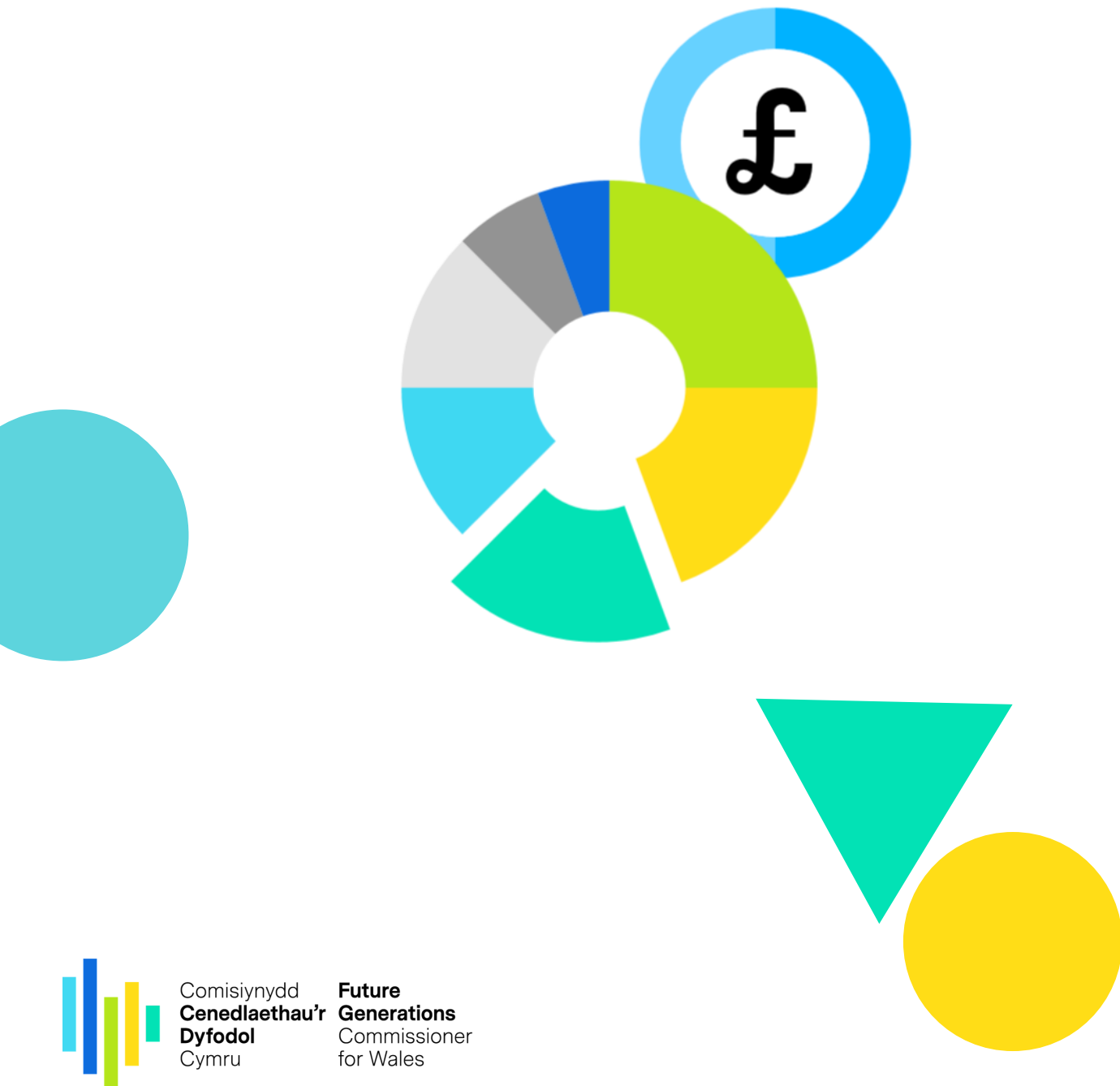


A Briefing for Assembly Members

How the Welsh Government draft budget 2020-21 is taking account of the Well-being of Future Generations Act

December 2019



Summary

The Welsh Government budget is the single biggest decision (or set of decisions) that is taken by a public body in Wales each year. As well as determining how public services are funded, the budget process and specific decisions send important signals about priorities across our public services and whether those priorities are shifting in line with the aspirations set out in the Well-being of Future Generations Act (WFG Act).

As the budget is such an important set of decisions for the future of Wales, I monitor and assess the draft budget each year and provide evidence to the National Assembly for Wales Finance Committee.

This year my focus is on:

DECARBONISATION - How is the Welsh Government meeting the declaration of a Climate Emergency through budget decisions and allocations?

PREVENTION - How is the Welsh Government using the definition of prevention to embed preventative approaches through budget decisions and allocations?

Through engagement with National Assembly for Wales Committee staff, it is clear that these topics are of interest to Members across different Committees. This briefing therefore provides an overview of:

- My expectations of how the budget should be changing in relation to decarbonisation and prevention;
- My views on the progress from Welsh Government, including a high level assessment of commitments in the draft budget narrative published on 16 December;
- Questions that Members could consider exploring further in relation to decarbonisation and prevention, as part of budget scrutiny.



 SOPHIE HOWE
**Future Generations
Commissioner for Wales**



Contents

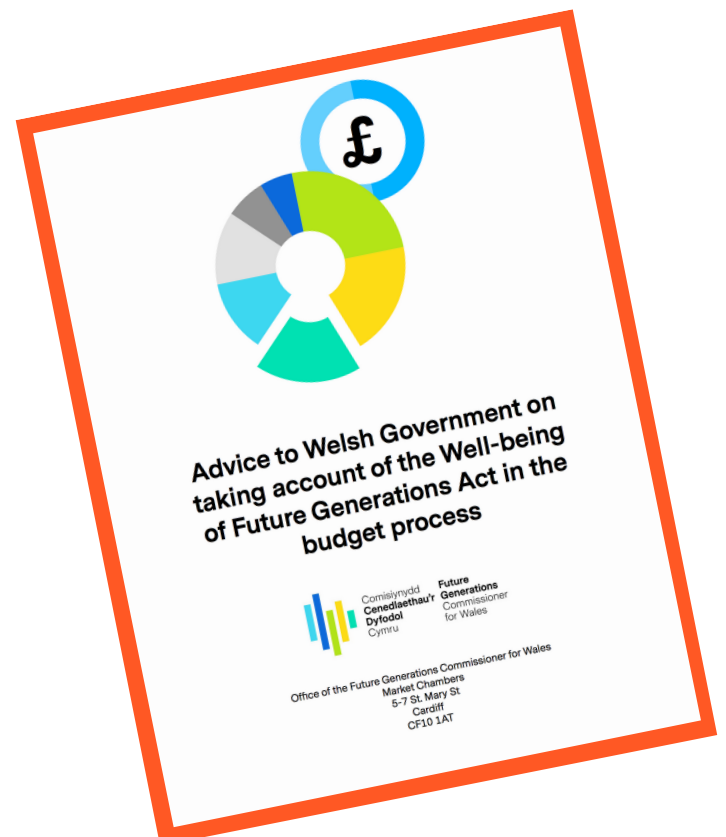
01	1) Investing in the Climate Emergency
06	2) Investing in preventative approaches
11	3) Assessing year-on-year progress in the budget
14	4) Taking further steps to a longer term approach

These sections are based upon the recommendations included in the advice *Advice to Welsh Government on taking account of the Well-being of Future Generations Act in the budget process*, which I published in December 2018.

▶ This can be accessed at <https://futuregenerations.wales/wp-content/uploads/2018/12/2018-11-29-FGC-Budget-Recommendations-ENG.pdf>

Within this briefing you will find references to recommendations:

- Recommendations issued by the Future Generations Commissioner for Wales are highlighted in **orange**.
- Recommendations issued by Assembly Committees, which support our recommendations can be found in **blue**.



Section 1

Investing in the Climate Emergency

Based on my scrutiny of the budget last year, my advice included two recommendations for Welsh Government to ensure that investment in decarbonisation reflects ambition:

Recommendation: Welsh Government clearly articulate how the actions set out in the Low Carbon Delivery Plan will be funded in order for us to meet our statutory emission reduction targets.

Recommendation: Welsh Government considers and sets out the level of cross Government investment needed to meet our targets, particularly in relation to: i. Transport; ii. Housing / buildings; iii. The transition to a low carbon Wales.

On the 21 March 2019 Welsh Government published its first Low Carbon Plan - “Prosperity for All: A Low Carbon Wales”.

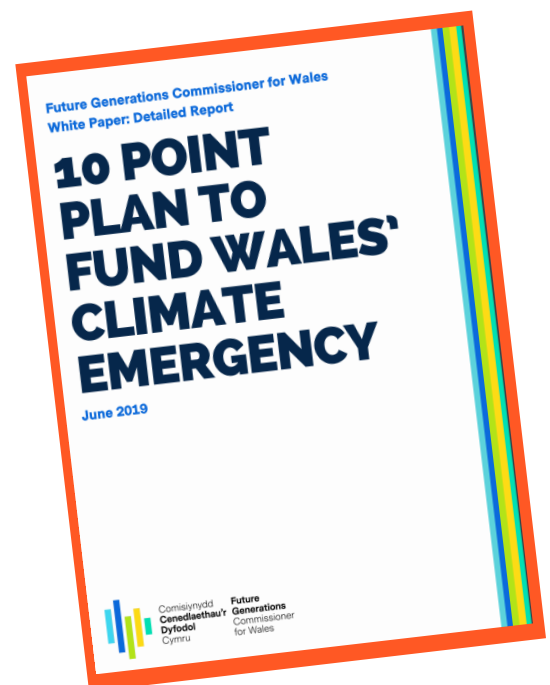
On the 29 April Welsh Government and the National Assembly for Wales declared a Climate Emergency, and in May the UK Committee on Climate Change published its advice to UK Governments on achieving Net Zero by 2050.

▶ This can be accessed at:
<https://futuregenerations.wales/wp-content/uploads/2019/06/10-Point-Plan-to-Fund-Wales-Climate-Emergency-Detailed-Report.pdf>

In June I published a Ten Point Plan to fund Wales’ Climate Emergency which includes proposals for increasing investment in key areas including sustainable transport, low/zero carbon buildings and homes, renewable energy, land and nature-based solutions.

Although it’s difficult to calculate the exact amount of funding needed, we know that responding to the climate emergency will require a much greater level of investment across the board.

My Plan recommends a total allocation of £991 million to support decarbonisation in the Welsh Government budget for 2020-21 which is in line with the UK Committee on Climate Change (UKCCC) estimates of around £30 billion over the period to 2050 (or 1-2% of GDP).



My view on progress from Welsh Government

“For a more structural and longer-term approach, the Ten Point Plan issued by the [...] Future Generations Commissioner sets out an approach to be considered and used as guidance...”

► Extinction Rebellion Cymru
- Response to Finance Committee
consultation, September 2019

Over the last 3 months I have requested information from Ministers, and detailed responses to the following questions:

1. Building on the actions set out in the Low Carbon Delivery Plan, what are the key opportunities for decarbonising investment in relation to your portfolio and how do these relate to revenue and capital spend?
2. What is your assessment of the allocations identified in my 10 Point Plan, and if you disagree with the suggestions what are your proposals?
3. How are you assessing how much you are spending overall on decarbonisation actions, and do you have a method for classifying decarbonisation spend?
4. On the basis of the points above, what specific changes will there be in the 2020-21 draft budget?

I have had several conversations with Government Ministers and officials: whilst engagement has been positive, and they have been broadly supportive, discussions and responses to date have lacked detail referring to pockets of funding for activities but no evidence of systemic or transformational change.

Other findings include:

- There appears to be a disconnect between policy commitments that have been made (for example in Low Carbon Wales) and budget allocations.
- The declaration of a climate emergency doesn't appear to be reflected in discussions about budget process and allocations, often referring to challenges and constraints.
- There appears to be no evidence that Welsh Government has a clear process to classify or assess how much they are currently spending (or need to spend) on decarbonisation actions to deliver the statutory carbon budgets or targets.
- There is no consistent approach to undertaking Carbon impact assessments (CIAs) for major infrastructure projects, it is not clear how the carbon impact is informing decisions (on projects or funding) and there is no central collation of the CIAs across Government.
- For example although the recent Wales Infrastructure Investment Plan (WIIP) pipeline update 2019 mentions additional investment of £14.5 million for active travel, it isn't clear how overall the WIIP update is prioritising measures to address the climate emergency with 64% of Welsh Government's transport budget currently allocated to building roads.

My view on progress from Welsh Government

I have challenged Government about how they understand the extent to which decisions are 'decarbonising' – i.e. understanding the current carbon impact of investment decisions and the decarbonisation impact and potential of future decisions. It is clear that Government have no consistent approach to do this at the moment, and they have asked me to resource this work.

I have focused on transport as a key area that Welsh Government can make progress, particularly as progress in reducing transport sector emissions are behind our target. During discussions with Government we identified several challenges and constraints in this area, mainly due to the majority of capital funding already being committed for 2020/21, responsibility for rail infrastructure not devolved to Wales, and there being limited scope for current funding allocations to change significantly. It seems clear that the Government's current focus is on decarbonising road transport and not on the potential for public transport and active travel to achieve significant modal shift.

Our findings are supported by the Climate Change, Environment and Rural Affairs Committee '[Annual Report on the Welsh Government's progress on climate change, 2019-20](#)' recommendations (published 18 December 2019) which include:

Recommendation 6. The Welsh Government's draft Budget should explain and demonstrate clearly how funding allocations will support the decarbonisation priority.

Recommendation 10. The Welsh Government should include an assessment of the costs, benefits and impact on decarbonisation of each policy and proposal included in the next iteration of its decarbonisation plan.

Recommendation 11. The Welsh Government should introduce a mechanism, such as a carbon impact assessment, to report to the Assembly any policy decisions that will result in a significant increase in carbon output.

▶ The full report can be seen at <https://www.assembly.wales/laid%20documents/cr-ld12934/cr-ld12934%20-e.pdf>

My view on progress from Welsh Government

Feedback on Draft Budget

Within the Draft Budget, [I welcome the £59 million \(37%\) increase in total spending on sustainable travel](#) with an allocation of £219 million in 2020/21 for concessionary fares, bus support, smart cards, youth discounted travel schemes, local transport priorities and sustainable and active travel. This will encourage decarbonisation of transport and greater levels of physical activity.

I also welcome the announcement of £140 million in new capital funding for climate and environment – this takes the [total capital spending specifically on climate and environment over the 5% threshold](#). Alongside investments of £30 million in electric vehicle infrastructure, low emission vehicles and in new metro systems (for North Wales), and continued funding in the new rail franchise this demonstrates the Government's dedication to investing in proactive solutions to the climate crisis.

Whilst I welcome the [rise in capital investment in active travel, public transport, and electric vehicle infrastructure by £80 million](#), this appears to have been met by a similarly significant rise in capital investment in new roads. As such the proportion of capital spent on active and public transport is still slightly below the 60% level recommended in my 10 Point Plan. The £140 million package also includes £25 million capital funding to extend the Innovative Housing Programme, £8.2 million for a carbon neutral house project within Coleg Y Cymoedd and funding to address our nature crisis, although these allocations fall short of what I recommended in my Plan.

However whilst the budget has targeted investment at measures “which current evidence supports as being the areas where Welsh Government can have the greatest impact to deliver our first carbon budget” [it remains the case that there is no holistic impact assessment of the net carbon impact of the budget and there is no detailed evidence to show how they have prioritised spending decisions accordingly](#). This means the Government cannot tell us whether the way in which they are spending their money is leading to an increase or decrease in carbon emissions. As a result, despite efforts to invest in sustainable travel, we are concerned that the Government's other capital investments, such as in roads, may be undermining its carbon reduction progress.

I call on the Government, from now on, to forensically analyse every aspect of its expenditure, especially capital spend, in terms of carbon impact and publish details on the overall carbon impact of their budget.

Questions that Members could consider asking as part of scrutiny of the draft budget for 2020/21

1) Overall approach to investing in the Climate Emergency

- What key changes will there be in the 2020-21 draft budget to reflect the declaration of a climate emergency?
- What are the key budget allocations that demonstrate Welsh Government is serious about taking action on the climate emergency?

2) Understanding the carbon impact of budget allocations

- How are you assessing current spend on decarbonisation and what allocations are required over the next 5, 10, 20 years to achieve our statutory targets?
- How are you assessing the carbon impact of major investment decisions to ensure capital spend is line with emission reduction targets?

3) Decarbonising transport

- Will current budget allocations ensure we reach the target* for transport sector emissions when we're currently not on target?
- How are you assessing the carbon impact of major investment decisions to ensure capital spend is line with emission reduction targets?
- Is spending 63% of the transport capital budget on roads compatible with the climate emergency declaration?

4) Decarbonising housing

- Since the publication of the “Decarbonising Homes” report in July what progress has been made to secure funding for retrofitting Wales’ homes and what commitments are there in the 2020-21 budget?

* Transport sector emissions have reduced by 3% since 1990; the targets are a 14% reduction by 2020 and a 43% reduction by 2030 compared to the 1990 baseline.

Section 2

Investing in preventative approaches

Prevention is one of the five ways of working set out in the Well-being of Future Generations Act, and it is important that there is a shift in investment from reactive to preventative approaches, to stop problems from occurring as well as stopping them from getting worse.

Last year I welcomed the definition of prevention included in the budget narrative.

Prevention is working in partnership to co-produce the best outcomes possible, utilising the strengths and assets people and places have to contribute. Breaking down into four levels, each level can reduce demand for the next:

- Primary prevention (PP) – Building resilience – creating the conditions in which problems do not arise in the future. A universal approach.
- Secondary prevention (SP) – Targeting action towards areas where there is a high risk of a problem occurring. A targeted approach, which cements the principles of progressive universalism*.
- Tertiary prevention (TP) – Intervening once there is a problem, to stop it getting worse and prevent it reoccurring in the future. An intervention approach.
- Acute spending (AS) – Spending, which acts to manage the impact of a strongly negative situation but does little or nothing to prevent problems occurring in the future. A remedial approach.

*progressive universalism is a determination to provide support for all, giving everyone and everything a voice and vested interest, but recognises more support will be required by those people or areas with greater needs.

Source: Welsh Government Draft Budget 2019-20 Detailed proposals

Section 2

Investing in preventative approaches

However, I felt that the application of the definition last year was very limited, so I included four recommendations about prevention in the advice I published for Government in December 2018.

Recommendation: Welsh Government should apply the prevention definition across all spend in a systematic and robust manner, clearly defining what they are trying to prevent and showing a clear line of sight through spending on evidence-based actions across Government. They should consider working with organisations with expertise in this field to ensure their approach is effective.

Recommendation: Welsh Government should consider what a better balance of spend is in relation to primary, secondary and tertiary prevention.

Recommendation: Welsh Government should ask other public services (particularly local government and health boards) to apply the definition of prevention to their spend, to identify the key opportunities for investment in primary and secondary prevention.

Recommendation: Taking on board the recommendations of the Children, Young People and Education Committee, the Welsh Government should consider applying the actions set out in the Mental Health Policy Commission report 'Investing in a Resilient Generation: Keys to a Mentally Prosperous Nation' internally, particularly in relation to which part of Government takes a strategic lead in ensuring there is a whole system approach to prevention.

Finance Committee also made relevant recommendations in their report on last year's budget:

Recommendation 6: The Committee recommends that the Welsh Government considers how any future additional funding for health services can be targeted toward prevention and should also consider establishing partnership arrangements around any such funding.

Recommendation 14: The Committee recommends that the Welsh Government keeps the definition of preventative spend under close and constant review, including active engagement with both stakeholders and this Committee.

Recommendation 15: The Committee recommends that the Welsh Government prioritises an integrated approach across Government with respect to preventative spending, both cross-department, and multi-year

My view on progress from Welsh Government

I have seen limited evidence that Government have tried to apply the prevention definition across spend in systematic and robust manner.

The draft budget narrative includes more references to prevention than previous budgets, particularly in relation to investing in programmes that increase opportunities and tackle poverty.

However the narrative includes very few references to the types of prevention that are being funded – I think this is a missed opportunity for Government departments to collectively understand what they are trying to prevent and the best balance of spend to achieve this.

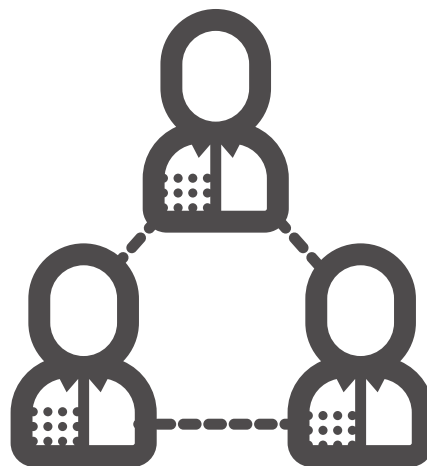
In recognition of the scale of the challenge of embedding preventative approaches, I advised Government to work with organisations with expertise in this field – they have not done so. I have resourced Social Finance to work with Government, particularly in relation to exploring a pilot Social Impact Bond to reduce entry into care for Looked After Children (as set out on p.26 of the budget).

“NHS Wales organisations support an approach to further protect funding for preventative measures that recognise the importance of improving population health outcomes and sustainability of services in the longer term.”

▶ NHS Confederation
- Response to Finance Committee consultation, September 2019

There is little evidence that Government is considering what a better balance of spend is in relation to primary, secondary and tertiary prevention, clearly defining what they are trying to prevent and showing a clear line of sight through spending on evidence-based actions.

I have written twice to Ministers, and met with several Ministers, asking a number of specific questions about how they have applied the prevention definition to their portfolios and the answers I have received have been general examples of how policy areas reflect the WFG Act.



My view on progress from Welsh Government

“...it is difficult to disaggregate preventative expenditure (because there is not yet a common service level definition and early intervention can be exercised across a spectrum of need); but we agree that additional costs/austerity has very probably led to a real terms cut in preventative spending including those areas listed in the Committee’s document.”

▶ Neath Port Talbot Council
Response to Finance Committee consultation, September 2019

There is some evidence that WG is asking other public services to apply definition to their spend – I have seen examples in relation to the NHS and Housing.

However, there is far greater scope for the definition to be meaningfully considered across services, with Local Government being a particular gap.

There is no evidence that WG are considering a ‘whole government’ approach to prevention, which is what I recommended. The section of their ‘budget improvement plan’ on prevention is positive but relies on the Treasury to drive progress – this is not a whole Government approach to embedding preventative approaches.

Prevention of Homelessness

In order to better understand the extent to which conversations are happening across Government in relation to prevention I have focused on the prevention of homelessness.

Whilst I have found that conversations are happening across Government this is not clear in the budget narrative, and these conversations are largely focused in the space of tertiary prevention with little consideration given to collaborative opportunities for primary and secondary prevention. I believe there are further opportunities to align funding and consider whether it is achieving the best outcomes in terms of preventing homelessness. I am working closely with the Homelessness Action Group, chaired by Jon Sparkes from Crisis, on this.

▶ Information about the work of the Homelessness Action Group can be seen at <https://gov.wales/homelessness-action-group>

Questions that Members could consider asking as part of scrutiny of the draft budget for 2020/21

“It was disappointing that when we asked the Cabinet Secretary for specific examples of primary, secondary or tertiary prevention within his budget, he was unable to provide a single example.”

► Equality, Communities and Local Government Committee, draft budget scrutiny 2019-20

1) Overall commitment to embedding prevention (focus on outcomes)

- What role does your department play in delivering the overall vision of shifting to preventative approaches, and what contribution are you currently making?
- How do you know you are investing in the programmes that will make the most difference?

2) Understanding the balance of spend in relation to prevention

- How have you used the prevention definition: what assessment have you made of the proportion of your investment that is in primary/secondary/tertiary prevention, or in the acute space?
- Have you made changes to how you invest in prevention for the 2020-21 budget?

3) Encouraging other bodies to use prevention definition

- How are you encouraging other public bodies to use the definition of prevention?

4) Whole Government approach to prevention

- How are you ensuring that a whole Government approach to prevention can be taken with clear leadership and accountability for progress?

Section 3

Assessing year on year progress in the budget

In my advice to Government I emphasised that it needed to be easier for stakeholders to understand what is changing in relation to the budget, and understand what simple changes and more transformational change looks like.

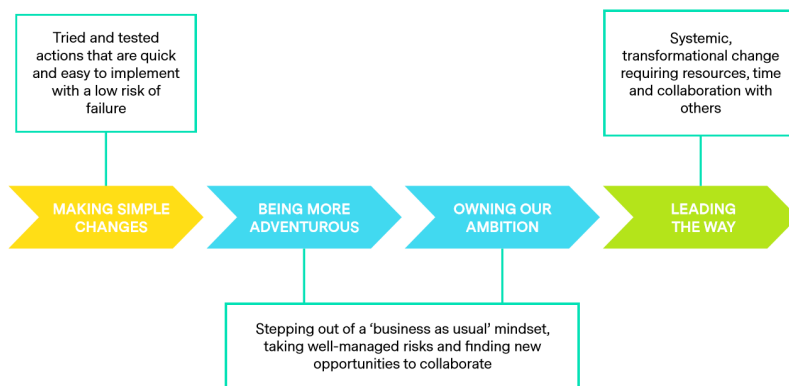
Finance Committee also made similar recommendations:

Recommendation: Welsh Government should work with my office to develop a 'Journey Checker' to set out what good should look like in how the budget process evolves over at least the next 10 years.

Recommendation: Welsh Government should make it clearer how the six priority areas are driving different decisions through considering future trends and scenarios, holistically applying the prevention definition and using opportunities to make system-wide collaborative investments.

Recommendation 8: The Committee is keen to understand how the "journey tracker" will be used by the Welsh Government to accelerate its implementation and integration of the objectives of the Well-being of Future Generations Act and recommends that its use is reflected in the draft Budget 2020-21

Recommendation 9: The Committee recommends that the Welsh Government continues to demonstrate how it embeds the Well-being of Future Generations Act in decision making throughout its organisation, engaging as fully as possible Scrutiny of the Welsh Government Draft Budget 2019-2020 with the Future Generations Commissioner to deliver the cultural change necessary within the Welsh Government.



▶ This diagram is the basis of my 'Journey Checker' - for examples please see my website <https://futuregenerations.wales/the-art-of-the-possible/>

My view on progress from Welsh Government

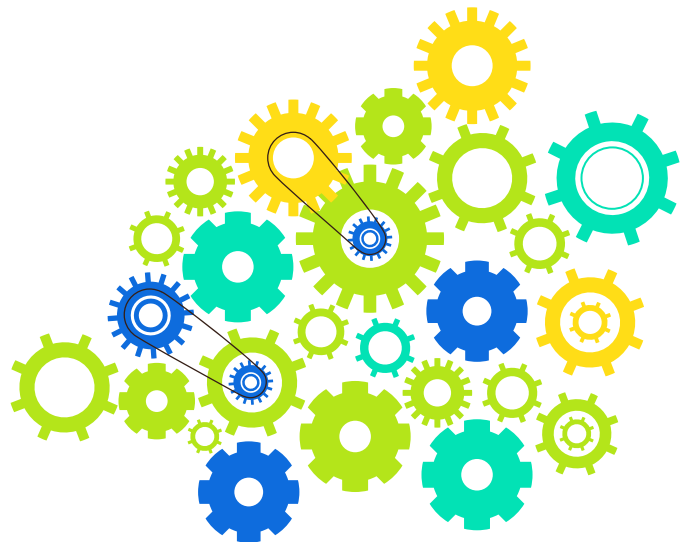
Welsh Government chose to do this work themselves, with a focus on an approach that will be useful to them - they framed this as a 'Budget Improvement Plan'. I am pleased that they have published a draft of this Plan as part of the draft budget 2020-21.

The Plan is a helpful start to understanding what progress in relation to the budget process could look like, and I welcome the fact that it takes a broad view across the Welsh Treasury. I understand that officials have engaged internally within Government on this Plan, and I look forward to seeing how they take on board comments as they engage externally.

Whilst the Plan is a good start, I think there are a number of areas in which it could be strengthened to better reflect the aspirations of the WFG Act and to enable stakeholders to better understand progress – these include:

1) Raise the level of ambition and vision

To reflect the aspirational nature of the WFG Act, the Plan should include more ambitious and transformational actions within a longer-term timeframe, including consideration of what a budget that fully embeds the Act might look like.



▶ The Welsh Government Budget Improvement Plan can be seen at <https://gov.wales/sites/default/files/publications/2019-12/budget-improvement-plan.pdf>

My view on progress from Welsh Government

2) Enable stakeholders to hold spending outcomes to account and track how transformational the change is

The Plan should enable stakeholders to track how spending decisions are changing as well as tracking how the budget process is changing. Welsh Government could learn from the New Zealand Well-being Budget in this regard: wellbeing objectives are first selected, and then cross-government groups make spending proposals against these objectives (with impact assessments alongside). The New Zealand Government selects proposals and then publishes the spending decision shifts that took place as a result of this process.

Links to the New Zealand Well-being Budget:

- ▶ (May 2019 budget)
https://treasury.govt.nz/sites/default/files/2019-06/b19-wellbeing-budget_1.pdf
- ▶ (Guidance)
<https://treasury.govt.nz/sites/default/files/2018-12/budget19-guidance.pdf>

3) Further embed the key elements of the WFG Act, particularly in relation to the 5 ways of working

Whilst the Plan is a helpful way to understand progress, it could go further in reflecting the key elements of the WFG Act, particularly in framing how the budget is enabling focus on Government's well-being objectives, and taking greater account of the five ways of working (particularly 'long term' and 'prevention').

Questions that Members could consider asking as part of scrutiny of the draft budget for 2020/21

1. What is your level of vision and ambition with this work? Do you have a clear idea of what a budget that fully embeds the Well-being of Future Generations Act would look like?
2. How is this Plan going to enable stakeholders to understand what is changing year on year, both in terms of process and in terms of spend?

Section 4

Taking further steps to a longer term approach

In the advice I published for Government in December 2018, I included two recommendations that related to Government taking a longer-term approach, which would in turn enable other public services and organisations to plan for the long term.

Recommendation: Welsh Government must demonstrate how they are applying the principles of the WFG Act in responding to the UK Government Spending Review in 2019.

Recommendation: Welsh Government should use the Spending Review as an opportunity to explore options for multi-year spending commitments to public bodies.

Welsh Government have faced significant challenges in budget planning this year, due to the uncertainty around the UK's exit from the European Union, the UK political context and the announcement of a one-year Spending Round rather than a full Spending Review.

I appreciate that these challenges have made taking a longer-term approach more difficult for Government over the past year. For that reason I will not focus on this area of work in my scrutiny of the draft budget for 2020-21.

However I do expect that some progress has been made on the internal preparations required. I will continue to monitor this area with a particular focus on how Welsh Government responds to the UK Government Spending Review that is due to take place next year.



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