



## Agency Board Meeting 28 April 2015

Board Report Number: SEPA 11/15

### Chairman's Report

<b>Summary:</b>	This paper highlights points of interest from the Chairman's diary since the last Board meeting on 24 February 2015.
<b>Risks:</b>	N/A
<b>Financial Implications:</b>	N/A
<b>Staffing Implications:</b>	N/A
<b>Environmental and Carbon Impact:</b>	N/A
<b>Purpose of the report:</b>	For information
<b>Report Author:</b>	David Sigsworth, Chairman Jenny Faichney, External Engagement Unit Manager
<b>Appendices:</b>	None

## Chairman's Report

### 1. Internal business

#### 1.1 New SEPA Chief Executive

As reported in February, Terry A'Hearn, SEPA's new Chief Executive, started this month on Monday 13 April. I am looking forward to working with Terry on the challenges and opportunities which lie ahead. I have every confidence that he has the ability to lead SEPA to a successful future, building on the good work of James Curran to ensure SEPA's rising reputation as a world-leading environment protection agency, whilst bringing new perspectives. To enable a smooth hand over, Terry has been in regular contact with me, James and his Executive team to discuss issues such as the Corporate Strategy, Organisational Design, and SEPA Change. Terry also visited our offices in Stirling and North Lanarkshire (Angus Smith Building) in recent weeks where he introduced himself to staff working there. I am very grateful to James for doing everything possible to ensure a good and effective handover. That continuity is important as we are in the middle of a well-planned programme of change and I hope to see that progress to its natural conclusion.

As I said at our Board Strategy meeting on 17 March, James' last meeting with the Board, we have already come a long way, not least due to James' important contribution. However, we will not get complacent, and it remains essential that SEPA continues to realise its vision and ambition, making positive changes for the organisation, and to achieve greater benefits for Scotland's environment and for the people of Scotland.

#### 1.2 Internal Audits

On 9 March, Stuart McGregor, SEPA's Chief Officer Finance, and I met with SEPA's new auditors, Scott-Moncrieff Chartered Accountants (James Thomson and Robert Mackenzie). This was an informal session to provide me with the opportunity to get to know them and ask questions about their experience and the way they work. They were also keen to get an insight into SEPA's way of thinking and working to ensure we get the most out of our internal audits.

Our internal audit plan is designed to provide SEPA, through the Board's Audit Committee, with the assurance it needs to prepare an annual Governance Statement that complies with best practice in corporate governance.

### 2. Government Relations

#### 2.1 Ministerial visit

As mentioned in my February report to the Board, the Minister for Environment, Climate Change & Land Reform, Dr Aileen McLeod MSP, visited SEPA's Perth (Whitefriars) office on 2 March to hear about our flood warning service. Presentations covered the forecasting capabilities of SEPA and the Met Office and how we ensure effective communication in advance and during flood events.

We have had such a session with previous Environment ministers and found it very useful. The Minister receives our alerts, warnings, guidance, and briefing notes during flood events and at times may engage directly with our staff. The visit on 2 March was an opportunity for the Minister to understand our tools and products and to meet the people behind the service.

Knowing that the Minister understands the science behind our service, can speak with authority about it during flood events and has met the people involved, has proved to be very valuable in the past.

## **2.2 Lord Advocate visit**

On 25 March, Executive Director, Calum MacDonald, and I hosted a visit to SEPA's Angus Smith Building by the Lord Advocate Rt Hon Frank Mulholland QC. The Lord Advocate was accompanied by senior staff from COPFS<sup>1</sup>: Lindsey Miller, Procurator Fiscal for Organised Crime & Counter Terrorism; Helen Nisbet, Deputy Head for Organised Crime & Counter Terrorism; and Sara Shaw, Head of Wildlife & Environmental Crime Unit.

SEPA colleagues provided a series of presentations on our role. Kenny Boag, SEPA's Head of Region, spoke about SEPA's role as a regulator. Bridget Marshall, Head of Operations Legal, spoke about the Regulatory Reform (Scotland) Act 2014 and the Lord Advocate's Guidance. Willie Wilson, National Operations Waste & Enforcement Manager then spoke about Waste Crime and the Environmental Crime Task Force.

This was an excellent opportunity to discuss better regulation with the Lord Advocate. It was particularly useful to talk about SEPA's new enforcement powers and associated "tool kit", and explore how we can work together to increase pressure on the criminal elements involved in environmental crime. The Lord Advocate raised a number of issues with us that may be helpful in our joint efforts to tackle some specific areas of Waste crime, in particular.

## **3. External Engagement**

### **3.1 Energy Technology Partnership**

The Energy Technology Partnership (ETP) is an alliance of 12 independent Scottish Universities, engaged in energy related Research, Development and Demonstration (RD&D). With around 250 academics and 600 researchers, ETP is the largest, most broad based power and energy research partnership in Europe.

On 25 February I chaired a meeting of the ETP Advisory Group which I was pleased to host at our new Stirling office, Strathallan House. This Group provides strategic advice and support to the ETP in relation to industry and policy matters of relevance to the Scottish RD&D community. Members comprise senior industry and other public sector agency representatives, including from Scottish Government and Scottish Funding Council. The ETP Directorate Chairman, Professor Sir Jim McDonald, is a member of this group. We had a good exchange of views at our meeting on how the ETP can help address energy sector challenges and opportunities.

### **3.2 Crown Estate**

On 25 February, I also briefly attended The Crown Estate Annual Reception held at the Scottish National Portrait Gallery in Edinburgh. The event brought together a range of The Crown Estate's stakeholders. I had an excellent opportunity to speak to the Chief Executive of The Crown Estate, Alison Nimmo, to share views on future plans and how we can work together during the important transitional period The Crown Estate is moving into in light of the recommendations of the Smith Commission report on devolution.

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<sup>1</sup> Crown Office Procurator Fiscal Service

In advance of the event, participants were sent a link to The Crown Estate's Scotland Report 2014 (at <http://www.thecrownestate.co.uk/about-us/scotland/>) which helped inform our discussion.

Unfortunately I did not have time at the reception to speak to Gareth Baird, The Crown Estate's Scottish Commissioner, but I did contact him after the event and agreed we will continue to keep in touch.

### **3.3 Scotch Whisky Association**

Also on 25 February, James Curran, Calum MacDonald, and Andy Rosie, Head of Operations North and SEPA's Scotch Whisky sector liaison lead, met in Edinburgh with representatives of the Scotch Whisky industry. These were from Diageo (Neil McDougall, Environment Manager), Edrington (Graham Hutcheon, Operations Director), the Scotch Whisky Research Institute (James Brosnan, Director) and Scotch Whisky Association (SWA) (Julie Hesketh-Laird, Deputy Chief Executive and Director of Operations & Technical Affairs, David Williamson, Government & Communications Director, and Morag Garden, Environment & Scientific Affairs Manager).

We covered a range of topics including: Regulatory Reform (Scotland) Act and SEPA's future direction; Water Regulation; Industrial Emissions Directive; and Horizon scanning future environmental policies at European and Scottish levels. From our discussion, it is evident that our working relationship at all levels remains strong and productive. We are working on a number of initiatives together, including providing support to the current revision of SWA's environment strategy.

SWA also continue to offer themselves as an informal "sounding board" on any new initiative that is relevant for their sector as opportunities arise. For example, SWA provided useful feedback on the new enforcement provisions under the Regulatory Reform (Scotland) Act and retain a keen interest in aspects of how the new provisions will be applied in practice. We have also had a productive session on the developing charging scheme and how it will affect distillers and other food and drink sectors. This indicates the level of trust and respect that is such a crucial element of our relationship. Overall we are very supportive of SWA as an environmental champion, going beyond just compliance with environmental legislation.

### **3.4 Whitmuir Organics visit**

On 4 March SEPA's Head of Ecology, Roger Owen, and I visited Whitmuir Farm, at Lamancha, West Linton, Edinburgh, meeting with the owners, Peter Ritchie and Heather Anderson. The farm comprises of livestock, soft fruit and vegetables, and also a café, food and craft shop and a garden centre. It has farmed organically for most of its lifetime, returning to full organic production 10 years ago, and both the farm and butchery are certified by the Soil Association. It is now keen to create a 'Living Learning Space' on Scotland's first community owned farm and become a national resource on sustainable food farming.

My visit was arranged as I am keen to raise awareness of good business practice in different sectors. Whitmuir Farm was a finalist for the VIBES<sup>2</sup> Management Award category in 2011, and then won the VIBES Award for Changing Behaviour in 2013. In March 2014, they took part in filming video clips of good practice for NetRegs.

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<sup>2</sup> VIBES - Vision In Business for the Environment of Scotland

Whitmuir is a very aspirational and exciting business and is an exemplar in their field. They are clearly driving their message, challenging traditional paradigms about sustainable food and farming and raising awareness and influencing others to change their behaviour. I support their enthusiasm for this and Roger is following up with the owners on how SEPA can deploy its expertise to assist them in this initiative, connecting, for example, with existing work SEPA is doing on Citizen Science and advising on an educational project to raise awareness of the importance of soil biodiversity amongst young people.

### 3.5 **Ofgem Sustainable Development Advisory Group**

On 5 March I attended a meeting of the Ofgem<sup>3</sup> Sustainable Development Advisory Group in London. As I mentioned in my November 2014 board report, David Gray, the Chairman of Ofgem, has altered the format of these meetings to usually concentrate on only one main agenda item, thus allowing more in depth analysis and discussion.

The March meeting was very interesting with the main topic for discussion on non-traditional business models. This is a topic which we have discussed previously, but returned to following the publication of Ofgem's [discussion paper](#) on these issues. At the meeting we reviewed the drivers, characteristics, consumer benefits, and related regulatory issues and risks associated with transforming the energy market. I don't intend to try to reflect the whole of the discussion. However, the dialogue demonstrated for me the importance of recognising that regulation might have to be exercised in a completely different way as new markets emerge; this is significant for SEPA and other regulators. It was also reassuring to see in the discussion paper, Scotland's draft Community Energy Policy Statement getting a mention as a driver for change.

Stakeholder engagement and consultation continues to May with a summary of responses and details of "next steps" to follow in summer 2015.

We were also joined at the meeting by Ofgem's Chief Executive, Dermot Nolan, to discuss Ofgem's strategy, "Making a Difference for Consumers", which was published in December and is [available here](#). Ofgem is keen to involve stakeholders in its corporate planning and this was a great opportunity to talk through their vision, including lowering environmental impacts.

### 3.6 **Rosyth Royal Dockyard Ltd (RRDL)**

On 6 March I visited Babcock's Rosyth Royal Dockyard, accompanied by Vic Emery, Chair of Zero Waste Scotland and Chair of the Scottish Police Authority – the national oversight body for the single police service of Scotland. This visit was facilitated by Vic as former Managing Director of BAE Systems Surface Fleet Solutions which managed the warship building business on the Clyde, and hosted by Sean Donaldson, Mike Murray and David McGinley of Babcock International Group who operate the site under contract to the Ministry of Defence (MoD). RRDL is a subsidiary company of Babcock International Group.

Rosyth Royal Dockyard now primarily undertakes refitting of Royal Navy surface vessels and is currently assembling the future aircraft carriers. The Royal Navy's new aircraft carriers are being delivered by the Aircraft Carrier Alliance (ACA) - an alliance between Babcock, BAE Systems, Thales and the Ministry of Defence (MoD) - and are being built in large individual blocks at six shipyards around the UK, which are then transported to Rosyth for final assembly and integration.

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<sup>3</sup> Ofgem is the Office of Gas and Electricity Markets

Our visit in March included a very interesting tour of the new Royal Navy aircraft carrier HMS Queen Elizabeth, the largest ever ship constructed by the Navy. Seeing the methods of construction at first hand and understanding a little more about project co-ordination and the teamwork involved, was most fulfilling.

Submarine maintenance activities have now ceased at the site, but seven out-of-service and defuelled nuclear submarines are stored afloat at Rosyth waiting to be dismantled under the MoD Submarine Dismantling Project. Following an Inquiry in 2012, the Scottish Government has agreed plans to redevelop the site as an international container terminal.

From SEPA's perspective, I was glad to hear that our relationship was, in Babcock's view, sound, useful and constructive. I look forward to maintaining this exemplary relationship and I am keen to return to the site to visit the submarine pens.

It is also notable that BAE Systems Naval Ships won the 2014 VIBES Management Award in the Large Category with reference to their facilities in Glasgow on the River Clyde. This category is aimed at businesses that are taking a holistic approach to environmental improvement and can demonstrate the associated economic and social benefits that have been achieved. As the VIBES judges from SEPA and Zero Waste Scotland noted, BAE Systems demonstrated excellent commitment to their environmental approaches and successfully integrate these into their business objectives.

### **3.7 Plantlife**

On 11 March I attended a Plantlife event at Stirling Castle to celebrate 25 Years of Scottish plant conservation and the launch of a new report on Scotland's Important Plant Areas. Also attending for SEPA was Principal Policy Officer for biodiversity, Scot Mathieson.

Plantlife International is a wild plant conservation charity that speaks up for Scotland's wild flowers, plants and fungi. Plantlife Scotland is based in Stirling. SEPA works with Dr Deborah Long, the Head of Plantlife Scotland, on a number of working groups around the Scottish Biodiversity Strategy. SEPA also collaborated closely with Plantlife a couple of years ago to fund and publish a set of new laminated identification keys for lichens and woodland fungi, for use in the field. We were keen to support this as it helps with the development of our own work on biological monitoring of air pollution impacts, as well as creating opportunities for potential Citizen Science projects on air pollution using the keys.

It was useful for me to attend this event to learn more about the important work of Plantlife in Scotland. I followed up with Deborah after the event to get copies of Plantlife's recent reports on Scotland farmland, Scotland woodland, UK vanishing flora, and management guides for wet habitats, together with a guide on how individuals can contribute to Plantlife's work and deliver change for plant conservation.

### **3.8 Green Growth Programme Board**

As I reported in my November Board report, the inaugural meeting of the Green Growth Programme Board took place in Edinburgh on 11 November. On 18 March, the Programme Board met in Glasgow, chaired by Gordon Grant, formerly of Ineos.

Fiona Whyte from SEPA's Advice & Engagement Unit continues to co-ordinate the work of this group, which is responsible for delivery of the Green Growth Action Plan.

As previously reported to the Board, this plan, developed in conjunction with industry, was approved by the Scottish Energy Advisory Board (SEAB) in May 2014, and will be delivered over a two year period. It incorporates four themes: Water and waste water treatment; Environmental sensing; Circular economy; and Sustainable food production.

The working group is comprised of public sector body coordinators responsible for delivery of specific projects within the action plan themes. The thinking of the group has now matured as projects become a reality, particularly under the “water” theme. Highlands & Islands Enterprise, supported by Innovate UK, launched a £800k competition in January 2015 to develop new and innovative solutions to recover phosphorous and/or priority substances from the water environment, which, if appropriate, can be put to beneficial use. Funding for the competition is being provided by the Scottish Government Water Industry Team and Zero Waste Scotland. SEPA, in addition to Scottish Water and Scottish Enterprise, are members of the steering group overseeing the project.

The competition received 40 entries, with up to 10 contracts for the first phase (feasibility studies), due to be awarded by late April. Upon successful completion of the feasibility study, phase 2 contracts for prototype development will link with the proposed work of the Water Innovation Service which seeks to raise standards of water supply and management. This is an example of how the previously conceptual projects will contribute to helping stimulate economic recovery by growing low carbon market opportunities, in addition to increasing resource efficiency and delivering reduced environmental impacts.

Substantial issues discussed last month included on the Green Growth Action Plan review and outputs in light of the Scottish Government’s revised Economic Strategy with a greater focus on communities. In addition, Louise McGregor from Zero Waste Scotland provided a presentation on the Scottish Remanufacturing Institute.

### **3.9 Mackay Hannah**

I was pleased to be given the opportunity on 23 March to speak at a Mackay Hannah conference in Edinburgh on “*The Changing Role of Regulation and Scrutiny in Scotland*”. This provided a good platform for us to address an audience predominantly of regulators and present our views and experiences of better regulation.

Oonagh Gil, Deputy Director, Enterprise & Cities Division, Scottish Government, set the context at the start of our session on “*Better regulation - culture, compliance, cost-effectiveness*” with an overview of the progress around better regulation in Scotland and the Regulatory Reform (Scotland) Act one year on. I followed Oonagh, speaking on “*Delivering Better Regulation in Practice*”. I highlighted SEPA’s Change agenda aimed at developing a more flexible and effective approach to regulation, targeting effort where it is most needed. My main message was that regulation is about changing behaviour in a way that generates positive outcomes for the environment, communities and economy. I also stressed that our aspiration is not just about compliance with regulations but in achieving sustained behaviour change, with those we regulate increasingly understanding and adopting good practice beyond compliance. I also described our joint work with Scottish Government and how the environment aspects of the Regulatory Reform Act will support our direction of change.

My presentation was well received and also features in an article for SEPA View, SEPA's on-line magazine<sup>4</sup>. SEPA Board members Bob Downes and Michelle Francis attended the conference, so can also provide feedback at our Board meeting on 28 April.

Our aspiration for the future is not just about compliance with regulations because even if everyone we regulated was compliant it wouldn't be enough to deliver the sustainable society and the sustainable economy that Scotland seeks. We need different approaches over and above traditional regulation to encourage and to enable people to do the right thing. In closing, I reiterated that our role as regulators is about changing behaviour and helping to deliver those positive outcomes. At SEPA we're firmly committed to that idea and we believe that SEPA and other regulators can play an increasingly valuable role in making it happen.

### 3.10 Future meetings

On 13 April I am meeting with Derek Robertson, the CEO of **Keep Scotland Beautiful**. This meeting came about following a brief conversation we had at the Environmental Crime Taskforce Conference in Edinburgh in November picking up on comments in my speech at the conference on the need for more assistance from partners and leaders to assist with the work of the taskforce.

I will report on this verbally at the Board meeting.

## 4. Action

4.1 The Board is asked to **note** this report.

**David Sigsworth**  
**Chairman**  
**13 April 2015**

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<sup>4</sup> Available at: <http://www.sepaview.com/2015/03/regulating-for-behaviour-change/>