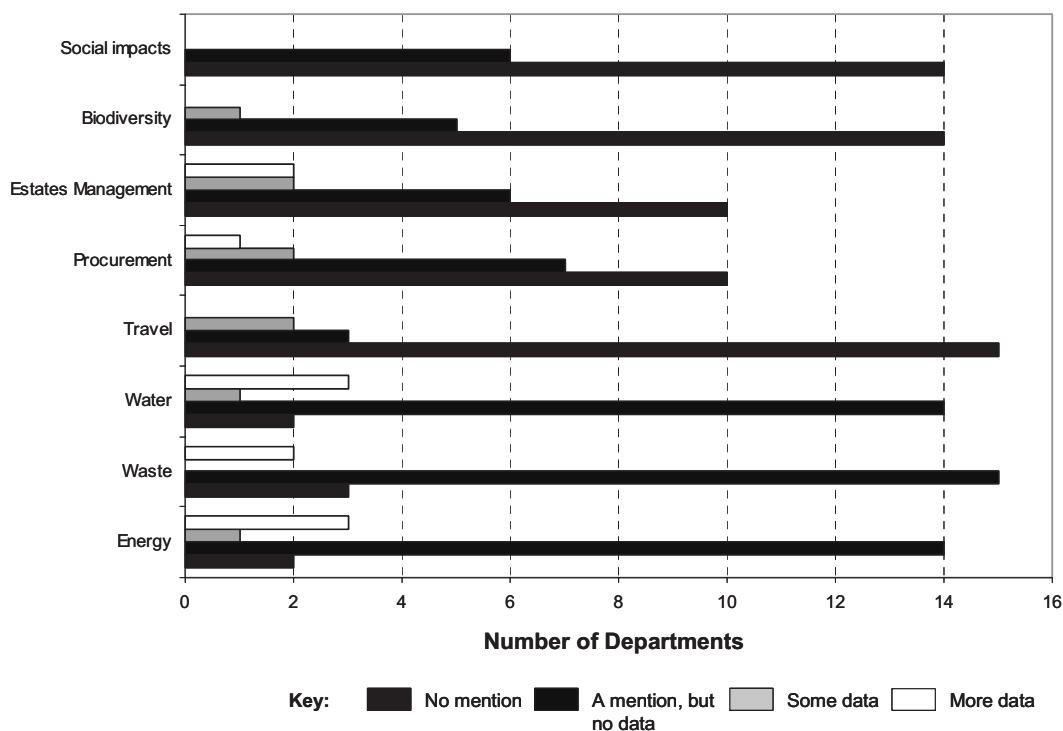
Housekeeping

2.16 Government-wide housekeeping reporting on housekeeping—the economic, environmental, and social impacts resulting from their operational activities—is now based on the Framework for Sustainable Development on the Government Estate, set out on the Sustainable Development in Government website . Each year Defra co-ordinates a whole of government report. This report sets out, using quantitative data and accompanying narrative, progress by departments against the Framework. However, the Environmental Audit Committee has noted that “Departments must also not use the production of the Sustainable Development in Government report as an excuse for not reporting themselves”. In response, Government has highlighted that “cross-government reporting cannot substitute for comprehensive performance reporting by individual Departments.”

2.17 Most departments included some mention of housekeeping issues in their annual reporting. Most reports disclosed major programmes to improve operational performance, and key housekeeping initiatives; and they made the link with the government-wide Framework for Sustainable Development on the Government Estate. About half of departments disclosed the degree to which they had achieved certification regarding their environmental management systems (for example, ISO14001).

2.18 About half of departments’ reports provided targets for their housekeeping. But in general departments did not disclose quantified performance data for the eight housekeeping aspects featuring in the Framework (Figure 3).

Figure 3: Coverage of housekeeping issues in 2004 departmental reporting



Source: National Audit Office

2.19 There was more reporting on the water, waste and energy use but very limited reporting on other aspects of the Framework. This may in part reflect that Framework targets and guidance on energy, waste, procurement, estates management, and social impacts were only published in 2004, too late to influence departmental reporting that year. However, departments did not disclose a great deal in respect of other aspects for which there was pre-existing guidance or Framework targets. The limited disclosure in government reflects practice elsewhere. According to recent analysis, although 89 per cent of FTSE All-Share companies' reports mention the environment or sustainable development only 24 per cent disclose data on their sustainable development performance.

Policy

2.20 Most departmental annual reports set out their key policies and programmes. Around half of government departments link these to the concepts of sustainable development:

- policies with targets linked to integrating progress against social, economic and environmental objectives;
- implementation measures to achieve these targets; and
- a description of the extent of progress towards these targets.

However, three departments - Defra, DWP and Home Office (HO)—make an explicit link in their reports with the government-wide UK Sustainable Development Strategy.

2.21 The DfT annual report is one of the better reports in linking policy to sustainable development. Notably, the report includes a chapter on sustainable transport which sets out six main policy objectives (in addition to the aims and objectives set out for the whole department). Some have targets (for example, a Public Service Agreement target on air quality is mentioned) but others do not (for example, noise, social exclusion).

2.22 The GRI guidelines recommend that for each policy goal, information should be disclosed on the policy instruments and pre-implementation assessments of those instruments. Three departments (DfT, DTI and ECGD) disclose the results of pre-implementation impact assessments for some policies. For example, the DTI annual report comments that: “UK analysis suggests that the cost of the UK’s contribution to stabilising carbon dioxide concentrations will be a reduction in Gross Domestic Product (GDP) of between 0.5 per cent and 2.0 per cent in 2050. Overall GDP would still be almost three times as high as it is now. International research suggests that market based policy instruments, such as emissions trading, can halve the impacts on competitiveness.”

Departmental reporting is not independently assured

2.23 The GRI guidelines suggest that sustainable development reports should be subject to independent third party verification.

2.24 Annual reports in 2004 said very little about whether departments obtained third party assurance on the reliability and completeness of their annual sustainable development reporting. No annual report mentioned independent third party verification, for example, by auditors accredited on the Environmental Auditors’ Register. However, there were some steps in this direction:

- two departments (DWP, DfID) commented that their internal audit had done some work on their annual reporting on sustainable development.
- the DfID annual report highlights that Divisional Directors provide an annual statement of assurance which covers compliance with management and control systems, and which includes key performance data.
- the DWP annual sustainable development report goes further in that it includes commentary on audit that makes explicit reference to sustainable development (case example 4).

Case example 4: DWP sustainable development report: Reliability and assurance

The foreword by the DWP Green Minister in the DWP sustainable development report highlights that “We are embedding audits and check points into our internal assurance and change control processes to ensure that these assessments are robust and that lessons are

learned for the future. By doing these things, we aim to maximise the Department’s contribution to the UK [Sustainable Development] Strategy.” In addition, the report comments with respect to timber that “this supply chain is now being independently audited, which should provide the assurances we need to meet Government targets”.

July 2005

Appendix 1: Existing standards and guidance for sustainable development reporting

There is at present no mandatory or voluntary standard agreed by the UK government for public sector sustainable development reporting, and no government agreement to adopt specific external voluntary standards or guidelines, such as the GRI guidelines. However, key international codes and standards that have some link with sustainable development reporting are as follows:

- UN global compact (code)—challenges business leaders to follow 9 broad principles in the fields of human rights, labour standards, and the environment
- OECD guidelines for multinational enterprises (code)—sets out a set of broad principles for good corporate citizenship
- ISO14000 (14001, 14004, 14031) series (standard)—address environmental management systems and practices
- ISO 14063 (standard)—a standard for environmental communication, not limited to reporting
- SA 8000 (standard)—a workplace standard and verification system, focusing on labour issues
- AA 1000 (standard)—focuses on providing a rigorous process mechanism for the stakeholder engagement that supports sustainable development, not limited to reporting

Key UK / EU / international guidance that links with sustainable development reporting include the following:

- GRI (reporting guidelines)—an international multi-stakeholder effort to create a common framework for voluntary reporting of the sustainable development impacts of organisational level activity
- UN Division for sustainable development—has issued international guidance on environmental management accounting for government decision makers
- The European Eco-Management and Audit System (EMAS)—contains a public reporting requirement as part of the management system

- EU Commission Recommendation (2001/453/EC) on environmental issues in the annual report and accounts—focusing on the recognition, measurement and disclosure of environmental expenditures, liabilities and risks and assets and the company’s attitude to the environment and environmental performance to the extent it may affect the financial position of the company.
- UK Company Law Accounting Standards Board Operating and Financial Review standard—which requires directors to report on any risks, including in relation to environmental, social and sustainable development issues, which they consider to be ‘material’ to the future of the business
- The UK SIGMA Project—has issued Sustainability Accounting guidelines, to help organisations move from traditional financial accounting to wider monetised sustainability accounting (see box below)

The SIGMA Project: Key aspects of Sustainability Accounting

The SIGMA Sustainability Accounting guidelines highlight that moving from financial accounting to sustainability accounting requires adjustment and extension to the primary statements in the following ways:

- Restatement of the Profit and Loss Account to show how sustainability related costs and benefits can directly impact on the bottom line
- Extension of the Profit and Loss Account to encompass the external costs and benefits to the environment, society and the economy which are not traditionally taken into account
- Extension of the Balance Sheet to take a fuller account of the range of assets (including intangible assets such as brands, human capital or reputation as they relate to sustainability); and ‘shadow’ liabilities (including liabilities relating to sustainability risks) of the organisation

Whilst the above guidance focuses primarily on companies, they nonetheless provide an indication of the emerging pressure on the public sector to engage in making similar disclosures.

Appendix 2: Our framework for assessing departmental reporting

The following framework has been developed from identifying key aspects of the GRI framework (where GRI adds value to traditional annual reporting) and from the UK Government public policy definition and approach to sustainable development .

1. Prominence and accessibility: How prominent is SD within the Department’s annual public reporting?

Method of reporting: This could be usefully categorised between:

- Not at all—the Department does not report publicly on SD on a regular basis (at least annually)
- Quite prominently—as a separate stand-alone SD report
- Prominently—as a SD section in the departmental annual report
- Very prominently—fully integrated into departmental annual report

Accessibility: Is the department's SD reporting accessible?

- Not at all accessible—SD reporting is difficult to find
- Reasonably accessible
- Very easily accessible

If the department does in some way report on SD publicly and regularly (at least annually), then:

- How often does the department report (e.g. annually, quarterly)?
- Is the department SD reporting available in hard copy, on-line, or both?

Leadership: To help raise the profile of sustainable development, does the Department's SD reporting include a statement from a senior authority within the department?

If yes, does it include:

- commitment to key targets
- statement of successes and failures
- performance against benchmarks such as the previous year's performance and targets
- the department's approach to stakeholder engagement

2. Coherence: How coherent is the Department's vision, strategy, and integration of key principles in relation to sustainable development?

Vision: Does the Department's reporting include a vision?

If yes, does it:

- link with the Departmental sustainable development strategy
- identify the main issues for the department in relation to sustainable development
- how stakeholders are included in identifying these main issues

Strategy: Does the Department's annual reporting refer to SD in terms of an overarching framework for social, economic and environmental progress, within which all its activities are conducted (i.e. identifying key themes within an overall SD framework, rather than treating SD as a specialist 'add on')?

If yes, then does the reporting include:

- reference to SD in terms of progressing environmental, social, and economic
- integration, as per the UK Sustainable Development Strategy (rather than simply "balancing / trading off" competing policy objectives)
- explicit linkage with the Government's overall headline SD indicators

Integration: Does the Department's annual reporting make links with the 10 UK Government sustainable development principles?

This could be usefully categorised between:

- No links made with the UK Government sustainable development principles
- A few key links made (implicitly)
- A range of key links made (explicitly)

3. Governance and stakeholders: Does the Department's reporting show progress in making the policy process more transparent, inclusive and integrated?

Governance: Does the Department's reporting include disclosure of Ministerial / board-level processes for overseeing the department's management of risks and opportunities?

If yes, does this include:

- processes for determining the expertise board members need to advise Ministers effectively on the strategic direction of the department, including issues related to environmental and social risks and opportunities

Stakeholder engagement: Does the Department's reporting highlight progress in making the policy-making process more inclusive and integrated?

If yes, does the reporting include:

- Identification of action to improve the use of scientific and expert advice in policy development?
- Identification of mechanisms (e.g. advisory groups) enabling key stakeholders to provide recommendations or direction to Ministers

4. Coverage: Does the Department's SD reporting identify the department's most significant housekeeping and public policy priorities?

Housekeeping policies: Does the Department's SD reporting include the department's approach to managing the economic, environmental, and social impacts resulting from its operational activities?

If yes, does this include:

- Identification of housekeeping priorities
- Major programmes to improve performance
- • Description of progress against key goals
- External voluntary economic, environmental, and social charters, principles or initiatives endorsed by the department
- Status of certification regarding economic, environmental, and social management systems (e.g. ISO14001, EMAS etc)
- Linkage with the government wide Sustainable Development in Government reporting

Public policies and implementation: Does the Department's SD reporting identify the most significant public policy priorities for the department?

If yes, does the reporting include:

- The processes by which these areas of public policy were identified as priorities
- Targets the department has for these public policy priorities
- Results of relevant impact assessments that aim to determine the effectiveness of implementation measures before they are implemented
- Key implementation measures to achieve the targets
- Description of progress towards the targets

- Linkage with the government wide SD strategy annual reporting

5. Reliability: How robust is the assurance provided in respect of the quality and completeness of the Department's SD reporting?

This could be usefully categorised between:

- No robust assurance evident from the report
- The Department's SD reporting is internally verified in terms of key data and overall approach
- Robust assurance provided - the Department's SD reporting is subject to independent external verification (with auditors accredited on the Environmental Auditors Register)

Appendix 3: The UK government's sustainable development principles

As set out in the 1999 UK Sustainable Development Strategy, the Government has undertaken to take account in its policies of ten sustainable development principles:

Putting people at the centre

Taking a long term perspective

Taking account of costs and benefits

Creating an open and supportive economic system

Combating poverty and social exclusion

Respecting environmental limits

The precautionary principle

Using scientific knowledge

Transparency, information participation and access to justice

Making the polluter pay

In relation to future departmental annual sustainable development reporting, it should be noted that, in March 2005, the UK Government published *Securing the Future*, the new Sustainable Development Strategy for the UK. This identified the following five key principles for sustainable development:

- Living Within Environmental Limits—Respecting the limits of the planet's environment, resources and biodiversity—to improve our environment and ensure

that the natural resources needed for life are unimpaired and remain so for future generations.

- Ensuring a Strong, Healthy and Just Society—Meeting the diverse needs of all people in existing and future communities, promoting personal wellbeing, social cohesion and inclusion, and creating equal opportunity for all.
- Achieving a Sustainable Economy—Building a strong, stable and sustainable economy which provides prosperity and opportunities for all, and in which environmental and social costs fall on those who impose them (polluter pays), and efficient resource use is incentivised.
- Using Sound Science Responsibly—Ensuring policy is developed and implemented on the basis of strong scientific evidence, whilst taking into account scientific uncertainty (through the precautionary principle) as well as public attitudes and values.
- Promoting Good Governance—Actively promoting effective, participative systems of governance in all levels of society—engaging people’s creativity, energy, and diversity.

Appendix 4: Summary of sustainable development reporting by departments in 2004

1. Department for Constitutional Affairs

Sustainable development is considered in a short section within the detail of the main annual report. The departmental aim is neither explicitly linked to sustainable development nor positioned within a framework for achieving integrated progress against social, economic, and environmental objectives. There is no explicit linkage with the government’s headline sustainable development indicators although headline indicators for improving regulation are given. Sustainable development is considered more as a specialist policy issue to be taken into account although implicit reference is made to some of the 10 UK sustainable development principles. The report discloses that a green team co-ordinates sustainable development strategy and identifies housekeeping priorities, but no targets linked to sustainable development are disclosed. No linkage is made to the government wide reporting on the sustainable development strategy or the Sustainable Development in Government initiative. The report discloses that the department is currently piloting an environmental management system.

2. Department for Culture, Media and Sport

SD is considered in a section in the Department for Culture, Media and Sport (DCMS) main annual report, which contains a foreword from the Secretary of State. Sustainable development is viewed as an overarching framework but the department's strategic aim is neither explicitly linked to sustainable development nor positioned within a framework for achieving integrated progress against social, economic, and environmental objectives. Implicit reference is made throughout to some of the 10 UK sustainable development principles. Public policy priorities linked to sustainable development are identified, as is a commitment to produce visions for key industry sectors relevant to DCMS, but no targets are disclosed. There is no mention of housekeeping issues or environmental management systems. No linkage is made to the government wide reporting on the sustainable development strategy or the Sustainable Development in Government initiative. However, the annual report does very briefly mention DCMS's Sustainable Development Strategy, which is a substantial document covering a wide range of issues including key actions on housekeeping, environmental management systems, public policy priorities, and sustainable development communication.

3. Department for Education and Skills

Sustainable development is considered briefly within the annual report. The ministerial foreword does not refer explicitly to sustainable development. The department's strategic aim is neither explicitly linked to sustainable development nor positioned within a framework for achieving integrated progress against social, economic, and environmental objectives sustainable development is considered as a specialist policy although there are implicit links to some of the government's 10 sustainable development principles throughout. The housekeeping priorities focus only on environmental factors and no targets are disclosed for these. Reference is made to the Sustainable Development in Government reporting but not to the government wide sustainable development strategy. There is no mention of efforts to progress the implementation of an environmental management system.

4. Department of Trade and Industry

Sustainable development is considered in a short section within the annual report. The ministerial foreword does not refer to sustainable development and the departmental vision does not explicitly link to sustainable development which is positioned as a separate specialist policy issue. Implicit links are made to some of the 10 UK sustainable development principles throughout. The annual report contains a section on housekeeping which includes specific targets and progress against these is illustrated by graphs. There is reference to the Sustainable Development in Government reporting but not to the government wide sustainable development strategy. The report discloses that an environmental management system is in place.

5. Export Credits Guarantee Department

Sustainable development is considered in the departmental annual report. The DTI Secretary of State's introductory statement contains a vision and implicitly refers to sustainable development. Sustainable development themes are integrated into the report and the department's contribution to sustainable development is positioned in terms of taking forward the UK sustainable development Strategy. Implicit linkage is made to some of the headline sustainable development indicators and some of the UK's 10 sustainable development principles. The report does not contain public policy targets explicitly linked to sustainable development and no reference is made to the government wide sustainable development strategy reporting or to the existence of an environmental management system. No mention is made of the government wide reporting on the Sustainable Development in Government initiative.

6. HM Treasury

Sustainable development has its own section within the annual report and is one of the departments 10 key objectives. The Chancellor's introduction focuses on key social and economic issues but does not make an explicit link with sustainable development or comment on work to integrate economic, environmental, and social objectives. The department's activities are not positioned within an overall sustainable development framework, but rather sustainable development is explicitly recognised in a specific environmental section. There is implicit reference to some of the UK sustainable development headline indicators and some of the 10 sustainable development principles. The reporting contains public policy objectives linked to sustainable development but without quantified targets. There are implicit links to the government wide sustainable development strategy reporting but not to the Sustainable Development in Government annual reporting. The report discloses that an environmental management system is in place.

7. Home Office

HO sustainable development reporting consists of a small section within the departmental report and is presented as a specialist policy area. The reporting contains a vision but this does not link to sustainable development although implicit links are made to some of the government's 10 sustainable development principles throughout. The annual report only links sustainable development to housekeeping rather than overall public policy priorities. An internet address is provided in the annual report commentary on sustainable development housekeeping, where progress against specific targets can be viewed. Links are made to both the Sustainable Development in Government reporting and the government wide sustainable development strategy reporting. The reporting discloses that some parts of the department have an environmental management system in place (e.g. the Prison Service – which also produces a substantial annual sustainable development report).

8. Inland Revenue

Sustainable development is considered in a short section in the spring 2004 departmental report. The report positions sustainable development as a specialist policy issue. The statement from a senior authority does not make an explicit link with sustainable development or comment on work to integrate economic, environmental, and social objectives. There is no explicit vision with specific destinations or outcomes, although there are performance targets. No explicit link is made to the sustainable development headline indicators or to the 10 UK Government sustainable development principles. The reporting does not identify public policy priorities linked to sustainable development. Targets for the implementation of an environmental management system are, however, disclosed. Links are made to the annual government wide Sustainable Development in Government housekeeping reporting and the government wide sustainable development strategy reporting.

9. Law Officers Departments

Note: The Law Officers Departments (LOD) is a collection of smaller departments concerned with the legal system, and not a separate constitutional entity as such.

Each constituent part of the LOD reports on sustainable development within its own section of the annual report. Sustainable development is positioned as a specialist policy issue. The foreword from a senior authority does not refer explicitly to sustainable development or to integrating social, economic, and environmental progress, and there is no sustainable development vision or link to the 10 UK Government sustainable development principles. A sustainable development advisory group has been set up to enable stakeholders to provide recommendations to Ministers. Public policy priorities in relation to sustainable development are not identified. Links are made to the Sustainable Development in Government reporting but not to the government wide sustainable development strategy reporting. There is no mention of an environmental management system.

10. Ministry of Defence

Sustainable development reporting consists of a brief reference within the main annual report where it is positioned as a specialist policy area – considered as part of safety, health, the environment and fire. Reference is made to the UK sustainable development Strategy but there is no explicit linkage to the overall headline SD indicators or the 10 UK Government sustainable development principles. The foreword from a senior authority and general departmental aim do not explicitly refer to sustainable development or comment on work to integrate progress against social, economic, and environmental objectives. Housekeeping and public policy priorities are not identified but the report does disclose that the department has an environmental management system. Implicit links are made to the Sustainable Development in Government reporting but no reference is made to the government wide sustainable development strategy reporting.

11. HM Customs and Excise

Sustainable development is considered briefly in the annual report. The report contains a foreword from a senior authority, but this does not make an explicit link to sustainable development or to achieving integrated progress against social, economic, and environmental objectives. No explicit link is made to the 10 UK sustainable development principles or headline sustainable development indicators. Linkage is made to the Sustainable Development in Government reporting but not to the government wide sustainable development strategy reporting. The reporting does not identify public policy priorities linked to sustainable development, but discloses that HMCE is putting a Departmental Action Plan in place for 2004-05, which will set out how the department intends to integrate sustainable development objectives into its work. No housekeeping priorities or targets are disclosed in the annual report, and there is no mention of an environmental management system. The annual report does not mention any work to progress the department's substantial Sustainable Development Report 2000-2002, which discloses key HMCE actions against the SDiG Framework for Sustainable Development on the Government Estate.

12. Cabinet Office

Very limited sustainable development reporting is found in the Cabinet Office (CO) annual report. The Department does not report publicly on sustainable development on a regular basis and the reporting is difficult to find. The annual report does not include a statement from a senior authority and does not have an explicit vision although there are targets and a list of general objectives. No links are made with the 10 UK sustainable development principles. The sustainable development reporting does not identify housekeeping and public policy priorities, and there is no mention of an environmental management system. No link is made with the government wide reporting on the UK sustainable development strategy or the Sustainable Development in Government initiative.

13. Department of Health

Sustainable development reporting is considered within the Department of Health (DH) Annual Report as a specialist policy area. The foreword from a senior authority does not link explicitly to sustainable development or refer to work to integrate progress on social, economic and environmental objectives. However, it does make broader links to the public health agenda. The department has a vision which sets out a direction of change, but this does not explicitly refer to sustainable development or define long term outcomes. The report makes explicit reference to the headline sustainable development indicator on health and indirect reference to the UK sustainable development principles. Housekeeping issues are focused on environmental matters. Whilst the annual report mentions only one housekeeping target (on water conservation), reference is also made to reductions in waste and CO2 emissions, and progress against a range of targets can be found by following the link from the Annual Report to the departmental website. The reporting makes links to the Sustainable Development in Government initiative but no reference is made to the

government wide sustainable development strategy reporting. The report discloses that an environmental management system is in place.

14. Department for Work and Pensions

Sustainable development reporting is considered in the annual report and in a stand alone annual sustainable development report. Sustainable development is regarded as an overarching framework through which the department's activities are undertaken. The stand alone report contains a vision which makes explicit reference to sustainable development, to the Government's overall headline sustainable development indicators. Implicit links are made to some of the 10 sustainable development principles throughout. The stand alone document includes a statement from the department's Green Minister. Housekeeping priorities and targets are identified and progress towards them is outlined throughout the stand alone document. The department has adopted a corporate environmental management system called "sustainability in DWP". Reference is made to the Sustainable Development in Government framework but not to the government wide sustainable development strategy reporting. The sustainable development reporting includes commentary on internal audit and assurance.

15. Foreign and Commonwealth Office

Sustainable development has a section within the FCO annual report and is positioned as one of a number of priorities rather than an overarching framework. The forewords from the Secretary of State and the Permanent Under-Secretary within the department do not explicitly refer to sustainable development. Whilst no overall vision is disclosed in the reporting, each chapter has a list of objectives and relevant PSA targets. Chapter 6 discloses a vision focused on FCO consular services. No explicit link is made to the 10 UK sustainable development principles. Housekeeping issues are briefly identified, but no quantified targets are disclosed. The report discloses progress with taking forward implementation of an environmental management system. Reference to government wide annual reporting on the Sustainable Development in Government initiative is made but there is no reference to the government wide policy reporting on the sustainable development strategy. The report discloses public policy priorities linked to sustainable development, and linked to the FCO PSA targets. Progress towards these targets is set out in different ways—some targets are quantitative, some are process based, and some are classified and hence not disclosed.

16. Office of the Deputy Prime Minister

Sustainable development is integrated into the annual report through the overarching theme of sustainable communities. The foreword from a senior authority positions sustainable development in terms of delivering integrated progress on social, economic, and environmental objectives, and discloses a commitment to key targets. The departmental aim refers to the sustainable development strategy and identifies the main sustainable development issues for the department. Explicit linkage is made to the government's headline sustainable development indicators. Implicit links are made to most

of the 10 UK sustainable development principles. Housekeeping priorities are identified with targets, measures taken to achieve the targets, and a description of progress against the targets. Links are made to the government wide Sustainable Development in Government reporting but not to the government wide sustainable development strategy reporting. The report discloses that an environmental management system is in place.

17. Department for Transport

Sustainable development reporting is integrated into DfT's annual report, with sustainable development positioned as an overarching framework rather than a specialist environmental issue. The annual performance report discloses an overall departmental objective that integrates social, economic, and environmental factors. The foreword from a senior authority, however, makes no explicit reference to sustainable development or to integrated progress against economic, social, and environmental objectives. Mention is made of the government's headline sustainable development indicator on air quality but not to the overall sustainable development headline indicators. Implicit links are made to some of the 10 UK sustainable development principles, including environmental limits (in respect of local air quality). For a few of the policy priorities linked explicitly to sustainable development, targets are disclosed, and the measures taken to achieve these and a description of progress towards them are outlined. There is no linkage to the Sustainable Development in Government reporting, no reference to the government wide reporting on the sustainable development strategy and no reference to any environmental management system.

18. Department for International Development

No explicit reference is made to sustainable development in the annual report but sustainable development themes are integrated into the report and DfID's vision of achieving the UN Millennium Development Goals – which seek to integrate progress on social, economic, and environmental objectives—is positioned centrally. Implicit links are made to some of the 10 UK sustainable development principles, including the precautionary principle. The department identifies housekeeping priorities and briefly describes progress in achieving some key goals. Linkage is made to the Sustainable Development in Government reporting but not to the government wide reporting on the sustainable development strategy. Reference is made to the fact that an environmental management system is under development. Targets are disclosed in relation to DfID policy priorities as defined by the UN Millennium Development Goals, along with the measures taken to achieve the targets and a description of progress towards the targets. The report discloses evidence of internal assurance of management and control systems.

19. Department for Environment, Food and Rural Affairs

Sustainable development reporting is integrated into the annual report. The foreword from a senior authority discloses a commitment to key targets and includes a statement of the “distance to target” for the Kyoto benchmark. The report includes a vision, which explicitly makes the link to sustainable development. Implicit reference is made to some of the 10

UK sustainable development principles throughout, including the principle of respecting environmental limits. Performance against the complete set of headline sustainable development indicators is disclosed from a government wide perspective. A sustainable development task force—to enable key stakeholders to provide advice to Ministers on sustainable development—is mentioned. Housekeeping priorities are identified and the targets for them are highlighted along with the measures taken to achieve them. Links are made to the government wide sustainable development strategy reporting and Sustainable Development in Government reporting. The report discloses that the department has an environmental management system in place.

20. Office of National Statistics

Sustainable development is considered in a short section within the main annual report where it is regarded as a specialist policy area. The reporting does not contain a statement from a senior authority within the department and no vision is disclosed. No explicit link is made to the 10 UK sustainable development principles. The report includes a brief description of the department's approach to sustainable development housekeeping issues, and housekeeping priorities are identified. No departmental priorities to support other government departments' key sustainable development policies are disclosed. The report identifies that the department has an environmental management system in place but does not make explicit reference to the government wide Sustainable Development in Government reporting or to the government wide reporting on the sustainable development strategy. Though ONS reports on SD on its website, this is not mentioned in the annual ONS report.

Appendix 5: Changes in reporting which departments plan for 2005

Policy context and framework

The analysis in this briefing has focused on departmental annual sustainable development reporting during 2004. As such we have paid heed to the UK sustainable development strategy applicable at that time—namely the 1999 *A Better Quality of Life: A strategy for sustainable development for the UK*.

In looking at reports in 2006 or thereafter, it would be appropriate to draw on the new UK sustainable development strategy: *Securing the Future*, published in March 2005. Notably, the new strategy:

- has sought to clarify the principles of sustainable development, emphasising and giving prominence to five new key principles.
- requires departments to prepare sustainable development action plans by December 2005 and to report progress on strategy commitments by December 2006. Several departments have indicated that they are planning to integrate such reporting into their regular departmental annual report.

- gives the Sustainable Development Commission a role to report on progress in implementing the Strategy.

HM Treasury's guidance to departments on annual reports may need to be updated to reflect the new Strategy.

Developments in departmental approach

Although our analysis centred on reporting on 2004, we established that some departments may have already set in train improvements in their sustainable development reporting for 2005:

- MOD - is about to publish its first annual sustainable development report. This report follows the GRI guidelines and has been verified by an external environmental consultancy.
- HO – is considering the possibility of producing an annual sustainable development report for the non-prisons part of the HO.
- DfID – plans to report on its forthcoming sustainable development action plan through its Departmental annual report.
- CO – in its 2005 annual report plans to refer interested readers to sustainable development material on the CO website.
- DfES - is planning to refer readers to the government-wide SDiG website in their 2005 annual report.
- ONS – is planning to publish an annual report on its website outlining progress against targets in the Framework for Sustainable Development on the Government Estate.
- DfT - is planning a revised form of words for the foreword to the 2005 report which should make clear the Department's commitment to sustainable development, and is considering how to improve the processes of reporting on sustainable development in future annual reports.
- DWP – is considering extending the Department's reporting of social impacts to bring the sustainability report in line with Corporate Social Responsibility standards and is examining scope for independent evaluation of the contents of the report.
- FCO is planning several significant improvements to its departmental annual report to be published in 2005. These include two chapters dedicated to aspects of sustainable development; a clear link to the FCO Sustainable Development Strategy and to the new UK Sustainable Development Strategy; greater highlighting for FCO engagement with stakeholders including external advisory bodies on sustainable development and human rights; the inclusion of material on the increasing integration of sustainable development into policy formulation; more disclosure on progress with sustainable development housekeeping targets; and an assessment of progress against the FCO Sustainable Development Strategy, audited by an independent organisation.

Appendix 6: Departmental abbreviations

CO	Cabinet Office
DCMS	Department for Culture, Media and Sport
Defra	Department for Environment, Food and Rural Affairs
DfES	Department for Education and Skills
DfID	Department for International Development
DfT	Department for Transport
DH	Department of Health
DTI	Department of Trade and Industry
DWP	Department for Work and Pensions
ECGD	Export Credits Guarantee Department
FCO	Foreign and Commonwealth Office
HMCE	Customs and Excise (now merged with Inland Revenue to form HM Revenue and Customs)
HMT	Her Majesty's Treasury
HMRC	HM Revenue and Customs
HO	Home Office
IR	Inland Revenue
LCD	Lord Chancellor's Department (now the Department for Constitutional Affairs (DCA)).
LOD	Law Officers Departments (an amalgam of several smaller departments involved in the court system)
MoD	Ministry of Defence
ODPM	Office of the Deputy Prime Minister
ONS	Office of National Statistics

Formal minutes

Wednesday 21 June 2006

Members present:

Mr Tim Yeo, in the Chair

Mr David Chaytor

Mr Tim Farron

Mr David Howarth

Emily Thornberry

Dr Desmond Turner

Joan Walley

The Committee deliberated.

Draft Report (Sustainable Development Reporting by Government Departments), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 26 read and agreed to.

Resolved, That the Report be the Seventh Report of the Committee to the House.

Ordered, That the National Audit Office briefing (Sustainable development reporting by government departments) be appended to the Report.

Several papers were ordered to be appended to the Minutes of Evidence.

Ordered, That the Chairman do make the Report to the House.

The Committee further deliberated.

[Adjourned till Wednesday 28 June 2006 at 2.30pm]

Past reports from the Environmental Audit Committee since 1997

2005-06 Session

First	Greening Government: the 2004 Sustainable Development in Government Report, HC 698
Second	Sustainable Timber, HC 607
Third	Sustainable Procurement: the Way Forward, HC 740
Fourth	Pre-Budget 2005: Tax, economic analysis, and climate change, HC 882
Fifth	Sustainable Housing: A follow-up report, HC 779
Sixth	Keeping the lights on: Nuclear, Renewables, and Climate Change, HC 584

2004-05 Session

First	Housing: Building a Sustainable Future, HC 135
Second	Corporate Environmental Crime, HC 136
Third	World Summit on Sustainable Development 2002: A UK Progress Report, HC 381
Fourth	The International Challenge of Climate Change: UK Leadership in the G8 and EU, HC 105 (<i>Reply Cm6617</i>)
Fifth	Environmental Education: Follow-up to Learning the Sustainability Lesson, HC84 (<i>Reply Cm6594</i>)
Sixth	Sustainable Public Procurement , HC 266
Seventh	Pre-Budget 04 and Budget 05, HC 261 (<i>Reply HC 528</i>)

2003-04 Session

First	Annual Report 2003, HC 214
Second	GM Foods – Evaluating the Farm Scale Trials, HC 90
Third	Pre-Budget Report 2003: Aviation follow-up, HC 233
Fourth	Water: The Periodic Review 2004 and the Environmental Programme, HC 416 (<i>Reply, HC 950</i>)
Fifth	GM Foods – Evaluating the Farm Scale Trials, HC 564
Sixth	Environmental Crime and the Courts, HC 126 (<i>Reply, HC 1232</i>)
Seventh	Aviation: Sustainability and the Government Response, HC 623 (<i>reply, HC1063</i>)
Eighth	Greening Government 2004, HC 881 (<i>Reply, HC 1259</i>)
Ninth	Fly-tipping, Fly-posting, Litter, Graffiti and Noise, HC 445 (<i>Reply, HC 1232</i>)
Tenth	Budget 2004 and Energy, HC 490 (<i>Reply, HC 1183</i>)
Eleventh	Aviation: Sustainability and the Government's second response, HC1063
Twelfth	Environmental Crime: Wildlife Crime, HC 605 (<i>Reply, HC 438</i>)
Thirteenth	Sustainable Development : the UK Strategy, HC 624

2002-03 Session

First	Pesticides: The Voluntary Initiative, HC100 (<i>Reply, HC 443</i>)
Second	Johannesburg and Back: The World Summit on Sustainable Development–Committee delegation report on proceedings, HC 169
Third	Annual Report, HC 262
Fourth	Pre-Budget 2002, HC 167 (<i>Reply, HC 688</i>)
Fifth	Waste – An Audit, HC 99 (<i>Reply, HC 1081</i>)

Sixth	Buying Time for Forests: Timber Trade and Public Procurement - The Government Response, HC 909
Seventh	Export Credits Guarantee Department and Sustainable Development, HC 689 (<i>Reply, HC 1238</i>)
Eighth	Energy White Paper – Empowering Change?, HC 618
Ninth	Budget 2003 and Aviation, HC 672 (<i>Reply, Cm 6063</i>)
Tenth	Learning the Sustainability Lesson, HC 472 (<i>Reply, HC 1221</i>)
Eleventh	Sustainable Development Headline Indicators, HC 1080 (<i>Reply, HC 320</i>)
Twelfth	World Summit for Sustainable Development – From rhetoric to reality, HC 98 (<i>Reply, HC 232</i>)
Thirteenth	Greening Government 2003, HC 961 (<i>Reply, HC 489,2003-04</i>)

2001-02 Session

First	Departmental Responsibilities for Sustainable Development, HC 326 (<i>Reply, Cm 5519</i>)
Second	Pre-Budget Report 2001: <i>A New Agenda?</i> , HC 363 (<i>HC 1000</i>)
Third	UK Preparations for the World Summit on Sustainable Development, HC 616 (<i>Reply, Cm 5558</i>)
Fourth	Measuring the Quality of Life: The Sustainable Development Headline Indicators, HC 824 (<i>Reply, Cm 5650</i>)
Fifth	A Sustainable Energy Strategy? Renewables and the PIU Review, HC 582 (<i>Reply, HC 471</i>)
Sixth	Buying Time for Forests: <i>Timber Trade and Public Procurement</i> , HC 792-1, (<i>Reply, HC 909, Session 2002-03</i>)

2000-01 Session

First	Environmental Audit: <i>the first Parliament</i> , HC 67 (<i>Reply, Cm 5098</i>)
Second	The Pre-Budget Report 2000: <i>fuelling the debate</i> , HC 71 (<i>Reply HC 216, Session 2001-02</i>)

1999-2000 Session

First	EU Policy and the Environment: An Agenda for the Helsinki Summit, HC 44 (<i>Reply, HC 68</i>)
Second	World Trade and Sustainable Development: An Agenda for the Seattle Summit, HC 45 (Including the Government response to the First Report 1998-99: Multilateral Agreement on Investment, HC 58) (<i>Reply, HC 69</i>)
Third	Comprehensive Spending Review: Government response and follow-up, HC 233 (<i>Reply, HC 70, Session 2000-01</i>)
Fourth	The Pre-Budget Report 1999: pesticides, aggregates and the Climate Change Levy, HC 76
Fifth	The Greening Government Initiative: first annual report from the Green Ministers Committee 1998/99, HC 341
Sixth	Budget 2000 and the Environment etc., HC 404
Seventh	Water Prices and the Environment, HC 597 (<i>Reply, HC 290, Session 2000-01</i>)

1998-99 Session

First	The Multilateral Agreement on Investment, HC 58 (<i>Reply, HC 45, Session 1999-2000</i>)
Second	Climate Change: Government response and follow-up, HC 88
Third	The Comprehensive Spending Review and Public Service Agreements, HC 92 (<i>Reply, HC 233, Session 1999-2000</i>)
Fourth	The Pre-Budget Report 1998, HC 93
Fifth	GMOs and the Environment: Coordination of Government Policy, HC 384 (<i>Reply Cm 4528</i>)
Sixth	The Greening Government Initiative 1999, HC 426
Seventh	Energy Efficiency, HC 159 (<i>Reply, HC 571, Session 2000-01</i>)
Eighth	The Budget 1999: Environmental Implications, HC 326

1997-98 Session

First	The Pre-Budget Report, HC 547 (<i>Reply, HC 985</i>)
Second	The Greening Government Initiative, HC 517 (<i>Reply, HC 426, Session 1998-99</i>)
Third	The Pre-Budget Report: Government response and follow-up, HC 985
Fourth	Climate Change: UK Emission Reduction Targets and Audit Arrangements, HC 899 (<i>Reply, HC 88, Session 1998-99</i>)

List of written evidence

1	Biffa Waste Services Ltd	Ev1
2	Cabinet Office	Ev4
3	Department for Culture, Media and Sport	Ev4
4	Department for Education and Skills	Ev5
5	English Nature	Ev5
6	Department for Environment, Food and Rural Affairs	Ev6
7	Department of Health	Ev6
8	HM Treasury	Ev7
9	Home Office	Ev7
10	Department for International Development	Ev8
11	Office of the Deputy Prime Minister	Ev9
12	Solicitor General	Ev9
13	Department of Trade and Industry and the Foreign and Commonwealth Office	Ev9
14	Department of Trade and Industry	Ev12
15	Department for Transport	Ev12
16	Department for Work and Pensions	Ev13

Written evidence

Memorandum submitted by Biffa Waste Service Ltd

RESPONSE TO THE NAO BRIEFING ON SUSTAINABLE DEVELOPMENT REPORTING IN GOVERNMENT

Thank you for the opportunity to respond to your inquiry on the NAO report. Biffa Waste Services is the largest waste management company operating in the UK and can justifiably claim to be the most diverse in terms of its spread of interest in industrial/commercial and domestic collection, landfill, liquid waste and specialist hazardous waste management systems. The company has a turnover of around £760 million at a current annualised rate and is also in the top three waste management companies operating in Belgium. We are wholly owned by Severn Trent Plc with over 150 operating centres throughout the UK. We handle 14 million tonnes of material that is treated, landfilled or recycled on behalf of an extensive customer base exceeding 85,000 in the public, commercial and industrial sectors plus collection services to 1.3 million households.

SUMMARY

We are supportive of the NAO findings that there is a lack of integration in developing a reporting framework for government based around a coherent and consistent framework. We would go further and suggest the need for a single integrated report comprising central and local government environmental impacts, en bloc, in much the same way as private sector companies are moving toward reporting standards on Corporate Social Responsibility. *Government finds itself in difficulty in this subject as a result of a failure to allocate resources to the development of integrated information and data capture systems* focused on non-financial impacts. The failure to recognise the need for such an integrated resource data capture network has already cost the government dear in terms of imperfectly implemented environmental regulations and directives across the economy as a whole, and *this has resulted in a sizeable economic cost across the whole of society.*

Such failures reflect a departmental culture that “environment” is peripheral to their core activities, rather than integral. Additionally, it has obscured interconnecting linkages between departmental decision making on internally perceived “core” decision making and their ability thereby to support other departments in the achievement of their own separate (but coincident) objectives. Examples include health and renewable energy, education and energy consumption, and transport and CO₂ emissions, etc. The effect of this is that of separate dysfunctional elements, which in some cases are counterproductive in terms of overall systems efficiency. Sustainable development reporting is thus seen as an unnecessary appendage rather than being taken into the heart of policy development within departments. It is seen as mere number crunching without wider significance.

TURNING TO THE SPECIFIC POINTS YOU RAISE

I. *Is there an existing standard for departments?*

It could be instructive for government to consider the development of Corporate Social Responsibility (CSR) in the private sector. FTSE 100 companies are moving inexorably to reasonably standard layouts of reporting in terms of direct material flows (DMFs) based on input-output analysis. Additionally there are reasonably standard approaches emerging to reporting of biodiversity, human/social, and other impacts, broadly modelled around the government’s own SD indicators (SDIs). From our experience in the private sector, the interweaving of such non-monetary measures into the operating and financial review (OFR) process has proved beneficial and profitable in terms of raising challenging interconnections between the physical scale of our impacts and their monetary cost. Prime examples of that process at work have been in energy costs and an improved understanding in the private sector around energy efficiency in the context of emergent shortages in supply or real price increases. *The Chancellor’s recent decision to backtrack on OFR and the backlash it created from across the business spectrum is indicative of how a process which started out being seen as costly, expensive, and unproductive, has been transformed into an activity which can support greater efficiency and produce beneficial insights into opportunities for improved policy development.* Sadly—in this respect—departmental approaches appear to be years behind the reality in mainstream business thinking.

II. *Should there be such a framework?*

Undoubtedly yes—although the current lengthy list of government SDIs should probably be more secondary than primary. The primary requirement of societal expectations on government are—in US phraseology—life, liberty, and the pursuit of happiness. Loosely translated into environmental outcomes, these could be classed as:

- A clean environment (gaseous, land, and aquatic).

- Security from unexpected threats (of an environmental nature).
- An economic system which prices “welfare” benefits and disbenefits on a transparent basis.

III. *What would it look like?*

There is a need to distinguish departmental direct impacts (based on activity levels) from the indirect impacts (arising as a result of their policy decisions implementation process). The former should comprise absolute measures of their material consumption and resource outputs in the solid, liquid, and gaseous phases, together with an indication of the receptor type. Templating against BiE (Business in the Environment) or similar standards for corporate CSR would be helpful, grouped around physical material flows, biodiversity and socio/ethical indicators. It is suggested that a common template for all departments on a consistent basis—including local government—would permit (by grouping up) the emergence of a holistic overview of total direct government impacts on society in environmental terms.

IV. *Who might develop it?*

It is likely that there is neither the will, knowledge or available skills set across all departmental arenas to create such a reporting infrastructure. The alternative would suggest a “Kelly Review Team” approach comprising selected experts with knowledge of departmental procedures, environmental issues, information technology, etc. Such a body would occupy the ground of a Strategic Resources Authority (SRA).

V. *How would it sit alongside other developments?*

There should be reciprocity between corporate CSR methodologies and those emanating from government. The transparency of the whole system should be managed within the context of an integrated data capture and information system currently under development by the Environment Agency. Currently government investment in this information infrastructure is piecemeal and fragmented. It extends to developmental work on Municipal WasteDataFlow and statistics on national waste production. Material consumption should be identified from Bought Ledger data using audited conversion factors plus other data held by the ONS. Such a database should have the capability to adapt to representation around the latest econometric/mass conversion work undertaken by SEI (Stockholm Environmental Institute) and/or the eco-footprinting approaches developed by Best Foot Forward.

VI. *Where should responsibility lie?*

The evolution of a National (Waste) Resources Authority or Environmental Strategy Unit will be fraught with difficulty given the cross cutting nature of the issues under debate. There is an inter-reaction between waste, agriculture, energy, planning, and social policy implementation areas so the representation on such a body would need to be drawn from the relevant departments. Even then the mixture of economic instruments, Producer Responsibility, regulatory, budgetary and fiscal instruments needing to be utilised as part of an overall strategy to measure and monitor environmental performance would offend a number of entrenched sensibilities. It is suggested that such a group is a necessary prelude to establishing a broader strategic framework for the whole area of environmental strategies within government. *Part of the current problem is that many implementation programmes and initiatives represent isolated initiatives on a bottom up basis without any underpinning inter-reactive processes to develop common standards. Data standards and capture might be an appropriate area for such an entity to commence its work with the objective of developing a template for industrial/commercial reporting as well as government, on an integrated basis.*

The issues at stake here are far larger than a straightforward requirement on government to report their environmental impact. Our central contention is that—outside DEFRA and a limited inner coterie of environmental economists in various departments—environment is seen as an “add-on”, a further bureaucratic burden and an external imposition. The idea that the concept of sustainability represents huge medium to long term threats to the very fabric of governance processes seems to have passed specialist departments by.

In a world where the economic signals in relation to energy suggest a major challenge to future price stability, the EU’s resource strategy demands a more holistic approach to product end life ownership, and continuing signals that economic growth is failing to enhance society’s sense of wellbeing, there is a growing case for a radical reappraisal of major areas of policy which have become embedded over the years within a system increasingly under stress in terms of delivering “sustainable” outcomes. This exercise should not simply be a number crunching exercise for the sake of the process—it should represent a Trojan horse for a more radical approach to integrating sustainability into departmental policy development. Examples of these policy contradictions between departments are (in no particular order):

Procurement Issues

- (i) The adoption or formulation of contradictory methodologies for introducing Producer Responsibility and resource efficiency initiatives in different supply chains between DTI and DEFRA.
- (ii) The lack of connectivity between the DTI, DEFRA, and ODPM in relation to renewable energy supplies from municipal organic waste and other sources.

- (iii) The apparent lack of connectivity between the NHS, DEFRA, and DTI in relation to waste disposal costs and energy supplies in relation to high calorific value clinical wastes.
- (iv) The apparent absence of any whole life cycle accounting systems applied to schools new build by the DfES, DEFRA, and the DTI in relation to energy efficient design in schools.
- (v) The apparent lack of procurement interaction between DEFRA and the DfES/NHS in relation to biomass fuel opportunities in schools and hospitals. Indeed the whole energy area is a minefield insofar as the emphasis is on supply robustness from concentrated electrical conversion plants instead of distributed energy users within the government estate.
- (vi) In the transport area, congestion management is impeded by different costing approaches towards road by the DfT, and rail by the SRA. The net effect is to cause rail charges to be highest during peak hours when pressure on the road network is at its greatest.
- (vii) Contradictions between housing build specifications and carbon dioxide abatement strategies.

Data Issues

- (i) Continuing reluctance to provide government investment in a transparent framework for data collection on UK resource flows renders policy making a matter of guesstimation, and policy impact assessment difficult. There have been a number of high profile policy failures in environmental decision making, of which the most notable are:
 - Fridges, where the continuing absence of an integrated data network means that millions of pounds have been spent installing a system which still fails to produce convincing data on retrieval efficiencies of global warming refrigerants in the system (various Parliamentary Q&As).
 - The complex debate on waste electrical and electronic equipment where lack of data in the early stages led to preposterous claims on the cost of policy implementation which in turn led to complicated and complex trading between obligated companies, DTI, and processors, to the point where the whole construct has now collapsed and the process restarted as a result of losing sight of the wood for the trees.

Financial Issues

Where examples include:

- (i) A lack of transparency in identifying how the proceeds from environmental taxation are returned back as grants, subsidies, and support mechanisms. The allocation of environmental funds has now become an end in itself with no cohesive single document explaining the interactions or relationships between these multitudinous funding streams. Neither is there any certainty that the administrative costs, as a percentage of total funds dispersed, represent public value for money, either as a generality or in terms of the relativities between the different projects. In some areas (the Fossil Fuel Levy, the Chancellor has actually sequestered £300 million originally destined for renewable energy projects).
- (ii) There appears to have been no strategic decision as to the balance between regulation, taxes, and subsidies, as mechanisms to shift environmental behaviour on the part of either the public or business sector. The absence of these balances has compounded the implementation of these strategies by a multiple of departments creating an impression of activity which, in overall terms, is contradictory and internally self cancelling on some sectors.

CONCLUSIONS

We accept that some of these observations stretch the boundaries of the original NAO report but they are highlighted simply to emphasize the need to develop the holistic approach before tackling the detail and specifics of impact assessment in particular departments. One of the reasons why Greening Government has not been as successful as might have been the case is that it is seen as a reactive end of pipe process within a policy framework which is yet to appreciate or understand the significance of sustainability in the context of their own departmental missions. We would suggest that until this battle of “hearts and minds” is undertaken and rolled out, there is little hope for specific outcomes to be evaluated in an integrated and proper context.

Were such a process to be undertaken as a strategic entity, the overall financial costs of the process would be far better understood. Informed estimates from those involved in the delivery of 2030 standards for waste, air pollution and the water quality suggest that each of these sectors will need to expand their added value (sector turnover) levels by around £10 billion per annum. There are no technological blockages to achieving these standards—merely economic ones. Before concentrating on the detailed issues of the operation greening of government, the Cabinet would be better advised to corroborate the costing of delivering a sustainable UK, and agreeing whether a 3% increase in GDP is an acceptable price to deliver that process.

Undertaking this task would give strategic planners in the departmental areas a far better context in which to plan their own activities around roads, health, education, defence, or whatever matches public expectation on deliverables from sound (and sustainable) government.

Peter Jones
Biffa Waste Services Limited

December 2005

Memorandum submitted by the Cabinet Office

Dear Peter,

Thank you for your letter of 15 November 2005.

I welcome the recent briefing prepared for the EAC by the NAO and the opportunity to comment on the NAO analysis of the Cabinet Office's sustainability reporting and how the Cabinet Office plans to improve sustainability reporting in future.

I accept the NAO's analysis of the Cabinet Office. However, the aim has always been to develop a more appropriate and effective mechanism to publicly report on sustainable development rather than utilising the Cabinet Office's Departmental Report.

The Cabinet Office is committed to reporting publicly on sustainable development and is actively working to improve its sustainability reporting. The recent implementation of an Environmental Management System (EMS) and the UK Sustainable Development Strategy commitment for government departments to develop Sustainable Development Action Plans (SDAP) has provided my officials with the impetus and clearest mechanism to develop a separate free-standing sustainable development report.

The Cabinet Office is on course to produce its own SDAP by the end of the year. The SDAP will set out how sustainable development fits with the Cabinet Office's core business, activities and objectives and will show how these are consistent with the Government sustainable development goal, principles and priorities as set out in the UK Government Sustainable Development Strategy.

To compliment the SDAP and the EMS, my officials are looking to develop an environmental report specifically covering our estate management operational activities.

Both the SDAP and the environmental report will be cross referenced in the Cabinet Office's Departmental Report.

Best wishes,

Jim Murphy
Parliamentary Secretary, Cabinet Office

November 2005

Memorandum submitted by the Department for Culture, Media and Sport

SUSTAINABLE DEVELOPMENT REPORTING BY GOVERNMENT DEPARTMENTS

I am writing in response to your letter of 15 November in which you asked for constructive comments on the National Audit Office analysis of sustainability reporting by DCMS.

We believe the NAO report gives a fair assessment of DCMS and we are aware of the issues it has highlighted. In line with the UK Sustainable Development Strategy we will be producing a Sustainable Development Action Plan by the end of December 2005. This will include specific targets that can be assessed in future DCMS Annual Reports. We will also take this opportunity to review our Sustainable Development Strategy. This will involve updating the information available on our website to include greater detail on housekeeping and environmental management. Both exercises will take place in collaboration with our Non-Departmental Public Bodies and other relevant organisations.

Current information about Sustainable Development can be found on a dedicated page on our website: [http://www.culture.gov.uk/about/dcms/sustainable development/](http://www.culture.gov.uk/about/dcms/sustainable%20development/)

James Purnell MP
Minister for Creative Industries and Tourism

December 2005

Memorandum submitted by the Department for Education and Skills

Dear Peter,

Thank you for your letter of 15 November about the National Audit Office study of departmental sustainable development reporting.

DfES continually explores ways to improve its Departmental Annual Report, which sets out the Department's expenditure plans, performance against PSA targets and other significant developments in the Department. We intend to update DfES progress on sustainable development through the forthcoming 2006 Departmental Annual Report and in subsequent years will ensure the reporting is aligned to the Department's Sustainable Development Action Plan.

Best Wishes,

Maria Eagle MP

Parliamentary Under Secretary of State for Children and Families

December 2005

Memorandum submitted by English Nature

A new organisation—*Natural England*—is being created with responsibility to conserve and enhance the value and beauty of England's natural environment and promote access, recreation and public well-being for the benefit of today's and future generations. The creation of the new organisation, *Natural England*, has already begun, with English Nature (EN), the Landscape, Access and Recreation division of the Countryside Agency (LAR), and the Rural Development Service (RDS) working together as partners. This natural partnership is delivering joint outcomes and paving the way for *Natural England*, whilst continuing to deliver their separate and respective statutory duties:

- *English Nature* is the independent Government agency that champions the conservation of wildlife and geology throughout England.
- *The Rural Development Service* is the largest deliverer of the England Rural Development Programme and a range of advisory and regulatory rural services.
- The aim of Countryside Agency's *Landscape, Access and Recreation* division is to help everyone respect, protect and enjoy the countryside.

This consultation response has been produced by English Nature. English Nature is working with the Rural Development Service and the Countryside Agency's Landscape, Access and Recreation division to create *Natural England*, a new agency for people, places and nature.

Our response is structured around the questions in the July 2005 NAO briefing. We have referred to the Sustainable Development Commission's guidance on sustainable development action plans throughout our response, which we appreciate post dates the report, but feel is a useful tool for judging future government reporting on sustainable development.

1. *Is there an existing standard or model which departments could be encouraged to follow?*

The GRI guidelines are well established and widely accepted but we see them as the "gold standard" for reporting and would question whether it is realistic to expect departments, many of whom are not familiar with sustainable development reporting, to adhere to a 52 page guidance document on reporting for the public sector. In developing English Nature's own sustainability report we found the ACCA awards for environmental reporting the most useful, although appreciate that these do not cover a full range of sustainable development issues.

The Sustainable Development Commission's guidance on Departmental Sustainable Development Action plans should form the model for future reporting. It asks a range of key questions in terms of policy and operations without being too prescriptive. We would encourage the EAC/NAO to review the departmental action plans when they are produced in December to see how they address concerns such as policy delivery of sustainable development and links to the UK Sustainable Development Strategy.

2. *What would it look like?*

The SDC's guidance answers many of the questions as to what the content of reports should be (elements, housekeeping and policy, principles). It is important to have common themes to enable benchmarking between departments, but this will depend on the quality of the reports produced. As this type of reporting is relatively new we feel that separate reports on sustainable development should be produced to allow a full discussion of the issues, although the highlights should form part of departments' main annual reports. The environmental impacts and data in the reports should be independently verified—this is a well established process and improves reporting.

As we understand it the concept of materiality is closely linked to stakeholder engagement. Therefore, departments must consult with a wide range of stakeholders to find out what issues are of concern (and should be seen as risks) and tailor future reporting accordingly. Stakeholder engagement in the “production, revision and delivery of the plan” is a key requirement in the SDC’s guidance. On request, we received a copy of Defra’s Sustainable Development Action Plan for comment.

3. *Who might develop it?*

We would like to see the SDC involved in its new watchdog role in assessing reports in conjunction with an existing standard setting body which is familiar with social and environmental reporting. We are not familiar with the work of the Accounting for Sustainability Group but it would seem a useful group to oversee the process and provide guidance.

4. *Where should responsibility for the development of sustainable development reporting lie within government?*

Reporting is a cross departmental issue and therefore requires development by a cross departmental group such as the Sustainable Development Programme Board, chaired by Defra, which oversees the implementation of the UK Sustainable Development Strategy.

November 2005

Memorandum submitted by the Department for Environment, Food and Rural Affairs

Dear Peter,

Thank you for your letter of 15 November regarding sustainability reporting and the study by the National Audit Office of reporting by individual government departments on sustainable development.

By the end of this year, our intention is that all departments will have published sustainable development action plans based on the UK Sustainable Development Strategy. This is an important step forward and will help to make departments become more accountable publicly for their progress on sustainable development. My department has asked the SDC, in its new role as independent government watchdog, to analyse these action plans and to publish its commentary and recommendations in the first half of next year.

Following on from this work, I envisage that we will work with the SDC to draw up guidance on how departments should meet the strategy commitment to report on SD action plans.

I welcome the Committee’s interest in this subject and look forward to the outcome of your inquiries.

Regards,

Elliot Morley

Minister of State for Climate Change and Environment

November 2005

Memorandum submitted by the Department of Health

Dear Peter,

Further to your letter requesting constructive comments on the NAO analysis of the Department of Health’s sustainability reporting in the DH Annual Report, we were pleased to see that 10 positive actions by the Department of Health were listed. These are the broader links made to the public health agenda; demonstration of a vision of direction of change; explicit reference to the headline sustainable development indicator on health; clear links to the Sustainable Development in Government initiative; and indirect reference to UK Sustainable Development Principles.

There is also acknowledgement of the mention of a specific environmental housekeeping target (water conservation); the reference to reductions in waste and CO₂ emissions; and the progress against a range of targets shown by following a link from the Annual Report 2005 to the DH website.

All of NAO’s five absences or omissions outlined in DH’s 2005 Annual Report will be addressed in the DH 2006 Annual Report. In addition, many of these issues are being taken forward through the DH Sustainable Development Action Plan (DH SDAP). These include the foreword from a senior authority explicitly linking the Annual Report and the SDAP to Sustainable Development; the Department vision and direction of change referring directly to SD; and the linkage shown to the government wide SD strategy reporting.

In addition the inclusion of specific housekeeping targets on a wider range of topics (not just water conservation); progress being made towards defining of long term outcomes and progress being made on work to integrate social, economic and environmental objectives. Apart from the further monitoring of SD in the DH Annual Report, the monitoring of progress on the SDAP will provide the opportunity to observe the continuing DH developments around SD.

As you may know DH has been on the leading edge of a number of key initiatives in sustainable development, notably in its support for the NHS as a Corporate Citizen initiative and its Toolkit Development. The Sustainable Development Commission hopes this approach developed with DH can be rolled out across the public sector and beyond. DH aims to continue to be in the forefront of identifying and delivering on SD.

Yours,

Caroline Flint MP

Parliamentary Under Secretary of State for Public Health

January 2006

Memorandum submitted by HM Treasury

SUSTAINABLE DEVELOPMENT REPORTING

Thank you for your predecessor's letter of 15 November to Ivan Lewis seeking our views on the NAO's recent study on sustainable development reporting by Government Departments. I am replying as HM Treasury's sustainable development Minister.

As you know in the UK Sustainable Development Strategy, *Securing the Future*, all Government Departments committed to produce a sustainable development action plan setting out how they will implement the commitments made in the strategy. These action plans will be a key tool in ensuring that sustainable development is taken into account in policy formulation and operational decisions in Government Departments. The plans will provide a basis for assessment of progress and enable us to build on the reporting of sustainable development included in the HM Treasury annual report and the current Sustainable Development in Government publication.

To date, we have not included sustainable development reporting in the Departmental Annual Reports guidance, on the grounds that it is largely up to departments to organise their departmental reports and decide where they will publish such information. As a matter of best practice, however, we have tried to set a positive example by including a section on sustainable development in our own annual report.

The Treasury has followed the advice of the independent Financial Reporting Advisory Board and applied the same standards in the Financial Reporting Manual from the financial year 2005–06, augmented with Practical Examples and Proformas and links to websites with further guidance. The outcome of the FRAB's June meeting is available on its website at: http://www.hm-treasury.gov.uk/documents/financial_management/finrep_adboard/frab_meeting_240605.cfm.

These discussions reflect the developing nature of Sustainable Development Reporting, note the absence of wider guidance and raise issues on inclusion in financial reports. As practice develops, the Treasury will take advice and up-date financial reporting practices in Central Government.

I hope this is helpful.

Yours ever,

John Healey MP

February 2006

Memorandum submitted by the Home Office

RESPONSE TO NATIONAL AUDIT OFFICE'S ANALYSIS OF HOME OFFICE SUSTAINABLE DEVELOPMENT REPORTING

Thank you for your letter of 15 November asking for my comments on the National Audit Office's (NAO) analysis of Sustainable Development (SD) reporting in the Home Office. I welcome the positive comments of the NAO on some aspects of our SD reporting, including the recognition of the Prison Service SD report, but the NAO also identifies some areas where reporting could be improved.

First, the NAO identify correctly that, to date, Home Office reporting on SD has consisted of a small section within the Departmental report. We recognise that this is not ideal as there are obviously competing demands for space within the main report, which inevitably focuses on the Department's key policy subjects. However, as you mention, all Government Departments will be publishing SD Action Plans this year and

we intend to report on progress against our Plan by means of a dedicated SD report, the first of which will be published in December 2006. This will include much more detail on all aspects of SD: our environmental impacts, policy impacts and our impacts as an employer. This report, taken together with the separate SD report for the Prison estate, will cover the all of the Department's work.

The NAO has commented that the Departmental report contains a vision but no direct link to SD, only implicit links to some of its principles. Some of the Home Office's major policy areas, such as crime, fear of crime, volunteering and civil renewal impact significantly on SD. We will ensure that these are addressed in the 2006 annual report, which will also include specific reference to the UK Government Sustainable Development Strategy, and draw out the elements most relevant to the work of the Department.

The final point made by the NAO was that the annual report only made an explicit link between SD and housekeeping issues rather than overall public policy priorities. In our efforts to keep the annual report down to a manageable size we focused on the Department's environmental impacts in the SD section whereas policy impacts were covered in depth elsewhere. By including the relevant weblinks we hoped to encourage readers to find out more about the full range of HO SD impacts. We will consider how to address this further in our future reporting.

Yours sincerely

Andy Burnham MP
Parliamentary Under Secretary of State

December 2005

Memorandum submitted by the Department for International Development

Dear Peter,

Thank you for your letter of 15 November on the National Audit Office (NAO) study on Sustainable Development Reporting by Government Departments for the Environmental Audit Committee (EAC). You asked for comments on the NAG analysis of DFID's sustainability reporting, and how I plan to deal with any deficiencies.

The NAO has produced a useful and informative study, in which the excerpt on DFID is a fair reflection of how sustainable development was reported in DFID's annual Departmental Report for 2004. I was pleased to see the study found that sustainable development themes were integrated into the Departmental Report, and also that sustainable development is integral to DFID's vision of achieving the Millennium Development Goals. On operations, I was also pleased the NAO found that DFID identifies housekeeping priorities, makes links to sustain able development in Government reporting, and recognises that we are developing an environmental management system.

However, in common with many other Government departments, the Study says that a link is not made with Government-wide reporting on the UK's Sustainable Development Strategy. This will change in future. The new UK Sustainable Development Strategy, published in March this year, has a significant international dimension with greater relevance to DFID. Future DFID Annual Reports will make connections with the UK Strategy.

In addition, we are currently finalising DFID's Sustainable Development Action Plan, identifying how we will take forward commitments in the UK Sustainable Development Strategy. I will review and approve the Action Plan before it is issued. This Plan draws on comments from other Government Departments, including Defra, as well as the Sustainable Development Commission. I will send you a copy of the Action Plan when it has been finalised. We will then report progress against the plan annually, as well as summarising progress in the Departmental Report.

Thank you for the work of the EAC and the NAO in producing this interesting and useful report, and DFID looks forward to future cooperation.

I hope this is helpful.

Yours sincerely,

Gareth Thomas MP
Parliamentary Under-Secretary of State

December 2005

Memorandum submitted by the Office of the Deputy Prime Minister

Dear Peter,

SUSTAINABILITY

Thank you for your letter of 15 November, regarding the National Audit Office's (NAO) analysis of ODPM's sustainability reporting.

I would agree that it is important that Departmental annual reports reflect the significance of the sustainability agenda. I was pleased to see that the NAO noted that the ODPM has integrated sustainable development issues into the annual report, and sets out its commitment to key sustainability targets.

Yvette Cooper MP
Minister for Housing and Planning

December 2005

Memorandum submitted by the Solicitor General

Dear Peter,

Thank you for your letter of 15 November in which you invite my comments on that section of the National Audit Office's Study which deals with my departments.

I accept that my departments need to approach sustainable development issues more consistently and comprehensively. You will be aware that there has not so far been any formal method of reporting on sustainable development issues, other than the general guidance that this issue should be covered in departmental reports.

The Report to which the NAO refers is now of course some 18 months old—it was published in April 2004. I accept that against the National Audit Office's current framework for assessing departmental reporting there are deficiencies which we are currently addressing.

In the light of the new Sustainable Development Strategy we are reviewing the content of our departmental reports; we will ensure that the new strategy is covered in those reports and will be reporting on the Law Officers departments' sustainable development action plan which we are in the process of putting together. We hope to publish that plan before the end of this calendar year.

Yours Ever,

The Hon Mike O'Brien QC MP

December 2005

Memorandum submitted by the Department of Trade and Industry and the Foreign and Commonwealth Office

Dear Peter,

Thank you for your letter of 15 November about the NAO's recent study on SD reporting.

The NAO's analysis (which was attached to your letter) related to our 2003–04 Departmental Report, and was a fair reflection of the extent to which SD was included in the report. However, we have made quite a bit of progress on SD since last year's Departmental Report was published, as officials discussed with the NAO during the study and as the NAO reflected in Appendix 5 of their report ("Changes in reporting which departments plan for 2005"). Fuller details of what we have done and plan to do were set out in the attached letter, which was sent to the NAO in April.

The FCO's 2004–05 Departmental Report (published in June this year—copy enclosed) [not printed] included two chapters devoted to sustainable development issues (one on SD and human rights, and one on energy security), and sustainable development was also covered elsewhere in the report (for example in relation to poverty reduction; business, global governance and corporate social responsibility; science and innovation; public diplomacy; and estate management).

In March this year the Foreign Secretary launched a Sustainable Development Strategy for the FCO (also referred to in our 2004–05 Departmental Report), which flows from the Government's SD Strategy. It sets out SD targets for this financial year as well as longer-term objectives, and it provides our SD Action Plan for 2005–06. It also commits us to reporting progress on SD in future FCO annual Departmental Reports. We have recently carried out a review of progress so far towards the Strategy, and a summary of key SD achievements,

since the Strategy was published, is available at www.fco.gov.uk/sustainabledevelopment/strategy. The Sustainable Development Commission have agreed to work with us to review progress next March (ie one year on from publication). We are also currently starting work to identify SD targets for next financial year.

We continue to implement the Framework for SD on the Government Estate, through our Environmental Management System, and we report progress via our website, and annually in the Sustainable Development on the Government Estate Questionnaire. We will include reporting on environmental management issues within the FCO Departmental Report in future.

Yours sincerely

Ian Pearson
Minister for Trade and Foreign Affairs

Dear Joe,

REPLY TO PETER AINSWORTH, EAC—SUSTAINABLE DEVELOPMENT REPORTING

Thank you for your letter of 24 March to Ric Todd, enclosing the NAO's draft briefing for the Environmental Audit Committee (EAC) on Sustainable development reporting by UK government departments. Ric has asked me to reply.

The comments in the briefing on the FCO clearly relate to the FCO's Annual Report for the period 1 April 2003–31 March 2004 which was published in April 2004. The comments are generally fair and there are no amendments that we wish to propose to them. However as you anticipated in your letter we have made a number of improvements to the way sustainable development is reported in our 2005 Annual report which is currently being prepared for publication. We have also produced a Sustainable Development Strategy for the FCO (www.fco.gov.uk/sustainabledevelopment/strategy) which was launched by the Foreign Secretary on 14 March. It would be unfortunate if the progress we have made in the last twelve months were not somehow reflected in the briefing.

I have ordered our comments under the headings used in the briefing for the EAC.

Sustainable development does not feature prominently in most departmental annual reporting

Like all Departments, the FCO receives annual Public Expenditure System (PES) guidance from the Treasury on producing its annual Departmental Reports. This primarily requires us to report on our activity towards achieving our objectives and Public Service Agreement (PSA) targets which we agree with Treasury. The FCO structures its reporting around these criteria. In the FCO's 2003–04 Departmental Report therefore, reporting on sustainable development was covered largely in the chapter on "Prosperity and quality of life", under the PSA target on "making globalisation work for sustainable development".

Sustainable development is covered in more depth in the 2004–05 FCO Departmental Report. With Treasury approval, the report is structured around our Strategic priorities, which means that there are two chapters explicitly on this subject, one devoted to sustainable development and human rights, which includes a Ministerial statement on this issue, and another on energy security. Sustainable development is also covered elsewhere, indicating the greater integration of this issue into policy formulation. For example reference is made in the context of:

- a peace facility in Africa (related to poverty reduction);
- business and global governance, with a section on Corporate social responsibility;
- the chapter on Science and innovation, with a Ministerial statement making the link between this issue and sustainable development;
- the chapter on public diplomacy, describing a project in Japan, promoting UK innovation.

The chapter on Sustainable Development is headed by a statement by the Bill Rammell, the FCO Minister responsible for Sustainable Development. This explains what sustainable development is and why it is an integral part of the FCO's work.

Our FCO Sustainable Development Strategy contains a Foreword by the Foreign Secretary which emphasises the importance of delivering the targets in the Millennium Development Goals and the commitments made at WSSD. On page 31 of the Strategy we make clear that we will audit progress against the strategy each year and that progress will be reported to Parliament in the annual FCO Departmental report. We also state that the targets in the report will be reviewed and updated annually and that details of the review and the new targets will be published on the FCO website.

Reporting on long-term vision and sustainable development principles has been variable

While the 2005 annual report does not specifically refer to a vision in relation to sustainable development, it includes the following introduction to the chapter on sustainable development:

“The UK cannot secure or prosper in isolation, so we seek to promote good government, reduce poverty and protect the natural environment and biodiversity around the world. FCO policies aim to combine economic growth, social justice and protection of the environment.

Sustainable development helps prevent conflict arising from poverty, inequality or unsustainable use of natural resources. It promotes co-operation in an increasingly fragile world. It is an integral part of the FCO’s work.”

The Chapter makes a clear link to the FCO’s Sustainable Development Strategy, sets out the main role that the FCO will play and explains that the FCO will work in partnership with other government departments to promote global action on sustainable development on behalf of the Government as a whole. The “Lessons Learned” section of the Chapter makes the link to the UK Sustainable Development strategy, stating that “our new Sustainable Development Strategy should help deliver the UK’s international priorities on sustainable development as set out in the 2005 UK Strategy by focusing on priority issues and countries . . .”

Our FCO Sustainable Development Strategy makes the link to the UK Sustainable Development Strategy in the Foreword by the Foreign Secretary as well as on the first page of Chapter 1.

*Departments report on risk management and stakeholder engagement, but there is room for improvement***Risk Management**

The 2003–04 FCO Departmental Report does not report explicitly on its overall approach to risk management although reference is made on specific issues such as staff security and investment planning. There is, however, additional material in the public domain, such as the minutes of the most recent FCO Board meeting which are on the FCO’s website (www.fco.gov.uk) which refer to the Department’s work on developing a ‘single coherent tool to manage a range of risks’. The FCO Board will consider this further in June. We will report on progress in future annual Reports.

Stakeholder Engagement

The FCO carried out stakeholder consultation while preparing both its Departmental Strategy in 2003 and its Sustainable Development Strategy this year. This involved a range of Government and non-Governmental groups.

A section of this year’s Departmental Annual Report describes outreach work the FCO does with civil society to encourage new perspectives on our work and the issues we deal with. This describes work with a range of stakeholders including external advisory bodies on sustainable development and human rights. Within the chapter on Sustainable development in the Departmental Annual Report there is a box “Listening to others” describing how the FCO has used the Green Globe Network, which it funds, to collect NGO input into both the international dimension of the UK Sustainable Development Strategy and the FCO Sustainable Development Strategy. It also notes that the FCO Sustainable Development Strategy was drawn up in consultation with the Sustainable Development Commission. Last year for the first time the FCO included regular sections on “Lessons learned” in its annual Report. These transparent evaluations of our work were welcomed by the Foreign Affairs Committee in their Report on last year’s FCO Report (*Foreign Affairs Committee Eighth Report of Session 2003–04*, pages 13 and 14). In the chapter on Sustainable development and human rights in the draft of the 2004–05 Report, there are three “Lessons learned” on Sustainable development. These include one on the need for closer work with our stakeholders within Government.

To help make the FCO Departmental Report more accessible, we worked for the first time last year with an external body, the Plain English Campaign, to obtain their “Crystal Mark for clarity”. We are working with the Campaign this year again to try to obtain the Crystal Mark for the 2004–05 Report.

Most departmental annual reports refer to housekeeping issues, but quantified performance data is generally not disclosed

The FCO’s Report provides reporting on meeting high-level PSA targets but has not so far provided more detail on lower-level targets such as our performance against the Framework for sustainable development. Details of our progress towards the Framework targets are however published on the FCO website. Our FCO Sustainable Development Strategy contains a number of “housekeeping” targets related to the Framework. These will be reported on annually, and publicly, in the same way as all other targets in the Strategy.

Departments report on policy priorities with varying quantification and few link policy priorities explicitly to sustainable development

Our response under the first heading above on how SD features in Departmental reporting provides a bullet list of examples of where SD is explicitly linked to policy priorities. It also explains how sustainable development is enshrined in our Strategy.

Departmental reporting is not independently assured

The FCO produces its Departmental Report to a tight time scale, normally requiring the Report on one financial year to be published very early in the next financial year. While we are always looking for ways to improve the quality of our reporting, it would probably be impractical to audit individual aspects, even overarching aspects such as SD. Instead auditing occurs within individual directorates with ownership of our Strategic priorities.

In the FCO's Sustainable Development Strategy (page 31) we state our intention to ask an independent organisation to audit progress against the strategy each year and that progress will be reported to Parliament in the annual FCO Departmental Report.

In general our performance data goes through a process of verification during the monitoring phase and when data is compiled centrally for inclusion in assessment reports, particularly those for publication. We also seek assurance of its quality through co-ordinating with OGDs where PSA targets are shared. Our assessments are also subject to external validation through the process of responding to FAC questions, both to the Departmental Report itself and other published performance reports, especially the Autumn Performance Report. Performance data relating specifically to the FCO's implementation of the Framework for Sustainable Development on the Government Estate is verified through a system of internal and external auditing.

I look forward to hearing how these improvements to our annual sustainable development reporting will be reflected in the briefing that you provide to the Environmental Audit Committee.

Best wishes

John Marshall

Deputy Head Sustainable Development and Commonwealth Group

December 2005

Memorandum submitted by the Department of Trade and Industry

Dear Peter,

Thank you, for your letter of 15 November about the National Audit Office's study on Sustainable Development Reporting by government departments.

We have looked at the NAO's report and their comments on Sustainable Development Reporting in DTI's Annual Report and will be taking forward actions to improve our sustainable development reporting through our Sustainable Development Action Plan. We are keen to have strong links between the key DTI policy areas covered in the government's Sustainable Development Strategy in our Sustainable Development Action Plan and to bring these out more fully in our annual report.

Part of the work of our Sustainable Development Plan will be to ensure that sustainable development is more visibly incorporated and publicised in the Department's work. We also envisage that through the work of producing and reporting against Sustainable Development Action plans and working with other government departments on our shared indicators, the standard of sustainable development reporting across government will improve. DTI will be working actively with other government departments to ensure that this happens.

Best Wishes

Malcolm Wicks MP

Minister for Energy, Department of Trade and Industry

December 2005

Memorandum submitted by the Department for Transport

Thank you for your letter of 15 November, concerning sustainability reporting in the Department for Transport.

The Department produced its latest annual report in June which took into account some of the concerns in the NAO analysis. The foreword to the report was amended so that it mentions sustainable development.

The report also confirms that our progress “will be measured against the key headline indicators in the UK Sustainable Development Strategy”.

The Department is currently producing a Sustainable Development Action Plan which we aim to publish by the end of the year, and this will also take into account the comments in the NAO analysis. The Action Plan will reinforce the Department’s commitment to Sustainable Development and give details on how the Department will report progress.

Yours sincerely

Karen Buck MP
Parliamentary Under Secretary of State

December 2005

Memorandum submitted by the Department for Work and Pensions

Thank you for your letter of 15 November and the opportunity to comment on the study undertaken by the National Audit Office on Sustainable Development reporting by government departments. I have attached, as an annex to this letter, our comments on the assessment of DWP, which have been related to the main findings contained within your report. Overall, the comments from the NAO on our reporting mechanisms are very positive.

As you are aware, my Department has been producing an annual Sustainable Development report, to support the section within our main Departmental Report, since 2001. It is our intention to continue with this, and from 2006 incorporate progress on implementing our Sustainable Development Action Plan. We always welcome and encourage feedback on our reports in an effort to improve the quality and we will be carefully studying the recommendations to try to improve the standard of our reporting.

The development of guidance for those departments who are new to sustainable development would be welcomed. Officials within the Department would be willing to help contribute to such a project.

I am copying this to the Prime Minister, members of EE(SD) committee and to Sir Andrew Turnbull.

Lord Hunt of Kings Heath OBE
Parliamentary Under Secretary of State for Work and Pensions

DWP COMMENTS ON THE NAO BRIEFING: SUSTAINABLE DEVELOPMENT REPORTING BY GOVERNMENT DEPARTMENTS

<i>Main Findings</i>	<i>DWP Findings</i>	<i>Response</i>
Lack of prominence of sustainability within reporting	The NAO study notes that DWP is unique amongst those departments with less substantial environmental interest in reporting prominently on sustainable development. The DWP report is then used as case example 1.	We began producing a separate sustainable development report, as there was insufficient room within the Departmental main Annual Report in which to do the subject justice. We felt that there was a need to explain the context of our progress against a number of target areas (both good and bad) and that an annual report would be the best vehicle for this. The original report was compiled entirely by the Sustainable Development Team. We now involve key staff from each business and client group area to provide the business focus and report fully on the progress made within their areas—both in terms of core policy development and operational issues.

<i>Main Findings</i>	<i>DWP Findings</i>	<i>Response</i>
Use of SD as an overarching framework	Sustainable development is regarded as an overarching framework through which the department's activities are undertaken. A statement from the Department SD Minister is included.	Sustainable development is not purely about environmental issues. We promote extensively the triple bottom line, and use the annual report to that effect. We have been including specific "social" issues within our report since 2003.
Stakeholder engagement	Our annual reports have not addressed stakeholder engagement beyond those suppliers who can help contribute to the achievement of estates partners Land Securities Trillium.	The DWP Sustainable Development Action Plan will address wider stakeholder engagement.
Performance data	Housekeeping priorities and targets are identified and progress towards them is outlined through the stand-alone document. The department has adopted a corporate Environmental Management System called "Sustainability in DWP"	We believe that an effective report should have a combination of raw data, in tables, charts or graphs and supporting text, which provides context. It is also important that were part progress—either good or bad—to demonstrate how we are progressing against previous years. The use of supporting text allows us to explain what measures we intend to put into place to address areas of poor performance.
Explicit links to the UK Strategy for Sustainable Development	The stand-alone report contains a vision, which makes explicit reference to sustainable development, to the Government's overall headline sustainable development indicators. Implicit links are made to some of the 10 sustainable development principles throughout.	It is important to link our core business and our operations back to the UK Strategy. This helps the report audience to make the right connections, and demonstrate how DWP actively supports sustainability, through our core policies and the way that we do business.
Use of third party verification	The sustainable development reporting includes commentary on internal audit and assurance. Case study 4.	To date, DWP has only used third party verification for timber (which is supplied by our estates partner)—to assure that the information provided from the supply chain is accurate. We are extending the use of third party verification to further information provided by our estates partners. The SD Action Plan also commits us to exploring the use of third party verification to other data streams. The Department has a well-established internal audit process, which covers decision-making and operations. Our processes have been audited and as a result we are now building sustainable development criteria into standard internal audits process.

December 2005