



---

Baltic House / Tŷ Baltic, Mount Stuart Square / Sgwâr Mount Stuart, Cardiff / Caerdydd, CF10 5FH  
☎ : 02920 497 509      www.waleslink.org      ✉: enquiry@waleslink.org

---

## Finance Committee inquiry: Welsh Government draft budget proposals for 2019-20

September 2018

### Summary

- The budget does not allocate sufficient resources to increasing biodiversity and ecosystem resilience. This jeopardises the Welsh Government's ability to fulfil its obligations under the Well-being of Future Generations Act and Environment Act. Taken together with the lack of an environmental focus in 'Prosperity for All: a national strategy' and a lack of a clear implementation route for the contents of the Natural Resources Policy, this omission appears symptomatic of a pattern of de-prioritisation of the environment.
- The Welsh Government appears to be out of step with public opinion, in continuing to reduce provision for environmental involvement, at a time of rising public concerns and expectations on matters such as plastics, air pollution and biodiversity decline.
- The environment sector is increasingly being expected to deliver public services but continues to experience cuts to its funding to do so, which is culminating in strained finances. This is very difficult to manage, as eNGOs need to prioritise the expectations of their substantial and growing supporter base over the Welsh Government's expectations of service delivery.
- Reductions to the budget for Natural Resources Wales is creating a dual pressure on both the public and third sectors to be able to deliver the Welsh Government's desired programmes for the sustainable management of natural resources.
- Cuts to the Environment & Sustainable Development Directorate's core funding will have a detrimental effect on the ability of eNGOs to provide services as fully as they'd like to on post-Brexit policy, and will contribute to an increasingly wide gulf between Welsh Government policy aspirations and actual delivery.

### 1. What, in your opinion, has been the impact of the Welsh Government's 2018-19 budget?

#### **Continuing cuts to the Environment MEG**

As outlined in our response to last year's Finance Committee consultation of pre-budget scrutiny<sup>1</sup>, the continuing cuts to the Environment and Rural Affairs MEG has put increasing pressure on the environment sector as a whole. The MEG has been reduced every year since 2014, which is proving particularly challenging as Wales plans to put in place new and untested post-Brexit legislation and policies.

Both the third sector and Natural Resources Wales have seen reduced capacity in line with their reducing budgets. This was a concern reflected in a recommendation from the Climate Change, Environment & Rural

---

<sup>1</sup> Wales Environment Link, 2017. [WEL response to the Finance Committee consultation on Draft Budget for 2018-19.](#)

Registered Charity Number / Rhif Elusen Gofrestredig: 1022675

Chair / Cadeirydd: Roger Thomas      Director / Cyfarwyddwraig: Karen Whitfield

Affairs Committee in its own scrutiny of the 2018-19 Draft Budget<sup>2</sup>, urging: “*The Welsh Government must, in discussion with Natural Resources Wales (NRW), keep under review the capacity of NRW to fulfil its responsibilities and statutory functions. The Welsh Government should provide an initial report on this matter to the Committee within six months.*”

It is our view that key NRW functions – integral to restoring our degraded ecosystems – are chronically under-resourced. For example, there has been no condition assessment of Wales’ nationally important sites for biodiversity (Sites of Special Scientific Interest) since CCW’s ‘Rapid Review’ in 2006, and the budget for management agreements to enable land managers to enhance the status of protected site features continues to diminish. This was the case prior to the advent of substantial new responsibilities, including the development of Area Statements and the State of Natural Resources Report, under the Environment Act.

For 2018-19, the final budget for the Energy, Planning and Rural Affairs MEG was set at £336m<sup>3</sup>, another cut from the £373m it was the year before<sup>4</sup>. It’s hard to see which, if any, functions have transferred to another portfolio as the ‘Environment & Rural Affairs’ MEG was re-named ‘Energy, Planning & Rural Affairs’, but any elements of this would be minor and it’s clear that this sector is suffering as priorities are made in the face of austerity.

### **The importance of funding the sustainable management of natural resources (SMNR)**

The decline of nature is one of the biggest challenges to the wellbeing of current and future generations and the budget should be urgently addressing this. The State of Natural Resources Report<sup>5</sup> (SoNaRR) habitat-by-habitat analysis of attributes that support ecosystem resilience found that “*all habitats have problems with resilience, with condition being the most frequently poor attribute.*” This has a worrying “*impact on their capacity to provide services and benefits into the future.*”

Funding and investment in nature’s restoration needs to be increasing to address this massive challenge, both directly and indirectly through choosing investments which support rather than damage our – already fragile – ecosystems. The ongoing reductions in the Environment and Rural Affairs MEG over the last few years – where funding directly into nature’s restoration comes from, is a sign Welsh Government is not taking this issue seriously enough and not investing the resources to tackle decline of nature and its impact on future generations. It suggests ‘business as usual’ from Welsh Government, rather than the effective application of the Wellbeing of Future Generations Act or the Environment Act, which require the recognition of resilient ecosystems and nature’s restoration as a goal.

For example, SoNaRR identifies the ecosystems which have the poorest resilience as lowland heathland, lowland grasslands, arable farmland, flood plains and peatlands. Coastal margins and marine areas in general also face issues with their condition; these would be prime areas of concentrated investment to bring about recovery. While the budget, and the Welsh Government’s wider approach, commits it to addressing **some** of the major drivers of ecosystem and biodiversity decline (such as resource efficiency and climate change), such actions are insufficient to proactively address the fundamental conclusion of SoNaRR that **no ecosystem in Wales is currently resilient and the main cause of this is ongoing losses in species and habitats**. Allocation for nature recovery is urgently needed.

For the marine area in particular, it’s worth noting that from April 2018, the Welsh Government has had powers to manage the Welsh offshore area, from 12mn-median line. This means that the marine area of Wales is now greater than the land area. Offshore powers include the ability to designate new sites, and fisheries management, which will require monitoring, management and enforcement. The Welsh Government’s 2019 budget will need to reflect the increase in resource required to manage the Welsh offshore area.

---

<sup>2</sup> National Assembly for Wales, 2017. CCERA Committee: [Scrutiny of the Welsh Government Draft Budget 2018-19](#).

<sup>3</sup> Welsh Government, 2017. [Final Budget Motion for 2018-19](#).

<sup>4</sup> Welsh Government, 2016. [Final Budget Motion for 2017-18](#).

<sup>5</sup> Natural Resources Wales, 2016. [State of Natural Resources Report \(SoNaRR\)](#).

Secondly, it is likely that the Wales National Marine Plan will be adopted in 2019. In order to ensure its success, there is likely to be a need for extra Welsh Government capacity to support implementation of the plan.

Some eNGOs have their own analyses of projections for the cost of nature restoration; a baseline cost can be easily found for the Natura 2000 network, which in Wales is made up of Special Protection Areas and Special Areas of Conservation. Natural Resources Wales' 'LIFE Natura 2000 Programme for Wales: Summary Report'<sup>6</sup> sets this out, costing priority improvements to get all Natura 2000 sites into favourable condition at just over £120m. This is not a significant amount of money to reverse ecosystem decline.

### **Carbon budgeting and tackling plastic pollution**

Whilst carbon emissions overall in Wales have dropped by 14% since 1990, there was actually a rise by 5% in 2016, mainly from an increase in emissions from power generation<sup>7</sup>. If Wales sees further increases or fluctuations, this would be a worrying trend when all Welsh Government action is supposed to be aligned to carbon budgeting, with the aim to make the public sector carbon neutral by 2030<sup>8</sup>.

One of the key areas which Wales has devolved powers over is to tackle emissions in its housing stock and to increase investment in the energy efficiency of homes. However, the Welsh Government's investment in retrofitting homes to be energy efficient appears to have dropped in the Fifth Assembly term, with £104m planned to be invested from 2017-2021, compared to £240m in the last Assembly term<sup>9</sup>. It is also a missed opportunity to tackle fuel poverty, ill health and creating of sustainable economic development and transitioning towards to a low carbon economy.

Another key area of environmental and biodiversity impact is plastic pollution. Given that all parties – and all governments of the UK – have expressed support for action on plastic, WEL is concerned at the slow progress in this area. Our briefing on plastics<sup>10</sup> highlighted key areas on where action should be taken to create a circular economy in Wales. The plastic tax floated by UK Government should be taken forward at a pace and the funds generated can be used for improving recycling infrastructure and creating an overdue Deposit Return Scheme system.

To build a Resilient Wales, and deliver the Sustainable Management of Natural Resources (SMNR), **the Welsh Government must do more than reduce the rate at which our ecosystems are being degraded by human activity**. It must actively seek to enhance and restore those un-resilient ecosystems and tackle the drivers of environmental decline. It must do so in a manner which is clear about outcomes it intends to achieve, and by when it intends to achieve them. This will need allocation of budget greater than seen in 2018-19 budget.

## 2. What expectations do you have of the 2019-20 draft budget proposals? How financially prepared is your organisation for the 2019-20 financial year, and how robust is your ability to plan for future years?

Charities in receipt of core funding from the Environment and Sustainable Development Directorate have already been informed that funding has been re-aligned to focus on projects and core funding will no longer be available. For a network organisation like WEL, this will cause us significant difficulties as our ongoing policy and advocacy work is not project-based. WEL enables its members to work together on environmental policy development, building capacity and trust between organisations by sharing expertise and knowledge. Core funding allows us to provide representation from amongst our membership on a wide variety of Welsh Government stakeholder forums, ensuring that the third sector's voice is heard when key environmental

---

<sup>6</sup> Natural Resources Wales, 2016. [LIFE Natura 2000 Programme for Wales: Summary Report](#).

<sup>7</sup> BBC Wales, 2018. Press release: [Greenhouse gas emissions rise in Wales 'due to power stations'](#).

<sup>8</sup> Welsh Government, 2017. [Written Statement: Update on the implementation of the carbon budgeting framework under the Environment Act: our accounting framework](#).

<sup>9</sup> Welsh Government, 2017. [Written Statement: Increasing the Scale and Rate of Residential Energy Efficiency Retrofit in Wales](#).

<sup>10</sup> Wales Environment Link, 2018. [WEL Briefing: A single-use plastic tax in Wales](#).

policies are developed. As the loss of Welsh Government core funding also affects our members, this could increase the impact on our income due to the potential loss of future WEL membership subscription fees.

Fundraising for core costs such as rent, insurance, governance and essential salary costs can be time-consuming and resource-heavy, particularly if income is derived from multiple funders with different timescales and varying models of full-cost recovery. If these costs can be met from core funding, then some of the energy that is often spent on juggling applications and cash-flow can be redirected, allowing organisations to be more responsive, agile, independent and forward-thinking. Relieved of the pressure to factor in essential costs to project grant applications that may or may not be successful, core funding also allows organisations more capacity and space to plan, develop and innovate, which in turn helps deliver more responsive and relevant services to our communities.

Without knowing what our success will be in seeking alternative funding, **we cannot be sure that WEL will be able to continue in its current form.** This clearly has a significant impact on our ability to plan work beyond a few months or to assure our members that we can continue our current work streams or other levels of support as a network. It also makes our capacity to contribute to future policy development, and public awareness of environmental issues and solutions, less certain.

There is a continued tendency to fund short-term projects in this sector, and core funding from Trusts and Foundations is increasingly rare. Core funding is important to ensure eNGOs can have stability for the long-term and provide suitable long-term contracts for staff. Local authorities and health organisations have also been calling for longer financial settlements, because they suffer from similar problems when there is only short-term, restricted funding available. This, in turn, restricts the sector's ability to engage in meaningful partnerships with the public sector and creates uncertainty around projects and delivery. It also restricts the ability of charities to enter into research projects with Higher Education Institutions as research grants are often over a number of years.

Such a short transition period away from core funding is both short-sighted and unrealistic for the sector. In order to retain capacity, skills and knowledge, a move away from short-term project funding to longer term tapered measures, that embrace full cost recovery principles, is recommended.

A requirement of the Wellbeing of Future Generations Act is embedding the Sustainable Development Principle, which includes applying involvement and collaboration. The approach of Welsh Government – to reduce or eliminate core funding of third sector organisations – means we are potentially less able to engage in meaningful partnerships and collaboration. We therefore question the Welsh Government's delivery of the Act in this respect.

Moreover, the provision of core funding to some WEL member organisations has enabled them to lead the development of ambitious collaborative projects, bringing in large-scale external investment into Wales from sources such as EU LIFE funds, and securing a very healthy return on investment for Welsh Government interventions. Without core funding, capacity to develop and lead such collaborations is limited.

### 3. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on the areas identified below?

#### Approach to preventative spending and how is this represented in resource allocation

WEL believes that 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. Spending under other portfolios also needs to ensure it seeks to prevent further damage to our natural resources. For a Third Sector Partnership Council meeting, **WEL produced the attached paper on Preventative Expenditure and the role of the environment.** Please see this for more detailed analysis.

Priority actions need to be identified and then allocated sufficient resources, in order to be delivered effectively. Natural Resources Wales has a key role to play in identifying and implementing nature based

solutions, e.g. through the development of Area Statements. These continue to be developed and we expect more progress on this by the end of 2018. They can be a key vehicle to identify where preventative spending needs to be focused, not just for environment issues, but for example, ensuring there are green spaces and volunteer activities in particularly deprived areas, to increase other aspects of wellbeing as well as the natural environment.

In the area of preventative spending, **the Welsh Government could show strong leadership to other countries in how to switch budgeting decisions to a preventative approach.** For example, air pollution appears to be currently viewed as an environmental issue and sits within the Minister for Environment's portfolio. However, air pollution impacts are largely health-related. If we switch the way this issue is viewed – from an environmental issue to part of the public health agenda – more integration across portfolios and increased investment might be seen. This could include money from the Health MEG to address some of the root causes. For example, changing the public's behaviour to take public transport in congested areas; and increasing investment in walking and cycling infrastructure.

Tackling air pollution is also likely to lead to reducing carbon emissions, so as well as preventing air pollution it is also preventing the impacts of climate change. More active travel will also help the public health agenda by making citizens fitter. So investment by one government department ends up benefitting the other. The Welsh Government should be testing this approach, perhaps by pooling budgets and developing ways of measuring these cross-departmental benefits, for current and downstream impacts. This could lead to a different way of reporting on budgets and annual reports on impacts.

The pace of Welsh Government progress on this agenda is concerning. Three years have passed since the Well-being of Future Generations Act was brought into force, yet the Welsh Government seems to have done little to change its approach. The Future Generations Commissioner is currently working with Welsh Government on this agenda, so we hope this drives progress. For WEL members, the lack of pace and demonstrable impact regarding the preventative agenda and related budget approach is another sign the Wellbeing of Future Generations legislation is not driving change at the pace needed to tackle many of the challenges faced, particularly from an environmental degradation perspective.

WEL also repeats last year's comments that it would be useful to see how much of the environment budget, including resources allocated to NRW, is currently spent on remediation or alleviation measures, compared with preventative measures.

#### [The Welsh Government's planning and preparedness for Brexit](#)

WEL members are working in earnest on post-Brexit legislation, in collaboration with the Welsh Government through its various Brexit roundtables. There is a significant amount of work to be done, by the Welsh Government, Natural Resources Wales, rural communities, the marine sector and third sector bodies. In order for this work to continue at a pace, the third sector needs to be able to plan ahead.

Much Welsh Government resource has been pulled towards Brexit, to the detriment of existing departments that continue at reduced capacity. WEL believes that the environment budget needs to **increase**, not decrease, to respond to this adequately. The development of new Land Management and Fisheries Bills in Wales – as well as how they interact with UK legislation – is vitally important, and dwindling resource will undoubtedly have a negative impact on the quality of forthcoming legislation. For the third sector, due to the aforementioned cut to the Environment and Sustainable Development Directorate's core funding, organisations have been focusing on finding new funding and trying to ensure they do not need to make their staff redundant. Any capacity used on funding concerns is capacity that cannot be used to deliver our core work.

It's important to note that DEFRA – and therefore the corresponding departments in the devolved nations – has the most significant amount of work to do on replacing EU law. It's estimated<sup>11</sup> that *"1,200 EU laws relate*

---

<sup>11</sup> Civil Service World, 2017. ['What will Brexit mean for DEFRA?'](#)

*to Defra, according to the Institute for Government, accounting for a quarter of the entire EU legislative oeuvre sitting in Brussels.”*

Scrutiny and amendment of statutory instruments at UK and devolved level, to ensure day one readiness, is an enormous task. The Welsh Government appears to have little additional resource allocated to deliver this, and with an ever decreasing budget **it is difficult to see how they will be able to cope with the volume of statutory instruments and future legislation that will be required to deliver a ‘green Brexit’ for Wales**. This work will require resource in all of the appropriate Welsh Government departments and Natural Resources Wales. There also needs to be capacity in the third sector, to enable eNGOs to support, scrutinise and help implement the new policies and laws that will be required. WEL brings together a variety of experts in the field to collaborate on joint responses, enhancing the value of our policy development and scrutiny.

In addition to all of the above, the EU LIFE programme’s funds – a key driver for environmental protection and biodiversity restoration – may be in jeopardy post-Brexit, with the UK potentially unable to access any of its projects. The Welsh Government needs to ensure no net loss of funding for these objectives, working in conjunction with the UK Government on future post-Brexit access to EU programmes and research.

Finally, to reiterate our response from last year, WEL remains concerned at the governance gap that will arise post-Brexit. Whilst there has now been a DEFRA consultation on environmental principles and governance – and the UK Government is committed to a Bill to replace these in relation to England and for reserved functions – it is still not clear how any country of the UK will embark on replacing EU institutions that we rely upon for upholding environmental standards. Whether the governance gap is addressed at a UK and/or individual country level, it is clear that sufficient resources will be required to provide strong, independent environmental governance in the future, and the Welsh Government will need to put resource towards this. WEL is expecting the Welsh Government to consult on how to address the governance gap and embed all European environmental principles, but the timetable is unclear.

#### How the Welsh Government should use taxation and borrowing powers

WEL does not have recommendations for general taxation, but we would urge the Welsh Government to implement a single-use plastic tax as a way to both raise revenue and discourage businesses from using single-use plastic. Our position paper<sup>12</sup> on plastic pollution has more information on this.

However, again, the best way forward will require the four governments of the UK to work together, and it is worrying to see no progress, as yet, on the commitment between DEFRA and the Welsh Government to work together on either a tax or a UK-wide Deposit Return Scheme.

#### How evidence is driving Welsh Government priority setting and budget allocations

The way budgets have been separated and integrated does not make the Welsh Government’s priorities very clear. Biodiversity, flooding and waste appear to have been separated, but budget lines encompassing something as broad as ‘Agriculture, Food and Marine’ remain. For example, it is unknown as to how much of that budget line goes to marine, so we can’t be sure how much is spent on marine conservation.

Given that many eNGOs work across a variety of areas, this could create duplication in different bidding processes and grant monitoring requirements. Collaborating and integrating budgets should create more collaboration across Welsh Government departments, to deliver on key priorities (although such a budget should still show a breakdown of allocations).

Priorities could be aligned / prescribed via the Wellbeing Objectives and Prosperity for All if there was a sufficient objective on enhancing ecosystem resilience (see below for concerns). This would support duties set out in the Wellbeing of Future Generations Act and provide a cohesive way forward for the joint delivery of SMNR.

---

<sup>12</sup> Wales Environment Link, 2018. [WEL Briefing: A single-use plastic tax in Wales.](#)

One of WEL's key concerns is that the existing Wellbeing Objectives<sup>13</sup>, Prosperity for All<sup>14</sup> and the Natural Resources Policy<sup>15</sup> do not working effectively for delivery of Goal 2: 'A Resilient Wales'.

These omissions from Prosperity for All are especially concerning given that this will drive the whole Programme for Government and that future spending decisions will be aligned to it until 2021. This jeopardises funding for anything that Prosperity for All does not specifically mention and WEL believes much more could be included to drive forward 'A Resilient Wales'.

However, WEL welcomed the statement<sup>16</sup> made by the Environment Minister in April 2018, outlining her five priorities for the environment in Wales. We particularly welcomed that: *"in underlining our commitment as a Government to the environment and setting out my priorities, I do so not as an add-on to our main objectives but as a core value that must run through our collective approach."*

She also emphasised that: *"The environment is not an 'either/or'; it is fundamental to our economic prosperity and our health and well-being."* The Minister is clear that she sees the environment as a cross-cutting issue too: *"As set out by the First Minister in 'Prosperity for All', our approach is cross-Government, whether that be by me working with the Cabinet Secretary for Health and Social Services on the use of green spaces to improve mental and physical health; with the Cabinet Secretary for Economy and Transport"*.

However, as mentioned throughout our submission, there does seem to be an aspirational gap between ambition and delivery. In terms of reversing the decline of biodiversity, this priority seems to solely rest in the Environment MEG rather than being any part of the Economy MEG, as evidenced by the complete absence of anything related to nature in the Economic Action Plan<sup>17</sup>.

The Economic Action Plan mentions Wales needing to transition to 'low-carbon', in order to tackle climate change, but there is little visibility of support for environmental improvements through business contracts. We welcome the consideration of carbon emission reductions for businesses in receipt of government funding, but the private sector's contribution to resilient ecosystems requires attention. For example, reducing their use of resources through increased resource efficiency; sourcing from sustainable certified producers; as well as improving biodiversity; assessing their use of finite natural resources; and actively investing in ecosystem restoration.

WEL members have repeatedly called for better involvement of the third sector in the budget setting process. This could be in the form of a formal advisory group, to provide expert input into how to align budgets with the Wellbeing of Future Generations Act and advice on how to manage the difficult issues within budget prioritisation.

### The Welsh Government's policies to strengthen the economy and promote innovation

In terms of innovation, it is clear that the decision to remove core funding from the environmental third sector will seriously limit eNGOs' ability to plan for the long-term, to innovate and to invest in strategic cross-sector relationship-building. It should be noted that the costs of roles required to build and maintain relationships for future partnerships, develop funding bids or to develop organisational business plans are rarely eligible under funding programmes aligned to specific project outcomes.

In the short term, without core funding, eNGOs will have to use more of their capacity and reserves to undertake these functions and to service greater numbers of short-term grants in order to keep their income stable. The danger is that once capacity and reserves are depleted, smaller eNGOs will simply not have the core staff available to apply for any project funding that may be available.

---

<sup>13</sup> Welsh Government, 2016. [Taking Wales Forward: Welsh Government's Wellbeing Objectives.](#)

<sup>14</sup> Welsh Government, 2017. [Prosperity for All: The National Strategy.](#)

<sup>15</sup> Welsh Government, 2017. [Natural Resources Policy.](#)

<sup>16</sup> National Assembly for Wales, 2018. [Statement by the Minister for Environment: The Environment in Wales.](#)

<sup>17</sup> Welsh Government, 2017. [Prosperity for All: Economic Action Plan.](#)

Whilst austerity measures and the imminent loss of EU funding streams has an inevitable impact upon the amount of funding available to the third sector, **the decision to focus on project funding rather than core funding is one that could be reversed, if the value of core funding were to be fully recognised.**

Certain significant funders in Wales, including The Esmée Fairbairn Foundation and the Lloyds Bank Foundation, fund core costs of organisations in recognition of the benefits that this brings, including the additional activity that can be delivered once essential running costs have been met. One Welsh organisation estimates a 19:1 return on investment from one such source of funding i.e. the £200,000 investment in the organisation in 2017-18 allowed it to operate at a £3m turnover for delivery of its community-based projects. The recently announced €9.5m EU Life Celtic Rainforests project – in conjunction with the Welsh Government’s Green Infrastructure Capital Grant – includes RSPB, Woodland Trust and the National Trust, and it should also provide for a high return on investment.

Other funders offer a choice of core or project funding streams so that applicants can choose the one that best suits their current funding situation or stage of development. This flexibility is immensely supportive to the third sector in times of austerity and plays a key role in sector resilience as well as stability and security on an organisational level. However, sources of core funding are still relatively rare and the Welsh Government has been providing a valuable role in plugging this gap over the last three years.

It’s also worth highlighting that eNGOs – environmental bodies, compared to the third sector more generally – have been shown<sup>18</sup> to be “*more likely to be involved in non-public service, community development and capacity building across the third sector*”. The collaborative way eNGOs build capacity is directly in line with the Wellbeing of Future Generations Act’s five ways of working.

#### [How the Wellbeing of Future Generations \(WFG\) Act is influencing policy making](#)

As already stated, WEL is concerned about the delivery of the WFG Act, particularly around Goal 2: A Resilient Wales.

The Wellbeing Objectives<sup>19</sup> do not clearly reflect all of the Goals of the WFG Act equally. None of them reflect Goal 2’s aim to “*enhance a biodiverse natural environment with healthy functioning ecosystems that support social, economic and ecological resilience and the capacity to adapt to change*”. These gaps are also not sufficiently addressed in Prosperity for All, which also does not give sufficiently equal weight to each of the Wellbeing Goals. This is particularly apparent given that it makes no clear reference to biodiversity at all. Specifically, the Wellbeing Goals which represent environmental well-being have not been clearly integrated throughout the Strategy and therefore it does not do all that it could to maximise delivery of the Goals.

This is further demonstrated by the Strategy’s five Priority Areas (Early Years; Housing; Social Care; Mental Health; Skills and Employment). Once again, none of these are unambiguously related to the environment.

However, a positive development on the Welsh Government’s implementation of the Act are a series of workshops on how to deliver it. These were developed and delivered collaboratively between the Welsh Government and WWF Cymru. The purpose was to explore implementation of the Act from the both the Welsh Government and the Third Sector’s perspective; to identify good practice; and to discuss the challenges and shared solutions.

The workshops in themselves show a commitment from Welsh Government to progress effective implementation of the Act and WEL very much welcomed the written statement from the Finance Secretary following them<sup>20</sup>. As stated, a report on the workshops is expected in autumn, which will include areas for Welsh Government improvements including analysis of the ‘mechanisms of government’ integrating the WFG Act and the fiscal budgeting process. A number of WEL members attended this event and we can share our

---

<sup>18</sup> Third Sector Research Centre, 2013. [‘Mapping the environmental third sector in England’](#).

<sup>19</sup> Ibid.

<sup>20</sup> Welsh Government, 2018. [Written statement: Publication of the Wellbeing of Future Generations Workshops Report](#).



experiences, should the Committee be interested in the detail for its evidence. For example, suggestions about how to deliver key objectives through the pooling of departmental budgets; involvement of third sector in policy making, and strategic budget process.

It is crucial that Welsh Government build on the learnings and recommendations from these workshops and act promptly on changes needed. As the workshops took place in January and February 2018, WEL members expect to see some of the recommendations from the workshop in place for this budget.

**Wales Environment Link (WEL)** is a network of environmental, countryside and heritage Non-Governmental Organisations in Wales, most of whom have an all-Wales remit. WEL is a respected intermediary body, connecting the government and the environmental NGO sector in Wales. Our vision is a healthy, sustainably managed environment and countryside with safeguarded heritage in which the people of Wales and future generations can prosper.

This paper represents the consensus view of a group of WEL members working in this specialist area. Members may also produce information individually in order to raise more detailed issues that are important to their particular organisation.





## Integrating the environment into the Welsh Preventative Expenditure Agenda Paper for the Third Sector Partnership Council with Finance Secretary, February 2018

### 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 (WFG) Act, 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 may 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 (e.g. decarbonising transport, enhanced green infrastructure) 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 1950s<sup>1</sup>. 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 WFG Act 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 Foundation (NEF) has moved towards this approach by characterised preventative expenditure under the headings of Environment; Society; and Economy<sup>ii</sup>. 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
<b>Society</b>	<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>
<b>Environment</b>	<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>
<b>Economy</b>	<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 Sustainable Management of Natural Resources (SMNR) – as set out in Environment Act – 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 Environment Act, such as the 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 Environment Act'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 Welsh Government to realise the potential of preventative expenditure to the environment, as envisioned by Wales Environment Link in their evidence submission to the Draft Welsh Government Budget 2018-19 where we 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."*<sup>iii</sup>

### 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 WFG Act's Goals better enables environmental activities – such as habitat creation/protection, ecosystem resilience, and biodiversity enhancement – to be considered for 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 Act's Wellbeing Goals by integrating all elements of sustainable development.
- For the environment, this definition should utilise the framework and SMNR principles provided by the Environment Act, and thereby seek to ensure that expenditure decisions enable the Welsh Government deliver its obligation to maintain and enhance biodiversity, and in so doing promote the resilience of ecosystems.

**Wales Environment Link (WEL)** is a network of environmental, countryside and heritage Non-Governmental Organisations in Wales, most of whom have an all-Wales remit. WEL is a respected intermediary body, connecting the government and the environmental NGO sector in Wales. Our vision is a healthy, sustainably managed environment and countryside with safeguarded heritage in which the people of Wales and future generations can prosper.

This paper represents the consensus view of a group of WEL members working in this specialist area. Members may also produce information individually in order to raise more detailed issues that are important to their particular organisation.



<sup>i</sup> Dugdale, P. 2014. [Northern Ireland Assembly: Research and Information Service Research Paper: Preventative Expenditure.](#)

<sup>ii</sup> New Economics Foundation, 2014. [The Wisdom of Prevention: Long-term planning, upstream investment and early action to prevent harm.](#)

<sup>iii</sup> Wales Environment Link, 2017. [Response to the Finance Committee on Welsh Government draft budget proposals for 2018-19.](#)