
Effectiveness Review of the Sustainable Development Scheme

*Final report
20th Dec 2011*

A Report to Welsh Government

Table of Contents

Executive Summary	3
Introduction	11
Leadership	14
Embedding SD within Government	17
Enabling Others	24
Appendix 1 –Evidence Sources	27
Appendix 2 –Timeline of Welsh Government’s activity around the SD Agenda	29

Acknowledgements

We would like to thank the Welsh Government and their staff for their support and cooperation in facilitating the effective execution of this review. We would also like to thank the independent members of the SD Effectiveness Review Steering group for their support and advice. These being:

- Peter Davies – Sustainable Futures Commissioner
- Mike Palmer – Wales Audit Office
- Roz Robinson & Chris Daw – Cynnal Cymru

Executive Summary

Introduction

- 1 Welsh Ministers have a duty under the Government of Wales Act 2006 to have a Scheme setting out how they propose, in the exercise of their functions, to promote sustainable development. They are required to keep the sustainable development scheme under review, and may from time to time remake or revise it.
- 2 Welsh Ministers also have a duty under this Act, in the year following an ordinary general election, to publish a report containing an assessment of how effective their proposals (as set out in the scheme and implemented) have been in promoting sustainable development. To fulfil this duty the Welsh Government on behalf of the Welsh Ministers has appointed PwC to produce a report containing this assessment. A key aspect of the review has been to gather evidence from a wide range of sources and stakeholders, both internal and external to the Welsh Government. Whilst the report is intended to provide a retrospective view on the implementation of the revised SD scheme, since 2009, it also highlights some next steps that the Welsh Government might wish to consider to further improve the effectiveness of the Scheme.
- 3 This review recognises the positive progress made by Welsh Government to date, but highlights that there is more to do if its SD ambitions and all of its SD scheme objectives are to be fully realised. On the whole, Welsh Government is aware of its progress and achievements on its SD journey, and of the barriers and challenges that exist, and appears confident that it is already taking steps to address these. In particular there has been positive progress around the understanding and embedding of Sustainable Development (SD) in Wales. This is in no small part due to the political and operational leadership shown by Ministers and civil servants within Welsh Government.
- 4 It is important to understand the context and the journey in any assessment of effectiveness. Appendix 2 provides a full time line detailing the significant SD activity that Welsh Government has been engaged in over the last few years. The current SD scheme is relatively new, having being launched in May 2009. One of the cornerstones to SD is that of long term thinking in decision making, therefore there are challenges in effectively assessing the impact of the SD scheme on policy development and in particular delivery over such a short time frame. Since the SD scheme's launch, Wales has been subject to a number of significant political events including a referendum on additional powers and an election. Set in this context, together with a difficult economic environment, progress around the implementation of the SD scheme may not have been as fast as Welsh Government would have wished for. However, embedding SD as the Central Organising Principle should not be viewed as an event but rather as part of a much longer journey for Wales and the Welsh Government. This is a journey which has had a positive start.
- 5 In considering how to report the results of our review we have focused on three key areas that have a significant impact in ensuring that Sustainable Development is the Central Organising Principle for Welsh Government, namely:
 - Demonstrating effective leadership.
 - Continuing to embed SD into government policy and decision making by developing internal capability and the use of effective mechanisms.
 - Continuing to develop effective ways by which government supports and enables stakeholders, external and internal, to deliver.
- 6 This executive summary considers each of these key areas separately below. A more detailed understanding of these is set out in the main body of this report.

Leadership

- 7 Welsh Government has shown strong political and organisational leadership, has set the right “tone from the top” in relation to SD, and in doing so has set a positive context for SD within Wales. Some examples which highlight this positive leadership include:
- The fact that Welsh Government has a duty to produce a Sustainable Development Scheme has helped to ensure that there has been a continuity of focus on the SD agenda.
 - Maintaining the independent challenge by the appointment of a Commissioner for Sustainable Futures, despite the decision of the UK Government to withdraw funding from the UK Sustainable Development Commission. Retaining this scrutiny and advisory role demonstrates Welsh Government’s commitment to SD, and the principles of openness, transparency and challenge.
 - Working and engaging with stakeholders on the initial development of the SD Scheme and its ongoing evolution. This engagement is also evident in the work being undertaken to shape the proposed SD Bill. This close liaison with its stakeholders should enable a broader range of perspectives and concerns to be considered and should therefore more clearly link legislation to practical delivery.
 - Continuing to ensure that SD is given appropriate organisational priority by establishing the senior post of Director General for Sustainable Futures with specific focus and responsibility for championing SD within and across Welsh Government. Also having an established network of SD Advocates has provided a useful bridge between the central SD team and the various departments.
 - Leading by example in targeting improvement in its own internal environmental performance and management. A good example of this is the achievement of Level 5 in the environmental standard Green Dragon.
- 8 However, whilst the above examples describe a number of positive steps in demonstrating leadership, our review highlighted a number of challenges that Welsh Government faces around maintaining effective SD leadership. Examples of this include:
- SD leadership is not consistently evident across the whole organisation, and not all Departments have the same levels of understanding or clarity about how SD principles, such as longer term thinking and whole-life costing, should shape policy development and delivery.
 - The central SD branch team are often seen as marginal to Welsh Government activity, which is limiting its ability to be more proactive in leading the SD agenda for Wales. The WAO report on sustainability in 2010 highlighted that “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” and this to some extent is manifested in the resource capacity of this branch.
 - Since the introduction of the SD scheme there have been a number of reports highlighting recommended actions to improve the effectiveness of the Scheme for example the WAO report in 2010¹. Welsh Government should ensure that it has effectively responded to the issues and recommendations raised within these reports.
 - Ensuring that the various internal governance and operational structures such as the Strategic Delivery and Performance Board have SD as the Central Organising Principle reflected in their Terms of Reference.
 - A need to ensure that the recent changes to the governance and scrutiny arrangements for SD, such as the demise of the Cabinet Sub-Committee on Sustainable Futures and the demise of the UK Sustainable Development Commission, do not negatively impact the level of challenge and

¹ Sustainable development and business decision making in the Welsh Assembly Government – WAO January 2010

scrutiny. The new role of the Commissioner for Sustainable Futures should be helpful in this respect and there is potential for a new independent SD body to further strengthen the position.

Embedding SD in Government

- 9 If SD is to be the Central Organising Principle for everything that Welsh Government does, there are two essential building blocks that need to be in place. Firstly that of organisational capability, not just in the central SD team but also across the whole of Welsh Government, and secondly having effective and robust supporting mechanisms which facilitate the cascade of priorities and actions in a consistent way throughout the organisation. One of the tests of a developing capability and effective mechanisms is that decisions should result in “smarter and not harder” ways of working. There is good evidence to show that where SD is embedded in policy and decision making the results are better more effective outcomes and that often these also lead to efficiencies.

The need for a consistent understanding of SD as the Central Organising Principle

- 10 The starting point for developing SD capability is to have a shared understanding of what ‘SD’ actually means, and how it applies to the work of individuals and Government as a whole. Our review highlighted that since its inception the SD scheme has enabled the language of “SD as the Central Organising Principle” to become more widespread in its use within Welsh Government.
- 11 Despite this improvement there was a consensus that there was still a lack of clarity around the interpretation of SD and how this translated into the Central Organising Principle. Our review highlighted that there is still a gap between understanding the concept and this being consistently applied in practice. Many people including those who are close to the SD debate find it difficult to articulate what SD as the Central Organising Principle looks like within their sphere of influence and as such this presents a very specific barrier in establishing actions and outcomes which reflect this aspiration.

Developing Capability to embed SD in Government

- 12 One of the key strengths within the Welsh Government’s approach to SD is in the capability and enthusiasm of its central SD branch. This small branch, together with a number of other leaders across the organisation, has achieved much in moving the SD capability of Welsh Government forward.
- 13 However, developing SD capability across the organisation remains a challenge, and this review confirmed that it is still variable across Welsh Government Departments. One mechanism to improve this is through embedding SD in training and development. Welsh government has made training on SD available, and currently has a specific training module on SD as the Central Organising Principle within its Annual Programme of Training which is open to all staff to attend. However it is not mandatory, and more fundamentally, SD is not embedded into all learning and development programmes or competencies from initial mandatory training for new joiners through to training targeted at senior management.

Mechanisms to embed SD in Government

- 14 The Welsh Government currently has a variety of mechanisms in place to help embed SD in decision making. One of these is the Policy Gateway, which is a key route through which SD (alongside other priorities) is addressed in policy development. Our review indicates that this is a good process in principle, but there were concerns over its application, particularly around consistency and timeliness. It is also worth noting that Welsh Government is currently considering improvements to this gateway process.
- 15 Unlike many other legal duties, such as equalities or the Welsh language, there is no formal requirement in place to complete an ‘SD assessment’. This has been recognised by Welsh Government, which is currently in the process of designing a formal SD assessment process. There is a real opportunity to establish SD as the overarching context for all impact assessment, to help rationalise assessments, and thereby help identify synergies and conflicts at an early stage. This could rationalise the plethora of impact assessment processes that are currently in place, which can create confusion and a series of

hurdles for policy leads (e.g. Equalities Assessment, Welsh Language Assessment, Environmental Appraisal, and Economic Appraisal).

- 16 There is also a need to ensure that that decision makers make more effective use of the outputs from the various tools and assessments that are undertaken to ensure SD is more fully integrated in policy development and decisions.
- 17 An indicator of whether mechanisms are effective is the extent to which there is evidence of effective cross departmental working. This review found some evidence of this in practice, and examples where it had resulted in different, better policy outcomes, demonstrating that having an SD focus added value to the process. Good examples of this included:
- The Arbed programme –The scheme has resulted in positive impacts on climate change, tackling fuel poverty and a boost to the local economy creating Welsh jobs.
 - Welfare Reform Programme –This programme has been driven by the central Government’s Welfare Reform Bill 2011 and Welsh Government’s response to this has been to establish a cross policy area programme which has a clear SD focus.
 - Climate Change Strategy 2010 – This sets out where Welsh Government will act to reduce domestic greenhouse gas emissions. It also explains how the Government will prepare Wales for the impacts of climate change. This strategy, whilst focused on one very specific aspect of SD, recognised that this would have to be delivered by stakeholders from many sectors if it is to be successful and articulates how these objectives are to be achieved in action based delivery.
 - Community Food Growing Action Plan and the development of food cooperatives – This is a good example which has brought together Welsh Government’s overarching strategic objectives around Environment and Sustainability, Education and Training, Health , Well Being, Community and Economic Development, which has been funded in part by the Department of Health.
- 18 Another indicator of effective mechanisms is the extent to which they force a longer term approach. Whilst it is recognised that this is a common challenge for all organisations there were a number of examples of policies and initiatives which demonstrated a longer term approach, including:
- Economic Renewal Programme - a new direction. The Programme has been applauded for its focus on longer term business growth, and a shift from revenue to capital investment.
 - The Child Poverty Strategy, which includes longer term outcomes with an SD focus and has promoted investment in early interventions, such as ‘Flying Start’, targeted at 0-3 year olds in the most disadvantaged communities in Wales.
 - Our Healthy Future – included a focus on high value interventions that would deliver cost savings in 5 years. A good example of this is the focus on falls prevention, where home adaptation and risk mitigation should result in significantly fewer elderly falls and thereby have a subsequent positive impact on the cost of long term care.
- 19 However, despite these positive aspects there are a number of challenges faced by Welsh Government in the development of its internal capability and its mechanisms to embed SD as the Central Organising Principle including :-
- Concern that the current Policy Gateway process is not consistently or effectively used and as such is a missed opportunity to ensure a more joined up and SD focused approach to policy development. There is currently no formal requirement to undertake an ‘SD assessment’ and as such SD is not afforded the same level of consideration as other issues where there are legal duties in place, such as the Welsh Language and equalities.

- The effectiveness of the SD Scheme is evaluated through Annual Reports, annual assessments of progress against the suite of SD indicators, and through Effectiveness Reviews such as this. Our review indicates that despite this, there is not a real sense as to whether Wales is moving in the right direction at the right pace. Whilst identifying progress is a complex issue, this type of assessment is one that could be undertaken by an independent body or role such as the Commissioner for Sustainable Futures.
- Ensuring that mechanisms are further developed to recognise and reward good SD practice and in particular to demonstrate the benefits of embedding sustainable development principles in activities.
- There are insufficient monitoring systems to track progress against the Scheme's objectives and actions, on a more regular basis, against key internal and external milestones. Ensuring that the Programme for Government (which is regularly monitored) is compatible with the Scheme would help to overcome this challenge and streamline reporting.
- A general concern from stakeholders was that Welsh Government is still highly focused on measuring Gross Value Added in establishing economic progress and growth, rather than wider SD outcomes.

Enabling others

- 20 One of the key outcomes outlined in the SD Scheme is that Welsh Government 'as an exemplar organisation, demonstrates leadership on sustainable development, and encourages and enables others to embrace sustainable development as the Central Organising Principle. The SD Scheme also included a key outcome around having effective and participative systems of governance in place at all levels of society, and set 'involving stakeholders' as a core principle of policy making. Our review highlighted that despite some positive enabling actions taken by Welsh Government, internal and external stakeholders consider that there were some areas where Welsh Government could and should do more to effectively enable them to deliver the SD scheme objectives.
- 21 Welsh Government has successfully introduced a variety of levers to more effectively enable others to embrace and help deliver a sustainable Wales. The benefits of some of these have yet to be fully realised. However, some key examples include:
- *Enabling through policy and performance - Towards Zero Waste (2010)*, the Welsh waste strategy which takes forward EU and UK regulatory requirements, where legislative measures have been used to deliver significant progress on recycling rates and reducing waste sent to landfill.
 - *Enabling through incentives – Community First –* Whilst it is recognised that the structure of this programme is currently changing, the Independent review of this programme in 2010 noted "Overall, while the majority of Communities First areas remain significantly more deprived than the rest of Wales, conditions generally have improved (despite the impact of the economic crisis) and the gap with the rest of the country on a number of important indicators has narrowed."
 - *Enabling through education and communication-* The SD Charter – a voluntary commitment that organisations across Wales are invited to sign up to - was cited as one of the main ways in which Welsh Government has actively sought to engage and enable others. It is positive that over 100² organisations have now signed up to the Charter, and by doing so are committed to promoting and delivering wellbeing through their decisions and operations.
- 22 There were many positive examples of Welsh Government enabling others. However, the review highlighted a number of challenges around how it has enabled other to deliver SD as the Central Organising Principle, including:

² <http://cynnalcyrmru.com/charter-signatories>

- A move away from traditional levers such as the use of fiscal incentives such as grant aid, to a greater use of mechanisms for procuring services. This has been due to a hard economic climate with reducing budgets.
- Where grants are used, there is inconsistent use of grant conditions within grant funding to reinforce the SD Scheme priorities and objectives.
- The ability of Welsh Government to have significant influence over some of its delivery agents, for example Local Authorities, which are democratically elected organisations with their own political priorities.
- Not engaging stakeholders sufficiently early in the development of some policies and initiatives, to ensure a stronger connection between policy and delivery, and to gain buy-in.
- Although the SD Charter and the development of the Anchor Companies has facilitated some engagement with the private sector it was felt that Welsh Government could do more to ensure that it has a better dialogue with the private sector on sustainable development.
- The absence of some strategic frameworks, such as a National Infrastructure Plan based on the SD Scheme, although it should be noted that work is underway to develop an all Wales Infrastructure Investment Plan which should help to address some of these challenges.
- There is a limited ability for Welsh Government to impact national policies, whilst UK wide policies, such as Welfare Reform, can have a significant impact on the Welsh economy.

Key next steps

23 The findings from this review have highlighted the next steps to be considered, some of which are already in process. These steps vary in their relative priority and have been designated accordingly – high medium or low. It is our view that whilst implementing the high priority recommendations would have the greatest impact, the Welsh Government may wish to consider some or all of the lower priority steps as an important contribution towards maintaining momentum and wider engagement. In particular, there are some actions which could deliver quick wins.

High priority

Leadership

- 24 The proposed SD Bill provides Wales with an opportunity to formalise structures and processes to help it achieve its sustainability ambitions. The consultation phase and policy development process for the Bill should be designed to maximise public, civil society organisation and commercial participation and awareness.
- 25 Encourage more consistency between senior civil servants, and their respective Departments, in agreeing how SD principles are applied to operational delivery. One mechanism for building this consistency is by ensuring that SD as the Central Organising Principle is fully embedded within its mandatory induction training for all new staff, and within the Senior Management Leadership Programme CULTIVAR. Whilst building SD capability should ideally be implemented across the whole organisation, as a priority this should be focused on those staff that are a key part of the decision making process, typically Grade 5 and above. The Welsh Governments management, leadership, training and development body, Public Services Management Wales, has a key role to play in delivering this step.
- 26 Ensure that internal governance arrangements, within and across Welsh Government, fully support the embedding of SD as the Central Organising Principle. Welsh Government should consider how the roles of its Strategic Delivery and Performance Board and its other boards ensure that SD as the Central Organising Principle is reflected their Terms of Reference. The new First Ministers Delivery Unit (FMDU) could provide a central point for the internal challenge, with external independent scrutiny from the Sustainable Futures Commissioner.

- 27 Ensure that there is clarity around the political governance arrangements for SD as the Central Organising Principle within and across Government, and that they remain fit for purpose.

Embedding SD in Government

- 28 The policy detail within the current SD scheme reflects the previous administration's One Wales Programme for Government. There is a need to consider how the Scheme can be better aligned with the new Programme for Government (PFG). Whilst it is clear that the new PFG has built upon the existing SD scheme, the language and emphasis have evolved, and there is a risk of the current SD scheme becoming decoupled from government delivery if they are not properly and clearly aligned.
- 29 Continue to explore the opportunities to clarify and encourage a consistent understanding of SD as the Central Organising Principle, in particular this should focus on practical examples that demonstrate what SD looks like at the "Coal face".
- 30 Develop a more systematic way of aligning policy with SD principles, and ensure that this is implemented consistently and at an early stage in policy development. This could be through an improved Policy Gateway process incorporating a formal SD assessment, bringing a cross section of policy areas together – at the right level of seniority – to identify and resolve conflicts and synergies.
- 31 For cross departmental working to be effective it will need to be supported by the budget allocation process, providing a framework that encourages opportunities for pooled and shared budgets, and a more flexible approach to staffing. Softer approaches can also help underpin formal mechanisms, such as greater opportunities for peer group networking.
- 32 To facilitate wider understanding of the SD journey, any new Scheme which may be linked to the SD Bill should clearly articulate the journey. It should set out key milestones and responsibilities within proposed time frames, building on the time line to a One Planet Society contained within the current SD scheme.
- 33 Ensure that mechanisms are mainstreamed across the government, and become business as usual. This will require targeted and ongoing communication, for example reference to SD as Central Organising Principle could provide the context for communicating the Managing with Less programme, building capacity through training and a balance between incentives and mandated processes. Communication needs to be positive, so that officers see the benefits of doing things differently, and individuals are positively engaged in internal change. The SD Advocates could be used to support the delivery of a number of these aspects.
- 34 There is a need for clearer identification of SD measures and targets and more regular monitoring to evaluate progress. Ideally this would complement the existing quarterly internal performance reporting and the annual external reporting on the PFG. This work should look to build on international research around defining the right SD measures and the work currently being undertaken by PwC to help identify a range of internal SD measures.

Enabling others

- 35 Further strengthen the engagement and collaboration with broader civil society through the formal role of the Sustainable Futures Commissioner and the proposed new SD body.

Medium priority

Embedding SD in government

- 36 Ensuring that the messages around SD as the Central Organising Principle are a key aspect of all Welsh Government communications. This should include all policy and legislative development announcements.

Enabling others

- 37 Ensure that enhanced engagement with external stakeholders, and in particular delivery partners, is built into the development of policy and the implementation of initiatives to ensure that options are practical and realistic and deliver against the objectives of the SD scheme.

- 38 The Welsh Government, and the wider public sector, needs to maximise the leverage opportunities provided by public spending. Supplier engagement will be a key part of any sustainable procurement strategy, and the capability of officials to have those conversations with suppliers should be strengthened.
- 39 The SD Charter network and the 'Anchor' companies should be used more effectively to engage more widely with private and civil society sector organisations across Wales. However it is recognised that this engagement will need to be matched by the private sector if it is to be meaningful.
- 40 Where Welsh Government has less ability to influence its delivery agents such as with Local Government, it should look to enable other bodies and organisations to help deliver by targeted support and resources. A good example of this is the enabling work undertaken by the WLGA and its Sustainable Development Framework.

Lower priority

Leadership

- 41 Ensure that the personal objectives and core competencies of civil servants of all grades include responsibility for delivery against the SD Scheme. This could be evaluated as part of the Welsh Government's Performance Management Review Process.

Embedding SD in government

- 42 The role of the SD Advocates Network has been maturing and there is an opportunity for this network to become more formalised. This could include setting out clearer roles and responsibilities and lines of reporting.

Introduction

Background and objectives

- 43 Welsh Ministers have a duty under section 79(1) of the Government of Wales Act 2006 to have a Scheme setting out how they propose, in the exercise of their functions, to promote sustainable development (SD). The Welsh Ministers are required to keep the Sustainable Development Scheme under review, and may from time to time remake or revise it.
- 44 In the year following an ordinary general election, Ministers are required to publish a report containing an assessment of how effective their proposals (as set out in the Scheme and implemented) have been in promoting sustainable development. To fulfil this duty the Welsh Government, on behalf of Welsh Ministers, has appointed PwC to produce a report containing this assessment.
- 45 The key objectives of this review are to assess how effective the proposals, as set out in the Sustainable Development Scheme, have been in promoting sustainable development in Wales. Further details on scope are set out below.
- 46 It is important to understand the context of any assessment of effectiveness. The first point of note is that the scheme is relatively new, having being launched in May 2009. Therefore there are challenges in effectively assessing its impact over such a short time frame. Also, since the SD scheme's launch, Wales has been subject to a number of significant events, including a referendum on additional powers, an election, and an extraordinary period of international economic downturn which has impacted all sectors of society.

The Sustainable Development Scheme

- 47 The current Sustainable Development Scheme, *One Wales: One Planet*, was launched in May 2009³. It sets out the Welsh Assembly Government's vision for a sustainable Wales (Box 1), and states that this, together with the supporting definition of sustainable development (the process of development to achieve the vision), will be the Central Organising Principle of all its policies and programmes, across all Ministerial portfolios. It includes a strategy for delivering SD, comprised of actions grouped into the following chapters:
- Sustainable Resource Use.
 - Sustaining the Environment.
 - A Sustainable Economy.
 - A Sustainable Society.
 - The Wellbeing of Wales.

³ <http://wales.gov.uk/topics/sustainabledevelopment/?lang=en>

Box 1: Sustainable Development in Wales

In Wales, sustainable development means:

- Enhancing the economic, social and environmental wellbeing of people and communities, achieving a better quality of life for our own and future generations.
- In ways which promote social justice and equality of opportunity.
- In ways which enhance the natural and cultural environment and respect its limits - using only our fair share of the earth's resources and sustaining our cultural legacy.

Sustainable development is the process by which we reach the goal of sustainability.

Source: One Wales One Planet – 2009 (Welsh Government)

48 The Welsh Assembly Government Scheme for Sustainable Development is consistent with the overarching principles of the UK shared framework, *One Future – Different Paths (2005)*:

- Living within environmental limits.
- Ensuring a strong, healthy and just society.
- Achieving a sustainable economy.
- Promoting good governance.
- Using sound science responsibly.

Central Organising Principle

49 The concept of sustainable development as the Central Organising Principle is key to the delivery of the SD Scheme. The scheme articulates this Central Organising Principle in the following key outcomes:

- The Welsh Government, as an exemplar organisation, demonstrates leadership on sustainable development, and encourages and enables others to embrace sustainable development as the Central Organising Principle.
- Sustainable development considerations are at the core of the evaluation and development of our policies and our new and existing investment proposals.
- There are effective and participative systems of governance in all levels of society.

Sustainable Development Annual Report and Indicators 2011

50 The Welsh Government also produces a Sustainable Development Annual Report (SDAR 2011) capturing its performance in terms of SD outcomes against the SD scheme proposals, objectives and actions. The latest SDAR was published in September 2011⁴.

51 The Welsh Government also produces a report containing its performance against its agreed Sustainable Development indicators (SDI). The latest update was published on 30 August 2011⁵.

4

<http://wales.gov.uk/topics/sustainabledevelopment/publications/annualreport1011/?jsessionid=KbDIT3GTyrWvCXdN45p4rMf6HTRBrJlLWnysh32JtdH2cGbZPWNZ!-2045186729?lang=en>

Review methodology and approach

- 52 Further details on the evidence sources supporting our review methodology and approach are set out in Appendix 1. The key aspects to our approach have included:
- Reviewing existing documentary evidence.
 - One to one interviews with key senior Welsh Government officials.
 - Facilitating an external workshop, held in September 2011 in Aberystwyth and attended by over 30 organisations.
 - Facilitating an internal Welsh Government workshop, held in October 2011 in Cardiff and attended by over 20 senior staff from a cross section of Departments.

Review Scope

- 53 The review is focused on an assessment of the effectiveness of the Welsh Government's current SD Scheme (May 2009). It is retrospective in nature and highlights examples of where the Scheme has or has not been effective. It has also sought to identify the reasons for successes or barriers to effectiveness, based on these examples or other evidence obtained as part of this review. In this way the review has highlighted where the Welsh Government should focus its future efforts around SD for best effect.
- 54 The review is not intended to provide an assessment of the extent to which SD is effectively embedded in Wales, or comment on the sustainability of Wales as a nation. Whilst existing policies and incentives have been referenced within this review, it has not sought to provide any overall opinion on these. Any references to policies or incentives are intended to support the comments within this report specifically in respect of SD considerations, and not the wider objectives of those policies or incentives.

Review Governance

- 55 This review has been conducted independently of the Welsh Government. An independent steering group was established, to advise PwC's independent review team, comprising:
- Peter Davies – Sustainable Futures Commissioner.
 - Mike Palmer – Wales Audit Office.
 - Roz Robinson and Chris Daw- Cynnal Cymru.

Reporting structure

- 56 In considering how to report the results of our review we have focused on three key areas that have a significant impact in ensuring that Sustainable Development is the Central Organising Principle for Welsh Government, namely:
- Demonstrating effective leadership.
 - Continuing to embed SD into government policy and decision making by developing internal capability and the use of effective mechanisms.
 - Continuing to develop effective ways by which government supports and enables stakeholders, external and internal, to deliver.

⁵ <http://wales.gov.uk/topics/statistics/headlines/sustaindev/110830/?lang=en>

Leadership

The role of effective leadership in delivering SD

- 57 Welsh Government recognises that effective leadership is a critical component of its role in delivering the SD scheme and a more sustainable Wales. One of the Scheme objectives is that “The Welsh Assembly Government, as an exemplar organisation, demonstrates leadership on sustainable development, and encourages and enables others to embrace sustainable development as the Central Organising Principle”.
- 58 Forum for the Future’s report on public sector leadership on sustainability⁶ highlights the critical and central role that Government and the wider public sector has in leading on sustainable development. It states that *“The leaders – whether private or public – understand that sustainability leadership is not about addressing just one or two core areas. It means embedding sustainable development into an organisation so profoundly that it is indistinguishable from mainstream culture. For public bodies, this means applying the public value case in strategic planning, management development, decision-making, public participation, allocation of resources and audit and evaluation. It means thinking further ahead, engaging more widely and bringing the values of sustainable development to the fore in that engagement”*.
- 59 The Forum for the Future report also recognised that effective leadership is a journey, starting when organisations identify and respond to risks, moving to where SD is systemic and fully embedded. Whilst we have not mapped Welsh Government performance against this spectrum, it is clear from this review that there would be variations between different Departments. Some policy areas, in particular where the sustainability links are more obvious (such as Health, Education and Environment), are further along the spectrum; whereas others are further behind.
- 60 Welsh Government has shown strong political and organisational leadership, has set the right “tone from the top” in relation to SD, and in doing so has set a positive context for SD within Wales. However, if SD is to be truly embedded as the Central Organising Principle for Welsh Government then continuing to win the hearts and minds of staff and stakeholders, and establishing a true culture of sustainable behaviours, will be a critical part of the process. This is explored further in the section on “Embedding SD in Government”.

Developing clear strategic leadership

- 61 The Welsh Government’s leadership around SD is best described under three distinct areas; political leadership, organisational leadership, and leading by example.

Political Leadership

- 62 The fact that Welsh Government has a legal duty to produce and publish an SD scheme is a demonstration of positive leadership which is unique in the UK. This requirement to develop an SD scheme has no doubt facilitated and maintained the SD debate within Wales. Coupled with this, strong Ministerial leadership on SD has ensured a continued high level focus on the issue. The SD scheme and the requirement to publish an annual report on the SD scheme actions have laid a positive foundation.
- 63 The Welsh Government’s recent commitment in its Programme for Government (PfG) to introduce an SD Bill, and the consultation and review that is currently ongoing to understand what this should include and how it can support the delivery of SD in Wales, confirms that Welsh Government remains serious about maintaining its focus on SD as the Central Organising Principle.
- 64 The proposed SD Bill provides Wales with an opportunity to formalise structures and processes to help it achieve its sustainability ambitions. The consultation and policy development process for the Bill should be designed to maximise public, civil society organisation and commercial participation and awareness.

⁶ Forum for the Future - *Stepping Up: A Framework for Public Sector Leadership - 2010*

- 65 The Welsh Government has appointed an independent Sustainable Futures Commissioner. This role is to “provide leadership for sustainable development in Wales and promote sustainable development as the Central Organising Principle in all organisations in Wales”. This independent advisory and scrutiny role replaced the function formerly provided by the UK Sustainable Development Commission, following its closure in March 2011, and is evidence of Welsh Government’s commitment to SD.

Organisational Leadership

- 66 Welsh Government has created a Senior Civil Servant post for SD: the Director General for Sustainable Futures. This post has a very wide ranging portfolio and its existence and title highlights the priority given to the area by Welsh Government. Internal and external stakeholders point to the passion and leadership of the DG for Sustainable Futures as having had a significant and positive influence on the progress around the understanding of SD as the Central Organising Principle in Welsh Government.
- 67 SD objectives have also been included in the personal objectives of senior civil servants, including the Permanent Secretary. Whilst this is a positive start, there is more to do to ensure that these objectives are meaningful and that Senior Civil servants are more accountable for achieving SD as the Central Organising Principle. A small dedicated SD Branch leads on sustainable development inside Government.
- 68 Leaders on sustainable development can come from different parts and levels of the organisation. The Welsh Government has established an Advocates Network of ‘SD champions’. This group has representation from most departments and has been a useful vehicle to share information and act as a litmus test for how well SD is embedded within Departments.

Leading by example

- 69 There are a number of specific internal projects where the Welsh Government has shown leadership on SD. These include:
- The decision to ensure that three new Welsh Government Regional Offices are built to achieve ‘BREEAM excellent’⁷ standard.
 - The “Managing with less” project, which has resulted in a number of positive environmental improvements, such as with recycling and paper usage.
 - The Environmental Management Standard - Green Dragon⁸ - now applies to over 90% of Welsh Government’s total net internal floor area and staff. As a result, the entire Welsh Government administrative estate is now certified to Green Dragon level 5 –the highest level in the standard.

Challenges to further developing Leadership

- 70 Despite a number of positive examples of leadership noted above, there were also a number of areas identified by our review which will need to be addressed if Welsh Government is to continue its progress towards its SD objectives. These include:
- **SD leadership is not consistent** across the whole organisation and not all Departments had the same levels of understanding or clarity about how SD considerations, such as embedding longer term and whole life costing should shape policy development and delivery. This has led to differing expectations and requirements placed on senior officers in relation to delivering and integrating SD into departmental activity.

⁷ BREEAM sets the standard for best practice in sustainable building design, construction and operation and has become one of the most comprehensive and widely recognised measures of a building’s environmental performance.

⁸ <http://www.wales.groundwork.org.uk/what-we-do/green-dragon-ems.aspx>

- **Limited capacity of the central SD branch to influence.** Although this branch is small and has very limited capacity it has achieved a significant amount with this resource over the last few years. However, the SD team are often seen as marginal to Welsh Government activity, which is limiting its ability to be more proactive in leading the SD agenda for Wales. The WAO report on sustainability in 2010 highlighted that “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” and this to some extent is manifested in the resource capacity of this branch.
- **Responding to previous reports** - Since the introduction of the SD scheme there have been a number of reports highlighting recommended actions to improve the effectiveness of the Scheme, for example the WAO report in 2010⁹. Welsh Government should ensure that it has effectively responded to the issues and recommendations raised within these reports.
- **Clarifying the role of internal and external challenge.** There is a need to ensure that the recent changes to the governance and scrutiny arrangements for SD, such as the demise of the Cabinet Sub-Committee on Sustainable Futures and the demise of the UK Sustainable Development Commission, do not negatively impact the level of challenge and scrutiny. The new role of the Commissioner for Sustainable Futures should be helpful in this respect and there is potential for a new independent SD body to further strengthen the position.
- **SD embedded in internal governance structures** - Ensuring that the various internal governance and operational structures such as the Strategic Delivery and Performance Board and other boards have SD as the Central Organising Principle reflected in their Terms of Reference.

Next steps

- 71 The proposed SD Bill provides Wales with an opportunity to formalise structures and processes to help it achieve its sustainability ambitions. The consultation phase and policy development process for the Bill should be designed to maximise public, civil society organisation and commercial participation and awareness. - **High**
- 72 Encourage more consistency between senior civil servants, and their respective Departments, in agreeing how SD principles are applied to operational delivery. One mechanism for building this consistency is by ensuring that SD is a key feature of its mandatory induction training for all new staff, and also ensuring that SD as the Central Organising Principle is a key facet of the Senior Management Leadership Programme CULTIVAR. Whilst building SD capability should ideally build capability for the whole organisation, as a priority this should be focused on those staff that are a key part of the decision making process, typically Grade 5 and above. The Welsh Government’s management, leadership, training and development body, Public Services Management Wales, has a key role to play in delivering this step. **High**
- 73 Ensure that internal governance arrangements, within and across Welsh Government, fully support the embedding of SD as the Central Organising Principle. Welsh Government should consider how the role of its Strategic Delivery and Performance Board and its other boards, (Business and Operations) ensures that SD as the Central Organising Principle is reflected their Terms of Reference. The new First Ministers Delivery Unit (FMDU) could provide a central point for the internal challenge, with external independent scrutiny from the Sustainable Futures Commissioner. **High**
- 74 Ensure that there is clarity around the political governance arrangements for SD as the Central Organising Principle within and across Government, and that they remain fit for purpose. **High**
- 75 Ensure that the personal objectives and core competencies of civil servants of all grades include responsibility for delivery against the SD Scheme This could be evaluated as part of Welsh Government’s Performance Management Review Process. **Lower**

⁹ Sustainable development and business decision making in the Welsh Assembly Government – WAO January 2010

Embedding SD within Government

- 76 If SD is to be the Central Organising Principle for everything that Welsh Government does, there are two essential building blocks that need to be in place. Firstly that of building capability throughout the organisation, and secondly, having effective and robust supporting mechanisms in place that cascade strategic priorities and ensure they are approached in a consistent way.

Developing Capability to embed SD in Government

- 77 Building SD Capability within an organisation to deliver its policy objectives cannot be undertaken quickly. Any capability building process has to accommodate and learn from failure, be enabling and build coherence across the organisation to support the connections between policy and delivery.
- 78 The Welsh Government has a number of current routes by which it aims to build its capability around SD. This includes self elected training modules within the Public Services Management Wales (PSMW) Annual Programme of Learning on SD and Climate Change. The Welsh Government also run a Senior Leadership programme aligned to the new Programme for Government (CULTIVAR). However, it is not clear to what extent SD as the Central Organising Principle is central to these training modules and as such this may represent a missed opportunity. Whilst building SD capability should ideally be implemented across the whole organisation, as a priority this should be focused on those staff that are a key part of the decision making process, typically Grade 5 and above.
- 79 The SD Advocates Network could play an important role in continuing to build capability within Welsh Government. This network was originally established to support the development of the original Scheme and has proven to be a useful mechanism to connect the central SD Branch with the Departments. However, the role of the SD advocate is largely informal and often not part of any formal job description. There is an opportunity to continue to build competencies into this group and to formalise their role.

The need for a consistent understanding of SD as the Central Organising Principle

- 80 An important aspect to effectively embedding SD in Government is establishing a clear, well articulated and shared understanding of SD. One of the issues highlighted during the review was that the language of SD is interpreted differently for different sectors and people. Whilst having one overarching SD scheme is still considered appropriate, including sector specific examples will enable these sectors to more easily connect with the Scheme objectives.
- 81 The language of ‘sustainable development as the Central Organising Principle’ was generally well understood. It should be stressed, however, that the stakeholders involved in the review are informed and engaged in sustainable development in some capacity. This is in no small part due to the enthusiasm and dedication of the Welsh Government’s SD team. However, the review indicates that this level of understanding is not there with the public at large, and within most organisations, and therefore the Welsh Government still needs to do more if it is to effectively engage the people of Wales in this area. The volume of messages from government, their complexity, and the fact that they can sometimes be contradictory, was cited as a key challenge in this respect. It will be important to ensure that SD as the Central Organising Principle is a key feature of all strategic communications in the future and in particular for policy and legislative announcements.
- 82 Despite the improvement in the overall recognition of sustainable development as the Central Organising Principle in Welsh Government, there was a consensus that there was still a lack of clarity around the interpretation of SD and how this translated into the Central Organising Principle in specific policy areas. Our review highlighted that there is still a gap between understanding the concept and this being consistently applied in practice. Many people including those who are close to the SD debate find it difficult to articulate what SD as Central Organising Principle looks like within their sphere of influence

and as such this presents a very specific barrier in establishing actions and outcomes which reflect this aspiration. Having a clearly articulated understanding of SD is a critical factor in the process of effectively engaging staff and stakeholders in the SD debate. This refined definition should demonstrate in very practical terms what SD as the Central Organising Principle would look like at the “coal face” by sector. This will enable those delivering to more clearly associate and connect with the high level SD aspirations. The Sustainable Development Framework delivered by the Welsh Local Government Association (WLGA) will be an important part of the process for gathering this type of practical data. Without a clarity and consistency of understanding for SD there is room for confusion and disengagement.

- 83 The more recent focus on long-term wellbeing as the key outcome for SD has been well received; however clarification issues still remain. It is recognised that SD will be interpreted and translated in different ways by different sectors and therefore any exercise to clarify the understanding of SD has to be sector specific. Clearly demonstrating what SD looks like in practical terms for different sectors would help stakeholders, internal and external, connect with the principles of SD as the Central Organising Principle and this should facilitate SD becoming business as usual. External stakeholders also noted that while they did not always use the term ‘sustainable development’ in their own work, their activities often did reflect SD principles.
- 84 The development of a clear shared understanding of SD is further complicated by the fact that SD is still seen by many in Welsh Government and the wider stakeholder group as a ‘green’ issue. Whilst progress has been made on ensuring that SD is seen as a much broader issue, there was a clear view from the stakeholders and internal staff the original necessary passion from the green lobbyists and enthusiasts was now becoming a barrier to a wider understanding of SD which will need to be more focused on long-term ‘Wellbeing’ of the population of Wales. . The recent sustainability survey¹⁰ undertaken by Welsh Government will provide some useful research as it looks to further develop this understanding.

Mechanisms to embed SD in government

- 85 Having effective mechanisms in place should help policy leads tackle the ‘hard choices’ that Welsh Government has identified. When mechanisms are effective they provide transparency, clarity, accountability, consistency and should lead to a better quality of decision making with better outcomes. The SD Scheme included a key outcome of having SD at ‘the core of the evaluation and development of our policies and our new and existing investment proposals’, with the approach to policy making underpinned by 2 core and 6 supporting principles. The SD Scheme sets out an overall aim that ‘the way we make all our decisions actively reflects sustainable development as the Central Organising Principle’.

Key existing mechanisms for embedding SD in government

- 86 There are a number of mechanisms currently in place to support the embedding of SD in policy. This has been recognised and commended in several existing reviews, for example WWF (2011¹¹). Both the literature and the qualitative review completed for this report support the view that when these mechanisms are used correctly, and supported by those with clear SD capability, they can be effective. However, there is inconsistency in whether and how the supportive mechanisms in place are used. This can be partly attributed to the fact that the different tools are not all in one place: being able to find the right tools for the right job was raised as an issue, together with confusion over exactly what *had* to be done. Natural human behaviour also leads people to try to ‘short-cut’ systems, particularly when there is pressure on resources.
- 87 The Policy Gateway is one of the main routes through which SD (alongside other priorities) is intended to be addressed in policy development. Its main focus is in bringing policy leads together from across the organisation. Our review indicates that this is a good process in principle, but stakeholders highlighted a number of limitations, including:

- Uncertainty over whether the Policy Gateway is required/mandatory

¹⁰ Understanding the people we want to engage – Sustainability Survey (Welsh Government - 2011)

¹¹ WWF (2011) is the Welsh Government delivering a One Planet, low carbon Wales?

- That it comes too late in the stage of policy development, meaning that initiatives are too well developed by the time they are opened up for cross-departmental challenge and input and making any challenge difficult.
- Questions over whether there is sufficient higher-level / strategic input to the process, to provide the right level of challenge both from the sector specialists and those with SD capability.
- SD can be seen as ‘adding a paragraph at the end’, rather than being integral to the policy development process and adding value.
- No formal follow up is required on the challenges identified during the Gateway processed.

88 Stakeholders also identified a potential disconnect between the outputs of the mechanisms for embedding SD in policy development and decision making and the final decision. Often there is a great volume of work undertaken to inform the decisions and policy formulation, with the policy gateway and other assessments completed as part of the process to underpin decision making. However, a concern was raised that whilst these processes were often completed they did not often feature in the final rationale of the decision making by the decision makers.

89 Once a policy has been developed to a certain stage, there are a range of impact assessments that must be undertaken. These reflect specific issues, for example rural proofing, or the Welsh language. Despite the SD Scheme establishing sustainable development as the Central Organising Principle, however, it is not a legal duty. Therefore, there is no formal ‘SD assessment’ requirement in place, and SD is not afforded the same level of consideration as other issues where there are legal duties in place. The proposed SD Bill could usefully address this, while maintaining a proportional risk-based approach i.e. ensuring the right balance is struck between assessment requirements and potential impact.

90 Our review indicated that the different types of impact assessment in place can also be confusing, daunting and a resource-intensive part of the policy development process. The extent to which the results of impact assessments directly influence policy decisions was also questioned. It is positive that Welsh Government is aware of these challenges, and is already considering how to simplify and improve the impact assessment stage of policy development. There is a real opportunity to establish SD as the overarching context for all impact assessment, to help rationalise assessments, and thereby help identify synergies and conflicts at an early stage. This could rationalise the plethora of impact assessment processes that are currently in place, which can create confusion and a series of hurdles for policy leads (e.g. Equalities Assessment, Welsh Language Assessment, Environmental Appraisal, and Economic Appraisal).

Cross departmental working

91 Although there were some examples cited of effective cross-departmental working, such as when the Policy Gateway is properly used, or the use of Task Groups, on the whole working within rather than across Departments is still considered the norm. Existing governmental structures can reinforce this (e.g. Departments, financial structures, Ministerial portfolios), together with a lack of information on what others are doing. The mechanisms in place do not sufficiently help to overcome these barriers. A positive aspect of the SD Scheme, however, is that it has provided a common language around SD as the Central Organising Principle. This has facilitated some cross-departmental conversations, and provided a shared ‘hook’ for otherwise separate policy agendas. It has also enabled conversations with a wider set of stakeholders outside of government, and broadened typical constituencies.

92 One example of how other governments have sought to address the issue of cross departmental working is in Scotland, where they have established a Strategic Board¹² consisting of the Permanent Secretary, Sir Peter Housden (Chair) and the five Director-Generals (DGs) within the core Government, together with three Non Executive Directors. Each Director-General leads work on one of five key strategic objectives, which provides a focus on delivering across departments to achieve their objectives.

¹² <http://www.scotland.gov.uk/About/strategic-board>

- Wealthier and Fairer Scotland.
- Healthier Scotland.
- Safer and Stronger Scotland.
- Smarter Scotland.
- Greener Scotland.

93 Our review identified a number of examples of where cross-departmental working had resulted in some positive SD outcomes and as a result have been seen to be effective, as detailed below:

- **The Arbed programme** is the Welsh Government's Strategic Energy Performance Investment Programme. It supports their commitments to reduce climate change, help eradicate fuel poverty and boost economic development and regeneration in Wales. Over the two phases the Welsh Government invested over £75 million in energy efficiency measures for Welsh Homes. However, the scheme also helped to ensure that climate change and regeneration objectives were better joined up.
- **Welfare Reform Programme** – Whilst this programme has been driven by the central Government's Welfare Reform Bill 2011, Welsh Government's response to this has been to establish a cross policy area programme which has a clear SD focus. Whilst this is a good starting point it is recognised that if the resultant decisions from this programme are to have SD as the Central Organising Principle, then more needs to be done to ensure that SD considerations and challenge become more explicit.
- **Climate Change Strategy 2010** - The Climate Change Strategy for Wales sets out where Welsh Government will act to reduce domestic greenhouse gas emissions. It also explains how the Government will prepare Wales for the impacts of climate change. This strategy, whilst focused on one very specific aspect of SD, recognised that this would have to be delivered by stakeholders from many sectors if it is to be successful and articulates how these objectives are to be achieved in action based delivery plans.

94 The main drivers behind effective cross-departmental working are personal networks and initiative. This type of positive behaviour needs to become more commonplace across the organisation. Cross-departmental working also happens where the benefits of working with others are more obvious and there are well established synergies between agendas. For example, 'Creating Active Wales' has shared health and climate change benefits and has cross-departmental support; and 'Arbed', referenced above, was a cross-issue initiative around fuel poverty and reducing greenhouse gas emissions.

95 There were a number of 'softer' cross departmental mechanisms suggested to help embed this culture and support the development of relationships, including creating space for peer groups of different levels to come together. More formal mechanisms to support this include requirements for consultation with appropriate Departments, more flexible staff resourcing across Departments, and improved cross-government communication tools, for example a 'pipeline matrix' highlighting what policy work is in development.

96 Cross-departmental funding for shared initiatives can also support this, and there was reference in our review to some instances where this had happened, for example the Community Food Growing Action Plan and the development of food cooperatives. This is a good example which has brought together Welsh Government's overarching strategic objectives around Environment and Sustainability, Education and Training and Health, Well Being, Community and Economic Development, which has been funded in part by the Department of Health.

Supporting long term decision making

97 Political and financial timeframes traditionally lock policy making into short time horizons. In that respect the experience in Welsh Government is no different to other administrations. Our review indicated that taking a long term approach is a common challenge. In procurement, for example, stakeholders suggested there was movement towards decisions based on whole-life costing, but there was a concern that the economic downturn may shift the focus back to low price options. For projects, there is often a conflict between short-term financial viability and longer-term sustainability. Notwithstanding this there is some evidence of longer term approaches being taken as detailed below:

- **The Economic Renewal Programme** sets out the role devolved government can play in providing the best conditions and framework to enable the private sector to grow and flourish. It outlines Welsh Government's vision of making Wales "one of the best places in the world to live and to work". The Programme has been recognised for its focus on longer term business growth, and a shift from revenue to capital investment (although some suggested it was a missed opportunity and that SD did not feature as explicitly as it could have). However, it was also noted that the Strategy was developed in conjunction with the Welsh Government's SD team.
- **Our Healthy Future** – a strategic framework which has focused on identifying high value interventions that would deliver cost savings in 5 years. A good example of this is the focus on falls prevention, where home adaptation and risk mitigation should result in significantly fewer elderly falls and thereby have a subsequent positive impact on the cost of long term care, demonstrating short term investment for longer term cost reduction and better health outcomes.
- In education, the '**21st Century Schools Programme**' provided a longer term investment plan for schools across Wales. Whilst this programme has seen some significant recent change, there is still a longer term capital commitment to facilitate longer term decision making.
- **Child Poverty Strategy** – The Children and Families (Wales) Measure 2010 places a duty on Welsh Ministers to publish a new Child Poverty Strategy for Wales. The Child Poverty Strategy for Wales sets out Welsh Government's vision and strategic objectives for reducing child poverty. This strategy includes longer term outcomes with an SD focus and has promoted investment in early interventions, such as 'Flying Start', targeted at 0-3 year olds in the most disadvantaged communities in Wales.
- **The Food Strategy for Wales** – Food for Wales, Food from Wales 2010-2020 – was launched at the end of 2010. It sets a long term and proactive agenda to address the challenges ahead for the wider food sector. In particular the Community Grown Food Action Plan aims to promote, support and encourage community grown food in Wales. Providing good quality food to poorer communities with integrated funding from other Departments, such as health, demonstrates good joined up thinking as well as a focus on longer term and preventative measures.

Challenges for further embedding mechanisms and capability in Welsh Government

98 Whilst the Welsh government has clearly taken some positive steps to continue to build its capabilities around SD and to ensure it has effective mechanisms for embedding SD there is certainly more that needs to be done. The key challenges and development areas include:

- **Consistency in understanding SD as the Central Organising Principle** – There is a gap between the understanding of SD principles, and how to apply them in practice. Many people, including those who are close to SD, find it difficult to articulate what having SD as the Central Organising Principle means within their sphere of influence. Having a clearly articulated understanding of SD is a critical factor in the process of effectively engaging staff and stakeholders in SD and making it real.
- **Recognising and rewarding good SD practice** - Ensuring that mechanisms are further developed to recognise and reward good SD practice and in particular to demonstrate the benefits

of embedding sustainable development principles in activities - i.e. make it desirable. These more supportive enabling actions need to be complemented by a tougher approach in some cases.

- **Inconsistent use of the Policy Gateway process** – There is a concern that the current Policy Gateway process is not consistently or effectively used and as such is a missed opportunity to ensure a more joined up and SD focused approach to policy development. There is also an opportunity to ensure that SD is a key part of any policy evaluation process.
- **Development in SD Reporting and Monitoring** -The effectiveness of the SD Scheme is evaluated through Annual Reports, annual assessments of progress against the suite of SD indicators, and through Effectiveness Reviews such as this. Our review indicates that despite this, there is not a real sense as to whether Wales is moving in the right direction at the right pace. The literature points to uncertainty over what the plethora of actions add up to. The Annual Report itself has been criticised for lacking a coherent narrative, and for not providing a balanced report of what’s worked well and what hasn’t; and the links between the actions of government and the SD indicators is unclear. Effectiveness reviews, and reports such as that of the Welsh Audit Office (2010) normally generate a debate and response from the Welsh Assembly Government. However, it is not clear whether the impacts of the actions taken in response to these processes are subsequently reviewed and whether these reports continue to inform and drive an agenda for embedding SD as the Central Organising Principle within Welsh Government. There is a risk that the reports become forgotten or marginalised and that momentum for change established by the reports is lost, with a “business as usual” outcome.
- Further, there appears to be insufficient monitoring systems to track progress against the Scheme’s objectives and actions, on a more regular basis, against key internal and external milestones. This is in part due to the longer term nature of the SD indicators and the timeframes over which these can be reasonably measured. The need for better progress monitoring and evaluation is a potential role for the new FMDU, with independent scrutiny continuing to be provided by the Sustainable Futures Commissioner. However, this should complement and not duplicate the internal quarterly performance reporting and the external annual reporting on the PfG.
- **Development of SD internal and external indicators** -The SDAR highlights that ‘Through our effectiveness review we will develop KPIs to more accurately report on our progress; this point is also referenced by the Commissioner for Sustainable Futures in his commentary which referred to the need for a better relationship between indicators and targets. The issue of establishing the most appropriate set of measures to assess performance has been recognised in part by Welsh Government who have commissioned some initial work on identifying examples of internal SD measures from the public and private sector. This work will inform Welsh Government in establishing a set of appropriate internal SD indicators with which to measure progress.
- A general concern from stakeholders was that Welsh Government is still highly focused on Gross Value Added in establishing progress and growth, rather than wider SD measures and impacts. Recent work undertaken by PwC and Demos¹³ suggests that the characteristics people associate with good growth are changing. Job creation and other factors - such as health, well being, good housing and education - are becoming ever more important measures.
- There are calls across the board for better accountability, evidence, measurement and target setting. The National Assembly for Wales – Sustainability Committee (March 2011) was “concerned that there is a tendency towards setting long-term, unrealistic targets, rather than focusing on shorter term step-by-step objectives. In some cases, there were not even adequate measures in place for monitoring progress towards the targets that had been set”. WWF (2011) recommended that carbon footprint reduction should be embedded in how we judge performance of our governments and public services.

¹³ Good Growth – PwC & Demos 2011

- **Having a clear SD roadmap** - Whilst the SD scheme does articulate objectives and actions, there is no clearly defined road map which articulates the overall journey, or who is responsible for delivering against each outcome. In particular, the Scheme could benefit from ensuring that the respective roles of stakeholders as enablers are more clearly mapped. There is a risk that without this comprehensive road map, with respective responsibilities, it will be more difficult for Welsh Government to effectively monitor and measure the speed of its progress, and identify areas where more attention is required. It should set out key milestones and responsibilities within proposed time frames, building on the time line to a One Planet Society contained within the current SD scheme.

Next steps

- 99 The policy detail within the current SD scheme reflects the previous administration's One Wales Programme for Government. There is a need to consider how the Scheme can be better aligned with the new Programme for Government (PfG). Whilst it is clear that the new PfG has built upon the existing SD scheme, the language and emphasis have evolved, and there is a risk of the current SD scheme becoming decoupled from government delivery if they are not properly and clearly aligned. **High**
- 100 Continue to explore the opportunities to clarify and encourage a consistent understanding of SD as the Central Organising Principle, in particular this should focus on practical examples that demonstrate what SD looks like at the "Coal face". **High**
- 101 Ensuring that the messages around SD as the Central Organising Principle are a key aspect of all Welsh Government communications. This should include all policy and legislative development announcements - **Medium**
- 102 The role of the SD Advocates Network has been maturing and there is an opportunity for this network to become more formalised. This could include setting out clearer roles and responsibilities and lines of reporting. **Lower**
- 103 Develop a more systematic way of aligning policy with SD principles, and ensure that this is implemented consistently and at an early stage in policy development. This could be through an improved Policy Gateway process requiring a formal SD assessment, bringing a cross section of policy areas together – at the right level of seniority – to identify and resolve conflicts and synergies. **High**
- 104 For cross departmental working to be effective it will need to be supported by the budget allocation process, providing a framework that encourages opportunities for pooled and shared budgets, and a more flexible approach to staffing. Softer approaches can also help underpin formal mechanisms, such as greater opportunities for peer group networking. **High**
- 105 To facilitate wider understanding of the SD journey, any new Scheme which may be linked to the SD Bill should clearly articulate the journey. It should set out key milestones and responsibilities within proposed time frames, building on the time line to a One Planet Society contained within the current SD scheme. **High**
- 106 Ensure that mechanisms are mainstreamed across the government, and become business as usual. This will require targeted and ongoing communication, building capacity through training and a balance between incentives and mandated processes. Communication needs to be positive, so that officers see the benefits of doing things differently, and individuals are positively engaged in internal change. The SD Advocates could be used to support the delivery of a number of these aspects. **High**
- 107 There is a need for clearer identification of SD measures and targets and more regular monitoring to evaluate progress. Ideally this would complement the existing quarterly internal performance reporting and the annual external reporting on the PfG. This work should look to build on international research around defining the right SD measures and the work currently being undertaken by PwC to identify a range of internal SD measures. **High**

Enabling Others

Enabling others through the SD Scheme

- 108 Whilst the Welsh Government has a critical central role in delivering the vision of One Wales One Planet, others also have a significant role to play. As the UK Sustainable Consumption Task Force articulated, a “*triangle of change*”¹⁴, requiring shared action and responsibility between government, business and civil society is required to avoid positive actions being undermined, and the key outcomes made being more difficult to achieve.
- 109 One of the key outcomes of the SD Scheme is that Welsh Government ‘as an exemplar organisation, demonstrates leadership on sustainable development, and encourages and enables others to embrace sustainable development as the Central Organising Principle’. It is committed to enable and encourage others in the wider public sector in Wales to embrace SD as the Central Organising Principle. It also included a key outcome around having effective and participative systems of governance in place in all levels of society, and established as a core principle of policy making the need to involve stakeholders.
- 110 The SD Charter and its supporting guidance were published alongside the Scheme (but do not form a part of it). This provided guidance and advice on the role that others can play by embedding SD as their Central Organising Principle. The intention is that all organisations in Wales align with the overall vision of a sustainable Wales.

Different levers for enabling others

- 111 This review has taken a broad view of ‘enabling’, based on the ‘4Es’ model of enabling, encouraging, exemplifying and engaging set out in the UK Sustainable Development Strategy¹⁵. This encapsulates the different levers that government has at its disposal, including *inter alia* legislative measures, awareness raising, communication, providing the right economic framework, ensuring a supportive infrastructure is in place, and demonstrating leadership.
- 112 Our review highlighted a number of examples which illustrate how different levers have enabled others to embrace and deliver sustainable development. The benefits of some of these have yet to be fully realised. However, some key examples include:
- *Enabling through policy and performance- Towards Zero Waste (2010)*, the Welsh waste strategy which takes forward EU and UK regulatory requirements, was cited an example of where Welsh Government had used legislative measures to deliver significant progress on recycling rates and reducing waste sent to landfill. The strategy document outlines the actions everyone must take in order to reach the ambition of becoming a high recycling nation by 2025 and a zero waste one planet nation by 2050. It paved the way for legislation to place a charge on single use carrier bags from 1 October 20011 – the first UK country to do so.
 - *Enabling through policy and performance - Requiring water companies to set a longer term vision and meet specific targets in support of a wider climate change strategy.*
 - *Enabling through policy and performance - Public procurement - the use of Sustainable Risk Assessments (SRA) in all competitively tendered projects over £25k is a positive development. However, it was felt that significantly more could be done to leverage change through the power of public spending.*

¹⁴ I will if you will, towards sustainable consumption, SDC/NCC, 2006

¹⁵ Securing the Future: UK Government’s Sustainable Development Strategy, 2005

- *Enabling through incentives* - Providing grant aid for buildings designed to 'BREEAM excellent' standard or above. This was a higher standard than enforced elsewhere in UK, and has been effective in promoting low carbon buildings in Wales.
- *Enabling through incentives* – Community First – Whilst it is recognised that the structure of this programme is currently changing, the Independent review of this programme in 2010 noted “Overall, while the majority of Communities First areas remain significantly more deprived than the rest of Wales, conditions generally have improved (despite the impact of the economic crisis) and the gap with the rest of the country on a number of important indicators has narrowed.” ...”Where changes do occur, they are mostly the result of, and dependent on, the staff resource within the communities (rather than directly funded projects). This accounts for the lion’s share of Programme funding.”
- *Enabling through education and communication* - The Hay Festival of Literature and the Arts has helped communicate SD to the general public in a new, accessible way through its Hay on Earth programme.
- *Enabling through education and communication* - The SD Charter – a voluntary commitment that organisations across Wales are invited to sign up to - was cited as one of the main ways in which Welsh Government has actively sought to engage and enable others. It is positive that over 110 ⁽¹⁶⁾ organisations have now signed up to the Charter, and by doing so committed to promoting and delivering wellbeing through their decisions and operations. These organisations span the public, private and voluntary sector.

Challenges for effective enabling

113 Whilst there were many positive examples of Welsh Government enabling others, the review also highlighted a number of challenges which have resulted in internal and external stakeholders feeling that Welsh Government could and should do more to effectively engage them to deliver. These included:

- **The need to use different levers, better** - Government officials noted that the suite of tools available to them has changed, and this can present a challenge around the need to do things differently. A move away from traditional levers such as the use of fiscal incentives (e.g. grants). This has been due to a hard economic climate with reducing budgets. In addition, EU procurement legislation is causing a shift in favour of greater use of mechanisms for procuring services rather than providing grant aid to organisations. However, a recent report by the WAO¹⁷ noted that whilst WG are reducing the number of grant schemes “Wales uses specific grant funding more heavily than other parts of the UK”.
- **Inconsistent use of grant conditions** within grant funding to reinforce the SD Scheme priorities and objectives. It is worth noting that the SD action plan 2004 – 2007 stated that Welsh Government is committed to ensuring that the terms and conditions of grants maximise sustainable outcomes and enable it to deliver its vision of a sustainable future. However, the WAO 2010 report noted that the Welsh Government is unable to progress this due to the lack of centrally held information on grants and recommended a centralised approach to grant administration. The recent WAO Grant Report 2011 shows that that there continues to be a lack of centrally available grant information.
- **Ability to influence** - There are also some challenges around the relationships and influence that Welsh Government has over some of its delivery agents. Local government, for example, as democratically elected organisations have their own political priorities, and this can sometimes lead to tensions between priorities at the national, regional and local level.

¹⁶ <http://cynnalwales.com/charter-signatories>

¹⁷ *Grant Management in Wales 2011 - WAO*

- **Capability of others to deliver** - It was felt inappropriate for government to make requirements of other organisations, for example local government, if there are insufficient resources and/or skills in these organisations to deliver. One example cited was the Education for Sustainable Development and Global Citizenship Strategy. This was considered by stakeholders to be a positive strategy, but their view was that it did not enable schools to deliver effectively as insufficient funding had been allocated to enable them to do so.
- **Engaging at the right time** - There is a desire for Welsh Government to involve stakeholders more in the development of policy and initiatives, and in particular delivery agents. This engagement/consultation needs to be undertaken at an earlier stage in the process, and not at, or near, completion when it becomes much less effective. This should also help to ensure that there are stronger connections made between policy and delivery.
- **More effective engagement with the private sector** - Although the SD Charter and the development of the Anchor Companies has facilitated some engagement with the private sector it was felt that Welsh Government could do more to ensure that it has a better dialogue with the private sector on sustainable development.
- **Absence of frameworks based on SD** - Whilst not validated as part of this review stakeholders cited the absence of some strategic frameworks, such as a National Infrastructure Plan based on the SD Scheme, as a barrier. It is positive to note that some of these issues have already been recognised by Welsh Government. The new Programme for Government has made provision to propose a new Planning Bill, and there is work underway to develop an all Wales Infrastructure Investment Plan which should help to address some of these challenges.
- **Limitations of power** – There is a limited ability for Welsh Government to impact national policies, whilst UK wide policies, such as Welfare Reform, can have a significant impact on the Welsh economy. Whilst this should not be used as an excuse for inaction, it does provide a context to the extent of the Welsh Government’s influence over some of these significant issues.

Next steps

- 114 Further strengthen the engagement and collaboration with broader civil society through the formal role of the Sustainable Futures Commissioner and the proposed new SD body. **High**
- 115 Ensure that enhanced engagement with external stakeholders, and in particular delivery partners, is built into the development of policy and the implementation of initiatives to ensure that options are practical and realistic and deliver against the objectives of the SD scheme. **Medium**
- 116 Where Welsh Government has less ability to influence its delivery agents such as with Local Government, it should look to enable other bodies and organisation to help deliver by targeted support and resources. A good example of this is the enabling work undertaken by the WLGA and its Sustainable Development Framework. **Medium**
- 117 The Welsh Government, and the wider public sector, needs to maximise the leverage opportunities provided by public spending. Supplier engagement will be a key part of any sustainable procurement strategy, and the capability of officials to have those conversations with suppliers should be strengthened. **Medium**
- 118 The SD Charter network and the ‘Anchor’ companies should be used more effectively to engage more widely with private and civil society sector organisations across Wales. However it is recognised that this engagement will need to be matched by the private sector if it is to be meaningful. **Medium**

Appendix 1 – Evidence Sources

Key documentary evidence

Key documents
One Wales: One Planet
SD Charter (and Guidance document)
Wales Audit Office (Jan 2010) Sustainable development and business decision making in the Welsh Assembly Government and supporting Evidence.
Forum for the Future (2011) Internal Stakeholder Views on the Central Organising Principle Within WAG (CONFIDENTIAL)
<p>WWF reports:</p> <ul style="list-style-type: none"> • Progress in embedding the ‘One Planet’ aspiration in Welsh Government (2011) • Summary Report, Delivering a One Planet Wales - Is the Welsh Government delivering a One Planet, low carbon Wales? (2011) • A discussion document by Peter Roderick for WWF Cymru - The National Assembly for Wales and Taking the Longer View • WWF Cymru – Delivering a One Planet Wales Conference Report (July 2011)
First Minister's announcement on the legislative programme for Government.
SD Indicators (August 2011, next publication August 2012)
SD Indicators Statistical Information: http://www.statswales.wales.gov.uk/ReportFolders/reportFolders.aspx
2011 - http://wales.gov.uk/topics/statistics/headlines/sustaindev/110830/?lang=en
One Wales: One Planet - The Sustainable Development Annual Report 2008-09 and 2009-2010
Sustainable Development Annual Report (2010-11)
Clive Bates' discussion paper Making sense of sustainable development (July 2010)
Clive Bates Presentation – Making sense of SD Sustainable Development (April 2011)
Paper submitted by Ministers to the Cabinet Sub Committee on Sustainable Futures 21 March 2011:
Item 5: Embedding Sustainable Development as the Central Organising Principle
Item 6: The Impact of the Spending Review on the Central Organising Principle
<u>Sustainability Committee Reports:</u>
National Assembly for Wales - Sustainability Committee Legacy report (March 2011)
Mainstreaming Sustainability in Ministerial Portfolios (March 2011)
<u>Policy Documents Reviewed</u>
1. CC strategy - http://wales.gov.uk/topics/environmentcountryside/climatechange/tacklingchange/strategy/walesstrategy/?lang=en
2. Economic Renewal Programme -

<http://wales.gov.uk/topics/businessandconomy/help/economicrenewal/programmepapers/anewdirection/?lang=en>

3. Our Healthy Future - <http://wales.gov.uk/topics/health/publications/health/guidance/technical/?lang=en>

4. Tackling child poverty - guidance for community first partnerships -
<http://wales.gov.uk/topics/childrenyoungpeople/publications/tacklingchildpov/?lang=en>

5. Education policies. The link provides a flavour of some of these -
<http://wales.gov.uk/topics/educationandskills/publications/guidance/?lang=en>

The Department for Local Government and Communities (DLGC) commissioned an Outcome and a Process Evaluation of the Communities First programme during 2010.

: <http://wales.gov.uk/about/aboutreview/social/latestreview/?lang=en>

All interviews and workshops were held with the agreement that information would be non attributable –To ensure that this agreement is upheld the names of individuals and organisations have not been included within this report.

One to One interviews

119 12 one to one interviews with senior Welsh Government Personnel and senior stakeholders.

Attendees - External workshop

120 32 organisations from across Wales.

Attendees - Internal workshop

121 26 attendees from a cross section of Welsh Government Departments.

Appendix 2 – Timeline of Welsh Government’s activity around the SD Agenda

123 The following timeline represents some of the Welsh Government’s SD activity over the last few years. This is not intended to be a complete record of activity and does not attempt to capture the significant SD activity undertaken by other organisations during this same time frame.

Date	Event
Sep 11	SD AR 2010-11 published
Aug 11	SD Indicators 2011 published
Jul 11	First Ministers statement on legislative priorities (including SD Bill)
May-June 11	Fifth Hay on Earth and SD Charter event
Apr 11	Commissioner for Sustainable Futures appointed
Mar 11	Second NAW Sustainability Ctte report on SD (letter from Chair to Perm Sec)
Mar 11	SDC abolished
Nov 10	SD AR 2009-10 published
Sep 10	Refreshed SD Advice Note for Community Strategies published
Aug 10	SD Indicators 2010 published
May-June 10	Fourth Hay on Earth
May 10	SD Charter launched
Feb 10	SD AR 2008-09 published
Jan 10	WAO report on SD in WG business decision making published
Nov 09	Engagement event on SDS with the Third sector
Oct 09	Engagement event on SDS with the private sector
Oct 09	WG response to NAW Sustainability Ctte report published
Sep 09	Engagement event on SDS with the wider public sector

Aug 09	SD Indicators 2009 published
Jul 09	Engagement event on SDS with Local Authorities
Jul 09	NAW Sustainability Cttee report into mainstreaming SD published
May-June 09	Third Hay on Earth
May 09	Third SDS <i>One Wales: One Planet</i> published
Jan 09	SD AR 2007-08 published
Oct 08 – Jan 09	Consultation on new SDS
Aug 08	SD Indicators 2008 published
Sep 08	Cynnal Cymru <i>Transformation Nation</i> report published
Jul 08	Second SDS Effectiveness review published
Jun 08	SD Advice Note for Community Strategies published
May-June 08	Second Hay on Earth
May 08	Ecological Footprint Report published
Feb 08	Welsh Government's Sustainable Development Advocates formed
Dec 07	SD AR 2006-07 published
Aug 07	SD Indicators 2007 published
May – June 07	First Hay on Earth
Sep 06	ESDGC Strategy for Action launched
Aug 06	Wales for Africa launched
Aug 06	SD Indicators 2006 published
Jun 06	SDC report <i>SD in Wales From Pioneer to Delivery</i> published
Jun 06	SD AR 2005-06 published
Mar 06	WAO improvement study report on SD in local authorities published
Aug 05	SD Indicators 2005 published
Sept 05	SD AR 2004-05 published

Mar 05	UK strategy for SD One Future Different Paths published
March 04	Second SDS <i>Learning to Work Differently</i> published
Oct 2003	First SDS effectiveness review published
Dec 2002	Cynnal Cymru established
Nov 2000	First SDS <i>Learning to Live Differently</i> published

Source: Welsh Government 2011

This document has been prepared for the intended recipients only. To the extent permitted by law, PricewaterhouseCoopers LLP does not accept or assume any liability, responsibility or duty of care for any use of or reliance on this document by anyone, other than (i) the intended recipient to the extent agreed in the relevant contract for the matter to which this document relates (if any), or (ii) as expressly agreed by PricewaterhouseCoopers LLP at its sole discretion in writing in advance.

© 2011 PricewaterhouseCoopers LLP. All rights reserved. 'PricewaterhouseCoopers' refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

ML1-2011-11-07-1312-JP

C11473