



## **Friends of the Earth Cymru: Submission to the National Assembly's Finance Committee regarding the Welsh Government Draft Budget Proposals for 2017-18**

### **Introduction**

Friends of the Earth Cymru is part of Friends of the Earth England, Wales and Northern Ireland, and supports a unique network of local campaigning groups working in communities throughout Wales. Friends of the Earth Cymru inspires the local and national action needed to protect the environment for current and future generations, and believe that the well-being of people and planet go hand in hand.

We welcome the Finance Committee's call for evidence prior to the publication of the 2017-18 draft budget proposals, and hope that this will prepare the Assembly committees for scrutiny when it is published. We will be focusing our response primarily on how the budget relates to the Well-being of Future Generations Act, and cutting our carbon emissions in line with the Environment Act.

### **Q2 - Expectation of 2017-18 draft budget proposals**

As a member of the Sustainable Development Alliance, we expect to see the Welsh Government budget reflect the goals and principles embedded in Welsh law by the Well-being of Future Generations (WBFG) Act. The Act requires all Welsh public bodies, including the Welsh Government, to act in accordance with the sustainable development principle - long term, prevention, integration, collaboration and involvement. Given that the budget underpins the actions that Welsh Government will take in the next twelve months it is clear that the budget must also work in accord with the principles. In general terms this means we would expect to see:

- A clear shift in expenditure towards programmes aimed at **preventing** problems occurring
- Financial arrangements, such as pooled budgets, that encourage and require **collaboration** amongst public bodies and facilitate the achievement of multiple goals
- An emphasis on addressing **long term** problems such as climate change

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It is essential that such shifts in monetary allocations, and the reasons for them, are clearly explained in the narrative accompanying the budget, so that public bodies in receipt of funding are fully aware of how they will also need to change their approach to budget setting.

As well as a shift in spending we also expect to see changes in the process of developing and setting the budget - with greater transparency and engagement.

#### **Q4 - Specific areas of scrutiny**

- **Approach to preventative spending**

As outlined in question 2, the sustainable development principle in the WBFG Act outlines the five ways of working that public bodies are expected to follow as part of their well-being duty. Two of these are the interrelated issues of focussing on the long term, and taking preventative measures. These require a step change in how budgets are formulated.

- **Sustainability of public services**

The Welsh Government's budget has a major impact on public services in Wales and the public bodies who are included in the WBFG Act, including local authorities and health bodies. The budget should send clear messages to public bodies that the resources being provided are in order to deliver sustainable public services and drive progress towards the well-being goals and the meeting of their duties under the WBFG Act.

The budget process should also assess and seek to remove barriers to sustainable public service delivery, such as short term budget allocations.

- **Preparation for the UK to leave the EU**

There is great uncertainty around the structure and consequences of Wales leaving the EU, including changes to funding and funding programmes. But it does need to be considered at this stage, in particular in relation to agriculture, rural development and structural funds. As well as ensuring that funding is in place, it should be viewed as an opportunity to design replacement funding programmes to maximise delivery of the well-being goals.

There are also a range of EU funded partnerships, research, projects and programmes happening throughout Wales on issues such as flood risk management, energy efficiency and renewable energy. The future of these should be part of the Welsh Government's preparations for leaving the EU.

As well as funding, approximately two thirds of environmental legislation derives from the EU and consideration is needed of the resource implications of embedding or otherwise applying those provisions into Welsh law.

- **Low carbon budgeting and preparing for the Future Generations Act**

Climate change and a low carbon future are incorporated in 3 of the well-being goals of the WCFG Act. This is also the first time a budget has been prepared since Wales has had a statutory framework and commitment to cutting our carbon emissions, in the Environment Act 2016 (Part 2). We expect to see significant changes in this budget as a result of the duties under these Acts. We are in the first carbon budget period and we would expect the fiscal budget to be framed in this context.

### **Carbon assessments of budgets**

We have long advocated carbon assessments of the Welsh Government's annual fiscal budget and major strategies and infrastructure. This would be a report describing the direct and indirect impact of its expenditure plans on greenhouse gas emissions. This has also been advocated by Stop Climate Chaos Cymru and other organisations.

As a result of the Environment Act (Part 2) this calculation should be part of the Welsh Government's ongoing assessment to meet the 5-year carbon budget, therefore not much additional work should be necessary. However we would like to see these calculations made public during scrutiny of budget proposals. This would also be in line with the sustainable development principle of transparency, and allow assessment of the proposals' long term impacts on the environment.

Scotland already has a requirement to carry out and publish an impact assessment. As the legislative framework for cutting emissions is different in both countries the provisions in Scotland are not directly transferable to Wales, but could provide a useful starting point to develop the right methodology for Wales in consultation with stakeholders and expert advice.

### **Energy efficiency**

A policy example of low carbon budgeting would be to reconsider how an energy efficiency programme is funded and sits in the budget. A major energy infrastructure programme would create jobs in every town and village in Wales. It could also reduce fuel poverty and cut carbon emissions from housing.

We recommend that home energy efficiency is made the top infrastructure priority for Wales, with a programme to carry out whole-house retrofits to 150,000 low-income homes by 2020 and plans to scale this up to 400,000 homes by 2025.

### **Global responsibility**

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The Well-being of Future Generations Act requires public bodies to ensure Wales is a globally responsible nation. In terms of finance, procurement is a key part of delivering this, and we would expect the budget to reflect socially and environmentally responsible procurement practices in public contracts, whether that is procuring local high quality food or ensuring goods from abroad are ethically sourced and meet high standards of social and environmental responsibility.

As part of our global responsibility to the environment we would encourage the Welsh Government (and National Assembly) to divest from fossil fuel holdings in pension schemes and any other financial investment or budgetary decisions, and to encourage other public bodies to do so.

#### **Q5 - Alignment with national indicators and additional indicators?**

Although the National Indicators should be taken into account in the framing of the budget they are not performance measures and we would expect the Welsh Government to prepare its own well-being objectives and performance measures to sit under the National Indicators.

As to the content of the National Indicators, it has been particularly challenging to incorporate the seventh goal of “a globally responsible Wales”, and we do not believe that they sufficiently assess Wales’ impacts and dependencies upon countries, regions and the global environment beyond its borders as they stand.

We are pleased that this is recognised in relation to carbon with the inclusion of National Indicator 42 - “Emissions of greenhouse gases attributed to the consumption of global goods and services in Wales”, or a Carbon Footprint indicator, which would include the climate impact of imported goods. However in others respects, such as impacts related to water, soil, resources and biodiversity, the indicators fail to take account of Wales’ international impacts and dependencies.

We believe that indicators for the Four Footprints of carbon, materials, land and water should be developed (not only carbon as is currently included) to give a complete picture of our global resource use, and refer the committee to the [report that we commissioned for the consultation on the draft national indicators](#).

Current Welsh data is insufficient to develop the indicators necessary to meet the well-being goals, for example lack of trade flow data for Wales. We would welcome a commitment by the Welsh Government to developing new data sources. If we are to achieve the well-being goals and want different outcomes we have to do things differently and measure different things which are relevant to those goals.

#### **Qs 6 & 7 - Preventative spending, health, reducing poverty and an aging population**

As outlined in question 5, energy efficiency is a key area of spend that is relevant to all of these issues. As an environmental justice organisation, we want to see an end to the scandal of

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people suffering in cold homes because of high energy prices set by energy companies and poor quality housing with low energy efficiency.

Investing in a major home energy efficiency programme as an infrastructure priority would greatly reduce fuel poverty, particularly impacting vulnerable groups such as older people and people with illnesses. Living in fuel poverty can affect people's health, increasing the risk and impact of a range of ailments from respiratory conditions to weakened immune systems. The [cost to the Welsh NHS](#) for treating cold related admissions amounts to just over £100m per year. Investment in home energy efficiency helps prevent this spending, as well as having the benefits of reducing carbon and creating jobs in local communities.

### **Q8 - Evidence base**

As in response to question 5, we believe that further data needs to be developed in order to improve our evidence base.

In terms of climate change, information that will be prepared by the UK Climate Change Commission as the advisory body on climate budgets and targets under the Environment Act will help give us a sounder footing for what scale of emission reduction is necessary in Wales and what needs to be done to achieve it.

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