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REVENUE, CAPITAL, PREVENTION

A NEW PUBLIC SPENDING FRAMEWORK FOR THE FUTURE

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CONTEXT

This briefing paper is part of Demos' work on reforming public services and moving towards a more preventative state. The first paper in The Preventative State series, *Rebuilding our local, social and civic foundations*, focused on the vision of a preventative state and suggested the idea of Treasury reform to support it. This briefing document is designed to flesh out more about how that would work. With thanks to Ben Glover for his contribution to shaping this policy briefing and Caroline Slocock for her advice and support at the inception of this work.

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A FAILURE TO INVEST IN OUR FUTURE IS HOLDING THE COUNTRY BACK

Public services have reached a tipping point. Demand outstrips supply. Quality and access are too often unreliable. We only step in once people have reached a potentially avoidable crisis. Services are fragmented and lack resilience. At the root of these systemic problems is a lack of long-term focus and a failure to effectively plan for the future.

There is an in-balance between spending on the cost of day-to-day delivery of care and spending which supports long-term efficiency and effectiveness. As former Chief Economist of the Bank of England, Andy Haldane has noted, the false economy between adhering to today's fiscal rules at the expense of the long term, "risks underinvesting today in tomorrow's economic and environmental health."[1] We need to break out of the doom loop.

The UK's low level of capital investment in public services matters for the quality and efficiency of those services. These services in turn are the foundation for our economy and our society. The number of unemployed people with long-term sickness has increased to 2.5m people. At the same time, we face record labour shortages. Late intervention to treat problems is costing our economy at least £22bn a year[2] (2023 prices), this is bigger than the Home Office's annual budget. Across every part of our economy and our society, the cost of short-termism is visible everywhere. The latest example of the RAAC concrete scandal in public buildings highlights how difficult it is to take long term decisions in the current policy environment.

Late intervention to treat problems is costing our economy at least

£22bn a year

Every politician is committed to making our economy grow faster, in part to pay for high quality public services. However, a lack of long term investment in public services is in itself contributing to lower levels of growth which in turn lead to fewer resources to invest in better public services. The evidence is clear that falls in the public-investment-to-GDP ratio are associated with lower GDP in subsequent years.[3] By contrast, increasing public investment raises economic output in the short and medium term, crowds in private investment and reduces unemployment.

Investments which could have significantly improved the health, wellbeing and resilience of our communities have not been made. Policy makers have prioritised the short term over long term needs.

UK public investment is low compared to both comparable economies and estimated optimal levels. Investment by the government in the UK is

1 A. Haldane, The case for rethinking the fiscal rules is overwhelming, 16 May 2023
2 Early Intervention Foundation, The cost of late intervention: EIF analysis 2016, November 2016
3 A. Abiad et al, The Macroeconomic Effects of Public Investment: Evidence from Advanced Economies, May 2015

lower than the OECD average.[4] As we have seen in the private sector low levels of investment reduces productivity and makes it harder to achieve better outcomes. There is no way that any government can achieve the impact it wants to have without significantly boosting investment in the public sector.

The failure to invest in public services is manifest in the NHS. Between 2010 and the start of the pandemic capital investment fell as a share of health spending. Overall, the UK has consistently devoted a lower share of GDP to health care capital than other comparable countries.[5] The UK has amongst the lowest number of beds, MRI and CT scanners compared to comparable countries. NHS productivity growth has stalled, and the maintenance backlog has doubled to over £10 billion.[6]

Capital spending on schools is low in historical terms having fallen in real terms since the mid-2000s. Over the three years to 2023–24, school capital spending in England averaged £5.2 billion; a quarter lower in real terms than the three-years up to 2008–09 and about half the peak in 2010.[7]

Fiscal frameworks and short-termism give the Treasury and politicians strong incentives to opt for cuts in capital. Between 2013/14 and 2019/20 faced with pressures on day- to-day spending, £3.9 billion was transferred from planned capital spending to meeting NHS running costs.[8] In 2017/18, 18% of the NHS' capital budget was used to cover shortfalls in day- to-day spending.[9] It is easier to cut investment projects than take unpopular decisions to reduce funding for core public services or increase taxes.

The separation of capital and resource funding into CDEL and RDEL at the turn of the century, sought to tackle this problem. Although capital investment did rise from historic lows after that division, it has not been enough on its own to solve our public investment gap. It has also not been broad enough to consider the important role of preventative investment in delivering better public services and strengthening our economy. This is why we are outlining a new approach, putting prevention on an equal footing with capital and day-to-day spending.

4 OECD, Government at a Glance 2019, Government investment spending, accessed August 2023
5 I. Rebolledo & A. Charlesworth, How does UK health spending compare across Europe over the past decade?, 16 November 2022
6 S. Freedman & R. Wolf, The NHS productivity puzzle, June 2023
7 L. Sibieta, The decline in spending in school buildings, 4 September 2023
8 National Audit Office, NHS financial sustainability, 18 January 2019
9 Ibid.

INCENTIVISING PUBLIC SECTOR INVESTMENT IN PREVENTION

There is an emerging debate about the role and structure of the UK's fiscal rules.[10] The role of fiscal rules within economic policy has many dimensions. Within that there is interest in how the fiscal rules could be changed to improve the incentives for governments to invest in public services and reduce short-termism.

One suggestion to further bolster the investment element of spending is to introduce a Public Investment Act at the start of each parliament, enshrining the headline levels of investment planned for a period running at least a year into the following parliament.[11] The LSE and Resolution Foundation propose that Parliament should receive independent advice from the National Infrastructure Commission (NIC), ideally on a statutory basis, about the implications of different choices. While Ministers should propose the level of investment for the coming years, the Act would provide a source of independent advice, similar to the Office for Budget Responsibility.

PREVENTION IS ALSO AN INVESTMENT

These arguments have considerable merit but while capital investment is essential it's not the only form of spending where the benefit accrues in the future and there is a systemic bias to under-investment. The failure to invest in capital and bias of short-termism is mirrored with prevention.

There is a consensus that we need to shift the way that we spend public money to focus on prevention. Demos has called for all parties to build *The Preventative State*. The Government-commissioned review into integrated care systems, carried out by Rt. Hon. Patricia Hewitt, called for the total share of NHS budgets at ICS level going to prevention to be increased by at least 1% over the next five years.[12] The Chief Medical Officer for England, Professor Sir Chris Whitty, has called for the UK to "slow the hamster wheel" through investing in prevention which he says is critical to making the NHS sustainable.[13] The Leader of the Opposition, Sir Keir Starmer, has outlined his vision for a health system where "prevention comes first" and described the need for ambitious reforms, rather than just more spending.[14]

Although there is a pressing need to boost investment in our health system, there are similar problems across our public services. The Government's Anti-Social Behaviour Action Plan has called for a focus on prevention and early intervention.[15] In employment, the Department for Work and Pensions is piloting Work Well partnerships between the NHS, job centres and other agencies to prevent people falling out of employment.[16] Across politics and the public sector there is a demand for a greater focus on prevention.

However, calling for and piloting small scale interventions in prevention will not be enough to get

10 See J.Chadha, Designing a New Fiscal Framework: Understanding and Confronting Uncertainty, 14 July 2021; Resolution Foundation, Totally Net Worth It, 29 October 2019 and Tony Blair Institute for Global Change, Fiscal Rules Ok? Managing the Public Finances After COVID-19, 23 February 2021
11 Resolution Foundation, Cutting the cuts: how the public sector can play its part in ending the UK's low investment rut, March 2023
12 Rt. Hon. Patricia Hewitt, An independent review into integrated care systems, April 2023
13 Health and Care Committee, Oral evidence: prevention in health and social care, 21 February 2023
14 Sir Keir Starmer, Keir Starmer unveiled Labour's mission to create an NHS fit for the future, 22 May 2023
15 Home Office, Anti-Social Behaviour Action Plan, 17 May 2023
16 Rt. Hon. Mel Stride, c1014 HC Debate, 16 March 2023

on top of demand, improve outcomes and boost productivity.

The current Chancellor, when he was Secretary of State for Health and Social Care, highlighted this perennial problem. Speaking in 2018, he said that the structure of funding meant that money which was set aside for "transformation" was sucked into the acute sector and was not able to "focus on the really important prevention work that can transform services in the long run."[17]

This highlights an important point: not all spending should be treated the same.

There is a recognition in government that just as there is a difference between resource and capital expenditure, there are different types of resource expenditure. There is a qualitative difference between spending on acute services and those that seek to get upstream and shape positive outcomes. As we have already noted, there is strong evidence that preventative investment delivers a greater long-term return than acute expenditure. Unfortunately, the way that we distribute, account and report on public expenditure does not recognise this difference.

It is not just that money put aside for prevention has been diverted into acute spending. Spending on prevention is often the first to go when the UK faces challenging fiscal conditions. For example, the Early Intervention Grant, which provided funding for local councils to invest in prevention, was cut by 60% over the past decade. The public health grant, which funds local authorities to provide preventative services that support health, has been cut by 26% since 2015-16 on a real-terms basis per person.[18]

Successful prevention initiatives require time to work. The Supporting Families Programme, began at a relatively small scale in 2006, but then subsequently grew substantially from 2010 to 2012 when hundreds of millions of pounds was invested into the programme. The programme targeted additional support for families facing multiple complex challenges through providing link workers at a local level to connect to services and organisations that could help them. The programme took several years to meet the scale of ambition, reaching a relatively large scale from 2015 onwards. An evaluation of the programme in 2019 found that for every £1 spent £2.28 of public value was created.[19] Fiscally, for every £1 spent on the programme, £1.51 of fiscal benefits were created although not all of these were 'cashable savings'. The point is that patient and consistent investment in prevention has been shown to deliver results, however, we lack the architecture to do this systematically.

Cultural and institutional change is required, but we also need to change the way that we spend public money to prioritise prevention.

Spending per person on the preventative services funded through the public health grant has fallen by over a fifth in real terms over the last decade, while treatment services funded through NHSE increased by a fifth.[20] This despite evidence that public health expenditure, at about £3,800 per QALY (quality-adjusted life years - a measure of how effective an intervention is in improving health), appears three to four times more productive at the margin than treatment related expenditure which costs about £13,500 per QALY.[21] The current system incentivises decision making which undermines the allocative efficiency of public spending.

Whilst money isn't everything, it is a big part of the challenge. Ultimately, it is true that governments measure what they value and value what they measure. We currently do not have the ability to accurately measure the investment in prevention. As a consequence, despite regular calls from politicians for greater investment in prevention, little has changed in practice and in many cases the reality of funding flows is at odds with the stated policy intent.

PREVENTATITVE DEPARTMENTAL EXPENDITURE LIMITS (PDEL): A NEW RING, FENCED CATEGORY OF PUBLIC SPENDING FOR PREVENTION

We need to start by measuring prevention and having a transparent process of budgeting and accounting for prevention spending.

We propose the creation of a new category within Department Expenditure Limits: Preventative Departmental Expenditure Limits (PDEL). This would classify and ring fence preventative investment, injecting long-termism into public spending.

Reclassification of public expenditure has happened before. In 1998, the incoming government separated revenue (RDEL) and capital budgets (CDEL) in order to ensure that there was sufficient capital investment in the public sector. The Economic and Fiscal Strategy Report made the case for this reform because "[i]n the past, cuts in capital expenditure were made too often as a means of accommodating

17 Rt. Hon. Jeremy Hunt, c51 HC Debate, 18 June 2018
18 D. Finch & M. Vriend, Public health grant: What it is and why greater investment is needed, 17 March 2023
19 Ministry of Housing, Communities and Local Government, National Evaluation of the Troubled Families Programme 2015-2020, March 2019
20 D. Finch & M. Vriend, Public health grant: What it is and why greater investment is needed, 17 March 2023
21 S. Martin et al, Is an Ounce of Prevention Worth a Pound of Cure? Estimates of the Impact of English Public Health Grant on Mortality and Morbidity, July 2019

short-term pressures elsewhere."[22] In the following Comprehensive Spending Review, the Government introduced revenue and capital allocations for each government department. These are now known as Resource Departmental Expenditure Limits (RDEL) and Capital Departmental Expenditure Limits (CDEL).

At present, the limits on department spending are set at periodic spending reviews, with HM Treasury allocating a total amount of Department Expenditure Limits (DEL) across departments. This in turn is split between resource spending (RDELs) and capital spending (CDELs). The balance of this split is a negotiation between HM Treasury and the departments.

In theory, prevention should be considered as part of these negotiations, with funding for prevention being allocated to departments to be spent as 'resources' (e.g. salaries, contracting programmes with third sector organisations etc.) or 'capital (e.g. new equipment, building facilities to act as hubs for services) depending on need.

In practice, this does not happen. Repeated reviews and evidence sessions with practitioners and experts have found that prevention is often not considered as part of these negotiations. Programmes for long term impact are often 'raided' to fill short-term spending gaps.

Professor Brian Ferguson, former Chief Economist for Public Health England and Director of Public Health Research has made the point that in health and social care, we do not currently know how much the whole system spends on prevention.[23] He notes that "a figure of 4-5% is typically quoted for England" on spending on prevention, but this roughly reflects the money spent on the public health grant and is a specifically identified funding stream.[24]

It is also impossible to track whether we are spending more or less on prevention than we used to, although given cuts to public health grants and early intervention grants in recent years, we can assume it is significantly lower than previously. This is because we do not classify different forms of expenditure as 'preventative' and we rarely track whether the money invested into these programmes or initiatives. The evaluation of the Supporting Families Programme, for example, is a rare attempt to track public spending on prevention over the medium to longer term.

THE BENEFITS OF PDEL WOULD BE FOUR-FOLD:

1. **A baseline for prevention** - the initial benefit would be to provide a baseline for prevention. Classification of initial preventive investment expenditure would be challenging, a matter discussed later in this paper. However, once this has been achieved, we would have the ability to track the relative balance of prevention expenditure over time and whether we are achieving the shift in public expenditure that we need.
2. **Greater accountability** - creating a dedicated form of expenditure for prevention would enable HM Treasury, Parliament and the public to hold departments to account for spending on prevention. Departments in turn would also be able to hold the agencies and other bodies that they oversee for funding they had received to carry out preventive activity.
3. **Signalling** - in the same way that the classification of 'capital expenditure' in 1998 was part of an effort to signal the importance of investing in the public estate, creating the classification of preventative investment would also signal the importance placed upon prevention. Knowing that funding could be allocated specifically for prevention would encourage officials and agencies to develop programmes and activities on prevention as this could then be part of negotiations for future spending reviews.
4. **Improving long term decision making** - Separating out prevention expenditure means that budget holders are not put in the position of having to choose between helping people in need now, and preventing needs arriving in the future. Historically we know that acute pressures can lead to short-termism in decision making, ring-fencing prevention budgets would improve long term decision making and protect prevention budgets.

If we want to give prevention a bigger slice of the pie in line with the evidence about the relative value of spending on prevention, we need an accurate assessment of its current allocation and to put in place a system that encourages and protects investment in prevention.

22 HM Treasury, Economic and Fiscal Strategy Report, June 1998
23 B Ferguson, Investing in prevention: the need to make the case now, 22 February 2016
24 Ibid.

PUTTING PREVENTATIVE DEPARTMENTAL EXPENDITURE LIMITS (PDEL) INTO PRACTICE

Achieving this shift will not happen overnight. We need to put in place a system that effectively classifies, monitors and supports preventative investment.

DEFINING PREVENTATIVE EXPENDITURE

Initially, government needs to define what we mean by 'preventative expenditure'. There are some obvious examples, for example, spending on Shared Outcomes Funds, Work Well partnerships, Family Hubs, Supporting Families initiatives and public health programmes that are clearly preventative. Other areas, such as investing in sport or leisure services; active travel; tutoring programmes for vulnerable children or other activities may fall into a 'grey area'. In particular, the challenge for prevention is that one area of spending will typically have multiple impacts and outcomes goals.

Determining their 'preventativeness' depends on a combination of evidence and intention. Accounting practices will need to be developed to deal with 'joint production'; the same spending contributing to multiple goals.

Decisions will need to be made on what to classify as preventative investment expenditure for this to effectively work.

We propose that HM Treasury establishes a Preventative Expenditure Working Group (PEWG) to look at developing a definition of 'preventative investment expenditure' and associated accounting standards, that can be put into guidance for the public sector. This should be conducted in a transparent and open way, giving credibility to the recommendations of the group.

The changing nature of government expenditure means that this working group should meet on a regular basis, to review and adapt the guidance. PEWG should bring together experts from HM Treasury, Government Departments, ONS, CIPFA, NAO, What Works Centres, Royal Colleges, Academia and Civil Society to develop a shared understanding of how to account for prevention activity.

As the term suggests, preventative investment expenditure should have two central characteristics. Firstly, it should have a clear connection to improving future health, wellbeing and social capital. Secondly, it should be long-term working over multi-year (even decade) long timescales. Identifying these characteristics, however, will have challenges which PEWG will seek to overcome through developing clear and robust guidance.

In health care prevention are those activities which reduce the incidence of disease and promote good health and wellbeing. Prevention can further be categorised into primary, secondary and tertiary prevention. Primary focused on reducing social, economic and behaviour risks factor exposure (for example reducing pollution, smoking and obesity), secondary is the systematic detection of the early stages of disease and intervening before symptoms develop (population screening and the prescribing

of statins to reduce cholesterol) and tertiary being softening the impact of ongoing illness or injury that has lasting effects.

The PEWG would need to consider where across this continuum to draw the boundary for PDEL. Inevitably there are some risks and tension depending on where the boundary is drawn. Primary prevention tends to have multi-dimensional outcome goals, tertiary prevention has a strong overlap with treatment.

Once the working group has made its report, **the Chancellor should create a Preventative Investment Unit (PIU) within HM Treasury to apply the classification across departmental budgets and to commence use in budgets and spending reviews.** This will enable consistency of implementation and allow for more rapid dissemination of learning during the initial period of the development of PDEL. Over time, individual departments could also create their own Preventative Investment Units so that they can monitor the onward transfer of resources to arms-length bodies, non-ministerial departments, local government and other agencies and ensure that allocations are being effectively spent. A central hub or resource for departments to seek advice on PDEL would still, however, be beneficial in the long term.

The PIU should also work with combined authorities and local authorities to build the capacity of local authorities to accurately measure their preventative expenditure. As more funding and responsibility for public spending is given to local authorities and combined authorities, Preventative Investment Units may need to be created at a local level to coordinate preventative expenditure. The Health Foundation is working with CIPFA to identify local government spending on prevention that may be able to further inform how local authorities can be supported through a shift to PDEL.[25]

SHIFTING THE BALANCE OF SPENDING TOWARDS PREVENTION

But just as with capital, a new ring-fenced PDEL category is not a panacea. Once a clear baseline has been created, the government should set a clear target for the increase in preventative investment over the longer-term.

As we have seen in capital expenditure, there will be an initial 'lag' from identifying the need for investment and the process of bringing on board programmes and initiatives that can effectively utilise investment. To counter this, the government should set a long term target for preventative investment expenditure, over multiple parliaments so that the system has time to adapt and infrastructure can be built to deliver it. Outcomes should also be clear and focused on long term, transformational change to lives and communities.

We also argue that prevention spending should be treated differently in the fiscal rules. In 1997, the 'golden rule' was that the government should borrow only to invest and not fund current spending. The current government's fiscal rule is for debt to be on course to fall as a percentage of national income in five years' time. Currently, the fiscal rules are laid out in the Charter for Budget Responsibility which is updated periodically.

As we enter a period of fiscal uncertainty, there is a danger that preventative investment will be squeezed out by fiscal rules that do not recognise the unique value and potential of preventative investment. We know that infrastructure and capital investment is qualitatively different from day-to-day expenditure and is more likely to lead to long term economic growth. The same is true for prevention.

In designing new fiscal rules, the government should treat capital investment and preventative investment differently from day-to-day expenditure to create the fiscal space for preventative investment to develop.

The creation of a new category of public spending PDEL, within the resource DEL framework needs to be accompanied by a wider reform to target more public spending into areas with long-term benefit. We support the proposals for a Public Investment Act, but legislation of this kind should cover both capital investment (CDEL) and prevention spend (PDEL). Focusing on capital and prevention spending together is consistent with the work over recent decades to recognise that we need to focus on social capital and wellbeing alongside physical capital and GDP.

While the amount of funding ring-fenced for prevention through PDEL would be for Government and Parliament to decide through a Public Investment Act there is a strong case for Parliament, and through them the public to have independent advice on the implications of different levels of prevention spending. This could be provided by the Office for Health Improvement and Disparities and the What Works Centres.

FOCUSING ON HIGH IMPACT PREVENTION SPENDING

Allocating investment to prevention does not guarantee that it will be spent well. The uncertain

25 CIPFA, Exploring preventative investment in local government, October 2023

nature of investment in prevention in the past is not conducive to developing effective interventions. Regular reporting and sharing lessons will be important to ensure PDEL is targeted at the most cost-effective areas of prevention spending across all public services. This could be aided the publication of a Preventative Spending Assessment (PSA) alongside spending reviews. The aim would be to consolidate the spending by departments through preventative investment expenditure and report on the evaluations of that expenditure. This is similar to the National Infrastructure Assessments undertaken by the National Infrastructure Commission. The National Infrastructure Commission or a similar body but structured to focus on preventative investment could be created to carry this out on behalf of HM Treasury to enhance its credibility and independence. The PSA should identify any cross-departmental lessons that need to be learnt and make any recommendations for how to improve preventative investment in the public sector. There is also a case for External monitoring - the National Audit Office (or a potential Office for Value for Money)[26] could regularly examine the effectiveness of preventative investment expenditure, reporting to the Public Accounts Committee on its findings.

But there is also a case for more innovative models. Alongside the creation of a target, the government could create a Preventative Investment Challenge (PIC) that would provide funding to government departments, What Works Centres, civil society organisations, social enterprises and other entities to develop policies, programmes and interventions that could achieve transformational impact through prevention.

This form of capacity building support would be in line with the government's approach to Levelling Up Funds, Towns Fund and Community Ownership Fund which recognised the importance of investing in the capacity of local authorities, civil society and citizens to generate fundable ideas in order to get the biggest possible impact from spending. A small amount of seed funding for projects could have significant long-term benefit. Challenge spending would not be considered as preventative expenditure but would be closely related.

The government would lay out specific areas of interest for funding every five years (e.g. homelessness, obesity, crime etc.) focusing on key areas which organisations could then bid in to tackle through a Preventative Investment Challenge.

Proposals that can leverage not only public but also private and philanthropic resources should be given additional weighting, building on the success of Shared Outcomes Partnerships between private sector, public sector and civil society.[27] This would not be the only way for partnerships between public, private and philanthropic actors but would help to build collaboration into the system.

Funding should be allocated for at least a period of five years, with breakpoints after two years, so that there is time to develop robust evidence bases for programmes and encourage effective spending. The Challenge could be administered by UK Research and Innovation, or some already established independent body, to ensure fairness.

CORRECTLY ESTIMATING THE VALUE OF PREVENTATIVE EXPENDITURE

A new ring-fenced category of spending for prevention is not the only change to the public finance system that needs to be considered. For example, a Preventative Expenditure Working Group will need to consider the challenge of discount rates. This is built on the idea that people prefer benefits today over benefits tomorrow. On this basis, HM Treasury's Green Book, 'discounts' future benefits. Benefits that would be 'worth' £1 today are worth only just over 70p in a decade's time. Discounting disproportionately negatively impacts long-term interventions where the benefits may take many years to work their way through the system. There is a danger that unless discount rules are changed that in the allocations between resource, capital and preventative expenditure, the first two categories will have the advantage.

Some organisations have also used a different approach, for example, NICE has suggested for public health interventions, given their long term timescales for impact, a smaller discount rate of 1.5% can be used rather than 3%.[28] Further changes have made been made through the use of 'sensitivity analysis'. This means reducing the discount rate to relatively increase the value of benefits in the future, such as those that take place over a very long period of time (e.g. more than thirty years) or in areas such as health which are valuable to us but are difficult to price. HM Treasury should consider expanding this sensitivity analysis to cover all forms of preventative expenditure when they are being compared to other categories of expenditure, such as capital or resource, so that an appropriate weighting is given to preventative expenditure. Longer term, an independent review of discount rates and the impact on public policy is needed.

26 The Guardian, Labour condemns 'catalogue of waste' on government 'credit cards', 13 February 2023
27 Big Society Capital, Outcomes for All: 10 Years of Social Outcomes Contracts, June 2022
28 National Institute for Care and Excellence, Methods for the development of NICE public health guidance (third edition), 26 September 2012

CONCLUSION

There is more work to be done to identify the opportunities and challenges in creating Preventative Departmental Expenditure Limits (PDEL). However, this paper demonstrates that there is a strong case for its potential effectiveness and that there is a practical pathway to achieving this change.

The policy case is clear, but so too is the political one. At a time when the public is increasingly concerned about the state of our public services, they need convincing that politicians have a clear vision for how to change the system to create better outcomes. In the late 1990s, the government was able to give the public a clear message about how low levels of capital investment were a barrier to better public services. By giving a clear message on how to improve the state of public services through increasing capital investment, the government was able to gain the public's confidence and sustain a consensus that lasted for nearly a decade.

We cannot simply use the playbook of the past. New times call for new interventions. Everyone knows that at the centre of improving public services is putting prevention at the core of public services. There is a golden opportunity in the run up to the next general election to take this case to the public.

In this paper we have identified how you can create the framework to put prevention at the heart of public spending and give the public confidence there is a plan to fix our public services, improve outcomes and create a stronger economy.

At a time when there is significant pressure on public spending, we need to ensure that every penny of expenditure is maximised. Preventative spending has the greatest potential to deliver transformative results that can not only deliver the highest levels of impact but also make the greatest savings to the Exchequer. However, we need to create a system of public spending decision making that incentivises and supports these long-term investments.

PDEL is a simple, but powerful, idea that can lay the platform for reform of public services bringing them into the 21st Century.

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