

## **Submission to the Finance Committee Scrutiny meeting 17/10/13 from the Early Action Task Force**

### **Summary**

- The Early Action Task Force is a group of third sector, business and public sector leaders working to build a society that prevents problems from occurring rather than on that, as now, copes with the consequences.
- We applaud the Welsh Government's stated commitment to prevention and sustainability, reiterated in this draft budget, and look forward to the publication of the Future Generations Bill next year.
- We believe there is a distinction in principle between public spending which prevents problems arising – early action spending, which can be thought of as an investment – and public spending which deals with the consequences of problems already arisen.
- Shifting the balance of public spending towards early action away from acute provision would yield a 'triple dividend' of improved social outcomes, reduced cost to the public purse, and increased growth and prosperity.
- We therefore urge the committee to consider:
  - how current public spending is distributed along a spectrum from early, preventative investment (for example education) to late, reactive spend (for example prisons).
  - The costs and benefits of different areas of social spend to identify those investments which yield the greatest return over the medium and long term, and those liabilities which are costly upfront and do nothing to reduce future spend.
- We suggest that the balance of public spending should shift away from the provision of late, reactive services towards early spend which prevents problems from arising. This should be an explicit goal of public spending policy.
- And we suggest that to incentivise this shift within the policy making process, and as part of adhering to the new duty to be introduced in the Future Generations Bill, future budgets should:
  - include assessments of the costs and benefits over ten years of current public spending policy.
  - begin to treat early action social spending as an investment in a similar way to capital spending. This process could be incremental as the evidence for early action programmes is developed, but the principle must be embedded now.

### **Introduction**

The Early Action Task Force is a group of third sector, business and public sector leaders working to build a society that prevents problems from occurring rather than on that, as now, copes with the consequences. For more information, the Task Force's full membership and copies of our two reports The Triple Dividend and The Deciding Time, visit [www.community-links.org/earlyaction](http://www.community-links.org/earlyaction)

## The draft budget

As we are not experts on public spending in Wales we have not been asked to comment specifically on the draft budget, but we welcome the Welsh Government's reiterated commitment to prevention and sustainable development and its realisation in, for example, the Intermediate Care Fund, the Youth Crime Prevention Fund, and the protection of spending on schools.

## Readiness: The purpose of public expenditure

Too often public spending picks up the pieces, acting late to deal with the consequences of problems left too long to develop. Across the four central government departments examined by the National Audit Office in Westminster in their 2013 landscape review of early action only 6% of spending was devoted to early action.

We believe there must be a cultural shift in our conception of the role of public services, away from a mindset which expects public service to step in once problems have arisen – the more expensive option and in all respects the last resort – towards an expectation that public services should act earlier to promote *readiness*.

We picture a society which is defined not just against the countless things that don't happen – heart disease, under achievement at school, violence in the family - but by reference to its strengths. Its people are ready and able to benefit from opportunity, to learn at primary school, to thrive in secondary, to succeed at work, to be good parents and, because we all experience difficulties at some point in our lives, they are ready and able also to manage adversity - to cope with losing a job or a relationship, to rebuild after illness or bereavement, to adapt to change. The goal of public spending should be to support this vision.

We visualise this 'ready for everything' community at the top of a cliff where universal services and clear rules equip us to flourish, protect us from harm, prepare us for change. 'Fences' or prompt interventions at the cliff edge respond early to problems which, if not forestalled, could lead to more serious difficulties. Further down those interventions become more focused on crisis, less likely to be totally successful and very likely to cost more.

Currently much public spending occurs at the bottom of the cliff, struggling to deal with increasing demand and shrinking budgets. It should move inexorably further up the cliff, driven by the principle that acting early, building readiness, is not only better for society but also for future public spending and for growth.

Reimagining public spending as primarily an *investment* in this way would benefit prosperity, sustainability and social justice – the so called Triple Dividend that we proposed in our first report. This is no easy task, because we often lack robust evidence on what counts as early action and on the benefits and savings we can expect from different areas of spending. These practical difficulties are often raised as insurmountable barriers to early action but we suggest that a set of institutional problems with the design of public spending systems have deterred investment in early action in the past; only when these are changed will early action's potential be incrementally realised.

We suggest:

### 1) A first step would be to define and classify early action spending, possibly applying the definitions adopted by the NAO

- Prevention (upstream): preventing, or minimising the risk, of problems arising – usually through universal policies like health promotion.

- Early intervention (midstream): targeting individuals or groups at high risk or showing early signs of a particular problem to try to stop it occurring.
- Early remedial treatment (downstream): intervening once there is a problem, to stop it getting worse and redress the situation.

The Task Force is in touch with various groups undertaking a similar exercise on areas including adult social care, child poverty and at local authority level.

2) **This would be followed by long term modeling of costs and benefits of acute and early action options** –as the options are considered rather than after the event. It would take time to introduce such a discipline fully, but now is a good time to start as the new budget is adopted and the process begins for thinking about the next one. We recognise some steps that have already been taken in this direction and suggest that the introduction of the Future Generations Bill provides further impetus to this agenda.

3) **Identifying priority areas for early action** in the light of this longer term cost-benefit analysis, on which spending could be protected or increased from 2015 – 2020.

4) **Building ten year spending plans into the budget process**, which would include firm plans in the short run, as now, *and* publication of the implications of every spending decision, whether early action or acute interventions, over the next ten years. The longer term projections would of course be subject to regular review and updating, as circumstances and governments change. However, these projections would enable *current* priorities to be established on the basis of longer term value.

5) **Rolling out a ten year test** for all spending decisions across government, so that the implications over ten years are assessed as far as possible and made transparent - *including where costs or benefits fall to others*.

6) **Start to target an incremental shift in investment** over the next spending period from acute interventions to early action within departmental budgets – what we call **early action Transition Plans**.

7) **Begin treating early action as an investment**, where it forestalls future liabilities and creates growth. We recommend protecting it - in the same way as capital investment – against raids to fund short-term pressures in-year. Steps could be taken for those areas where early action can already be clearly defined, as in public health or on early years education.

8) **To help achieve that shift in spending, incentives should be put in place to encourage departments and others to invest in early action:** These could include profit sharing agreements between departments for the savings accruing from acting earlier, or the creation of a specific early action fund to which departments can jointly bid to pilot early action services. At a local level Wales' Local Service Boards are a positive development, which we look forward to following.

### **What is likely to be the effect of shifting expenditure towards earlier action?**

Effective early action can in theory drastically reduce public spending. A lack of evidence for the effectiveness of particular interventions is often raised as an insurmountable barrier to investment in early action but our response is twofold. Firstly that evidence will only emerge as new approaches are incentivised, rolled out and evaluated, and this can be done in such a way that failing approaches are not allowed to continue for long after it is clear they are not working. Secondly, there is strong evidence of the *ineffectiveness* of much acute spending

(for example on prisons, mental health services or the care system) - interventions need only be slightly less bad than these to be worthwhile, and the bar is set low.

Therefore we believe demand for public spending can be shrunk to some extent by upfront investment in early action. Even greater benefits probably lie after 2020, but some interventions, particularly in expensive and failing delivery areas would yield benefits now. The processes listed above would allow Government to identify, and incentivise, possible new approaches across public services.

## **Lessons from Scotland**

The Scottish Government has made significant investments in early action since the last election, including earmarking public spending worth £500m over 3 years to prevention. Although it is too early to draw conclusions on the impact this has had, it is useful to learn from their experience.

At the start of 2010, as the scale of looming reductions to public budgets was becoming apparent, the Scottish Government commissioned an Independent Budget Review to look at the state of Scottish public finances. When it reported in July 2010 it laid out the scale of the challenge but did not have many suggestions to deal with it beyond a focus on efficiency savings and the need to re-examine the affordability of universal services.

At around the same time the Scottish Government Finance Committee launched an inquiry into preventative spending which took evidence from an impressive range of organisations and, when published in January 2011, concluded that “there will have to be a shift from reacting to crises, to a greater focus on prevention and early intervention.” It said that “given the weight of evidence...it would be counter-productive and short-sighted if budgets were to be cut in areas such as the early years” and that “the scrutiny of preventative spending should be integral to the annual budget process.”

Midway through this inquiry the Government also established the Christie Commission on the Future Delivery of Public Services. When it reported the following summer it argued for a fundamental shift towards prevention as a guiding principle of public service delivery, saying:

“A cycle of deprivation and low aspiration has been allowed to persist because preventative measures have not been prioritised...Tackling these fundamental inequalities and focussing resources on preventative measures must be a key objective of public service reform.”

The review identified a fragmented public delivery system that was insufficiently oriented towards achieving outcomes and designed around departmental silos rather than individuals and communities. It suggested a range of reforms to ensure sustainable public services, centred on people, focused on clear outcomes.

Christie’s publication was met with a series of enthusiastic endorsements from across the sectors, not least from COSLA – (the LGA equivalent in Scotland) – urging Government to adopt its recommendations.

The learning from these three substantial processes culminated the next year when the recently elected majority SNP government announced its priorities for reform in public services drawing heavily on Christie’s recommendations. It proposed four pillars for reform, the first of which was ‘prevention.’

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