

FINANCE COMMITTEE
DRAFT BUDGET 2014-15
SUBMISSION FROM SEPA

1. Thank you for providing the Scottish Environment Protection Agency (SEPA) with the opportunity to provide written evidence to the Committee regarding the draft budget 2014-15.

2. We have appended our response to those questions where we felt it useful for us to provide comment.

3. We strongly support the concept and structure of Scotland's National Performance Framework (NPF), as it is an excellent tool for bringing coherence and transparency to public policy and governance. We also emphatically support the overarching purpose of the NPF to 'create a more successful country with opportunities for all of Scotland to flourish'. In our response, we have highlighted ways in which we believe the NPF could further increase public policy focus on the ambition to flourish - by improving the health of Scotland's environment, and as a consequence the health of its people, society, and economy.

4. Chiefly, we wish to echo Nobel Laureate and member of the Scottish Government's Council of Economic Advisors, Professor Joseph Stiglitz's reminder to the Economy, Energy & Tourism Committee that what is measured is what drives policy. Setting indicators and targets focuses policy-makers' and decision-makers' attention on achieving those targets and on improving what the indicators show. Although the NPF certainly reflects the commitment to creating a flourishing Scotland, we perceive that, in practice, Gross Domestic Product remains the key headline indicator.

5. Professor Stiglitz expressed his 'concerns about the adequacy of GDP as a measure of wellbeing'¹ because it is in reality 'a measure of the busy-ness of the economy'² rather than being an indicator of whether the economic activity is improving wellbeing. One key comment that we make, therefore, is that all the strategic objectives within the NPF (smarter, healthier, safer and stronger, greener, as well as wealthier and fairer) are recognised as vital to a flourishing Scotland; together they form an expression of sustainability and are of importance in assessing sustainable economic growth.

6. In addition, we have proposed various indicators that we feel could improve the framework and we have noted where such indicators already exist (e.g. the Human Kind Index for measuring wellbeing). In other cases, where

¹ The Scottish Parliament 2013: Official Report: Economy, Energy & Tourism Committee - Wednesday 27th February 2013, col. 2593 -

<http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=8026&mode=pdf>

² Smith, M. et al 2011: More than GDP: measuring what matters, Carnegie UK Trust & Sustainable Development Commission.

we feel some additional measures are required but do not currently exist, we would, of course, be willing to help with development, by providing technical expertise and support.

7. As a public body committed to openness and transparency, SEPA feels it is appropriate that this response be placed on the public record. If you require further clarification on any aspect of this correspondence, please contact Paula Charleson, Head of Environmental Strategy, SEPA Corporate Office, at the address shown.

8. SEPA strongly supports the National Performance Framework, which in our view brings strong coherence and transparency to public policy and governance. SEPA also wholeheartedly supports the overarching purpose of the NPF to '*create a more successful country with opportunities for all of Scotland to flourish*'.

9. The statement of purpose includes reference to the means by which the Scottish Government proposes to meet the overarching purpose, i.e. '*through increasing sustainable economic growth*'. SEPA emphatically supports the ambition for the Scottish economy to be sustainable and low-carbon. We would note that there are many complementary ways through which the flourishing of the people can be created, notably through environmental and social benefits and through good governance. This links closely to the Scottish Government's commitment to the sustainable development goal, "*to enable all people throughout the world to satisfy their basic needs and enjoy a better quality of life without compromising the quality of life of future generations.*" This wider commitment is certainly reflected through the rest of the framework, and the balance should be maintained particularly when placing specific emphasis on sustainable economic growth.

10. With this in mind, one possible way in which this broader goal could be reflected is by using the strategic objectives which are described by Scottish Government to '*underpin its core purpose*³ to reflect the different means by which opportunities to flourish can be increased and enhanced. Clearly a sustainable economy reflects the 'wealthier and fairer' strategic objective and the others, smarter, healthier, safer and stronger and greener, could be similarly reflected.

11. It is also crucial to ensure that such a framework remains internally coherent, i.e. that the components of which it is made up - the objectives, targets and indicators - all complement each other to reduce any potential conflicts or unwanted consequences that may occur. This is an important consideration if the spectrum of targets is modified in the future.

12. The purpose of the NPF rightly embodies the understanding that a more successful country is one where all have opportunities to flourish⁴. This is strongly supported by evidence published in Wilkinson and Pickett *The Spirit Level*,⁵ which demonstrates that a more equal society is better for all its members.

³ Scottish Government 2012: *Strategic Objectives - Scottish Government* - <http://www.scotland.gov.uk/About/Performance/Strategic-Objectives>

⁴ Deneulin, S. & Shahani, L. 2009: *An Introduction to the Human Development and Capability Approach: freedom and agency*, Earthscan, London.

⁵ Wilkinson, R. & Pickett, K. 2010: *The Spirit Level: why equality is better for everyone*, Penguin Books, London.

Whether the national indicators and purpose targets are an effective means of measuring the performance of government.

13. We strongly support the ambition of the purpose framework that underpins the Government's core purpose⁶ to ensure that growth is equitable and sustainable. Overall progress, however, is still measured by Gross Domestic Product (GDP). We consider that GDP alone cannot show whether growth is sustainable. In order to be sustainable, it must remain within environmental limits and be socially just.

14. In his evidence to the Economy, Energy and Tourism Committee earlier this year, Nobel Laureate and member of the Scottish Government's Council of Economic Advisors, Professor Joseph Stiglitz noted his '*concerns about the adequacy of GDP as a measure of wellbeing*'⁷ because it is actually simply '*a measure of the busy-ness of the economy*'⁸ rather than of whether that economic activity improves wellbeing. For example, GDP counts activities to deal with pollution, such as landfilling, or healthcare for those who suffer from asthma as a result of atmospheric emissions, as positive economic activity - despite the fact that such pollution is detrimental to people and the environment in the first place. Wellbeing is analogous to flourishing in that it is the outcome of having the capability to meet one's needs.

15. Prof. Stiglitz went on to remark that '*This is important, because what we measure affects what we do*' and that '*what we care about is wellbeing*'.⁹ It is for this reason that we echo the recommendation of the Commission on the Measurement of Economic Performance and Social Progress¹⁰ in urging the adoption of a dashboard of high level measures which shows Scotland's progress in achieving a more successful country in terms of the flourishing of its people.

16. As recommended by the Commission, these measures should include a measure of current wellbeing as well as some measure of stocks of capital, including natural and social capital. The latter will show how sustainable current wellbeing is, i.e. whether it can be maintained in the future because stocks are not depleted. One example of a measure of current wellbeing is the Humankind Index, developed by Oxfam Scotland¹¹ and welcomed by Scottish Parliament in June 2012¹². The main benefits of this particular index are that it was constructed by asking people living in Scotland what matters to their wellbeing, and that it can be easily disaggregated to show which of these factors are present in their lives and where there are needs. A

⁶ <http://www.scotland.gov.uk/About/Performance/scotPerforms/purpose>

⁷ **The Scottish Parliament 2013: Official Report: Economy, Energy & Tourism Committee** - Wednesday 27th February 2013, col. 2593 -

<http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=8026&mode=pdf>

⁸ **Smith, M. et al 2011: More than GDP: measuring what matters**, Carnegie UK Trust & Sustainable Development Commission.

⁹ **The Scottish Parliament 2013: Official Report: Economy, Energy & Tourism Committee** - Wednesday 27th February 2013, col. 2593, 2596 -

<http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=8026&mode=pdf>

¹⁰ **Stiglitz, J.E. et al 2010: Report by the Commission on the Measurement of Economic Performance and Social Progress** - http://www.stiglitz-sen-fitoussi.fr/documents/rapport_anglais.pdf

¹¹ **Oxfam Scotland 2013: The Oxfam Humankind Index: the new measure of Scotland's Prosperity - second results** - <http://policy-practice.oxfam.org.uk/publications/oxfam-humankind-index-the-new-measure-of-scotlands-prosperity-second-results-293743>

¹² Motion S4M-02703 Ken Macintosh: Humankind Index

measure of social capital should include various parameters such as citizen / community engagement. This could include measures such as participation in community projects, social enterprises and engagement in citizen science – the last being an area where we are actively promoting volunteer observing of the environment.

17. Scottish Natural Heritage has developed a Natural Capital Assets (NCA) Index¹³ for Scotland, which should be considered for inclusion as a measure of natural capital stocks. The NCA Index shows the extent and quality of Scotland's coasts, freshwater, cropland, woodland, greenspace, grassland and moorland, all of which provide vital ecosystem services to Scotland's people. The ecosystem services concept defines the range of goods and services that ecosystems provide to people and society and business. These services underpin our economy, our health and wellbeing and are fundamental to our continued existence. SEPA is actively exploring how it can consider the risks and opportunities to the ecosystem services provided by the environment through its regulatory and advisory functions to optimise decision making.

18. The purpose targets do include a world-leading environmental criterion - Scotland's ambitious greenhouse gas emission reduction targets, which SEPA is supporting through its regulatory, monitoring and advisory role, and also by striving to be an exemplar in reducing its own emissions. However, dangerous climate change is only one environmental limit, as highlighted by Rockstrom *et al* (2009)¹⁴, so we suggest that other key environmental limits should also be included under the sustainability purpose target.

Progress being made by the Scottish Government in meeting its 16 national outcomes as demonstrated by the 50 national indicators and its 11 purpose targets.

Whether there are additional indicators or targets which should be included to measure performance.

19. SEPA has a particular role in some of the national outcomes, so is well placed to comment on these. We suggest that there would be benefits in developing new indicators to cover: air quality, flood risk vulnerability, access to greenspace and inequality. We cover these in the context of some of the national outcomes below. In addition, the adoption of an overall measure of the state and extent of Scotland's ecosystem services, which underpin the wellbeing of its people, would be a useful headline indicator. As noted above, the NCA Index for Scotland, currently being reviewed by the James Hutton Institute, would be a good starting point.

We live in a Scotland that is the most attractive place for doing business in Europe:

20. A good environment is fundamental to making Scotland an attractive place for doing business, and some measure of this should be considered. New indicators on air quality, flood risk and greenspace would all help to demonstrate this.

¹³ **Scottish Natural Heritage 2012:** *Scotland's Natural Capital Asset (NCA) Index* - <http://www.snh.gov.uk/docs/B814140.pdf>

¹⁴ **Rockstrom, J. et al 2009:** *A Safe Operating Space for Humanity*, Nature 461: 472-475.

21. In addition, we suggest that, in order to increase the coherence of this national outcome with the purpose of flourishing, the related indicators also include a measure of whether businesses are benefitting society. The types of business that benefit society are those with positive environmental and social outcomes, including locally-based business which improve local economic resilience by ensuring that money circulates in the local economy, and social enterprises and other businesses following sustainable business models.

We live longer, healthier lives:

22. The importance of environmental contributors to health is being increasingly recognised, and could be more clearly reflected in the NPF. For example, air quality is linked to several of the national indicators related to this outcome, including low birth weight¹⁵ and premature mortality and of course diseases related to air quality such as asthma, chronic obstructive pulmonary disease and bronchitis which have a bearing on self-assessed general health. Access to greenspace has also been recognised as having a significant effect on health¹⁶ and on reducing health inequalities. It supports increased physical activity, improved self-assessed general health, improved mental wellbeing and reduced premature mortality, and may therefore also merit its own indicator.

23. According to the Scottish Government's website, some positive progress has been made towards this outcome. One important aspect of health is inequality, which is detrimental to society, the economy and the environment. The Equality Trust has gathered evidence which shows that UNICEF measures of child wellbeing are better in more equal societies: there is less drug misuse, better mental health, less obesity, less child mortality, better self-rated health and less violence.¹⁷ Progress towards this outcome appears to have been mixed, and according to Audit Scotland, *'there are still significant differences in life expectancy and health'*¹⁸, some of which are related to environmental inequality.

We have tackled the significant inequalities in Scottish society:

24. SEPA strongly supports the Scottish Government's ambition to reduce inequalities because there is clear evidence that inequality is detrimental not just to those who are poor, deprived or in a minority group, but to society as a whole. Societies which are more equal perform better in a wide range of areas including life expectancy, child wellbeing, obesity levels, homicide rates and mental health.¹⁹ Inequality is also correlated to environmental degradation,²⁰ which, in the long term, undermines the natural resource base on which economies depend.

¹⁵ **Dadvand, P. et al 2013:** *Maternal Exposure to Particulate Air Pollution and Term Birth Weight: a multi-country evaluation of effect and heterogeneity*, Environmental Health Perspectives 121(3): 367 - 373.

¹⁶ **Greenspace Scotland et al 2010:** *Greenspace and Health Outcomes Framework* - <http://www.greenspacescotland.org.uk/SharedFiles/Download.aspx?pageid=133&mid=129&fileid=42>

¹⁷ **The Equality Trust:** http://www.equalitytrust.org.uk/research?field_research_subject_tid=All&page=2

¹⁸ **Audit Scotland 2012:** *Health Inequalities in Scotland* - http://www.audit-scotland.gov.uk/docs/health/2012/nr_121213_health_inequalities.pdf

¹⁹ **Jackson, T. 2009:** *Prosperity without Growth: economics for a finite planet*, Earthscan, London.

²⁰ **Andrich, M.A. et al 2010:** *Raising Utility and Lowering Risk through Adaptive Sustainability: society and wealth inequity in Western Australia*, Journal of Sustainable Development 3(3): 14 - 35.

25. According to the Scotland Performs website, progress on reducing inequalities has been good in some areas and less good in others. The national indicator of income equality is the proportion of individuals living in poverty. Inequality occurs in many dimensions such as exposure to pollutants, access to greenspace, healthcare, adequate nutrition, education etc., however we concur that income inequality is a reasonable proxy measure for overall inequality.²¹

The current national indicator shows the percentage of Scotland's householders receiving an income that is less than 60% of the UK median. However, some people will always live below this median - as income increases, the median will be higher. One indicator that shows the overall spread of income is the Gini coefficient, a measure that is already calculated by Scottish Government using existing data.²² It may be worth considering such measure of income distribution to be included in the NPF.

We have improved life chances for children, young people and families at risk:

26. As noted above, inequality affects life chances, and so a better indicator of overall inequality such as the Gini coefficient of income could be considered, although this does not preclude other measures around environmental inequalities such as those explored through previous work carried out by Scottish Government on environmental justice²³.

We live in well-designed sustainable places where we are able to access the amenities and services we need:

27. The Scottish Government has listed 6 qualities of positive places in its new draft Scottish Planning Policy - distinctive, welcoming, adaptable, resource efficient, safe and pleasant, easy to move around and beyond. These could be better reflected in the indicators supporting this national outcome. Indicators suggested above relating to flood risk, air quality and access to greenspace would support some of these qualities.

We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others:

28. Indicators recommended above on inequality, social benefits of business, air quality, flood risk and access to greenspace would all support this national outcome. Research also shows that participation, including in environmental activities, is lower in more unequal societies.²⁴ This could be linked to the measures discussed above on community engagement.

29. SEPA is carrying out work to empower and support individuals and communities in taking increasing responsibility for their environment through various

²¹ **Moffatt, I 1996:** *Sustainable Development: principles, analysis and policies*, Parthenon, New York.

²² **The Scottish Government 2013:** *Social Welfare - Income & Poverty - Main Analyses* - <http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/CoreAnalysis#a1>

²³ Public Attitudes and Environmental Justice in Scotland
<http://www.scotland.gov.uk/Publications/2005/10/1395043/50440>

²⁴ **Lancee, B. & van de Werfhorst, H. 2011:** *Income Inequality and Participation: a comparison of 24 European Countries*, Gini Discussion Paper 6, Amsterdam Centre for Inequality Studies - http://www.uva-aias.net/uploaded_files/publications/DP6-Lancee,vdWerfhorst-2.pdf

initiatives including the partnership project Scotland's Environment Web and citizen science.

We value and enjoy our built and natural environment and protect it and enhance it for future generations:

30. SEPA strongly supports the use of Scotland's consumption-based carbon footprint as an indicator of this national outcome. Proposed indicators of air quality, flood risk and access to greenspace would again support this national outcome. However, we feel removing the overall ecological footprint from the framework reduces the effectiveness of measuring total environmental impact, as protecting and enhancing the environment encompasses more than reducing carbon emissions.

We reduce the local and global environmental impact of our consumption and production:

31. As noted above, SEPA supports the inclusion of the Scottish carbon consumption footprint in the NPF, but would suggest that the ecological footprint is a more comprehensive, and therefore better, indicator of consumption and production, and can clearly show where we are exceeding environmental limits.

How should Scotland Performs be utilised to inform policy development and spending decisions?

32. Scotland Performs as a whole is an outstanding framework for public policy and reflects the Scottish Government's purpose of creating a more successful country with opportunities for all to flourish. There are a few ways in which the strengths of the framework could possibly be enhanced through closer links with policy development:

1. ensure that the framework is internally consistent without unintended consequences;
2. ensure that the framework informs performance frameworks across the public sector encouraging public sector bodies to report progress against the framework, to ensure that the whole public sector is contributing to a flourishing society;
3. consider the potential use of the NPF by the Scottish Parliament to measure success against agreed goals.

Is there a need for Scotland Performs to have a statutory basis?

33. Any statutory measure implemented would need to be flexible enough to evolve to reflect society's priorities and ensure that new challenges that arise will be successfully met. We know, for example, that environmental impacts are constantly and rapidly changing due to climate, technological, economic and social drivers.

Is there a need for wider public consultation in setting performance outcomes and indicators?

34. SEPA would support a consultative approach, as this would increase buy-in and awareness of the NPF as well as promote greater transparency. Consultation could also help to ensure that the framework is internally consistent and coherent. It would help to ensure that the wider public sector is focussed on working towards a flourishing Scotland. This in turn could help the public sector to work together in partnership, as recommended by the Christie Commission. We know that tackling

environmental problems usually benefits greatly from preventative and partnership action.