

## Protecting the Environment in a Time of Cuts

*This paper summarises the LINK network's views on how and why Government should aim to protect Scotland's environment in the leaner economic climate ahead. It was originally drafted to inform discussions with the Environment Minister (14th September 2010) drawing and building on views in LINK's submission to the Independent Budget. It has been added to since, based on written consultation and a series of internal meetings and external discussions.*

### Overview

Challenging spending decisions lie ahead for the public sector in Scotland as a consequence of the Westminster Comprehensive Spending Review (CSR), the Independent Budget Review (IBR) and the Scottish Budget Bill, to be published in November 2010. Scottish Environment LINK understands this situation and hopes to contribute fully and realistically to the consequent debates. We aim to provide government and its agencies with realistic comment and advice in this difficult period. We reiterate the principles we set out as a base for decision-making for a September 2010 meeting with the Environment Minister.

- We need to apply greater sophistication in defining the success of the economy and society, especially recognition of human wellbeing and environmental sustainability as valid goals rather than simply Gross Domestic Product (as conventionally measured).
- We need to recognise the importance of carbon-budgeting. The current carbon assessment of the Scottish budget is a welcome start but must be developed and applied to ensure budget compatibility with Scotland's long term Climate Act reduction targets.
- In making spending decisions, priority must be attached to Scotland's environmental commitments and objectives, such as delivering the Climate Change Act's Report on Proposals and Policies, commitments to reduce Scotland's carbon footprint, international and domestic obligations to protect our precious marine environment and our internationally agreed biodiversity and landscape objectives. This, of course, also means avoiding spending in a way that is environmentally damaging.
- The value of SEA as a tool is high, but it is not currently fulfilling its potential. There is scope to consider and improve its effectiveness in influencing decisions so that the best climate and environmental outcomes are achieved.
- There is a need to ensure that decisions relating to any spending reductions are strategic, and take a long-term perspective – rather than focussing on where 'pain' is least in the short-term, or where a short-term 'jobs' gain leaves behind a costly environmental legacy.
- We see opportunities to secure revenue for the Westminster and Scottish Governments through green fiscal reform measures. We are aware, however, that use of fiscal mechanisms will be dependent largely on the Calman Commission's recommendations which the UK Government has indicated it intends to implement. We continue to believe there is a case to stimulate debate and build consensus on the issue of a 'greener' tax system – both at UK level and for those fiscal responsibilities that are devolved.

LINK is keen to work with the Scottish Government as it considers options for future spending allocations. We hope any advice, expertise and 'sounding-board' function we are able to offer is of value, and we emphasise we are content to do this within the constraints that we know must accompany all such discussions.

**LINK will continue its efforts to persuade the Scottish Government and Parliament to give proper consideration to the future of long-term environmental programme budgets in line with the strategic principles outlined here.**

The budget cuts are set against a larger debate about the size of government (largely based in the UK debate surrounding the Conservatives' 'Big Society' proposals). We are of the view that sustainability, in a developed country maintaining the minimal functions of a shared public space and democratic planning of development, together with the use of regulatory and fiscal tools to ensure levels of fairness, balance and equality, can be achieved within a wide range of scale of budgets and differing sizes of government apparatus. It is the way in which public funds are spent and the principles applied by government as they take decisions which are decisive here.

**LINK believes that we can emerge from this economic situation with a more sustainable Scotland – if the will is there amongst our politicians and civic society.**

## Spending Prioritisation

We noted with interest that, responding to the Finance Committee's report on the 2011-12 Budget Strategy Phase on Monday, 9<sup>th</sup> August 2010, Finance Secretary, John Swinney said "the Scottish Government will prioritise economic recovery, public services and cutting emissions as public spending is squeezed in the years ahead" – and highlighted the Government's "continued commitment to openness and transparency" in ensuring budget priorities are met.

We warmly welcome this recognition of the crucial, long-term importance of fighting climate change and look forward to the protection of Scotland's 'world-leading' role in this area. We hope that this can be seen as a positive aspect of government policy and are fully in accord with the Independent Budget Review (IBR) when it says that "to avoid year-on-year cuts of a random nature – 'salami slicing' – the developing response needs to be set in a more strategic, longer-term framework and direction of travel." We will argue strongly that the Finance Secretary's commitment on cutting emissions during the period of austerity should be adopted by all as part of the framework for our way forward – and we will continue to pursue all parties to give strong commitments to implementing sustainable development properly in Scotland. Climate change remains the greatest threat to humanity, despite the financial crisis that has erupted since 2008.

In addition, it is becoming ever more apparent that underpinning the fight against climate change is the growing understanding that ecosystem services are inextricably linked to the sustainability of our society. The Economics of Ecosystems and Biodiversity (TEEB) study, backed and promoted by the European Union, continues to reveal that the issues of climate change, ecosystems and biodiversity cannot be separated – and the economic and social costs of ignoring work on ecosystems and biodiversity could be enormously costly to human society across the world.

### **Fighting climate change must be a top level priority for Government.**

We have noted that in the Westminster CSR, the UK Government increased spending on the Department of Energy and Climate Change by approximately 16% over the review period, but that it also cut the Department of the Environment and Rural Affairs budget by approximately 31% for the same period. Real fears have been expressed by our colleagues in England that the latter savage cuts will lead to the loss of many advances made in the longer-term programmes of more established techniques of environmental improvement – and that these programmes are inextricably linked with, and a vital component of, the fight against climate change.

Here, we highlight the importance of strands of environmental spending that are not strictly related to cutting emissions, but which also help tackle climate change and support

sustainable development (such as the multiple benefits to be gained in the restoration of Scotland's peat bogs). Many of these areas are underpinned by important international legal obligations and commitments and our performance in Scotland is measured against international comparisons. These include items such as compliance with EU Directives and commitments to improve biodiversity and protect landscapes - for example the achievement of good environmental/ecological status for marine and freshwater habitats.

In Scotland there is a less straightforward, departmental separation between climate and established environment spending. We hope there is also a vastly greater understanding of how closely they are connected than appears to have been the case south of the border.

**LINK supports prioritising key established environmental programmes as an integral part of fighting climate change.**

Much discussion in the Scottish Government and in the political parties in Scotland has been about the role of government in "achieving key outcomes". It has been argued that these are the important thing government needs to aim for - as opposed to a crude level of spending. The argument suggests also, that the outcomes do not depend, necessarily, on the mechanism of delivery. This is the point where the discussion of the sizes of budget and extent of the responsibilities of government overlap most markedly.

There is, undoubtedly, merit in identifying key outcomes and functions in advance of financial changes, but what should these key outcomes be and how should Government identify them? LINK suggests that one starting point might be EU Directives and other international obligations. This is particularly relevant in the environmental field, where so much law originates in Brussels. Another starting point should be programmes based on existing national legislation – particularly as many of these are intimately concerned with the implementation of international obligations.

Any such identification of key outcomes should be the subject of serious consultation. A rigorous approach is required too, sorting out what is key and what is non-essential and this should not be left too government alone.

**Government must be rigorous in establishing the key outcomes of environmental policy and spending – and must fully consult stakeholders in the process.**

The corollary of the identification of key outcomes is that some of the current work of government is non-key – not essential. LINK members accept that part of the process of adaptation to the new budgets will be that some programmes of government and its agencies might be dropped completely, or performed outside government. Again, a rigorous and consultative approach to identifying such expenditure within the environmental field is required – especially as much apparently non-essential work is in ill-defined areas such as 'nurturing community engagement' and 'promoting the appreciation of nature'. Here, a recognition that economic wealth alone does not determine public wellbeing will be critical to making wise decisions.

**LINK and its members will not shy away from assisting in the identification of non-essential or marginal expenditure.**

We note that existing environment spend is a tiny part of the overall Scottish Budget (after compulsory EU farming subsidy payments are taken out). We will argue below that that irreparable damage could very easily be done to the achievements of decades of good work should the 'salami slice' approach be taken with the budget as a whole and, particularly, within the environment budget itself. At all stages of the debate we will argue that the environment budget must not be seen in isolation. It is deeply linked with the budgets for tourism, energy, the food and drink industry, health and almost every important economic and social sector of the Scottish budget as a whole. We believe that it must be seen in this

light and not as subsidiary. Environmental protection is central to Scotland's future and not peripheral in any way. Spending on it should reflect this fact.

**The crucial importance of environmental spending to our economy and society must be recognised in the prioritisation of spending in Scottish budget.**

All of these arguments with regard to prioritisation apply to spending of both capital and revenue funds. Huge importance is attached by LINK to capital investment in housing quality for energy efficiency, the development of renewable energy technologies, public transport, waste and water management infrastructure and other capital projects which will make us more sustainable. We recognise that such investments offer, also, great potential for protecting levels of employment. We believe, however, that such beneficial capital investments should not be negated by investment in projects which will increase greenhouse gas emissions or otherwise reduce our levels of sustainability.

**LINK will oppose funding on unsustainable capital expenditure projects, and is gravely concerned about reports of the transfer of revenue budget funding to protect spending on such unsustainable projects.**

As an example of our approach we draw attention to one of the most immediate issues of financial decision to be faced by the Scottish Government with regard to sustainable development - the decision of the Westminster Government to abolish the Sustainable Development Commission (SDC) and the resultant issue of what becomes of its Scottish branch. We wrote to the Finance Secretary in August 2010 suggesting that a commitment be made to reviewing the position and retaining the important functions of the SDC in Scotland, based on our view that a strong, independent voice has proved, and will continue to prove, a vital tool in achieving the long-term benefits that sustainable development brings. The Cabinet Secretary's reply (August) indicates that the Government remains committed to sustainable development and is considering the best way forward, and his answer in Parliament on 11<sup>th</sup> November 2010 supports an independent auditing function, with announcement of details in the forthcoming Scottish Budget.

We believe that maintaining such an independent voice is one of the "key functions" - essential to ensuring that all Government spending decisions deliver multiple benefits and outcomes. This approach is in line with the Scottish Government's five strategic objectives, but also with true sustainability. There is a crucial need to assess and understand the impact of public spending on an environmental, social and economic basis as this approach can multiply the outcomes of spending and reduce counter-productive spending.

In addition to the argument as laid out in our letter to the Minister, we note that during the passage of the Climate Change (Scotland) Act it was decided that Scotland should rely on the advice of the independent UK Committee on Climate Change (despite its own admission that its input might be strictly limited by resourcing constraints) – although LINK had argued for the establishment of a separate but linked Scottish Committee. We believe that, in the light of the end of the UK SDC, it is more important than ever that Scotland retains an independent "watch-dog" for sustainability.

**Retaining the independent auditing functions of the SDC as a core purpose of government is an important test case for the Scottish Government's approach.**

## **The future of the environmental civil service and agencies**

Decisions with regard to the SDC are just the beginning of the process of belt-tightening and there will be effects felt, undoubtedly, within the civil service and Government

Agencies. The IBR warns of a contraction of public sector employment. Unlike many areas of social policy, the environment, its protection and enhancement, are not heavily reliant on the provision of public services, but rather on the development and use of legislative, regulatory and other governmental tools. In particular, environmental policy is a matter of setting out to change attitudes and behaviours in all sectors of our community. Heavy dependence on these tools of government for progress places civil service and agency resources at a premium. It is our view that this factor should be a consideration in avoiding the “salami-slicing” approach to any contraction of the environmental public sector.

Some environmental policy delivery is, of course, provided directly in the form of public services. This is particularly the case in our important marine environment, which has seen the creation of Marine Scotland and the passage of the Marine (Scotland) Act within the last year. We hope that the efficiency savings already involved in the merger of the Scottish Fisheries Protection Agency, Fisheries Research Services and other divisions of the civil service will be a consideration as we move forward, and that every effort will be made to continue the radical improvements offered by the new legislation. This is essential in our view given the rapid pace of development in the marine environment, particularly in relation to marine renewables.

Scotland’s international image is dominated by impressions of a high-quality environment – and many major industries such as tourism, whisky and agriculture depend upon maintaining and improving this image. The policing of the regulations which have, by and large, been the main drivers in delivering improvements in the quality of our environment, have been the responsibility of NDPBs such as SEPA and SNH – and the branded parts of the civil service such as Historic Scotland and Marine Scotland. In our view it is important for economic and social as well as for environmental reasons that we preserve and improve this major asset as a vital component of the “strategic, long-term framework” referred to in the IBR. Continued improvement is a key function of government.

The Public Services Reform Act gives the Scottish Government considerable powers to reform, merge or restructure the NDPBs in the interest of efficiency and government simplification. The recent merger of the Deer Commission for Scotland and Scottish Natural Heritage is an example. LINK members have considered these issues and are of the view that, while there is scope for further efficiency and best value gains via the SEARS approach, any major re-arrangement of the environmental Agencies would have detrimental impacts on the work that they do, and quite possibly incur greater cost (particularly bearing in mind that some mergers and major re-organisations have taken place quite recently).

We stress that we are determined to pursue substantive outcomes which benefit people and their environment. We are not of the view that specific government structures are the only way to achieving such outcomes. We remain open to any well-thought out, structural reform that may generate savings and still deliver for the environment. Our approach will remain that we need long-term, strategic and participative approach across the sectors to achieve sustainable development, and this will be aided by effective and efficient structures inside government.

**The delivery of substantive environmental outcomes is the central issue rather than the architecture of government – but reorganisation of Government must be done very carefully if it is required.**

Any such restructuring must ensure that the resultant architecture of environmental governance avoids confusion as to function and conflicts between different functions. For example quasi-judicial functions should not be mixed with commercial duties, or independent scientific advisory functions should not be shared within a single body with duties entirely dependent on governmental direction. The functions of government require to be distinguished – and to be held separately, where required.

LINK and its members will play a full part in any consultation on proposed restructuring of agencies. We have already held a brief preliminary discussion of the matter with the Minister for the Environment and we call for consultation to take place at the earliest stages possible, in order that any restructuring achieves the confidence of civic society.

LINK will continue to discuss the issue of what the core functions of environmental government are, with our November Congress as an initial focus. LINK listing these functions would not necessarily be helpful and we believe that to be government's job – but broad outlines as to the identification of key outcomes will be made – starting with international obligations and statutory requirements. The corollary of this is that LINK will also be willing to consider areas that might be identified as non-core functions.

LINK will also take a serious view as to the separation of executive, quasi-judicial, auditing, advisory and other functions within any hierarchy proposed. We reserve the right to comment on any examples of where core functions were inefficiently performed by government and its agencies.

**LINK will participate in any discussions about the architecture of environmental government, and advises that these should be held at the earliest stage possible.**

## **Efficiency savings and economies of scale**

A further factor we believe should be considered by the Scottish Government as it faces the tough spending decisions ahead is that the environmental civil service divisions and NDPBs, operating as single units across the whole of Scotland may well have less scope for efficiency savings than comparable public services, where multiplicity offers the possibility of a perhaps painful, but simpler, combination of services (for example between Health Boards or Local Authorities). Similarly, the small size of the existing budget for the environment and rural affairs (once stripped of agricultural subsidy payments) renders it more difficult to find efficiency savings – and means that any cuts are more likely to be of highly substantive impact.

**Government must take account of the difficulties and dangers of pruning smaller organisational budgets.**

This argument with regard to economies of scale applies in comparison to UK departmental spending also. Because environmental matters are largely devolved, Scotland bears the same responsibility in many matters as Whitehall and Westminster. For example, the transposition of an EU Directive is no less heavy in Scotland, as opposed to England & Wales, because Scotland is geographically smaller. Indeed the reverse can sometimes be the case. For example, Scotland has many times more than its 'fair share' of the rare habitats and species to be protected under the Birds and Habitat Directives.

**Government must take proper account of Scotland's effective role as an EU 'member state' with regards to transposition of EU law – and our unique ecological importance.**

LINK will continue to support the Scottish Government in its pursuit of an equitable and appropriate share of the fossil fuel levy. This is another example of where Scotland's difference from other parts of the UK (in this case in terms of wind, tidal and wave resources) effects policy on renewable energy – but is an example, also, of where the Scottish Government has distinct responsibilities and duties.

In a further EU consideration we remind the Scottish Government of the danger that Scotland loses EU money if there is a reduced domestic contribution to Rural Development Funds. Our position may appear advantageous in this respect at present but the EU tends to look at historic spend when deciding future budgets, and Scotland has a long record of under-spending in this field. With this comes the threat of loss of EU funding.

**Government must take the issue of EU co-funding of rural development seriously in the light of historical inadequacies in this area.**

If government's response to climate change remains a meaningful, top priority, LINK does not intend to resort to high visibility, public campaigns in advance of budgetary decisions in the immediate period, or over the coming difficult years. We are critical of those in the country who may be guilty of attempting to defend individual budgets by using 'scare tactics'. We will warn of the dangers of any over-zealous cutting of environmental expenditure. We reserve, and will exercise, the right, to publicly state our positions in a serious and proportionate fashion.

## Public Services and the Voluntary Sector

The IBR contains considerable discussion of the suggestion that politicians and civil society need to engage in a debate about the transformation of the organisation and delivery of public services in Scotland. The matter is also being considered by all of the political parties. While we agree that this is a sensible suggestion, as has been noted above, the delivery of environmental policy is far less the preserve of public service provision than in social policy – and indeed much more subject to other tools of government. There are some areas of policy that might, nevertheless, be delivered by organisations outwith the strict ambit of government. The Environmental NGOs have always been prepared to work in partnership with Government and its Agencies to deliver specific policy objectives, and stand ready to play a part in this debate – and in particular to provide our expertise in the provision of services such as sustainable land management and advice to land managers (subject to the provision of adequate funding resources).

As with other parts of the voluntary sector, the environmental NGOs have demonstrated the capacity, ability, flexibility and willingness to deliver good services (in addition to their pivotal 'campaigning' functions) - and to do so in ways that provide exceptional value for money. Any expansion of the range of such services would be difficult, if not impossible, to achieve without our member organisations being in receipt of (a) mutually agreed specifications of the services required (b) adequate and stable funding and (c) suitable guarantees of our freedom to operate as campaigning bodies.

We note, however, that Scottish civic society and the "third sector" is a complex beast with many different models of organisation. This is true of the environmental sector as well, but the members of LINK have always maintained a greater independence of expression and finance than many parts of the wider "third sector", such as the social welfare NGOs. It is a condition of membership of LINK that an organisation is "citizen led" and this has always been interpreted as meaning having a voluntary membership structure. This fact, and its continuation, will be an important element in any discussion of the transfer of any services.

**If LINK member organisations are to take over services currently run by government there must be a recognition that such services have become either (a) a remaining non-key responsibility of Government but outsourced by contract or (b) no longer the responsibility of government but where government has chosen to provide a stable level of support for the common good.**

We have yet to have any detail (of even a broad nature) as to what government thinks are the services within the environmental sector that might be transferred to the environmental non-government organisations (eNGOs). It is possible that government might wish to transfer some services currently performed by the Scottish Government itself, its Agencies (NDPBs) and local Authorities.

**LINK members are all Non-Government-Organisations and are minded to consider accepting responsibility for services only if they are at the margins and not 'key responsibilities' of government. Government must continue to perform key functions such as statutory requirements and meeting international obligations.**

It is more probable, however, to see services currently provided by government through arms-length trusts, charitable organisations and other quasi-non-governmental structures as candidates for a transfer. Services in these categories at both Scottish and local government levels that might be considered for transfer will require a clear interpretation as to whether they are to be outsourced, non-key governmental services, or services in the non-governmental sector, prior to any discussion of who runs them.

In this respect it would be helpful if the Scottish Government could spell out clearly what it believes might be transferred but also, what it believes constitutes the "third sector". The sector is very diverse and complex - and eNGOs are different in important respects to other parts, such as the social welfare voluntary organisations, or housing associations. In particular, eNGOs have made a virtue of maintaining financial independence of government in a fashion which does not apply across the sector.

**Government should not try to adopt a "one-size-fits-all" approach to the "third sector" when considering the transfer of services.**

Government is often reluctant, as a matter of fact, to provide funds where the funded bodies are also campaigning bodies. For example LINK members maintain the right to point out areas where they believe that public funds are being spent on matters which lie outside the real responsibilities of government. This political independence will be jealously guarded. All of LINK's members are, to a greater or lesser extent "campaigning bodies". They have, and intend to retain, the capacity to represent their individual citizen members, contribute to public debate and to criticize government.

**The transfer of any services must use a model which guarantees continued NGO independence and campaigning capacity.**

Environmental NGOs have demonstrated the ability to attract multiple sources of funding for a large variety of projects and services, enabling them to deliver more "bang-per-buck" than 100% government funded models. This financial flexibility is an important part of the ethos and operation of the eNGOs – and parallel in many respects to the campaigning independence described above.

**The transfer of any services should use a model which guarantees the required level of financial independence for the NGOs in respect of raising funds from several sources.**

As argued above, LINK takes this opportunity to insist that there should be a clear demarcation between functions that are a government responsibility and those which are a 'non-government' responsibility. It is our view that Government and Agencies have, on occasion, marketed government services (such as season tickets for visits to Historic Scotland sites and National Museums being sold as "memberships", or the insistent branding of National Nature Reserves) in competition to similar services provided by the eNGOs.



**We believe that clear lines must be established as to what is and is not the job of government.**

## **The Independent Budget Review and Conclusion**

The IBR report cautioned against ring-fencing budgets as we respond to the cuts in the Scottish Budget. In particular, with regard to health, it suggests that if any ring fencing is adopted then we need a broader interpretation of health spending, which includes non-NHS services that support the health and well-being of the community. LINK and other bodies, including SNH, have long argued that this understanding is part and parcel of truly sustainable development – and that the role the environment plays must be a consideration in this and other key areas of public policy.

On the other hand, the IBR panel was not charged with laying out the full strategic framework and limited itself to noting that “planning for future challenges, such as demographic and environmental change” was a vital element of the process. We endorse this view strongly – noting in passing that, due to the limited use of the public service tool that the environment is virtually invisible within the IBR report.

We would add to the IBR report that many, if not most, environmental improvements offer “win-win” long-term savings. For example, a greater emphasis on environmental delivery in Single Farm Payments, woodland management and creation schemes and other land use programmes and the establishment of an ecologically coherent network of marine protected areas, will improve the quality of eco-system services in the reduction of emissions and also lower the costs of the water industry and others by significantly reducing costs associated with diffuse pollution, acidification and specific externalities.

**LINK will continue to press for environmental considerations to be at the heart of our public policy – across all its areas. We believe that protecting and enhancing the environment is essential to the country’s future.**

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