



By email

Wednesday 25th September 2019

Dear Llyr,

I am writing in response to your call for information to inform the Committee's scrutiny of the Welsh Government's 2020-21 draft budget proposals.

My office's work in relation to the budget process has focused on three areas this year:

1. How Government is investing in decarbonisation and funding the climate emergency
2. The Government's approach to preventative spending
3. The development of a 'journey checker' about the budget process

These follow the recommendations set out in the advice to Government I published in December 2018 '[Advice to Welsh Government on taking account of the Well-being of Future Generations Act in the budget process](#)'

On this basis, I am particularly interested in responding to two of the areas you outline in your call for information, namely:

- *Approach to preventative spending and how is this represented in resource allocation (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early), particularly in relation to the financing of local health boards and health and social care services*
- *In declaring a "climate emergency", is it clear how the Welsh Government intends to respond and resource that challenge*

Investment in decarbonisation and funding the climate emergency

Two of the recommendations I included in my advice to Government in December related to decarbonisation. I felt that the actions in Low Carbon Wales, published by Government in March 2019 were not sufficiently ambitious, especially when they declared a Climate Emergency in April. This was also reinforced by advice published by the UK Committee on Climate Change in May which calls for the emission reduction target to be increased from 80% to 95% reduction by 2050.

In June I published a 10 Point Plan, in which I identified ten areas for investment where action needs to be prioritised and scaled up to meet the 'climate emergency' challenge. (A summary of the plan is available [here](#) and the detailed version is [here](#))

In the plan I recommend a total allocation of £991 million in the 2020-21 budget:

- Transport: £240 million
- Housing & Buildings: £330 million
- Renewable energy: £200 million
- Land use & nature-based solutions: £221 million

The UK Committee on Climate Change has estimated it will cost Wales £30 billion up to 2050, although this should not all be borne by Government, it should be a mix of spending by Government, private and other sectors.

The Plan was intended as a starting point for further discussions with Government officials, Ministers and Assembly Members to better understand the barriers to changing budget allocations and the opportunities for influencing the next budget round.

I have also written to all Ministers about how they are investing in decarbonisation and prevention in relation to the 2020-21 budget, and I asked the following specific questions on decarbonisation:

- What are the key opportunities for decarbonising investment in relation to your portfolio?
- How do the above opportunities relate to revenue and capital spend?
- What changes will there be in the 2020-21 draft budget?

Through this work and conversations with Government officials and Ministers I have highlighted the lack of a clear approach to identifying decarbonisation spend. It is not clear to me whether Welsh Government has a process to classify or assess current levels of decarbonisation spend and what allocations will be required over the next 5, 10 or 20 years to meet our statutory carbon budgets.

Approach to preventative spending

I was pleased to see that two of the Committee's recommendations in your report on the draft budget 2019-20 related to prevention:

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.

I noted that the Minister for Finance accepted both of these recommendations. Last year I welcomed the inclusion of the definition of prevention in the budget narrative and the initial work to apply the definition to some budget lines. However, I was also clear that just having a definition in place will not enable the cultural and cross-system change that is needed to shift strategy, policy and investment decisions to focus on prevention. I am not yet seeing much evidence that the definition is being applied across Government, and is having an effect on decisions.

In the letters to all Ministers (mentioned above) I have asked them to answer the following questions in relation to their portfolio:

- What role does your department play in delivering the overall vision of shifting to preventative approaches, and what contribution are you currently making?
- What assessment have you made of the proportion of your investment that is in primary/secondary/tertiary prevention, or in the acute space?
- What evidence is there that your investment is supporting the preventative approaches that will improve outcomes for people in Wales? I.e. how do you know you are investing in the programmes that will make the most difference?
- On the basis of the points above, have you made changes to investment for the 2020-21 budget?

In my monitoring of the draft budget I will be exploring these questions in more depth across Government and I will also focus on the issue of preventing homelessness to explore how the prevention definition has been applied in relation to a specific challenge.

Development of a 'journey checker' on the budget process

In my monitoring of the 2019-20 budget process I highlighted that it is hard to understand where the Act is being used to make different investment decisions for future generations. I said that 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 suggested 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.

I recommended that 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. I note that Recommendation 8 of the last year's Committee report also refers to the development of a 'Journey Checker'.

Welsh Government took the decision to develop a tool for monitoring year-on-year progress without the support of my office. Despite repeated attempts to work collaboratively with them and requests to see the tool as it progresses, I have not yet seen the detail of what they are proposing to use. I hope to have seen it in advance of the budget's publication, and it will be a key focus of my monitoring of the budget this time around.

Briefing session about our focus on decarbonisation and prevention

My team are working with your officials to provide a briefing session for Assembly Members, staff and researchers on Thursday 14th November. I hope that this will be a useful opportunity to share the approach we have taken to monitoring the budget this year and ensure that broader scrutiny builds messages on funding the climate emergency and the need for greater investment in prevention.

Kind regards,



Sophie Howe, Future Generations Commissioner for Wales