

Delivering sustainable development: HM Treasury Action Plan

March 2006



HM TREASURY



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DELIVERING SUSTAINABLE DEVELOPMENT: HM TREASURY ACTION PLAN

Securing the Future 1.1 In March 2005 the Government published *Securing the Future - Delivering the UK Sustainable Development Strategy*¹. This sets out the Government's approach to enabling 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. As part of the Strategy all Government departments committed to produce their own action plan to ensure delivery. This action plan for HM Treasury sets out our approach to sustainable development and the key actions that we will be taking over the coming year to meet our commitments. In producing this plan we have followed guidance produced by the Sustainable Development Commission who will be reviewing this and all other departmental action plans.

Sustainable development and HM Treasury 1.2 The Treasury's aim is to raise the rate of sustainable growth, and achieve rising prosperity and a better quality of life, with economic and employment opportunities for all. Given our role as a finance and economics department at the centre of Government, HM Treasury has an important function in the delivery of the UK Sustainable Development Strategy and the four areas identified in the Strategy for priority action:

- sustainable consumption and production;
- climate change and energy;
- natural resource protection and environmental enhancement; and,
- sustainable communities.

1.3 *Securing the Future* set out the high-level contributions we will be making to deliver the strategy, including:

- building a strong and productive economy and a fair society where there is opportunity and security for all;
- a transparent public expenditure delivery framework, based on public service agreements (PSAs) that focus on delivering public services in areas integral to achieving Sustainable Development in the UK, such as reducing and eliminating child poverty and reducing unemployment;
- making use of fiscal measures, where appropriate, to tackle environmental externalities through developing environmental taxes, such as the recent increase in the standard rate of landfill tax, creating tax incentives for cleaner technologies, for example through enhanced capital allowances, and adding an environmental dimension to transport taxation, for example through fuel duty differentials to encourage the use of cleaner fuels;
- a commitment to strong local government, supporting local authorities in their delivery of key public services to all communities, for example through the introduction of the 3 year revenue and capital settlements, which will improve local authorities' ability to make sustainable long-term plans;

¹ A copy of *Securing the Future* can be found at <http://www.sustainable-development.gov.uk>

- continuing to meet relevant sustainable development objectives in public procurement by having a comprehensive thoughtful approach to value for money and whole life costs of goods and services procured, and by building relevant sustainability issues into the procurement process as early as possible.

1.4 We are committed to economic growth based on the principles of sustainable development: that is, the integration of economic prosperity with environmental protection and social equity. This is reflected in the Treasury's Objective VIII to protect and improve the environment by using instruments that will deliver efficient and sustainable outcomes through evidence-based policies. Progress on sustainable development is reported by the Government through a comprehensive set of sustainable development indicators.

1.5 In our annual report we report on the progress that we have made against our objectives and future plans. This action plan does not seek to duplicate that but sets out some of the key actions that we will be taking to integrate sustainable development into our policy making and how we manage our business. We work closely with the Office of Government Commerce, who will be producing their own action plan, and we will continue to examine how best to align the two action plans in the future.

Responsibility 1.6 The Financial Secretary, John Healey MP, is HM Treasury's Sustainable Development Minister responsible for both sustainable development policy and sustainability of our internal operations. HM Treasury is represented on the cross Departmental Sustainable Development Programme Board by the Head of the Environment, Food and Rural Affairs Team in the Public Services Directorate. HM Treasury officials also actively participate in a number of fora critical to the delivery of the strategy.

1.7 This action plan has been approved by the Financial Secretary and HM Treasury's Executive Management Group.

KEY ACTIONS FOR 2006

Comprehensive Spending Review 1.8 On 19 July 2005 the Chief Secretary announced the launch of a second comprehensive spending review (CSR). This review will examine what investment and reforms to date have delivered and identify future challenges. It will set priorities and spending allocations for the period 2008-09 to 2010-11. The CSR will report in 2007.

1.9 The challenges that the CSR will examine include:

- a rapid increase in the old-age dependency ratio as the 'baby-boom' generation reaches retirement age;
- the intensification of cross-border economic competition as the balance of economic activity shifts towards rapidly growing emerging markets such as India and China;
- an acceleration in the pace of innovation and technological diffusion and a continued increase in the knowledge-intensity of goods and services;
- continued global uncertainty with ongoing threats of international terrorism and conflict; and,

- increasing pressures on our natural resources and global climate from rapid economic and population growth in the developing world and sustained demand for fossil fuels in advanced economies.

1.10 In assessing these challenges we will examine their economic, social and environmental impacts and consider the most appropriate policy response for sustainable outcomes in the long-term.

Commitment	Milestones	Reporting	Lead Team
Assessment of the long-term challenges facing public services	Summer 2006	HM Treasury Publication	Strategy, Research and Analysis

Review on the economics of climate change

1.11 A Review on the economics of climate change, led by Sir Nick Stern, was announced in July 2005. This will develop our understanding of the consequences of climate change in both developed and developing countries, examining the evidence and the costs and benefits of actions to reduce the impact of climate change. This will improve the evidence base for decisions to tackle climate change, which is vital to ensure that action on climate change also supports economic growth and wider social objectives. The Review will report by autumn 2006.

Sustainable Procurement Task Force

1.12 The Sustainable Procurement Taskforce was set up jointly by, and is reporting to, Defra and HM Treasury Ministers to “develop an action plan by April 2006 to bring about a step-change in sustainable public procurement so that the UK is among the leaders in the EU by 2009”. Sir Neville Simms is chairing the taskforce. HM Treasury officials are supporting the work of the Task Force.

Commitment	Milestones	Reporting	Lead Team
Development of a sustainable procurement action plan	Task Force meetings in February and April	Publication of Task Force’s report in April 2006	Corporate & Private Finance

Protecting the environment

1.13 The 2005 Pre-Budget Report reported on recent and forthcoming actions to delivering sustainable growth and a better environment. It set out the central principles that we will take into account when deciding whether Government intervention, including economic and fiscal tools, is needed. These are:

- the decision must be evidence based
- any intervention to tackle environmental challenges must take place at the appropriate level
- action to protect the environment must take account of wider economic and social objectives
- action on the environment must be part of a long-term strategy
- the right instrument must be chosen to meet each particular objective

- where tax is used, it will aim to shift the burden of tax from ‘goods’ to ‘bads’

1.14 HM Treasury will take these principles into account when considering policy options within the normal Budget processes. The following table sets out the work we will be taking forward further to the 2005 Pre-Budget Report.

Commitment	Milestones	Reporting	Lead Team
To explore the scope for the development of energy services markets in the UK	HMT hosted seminar on 18 January 2006	In Budget 2006	Environment, Food and Rural Affairs
Ongoing discussion with business to further examine how to improve energy efficiency investment	Series of meeting with business representatives	In Budget 2006	Environment, Food and Rural Affairs and Competition and Economic Regulation
Exploring barriers to wide-scale deployment of carbon capture and storage	Consultation early 2006	Pre Budget Report 2006	Environment and Transport Taxes

Better Regulation

1.15 For all policy changes across HM Treasury business which could affect the public or private sectors, charities, voluntary sector or small business we carry out full Regulatory Impact Assessments. These are required to assess the full range of possible impacts of a policy change. We are committed to carrying out full RIAs where needed in line with the Cabinet Office Guidance and to consider economic, social and environmental impacts that may arise. The Cabinet Office Guidance² includes a check list of issues that policy makers may need to consider including, for example:

- economic – assessing impacts on the cost, quality and availability of services and competition
- social – assessing impacts on particular groups for example the elderly or rural communities
- environmental – impacts on emissions of greenhouse gases and air quality.

1.16 A full index of RIAs is available on the HM Treasury website

Commitment	Milestones	Reporting	Lead Team
To produce full RIAs where needed	RIAs produced as necessary	Annual Departmental Report	Enterprise

International Sustainable Development

1.17 The Treasury will contribute to sustainable international development by supporting multilateral and national institutions that can ensure effective integration of social, environmental and economic objectives to deliver sustainable development, especially for the poorest members of society. The Treasury will contribute to the

² <http://www.cabinetoffice.gov.uk/regulation/ria/index.asp>

achievement of the United Nations Millenium Development Goals (MDGs) by driving forward the development financing agenda so that the international community delivers on the commitments it made during the UK's G8 presidency in 2005. This includes increasing aid, providing broader and deeper debt relief and pursuing innovative financing mechanisms to provide developing countries with greater resources to spend on health, education and other services.

Commitment	Milestones	Reporting	Lead Team
Provision of 100 per cent multilateral debt cancellation to Heavily Indebted Poor Countries	Implementation of relief by World Bank, African Development Bank and IMF by July 2006	HMT International Development Newsletter	International Poverty Reduction
Establishment of International Finance Facility (IFF)	Implementation of pilot IFF for Immunisation in first half 2006	HMT International Development Newsletter	International Poverty Reduction Team

Managing How We Work

1.18 The Treasury works closely with its PFI contractor, Exchequer Partnership (EP), which is responsible for running and maintaining 1 Horse Guards Road. EP operates and maintains certification of an Environmental Management System (EMS), to identify opportunities for reducing the impacts of its operations on the environment. The building has an excellent BREEAM³ rating and an EMS certified to ISO14001 standard. We have been working with the Carbon Trust and ADSM to reduce our carbon emissions and water usage. A key aim for 2006 is for EP to achieve a single certification of the EMS for the whole building including the HMRC occupation of 100 Parliament Street.

³ Buildings Research Establishment Environmental Assessment Method

Commitment	Milestones	Reporting	Lead Team
Improve environmental awareness amongst staff	Launch of awareness campaign February 2006	Annual SD report	Building Contracts Management
Following a review of our energy use by the Carbon Trust implement recommendations on Energy Efficiency	March 2006	Annual SD report	Building Contracts Management
Implement recommendations on Water Savings following review from ADSM	March 2006	Annual SD report	Buildings Contract Management
Replace all Printers with a more environmentally friendly fleet	End 2006	Annual SD report	Information Services
Achieve EMS Certification for the whole building	May 2006	Annual SD report	Exchequer Partnership
Transfer responsibility for utility management to EP and incentivise to achieve reductions in usage	March 2006	Annual SD report	Building Contracts Management/ Exchequer Partnership
To carbon offset all official air travel from April 2006	Participation in Whitehall offsetting scheme from April 2006	Annual SD report	Environment, Food and Rural Affairs and Finance

Raising Awareness 1.19 This action plan will be available to all HM Treasury staff on our intranet site and will be drawn to the attention of staff throughout the year as initiatives are rolled out, for example the environmental awareness campaign in February will be based on a sustainable development platform. A senior management briefing day on sustainable development and operations is planned for May 2006.

1.20 Training on sustainable development is also available for staff from the National School of Government.

Monitoring Progress 1.21 We will report on progress on the actions set out here and review the success of this action plan in December 2006.