

Environmental Audit Committee inquiry: Sustainability and HM Treasury

Response of the Landscape Institute, 18 February 2016

The Landscape Institute

The Landscape Institute (LI) is the royal chartered body for the landscape profession. As a professional organisation and educational charity, we work to protect, conserve and enhance the built and natural environment for the public benefit. The LI represents over 5000 landscape architects, planners, designers, managers and scientists. We champion multifunctional and sustainable landscapes in both town and country. We believe that through careful and appropriate planning, design and management, it is possible to deliver a wide range of economic, social and environment benefits. We therefore welcome this inquiry and the opportunity it presents to submit evidence on the important matter of the role of HM Treasury in relation to sustainable development and environmental protection.

The evidence presented here does not respond to every question. Instead we have focussed on just some of those set out in the inquiry terms of reference.

1. Does HM Treasury play a constructive role in developing and implementing Government policies to protect the environment and respond to climate change? What might it do differently?

1.1 It appears that HM Treasury does not play a constructive role in developing and implementing policies to protect the environment and respond to climate change. A brief review of the HM Treasury website¹ reveals that there is limited scope for it do so, with none of the responsibilities and priorities making explicit reference to these two important issues, both of which will be critical in ensuring that the ministry meets its priority of 'achieving strong and sustainable growth':

Responsibilities

- *Public spending: including departmental spending, public sector pay and pension, annually managed expenditure (AME) and welfare policy, and capital investment;*
- *Financial services policy: including banking and financial services regulation, financial stability, and ensuring the competitiveness in the City;*
- *Strategic oversight of the UK tax system: including direct, indirect, business, property, personal tax, and corporation tax;*
- *The delivery of infrastructure projects across the public sector and facilitating private sector investment into UK infrastructure; and*
- *Ensuring the economy is growing sustainably.*

Priorities

- *Achieving strong and sustainable growth;*

¹ <https://www.gov.uk/government/organisations/hm-treasury/about#corporate-reports>

- *Reducing the deficit and rebalancing the economy;*
- *Spending taxpayers' money responsibly;*
- *Creating a simpler, fairer tax system;*
- *Creating stronger and safer banks;*
- *Making corporate taxes more competitive;*
- *Making it easier for people to access and use financial services; and*
- *Improving regulation of the financial sector to protect customers and the economy.*

1.2 It seems obvious that one of the key ways in which HM Treasury could play a more constructive role would be to begin with a review of its responsibilities and priorities to allow for greater consideration of the relationship between environmental protection and climate change and other priorities within the ministry's overall strategic direction.

1.3 There are, however, three aspects within the existing framework of responsibilities and priorities which are relevant from the perspective of environmental protection and climate change which we believe represent opportunities for a more proactive role by HM Treasury.

1.4 The first concerns the ministry's responsibility *to deliver infrastructure projects across the public sector and facilitating private sector investment into UK infrastructure*. It is our understanding that one of the key documents underpinning this is the National Infrastructure Plan 2014 (NIP 14) which:

"...sets out an ambitious infrastructure vision for the next parliament and beyond, reinforcing the government's commitment to investing in infrastructure and improving its quality and performance."

However there are very few references within NIP 14 to the need for infrastructure planning decisions to take account of climate change, both in terms of adapting to future scenarios and carbon reducing emissions. Furthermore, there does not appear to be any acknowledgement of the ways in which the landscape – if planned, designed and managed intelligently to make the most of natural systems and processes – deliver objectives relating to infrastructure investment in three of the key sectors outlined in NIP 14; energy generation, floods and coastal erosion and water. These are well-documented and, if better integrated within the National Infrastructure Plan would, would go some way towards enabling HM Treasury to play a more constructive role in both climate change and environmental protection.

1.5 The second opportunity within the existing framework of priorities, concerns the reference to 'achieving strong and sustainable growth'. It is our opinion that sustainable growth is indivisible from environmental protection and enhancement. We were therefore encouraged that the Natural Environment White Paper², published in 2011, appeared to share this view:

"Nature is sometimes taken for granted and undervalued. But people cannot flourish without the benefits and services our natural environment provides. Nature is a complex, interconnected

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/228842/8082.pdf

system. A healthy, properly functioning natural environment is the foundation of sustained economic growth, prospering communities and personal wellbeing.”

The then Secretary of State for Environment, Food and Rural Affairs wrote in her foreword to the White Paper that the intention was to place nature at the heart future decision-making, in order “...to enhance our environment, economic growth and personal wellbeing”. This laudable ambition appears to have been lost within the overarching direction of HM Treasury, where there is inadequate reference to the clear relationship between a healthy and resilient natural environment and economic growth that is truly sustainable.

1.6 Thirdly, within the existing framework of HM Treasury’s priorities, there is reference to the need to ensure that taxpayers’ money is spent responsibly (and, presumably, that this spending is transparent). We welcome the commitment to this important principle. To improve its work in this area HM Treasury needs to lead, in collaboration with other departments, on the development of a vision for the countryside which creates a clear framework for understanding the range of public interventions taking place. Successive governments have failed to do so, despite a fragmented ‘plan’ existing by default, as a result of the huge range of public interventions already in place which influence significantly the way our environment is planned and managed.

1.7 The public administration of the countryside is very complex and includes the European influence, various Government departments and their agencies, such as the Rural Payments Agency, Natural England, Environment Agency and English Heritage, all administering national policy alongside a variety of departments within local government. There is both duplication and conflict within the current system of administration. The number of public bodies and agencies leads to a lack of clarity as to who is doing what, and what they are trying to achieve. The objectives of these wide range of public interventions into environmental management need to be clearly understood, by the public, the farming industry and across the public sector. Each of these public interventions is directing changes (sometimes negative) to the environment, on a massive scale, but the changes are mostly bi-products, the unintended consequences of a fragmented range of policies.

1.8 A clear vision from the Government, focusing policy outcomes and objectives on specific areas of land is an essential start to streamlining the current administrative systems, spending taxpayers’ money responsibly and, at the same time, enhancing the environment and the natural systems and processes required to support and drive sustainable economic growth. We recommend that such a vision should be based upon the National Character Areas map for England – work undertaken by Natural England to divide the nation into 159 distinct areas. As stated on Natural England’s website:

“Each [character area] is defined by a unique combination of landscape, biodiversity, geodiversity and cultural and economic activity. Their boundaries follow natural lines in the landscape rather than administrative boundaries, making them a good decision making framework for the natural environment.

“National Character Area profiles are guidance documents which will help achieve a more sustainable future...The profiles include a description of the key ecosystem services provided in each character areas and how these benefit people, wildlife and the economy”

1.9 The HM Treasury are fully aware of the level of public investment being made to support the farming industry, the majority comes via Europe through the Common Agricultural Policy. The Landscape Institute supports that investment to assist the farming community to pursue a landscape sensitive, multifunctional countryside, to support sustainable food production, to improve the biological quality of the countryside, to protect the historic environment, to build in resilience to extreme climatic events and improve access for health and wellbeing of the nation. This investment is essential because too many of these outcomes cannot be quantified in traditional cost benefit analysis terms. However the public benefit arising from this investment is far from clear to the general public and the situation is not helped by recent comments from the previous Secretary of State for Defra calling the investment a subsidy. We believe this lack of clarity to the public is unacceptable however it becomes a major issue should the nation decide to leave the European Union. We would like to refer to the recent publication by Nottingham University giving an account of the Farm Business Income Cereal Farm Profit where 51 per cent came from the Single Payment Scheme and Countryside Stewardship with 43 per cent from sale of Cereal products and per cent from diversification. This from one of the most profitable farm sectors.

1.10 The Landscape Institute is concerned that the threat of disallowance from claiming back distributed funding to the farming community, from the EU, is creating a climate of uncertainty within the farming community. This is discouraging farmers from entering or reapplying for the Countryside Stewardship 10 year agreement, as administered by the Rural Payments Agency. The Landscape Institute requests that the Treasury negotiates a change to the current administrative processes for claiming spent CAP funds from Europe to ensure this barrier to a corporate policy of Government is removed.

2. What steps should HM Treasury take to incorporate meeting the UN Sustainable Development Goals, as they apply to the UK, into future budgetary cycles and spending reviews and mainstream them across Government?

2.1 No response.

3. Do HM Treasury’s methods for appraisal and analysis, including its decision-making horizons, the Green Book and the use of discount rates, take adequate account of long-term, global and environmental factors? What are the implications for the policy decisions across Government?

3.1 The Green Book does not take account of the latest thinking however the LI is pleased to learn that the Treasury will be updating this guidance to take account of the Natural Capital Committee’s recommendation that the Green Book is updated to include latest thinking on natural capital accounting.

3.2 The Green Book’s current reference to landscape is inadequate as it is limited to the following:

“Landscape includes townscape, heritage, and other related matters. Guidelines for assessing the impact of policies, projects and programmes on landscape have been devised by English Heritage and the Countryside Commission. The Commission for Architecture and the Built Environment may also be able to provide guidance. Research has also been commissioned Defra to estimate the value of environmental landscape features associated with agri-environment schemes. Contingent valuation techniques have been used, producing an Environmental Landscape Features (ELF) model. This constitutes a first attempt at a benefits transfer tool for appraising agri-environment policy. Features covered include heather moorland, rough grazing, field margins and hedgerows. The model provides estimates of WTP for these features on an area basis, and estimates of their diminishing marginal utility

It is clear, not least from the references to public bodies that no longer exist, that this section on landscape is extremely dated and requires significant review.

4. Should any HM Treasury policies or process be changed in response to the work and recommendations of the Natural Capital Committee?

4.1 In 2015 the Natural Capital Committee (NCC), which was established by Government *“to advise how to ensure England’s ‘natural wealth’ is managed efficiently and sustainably, thereby unlocking opportunities for sustained prosperity and wellbeing”*, made a compelling case in its Third Report in relation to the National Infrastructure Plan. The NCC recommended that the Plan should incorporate natural capital into each of the main infrastructure sectors. It advised that this should follow the mitigation hierarchy for managing impacts and also recommended that an investment programme for natural capital itself should be an explicit feature.

4.2 It is worth reminding the Environmental Audit Committee that the Government refused³ to accept this recommendation, stating that:

“The government recognises the value of natural capital to the country’s long-term economic growth. We do not currently agree that an investment programme for natural capital should explicitly feature in the National Infrastructure Plan. We do, however, strive for all publically funded infrastructure investments to make a positive contribution to protecting and enhancing our natural environment, further strengthened by expected upcoming revisions to the Green Book.”

While we welcome the Government’s commitment to strengthen the Green Book, no explanation was provided as to why the Government was unwilling to accept the recommendation in full. This is disappointing for a number of reasons, and in the context of HM Treasury’s responsibilities, the refusal to do so will only hamper efforts to secure economic growth that is truly sustainable, given its reliance on a healthy and resilient natural environment.

³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/462472/ncc-natural-capital-gov-response-2015.pdf

5. What is HM Treasury's understanding of the relationship between environmental policy and growth? Is HM Treasury receptive to new evidence on this?

It is not clear that HM Treasury fully appreciates the strong relationship between environmental policy and growth. This is acknowledged reasonably well by other Government departments, in particular Defra and the Department for Communities and Local Government. However they alone cannot be expected to deliver on this important agenda. What is needed is a cross-Government commitment and HM Treasury, as the ministry in charge of public spending, needs to play a more significant role. The starting point for this will be a clear articulation, from HM Treasury itself, on the important relationship between environmental policy, protection and enhancement and sustainable economic growth.

6. To what extent has HM Treasury evaluated the business case for increasing investment in environmental and low-carbon goods and services in the UK? Is its approach consistent with other Government departments?

No response.