

Dear Chair and Members of the Finance Committee,

Thank you for your invitation to submit evidence to the Finance Committee for its session scrutinising the Welsh Government's Draft Budget 2017-18.

Committee members will recognise that the Well-being of Future Generations (Wales) Act 2015 (the Act) is an ambitious and exciting piece of legislation of which Wales can be rightly proud. This ambition has been recognised by the United Nations:

'The Wales future generations Act captures the spirit and essence of two decades of United Nations work in the area of sustainable development and serves as a model for other regions and countries... We hope that what Wales is doing today the world will do tomorrow. Action, more than words, is the hope for our current and future generations.'
Nikhil Seth, Director, Division for Sustainable Development, United Nations

The Act presents a significant challenge, as well as an opportunity to improve, for those public bodies listed within it, including Welsh Ministers. Whilst I recognise that its implementation will not be easy and will require a fundamental cultural change in the way Government (and other public bodies) do business, the Welsh Government has an important role in leading by example and setting the tone. Cultural change is a process rather than an event and so, over time, I hope to see clear indications of Welsh Ministers making full use of the Act as a tool for change, as opposed to merely 'complying' with its requirements. Demonstrating the use of the Act as a framework for budget setting will be an important part of this. An understanding of and a commitment to applying its principles from each Minister and Department (including the civil service) and the allocation of sufficient time for meaningful scrutiny will be key in giving effect to the spirit and intention of the Act.

The Requirements of the Well-being of Future Generations Act

The Act places a range of duties on the 44 public bodies covered, including the Welsh Government. These bodies are under a duty to carry out sustainable development, defined as *"the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the well-being goals."*

The Act sets out seven national well-being goals which public bodies are required to maximise their contribution to as well as sustainable development principles (ways of working) which outline the way in which public bodies should work.

These principles include:

- Looking to the long term so that we do not compromise the ability of future generations to meet their own needs
- Taking an integrated approach so that public bodies look at all the well-being goals in deciding on their well-being objectives
- Involving a diversity of the population in the decisions that affect them
- Working with others in a collaborative way to find shared sustainable solutions
- Understanding the root causes of issues to prevent them from occurring

I would expect to see all of these principles and the well-being goals being considered in the way in which the Welsh Government allocates resources.

For public bodies including the Government, the core duty in the Act (the well-being duty) is that they must set well-being objectives that maximise their contribution to achieving the well-being goals. In doing so, they must take all reasonable steps to meet those well-being objectives, in accordance with the sustainable development principle. The Welsh Government are required to publish well-being objectives by 5th November 2016.

The Act requires real change in the way we go about business in Wales and the Welsh Government have a key role to play in leading and driving this change. Effective budgeting and planning arrangements provide the foundation for sound public administration. Whilst others are better placed to advise on the merits of different budgetary models, I think there is widespread recognition that short term financial planning and budgeting works against the sustainable development principle as defined in the Act.

The previous Finance Committee produced a report on budgeting in March 2015 - '*Best Practice Budget Process Part 2 - Planning and implementing new budget procedures*' - and whilst the publication predates the Act, the overall approach of its recommendations are relevant and helpful and could be used to frame the way in which the budget is scrutinised from the perspective of the Well-being of Future Generations Act, their sustainable development principles and the well-being goals. They have the potential to create an environment that supports the change required by the Act.

Alignment to well-being objectives

In their last report the Committee recommended that an integrated approach is taken to ensure that well-being indicators and budget headings align with one another where possible. However, care is needed in seeking alignment with the indicators rather than the well-being goals and the Government's objectives when they are set. Both research and practice has identified that many public sector performance management frameworks fail to distinguish effectively between population outcomes and organisational outcomes. The Act is careful to distinguish between these outcomes. The well-being outcomes are population outcomes and require a collective endeavour and collective responsibility of all public bodies in Wales.

I would suggest therefore that the committee should focus on how the budget aligns with the Government's well-being objectives when they are set. Although the objectives are not yet published the timescales are such that the Government should have developed the budget alongside their well-being objectives and they should therefore be able to demonstrate a clear alignment and I would welcome the Finance Committee's scrutiny of Ministers on this aspect in particular.

As the Government have not yet published their objectives it is difficult to see the clear line of sight between them and the budget which would be expected. Section 7 (c) of the Act requires public bodies in setting their objectives to publish a statement "*setting out the steps the public body proposes to take to meet those objectives in accordance with the principle (including how it proposes to govern itself, how it will keep the steps under review and how it proposes to ensure that resources are allocated annually for the purpose of taking such steps)*". I would therefore expect to have seen a better reflection of this within the budget narrative so far and would certainly hope to see a more detailed analysis when the Government publishes its objectives.

The Government's budget narrative has identified how the budget supports the Government's four priority areas for a Wales that is prosperous and secure, healthy and active, ambitious and learning, united and connected. However, it is important to note that the Government will need to outline how their statutory well-being objectives relate to these priority areas, how they relate to the national well-being goals which have specific requirements and definitions (see appendix), and how in turn the budget allocations reflect their obligation to take all reasonable steps to meet them.

Applying the sustainable development principles (ways of working)

As referenced above, the budget will be a key lever for driving the change which the Well-being of Future Generations act requires. Although there is reference in the narrative (appendix F) to the sustainable development principles (ways of working), further information is required to understand whether all of the principles have been applied and whether they have been adequately applied in consideration of the budget as a whole.

Long term

There are a number of proposals which appear to reflect long term thinking which is welcomed, for example the proposals for the South Wales metro, investment in skills for the NHS workforce and the continued commitment to apprenticeships. The recognition of continued trends towards an ageing population and subsequent allocations for social services is welcomed but it will be important for the Welsh Government to use all its levers, including finances, to drive a change in the way social care is delivered with particular reference to supporting well-being and taking steps to prevent higher cost care needs developing through a failure to focus well-being. The Government must also demonstrate how allocations for long term capital spending are balancing the long term social environmental economic and cultural well-being of Wales and are contributing to them meeting their well-being objectives. Although allocation for the M4 is within reserves pending the outcome of the public inquiry this represents a significant area of potential spend where the Government should be able to clearly set out how they have balanced these areas, how they have applied the sustainable development principles and how it contributes to their well-being objectives.

Prevention

The budget allocations should reflect a shift to prevention. An obvious area that we would expect to see this is in respect of allocation for health. The budget narrative states that there is a continuation of primary preventative healthcare measures such as vaccination and population screening and investing in the broader determinants of health through our focus on education, the early years and employment support but this does not seem to evidence the scale of the shift that will be required in moving to the prevention of ill health. The focus on moving services to local communities and primary care is welcomed but budget allocations should reflect how we can reduce demand for these services through preventing ill health as well as making them easier to access.

Steps to prevent climate change and damage to our natural resources are also critically important but there appears to be little reflection of this in the budget narrative. Whilst the allocation of an additional £16m for green growth initiatives is welcome it is questionable whether this will be sufficient to meeting the challenging carbon reduction targets that have been set.

Integration

Further detail is needed to understand the extent to which budgets for each department are integrated and support delivery of all the Government's well-being objectives when they are set. It will be important to move away from departmental siloes in terms of budget allocations and planning and policy development and it will be important for the Government to set out how they intend to achieve this. Integrated use of resources will be important but the way in which programmes are developed, understanding the interconnections with other policy areas and programmes, will be crucial.

For example, the significant investment in childcare is likely to make a significant contribution to a more prosperous and a more equal Wales. However, in investing a significant amount of resource the Government must also demonstrate how the programme can integrate and maximise its contribution to the other well-being goals. The programme should demonstrate how the childcare offer can be formed in a way which contributes to the promotion of healthy lifestyles for children and how it will be linked to work going on elsewhere (led by Public Health Wales) which focusses on the importance of early years and identifying and preventing Adverse Childhood Experiences (i.e. identifying those children who are living in households where there is domestic abuse, substance misuse, mental health issues and parental separation or incarceration – you will find a link to the ACE report [here](#)). The programme should be developed in an integrated way with other commitments, for example; how 100,000 apprenticeships could be aligned with the childcare offer, to opportunities for parents to develop skills to help them into work and how the proposed metro system is planned to support this. Consideration should also be given to how existing initiatives such as Flying Start, Families First and the Foundation Phase would achieve even greater impact if outcomes and delivery became fully aligned and integrated with each other, whilst considering the inter-dependencies of other developments.

Collaboration

Due to the fairly high level commentary it is difficult to see whether collaboration has been fully considered. Clearly collaboration with other parts of the public sector is important but the Government must also demonstrate how they approaching collaboration with the private sector and the third sector.

Involvement

Involvement is a key principle of the Act and whilst consultation on key issues like the budget is important it should also be recognised that this likely to engage key public and third sector organisations and campaign groups rather than the general public at large. The role of elected members acting on behalf of their electorate is therefore very important. I am aware that there have been some very good approaches to involving people in the work of Assembly Committees in the past and this could provide the basis of learning which could be shared with the Government. I would like to see the Government seeking to adopt innovative approaches to broader public engagement on the budget but it will be of particular importance for the Government to engage with people in ways which seeks to understand their experiences and their priorities when developing some of the new proposals in the budget or refining ongoing programmes and policies. It is pleasing to see reference to this in the approach to developing the childcare offer but there is little reference elsewhere in the budget narrative. This may be an area that this committee or others would like to focus on in the future.

In conclusion, in order to maximise contribution to the well-being goals, all public bodies will need to change their approach to financial planning and budget setting and it is my intention to continue over the longer-term to work with them to advise, equip and challenge them to do this.

Thank you for this opportunity to support committee members in their scrutiny of the Welsh Government's draft budget and for the specific focus through the lens of the Well-being of Future Generations Act. I look forward to continuing that support as we develop our work.

Yours faithfully,

A rectangular box containing a handwritten signature in black ink. The signature is cursive and appears to read 'Sophie Howe'.

Sophie Howe
Future Generations Commissioner
Comisiynydd Cenedlaethau'r Dyfodol