



By email.

20th January 2020.

Dear Finance Committee Members,

Thank you for the opportunity for my team to provide oral evidence to you last week. Can I take this opportunity to thank you for your understanding in relation to my being unable to attend as a result of the critical illness and subsequent passing of my Mother. I am confident that my team were able to provide useful evidence to the committee but am following up in writing to you to emphasise certain points in relation to decarbonisation and prevention that I hope will be useful to you in developing your report on the draft Welsh Government budget 2020-21.

Firstly I wanted to reiterate that I have seen an improvement this year in the extent to which the Government has applied some elements of the Well-being of Future Generations Act.

Decarbonisation

I am pleased to see that a number of key budget lines relating to decarbonisation have increased significantly over the year, particularly in relation to investment in sustainable travel. However, I remain concerned that the Government does not have sufficient information about the net carbon footprint of its budget. I am clear that it is for Government, who have statutory duties both to comply with the Well-being of Future Generations Act and to meet the carbon reduction targets in the Environment Act, to lead the way to (as the First Minister has described) forensically analyse their budget to ensure that it is climate-emergency compatible budgeting. My advice to them is that they should do this by developing a comprehensive 'carbon impact account' as part of the budget process. I believe that this could be achieved without unreasonable levels of effort by consolidating existing project carbon impact assessments and improving the consistency with which they are applied across Government.

In my view Government will not meet its emissions reduction targets without a robust approach to understanding carbon impact. I want to see clear evidence from Government that the carbon impact assessments of major investment decisions are influencing decisions so capital spend is in line with decarbonisation targets, and capital finance should only be allocated if there is clear evidence for carbon reduction.

Prevention

As my team communicated at the evidence session, whilst I welcome the degree to which new spending decisions this year relate to prevention there is little evidence that this is due to a robust approach to understanding the opportunities of investing in preventative activities. It is clear that there has been a positive change in political commitment to investing in prevention over the last year. However, whilst this is welcome the Government should be seeking to ensure that the approach to preventative spend is coherent, evidence based and understood at both political and official level. In the next year I want to see Government proactively using the definition to take a more systemic and strategic approach to prevention including through making well evidenced decisions in relation to the different categories of prevention.

I will be writing to the First Minister, Finance Minister and Permanent Secretary to emphasise the importance of Government using the UK Spending Review this year to develop its approach to mainstreaming prevention; particularly by:

- a. Bringing forward some of the actions relating to the 'prevention agenda' set out in the Budget Improvement Plan to this year, particularly *"...explore how a whole Budget approach to preventative activity could be best supported. Consider commissioning an external review to test the value and outcomes of applying the prevention definition to Budget lines to support a shift to preventative activities."*
- b. Developing a framework to assess the relative impact of preventative spending, considering best value, evidence and the prevention definition. This will enable cross-Government conversations to understand key opportunities for investment"
- c. Considering a 'Zero-based' review of all spending in preparation for the new Assembly in May 2021 to enable a long-term shift in spending towards prevention.

I understand that in your evidence session with the Finance Minister on 15th January there was a difference of opinion between Committee Members and the Minister about some of the feedback from my office on the draft budget. My team would be very happy to clarify any questions you may have about this if that would be helpful.

Yours faithfully,



Sophie Howe.



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