



Advice to Welsh Government on taking account of the Well-being of Future Generations Act in the budget process



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Purpose of this document

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, as well as providing a high-level overview of the progress of the draft 2019-20 budget, I also focused on budget decisions related to three topics: Mental Health, Decarbonisation and Social Care, to provide me with a more detailed understanding of progress.

In the next year the Welsh Government have a number of opportunities to think differently about spending decisions: there will be a new First Minister in place and a UK Government Spending Review. There will also be a number of imperatives for them to act differently - their first Low Carbon Delivery Plan will be published in March 2019 and there is an expectation that the definition of prevention that was agreed in the middle of the last budget cycle will be used to shape rather than respond to future spending plans.

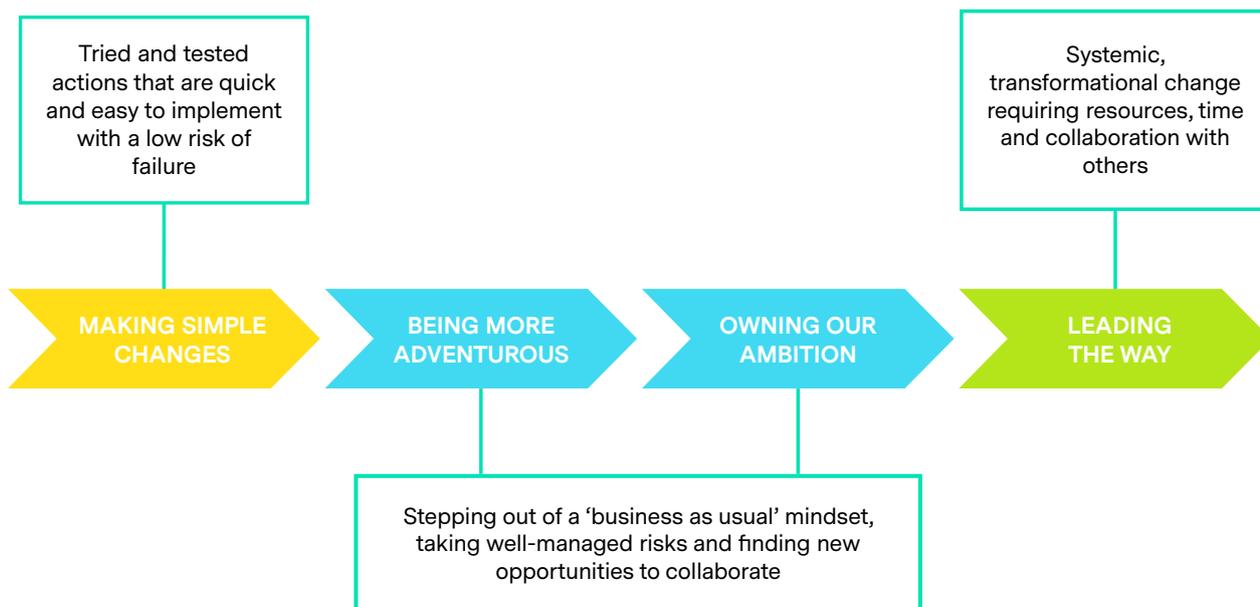
This advice to Welsh Government contains 10 recommendations for how I consider they should build on the progress they have made in the draft budget this time around to take more ambitious and transformational steps from 2019 onwards. I hope that these recommendations will lay the foundations for the Government to take a bolder approach to transforming budget strategy and decision making in line with the ambition of the Well-being of Future Generations Act.

A) Developing an approach to checking year-on-year progress to considering the WFG Act in the budget process

The draft 2019-20 budget from Welsh Government is the third they have published since the WFG Act came into force in 2016. There are some encouraging signs of progress this year, including the structure of the documents according to the Government's well-being objectives, and the inclusion of a definition of prevention. I see these changes as 'simple changes' which are the first steps in working differently.

However, it is still hard to understand where the Act is being used to make different investment decisions for future generations. There needs to be a mechanism to enable my office and wider stakeholders to track progress year-on-year on how decisions are being made differently as a result of the Act, particularly in terms of how the five ways of working are being used to drive decision making. I suggest this is based on a 'Journey Checker' which is a model my office has developed to show what good looks like from simple changes to transformational change.

Journey Checker



Recommendation 1

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.

As I have explained, in my assessment of the 2019-20 draft budget I explored investment decisions in relation to three topics in some detail: Mental Health, Decarbonisation and Social Care. These are three of the six priority areas set out in Prosperity for All (the other three are Early Years, Housing and Skills & Employability)

I have engaged with a range of stakeholders on these topics and there was a clear feeling that the Government are fitting existing decisions into these priorities, rather than using them as an opportunity to consider more integrated approaches. It is not clear that there is a coherent approach across Government to investing in evidence-based activities to address these priorities. Significant leadership in Government is needed to ensure there is a coherent approach as well as the correct infrastructure in the civil service to support this. There is an opportunity for the new First Minister to address this and for the Permanent Secretary to build on the structures she is putting in place to support better understanding and application of the Act.

Recommendation 2

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.

B) Using the UK Government Spending Review as an opportunity to take further steps toward a long-term approach

As the 2019-21 budget is the last in the current UK Spending Review, the opportunities for fundamentally rethinking investments have been limited. I want to use the 2019 Spending Review to work with Welsh Government to ensure they take the opportunity to respond to the Spending Review in ways that are consistent with the WFG Act, including consideration of:

- i. How future trends and scenarios should be influencing investment decisions for the long term;
- ii. How investment in prevention should be happening across Government; and
- iii. How system-wide, integrated approaches can be facilitated through budget decisions.

Recommendation 3

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

Brexit and the Spending Review have created a lot of short term economic and fiscal uncertainty which is no doubt inhibiting long term planning. As part of using the Spending Review to take different approaches, the Welsh Government should consider options to provide multi-year spending commitments to public bodies. This is consistent with the Fiscal Framework agreed in 2016 between the Welsh and UK Governments to provide 'fair funding for the long term'.

This should include considering how new tax raising powers are being developed using the principles of the WFG Act. Specific consideration should be given to how a social care levy could support preventative services as well as meeting more acute care needs.

Visibility of budgets for at least 3-4 years is widely accepted as critical to joining up spending which is essential to deliver preventative interventions and encourage greater collaboration across statutory services and with the third sector. While this may not be without its challenges, the UK Government has provided 4-year settlements for local government in England since 2016.

Recommendation 4

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

C) Applying the definition of prevention across Government and public services

Following work with the third sector and my office, I am pleased that the Welsh Government have included a definition of prevention in the draft budget for 2019-20, and that they have done some initial work to apply this definition to some budget lines.

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

My engagement with stakeholders suggests that whilst the prevention definition is welcome, the application to some budget lines is not sufficiently robust or sophisticated and does not illustrate the balance of spend across Government.

For example, one of the sets of budget lines that the definition is applied to is 'Social Services' within the Health and Social Services MEG, which includes Social Care and Support, Partnership and Integration, Older People's Commissioner and Social Care Wales. The level of spend is £34.9 million, which is less than half of 1% of the Health and Social Services MEG.

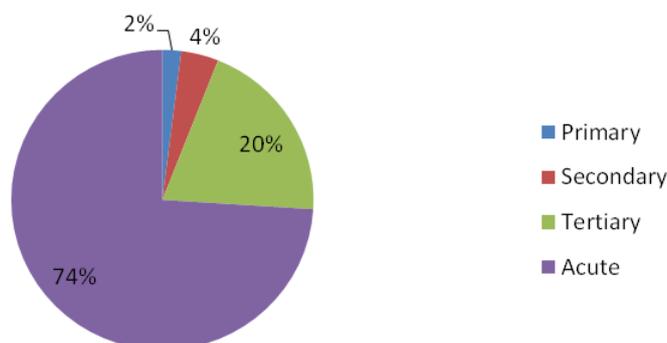
- 93% of the £34.9 million is classified as secondary prevention in the detailed budget. There is little information provided on how these definitions have been applied;
- All of the funding for the Older People's Commissioner for Wales is classified as primary prevention.
- Preventative spend within social care funding to local authorities (£50 million through Special Grant to LA's under Health and Social Services budget and Revenue Support Grant from the Local Government budget) does not appear to be included in this figure. Within Health and Social Services, much of the preventative spend on social services may be spent by local authorities.

This example illustrates that the five examples of the categorisation of preventative spend included in the budget take a siloed approach, and Government does not have a clear understanding of 'what it is that they are trying to prevent'. This makes it very difficult to assess the validity of categorisation.

At a macro level it appears that the Welsh Government have failed to consider how a move towards preventative spend could be made by shifting resources away from acute spending in the NHS towards services and programmes which are important in keeping people well in the first place.

Evidence suggests that only 15-20% of a nation's health and well-being is dependent on healthcare services and yet over 50% of the Welsh Government's budget is allocated to health spending – a paper from Welsh Government to the Health Social Care and Sport Committee applies the prevention definition to NHS Wales expenditure and sets out that 74% of spend is on acute services and 20% on tertiary prevention – as set out in the diagram below.

Percentage split of prevention spend in NHS Wales Expenditure



Source: 'Scrutiny of Health and Social Services Draft Budget 2019-20' available [here](#)

Recommendation 5

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.

One of the key elements of the prevention definition is the focus on what ‘problem’ needs to be addressed at different level of prevention. Through my assessment of the 2019-20 draft budget it was clear that there is not an integrated understanding of which parts of Government and the public service should be invested in, in order to prevent problems in other parts of the system. It is my view that this particularly applies to the role of local government:

“Many authorities report that they are trying to focus and invest in prevention and early intervention, which diverts resource from current service provision. Services such as respite care and meals-on-wheels provision are under threat. The links between social care and the NHS do not need to be rehearsed here but the whole system is straining as spending for social care remains flat-lined in real terms for the tenth year running.”

Source: Paper to National Assembly for Wales ELGC Committee ‘Welsh Government Budget 2019-20’ from Welsh Local Government Association, under ‘Social Services’

Recommendation 6

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.

It will be important that this is not seen as a ‘big counting exercise’ that takes effort away from the design and implementation of more effective and preventative services.

D) Understanding the desired balance of investment in preventative approaches across Government, and embedding preventative approaches accordingly

Applying the definition of prevention across Government and public services will be a good first step, but this will only tell us how much is currently being spent on prevention. The next step is for Government to better understand what the balance of spend should be, and what are the key opportunities for spend to be shifted to primary and secondary prevention.

This is a challenging area that will require taking a system-wide and holistic view of the 'problems' that should be prevented in relation to primary, secondary and tertiary prevention, as well as a focus on the 'outcomes' that investments are trying to achieve.

Recommendation 7

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

“We need to equip our children with the skills, confidence and tools to be emotionally resilient. We need to intervene much earlier, addressing the seeds of distress before they take root...This will not be achieved through piecemeal change. Differences in the processes, structures, funding, cultures, knowledge and training of the various players – including health, education, local authorities, the third sector and the criminal justice system – mean a joined-up approach is crucial if the vision of child-centred support is to be delivered.”

Lynne Neagle AM, Chair: Children, Young People and Education Committee

Source: 'Mind over matter A report on the step change needed in emotional and mental health support for children and young people in Wales' (2018)

“By systematically deploying evidence-informed practices and programmes that maximise resilience and minimise risk factors, it is within our grasp to halve the number of people living with life-long mental health problems in a generation.

What is required is transformational change that embeds prevention in all policies and practices that affect young people.”

Source: 'Investing in a Resilient Generation: Keys to a Mentally Prosperous Nation', Mental Health Policy Commission (2018)

[‘Mind over matter A report on the step change needed in emotional and mental health support for children and young people in Wales’](#) was published earlier this year by the Children, Young People and Education Committee setting out the step-change needed in emotional and mental health support for children and young people in Wales. The report makes one overarching recommendation – that the urgent challenge now lies at the “front end” of the care pathway – emotional well-being, resilience and early intervention – and that addressing this should be a stated national priority for the Welsh Government.

[‘Investing in a Resilient Generation: Keys to a Mentally Prosperous Nation’](#) is a recent report from the Mental Health Policy Commission which sets out key elements of the investments needed for the whole-system approach to preventing poor mental health. Whilst the focus is on mental health, I think the majority of messages and actions apply to building resilience in relation to a range of issues. The report calls for the UK Government to use the opportunity of the 2019 Spending Review to embed prevention across all its Departments, with 16 specific actions.

Both of these reports have important messages and recommendations for the level of change that is needed for a whole system approach to prevention.

Recommendation 8

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.

E) Ensuring that investment in decarbonisation reflects ambition

I welcome the Welsh Government’s addition of decarbonisation as a sixth priority in Prosperity for All. However, given the recent warning from the Intergovernmental Panel on Climate Change that we have 12 years to avoid climate breakdown, I do not consider that the Government are investing enough in decarbonisation or in meeting their statutory emission reduction targets.

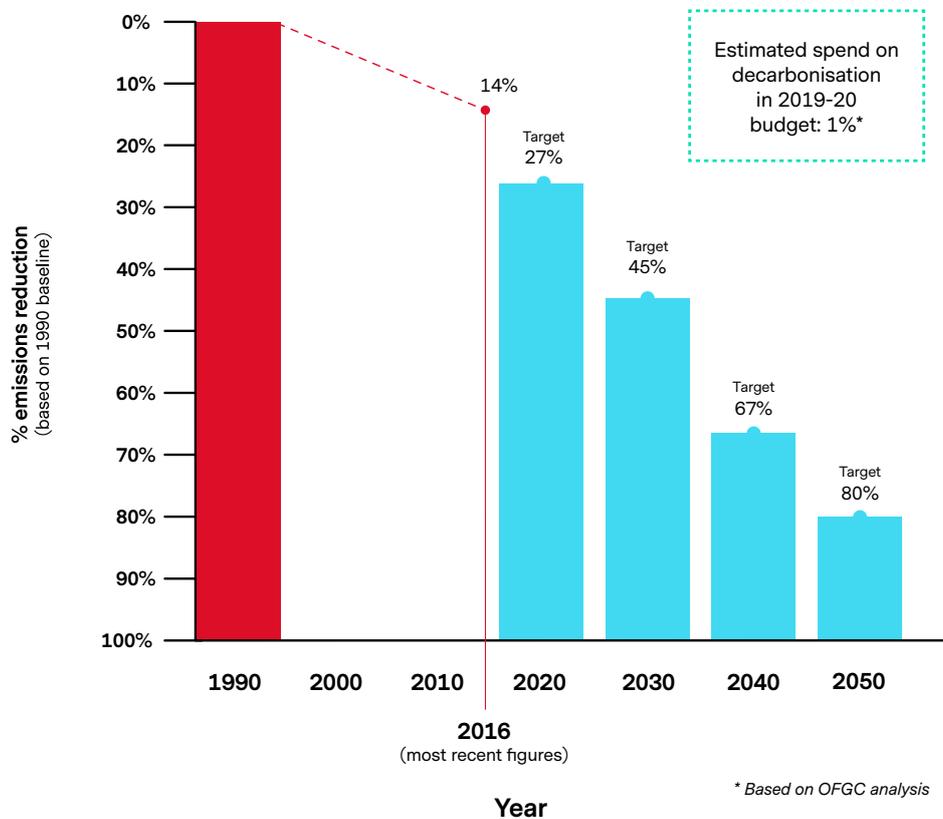
A range of investments in decarbonisation were outlined in the draft 2019-20 budget but there was little indication that consideration had been given to whether these are the investments that will have the greatest impact on reducing emissions, or indeed whether they will help achieve the targets that have been set.

Welsh Government will publish their first Low Carbon Delivery Plan in March 2019. It is important this is an ambitious plan, with actions that get us back on track to meeting our statutory emission reduction targets (see graph below). I expect to see a clearer articulation of the actions that will have the biggest impact on emissions, and budget decisions to support these actions, in future Welsh Government budgets.

Recommendation 9

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.

Statutory emission reduction targets



There is also a need for different government departments to collaboratively invest in the key opportunities for decarbonisation. Whilst Welsh Government has limited powers to influence emissions from the Power and Industry sectors (which account for 63% of Wales' emissions), they are able to accelerate progress in other sectors including agriculture, waste, transport and housing/buildings.

- Agriculture accounts for 12% of total emissions. Whilst I recognise the potential opportunities outlined in the 'Brexit and our Land' consultation, particularly around the 'public goods' scheme, it's unlikely to have significant impact on emissions until at least 2025, the final year of Wales' second carbon budget. It's important this lag in contribution is acknowledged and reflected in where Welsh Government prioritises its focus between now and 2025 in relation to decarbonisation.
- Waste accounts for 3% of Welsh emissions, therefore its contribution, whilst important, is relatively low when compared with other sectors.

The Welsh Government should focus on actions within transport, housing/buildings and more generally, the transition to a low carbon Wales. These are three key areas where Welsh Government can have the greatest impact (today) in reducing emissions in Wales.

It is clear that proposed investment in the M4 relief road does not support the transition to low carbon transport solutions and there is a real risk that if policy and spending decisions continue in this way Wales will struggle to meet its statutory emissions targets.

To achieve this, the 'potential actions to 2030' set out in the Low Carbon Pathway consultation, and the stakeholder responses to the consultation, indicate investment should be in things such as (but not limited to) public transport and active travel, reforming building regulations and retro-fitting programmes, renewable energy generation/development, and awareness raising campaigns.

Recommendation 10

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.**