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Sustainable development and business decision making in the Welsh Assembly Government

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I have prepared this report for presentation to the National Assembly under the Government of Wales Act 2006.

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Whilst much has been achieved, there is still much to be done, before the Welsh Assembly Government's business decision making processes adequately support the Assembly Government's ambition for a sustainable Wales

Summary

1 A widely used definition of sustainable development states that it is 'development which meets the needs of the present without compromising the ability of future generations to meet their own needs'[1]. It emphasises the importance of a balanced and integrated approach in our response to social, economic and environmental needs and aspirations. It also emphasises the importance of balancing the needs of the developed and developing parts of the world.

2 Figure 1 below, illustrates this concept of sustainable development.

3 Sustainable development is the process by which we reach the goal of sustainability. In 1992, the Report of the United Nations Earth Summit, in Rio de Janeiro, stated that 'Human beings are at the centre of concerns for sustainable development. They are entitled to a healthy and productive life in harmony with nature'[2].

4 The Government of Wales Act 1998 required the National Assembly to make a Scheme setting out how it proposed to promote sustainable development in all its functions. It required the Assembly, after each financial

Figure 1

Developing World

Society

Today's Generation

Tomorrow's Generation

Environment

Economy

Sustainable Development

Developed World

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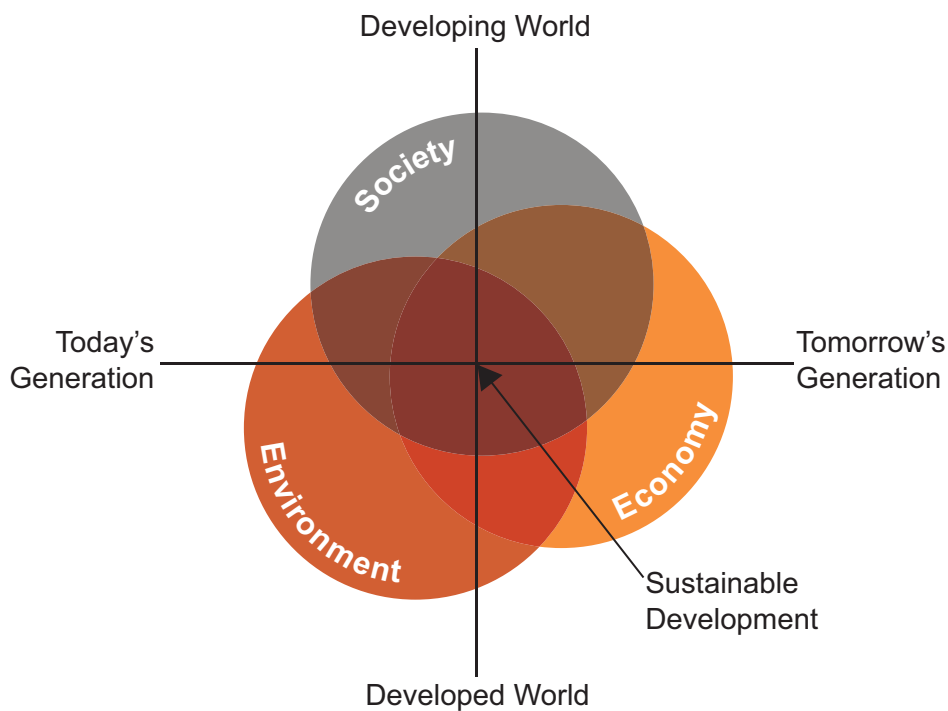
1 *Our Common Future* by the World Commission on Environment and Development in 1987

2 *Report of the United Nations Conference on Environment and Development*, Rio de Janeiro, 3-14 June 1992

Sustainable development and business decision making in the Welsh Assembly Government

year, to publish 'a report of how its proposals as set out in the Scheme were implemented in that financial year'. The 1998 Act made Wales one of only a small number of administrations in the world to have a statutory duty to promote sustainable development.

5 Since 1998 three schemes have been made setting out how the Assembly Government proposes to implement the duty: *Learning to Live Differently* formally adopted by the National Assembly in November 2000, *Starting to Live Differently*, published in March 2004 and *One Wales: One Planet* published in May 2009. Better decision making for sustainable development has featured in all schemes. *Starting to Live Differently* states: 'The Assembly Government recognises the need to establish key tests that will enable others to measure its progress in mainstreaming sustainable development and achieving good governance. It will seek to become recognised as an 'excellent' organisation in this respect'.

6 Under the Government of Wales Act 2006, the duty to prepare the sustainable development Scheme and annual report now lies with Welsh Ministers rather than the National Assembly. The Assembly Government has produced its sixth statutory report on progress covering the financial year 2006-07. *Starting to Live Differently* recognised the need to establish key tests that would enable others to measure the Assembly Government's progress in mainstreaming sustainable development in its decision-making. The Assembly Government published a new sustainable development Scheme in May 2009, called *One Wales: One Planet*. This report looks at Assembly Government decision making and sustainable development in the 10 year period prior to the publication of this new sustainable development scheme.

Wales Audit Office shared the emerging findings from this work with Assembly Government officials at, an early stage, to enable them to take account of these findings when drafting the new sustainable development scheme.

7 Sustainable development is often perceived as a 'wicked' issue and the Assembly Government has recognised that there are many barriers to embedding sustainable development in its decision-making.

8 The Assembly Government has promoted policy integration processes and tools as key methods for embedding sustainable development in its business decision making. It has also adopted a set of indicators by which to measure and report progress against its scheme. In recent years, the Assembly Government has undergone significant structural reorganisation and is undertaking a number of business change initiatives aimed at improving the way it does its business. Together these create challenges and opportunities for the Assembly Government to embed sustainable development in its business decision making.

9 Good practice in embedding sustainable development in making decisions can be usefully summarised as:

a an integrated view of economic, social and environmental results;

b a long term perspective that is concerned with the interests of future generations as well as those of people today; and

c an inclusive approach that recognises the importance of involving people in the decisions that affect them.

10   Our study focused on the degree to which the Assembly Government has embedded this good practice in its decision-making. We did not consider 'green housekeeping' decisions. The study was also able to examine the Assembly Government's evolving response, to the challenge of sustainable development, over an extended period[3].

11   We asked the question, 'Is the Assembly Government's business decision making process supporting its sustainable development objectives?' We found that, whilst much has been achieved, there is still much to be done before the Assembly Government's business decision-making processes adequately support the Assembly Government's ambition for a sustainable Wales.

12   We reached this conclusion because:

a   the Assembly Government has put in place a scheme, supported by a range of tools, approaches, projects and activities intended to promote sustainable development in all that it does;

b   limitations in the Assembly Government's business processes have impaired their effectiveness in embedding sustainable development objectives and principles in business decision making;

c   sustainable development is seen as one of a number of competing priorities, rather than the means by which the Assembly Government manages its competing priorities.

The Assembly Government has put in place a scheme, supported by a range of tools, approaches, projects and activities intended to promote sustainable development in all that it does

13   The Assembly Government has complied with the Government of Wales Act 2006, which requires Ministers to 'make a scheme setting out how they propose, in the exercise of their functions, to promote sustainable development'

14   The Government of Wales Act 2006 sets out a range of requirements in relation to the Assembly Government's sustainable development scheme including the need to consult, review and report on the effectiveness of the scheme.

15   Since adopting its first sustainable development scheme, *Learning to Live Differently*, in 2000, the Assembly Government has kept its approach to sustainable development under review. It adopted a second sustainable development scheme in 2004 *Starting to Live Differently*. An independent review of this scheme in 2008, found the need for significant improvement in a number of areas. The Assembly Government used this review to inform its new scheme, *One Wales: One Planet* published, following consultation, in 2009.

16   The Assembly Government has developed a range of tools and approaches to promote sustainable development and support Assembly Government officials in making decisions that promote sustainable development. Procurement is one of the key vehicles for embedding sustainable development in business decision making. Value Wales has developed the Sustainable Procurement Assessment Framework (SPAF) to help public sector organisations to assess

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3 See Appendix 2 for a timeline of the study

the extent to which their current procurement is sustainable and a Sustainable Risk Assessment (SRA) template to test all procurement over £25,000. The Assembly Government has developed a Policy Gateway Integration Tool (PGIT) to ensure that policies are joined up and engage the right people, with the aim of ensuring that policy making fulfils its commitment to sustainable development, equality of opportunity and social justice. The Assembly Government is one of only a few national or regional administrations to have adopted the ecological footprint as one of its five headline sustainable development measures.

17   Over the period of the first two sustainable development action plans, the Assembly Government has sponsored a wide range of projects and activities that have contributed to its ambition of learning and starting to live differently. These have included: Appetite for Life, which seeks to embed sustainable development principles in school meal procurement; education for sustainable development and global citizenship; NHS Wales' Healthy Sustainable Wales project; and sustainability indicators for Wales.

Limitations in the Assembly Government's business processes have impaired their effectiveness in embedding sustainable development objectives and principles in business decision making

18   If sustainable development is to adequately shape the Assembly Government's business decision making, key decisions should effectively integrate social, economic and environmental considerations, to improve wellbeing now and in the future. Sustainable development principles have not been consistently embedded in the Assembly Government's strategic and operational decision making. The Government of Wales Act 2006 commits the Assembly Government to ensuring that all its funding works for

sustainable development. However, sustainable development is not driving resource allocation nor is it integrated into all financial and business planning processes. The Assembly Government has not ensured that all its grant giving underpins its vision of a sustainable future.

19   The Assembly Government's PGIT and departmental project development and appraisal tools are intended to embed a joined up approach to decision making. However, their effectiveness has been undermined by; the lack of an agreed understanding of what embedding sustainable development means for government; and the lack of an organisational culture that promotes and support robust challenge and a focus on results.

20   The Assembly Government has sought to use action plans and annual reports linked to its first two sustainable development schemes to embed sustainable development in its decision making but this has not been effective. Independent reports on both action plans have found that they have a number of limitations and do not provide an effective agenda for action by the Assembly Government and its partners.

21   Annual Reports have been published each year but, whilst these have been mentioned in National Assembly plenary sessions, they have not been scrutinised by any of its subject committees. Annual reports have not been effective in highlighting priorities and gaps in coverage nor in identifying trends over time.

22   The Assembly Government's approach to business planning has not helped it to mainstream sustainable development. It has reinforced silo working and built upon existing, established ways of doing business. The Assembly Government has not established key tests to measure its progress

in mainstreaming sustainable development. Nor do the Assembly Government's performance management systems enable it to track its progress. Whilst it spent almost six years working with stakeholders to develop sustainable development indicators, there is limited evidence that these have been actively used in policy appraisal or as an aid to communicating sustainable development issues.

Sustainable development is seen as one of a number of competing priorities rather than the means by which the Assembly Government manages its competing priorities

23   The Assembly Government has only recently, in its new sustainable development scheme, *One Wales: One Planet*, adopted sustainable development as its central organising principle. For most of the previous decade, the Management Board had not identified sustainable development as the process for integrating and managing the Assembly Government's duties and priorities. Assembly Government policy development and decision making treats sustainable development as one in a lengthening list of cross cutting issues.

24   Until recently, the Assembly Government has not expressed clearly and consistently what sustainable development means for government in Wales or for individuals. Its leadership has had different ideas as to what it means. This has degraded sustainable development to the point where it 'can be argued that it is everything we do'[4]. Rather than resulting in cultural change, integrated working or new ways of doing business, sustainable development has become neutralised by silo working. Implementation has focussed on demonstrating compliance and not on challenging existing ways of doing business.

25   The Assembly Government's attempts to join up policy and decision making have been inconsistent and often impair its ability to embed sustainable development in its decision making. Initiatives such as Making the Connections, the Wales Spatial Plan (WSP) and work with local government have not realised their full potential. The Management Board has not provided clear leadership on sustainable development by challenging established ways of doing things. Understanding and expertise in sustainable development has developed in pockets through individuals and departmental initiatives. The Assembly Government has struggled to spread good practice throughout the organisation.

26   Sustainable development is often perceived as difficult and complex within the Assembly Government. This perception is a product of the general difficulties that the Assembly Government experiences in trying to work in an integrated way.

27   The Assembly Government has adopted the UK's five guiding principles of sustainable development but has not effectively challenged 'business as usual' processes. Much of the Assembly Government's activity to date on developing tools and procedures aimed at improving coordination has not been effective due to a lack of clarity of purpose. The new sustainable development scheme *One Wales: One Planet* recognises the need to move from a focus on passive compliance to active management of the conflicts arising from conflicting priorities.

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4 Written response from an official in the Department for Social Justice and Local Government.

Recommendations

1 These recommendations are designed to direct the Assembly Government's focus towards the change in organisational culture, which will be required to fulfil its ambition to make sustainable development its central organising principle. In addition, the financial pressures now facing the public sector spending pose significant challenges. The need for robust decision-making, therefore, becomes even more critical and underscores the importance of embedding sustainable development in decision making, across all government departments.

2 The Assembly Government needs to build on the foundation of *One Wales: One Planet* by adopting a more strategic approach. Its work under the new Scheme should be more tightly focused on challenging existing ways of doing business in the following key areas:

    a legislation;

    b policy and strategy; and

    c spending taxpayers' money.

3 A number of key building blocks will need to be put in place for business decision making to be integrated, inclusive and take account of the long term.

4 To move beyond the rhetoric and make this an organisational reality will require more than changing business processes or the development of tools and initiatives. It requires the creation of a culture where sustainable development is embedded in all key decisions. Leadership commitment is a key to unlocking improvement in this area, as is staff engagement and motivation. The Assembly Government should:

a Embed sustainable development in the Assembly Government's governance procedures, financial planning, core business planning processes, change programmes and human resources processes. This will demonstrate clearly what government will look like, when sustainable development is the central organising principle. To underpin this improvement, a particular focus is required in a number of specific areas:

    i Establish a management culture that places a premium on:

- identifying policy conflicts at an early stage;

- actively working with stakeholders to resolve conflicts; and

- where conflicts cannot be resolved, managing and mitigating policy conflicts.

    ii Embed sustainable development in an integrated approach to strategic, financial and operational planning.

    iii Adopt an approach to business planning and performance management that helps both individuals and the whole organisation to focus on results, by:

- establishing a results based approach[5], where 'ends' drive the 'means'; establishing clarity about accountability for population results and organisational performance results;

- simplifying performance management through the use of three categories: 'How much has been done?', 'How well has it been done?' and 'Is anyone any better off?' with the emphasis being placed on the latter two categories;

5 For more information on results based accountability, see Appendix 6.

- using regular review and evaluation to inform the production of the Annual Report on the sustainable development scheme; and

- using the requirement to produce an annual report to engage internal and external stakeholders in identifying the story behind the year's performance, and action to do better.

iv Engage Assembly Government stakeholders (including staff) in embedding sustainable development in business planning and performance management.

b Ensure that all Assembly grant aid supports and promotes sustainable development by:

i setting terms and conditions that support sustainable development for all grants; and

ii ensure that key management information on grant aid is available and accessible centrally, to enable the monitoring and evaluation of the effectiveness of terms and conditions.

c Make effective use of the five sustainable development principles to challenge existing ways of doing business, ensuring that business decision making is integrated, inclusive and takes account of the long term.

Part 1 – The Assembly Government has put in place a scheme, supported by a range of tools, approaches, projects and activities intended to promote sustainable development in all that it does

The Assembly Government has complied with the Government of Wales Act 2006 which requires Ministers to 'make a scheme setting out how they propose, in the exercise of their functions, to promote sustainable development'

Welsh Ministers have kept the sustainable development scheme under review and, in May 2009, the Assembly Government published a new sustainable development scheme, following a consultation on a draft scheme

1.1   The 2004 to 2008 sustainable development scheme, *Starting to Live Differently* was the second scheme produced by the Assembly. The Assembly adopted its first scheme, *Learning to Live Differently* in 2000. The Assembly developed the 2004 scheme following a review and revision of the first scheme.

1.2   The Government of Wales Act 2006 makes certain requirements in regard to the scheme:

a   it should set out how the Assembly Government should propose to implement the duty;

b   consultation should be undertaken before making it;

c   it should be kept under review; and

d   the Assembly Government should publish an Annual Report on progress and evaluate its effectiveness every four years.

1.3   'It is primarily the responsibility of the Assembly Government to implement the scheme and to develop an Action Plan to say how it will do so'[6]. *Starting to Live Differently* also stated that the 2004-08 scheme was 'the National Assembly's overarching strategic framework' which set out 'the vision of a sustainable future for all of Wales where action for social, economic and environmental improvement work together to create positive change'.

1.4   The 2004-2008 Sustainable Development Scheme included eight principles that summarised the Assembly Government's commitment to sustainable development. The Scheme outlined how the duty will be fulfilled through:

a   decision making;

b   strategic policies which relate to sustainable development;

c   specific policy actions;

d   working with others (Europe and beyond; UK Government at national and regional level and other devolved administrations; local government; other public sector bodies; voluntary sector; business; experts and stakeholders; communities and individuals);

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6 *Starting to Live Differently: the Sustainable Development Scheme,* Assembly Government, CMK-22-05-003, November 2004

e leading by example;

f setting and using indicators and targets; and

g monitoring, review, evaluation, reporting and feedback.

1.5 The UK's *Shared Framework for Sustainable Development*[7] sets out five principles for sustainable development. They are designed to 'bring together and build on the various previously existing UK principles to set out an overarching approach, which our four separate strategies can share'. The 2004 to 2008 Sustainable Development Scheme, *Starting to live differently*, was produced prior to the UK's 'Shared Framework'. This led to a lack of alignment between the five principles of the UK framework and the principles set out in the Sustainable Development Scheme. One consequence of this was an inconsistency of approach, across the Assembly Government, in relation to the UK five principles. The Assembly Government seeks to address this in *One Wales: One Planet* its new Sustainable Development Scheme published, following consultation, in 2009.

In 2008, Welsh Ministers received an independent report on the effectiveness of their proposals to promote sustainable development which found the need for significant improvement in a number of areas

1.6 In order to avoid duplication with other on-going work, the 2008 effectiveness review focussed on the outward-facing aspect of how well the Assembly Government had achieved the vision set out in the 2004/2008 scheme. The focus of the analysis was on the delivery of sustainable development by the Assembly Government and its key partners. It also sought to acknowledge examples of good

practice and identify barriers to delivery. (See Figure 2).

The Assembly Government has put in place a range of tools and approaches to promote sustainable development

1.7 A wide range of decision support tools and techniques are now generally available, which can assist in the task of embedding sustainable development in decision-making. The Assembly Government has also developed its own tools and approaches intended to help Assembly Government officials make decisions that promote sustainable development.

Value Wales has developed the Welsh Procurement Initiative supported by guidance and tools such as the Sustainable Procurement Assessment Framework

1.8 Value Wales has a dual role. It deals with internal procurement for the Assembly Government and provides external support to other public sector organisations. Value Wales has developed the Welsh Procurement Initiative which has a number of facets including:

a e-procurement;

b sustainable procurement;

c collaborative procurement; and

d internal procurement.

1.9 Procurement is seen as one of the key vehicles for embedding sustainable development in the Assembly Government's business decision making. At the time of our fieldwork, the Assembly Government's Senior Business Team acknowledged that the

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7 *One future – different paths: the UK's shared framework for sustainable development*, Department for Rural Affairs, 2005

Figure 2 – Main messages from the 2008 sustainable development effectiveness review

Main message	Detail
Articulate what sustainable development looks like	There is a clear appetite for an articulation of sustainable development at the national level – with clear goals, outcomes and targets which the different sectors can understand and align their activity to. At present, though, there are some clear gaps in the direction of travel and the role of Assembly Government in helping to determine the direction of change.
Acknowledge risks, conflicts, incentives and trade-offs	There are some difficult choices to be made in order to pursue sustainable development at the expense of business as usual paradigms. For partners, the important issues are to explore the risks, trade-offs, conflicts and incentives with a clear evidence base, in discussions which are of 'high value' and for the choices to be clearly communicated to partners and the community.
Provide a consistent and meaningful message	There is clear evidence that the current messaging from Assembly Government is not helping key partners' progress sustainable development in their work.
Challenge existing partnership approaches	There is a strong commitment to partnership working and a consensus that Assembly Government should provide the leadership and direction for sustainable development in Wales with an overarching vision, but also seek to properly devolve responsibility to other key actors to debate, vision and map what sustainable development looks like in their area of specialism and develop mechanisms for change.
Ensure effective engagement and delivery	There is a widespread willingness amongst partners to engage with the Assembly Government on the difficulties that sustainable development presents. There is also a clear belief that some key partners were still not engaged in debating or delivering on sustainable development and, until they are, they remain potential obstacles to more sustainable approaches.
Measure tangible change	There was frustration and difficulty expressed by interviewees at the lack of progress in establishing successful and established mechanisms to measure sustainable development progress in Wales. Progress on alternative indicators such as the Ecological Footprint and ISEW aside, it was felt current work on the Quality of Life Indicators, and the current Performance Management Framework in the public sector, were not fit for purpose to place Wales' journey towards sustainable development into perspective.

Source: Sustainable development effectiveness report – Flynn, Marsden, Netherwood & Pitts, March 2008

Assembly Government had to be an exemplar organisation, for sustainable procurement - part of the culture of departments and supported by practical tools.

1.10 The SPAF is a tool designed to help public sector organisations to assess the extent to which their current procurement is sustainable. This assessment should then be used to produce an action plan to improve sustainable procurement in the organisation.

The SPAF is based on a number of priorities such as reduced resource consumption, sound environmental management, community development and regeneration, equalities and supplier development. A SPAF project board has been established, which includes champions from each Assembly Government department, to support and promote sustainable procurement.

1.11 A SRA has been developed based on work done by the Environment Agency. This is a sustainable development tool to test all procurement over £25,000 (apart from construction and transport projects). It will be used to test all Assembly Government contracts and funding letters to Assembly Government Sponsored Public Bodies.

1.12 Another facet of this approach is the Community Benefits Programme, which incorporates social benefits requirements into construction contracts. Pilot studies have been completed on the Rhondda Cynon Taf-Porth by-pass and the Llandudno-Holyhead Harbour projects.

Policy integration processes and tools have been a feature of the Assembly Government's approach to embedding sustainable development in policy development

1.13 In 2001, the Assembly Government entered into an agreement with Forum for the Future, to help them to develop a PGIT. The 2003 Annual Report stated 'We have completed the development of, and started to use, our top-level sustainability appraisal methodology, or 'integration tool'...'

1.14 The Assembly Government intranet[8] noted that the tool 'is a method for ensuring our policies are joined-up and engage the right people', and 'has been developed to help staff make better policy and create a more sustainable future for Wales'. More specifically, the PGIT 'has been designed to make sure that staff develop and deliver policies that not only meet the Assembly Government's strategic agenda but do it in a way that fulfils our commitments to sustainable development, equality of opportunity and social justice'. It is intended to 'make our policy making more transparent

and accessible to colleagues inside the organisation and to people outside who have an interest in, or are affected by, Assembly Government policy.' As such, the PGIT is intended to form a major element of the Assembly Government's Policy Gateway[9] process.

1.15 The Assembly Government emphasises a number of key features in relation to the intended use of the PGIT:

a it should cover all Assembly Government cross-cutting themes;

b the earlier it is used in policy development, the better the outcomes are likely to be;

c it should be used at key stages of the policy development process;

d it is a process for reaching group consensus on the impacts of policy under consideration;

e it is not a way of ascertaining whether a policy is right or wrong but whether policy impacts are likely to be more or less sustainable in social, economic and environmental terms; and

f it offers an opportunity to think about and discuss how policy can be improved.

1.16 The PGIT was reviewed, revised and updated in 2008 to take into account users' experience to date, new requirements for policy compliance and the commitments outlined in *One Wales*[10].

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8 *Assembly Government intranet (Horizon),* 2008 – Policy Gateway Integration Tool

9 The Assembly Government Policy Gateway process is based upon the Office of Government Commerce Gateway Review for Programmes and Projects.

10 *One Wales: a progressive agenda for the government of Wales.* An agreement between the Labour and Plaid Cymru Groups in the National Assembly, 27 June 2007.

The Assembly Government has adopted the ecological footprint as one of Wales' five headline indicators to measure progress towards sustainable development in Wales

1.17 *'To manage the transition to sustainability, we need measures that demonstrate where we have been, where we are today and how far we still have to go'*[11].

1.18 The Assembly Government has adopted the ecological footprint (Box 1) as one of its five headline sustainable development measures. It can be used to show the degree to which the people of Wales are living within environmental limits, one of the key five principles of sustainable development set out in the UK framework for sustainable development. Wales is one of only a few national or regional administrations to have adopted this measure.

Box 1 – Ecological Footprint

The Ecological Footprint is an indicator of the total environmental burden that we place on the planet. It represents the area of land needed to provide raw materials, energy and food, as well as absorb the pollution and the waste created by our activities.

1.19 The Stockholm Environment Institute has calculated Wales' ecological footprint at 5.16 global hectares per person (2003 data). That is, it would require more than five hectares per person to support the lifestyle of the population of Wales. This means that if everyone on earth lived as people in Wales do, we would use resources equivalent to 2.7 planets. The Stockholm Environment Institute report also calculates the footprint for the six spatial plan areas in Wales and for each of the 22 local authorities.

1.20 The aim of the Assembly Government is to stabilise and then reverse the increasing trend of the ecological footprint indicator. The Stockholm Environment Institute report also reported that, 'If Wales successfully implements all planned policies for food, housing and transport, it may have done enough to stabilise its footprint by 2020'[12]. However, the Assembly Government's implementation of the previous two sustainable development schemes has been slow and has lacked a consistent approach across all aspects of government activity.

The Assembly Government has sponsored a wide range of projects and activities in support of its duty to promote sustainable development

1.21 Over the period of the first two sustainable development action plans, a wide range of projects and activities has contributed to the Assembly Government's ambition of learning and starting to live differently. They include:

a Wales for Africa International Framework.

b Appetite for Life and embedding sustainable development principles in school meal procurement.

c Sustainable Development Framework for Local Government.

d Education for sustainable development and global citizenship.

e Buildings and estate management.

f Tackling climate change.

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11 *Living Planet*, WWF, 2006
12 *Wales' Ecological Footprint – Scenarios to 2020*, Stockholm Environment Institute

g NHS Wales – Healthy Sustainable Wales.

h Staff Training.

i Sustainable indicators for Wales.

j Assembly Government Sponsored Public Body remit letters.

1.22 We provide a summary of these projects and activities in Appendix 1.

Part 2 – Limitations in the Assembly Government's business processes have impaired their effectiveness in embedding sustainable development objectives and principles in business decision making

2.1 If sustainable development is adequately shaping the Assembly Government's business decision-making, key decisions should effectively integrate social, economic and environmental considerations, to improve wellbeing now and in the future. A key test of this is the degree to which inherent conflicts are made explicit and either resolved or managed.

2.2 The Assembly Government's evolving business processes need to be sufficiently robust to support the consistent application of sustainable development principles in strategic and operational decisions.

Current tools and processes reflect sustainable development principles, but the application of these principles is not yet mainstreamed into Assembly Government decision-making

2.3 The purpose of the Assembly Government's sustainable development Action Plans (2000-2008) was to provide a framework for implementing its sustainable development schemes[13]. The Action Plans, together with Annual Reports, were intended to provide a basis for monitoring and reporting on the effectiveness of the sustainable development schemes.

Sustainable development principles have not been consistently embedded in the Assembly Government's decision making

2.4 The Assembly Government conducts its business in accordance with well-established public management principles, accountability requirements, value for money disciplines and other good practice guidance. The Assembly Government's operation of generic systems and processes of public accountability, propriety and value for money are necessary for the proper conduct of its business. However, they are not in themselves sufficient to ensure the mainstreaming of sustainable development principles in its strategic and operational decision-making. The degree to which either generic or bespoke tools and processes are able to support mainstreaming, depends upon having a clear, agreed idea of what sustainable development means for government, and for it to be consistently applied across government.

2.5 In 2004, *Starting to Live Differently* sought to fulfil its duty by mainstreaming sustainable development in the business decision making of the Assembly Government[14]. When we undertook our fieldwork, in 2007 and 2008, we found examples of:

a policies, programmes and grant schemes that had not been reviewed to align them with sustainable development principles; and

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13 *Learning to Live Differently*, National Assembly for Wales, 2000; *Starting to Live Differently*, National Assembly for Wales, 2004

14 *Starting to Live Differently,* Assembly Government, March 2004, Section 5A

b appraisal mechanisms, tools and definitions of value for money which had not been effectively monitored or reviewed to ensure that they underpinned the delivery of the Assembly Government's ambition for sustainable development.

2.6 At the time of our fieldwork, we found that a number of factors had contributed to the lack of a consistent approach to embedding sustainable development in the business decision making of the Assembly Government:

a Management Board 'champion' roles included Equality and Diversity, Welsh Language and Investors in People but not sustainable development. We were told that sustainable development was a universal and collective responsibility. However, our staff survey and focus group findings indicate that this collective responsibility had not been established across the organisation.

2.7 *'I think sustainable development is still seen as the responsibility of individuals working in areas that rely on the concept rather than as something that is everyone's responsibility'*[15].

a The Assembly Government had no 'map' of its own decision making processes, to assist officials in seeking to ensure that sustainable development was embedded at key points.

b In our survey of staff, we asked about the frequency of use of key documents that underpin and direct the Assembly Government's efforts to mainstream sustainable development. Seventy per cent had never used the UK's shared framework for sustainable development, 'One future - different paths'. Between five and eight per cent had used the Assembly

Government's 2004-07 Sustainable Development Scheme, and only eight per cent had used the Assembly Government's suite of sustainable development indicators.

2.8 In the 2004-2007 Sustainable Development Scheme, the Assembly Government committed itself to eight key principles:

a be people-centred;

b to be open with information and decision making;

c plan in the long term;

d use scientific knowledge;

e take account of full costs and benefits;

f respect environmental limits;

g apply the precautionary principle; and

h make the polluter pay.

2.9 However, focus groups and interviews noted that the force and clarity of these key principles was greatly reduced because they were buried in an extensive list of 24 'sustainable development principles' which, in reality, were a mixture of aspirations, actions and principles.

2.10 The new Sustainable Development Scheme appears to address the issue of high-level clarity by stating categorically that 'sustainable development will be the central organising principle of the Assembly Government', and setting two core principles and six supporting principles to underpin this[16].

2.11 A new Permanent Secretary and Accounting Officer took up post in May 2008. Many of the changes that have been introduced since that

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15 Wales Audit Office survey of Assembly Government staff

16 *One Wales: One Planet*, The Sustainable Development Scheme of the Assembly Government, May 2009

date, together with further changes that are planned, are designed to have a major impact on decision-making. However, bringing about a significant shift in the culture of an organisation requires sustained effort over a number of years. Recent significant changes in governance and decision making include the creation of organisation-wide Director general roles (including one for Sustainable Futures, the lead Directorate for sustainable development), redefining the focus and function of the Management Board, closer alignment of internal managerial structures with Cabinet Committee portfolios; and the development of new performance management, resource and accountability systems[17]. There is also a range of initiatives at departmental level, which offer significant opportunities for embedding sustainable development. In addition to ongoing business development in areas such as ICT, procurement and corporate finance change programmes, there are a range of corporate initiatives intended to improve the quality of major decision making across departments.

2.12 A number of themes emerged from interviews and focus group findings. These will, if not energetically addressed, limit the ability of these initiatives to support the embedding of sustainable development. They are:

a variations in the clarity and robustness of decision making across the organisation;

b weaknesses in the Assembly Government's approach to business planning and performance management;

c the lack of an agreement about the priority that is to be assigned sustainable development; and

d the lack of an agreed, clearly communicated understanding of what

sustainable development means for government in Wales.

Sustainable development principles have not been consistently embedded in the Assembly Government's decision making[18]

Box 2 – Sustainable development priorities, planning and budgeting

A government's planning and budgeting system, typically coordinated by the finance ministry, is part of the central machinery of government. The greater the required linkage between (National Sustainable Development Strategy (NSDS)) objectives and the plans and budgets that departments submit to the finance department, the more effective the NSDS will be.

Government spending is a key policy instrument for implementing and influencing sustainable development. In the absence of a formal linkage between sustainable development priorities and the planning and budgeting process, it is hard to see how these priorities can be systematically and effectively addressed.

Governance Structures for National Sustainable Development Strategies (NSDS): study of good practice examples by Darren Swanson and László Pintér 2006

2.13 The Government of Wales Act 2006 and the legal separation between the National Assembly (the legislature) and the Assembly Government (the executive), together with delegated powers for spending and operational decision making, present a number of opportunities for the Assembly Government to ensure that all its 'funding works for sustainable development'. However, we were told that the strategic financial objective for the budget (nearly £15 billion for 2009-10) is to deliver on One Wales policy commitments and that under this imperative, 'sustainable development is not a driver of resource allocation'[19].

2.14 We also found that the Assembly Government has not embedded sustainable development in the organisation's financial strategy and

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17 Perm Sec Leadership Brief to Assembly Government staff, *Strengthening our Management, Policy and Delivery,* issued 24/10/08

18 *Sustainable Development Action Plan 2004–2007*, Assembly Government

19 Wales Audit Office interviews with Assembly Government staff

that there is a lack of integration between operational business and financial planning. Although some financial and business planning processes have recognised the need to take account of sustainable development principles, these processes are undeveloped. It was, therefore, disappointing to learn that integrated planning and budgeting had been 'parked' in 2007. More recently, this has been looked at again but, in the meantime, a key piece of the toolkit has been missing.

2.15 An internal assessment of the adequacy of financial management systems and structures across the Assembly Government found that existing financial systems were 'disparate and not fit for purpose' and that improved business processes and better integration between financial planning and operational business planning is required[20]. Without these basic building blocks, sustainable development lacks the foundations for the integrated approach it requires.

Box 3 – Staff survey findings

In our survey of Assembly Government staff, only 37 per cent of respondents agreed that spending plans are directed towards achieving key sustainable development outcomes with suitable planning horizons.

Box 4 – Norway – integration of the NSDS with the national planning and budgeting system

The Norwegian NSDS is closely linked to the national budget budgetary processes in that Parliament adopted the National Action Plan, or National Agenda, as part of the 2004 National Budget. Implementation of the sustainable development strategy therefore happens through regular planning and budget processes of national sectoral authorities. Further, the Ministry of Finance chairs the special committee for the National Agenda 21, effectively ensuring consistency of sustainable development in the country's economic planning. This also provides financial assurance for the implementation of the NSDS[21].

2.16 A number of instruments are available, as well as specific points in the financial planning cycle, when spending plans could be robustly challenged in relation to sustainable development. However, we found the scrutiny and challenge activities of the Finance Department reinforced silo working, and did not provide a fundamental challenge to existing ways of doing business. On sustainable development issues specifically, we were told that the individual departments' own financial planning and budgeting processes should pick up the financial implications of policy and programme proposals. The Finance Department was said to be simply a 'long stop'. This contrasts with the good practice example of Norway.

2.17 We identified a range of processes and tools[22] designed to improve the quality of decision making and strengthen accountability. These are either in the process of being developed, recently adopted or have been applied in a piecemeal fashion. However, the business case process in the Assembly Government is inconsistent. Therefore, the Assembly Government cannot be confident that major decisions have embedded sustainable development by taking:

a an integrated view: of economic, social and environmental results;

b a long term perspective: concerned with the interests of future generations as well as those of people today; and

c an inclusive approach: recognising the importance of people being involved in the decisions that affect them.

'...now the challenge is to ensure the finance system in general supports sustainable development …'[23]

20 Assembly Government Finance Group

21 *Governance Structures for NSDS: Study of Good Practice Examples, OECD,* Swanson, Darren and Pinter, Laszlo, 2006

22 See Appendix 3

23 *Sustainable development strategies: a resource book* by Barry Dalal-Clayton and Stephen Bass; Institute OECD and UNDP

The Assembly Government provides specific grants to promote sustainable development but has not ensured that all grant aid underpins its vision of a sustainable future

2.18 The 2004–2007 Sustainable Development Action Plan recognised grant making as a key area for implementing the Scheme in respect of 'Leadership and Delivery'. Under the statement, 'Ensuring all our funding works for sustainable development', the Action Plan recognises that it 'makes grants to a wide variety of private and public sector organisations'[24]. The Action Plan commits the Assembly Government to ensuring that '...the terms and conditions of grants maximise sustainable outcomes and enable the Assembly Government to deliver its vision of a sustainable future' by 2007.

2.19 The Assembly Government was unable to provide a total figure for its grant giving. There is no central function co-ordinating grant distribution, with all grant giving devolved to individual departments. Furthermore, the need to use additional systems to monitor their commitments and undertake forecasting frustrates some departments. Management information and financial analysis is, therefore, limited. The continued existence of this information gap four years after the above commitment to 'maximise sustainable outcomes' from its grants, will continue to impede progress towards meeting that commitment.

2.20 Findings from our focus groups and survey also revealed a lack of progress in this area. We asked people to note whether they agreed that funding and grant schemes reinforce an integrated approach. Only 37 per cent of respondents agreed with this statement. Although some respondents noted that 'sustainability' was always considered, in many cases they were referring either to financial viability or to environmental stewardship.

2.21 *'In regard to grants in particular there is a clear process gap and it is recognised by the Assembly Government as a major issue'*[25].

2.22 We analysed more than 40 Assembly Government grants to look at how they factored in sustainable development principles[26]. We looked at:

a information to applicants;

b application forms;

c guidance to those processing grants applications; and

d monitoring, evaluation and performance indicator information.

2.23 There are a limited number of grants specifically directed towards sustainable development, such as those included in the Wales for Africa: international sustainable development framework. However, we found very little specific reference to the Assembly Government's duty to sustainable development in the majority of the grant schemes which we examined. Where references to sustainable development did occur, they generally refer to environmental stewardship requirements.

'Projects now have environmental 'hooks''[27].

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24 The Assembly Government provided at least £725 million in grants on 2007-08 but this does not account for all grants expenditure. The Assembly Government money is used by its officials, the public bodies it funds (for example Local Government and the NHS in Wales), Assembly Government Sponsored Public Bodies (AGSPBs) and Voluntary Sector umbrella bodies to make grants in line with the Assembly Government's programme.

25 Wales Audit Office interviews with Assembly Government staff

26 Whilst undertaking the fieldwork for this study, the Wales Audit Office was able to alert Assembly Government sustainable development officials to work being undertaken to review the process of grant making and associated terms and conditions. Discussions followed aimed at seeking to ensure that Assembly grants are better able to reflect sustainable development principles.

27 Wales Audit Office survey of Assembly Government staff

2.24 We found a number of grants which are specifically directed towards one of the pillars of sustainable development[28]. However, nothing is done to check what impact they are having on the other pillars. An example of this is the introduction of the BREEAM (Box 5) 'excellent' requirement for school buildings and commercial property. The purpose, in terms of environmental protection, was clearly important in relation to the Assembly Government's response to climate change. However, a review of documentation and evidence from the staff focus groups show that the impact had not been properly considered in an integrated way. It is also a good example of the importance of examining key decisions in an integrated way, to make sure potential conflicts and trade-offs, if any, are made explicit and agreed up front. The lack of this approach means that the BREEAM requirement has been implemented with a range of caveats and exemptions, which added at a later stage by officials. This weakens the overall ability of the grant scheme to support the Assembly Government's ambitions to mainstream sustainable development. It also makes the decision making less transparent and openly accountable.

Box 5 – BREEAM

The Building Research Establishment (BRE) is owned by the BRE Trust, a registered charity with a mission to 'champion excellence and innovation in the built environment'.

The organisation established an Environmental Assessment Method (BREEAM) as part of a family of assessment methods and tools, designed to help construction professionals understand and mitigate the environmental impacts of the developments they design and build.

Buildings are rated and certified ranging from 'Pass' to 'Excellent' in accordance to their environmental credentials.

Policy integration processes and tools have not been effective in embedding a joined-up approach to decision making

2.25 Ultimately, the effectiveness of any decision support tool is dependent upon the context within which it operates. An agreed understanding of what embedding sustainable development means for government is a key factor. Another key factor is an organisational culture that promotes and supports robust challenge and a focus on results. Both of these building blocks have been missing for the last decade.

2.26 The 2003 Annual Sustainable Development report stated that the Assembly Government had 'completed the development of, and started to use' its top-level sustainability appraisal methodology. The 2008 annual report notes that 'In 2007, it was determined that the Policy Gateway (Integration Tool) (PGIT), and the way it was used, needed to be updated to take account of user experience, the Government of Wales Act 2006 and the One Wales programme for government'. During the intervening four years, there was no consistent monitoring or formal evaluation of the use of the PGIT. This is disappointing given the emphasis placed on it in *Learning to live differently*, in the first Assembly Government sustainable development scheme.

2.27 Regular evaluation of the strengths and weaknesses of the PGIT would have been good practice and would have promoted continuous improvement and more learning. This would have enabled the Assembly Government to respond, in a more timely fashion, to the concerns of internal and external stakeholders. For instance, in 2005, *Aiming Higher*[29] found that processes such as internal policy evaluation, monitoring and

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28 *Economic, social and environmental*

29 *Aiming Higher*, Cardiff University, 2006

spending review procedures were in their infancy, and uneven in their application, both across the Assembly and between the Assembly and its partner organisations. The uneven and inconsistent use made of the PGIT, during the intervening three years, indicates that some of the key findings of *Aiming Higher* will still be relevant today.

2.28 The 2006 Annual Sustainable Development Report noted that, since being adopted, the PGIT had been used 'for over twenty strategic policy consultations'. It also reported that, since 2005, all high level strategic policies, going out to public consultation had been tested by the PGIT. In addition, the Cabinet Secretariat had observed that the PGIT was being used by departments. The 2008 Assembly Government guidance, for PGIT, stated that a PGIT session was mandatory for all strategic policies going out to consultation. Responses given in focus groups and key interviews highlight an uneven and inconsistent use of the PGIT.

2.29 We looked at a sample of 30 strategies and policies, spanning a period from 2006 to 2008, to form a view on the effectiveness of the PGIT in embedding sustainable development. The monitoring and record keeping of the passage of strategies and policies through the PGIT process was not, at that time, readily available. When we did receive a list, the information provided was incomplete. We found that half of the strategies and policies in our sample had not been through the PGIT at an early stage in their development. We identified that a number of key policies had not been through the PGIT process at all, for instance, the Renewable Energy Route Map.

2.30 We found some examples of policies and strategies undergoing a rigorous PGIT process. Officials observed that 'Transport had a rough ride', as an example of the PGIT process working effectively. However, even here, whilst the broader strategy had been through the PGIT, component parts, such as the North-South air link had not. The strategic action plan for the voluntary sector, 'The Third Dimension', provides an example of how the PGIT process can engage external stakeholders.

2.31 In April 2008[30], proposals for developing the PGIT included: departmental business plans should identify forthcoming major policies; the Policy Committee should formally 'own' the PGIT process and get threshold reports on progress (to clarify dependencies and respective responsibilities); and the final PGIT session should be chaired by an independent person. Following the changes introduced by the new Permanent Secretary since May 2008, the Policy Committee no longer exists. Establishing effective corporate ownership of the PGIT process is key to securing improvement.

Box 6 – Staff views

'...some people are actively trying to do this [integration] and have in principle...through the policy gateway tool. Problem is (a) need to do it honestly and (b) be honest about the trade-offs and be transparent about them'.

'There are a lot of bureaucratic exercises eg, PGIT which often get in the way of doing the things that they really should and want to be doing.'

'Should be proud of Policy Gateway, which is exemplary, but it is being used to fix a problem – silo working'.

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30 See Appendix 4

Policy integration processes and tools have not been effective in embedding a joined-up approach to decision making

2.32 Sustainable development principles feature in a number of departmental project development and appraisal tools, largely reflecting UK-wide public sector good practice guidance. Some examples of these are the National Health Service (NHS) Toolkit 'Creating Sustainable Places' and the Welsh Transport Planning and Appraisal Guidance (WelTAG) tool. A toolkit is being developed to enable work-based training providers to assess their progress in terms of education for sustainable development and global citizenship. Key features of some of these tools are summarised in Boxes 7 and 8.

2.33 These departmental tools provide examples of departments seeking to understand what sustainable development means in their areas of activity and how they can embed it in a practical way in their work. However, the lack of a clear and consistent understanding of what embedding sustainable development means for government in Wales is a weakness in this respect. It is compounded by the difficulty the Assembly Government experiences in working across departmental boundaries.

Box 7 – NHS toolkit

The definition of sustainable development used in the NHS toolkit differs from the standard Assembly Government definition – 'Sustainable development is about ensuring that everything we do can be maintained in the future, especially ensuring the wellbeing and better quality of life for everyone now and for generations to come: it means planning for the long term. It also means considering impacts beyond the local area and ensuring the full integration of social, environmental and economic dimensions of development'. It focuses on sustainable development as an opportunity for organisations to improve service quality, efficiency, develop long-term relationships, longer view of risk management, support local economies and improve workforce performance. It outlines why sustainable development is important for the NHS – 'the NHS in Wales is a major consumer of energy and water, purchases huge quantities of goods and services, employs more than 90,000 people, owns large tracts of lands and hundreds of buildings, produces vast quantities of waste and is the focus of many communities'. It also notes that sustainable development is an opportunity for the NHS to make major contribution to the wellbeing of its staff, its patients, the wider economic and social communities, as well as the environment. It uses the sustainable development star of five interdependent core principles (taken from the UK framework) to achieving healthy sustainable development) outcomes.

Box 8 – WelTAG

Welsh Transport Planning and Appraisal Guidance (WelTAG) is applicable to all transport plans, programmes and projects (managed by the Assembly Government and the local authorities) and is mandatory for major transport initiatives seeking Assembly Government funding. It focuses on three main impact areas - the economy, the environment and society. It was officially launched in June 2008, after a substantial period of consultation (the draft guidance for consultation, prepared for the Assembly Government by Steer Davies Gleave, was issued April 2006). The guidance is based on a multi-criteria framework approach, which assesses a proposal against a range of objectives, using mainly quantitative indicators, and aims to ensure that all relevant economic, environmental and social impacts are captured in some way (even if they cannot be quantified and valued in the same way as the components of conventional cost-benefit analysis). In its structure and content, the guidance covers a comprehensive array of factors related to promoting sustainable development outcomes from transport proposals. It is too early to assess the effectiveness of WelTAG in embedding sustainable development principles in transport and transport-related decision-making. There will be a transitional period during which proposals advanced through pre-WelTAG appraisal processes will still be acceptable, but WelTAG is to be applied to all projects that have been advanced to some degree but not yet formally approved. The WelTAG document is seen by the Assembly Government as a 'live' document which will continue to evolve and be refined.

The Assembly Government's first two Sustainable Development Action Plans, and the associated annual reports, have not been effective tools for embedding sustainable development in the Assembly Government's decision making

2.34 Sustainable development action plans have not provided an effective agenda for action for the Assembly Government and its partners. Unlike the Sustainable Development Scheme (the Scheme), the Annual Reports and the effectiveness review, the Sustainable Development Action Plan is not a statutory requirement. However, along with the Scheme, it is a vital part of the framework for embedding sustainable development by setting out the commitments against which the Assembly Government should be able to measure its progress.

2.35 The main objective of the Assembly Government's Action Plan 2004-2007 was to set out how it planned to implement its 2004 Sustainable Development Scheme, *Starting to Live Differently*.

2.36 In 2003, the Centre for Business Relationships, Accountability, Sustainability and Society (BRASS) of Cardiff University published a report which assessed the Assembly's first Sustainable Development Scheme. The report found that the Action Plan did not 'provide an effective agenda for action for the Assembly and its partners'. The report highlighted a keenness to indicate achievements rather than challenges.

2.37 In the 2004–2007 Scheme, the section, 'Fulfilling the duty', included references to decision-making, strategic policies, specific policies, leading by example and monitoring, evaluation and reporting. The 2004-2007 Action Plan was divided into four areas: 'Living Differently', 'Leadership and Delivery', 'Making our Money Talk' and 'Measuring our Progress'. Whilst these provided a useful and accessible way of organising the action plan, they did not directly and clearly link to the Scheme.

2.38 The previous Scheme set out strategic policy outcomes such as diversity, social justice and healthy living but the related action plan focussed on activity rather than outcomes and on very specific, individual projects, such as commissioning a waste review, becoming a Fair Trade country, and using improved transport appraisal guidance.

2.39 The Assembly Government's focus on delivery within departmental silos, during the 2000 to 2008 period of this study, meant it was very challenging to produce a robust action plan for a cross-cutting theme, such as sustainable development. Sustainable development action plans addressed identified gaps and identified existing actions, labelling them as sustainable development. This did not result in a coherent programme designed to support more integrated decision-making. In addition, the lack of clear links between previous schemes and their related action plans limited the usefulness of the action plans, as a route map, for embedding sustainable development in the Government of Wales.

2.40 Cardiff University's 2006 report, *Aiming Higher*, commented on the Action Plan and stated that it had a number of limitations[31]. Our fieldwork shows that many of these issues still need addressing.

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31 Limitations identified by *Aiming Higher* included: 'an over-reliance upon actions being defined as either new studies, plans or projects; and...not enough emphasis given to systemic change in the Welsh economy and environment over different time periods or in these key areas what levers reside in Wales and what levers operate at the UK (or EU) level'.

Annual reporting on the Assembly Government's Sustainable Development Schemes and Action Plans has not been sufficiently integrated with its business decision-making processes

2.41 The Assembly Government is legally obliged to publish a report each year on how the proposals set out in its Sustainable Development Scheme have been implemented in that financial year. The Assembly Government has produced an annual report each year. These have been mentioned in National Assembly plenary sessions but have not been scrutinised by any of the subject committees.

2.42 In 2002, an attempt to have subject committees incorporate sustainable development into their scrutiny role was taken forward through the Assembly Co-ordinating Group on Sustainable Development. Its membership comprised the Minister holding the sustainable development portfolio, the chairs of Subject Committees and sustainable development spokespeople from political parties. Its terms of reference were: 'to consider issues on the implementation of sustainable development and to make practical recommendations as appropriate'. The Group was encouraged 'to look for synergies within and between Committees and Cabinet portfolios without trespassing on their individual responsibilities'.

2.43 By 2003, the Co-ordinating Group had met twice. At its second meeting, the Co-ordinating Group agreed a number of ways in which committees could mainstream sustainable development. Its proposed approach comprised:

a Forward work programmes, with committees including a short section in their forward work programmes highlighting areas that might be of particular interest in the sustainable development context.

b Scrutiny with the lead on overall monitoring of the Action Plan being taken by the Environment, Planning and Transport Committee and other committees scrutinising activity and policies within their portfolios. Committees could invite Ministers and Assembly Government Sponsored Bodies to report annually on their contributions to the Action Plan, and ensure that all committee papers include a sustainability assessment.

c Policy development with committees, in undertaking their own policy reviews, considering the economic, environmental and social sustainability of any recommendations.

d Annual reports with committees including a short section in their annual reports setting out progress against areas highlighted in their work programmes as being of particular interest in the sustainable development context.

2.44 These mechanisms were not put in place before the May 2003 elections and, following the formation of the second Assembly Government, a new sustainable development Action Plan was developed. This plan reflected the move towards the separation of the executive and the legislature. However, the proposals of the key features of the Co-ordinating group's proposals for mainstreaming sustainable development were not translated into the new structures and followed through.

Annual reports are an unsuitable mechanism to alert Assembly Members to unimplemented parts of the Action Plan

2.45 The Assembly Government's Sustainable Development Annual Reports have been mainly narrative assessments of the Assembly Government's progress in relation to its duty to promote sustainable

development. This approach has allowed cherry picking of topics and uneven treatment to mask gaps in coverage. Inconsistencies in reporting have obscured priorities and prevented the identification of trends. In addition, we found that it is often unclear:

a   how initiatives and activities integrate with each other to strengthen the organisation's capability to embed sustainable development;

b   whether topics have been omitted because they are unimportant or because of a lack of data; and

c   how to compare progress reported in terms of activities and actions with that covered by statistical analysis.

2.46   These limitations in transparency and consistency have reduced the usefulness of these annual reports in decision-making, strategy development and monitoring. Both the 2003 and 2005 reports contained a section on decision-making and review. The 2003 report noted that the Assembly Government has started to use its 'top-level sustainability appraisal methodology, or 'integration tool', continued to develop a WSP to implement sustainable development on the ground; and identified reducing Wales Ecological Footprint as one of the focal themes for spending priorities'.

a   however, the annual reports have not made it clear: which policies had benefitted from the 'integration tool' and what had changed as a result;

b   where the spatial plan had been used to embed sustainable development in decisions; and

c   where Wales' ecological footprint had been used to inform spending priorities.

The Assembly Government's approach to business planning does not help it to mainstream sustainable development

Business planning has not supported the embedding of sustainable development into decision-making

2.47   Throughout the period of the two sustainable development schemes, the Assembly Government had been using a 'legacy, blueprint focused approach to business planning'[32]. Key features of this approach included: a focus on the functions and activities undertaken during the period of the previous plan; attempts to forecast changes and developments for the next plan; and adapting current activities and functions in response. From this, a new 'blueprint' for the next planning period would be produced. This 'static business development model' reinforced silo working and built upon existing ways of doing business. It therefore did not provide fertile ground for embedding sustainable development.

2.48   Since May 2008, there has been a drive to strengthen the Assembly Government's capability to respond to cross-cutting themes. There has also been a strengthening of its focus on outcomes and a move to a more dynamic model of business planning. There is clearly synergy between these initiatives and the commitment to make sustainable development the Assembly Government's central organising principle.

2.49   Clarity about what distinguishes a government with sustainable development as a central organising principle, from one where it is not, will be crucial to ensuring that this synergy is capitalised upon in a way that has not previously happened. Increasingly,

32 Wales Audit Office interviews with Assembly Government staff.

sustainable development is being equated with good governance. Alongside this is an increasing awareness that most current forms of performance management promote a focus on process and compliance, when what is needed is a focus on results. However, sustainable development (and good governance) requires that attention is paid to how the results are achieved is as well as what is achieved.

The Assembly Government has not 'established key tests that enable others to measure its progress in mainstreaming sustainable development and achieving good governance'

2.50   In Section 5 of its 2004-2007 Sustainable Development Action Plan, the Assembly Government stated that it 'recognises the need to establish key tests that will enable others to measure its progress in mainstreaming sustainable development and achieving good governance'. A key aspect of fulfilling the duty, in this respect, was the development of a corporate organisational standard, for sustainable development. This would enable the Assembly Government to measure its progress against good practice.

2.51   At the time of our fieldwork in 2008, we found that a draft standard had been developed following a series of sessions with officials. Our understanding is that this work had been on hold for two years. The gap that this leaves is all the greater due to sustainable development not being effectively embedded into core financial and performance management processes. The new sustainable development scheme notes that the Assembly Government will 'trial the use of the Sustainability Standard'.

2.52   This exemplifies a tendency for initiatives to drift, be put on hold or shelved common to Assembly Government approaches to both performance management and sustainable development. Another example is the Policy Training Programme which was shelved, but has now been picked up again under the Civil Service wide 'professional skills for government' initiative.

2.53   There are a number of existing opportunities which are not currently being used, and others which could be readily adopted, to use performance management to mainstream sustainable development. The UK Sustainable Development Commission considers it good practice to embed sustainable development in performance management, in particular in the performance agreements of Permanent Secretaries and senior civil servants[33].

2.54   Prior to May 2008, the performance agreements of the Assembly Government Management Board directors and heads of departments did not include sustainable development, except for those directly responsible for the area. Departmental directors had 'Delivery Agreements' as part of the corporate performance management framework. Meetings were held with Directors to monitor progress, but there was scope for 'greater active challenge in the internal accountability arrangements and for using business plans as a basis for accountability'[34].

2.55   Recent increased attention to supporting and strengthening accountability for sustainable development through performance management[35] has not been mirrored in the Assembly Government. This is partly due to a concern that embedding sustainability in the Assembly Government's existing performance management arrangements would be

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33   *Sustainable Development in Government, Annual Report 2007, Appendix A – Departmental Summaries,* Sustainable Development Commission

34   Wales Audit Office interviews with Assembly Government staff.

35   See *Human Resources and Sustainable Development*, prepared by the World Business Council for Sustainable Development and the University of Cambridge Programme for Industry; *Sustainability at Work*; *Triple Bottom Line Reporting*; and *Sustainability: A Reporting Framework for the Public Services* published by CIPFA and Forum for the Future in 2006.

counterproductive. The equalities and diversity experience was cited as an example of how use of the Assembly Government's performance management system had resulted in a 'tick box approach', rather than a change of culture.

Performance management systems have not enabled the Assembly Government to track its progress in mainstreaming sustainable development

2.56 Performance management in the Assembly Government is often interpreted narrowly, in terms of performance measurement. Rather than a dynamic framework which helps people to focus on continuously improving key results, the current system uses annual reviews and focuses mainly on activity, output and compliance.

2.57 Our interviews with officials, at all levels in the organisation, revealed considerable confusion when discussing the use of performance management to mainstream sustainable development. For example, there was concern that officials could be held accountable for particular indicators. Clearly, holding officials accountable for the fate of the ecological footprint, for instance, would not be helpful. However, it is appropriate to agree what is needed to ensure that sustainable development is embedded in all key decisions, what actions are expected from managers and their teams and by when.

2.58 The Assembly Government has recently adopted a competency framework. The treatment of equalities within this framework provides an example which could have been applied to promote mainstreaming of sustainable development.

Box 9 – Working together for Wales: Delivering results, valuing people, achieving excellence – Executive band framework

Both the Executive Band Framework and the Team and Management Bands Framework includes a number of aspects relating to equalities:

'Employs a range of appropriate techniques to promote equality and diversity'[36].

'Ensures that products and services are equality compliant'.

'Takes action to mainstream equality'.

2.59 The competency described as 'Make evidence-based decisions within delegated responsibility' is an example of a missed opportunity. This could have referred explicitly to sustainable development and set out expectations for decision making that has embedded sustainable development.

Box 10 – Government accountability and Sustainable Development

'For government accountability systems to become more strategic and outcome-oriented, a viable and sophisticated concept of future national development is required. The concept of sustainable development can help meet this need through its inter-generational consideration, integrated thinking (integrated economic, social and environmental perspectives) and its multi-stakeholder principles. For the NSDS to become more strategic and outcome-oriented, strategies must be integrated into the existing machinery of governmental planning, reporting and budgeting. The NSDS and current efforts toward government accountability would appear to be a perfect match – with the potential to advance a form of national development that is sustainable'[37].

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36 *Working together for Wales: Delivering results, Valuing people, Achieving excellence – Executive Band Framework*
37 *Governance Structures for NSDS: Study of Good Practice Examples, OECD,* Swanson, Darren and Pinter, Laszlo, 2006

Sustainable development indicators report on the progress of Wales as a whole, but not on the performance of the Assembly Government

2.60 The 2004–2007 Sustainable Action Plan notes that 'Sustainable development ...depends on actions we as a government are taking...It also requires actions by all sections of society.' The sustainable development indicators are able to show collective progress, or lack of progress at the Wales and UK level but do not show the performance of the Assembly Government. The failure to put in place any robust arrangements to measure its own performance in mainstreaming sustainable development, within the organisation, and its failure to 'establish key tests' has meant that people, both internally and externally, can drift into using the sustainable development indicators as a proxy for the performance of the Assembly Government.

2.61 This underlines the importance of being clear about 'ends' and 'means'; and being clear about accountability. A results based approach to accountability[38] provides a clear explanation of the importance of understanding how 'ends' drive 'means'. This approach also emphasises the importance of understanding and distinguishing between 'population accountability' and 'performance accountability'. Population accountability is concerned with tracking the conditions of wellbeing of whole populations, regardless of whether they are receiving a service or not. This kind of accountability is, by definition, bigger than any one department or programme. It is bigger than government.

2.62 Performance accountability is about the role of managers and about how well they run the programmes and services for which they are responsible. It needs to measure:

a How much has been done?

b How well has it been done?

c Is anyone any better off?

2.63 As our analysis of key documents reveals, much of the reporting in relation to sustainable development relates to activity and is often in the form of narrative. Of the limited performance information available, most comes under the least useful category of 'How much has been done?' There is little or no information on the much more useful, 'How well was it done?' nor the most useful category: 'Is anyone any better off?'

Progress has been slow in using sustainable development indicators, such as the ecological footprint, to inform business decisions

2.64 *'Indicator-based assessments are more transparent and can be compared over time. Participants should be involved in deciding what to assess. Assessments can use different numbers of sub-systems and this determines their robustness and user friendliness'*[39].

'More needs to be done to link [sustainable development indicators] with other Assembly Government policies and objectives'[40]

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38 *Trying Hard is Not Good Enough: How to Produce Measurable Improvements for Customers and Communities*, Mark Friedman, Trafford Publishing, 2005

39 NSDS resource book

40 Wales Audit Office survey of Assembly Government staff

2.65 Whilst the Assembly Government has worked with stakeholders to develop the means to undertake indicator-based assessments, it took an extended period of time, from 2001 to 2006, to adopt the current set.

2.66 The National Assembly adopted a set of 12 indicators of sustainable development for Wales in March 2001. This was an initial set as some indicators and issues were identified as requiring further consideration. The Assembly Government's Sustainable Development Indicators Working Group, involving a wide range of stakeholders, made recommendations on a full suite of Welsh indicators in Summer 2006. 'In Autumn 2006, the Assembly Government confirmed this broader suite'[41].

2.67 The importance of indicator-based assessments was also noted in the 2006 Sustainable Development Annual Report as having far-reaching implications for 'measuring progress, for policy appraisal and for communicating sustainable development'. However, our review of documentation and the findings from the staff survey and focus groups provided only limited evidence that the sustainable development indicators have been actively used in policy appraisal or for communicating sustainable development. The publication of the 2008 'Sustainable Development Indicators in your pocket' and the focus on the ecological footprint, in the new sustainable development scheme, are clearly aimed at an improved approach.

41 National Statistics: Statistics Bulletin SB 16/2007 29 March 2007

Part 3 – Sustainable development is seen as one of a number of competing priorities, rather than the means by which the Assembly Government manages its competing priorities

'The Assembly Government is contradictory in its commitments to sustainable development objectives, displaying a disconnect between aspirations and presentational rhetoric'[42]

Sustainable development has not been used to drive cultural change and has only recently been adopted as the Assembly Government's central organising principle

The Assembly Government's new sustainable development scheme has adopted sustainable development as the central organising principle of the Assembly Government

3.1 *One Wales: One Planet*, the Assembly Government's new sustainable development scheme for Wales, directly addresses this issue. It states that 'sustainable development will be the central organising principle of the Assembly Government'. Our focus group and staff survey findings identified an appetite to do much more, on the part of the staff. It also identified that there was much more to do in terms of staff engagement and motivation.

Box 11 – Governance and Sustainable Development

'In the context of sustainable development, governance implies increased transparency of decision making, involving greater stakeholder engagement in order to achieve the real integration of social, economic and environmental considerations. It is important to be clear that sustainability is not just about balancing these 'three pillars'; it requires them to be identified, integrated and where tradeoffs need to be made, they should be clearly and openly addressed within the governance system, including mitigation efforts.'

www.sustainabilityatwork.org.uk

For most of the previous decade, the Management Board had not identified sustainable development as the process for integrating and managing the Assembly Government's duties and priorities

3.2 In 2007, we interviewed all Heads of Department about their collective role and responsibility in relation to embedding sustainable development, as members of the Management Board[43]. We found an awareness of the challenges involved in mainstreaming sustainable development and in bringing about the cultural change needed to achieve that across the Assembly Government and Wales as a whole. But, we also found a lack of a clear, agreed views on what embedding sustainable development in the government of Wales would look like; or what specifically the Assembly Government would be doing differently as a result (other than in broad terms, for example, being more joined-up, long-term strategic, and evidence-based)[44].

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42 Wales Audit Office survey of Assembly Government staff

43 The Permanent Secretary is designated Principal Accounting Officer (PAO) and at the time of our fieldwork responsibility for the exercise of particular departmental functions had been delegated to a number of Heads of Departments, as designated Sub-Accounting Officers (SAO). Collectively they formed the Management Board at that time.

44 For a summary of the key points arising from the Management Board interviews see Appendix 5.

Box 12 – Top-level Responsibility

Norway's placement of responsibility is perhaps the most interesting and potentially the most effective arrangement. Leading the development of the National Action Plan for Sustainable Development, or National Agenda 21, is the Office of the Prime Minister and a special committee chaired by the Ministry of Finance (and consisting of deputy ministers from key ministries). The Ministry of Finance has the dual responsibility of coordinating central government activities and of drawing up a framework for efficient resource use in the country. This combination of responsibility can be very effective as it includes high-level leadership and involves the department with the most cross-cutting function in government (finance) (Norway MOF 2003).

Governance Structures for NSDS: study of good practice examples by Darren Swanson and László Pintér 2006

3.3 Our review of documentation revealed that much of the Assembly Government policy development and decision making treats sustainable development as just one of a lengthening list of 'cross-cutting issues'. This was also clear from our survey, staff focus groups and interviews. A small proportion of staff had a clear understanding of the concept of sustainable development as a process for integrating and managing, often conflicting, duties and priorities. A significant proportion felt that they had only a superficial grasp of the topic, were keen to know more and had an appetite for doing more. Another significant proportion, however, viewed sustainable development as part of the ever-lengthening list of hoops through which the prevailing compliance culture made them jump. We found a perception that sustainable development is yet another 'badge wearing', or a tick box exercise[45]. Rather than viewing sustainable development as a means of doing their work better, staff saw it as part of a burgeoning bureaucracy that was affecting their ability to get on with their work.

3.4 To many staff, at all levels in the organisation, sustainable development means greening the organisation and its activities. From our interviews with the management board, it was clear that they had been engaged in a range of activities designed to challenge 'existing ways of doing business'. However, it was equally clear that, to many, sustainable development meant integrating environmental considerations into the Assembly Government's existing ways of working.

The Assembly Government has not communicated what sustainable development means for the organisation and for individuals

3.5 Until recently, the Assembly Government had not expressed clearly and consistently what sustainable development means for government in Wales. This was identified in our interviews as a key barrier to embedding it in decision-making.

'A simple definition of sustainable development is needed and statement outlining what is means in terms of good husbandry, balance and inter-dependence. This needs to be produced alongside the new scheme. Each department also needs a statement for itself'[46].

3.6 Our contact with staff indicates that, in general, they are unclear what sustainable development means for them and their role. A fundamental problem underlying this communication problem is that the Assembly Government leadership has different ideas about what sustainable development means for the organisation and for individuals. In most cases, this has meant 'greening' the organisation to varying degrees. For most of the last decade, in trying to make the concept as 'real' as possible both to themselves as well as to the rest of the organisation, the leadership has reached out to what was

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45 Wales Audit Office survey of Assembly Government staff.

46 Wales Audit Office interviews with Assembly Government staff.

closest to hand, environmental stewardship. Given that some parts of the organisation view sustainable development as environmental issues 'blocking progress', this risks undermining the leadership's ability to embed sustainability as an integrating process.

3.7 *'There is no doubt that it is the Assembly Government's duty, however, the promotion of sustainable development does slow down and make difficult, sometimes impossible, to work within the business environment'*[47].

3.8 There is a view that in order to make progress at a departmental level, there is the need to 'unravel the definition of sustainable development to make it practical and mean something to people in the department – break it in to components...put it in to business language'[48]. This raises the risk that sustainable development is defined in different ways, in different parts of the organisation: a sustainable economy project or product in one area; a financially viable grant in another; and a piece of legislation that protects the environment in another. This degrades the idea of sustainable development to the point where 'it can be argued that it is everything we do'. Rather than challenging existing ways of doing business and acting as a catalyst for increasingly integrated working, sustainable development is neutralised by silo working. As a result, conflicts may not become evident until late in the day when there is less potential for resolution and trade-offs will not be made explicit. Equally, potential synergies may not be fully realised.

3.9 In the 2004-2007 sustainable development action plan, the Assembly Government stated that it would 'pursue excellence in mainstreaming the principles of sustainable development in all that it does'[49]. Stakeholder engagement is recognised as a key ingredient of sustainable development and staff are one of the Assembly Government's key stakeholders.

3.10 In 2004, in support of this, the Assembly Government undertook to include questions about sustainable development in the annual staff attitude survey, commencing December 2004. In March 2008, we were told that sustainable development had not been included in staff surveys up to that point. This is a significant missed opportunity over a period of four years, underlined by the fact that a significant proportion of staff did not feel that they have been effectively engaged in agreeing what mainstreaming sustainable development means for them and their roles[50]. A key starting point, therefore, for leaders seeking to embed Sustainable Development is to establish a clear picture of what sustainable development means for staff and their roles. Our staff survey and focus groups yielded valuable information on the barriers and drivers, as well as demonstrating that many staff have an appetite to do more to embed sustainable development. We have provided officials with the anonymous output from these focus groups to aid further improvement in the area of organisational culture.

3.11 A results based approach[51] to improving performance stresses the importance of 'common language, common sense and common ground'. It identifies a 'lack of discipline' in the use of language by those working in the public sector as a key difficulty, when trying to improve community wellbeing and organisational performance. A key building block, of a results based approach to

47 *Results-Based Accountability* – Mark Friedman (see Appendix 6)

48 Wales Audit Office interviews with Assembly Government staff

49 *Creating organisational excellence*, the Assembly Government 2004-2007 action plan

50 Wales Audit Office staff survey and focus groups

51 *Results-Based Accountability* – Mark Friedman (see Appendix 6)

improvement, is that people who work together need a common language to be successful.

'It is possible to use language in a clear and disciplined way. This requires that we agree on definitions that start with ideas not words'[52].

Implementation has focused on demonstrating compliance, as opposed to challenging existing ways of doing business

3.12   Compliance provides a good example of the confusion and the lack of an agreed approach that exists at a number of levels right across the Assembly Government. Sustainable development and compliance within the Assembly Government presents staff, committed to embedding sustainable development, with a dilemma. Many of those most involved with sustainable development considered that it was crucial to win hearts and minds.

'Embedding sustainable development needs to be about the changing the culture, not about compliance'[53]

3.13   A number of staff felt that the compliance approach had not been helpful in the area of equalities and had resulted in a 'tick box' approach and that sustainable development needs to be seen as 'an opportunity' rather than a matter of compliance. A review of the evidence shows clearly that sustainable development is seen as a matter of compliance, but without some of the formal mechanisms and procedures that apply to equalities. Guidance on the Assembly Government intranet states that all policy submissions are required to have a general 'compliance paragraph' and a specific 'policy compliance' paragraph[54]. The general 'compliance paragraph' is required for submissions to demonstrate what powers are being used. The 'policy compliance paragraph' and its associated policy appraisal checklist, is about Assembly Government statutory duties (sustainable development, equality, Welsh language) and is required to help departments understand and take into account, when putting policies together, the statutory duties of the Assembly Government, and what statutory assessments are required.

3.14   The range of responses received from staff in the survey and focus groups reveal the degree of confusion. It shows clearly that that progress depends much more on focusing on cultural change and much less reliance on the statutory duty, which should be seen as a safety net.

'People can sometimes feel bullied into doing things eg, last year in regard to compliance with Welsh language issues. This turns people off and makes them resent whatever it is. To try to embed through over - bureaucratic methods will have very little effect. It is better to take a softer approach and get people to think about the issues instead. There is the risk of creating systems and becoming over-burdensome. But they do need some kind of spring cleaning to refresh people's thinking on sustainable development and to try and get people on-board.'

'We do think about it as a tick box on submissions'.

'For each scheme and policy, a box has to be ticked for equalities and Welsh language, but not the case for sustainable development'.

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52   *Trying Hard is Not Good Enough: How to Produce Measurable Improvements for Customers and Communities*, Mark Friedman, Trafford Publishing, 2005
53   Wales Audit Office interviews with Assembly Government staff
54   Assembly Government intranet (Horizon), reviewed April 2008 – guidance issued by Assembly Government Strategic Policy Unit

The Assembly Government's inconsistent attempts at joined-up policy and decision making often impair its ability to embed sustainable development in decision making

'...a weakness that has undermined previous attempts at strategy development has been the omission of key spatial levels of decision-making or weak links between levels'[55].

The potential of Assembly Government initiatives aimed at promoting sustainable development in all that it does has not been fully realised

3.15 The Assembly Government has a number of initiatives intended to strengthen its ability to promote sustainable development in all that it does. Making the Connections, the WSP and work with local government in Wales provide regional and local examples. However, during our fieldwork, in 2007 and 2008, we found that the potential of these initiatives was not fully realised.

3.16 Wales Spatial Plan was the first of its type in the UK and is a 20 year plan for the sustainable development of Wales. Planning professionals complimented the Assembly Government on its inclusive approach to the production and, more recently, the review of the WSP. However, between 2004 and 2008, the WSP had not successfully fulfilled its role as a delivery mechanism for sustainable development. A number of factors have contributed to this which the new ambition to establish sustainable development as a central organising principle could potentially address. Whilst recognising that how things are done is important for sustainable development, we found a lack of clarity in terms of outcomes. Systems were not in place to show how the WSP had resulted in changes being made to policies or plans. Links to the PGIT were weak and clear links to the budgetary process were lacking.

3.17 In October 2003, the Assembly Government agreed a compact for co operation on sustainable development with the Welsh Local Government Association[56]. Since then, progress has been intermittent over time and inconsistent across policy areas. In 2005, the Assembly Government issued revised guidance for Wales Programme for Improvement (WPI) which stated:

'*In WPI terms, failure to make arrangements, properly supported by the necessary resource provision and capacity building, to ensure equity and sustainability at a strategic level constitutes to be a strategic risk. Anything less is a failure in community leadership.*'

'*At the operational level, a failure to ensure equity in service delivery, or a failure to meet needs in a sustainable way, is a failure to perform in a fully effective and efficient way*'[57].

3.18 In March 2006, the Wales Audit Office published the findings from a series of local government improvement studies, including one on sustainable development[58]. This work concluded that:

'*A small number of councils have embedded sustainable development into the mainstream of their activities but most have not equipped themselves to deliver sustainable development.*'

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55 NSDS resource book

56 Wales Audit Office summary of sustainable development annual reports

57 Assembly Government Circular 28/2005, WPI Guidance for Local Authorities, paragraph 1.16

58 *Improvement Studies Summary Reports*, p. 29, Wales Audit Office, 2006

We also found that:

'*Many councils are concerned that some Assembly Government initiatives and funding do not effectively support their efforts to embed sustainable development.*'

3.19 More recent work indicates that those authorities that were making progress previously continue to do so, but overall progress is slow. In the intervening period, the Assembly Government does not appear to have made effective use of either the compact agreement or the strong statement in the WPI guidance to lever more progress at the local level. In addition, the widespread perception, within the Assembly Government, that sustainable development equates to environmental stewardship is mirrored in local government.

3.20 The 'Making the Connections' Gateway Session[59] noted the need to make 'reference to broader themes such as sustainable development and equalities' but does not draw attention to the high degree of synergy between the 'Making the Connections' agenda and sustainable development decision making. In addition, sustainable development is again seen as one of Assembly Government's 'broader themes' as opposed to way to integrate and manage competing themes. The notes of the response to the Gateway process show an attempt to limit the degree of challenge, illustrating the limitations of the PGIT. As a result, the failure to identify and make explicit the synergy with sustainable development in the initial 'Making the Connections' documentation is perpetuated in subsequent policy and guidance formulation. This also provides an example of the failure of the Assembly Government to make it clear what sustainable development means for the government of Wales, and what it means for each department and each individual. In response to the question designed to prompt those responsible for the policy to consider sustainable development, the departmental response misinterprets sustainability, as financial viability.

'*Public expectations and financial stringency combine to require cost-efficient but improved level of local services*'[60].

The Management Board has not provided clear leadership on sustainable development by challenging existing ways of doing things

3.21 The output from our staff focus groups and staff survey indicates the importance of credibility in efforts to change individual and collective behaviour and in organisational change. There is a strong feeling amongst many staff that the Assembly Government needs to be seen to be getting its own house in order to give it more credibility in its external attempts to promote sustainable development. The need for those responsible for taking decisions, to be seen to walk the talk was a key feature of staff concern. For example, the Strategic Capital Investment Fund (SCIF) was seen as having the potential to support the embedding of sustainable development in decision-making. When we undertook the fieldwork, sustainable development was not included in the terms of reference for the SCIF group. Focus group discussions also frequently cited the North-South air link, along with a range of internal issues, as having the potential to undermine the Assembly Government's credibility in relation to sustainable development.

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59 Assembly Government guidance states that a Policy Gateway session is mandatory for all strategic policies. The aim is to ensure coherence and compliance in policy making.
60 Document review – departmental response to Gateway Process

3.22 Divisions and departments are continuing to formulate their own policies and plans that work to different timescales than those of the Sustainable Development Action Plan, have different commitments and to which departments may feel much greater allegiance. As a result, the Assembly Government's commitment to sustainable development may, in practice, be marginalised by other plans and policies that have a higher political priority or greater corporate commitment.

3.23 Too much of the Assembly Government's work has focused on seeking to integrate environmental matters into existing ways of working, rather than using a sustainable development approach to challenge existing ways of doing business.

'The Welsh Development Agency (WDA) toolkit – this was nine action areas in regard to business and the environment. It was a business environment action plan drawn up in the days of the WDA which was done in conjunction with the Assembly Government. It tried to deconstruct sustainable development and set it out from a business point of view. The nine action areas were business headings. They needed to talk business language to businesses, not sustainable development'[61]

3.24 Many initiatives and projects undertaken by the Assembly Government over the last eight years are useful and some are exemplary, in helping the organisation improve its environmental performance. Many of these activities, and much of the reporting on them, has been labelled 'sustainable development'. This feeds the perception that sustainable development is about integrating environmental stewardship into existing ways

of working, rather than fundamentally challenging current approaches. This was a major theme emerging from both the staff survey and the staff focus group discussions.

'There is a real issue about understanding sustainable development... Originally, I thought it was about green issues only. The same goes for people's ideas on equalities. Sustainable development cannot be mainstreamed without educating people'[62].

3.25 This issue limits the effectiveness of a wide range of the initiatives, tools and activity undertaken by the Assembly Government. For instance, internal training documentation states 'sustainable development is explicitly included within the staff reception programme...where delegates are asked to consider environmental and sustainable development issues.'

3.26 The previous Permanent Secretary had environmental stewardship targets included in his performance agreement, to drive progress in rolling out Green Accreditation. This reinforces the importance of leadership having a clear understanding of what sustainable development means for government in Wales, and communicating that clearly, through behaviours as well as words.

'There is a lot of information on environmental management systems type performance which is going to senior management team'[63].

'I have heard very little on sustainable development and ...there seems to be a policy of marginalising it. I have seen no evidence of any real sustainable development or that ministers and senior civil servants even know what it is, except probably to advertise recycling schemes'[64].

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61 Wales Audit Office interviews with Assembly Government staff

62 Wales Audit Office interviews with Assembly Government staff

63 Wales Audit Office survey of Assembly Government staff

64 Wales Audit Office survey of Assembly Government staff

Understanding and expertise in sustainable development has developed in pockets and the Assembly Government has struggled to spread good practice across the organisation

3.27 Some individuals have built up a considerable depth and breadth of knowledge and expertise, either in relation to sustainable development or environmental stewardship. This has resulted in the development of a number of useful departmental initiatives. These include: Creating Sustainable Places, WelTAG, NHS toolkit and Education for Sustainable Development and Global Citizenship.

> **Box 13 – Staff Survey findings**
>
> 60 per cent of the respondents to the staff survey disagreed with the statement that 'Good practice examples of sustainable development projects are replicated and mainstreamed at all levels, from local to national.

3.28 Whilst there are a number of positive developments, notably the NHS Wales toolkit and the Value Wales work on sustainable procurement, the Assembly Government finds great difficulty in spreading the use of this good practice. This mirrors the difficulty it is experiencing in embedding sustainable development in its core processes.

3.29 We asked our focus groups with Assembly Government staff about perceived progress towards embedding sustainable development in business decision making. The contradictory nature of the responses in relation to procurement illustrates the difficulty that the Assembly Government has experienced, over the last 10 years, in embedding a consistent approach. The Assembly Government's approach to public sector procurement has been recognised as good practice, and many of our focus group responses noted a significant shift, with quality and whole-life costing as important as cost when awarding contracts.

However, there were also responses which indicated the reverse.

3.30 It is significant that Value Wales does not take sustainable development as the central organising principle for all procurement in Wales. It puts sustainable procurement in a list alongside other forms of procurement: e-procurement, sustainable procurement, collaborative procurement, internal procurement. The findings from our staff survey, focus groups and interviews indicate that, even in areas such as procurement, the Assembly Government has a long way to go before it can be confident that sustainable development has been embedded.

3.31 The 'Sustainability at Work' initiative notes that locating responsibility for the strategic approach to embedding sustainable development in an environmental department can limit the extent of influence across the organisation. This is compounded when combined with a widespread perception that sustainable development equates to environmental stewardship.

3.32 However, during the period of the first two action plans, the responsibility for embedding sustainable development has also resided with the strategic policy unit. Many of the difficulties and issues identified in this report have persisted throughout and there is no discernable correlation between the difficulties and the location of the responsibility for embedding sustainable development. The range and depth of the issues relating to organisational culture, revealed in the staff survey and focus groups, suggest that these have been the key barriers, as opposed to the location of the sustainable development team.

3.33 The organisational changes being implemented over the next two years, by the new Permanent Secretary, are designed to address many of the issues which arose from the staff consultation. This would therefore, be an opportunity to examine how best to locate the Assembly Government's internal sustainable development expertise to take full advantage of the culture change.

The complexity, which is often associated with sustainable development, is in many cases a product of the difficulties that the Assembly Government experiences in trying to work in an integrated way

'If our decisions are going to be made in the conventional, one dimensional, way, how can we hope to better a world that is entirely made up of complex linkages'[65]

3.34 The majority of respondents to our staff survey did not consider that decisions in policy fields take account of effects of those proposals in the round, as opposed to just in the field in question. A majority also disagreed with the statement that policies and programmes are designed in an integrated way so that they are mutually reinforcing and evidence based. The tension referred to in the 2004 Rowntree study, quoted below, was still clearly evident and unresolved in 2007 and 2008 when our fieldwork was undertaken.

> ### Box 14 – Cross-cutting themes
>
> Understanding sustainable development is not helped by its promotion as a 'cross-cutting theme or issue'... and the competition it faces from a steady proliferation of other similarly viewed themes... A significant tension lies between understanding sustainable development as an overarching framework – something 'that stands above the others' and seeks to make all these elements an integral part – and seeing it as one of a list of many other cross-cutting themes... the main point is that different choices lead to different courses of action, and to different forms of management and organisation.
>
> *Sustainable development in Wales: understanding effective governance* by Paul Williams and Alan Thomas published by Joseph Rowntree Foundation 2004

'Sustainable development is seen as difficult and complex, as opposed to a means of achieving good governance.'

'Cultural and organisational change will not be delivered by producing 200 page documents that no-one will read.'

'This problem is not exclusive to sustainability. It applies to other areas such as Disability, Welsh Language, Racism etc. I would not question that the vast majority of staff support these initiatives but would question their devotion to them when faced by an overwhelming deluge of documentation that is seen as preventing them carrying out their day to day duties'[66].

3.35 In our review of business planning processes, we found a number of statements relating to an intention to consider sustainable development. These ranged from: sustainable development being 'fully integrated into the departmental operational plan', but nothing on what this means and how it will be done; to 'Assembly Government's commitment to sustainable development will continue to have an overriding influence over the work of the department' and 'sustainable development is

65 *The Road from Rio to Johannesburg*, Millennium Paper Issue 5, UNED Forum, London, Khosla, A, 2001

66 Wales Audit Office survey of Welsh Assembly Government staff

fully integrated within our operations, in particular on the capital side'.

3.36 We found a lack of clarity about what government that is focused on sustainable development should look like; how it should behave; and what it needs to concentrate on. This is compounded by the difficulties the Assembly Government experiences, in working across organisational silos. A further complication has been the desire to make sustainable development tangible, through a compendium of projects and initiatives. The most effective route for a government to make sustainable development tangible is by embedding it in its key decision-making and this should be the focus of the Sustainable Development Scheme. This course of action, however, is much more challenging than funding a series of demonstration projects or stand alone initiatives.

3.37 A study[67] of good practice examples of governance structures for NSDS highlights the importance of NSDS, in maturing the response of government to sustainable development. The Assembly Government has relied upon the legislative duty and a range of actions and initiatives set out in the sustainable development action plan. The lack of a NSDS has contributed to the lack of policy coherence and the confusion and difficulty in tracking progress.

3.38 Over the past 10 years, due to the lack of a national strategy, the Scheme has attempted to fulfil the role of a national strategy, as well as set out an agenda for change for the government of Wales. A good example of this is provided by the vision set out in the 2004-2007 Scheme, 'The vision of a sustainable Wales'. This type of vision would work well for a NSDS where a wide range of partners needs to focus on how to collaborate to deliver the vision. It is not helpful as a

vision of what government needs to look like if it is successfully embedding sustainable development in all of its key decisions. The 2009 Sustainable Development Scheme also has a strong vision, setting out the key elements of a sustainable Wales. In addition, it refers to the Scheme as the 'strategic approach to delivering sustainable development across the Assembly Government'. However, it too provides few clues as to what an Assembly Government that had embedded sustainable development would look like.

3.39 From a study of 20 countries and the European Union, Swanson and Pinter found that sustainable development has still not been sufficiently linked to existing government planning, reporting and budgeting systems. They also draw attention to an emerging opportunity in the parallel drives to improve government accountability and the mainstreaming of sustainable development.

'For government accountability systems to become more strategic and outcome-oriented, a viable and sophisticated concept of future national development is required. The concept of sustainable development can help meet this need through its inter-generational consideration, integrated thinking (integrated economic, social and environmental perspectives) and its multi-stakeholder principles. For the NSDS to become more strategic and outcome-oriented, strategies must be integrated into the existing machinery of governmental planning, reporting and budgeting. The NSDS and current efforts toward government accountability would appear to be a perfect match – with the potential to advance a form of national development that is sustainable'.

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67 *Governance Structures for NSDS: study of good practice examples* by Darren Swanson and László Pintér, 2006

The Assembly Government has adopted the UK's five guiding principles of sustainable development but has not effectively challenged 'business as usual' processes

3.40 Section 5 of the 2004-2007 Sustainable Development Action Plan stated that, in fulfilling the duty through decision-making, the Assembly Government would seek to be recognised as an 'excellent' organisation by mainstreaming sustainable development and achieving good governance.

'The challenge is to mainstream this effectively and make a real difference. I suspect this will be particularly difficult in economic development field given that we are trying to create wealth and many will view the 'sustainable' elements as an unnecessary burden to an already difficult job. I personally think sustainability is incredibly important and am hugely in favour of further direction and thorough thought into how this can be mainstreamed'[68].

3.41 The 2009 Sustainable Development Scheme states: 'We were, and indeed remain, one of the few administrations in the world to have a distinctive statutory duty in relation to sustainable development...' The focus now needs to be not on passive compliance, but on the active management of the conflicts arising from competing priorities.

'If they are not doing much in regard to sustainable development then they need to think about why. Just having the statutory duty is not going to change the world'[69].

3.42 A focus on integrated decision-making, from the outset offers much greater opportunity to fundamentally challenge existing ways of doing business. This can flush out conflict to ensure that it is resolved or mitigated. It also provides the opportunity to identify synergies, innovative approaches and win-win solutions at an early stage. The five principles of sustainable development, if applied robustly and consistently, support this approach.

3.43 In this report, we have provided a sample of the wealth of materials, tools and methodologies available to help mainstream sustainable development. None of these is sufficient on its own. However, the Assembly Government has spent much of the last 10 years developing and reviewing bespoke tools and methodologies. Had more of this time been spent adopting and implementing existing tools and methodologies, a more immediate and direct challenge to existing ways of doing business could have been achieved.

3.44 Over the past 10 years, the keenness to produce tangible outputs in relation to sustainable development has produced a plethora of projects and initiatives. The assumption being that, in some way, they collectively contribute to sustainable development. There has been a parallel development towards a more outcome-focused approach in the public sector. However, there has been a lack of clarity about what constitutes an outcome and how Government can track progress. In many cases, an outcome is seen as 'a target' regardless of whether it is actually measuring an activity, process or output. This confusion in relation to effective performance management overlays the lack of clarity surrounding sustainable development. This has significantly impaired the Assembly

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68 Wales Audit Office survey of Assembly Government staff

69 Wales Audit Office interviews with Assembly Government staff

Government's ability to challenge 'business as usual' processes.

Box 15 – Mainstreaming sustainable development

'Mainstreaming' sustainable development needs procedures for policy coordination, consistency and coherence.

Most governments, and certainly all of those in the OECD, have institutions and management mechanisms for policy coordination. Officials will have familiarity with the inter-ministerial or inter-agency machinery in which an entity with primary responsibility for a policy decision will bring together others that could be affected by or have an interest in it, to iron out a common position. Such coordination often involves whittling down an original proposal to obtain consensus, in lowest-common-denominator fashion.

Policy consistency has more to do with the design and implementation of policies of several ministries or agencies to support an overall objective, usually defined and articulated at a high political level. Poverty reduction is such an objective. The key idea behind consistency lies in the avoidance of policies that conflict in reaching for the defined goal.

Policy coherence aims still higher. It too operates to achieve politically defined goals, but looks beyond the removal of policy contradictions to a more creative enterprise that harnesses all relevant policy actions to enhance the achievement of an objective. It stresses a notion of cumulative value added from the contributions of different policy communities, thus moving beyond mere consistency to a more positive, stronger vision of how objectives can be achieved. (OECD DAC 2001c)

3.45 Our review of documentation, the outputs from the survey and staff focus groups revealed an organisation engaged in a great deal of activity focused on developing tools and procedures aimed at improving coordination. Much of this has not been effective due to a lack of clarity of purpose. The Permanent Secretary has focused on improving the Assembly Government's performance in delivering results that will make a difference for people in Wales[70]. Key drivers behind the developments needed to achieve this are:

a simplify business decision making;

b increase business efficiency;

c improve the robustness of business systems and processes to support decision making;

d improve connectivity, within and across the Assembly Government; and

e improve connectivity with external stakeholders.

3.46 These improvements and the Director General post provide an opportunity to move from the uneven policy coordination, of the present, towards policy coherence.

'Perhaps at the heart of the problem is the fact that sustainable development continues to be thought of as 'an issue'… something that one addresses amongst a whole plethora of other global concerns and priorities… it is sustainable development that defines how we do good governance. Sustainable development is a process. It is a method of structuring our thinking, our decisions and our actions in order to ensure that we achieve the inherent principles and values of good governance. Sustainable development is the blue print upon which all systems of governance should be based.'
(Ayre and Callway, 2005)[71]

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70 Perm Sec Leadership Brief to Assembly Government staff, *Strengthening our Management, Policy and Delivery,* issued 24/10/08
71 *Governance for sustainable development*, Earthscan, Ayre, G. and Callway, R. (Ed) 2005

Appendix 1 – Projects and activities sponsored by the Assembly Government in support of its duty to sustainable development

Project/Activity	Details
Wales for Africa International Framework	This framework started in 2005 with the aim of making a positive contribution to the delivery of UN Millennium Development Goals and responding to disasters and emergencies overseas. The work seeks to transfer knowledge, build the capacity of Welsh NGOs, promote volunteering and make Wales the world's first Fair Trade Country. To support the delivery of these aims, the Framework also includes a grant scheme which contributed £240,000 in 2008-09.
Appetite for Life and school meal procurement	This is the Assembly Government's scheme to deliver a reduction of saturated fats, salt and sugar children eat and encourage them to eat more fruit, vegetables and other foods containing essential nutrients Within the scheme, schools should aim to purchase materials from sustainable sources that are made from recycled materials and are biodegradable and recycle packaging materials as appropriate.
Sustainable Development Framework for Local Government	The Assembly Government has funded the Welsh Local Government Association to develop a sustainable development framework for local government. The purpose of this work is to help embed sustainable thinking into mainstream activity. This Framework seeks to provide practical guidance in support of efforts to deliver sustainable development. To date a range of corporate modules have been produced including facilities and property management, procurement and engagement and communication. Two service modules have been produced covering housing and education.
Education for sustainable development and global citizenship	This scheme seeks to introduce secondary school pupils to the key concepts of sustainable development and the concept of global citizenship. Others issues considered are: interdependence, sustainable change, quality of live, diversity and taking responsibility for living a sustainable lifestyle. The scheme is not designed to be an extra subject to be taught but rather a way for teachers and pupils to approach the existing school curriculum and other aspects of school life.
Buildings and estate management	The Integration of Sustainable Development into estate projects takes the guiding principles of the UK framework and demonstrates how 'the broad based principles of sustainable development can be applied to estate construction projects of all types and sizes...' The approach is adapted from the Royal Academy of Engineering guidance: Engineering for Sustainable Development: Guiding Principles.
Tackling climate change	The Assembly Government recognises climate change as being 'one of the biggest challenges facing the world today and the Assembly Government is determined to play its part in tackling it.' The Assembly Government is currently working with voluntary sectors, business partners, and communities in Wales to develop a climate change policy.
NHS Wales – Healthy Sustainable Wales	NHS Wales has developed a sustainable development tool-kit which will provide a steer on how sustainable development principles should in future be reflected in regional reconfiguration plans and in service commissioning. A Kings Fund report Claiming the Health Dividend: Unlocking the Health Benefits of NHS Spending provided evidence for NHS Wales in recognising the tremendous potential that the NHS has to contribute towards sustainable development through the services it develops and provides with its partners, and through its economic power as an employer, purchaser of goods and services, cause of travel, producer of waste, consumer of energy and commissioner of building works.

Project/Activity	Details
Staff Training	A range of training courses have been provided that offer potential vehicles for developing the organisation's capability to embed sustainable development. The Policy Development Course aims to develop a consistent understanding of policy process, assessment tools and terminology and the Policy Integration Tool Training. It states that it has the Assembly Government's core values of sustainable development, equality of opportunity and social inclusion at its heart and promotes a joined up approach to developing and implementing policy. Policy Gateway Integration Tool training aims to provide a practical understanding of how the tool can be used to test policy.
	Sustainable development is included in the staff reception programme for all new starters and a number of leadership and management development programmes such as 'Walking not Talking', involving senior leaders from across the public sector.
Sustainable indicators for Wales	The 2004–2007 Action Plan committed the Assembly Government to identifying 'a small suite of high level summary indicators to use as headline measures of progress towards sustainable development' and to use 'a full indicator set, reflecting cultural, social, economic and environmental issues, to gauge progress towards sustainable development'. The Assembly Government has worked with a range of stakeholders, over an extended period of time to develop a suite of sustainable development indicators. In 2008, a number of significant developments took place designed to raise the profile of the headline indicators and make the full set more accessible, including the publication of an 'In Your Pocket' booklet and an interactive website.
AGSPB remit letters	Remit letters contained a general requirement that the AGSPB should work towards sustainable development, but none made explicit links to sustainable development indicators or to the widely accepted principles of sustainable development[72].
	Using a set of standardised phrases, the Assembly Government emphasises the importance of procurement, energy efficiency, appraisal tools and estate management in achieving sustainable development.
	These findings are based on (38) remit letters agreed by the Assembly Government and the:
	a Arts Council of Wales (ACW)
	b Cadw
	c Countryside Council for Wales (CCW)
	d Welsh Language Board (WLB)
	e Higher Education Funding Council for Wales (HEFCW)
	f Sports Council for Wales (SCW)
	g Environment Agency Wales (EAW)
	h Welsh Development Agency (WDA)
	i ELWa
	j Wales Tourist Board (WTB)
	The remit letters examined cover the period from 2003-04 to 2007-08, except in the case of the WDA, the WTB and ELWa where we have only examined those remit letters referring to the 2003-04 financial year.

72 Five principles agreed by UK Government, Scottish Executive, Assembly Government and the Northern Ireland Administration, outlined in One Future Different Paths, the UK's shared framework for sustainable development.

Appendix 2 – Wales Audit Office examination timeline

Initial scoping and Issues Analysis with Assembly Government officials	April 2007
Established external reference group	June 2007
Established study framework and consulted reference group and Assembly Government officials	July 2007
Undertook Assembly Government staff survey and analysis of findings	September and October 2007
Interviews with Assembly Government Heads of Departments	November 2007 to January 2008
Ten Assembly Government staff focus groups in three locations	November 2007
Meeting with Assembly Government Sustainable Development team	February 2008
Interviews with Assembly Government Heads of Departments and departmental officials	February to April 2008
Anonymous output from staff focus groups sent to Assembly Government officials	April 2008
Drawing Conclusions meeting with Assembly Government officials	May 2008
Discussed emerging findings with external reference group	June 2008
Discussed draft report outline with Assembly Government officials	September 2008
Document review and drafting	October 2008 to June 2009
Discussed detailed report with Assembly Government officials	July 2009
Clearance and drafting	September to November 2009
Publish final report	January 2010

Appendix 3 – Processes and tools designed to improve decision making

The Corporate Finance Change Programme	This aims to 'create a strategic finance function which challenges and supports the organisation in order to deliver cost effective and best value outcomes which meet the policy objectives of the Assembly Government': in short 'to help the business make the right decisions'.
The Five Case Model	This is an approach to preparing business cases used across UK central government departments, and is the OGC preferred approach for business case development. Assembly Government guidance issued in March 2007 promoting the use of the Five Case Model and emphasising the importance of such issues as whole lifecycle costs.
Strategic Capital Investment Framework (SCIF)	The SCIF is seen as an opportunity to help achieve sustainable development outcomes, providing a focus and funnel for strategic capital expenditure. Use of the Model is required for any major proposals for SCIF funding.
Finance Department Guidance	The Assembly Government Finance Department issues guidance to spending Departments on how to address and present the financial implications of proposals submitted for Ministerial advice and decision. All submissions to Ministers must include an assessment of the financial implications of the advice or recommendation for decision, and the guidance states that it is unacceptable to say that 'there are no financial implications' or that 'the financial implications cannot be quantified'.

Appendix 4 – Policy Gateway Integration Tool

1. In late 2007, the Assembly Government Management Board Policy Committee commissioned the Strategic Policy Unit to review the PGIT to produce a 'One Wales' Policy Integration Toolkit', to replace the one based on 'Wales: A Better Country'. The Policy Committee determined that both the PGIT itself and the way it was used needed to be revised and updated. Work on this took place between December 2007 and March 2008.

2. According to a paper that went to the Management Board Policy Committee on 9 April 2008, the PGIT has four main aims:

    a   to improve policy design;

    b   to make consultation more effective by providing extra information to aid those being consulted;

    c   as an aid to decision-making on fledgling policies; and

    d   to ensure compliance with statutory obligations.

3. The Management Board paper noted that, in practice, many policies went through the Gateway process 'too late to be changed more than marginally' and considered that an early Gateway session should be mandatory. This is now called the 'One Wales Policy Foundation Tool', to distinguish it from the main 'One Wales Policy Gateway Tool'. It also noted that the first part of the PGIT form was largely not used and that the form could be more useful if restructured to be in line with the steps actually taken in the policy development process. The paper also considered that new Departmental Business Plans could be used, as the former Assembly Government Operational Plan had been, to map out which policies were expected to go through the Gateway process.

4. The review also made a number of other observations. These included: re designing the form and rationalising the questions on it; noting that the quality of chairmanship and membership of the gateway session meetings were crucial to their success; and indicating the need for more explicit links between the PGIT and other separate assessments (ie, Environmental Impact Assessment, Strategic Environmental Assessment, Impact Assessments and Welsh Language toolkit). The paper also proposed: greater integration with key current business development themes (Direction, Design and Delivery); outlined a typical Gateway timetable; proposed new training on the revised Gateway system and suggested the guidance on the Assembly Government intranet (Horizon) be updated.

Appendix 5 – Heads of Departments interviews – key points

We interviewed all the Assembly Government Heads of Department on the Management Board about progress made and challenges faced in embedding sustainable development principles into departmental business operations and related decision-making. We supplemented this with interviews with certain officials in selected Departments, and through a review of business planning arrangements across Assembly Government Departments. Key points arising from this work for three illustrative Departments are summarised below:

Department for the Economy and Transport	a	The key to success is front-loading sustainable development appraisals, not back-ending them.
	b	The BREEAM standard has been useful in concentrating minds.
	c	The recent Transport Strategy was subjected to SEA and sustainable development challenge.
	d	There is need for a practical tool to support embedding sustainable development considerations in everyday business decision making.
	e	Businesses in Wales (particularly SMEs) perceive sustainable development as additional regulation and need convincing to engage with the agenda.
	f	The planning system and regulations are a barrier/constraint for stimulating and encouraging sustainable development initiatives.
Department of Rural Affairs and Heritage	a	Farming in Wales is recognised as inherently unsustainable (economically, socially and environmentally), with departmental policy and programmes designed to rectify this for the future.
	b	Climate change is a huge challenge for farming in Wales.
	c	The Department is putting sustainable development conditions into grant conditions (eg, zero-carbon requirement).
	d	Experience has shown that the Policy Gateway tool is best used early.
Department of Health and Social Services	a	The Wanless report confirmed that Wales' current health and social care services are not economically sustainable and that the present configuration of services is inherently inefficient and expensive.
	b	The redesign of health and social care is a major strategic project for 2005-08 and a major driver of the NHS capital investment programme.
	c	The renewal of the NHS estate involves incorporating sustainable development principles and approach into building location and design.
	d	The NHS Department has developed and issued a Sustainable Development Toolkit to NHS bodies in Wales, covering 11 'achievement areas'.

Appendix 6 – Results-Based Accountability

What is it? Why do it?

Why bother with Results-Based Accountability?

Because trying hard is not good enough. We need to be able to show results to taxpayers and voters.

It provides a way to communicate with taxpayers and voters in plain English (plain Spanish, Japanese, Korean etc.)

Results are conditions of wellbeing stated in plain language, that taxpayers and voters can understand and recognize as important. They include things like 'a prosperous economy,' 'a clean environment,' 'a safe community,' 'healthy children and adults,' 'children ready for and succeeding in school.'

Indicators are measures which quantify the achievement of results. So for example, the unemployment rate helps quantify economic prosperity, the percentage of troubled streams helps quantify a clean environment, the percentage of children reading at grade level helps quantify children succeeding in school, the teen pregnancy rate helps quantify children 'staying out of trouble.' Indicators can be used to create a report card on wellbeing for a geographic area (state, county, city, school district, community) like the Casey Foundation Kids Count report.

It provides a way to get from talk to action across agencies and across communities.

It is a disciplined business-like thinking process where we start with the ends we want (results and indicators) and works backward to the means to get there. We establish indicator baselines showing where we've been and where we're headed if we stay on our current course. Then we consider the story behind the baselines (eg, the causes of teen pregnancy or poor water quality.) Next, we consider all the potential partners who can contribute to making the numbers better. Then we consider what works to do better than baseline, including what the research tells us and what our common sense tells us. Finally, we craft an action strategy that includes no-cost and low-cost actions over a multi-year period.

The process can harness the power of the community to improve conditions. It can help community partnerships bring public and private sectors together to turn around conditions that are 'not OK;' and it sometimes requires not much more than a little glue money for convening these groups, and supporting elements of their action plan.

With this thinking process we can use results to drive budgets; develop cross agency plans to turn around specific conditions of wellbeing, and tap the contributions of public and private sector partners and the power of no-cost low-cost actions. We can use this process to inform budget choices over several years. And when one action plan works to improve conditions of wellbeing, it can set the pattern to tackle another. Over time, we can build up the capacity to view progress across agencies on many different results.

And it provides a way to hold programs, agencies and service systems accountable for performance.

We must avoid the thousand-pages-of-useless-paper versions of performance measurement. We must insist that programs and agencies identify the three or four most important measures; make sure these measures focus on customer results, not just amount of effort; create baselines for these measures, and hold agencies accountable for making progress against their baselines. We can use these measures in a simple day-to-day management process that builds data-based decision making into the culture of the organizations, and periodically produces what's needed for the budget.

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Appendix 7 – Wales Audit Office Study Reference Group participants

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Rachel Jowitt	WLGA
Alan Netherwood	Netherwood Sustainable Futures
Andy Middleton	TYF EcoSapiens
Helen Nelson	Cynnal Cymru
Helen Clarkson	Forum for the Future
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Graham Benfield	WCVA

The Auditor General for Wales and his team are grateful to the members of the reference group for their valuable contribution to this study. The content of the report is, however, the responsibility of the Auditor General for Wales.

Appendix 8 – The UK's shared framework for sustainable development

As the UK Government, Scottish Executive, Assembly Government and the Northern Ireland Administration, we have agreed upon the following set of shared UK principles that will help us to achieve our sustainable development purpose. They bring together and build on the various previously existing UK principles to set out an overarching approach, which our four separate strategies can share.

These principles will form a basis for sustainable development policy in the UK. For a policy to be sustainable, it must respect all five principles. We want to achieve our goals of living within environmental limits and a just society, and we will do it by means of sustainable economy, good governance, and sound science.

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.

Promoting Good Governance

Actively promoting effective, participative systems of governance in all levels of society – engaging people's creativity, energy, and diversity.

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.