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Integrating the environment into the Welsh Preventative Expenditure Agenda.

SUMMARY

- The challenge of defining preventative expenditure is not new. A range of previous attempts within the UK alone provide guidance as to what can be achieved in Wales.
- Traditional working definitions have been unable to sufficiently include the environment so a definition for Wales will need to do better in order to faithfully reflect our Well-being Goals
- Doing so enables established policies which restore and enhance resilience ecosystems to be introduced as expenditure options at all intervention levels.

Context

The Welsh Government is undertaking work to define and promote preventative expenditure. This is motivated by the Wellbeing of Future Generations Act (WFGA), which requires Welsh public bodies to adopt the five ways of working, which include a long term and preventative approach to improving well-being. In terms of prevention the Act states that public bodies “must take account of how deploying resources to prevent problems occurring, or getting worse may contribute to meeting the body’s well-being objectives, or another body’s objectives.” The Act’s guidance expands on this by stating that prevention is “not just about addressing problems – it is about finding enabling solutions and early interventions at the right time to make progress in achieving the well-being goals.”

This has led to the view that investing in actions which prevent or reduce the likelihood of existing problems from continuing over time will save money and lead to improved well-being. Thus far, the environment is being overlooked in these discussions, with the focus instead being primarily placed on education and public health. This can be seen in Prosperity for All’s five Priority Areas. These utilise prevention to tackle ‘root causes’ in each of these areas, yet references to the natural environment do not. This is unfortunate given that preventive spend requires greater integration (another way of working under the Act) to function. This is due to effective preventative spend requiring a greater focus on how activities across government interact and the recognition that some options for preventative

spend my not be in the policy area which currently deals with the problem. An example of this would be how preventative investment in action to tackle air quality (decarbonising transport; enhanced green infrastructure etc.) would reduce the downstream costs to the health service.

Definition

Preventative expenditure is far from a new concept, with references in UK politics alone dating back to the 1950sⁱ. Since then the term has been subject to persistent criticism for its ambiguity leading to disagreements over its meaning and the expectations for results.

There have been a number of attempts to define its meaning which have a role in informing the Welsh process. One such example is the definition arrived at by the Scottish Parliament's 2010 Finance Committee inquiry into preventative spending which chose: "Public spending over the longer term that aims to prevent rather than deal with negative social outcomes". Given the explicit link to social outcomes, rather than also including the wider pillars of sustainability (society; environment; and economy), this definition does not sufficiently reflect all of the WFGA Goals. Given this, the Welsh Government needs to ensure this definition is challenged and that Wales demonstrates the leadership to go further.

The New Economics Forum (NEF) has moved towards this approach by characterised preventative expenditure under the headings of Environment; Society; and Economyⁱⁱ. They have also defined three levels of preventionist policy making: Upstream; Midstream; and Downstream, thereby allowing policy interventions to be more specific, as outlined in the table below:

Policy area	Downstream	Midstream	Upstream
Society	<p>Vascular surgery to prevent stroke</p> <p>Double mastectomy for women with a high genetic risk of breast cancer.</p> <p>Programme to help truanting children to take or retake exams.</p> <p>Hostels for young teenagers who have run away from home that combine shelter with support and help with education, employment and other problems.</p>	<p>GP-prescribed exercise for overweight patients</p> <p>Parenting classes for families considered 'vulnerable'</p> <p>After-hours homework for children from 'problematic' backgrounds</p> <p>Community-based rehabilitation for first-time offenders</p> <p>Programmes aimed at preventing misuse of drugs and alcohol</p>	<p>Anti-poverty strategies and measures to reduce socio-economic inequalities</p> <p>Free, universal, high-quality education, childcare and other essential services</p> <p>Ban on smoking in public places</p> <p>Immunisation and screening</p>
Environment	<p>Carbon capture and storage for emissions from coal-fired power stations and other large-scale geo-engineering projects that aim to manage, for example, radiation and ocean acidification (although the effects of such projects are so far unproven).</p>	<p>Finding ways to make the most efficient use of these new forms of green energy.</p>	<p>Investment in very low and zero carbon technologies, including all sustainable means of producing and applying renewable energy and recycling waste.</p>
Economy	<p>Quantitative easing and other measures that aim to help a sick economy from falling into a deeper recession.</p>	<p>Separating retail from investment banking and creating networks of banks that serve the needs of low-income neighbourhoods.</p>	<p>Investing public resources in education, health, employment and income security, in building human capabilities, in decarbonising production, in home insulation, public transport and the development of renewable energy.</p>

In Wales we would need to ensure that the principles of the Sustainable Management of Natural Resources (SMNR) - as set out in Environment (Wales) Act (EWA) - are reflected in any definition of environmental preventative expenditure. Doing so would enable an assessment of how a given expenditure option contributes towards SMNR. This approach could be enhanced by further embracing the framework provided by the EA – such as the recent State of Natural Resources Report (SoNaRR), which found that no ecosystem in Wales had all the attributes of resilience. Doing so would enable expenditure decisions to be better targeted towards actions which best align to the principles of SMNR and address what SoNaRR identifies as the factors which adversely affect the state of Wales’ natural resources.

As a result, defining preventative expenditure in a way which maximises the potential offered by the EWA’s framework, enables Welsh Ministers’ to better deliver upon their wider obligation to seek to maintain and enhance biodiversity, and in so doing promote the resilience of ecosystems. This would enable the government to realise the potential of preventative expenditure to the environment has envisioned by Wales Environment Link in their evidence submission to the Draft Welsh Government Budget 2018-19 where they argued that it can “prevent further environmental damage and deterioration that might lead to increased problems such as flooding, pollution, biodiversity loss and climate change. In addition, taking action to restore ecosystems must be a key part of the preventative approach to managing water (flooding and quality), mitigating carbon emissions, and addressing health issues.”ⁱⁱⁱ

Environmental Resilience to deliver prosperity for all

Making preventative expenditure decisions using a fuller definition which respects, and seeks to maximise its contribution to, all of the WFGA Goals better enables activities such as habitat creation/protection and ecosystem & biodiversity enhancement to be considered for their their intrinsic role in delivering prosperity. It also serves to better demonstrate the inherent integration between the environment, the economy and society, and is therefore more likely to prevent some of future threats environmental derogation poses to both society and the economy, while also presenting their intrinsic value in the context of well-being.

An example of this would be the relationship between current health service spending which could instead be invested into improving air quality by increasing green infrastructure; forest cover; more responsible farming practices; or alternatively fuelled vehicles to prevent future cases from occurring.

Recommendations

- The Welsh Government's final definition of 'preventative expenditure' must ensure it is faithful to the Well-being of Future Generations Goals by integrating all elements of sustainable development.
- For the environment, this definition should utilise the framework and SMNR principles provided by the Environment (Wales) Act, and thereby seek to ensure that expenditure decisions enable the Government deliver its obligation to maintain and enhance biodiversity, and in so doing promote the resilience of ecosystems.

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ⁱ Dugdale, P. 2014. *Preventative Expenditure*. Northern Ireland Assembly: Research and Information Service Research Paper NIAR 220-14.

http://www.niassembly.gov.uk/globalassets/Documents/RaISe/Publications/2014/finance_personnel/5114.pdf

ⁱⁱ NED. 2014. The Wisdom of Prevention: Long-term planning, upstream investment and early action to prevent harm. http://b3cdn.net/nefoundation/b8278023a5b025649f_5zm6i2btg.pdf

ⁱⁱⁱ Wales Environment Link (2017). A call for information – Welsh Government draft budget proposals for 2018-19, National Assembly for Wales Finance Committee. Accessible: http://senedd.assembly.wales/documents/s500003839/WGDB_18-19%2012%20Wales%20Environment%20Link.pdf