DEMOS

The Health Foundation

THE PREVENTATIVE SHIFT

HOW CAN WE EMBED PREVENTION AND ACHIEVE LONG TERM MISSIONS

A DEMOS - HEALTH FOUNDATION DISCUSSION PAPER

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ABOUT THIS REPORT

This report is part of an ongoing series of work by Demos making the case for a more preventative state, one that shifts from firefighting mode to preventing problems before they arise to improve people's lives and reduce the spiralling cost of public services. It is central to Demos' focus on more ambitious public service reform. *The Preventative State* that we are advocate for focuses on fixing the foundations of society, and since July 2023 we have been working in partnership with the Health Foundation to explore the options for ringfencing preventative spending to create the momentum to invest and track prevention spending. This paper focuses on the culture shift that would require.

INTRODUCTION

The state is stuck in a doom loop, servicing the consequences of ill health, poor educational outcomes and cycles of disadvantage. There is increasing cross party consensus and, with the Labour government, a clearly stated ambition in Whitehall to move towards a more preventative approach, as Demos and others have argued. The question is increasingly not whether this shift should be made, but how. The health system is currently considering a ten-year plan with one of the three main aims to be a shift to prevention, the education system is examining how to get upstream of later worklessness, and the criminal justice system is desperately trying to prevent reoffending to solve the bursting prisons crisis.

At the heart of all of these issues is complexity and problems that cut across the silos of government. In Demos' recent Future Public Services Taskforce[1] we argued that reform is the only route to tackle the current pressures from failing public services and extreme fiscal pressures. There is not an option to put ever more money into public services, so they will need to reform in order to achieve local experimentation to tackle this complexity. For government to truly break out of the doom loop of demand for public services and innovate out of the current situation, it needs to find a way, over time, to prioritise prevention over the day-to-day expenditure being sucked into servicing the growing problems of the nation.

In July 2023, Demos, in collaboration with the Health Foundation, published a paper *Revenue, Capital, Prevention: A New Public Spending Framework for the Future*.[2] The paper called for the creation of a new classification of public expenditure, *Preventative Departmental Expenditure Limits (PDEL)*. At a strategic level, PDEL would sit alongside the existing classifications of expenditure, Capital Departmental Expenditure Limits (CDEL) and Revenue Departmental Expenditure Limits (RDEL). The aim would be to identify, ringfence, prioritise and find ways to boost expenditure on prevention in order to achieve the fundamental 'shift to prevention' which many have called for within public spending. The paper sought to create a new institutional architecture for the implementation of PDEL.

In order to achieve this, we recommended:

1. The creation of a Preventative Expenditure Working Group (PEWG) to look at developing a definition of preventative expenditure in line with associated accounting standards and the development of guidance.
2. The creation of a Preventative Investment Unit (PIU) within HM Treasury to apply the classification across department budgets and support the implementation of PDEL into budgets and spending reviews.

1 B. Glover, The Reform Dividend: A roadmap to liberate public services, 2024
2 A. O'Brien et al, Revenue, Capital, Prevention: A New Public Spending Framework for the Future, Demos, October 2023

3. The passage of a *Public Investment Act* to create a target for preventative expenditure and set the requirement to monitor its achievement.

4. Develop a Preventative Investment Challenge (PIC) to fund the development of preventative programmes across government departments, What Works Centres, civil society organisations, social enterprises and other entities building on the success of innovations such as Shared Outcome Funds.[3]

The shift to prevention is about funding mechanisms and Whitehall initiatives. But is also about stimulating a cultural shift across the system to prioritise prevention. This paper develops the case for how PDEL could help to achieve a 'preventative shift' that changes the culture within policy making and better enables the government to achieve long term missions.

This paper goes alongside another, *Counting What Matters*,[4] published in December 2024, that shows how PDEL could be practically embedded into financial and accounting systems within government.

3 Big Society Capital, Outcomes for All: 10 Years of Social Outcomes Contracts, June 2022
4 O'Brien, Counting What Matters, Demos, December 2024

THE CURRENT CRISIS

This paper makes the case that changing the accounting rules to expose public spending on prevention is not just a technical reform, but one designed to drive culture change across the government and the wider public sector. It would enable the preventative shift required to reset the state's activities for the long term. We examine the concepts that limit such cultural innovation in governments. But it is important to ground this in the reality of the current crisis in many public services in which long-term underfunding has driven activities away from prevention and towards a more reactive function.

In the years since austerity and the ongoing crisis in many public services, many services have been reduced to addressing the immediate problems. So, in the NHS, public health funding has been reduced, and demand for hospital care soared; in children's social care, early help has been cut, resulting in growing numbers of children going into care and inflating the bill for residential support; and services to reduce reoffending have been reduced only for the prison population to expand. This is what we described as the doom loop in public services, growing ever more reactive to escalating demand.

The argument that we make is that in the longer-term costs will only be reduced by focusing on preventative ways of working to reduce this demand on services. This creates a short-term tension that additional investment is needed now to initiate this reset just when the public finances are so under pressure. PDEL will require some additional funding, though part of the argument we make is that simply exposing what is already spent creates visibility and starts the culture change. It's also possible to use PDEL to leverage in social finance and philanthropic spending and, in the long-term, the right investment in prevention will also reduce costs. But in the short term, ending the doom loop will require some committed investment in prevention.

However, additional spend alone won't deliver the desired shift because the system is culturally stuck in reactive mode. This is inhibiting the innovation needed for reform. Indeed, the cultural blockers we explore explain some of the resistance to even considering preventative spending in the first place. In this paper we explore the wider cultural blockers to reforming the state to examine how to achieve the preventative shift that so many advocate for.

OVERVIEW OF PDEL

Preventative Departmental Expenditure Limits (PDEL), or any type of preventative expenditure classification, seek to provide strategic and operational impact on the way that the government carries out its work. The 'theory of change' is that by identifying the spending, it can be prioritised, written into the fiscal rules more clearly and the government can be held to account for delivering on its commitments. But the aim is also that the *culture* of decision making within government will make a 'preventative shift'.

If this theory of change were put into practice, it would mean three key shifts in how policy and spending decisions are made:

1. Greater consideration for long-term outcomes and impact in government policy and financial decision taking. This would also allow for tracking of costs and savings across different government departments, which has previously been a drag on truly preventative approaches.
2. A focus on strengthening the fundamental assets of people and communities (e.g. health, wellbeing, social capital etc).
3. A rebalancing of resources towards people, services and infrastructure that are preventative.

PDEL would help to do this by:

- Encouraging policy makers to properly evaluate the impact of policy and financial decisions on whether they are 'preventative' by forcing classification.
- Creating accountability for decision making through tracking and monitoring of spend on preventative activities.
- Giving certainty to policy makers, public sector bodies, voluntary, community and social enterprise sector and private sector partners about the opportunity to develop preventative interventions. It would achieve this by making such interventions truly transparent and trackable thus distinguishing them from other activities.

KEY MESSAGES

- Cultural change is essential to delivering long term missions and 'mission-driven' governments that require partnership across multiple departments and actors.
- Culture change requires enabling institutional reforms to embed the right behaviours. There is a clear link between process and culture and the two can be mutually reinforcing.
- When the state of public finance means the bar for additional investment is very high, PDEL could help to achieve that through encouraging politicians, officials and system leaders to confront the current state of prevention, derisk investments in prevention and provide policy certainty about the need to deliver prevention.
- Spending on 'missions' could be driven through PDEL or a wider PDEL-style classification to encourage investment in interventions that are focused on long term transformation within government and avoid 'mission-wash'.

MISSION-DRIVEN: CHANGING CULTURE WITHIN GOVERNMENT

Successive governments have failed to move to more preventative focused ways of working, despite the very obvious case to do so. That failure exposes some of the structural shortcomings of the modern state, beyond the current chronic underfunding of many services: for example, government operates in deeply entrenched silos that prevent the joined up approach that many human problems need to solve them; political cycles mean short term results are often prioritised over more beneficial long term solutions.

Changing the culture of decision making is at the top of mind because the current government has a bold ambition to change the way that the country is governed. The Prime Minister has embarked on 'mission-driven government' as a way to develop a long-term approach to tackling the biggest challenges facing the country, including in reforming public services. A central purpose of the missions is to break down silos in the state and between sectors to focus on particular challenges. Indeed, this is something of a cross-party pursuit, for instance the previous government's levelling up strategy was designed with a mission driven approach.

Prevention is embedded as a theme across some of the missions, particularly in health, the "safer streets" and opportunities mission. It has big consequences for the growth mission, where preventing worklessness is key to improving the workforce and powering economic growth. The Prime Minister, Chancellor and Health Secretary, Wes Streeting, have all referenced the need to shift towards prevention, indicating a clear link between mission-driven approaches and making a preventative shift. As an article from the Health Foundation over the summer noted, there are significant barriers to making prevention-led policy including short-termism and siloes that prevent collaboration, as well as cultural ones.[5] It's too early to say whether the mission-led approach is succeeding in government. There have been some structural reforms to make mission-driven government happen, for example, through the creation of five mission boards - each corresponding to one of the new government's missions. The goal of the mission boards

5 L. Marshall et al, How can the next government take prevention from rhetoric to reality?, Health Foundation 7 June 2024

is to align all relevant departments and bodies across government - orienting resources, time, energy and priorities towards each mission – setting the strategic direction of government.

There are already signs that short-termism and acting in a siloed way is being reinforced within government mission plans. The 'plan for change' set out in December 2024 provides 'mission milestones' which are effectively more tangible and immediate targets. While this may be politically advantageous to show early success to the electorate, such a near term focus on very specific outcomes risks reinforcing the existing short-termist culture. Rather than providing a framework to tackle the longer-term structural issues which underpin many immediate policy challenges, there is instead a narrow and near term focus on outcomes such as: reducing hospital backlogs, increasing police numbers; and improving educational outcomes of 5 year olds.

Earlier this year, a House of Commons Liaison Committee report on the strategic capabilities of government highlighted weaknesses in the culture as being a major barrier to enabling the government to pursue the kind of long term strategy that typifies preventative approaches.[6] The report noted that "organisational, machinery and process changes are necessary to reinforce a strategic approach".[7] Typically, reports have called for the centre of government to be strengthened such as increasing the size and capabilities of the Cabinet Office or No.10.[8] However, simply adding more officials or capacity without cultural change is unlikely to be successful.

In *The Preventative State*, Demos called for a "cultural reset" that would see the government prioritise prevention and "follow the money" to ensure that prevention was more than just a slogan.[9] We made the case not just for targeted interventions such as stop smoking services, or school interventions for teenagers, but for a whole new class of "foundational policy" to get much further upstream of problems to create the societal resilience to prevent them arising at all. This focuses in particular on strengthening social capital, given the evidence that social connection and strong communities are a strong factor in preventing crime, ill health and worklessness, among other things. From this work, and in collaboration with the Health Foundation, the proposal of creating *Preventative Departmental Expenditure Limits (PDEL)* emerged as a way to achieve this cultural shift.

The idea that prioritising spending and allowing scrutiny or openness about it can drive cultural change within government has been part of mainstream thought for decades. The Nolan Committee's *Seven Principles of Public Life* include "openness" recognising that better decisions are made where it is clear how they are being made and why they are being made.[10] The Institute for Government's report *Better Policy Making* repeatedly referenced the need to "open up" policy making to improve outcomes.[11]

In the recent history of governments, public expenditure was one of the first areas to be subject to increased scrutiny to drive better decision making. Giving Parliament control over budgeting and raising revenues was intended to ensure that corruption was harder to achieve and to better align decision making with the views of wider stakeholders. Over time, greater transparency has been given through the Budget making process through the development of the 'Red Book' in the 1970s. The creation of the National Audit Office and the Office for Budget Responsibility have also sought to change the culture of decision making through the power of scrutiny.

6 House of Commons Liaison Committee, Promoting national strategy: How select committee scrutiny can improve strategic thinking in Whitehall, May 2024
7 Ibid.
8 Institute for Government, Power with purpose: Final report of the Commission on the Centre of Government, March 2024
9 A. O'Brien et al, The Preventative State: Rebuilding our Local, Social and Civic Foundations, April 2023
10 Lord Nolan, First Report of the Committee on Standards in Public Life, 1995
11 T. Sasse & A. Thomas, Better Policy Making, Institute for Government, March 2022

However, greater scrutiny does not necessarily mean better outcomes. As Professor David Heald notes in his chapter of *Transparency: The Key to Better Governance*, there are *varieties* of transparency and accountability that can lead to better or worse outcomes, this means that "thoughtful policy design and implementation are essential".[12] It is important that changes encourage long term thinking and do not create perverse incentives or lead to gaming. Ultimately, institutional and organisational reforms are about changing the *culture* of organisations, so that those working within them approach challenges with the right mindset and come to decisions that are in the best interests of those that they are there to serve. Changing the rules without changing the culture is likely to have minimal impact. Changing the rules, and processes or systems, is a key plank of culture change to provide the structures that help to shift norms alongside leadership, shared values and ways of working.

Mission-driven government, as a major cultural shift, requires policy approaches that can effectively incentivise the system to make a significant adaptation in the way that it thinks and makes decisions. We believe that PDEL could help to make mission-driven government a reality.

In summary, our case is that PDEL is part of a long lineage of institutional and structural changes that have sought to improve the culture of decision making through tracking and classification of government expenditure. The shift towards prevention is also an essential outcome of at least some of the missions, and the ways of working it demands is well aligned to the mission-driven approach.

The next section considers how PDEL could achieve this in practice through its institutional structure and design.

12 C. Hood, Varieties of Transparency, in. C. Hood & D. Heald (eds), Transparency: The Key to Better Governance?, Proceeding for the British Academy, 2006

PDEL
SHIFTING OUR CULTURE TOWARDS PREVENTION

BOUNDED RATIONALITY, PROSPECT THEORY AND PATH DEPENDENCY: THE TRIADIC DILEMMA

Successive governments have paid lip service to prevention, and the logic prevails in most policymakers first instincts. But the system's strong centre of gravity centres on the short term, and the silos tend to prevail, as we have discussed above. Our contention is that there are deeply rooted cultural factors that underlie this.

One policy area where there is a high level of consensus is the need to shift our healthcare system towards prevention. The Health Secretary has made a number of interventions that indicate the need to do more to focus on prevention. At Labour Party Conference, he called for the health service to "reform or die", by making three shifts, including one towards prevention.[13] These echo similar words from the former Health Secretary, and later Chancellor of the Exchequer, Jeremy Hunt who in 2018 said that despite efforts to fund prevention, the structure of the system 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."[14]

Positive words about prevention go back even further. In 2001, the then Secretary of State for Health, now Labour Advisor, Alan Milburn, called for reforms to "strike a balance between prevention and treatment"[15] and tried to create systems where primary care trusts would be able to shift resources between the two more effectively.[16] The Coalition Government's *Programme for Government*, also included a commitment to do more to prevent ill-health, rather than

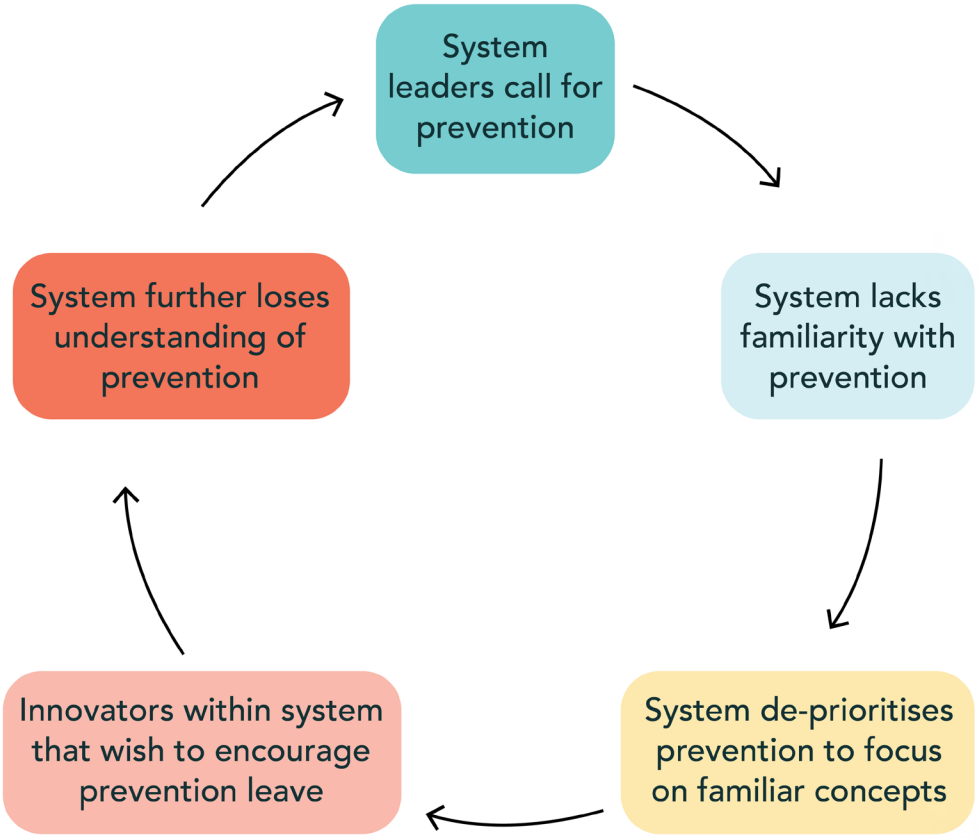
13 Labour Party, Wes Streeting speech at Labour Party Conference 2024, 25 September 2024
14 Rt. Hon. Jeremy Hunt, c51 HC Debate, 18 June 2018
15 Rt. Hon. Alan Milburn, c201 HC Deb, 20 November 2001
16 Rt. Hon. Alan Milburn, c173 HC Deb, 14 November 2002

simply treating it.[17] The point is that whilst the political desire to shift towards prevention has been constant over the past twenty five years, it has been a struggle to make the change on the ground.

There are a number of cultural reasons why despite the desire to shift towards prevention, the shift has not been possible to deliver in practice.

Firstly, government is often limited by what Herbert Simon termed "bounded rationality". According to this theory, organisations (particularly public administration) are not free to process all the information in an unbiased manner but have limitations in how they see the world due to their expertise and experience. This leads to stasis whereby decisions are progressively constrained due to cognitive limitations that prevent new information or ideas from being effectively processed.[18] Figure 1 below shows that this could inhibit a shift towards prevention.

FIGURE 1
BOUNDED RATIONALITY IN PREVENTION AS A CULTURAL LOOP



The health system clearly faces structural challenges of underfunding, and its treasured universal approach means it can't manage demand by reducing services, like councils might do on bin collections, for example. But it is also particularly prone to problems of bounded rationality. Individuals are highly trained and expert both at a subject matter and organisational level. Consequently, they are prone to positive biases towards their own fields of expertise. For the vast majority of those both within the health system and managing the system, prevention is unlikely to have been the core area of their expertise. This leads to the system feeling unable

17 HM Government, The Coalition: Our programme for government, May 2010
18 J. Shafran et al, Bounded Rationality in Public Administration, Oxford Research Encyclopedia of Politics, 27 October 2020

to take decisions on the most effective ways to encourage prevention, preferring more familiar methods of intervention instead. It's this theory that goes some of the way to explain why change is so hard in public services.

Secondly, organisations (like human beings in general) tend to weigh losses more heavily than potential gains, as outlined by Kahneman and Tversky's idea of "Prospect Theory".[19] Much like bounded rationality, agents within the system are unable to accurately process the information around them because they are likely to give undue weight to the risks of a shift towards prevention than the potential gains. This is particularly true in a political environment in which the rewards from shifting to preventative activity could take years, potentially decades, to emerge and those responsible are unlikely to be present for the benefits. In this scenario, organisations are even less likely to value the benefits of prevention compared to the short-term benefits of being seen to maintain the status quo. The bar for change is much higher than the bar for pursuing a failing status quo.

Many, if not all, elements of public services are not only more risk averse (given the severe consequences from failure) but also because of resource limitations. The financial constraints on much of the system means that a shift of resources from one activity to another is likely to be seen as even riskier than in an environment where resources are abundant.

Finally, there is the challenge of path dependency. As noted by Nobel Prize winning economist Douglass C. North institutions have a high cost of set up and once they are created generate powerful forces to maintain their own stability.[20] This is not stability for its own sake but rather because these institutions are subject to increasing returns which mean that through dominating the institutional landscape they reward those that have been successful within them.[21] In essence, the problem we face is that the institutions which were set up previously in the pre-prevention mindset are still in place, and through their longevity have seen increasing returns for participants (e.g. policy makers, managers and clinicians) who are specialists in meeting the needs of the current system (i.e. reactive/acute services).

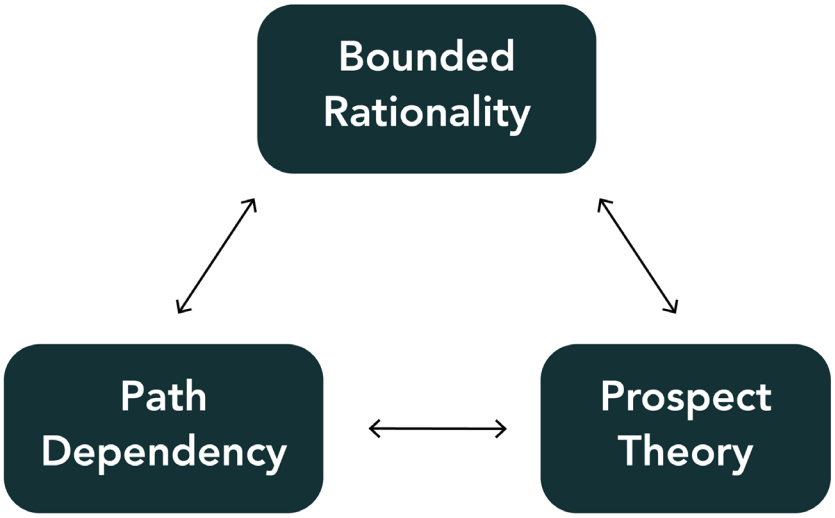
Taking these three broad challenges into account, we can see why historically it has been difficult for the system to be able to respond to calls for a shift to prevention:

1. Bounded rationality means that institutions are unable to process information and make decisions on prevention.
2. Prospect theory increases the perceived risk of prevention compounded by cognitive biases which leads to imbalance in the calculation between risk and reward and reduces chances of a shift towards prevention.
3. Path dependency further reinforces the gains from sticking to the status quo through providing increasing gains for those that are able to manage the current system.

Each of these factors interlock to create a triadic dilemma which is difficult to resolve as outlined in Figure 2 on the following page.

19 D. Kahneman & A. Tversky, Prospect Theory: An Analysis of Decision under Risk, Econometrica, Vol. 47, No.2, March 1979
20 D. C. North, Institutions, Institutional Change and Economic Performance, Cambridge University Press, 1990
21 P. Pierson, Increasing Returns, Path Dependence, and the Study of Politics, American Political Science Review, Vol. 94, No.2, June 2000

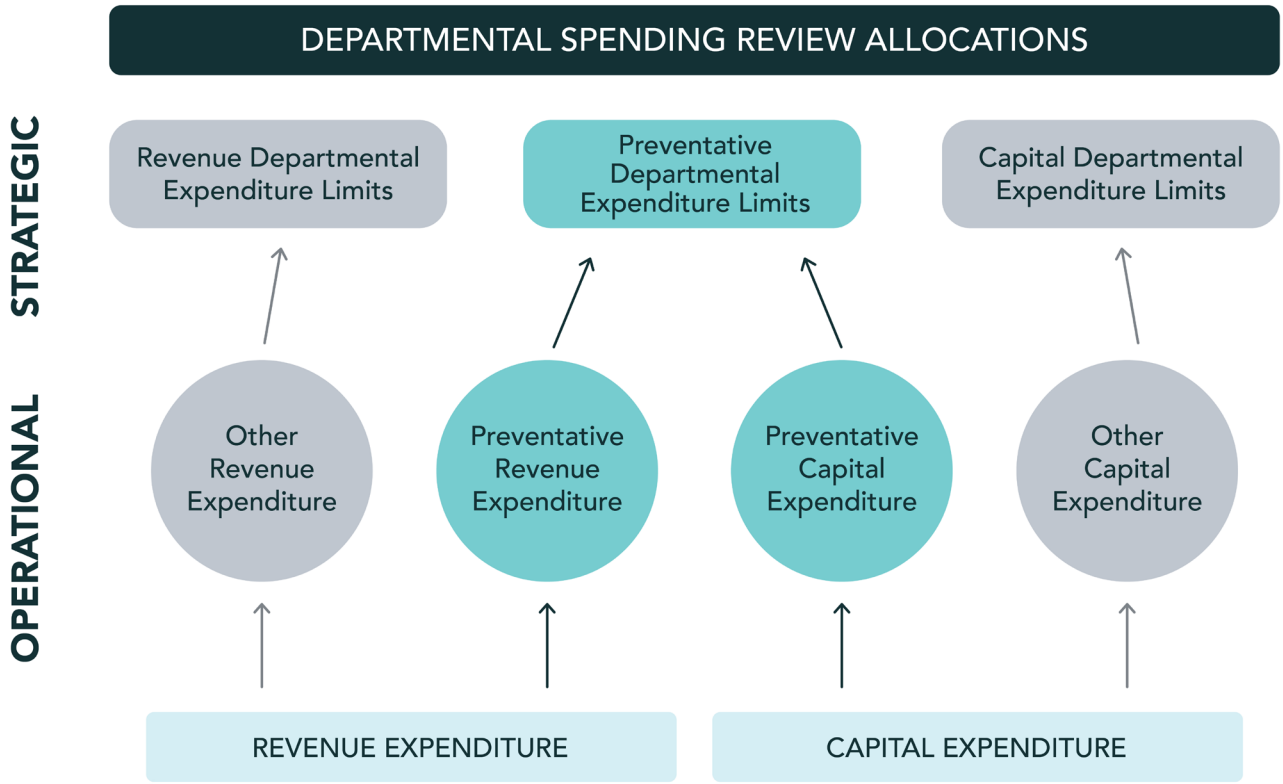
FIGURE 2
BARRIERS TO PREVENTION - A TRIADIC DILEMMA



Overcoming this dilemma will require major reforms that tackle the foundations of these interlocking challenges. On the pull side, ***derisking*** prevention through better understanding of the types and scale of preventative activities should help to reduce the impact of cognitive bias. Alongside this ***transparency*** should reward those actors that make the biggest steps towards a shift to prevention. On the push side, ***scrutiny*** could create negative consequences for institutions that fail to adapt to the need to move towards a greater focus on prevention.

In broad terms, PDEL is a policy that would create a new classification of public expenditure focused on prevention. This would involve the classification of different types of public expenditure and tracking that over time. This would be integrated into the way that departments are allocated resources, with a clear delineation of resources to be spent on preventative activities. This would then be ring-fenced for that activity over the budgetary period and accounted for on an annual basis. In theory, this would enable the government to better monitor the total amount of resources being expended on carrying out preventative activities. Figure 3 on the following page outlines how PDEL would operate within the budgeting process and how it would interact with existing spending classifications.

FIGURE 3
PDEL & PREVENTATIVE EXPENDITURE CLASSIFICATION



Source: Demos analysis

A central assumption for the development of PDEL is that politicians, policy makers and systems genuinely want to make the shift towards greater levels of prevention. Recent work by Nesta interviewed former secretaries of state and prime ministers about their experiences of trying to improve the nation's health and many expressed their regret that they had not made more progress on prevention.[22] There is also a strong consensus amongst doctors,[23] nurses[24] and health experts[25] that we need to make a shift towards prevention. But it cuts across sectors too: In children's social care, there is a widespread frustration that in recent years there has been a shift from early help for families to more children being removed into care. This is widely shared amongst social workers, family court legal professionals and families alike.[26]

Although this may seem a banal point to make, any cultural change depends on the leadership of key stakeholders within the system and acceptance of the need to change. Political leadership in particular will need to be maintained to provide incentives for other actors to continue the journey towards a greater focus on prevention. The foundations for a preventative shift appear to be there, but will need to be maintained if a policy such as PDEL is to succeed.

22 Dr Dolly Van Tullekan et al, Nourishing Britain, Nesta, November 2024
23 British Medical Association, Prevention before cure: Prioritising population health, 2019
24 Royal College of Nurses, Prevention is better than cure, accessed November 2024
25 L. Marshall et al, How can the next government take prevention from rhetoric to reality?, Health Foundation 7 June 2024
26 P. Curtis, Behind Closed Doors - why we break up families, and how to mend them, Virago 2022

CLASSIFICATION AS A TOOL TO TACKLE BOUNDED RATIONALITY

One of the ways the triadic dilemma can be overcome is through improving the processing of information so that there is better understanding both of the current state of preventative investment and what is entailed in embedding prevention into systems.

The challenge of overcoming the bounded rationality of institutions is compounded by a lack of information which makes it easy to ignore or underplay the shift that is required in activity, leaving it purely as an 'abstract' problem to be resolved rather than something practical that needs to be urgently tackled.

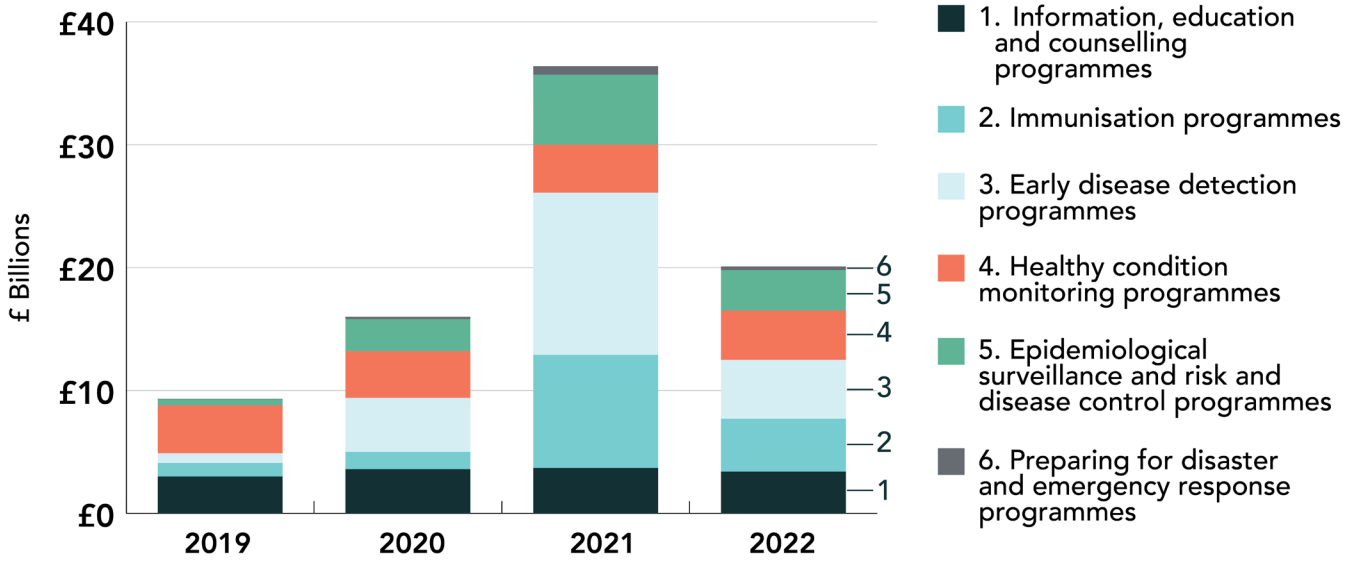
Health is an interesting case because as we have noted in a previous report,[27] health is one of those areas of public policy where the classification of expenditure is more advanced than in other settings. However, whilst it is true that health spending classification is more advanced, there remain significant gaps.The NHS Confederation's recent paper on prevention found that a lack of clarity about what is prevention and defining preventative interventions as a barrier to making a cultural shift towards prevention.[28] As can be seen from Chart 1 on the following page, the classification of health expenditure is still relatively tightly focused and ignores large numbers of interventions which are preventative in intent.

The lack of consistency of classification of preventative activity makes it easier for actors either to claim bigger shifts in behaviour than have actively taken place (for example, the pandemic saw a significant shift into one form of preventative expenditure, namely vaccination but did not mark a long term change towards prevention) or alternatively it makes it easier to cover over the fact that relatively limited progress has been made in the shift that is outlined.

As we have outlined previously, PDEL would encourage clarity throughout the process of its development. To begin with, this would be achieved through merely stating whether new expenditure is preventative under the definition established by HM Treasury's Preventative Expenditure Working Group (PEWG) - a simple yes/no system. The group would be tasked with reconciling some of the complexity around defining what constitutes prevention. This would not add excessive burden as impact assessments are already required for most policy and spending decisions. For existing spending a 'Preventative Expenditure Audit' (PEA) would be necessary. This would not be a historical exercise (i.e. seeking to identify whether HM Government intended for X expenditure to be preventative) but to give a view on whether the *current* government sees the activity as preventative. This exercise alone would force the system to confront the realities of preventative expenditure within their organisations and would create systems for codifying prevention.

27 A. O'Brien & A. Charlesworth, Counting what matters, December 2024
28 P. Cairney et al, Unlocking prevention in integrated care systems, NHS Confederation, October 2024

CHART 1
UK HEALTH ACCOUNTS - PREVENTATIVE EXPENDITURE 2022-23



Source: ONS

Moreover, the lack of information about prevention reinforces the system's perception that this is not an area of priority focus. The lack of classification of expenditure also, perversely, *derisks* inaction because it makes it easier for actors within institutions to avoid confronting the lack of progress being made. It is a common refrain in public policy for actors to blame definitions or measurement frameworks as not being fit for purpose and therefore to not be taken seriously. Whilst it is true that measurement frameworks must be fit for purpose, this should not prevent serious effort to put in place effective classification and tracking. PDEL would mean that decision makers and leaders of systems would not be able to ignore the realities of preventative expenditure within their service areas.

TRACKING AND MEASUREMENT AS TOOLS TO DERISK PREVENTATIVE INVESTMENT

Another challenge is the perceived risk of prevention compared to other interventions. A recent NHS Confederation paper on unlocking prevention in integrated care systems (ICSs) highlighted three barriers: clarity, congruity and capacity.[29] The authors of this paper highlight the views of the system on prevention. "Prevention does not generally deliver economic growth or immediate 'cashable' savings – two central imperatives for politicians…[f]or local public bodies, prevention sounds like a great way to collaborate, but only after they deliver their high stakes statutory commitments and respond to immediate demands."[30] They go on to add that prevention's "offer is not attractive to governments seeking to avoid controversial or risky investments and reduce spending, in turn making them less appealing to cash-strapped national and local decision makers."[31]

This is not just a challenge in the health system. According to the National Audit Office's recent report on learning the lessons from implementing long term planning and spending frameworks "there are often too few incentives for officials and ministers to prioritise spending on

29 P. Cairney et al, Unlocking prevention in integrated care systems, NHS Confederation, October 2024
30 Ibid.
31 Ibid.

prevention of future costs or on renewing or upgrading assets to be fit for the future. Ministerial and official turnover means the credit for long-term successes, and any criticism for long-term damage to public value, will likely fall to others in future

The most powerful example of this is the continuous sacrifice of a long term solution for the broken social care system. Ministers have continuously prioritised shorter term attempts to improve waiting times for hospital appointments, rather than improving social care to reduce demand on hospitals. It is essential to be able to get the system to see the benefits of prevention if we are going to make a preventative shift. This is not because of a lack of evidence. Research by Frontier Economics in 2021, found that foundational investments in social capital could have significant impacts on health and wellbeing, as well as other key outputs, quicker than traditional capital investments.[32]

The evidence that can be required by policymakers before deeming an intervention is effective or not is also a barrier to taking a preventative approach. Most social issues are the product of complex systems, for which there is unlikely to be one silver bullet policy that can address a given issue. In relation to obesity policy, Harry Rutter has explained that random control trials are held up at the top of the research hierarchy, but are "suited to assessing the effectiveness or otherwise of measurable, short-term, direct effects." Yet many of the policies required in this space "may be measurable only at population level, over longer periods…, with only indirect effects." The system itself may then adapt to account for any given policy change. A prevention approach can ensure a wider overview of the various policy mechanisms required for success is taken and provide the understanding of the system as a whole that needs to change.

Classification of expenditure will help to tackle some of the cultural barriers towards prevention, particularly by confronting the bounded rationality of systems and decision makers. However, to de-risk prevention, we need to go further and ensure that we can demonstrate the impact of preventative activities and hold key actors within the system, the people making policy and delivering it, to account.

One of the ways that PDEL could help would be to create guidance on assessing and analysing proposals for preventative expenditure, a 'colour book' akin to the Green Book used by HM Treasury currently.[33] By creating a standard approach for assessing proposals, PDEL could help to give those working in health (and other sectors) more confidence to be able to make judgements between allocating resources between prevention and other forms of spending.

Over time, as new services or programmes were introduced, PDEL would provide a stable platform to better understand the impact of particular initiatives. One of our recommendations, the creation of a 'Preventative Investment Unit' (PIU) could become a centre for best practice on preventative activities across government. This would help to tackle what the National Audit Office has called "a weak culture of evaluation."[34]

Going beyond this, we need to track the impact of preventative expenditure. At present, it is difficult to see across the system where preventative interventions have had impact because of a lack of information. PDEL would enable us to break down expenditure within departments, and through the process of gathering departmental information, across various services including health, local government and other key areas. Being able to see the difference between levels of investment and the outcomes generated within places on key population health metrics, would enable us to make stronger links between different types of preventative expenditure and their outcomes on the ground. This information could be further shared across the system to enable system leaders to re-evaluate the relative risks and rewards for preventative expenditure.

32 Frontier Economics, The impacts of social infrastructure investment, June 2021
33 A. O'Brien & A. Charlesworth, Counting what matters, December 2024
34 National Audit Office, Lesson learned: a planning and spending framework that enables long-term value for money, October 2024

At a political level, as we have noted before, the original RDEL/CDEL split was developed in order to increase the political returns for politicians from increasing capital investment. The then Chancellor of the Exchequer, Gordon Brown, had made repeated arguments about the need to increase capital expenditure in order to support economic growth. However, there was no easy way for the government to demonstrate the shift in capital investment due to the way that public spending was presented. The development of RDEL/CDEL enabled the government to tell a story about the way that spending was shifted and this helped to derisk concerns that long term investments in capital would not have wider political benefits. This in turn influenced the rest of the system which could see that policy makers were committed to capital investment.

However, despite the prominence of CDEL it hasn't successfully led to the protection of Capital budgets or growing capital investment over the longer term. For instance, capital spend fell in real terms from 2010/11 and only returned to 2017/18 levels in 2019/20. Even within the health budget, which was relatively protected from real term cuts over this period, capital spending fell until 2016/17. The pattern was clear because of the CDEL category but wider accountability and focus on short term outcomes left CDEL exposed. Transfers to cover day-to-day health spending (RDEL) were allowed from 2014/15 through to 2020/21, filling gaps in the public finances.[35] Ultimately leaders within the system were held accountable to immediate patient outcomes, over investing in the capability of the system longer term, from hospital maintenance to investing in new equipment.

Academics have noted that many countries have struggled to embed prevention into practice due to a lack of consistency in commitment to preventative investments.[36] This increases the risks for officials and system leaders to embed prevention if they believe that policy makers will shift away from a focus on prevention. Just as the RDEL/CDEL split created a regular reporting framework and mechanism for politicians to speak about levels of capital investment, PDEL could do the same for prevention. In turn, this could create the long term stability for officials and system leaders to plan for prevention, knowing that there will be a continued focus on investment in this area. For this approach to succeed, officials would also need to be held accountable to achieving preventative outcomes. If the focus remains on achieving specific shorter term outcomes, the PDEL framework alone is unlikely to achieve a culture shift.

USING FINANCIAL REPORTING TO SHIFT THE PATH DEPENDENCY OF INSTITUTIONS

As we have noted, the path dependency of institutions can make cultural change very difficult to achieve, particularly when institutions have been geared up towards specific types of interventions. This is especially true in health and care where so much focus traditionally has been on the ability to deal with acute need, particularly through emergency care.

Shifting the path dependency of institutions requires significant reform that embeds a new way of thinking about problems. Historically, financial reporting shifts have enabled these big cultural shifts to take place. Recent Nobel Prize winning economists Daron Acemoglu and James Robinson have argued that it was reforms to give Parliament more scrutiny over taxation and spending, to make the system more transparent that prevented self-interest and corruption from dominating political institutions that dogged other comparator economies.[37] Bodies such as the National Audit Office and Office for Budget Responsibility in recent decades have also shifted the culture of the public sector both in terms of focus on 'value for money' and long term planning.

35 Institute for Government. Capital spending in public services: Fixing how the government invests in the NHS, schools and prisons. June 2024

36 M. Guglielmin et al, A scoping review of the implementation of health in all policies at the local level, Health Policy, Vol. 122, Issue 3, March 2018

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The RDEL/CDEL split discussed in our original paper provides further evidence that measuring and counting what matters does change outcomes. From the introduction of the RDEL/CDEL accounting split, public capital investment did increase, rising from 1.6% of GDP over the past forty five years to 1.8% of GDP over the past twenty five years and averaging over 2% of GDP over the past ten years.[38] Following the money can provide powerful incentives for systems to adapt.

In the case of health and care, the UK has a number of opportunities through its single payer system which gives significant levers for accountability and motivation to the rest of the system. In having to collect financial information for HM Treasury on the levels of preventative expenditure, departments (e.g. Department for Health and Social Care) will have to collect further information from integrated care systems, who in turn will need to collect information from individual trusts and primary care providers.

PDEL is also the foundation on which other methods can be used to further build institutional mechanisms for encouraging a cultural shift towards prevention. These can also reinforce accountability. For example, some have advocated for a Public Investment Act which would include targets for government investment.[39] Similar targets could be created for preventative expenditure, along the lines of the 1% minimum proposed by Patricia Hewitt's review of ICSs.[40] In order to carry out this sort of target-setting, there would need to be an institutional mechanism for implementation, which PDEL could provide.

Shifting the culture of a system that was built for an age where long term prevention was not the focus will be challenging. From the outside there are warning signs of a prevention approach already slipping in the approach to the Spending Review which appears to be focused on individual departmental budgets and marginal reductions to planned activity in an environment in which further reductions to planned spend are being mooted. A shift to support a prevention approach would instead view spending through the lens of broader policy areas, such as the longer term mission aims, or issues such as reducing poverty or health inequalities – both of which require cross-government approaches to be successful. Underlying such a shift is recognition of how the costs and benefits to achieving the policy aim accrue across different departments, and then taking account of the overall gains when considering the public finances. This can also be extended into devolution plans and when thinking about the responsibilities of combined authorities and mayoral regions so that the benefits of localised policy to national departments is recognised in budget settlements.

As Table 1 highlights, there is a clear case for how PDEL can be a useful prompt to start enabling such cultural change to enable a long-term, mission-driven approach to government to be effectively implemented.

38 D. Acemoglu & J. Robinson, Why Nations Fail: The Origins of Power, Prosperity, and Poverty, Profile Books, 2013
39 B. Zaranko, Public investment: what you need to know, 25 April 2024
40 F. Odamtten & J. Smith, Cutting the cuts, Resolution Foundation, March 2023

TABLE 1
PDEL AS PROMPT FOR CULTURAL CHANGE TO ENABLE A PREVENTATIVE SHIFT

CHALLENGE	SOLUTION	ROLE OF PDEL
Bounded rationality means that institutions are unable to process information and make effective decisions on prevention	Improve knowledge and understanding of prevention	Classification of preventative expenditure with PDEL will encourage system to engage with preventative activities and better understand the types of activities already being undertaken
Cognitive bias (e.g. prospect theory) leads to prevention being seen as more risky than it actually is	Ensure consistency within policy framework and reward those that shift resources to prevention	Tracking and monitoring preventative expenditure would reward politicians, officials and system leaders that are able to make a shift in resources towards prevention and ensure consistency of focus
Path dependency of institutions means that they are resistant to prevention as they have succeed in a non-preventative system	Use financial resources to shift the system through greater levels of accountability and target setting	PDEL would create a baseline that could be used to effectively hold institutions to account and provide data for future target setting

Any form of cultural shift towards prevention will take time to implement, however, it will not be possible for any government to make a significant shift towards preventative action if it is not able to change the culture of the institutions that deliver key services, such as health and care.

The rhetorical commitment towards prevention is evident across key public services, including health, but these commitments need to be embedded through a clear programme of institutional reform. PDEL would be a low-cost but effective mechanism of enabling this change to take place, tackling the key cultural barriers towards embedding prevention.

PDEL AND MISSION-DRIVEN GOVERNMENT

The government has ambitious plans to drive its five key missions and create a 'decade of national renewal'. Similar to prevention, this wider mission-driven agenda will require tools to ensure a long term focus on outcomes and delivery. They will require working across traditional silos of government - indeed the key shared aim is this desire to work across the traditional silos of government. Naturally, one of those tools is likely to be the use of public expenditure to drive forward the missions. The government has described its upcoming Spending Review as a "mission led" spending review, providing a natural opportunity to make this shift.

The danger for mission-driven government and public expenditure is, however, similar to the risk of preventative expenditure that everything becomes 'mission-related' and identifying the key elements of expenditure becomes very difficult to achieve. Some actors in the health system, for example, have made the same criticism of prevention. Ultimately, mission-related expenditure (like prevention) needs to be bounded and that means making some choices between what is mission-driven and what is simply the day-to-day activity of government that needs to carry on regardless. If the centre does not have the ability to delineate expenditure in a consistent way, there is a danger that this could encourage all parts of the public sector to carry on as before, assuming that their own work is 'mission-driven' due to a lack of clear direction.

As we have discussed in relation to prevention, spending classifications need to have both a strategic and operational case. The cultural aspects cut across these - they need to be articulated and modelled at a strategic level, and deeply embedded in the operational practice of delivering public services and policy. Strategically, does the way that spending is classified drive the behaviours that policy makers are seeking? Operationally, is it possible to classify public expenditure in a way that is practical and implementable. In the case of PDEL, we believe that there is a good reason to answer "yes" to both questions. However, could the same be true for 'mission-driven' public expenditure? What role could PDEL play in supporting mission driven government?

The government could choose to pilot PDEL to power the preventative strands of the missions in the first instance, taking a "test and learn" approach within that context before mainstreaming the activity to business as usual outside of the missions.

There are some obvious barriers to deploying PDEL within the missions rather than within departmental day to day spending. Firstly, the missions are all very different from each other and some are incredibly wide ranging (e.g. breaking down barriers to opportunity at every stage). Prevention has a clear typology and a significant amount of literature behind it, which enables a greater level of concentration. The relevant missions would have to be designed with prevention in mind, consciously prioritising workstream for prevention, which in itself would be achieving the outcome of raising the profile and importance of preventative work. Secondly, one of the benefits of a 'PDEL'-style approach is the long term consistency that can be unlocked. As noted above, this is critical to cultural change. Missions that are liable to change every few years are not likely to be a strong basis for public spending classification, whereas prevention as a concept and aim is much more stable.

If these barriers could be overcome, in particular clarification about the intent of the missions and the prioritisation of prevention within them, then it could be possible to use PDEL-style classifications to drive the system to focus on mission-driven interventions and to ensure the appropriate balance of resources. Given the central role that prevention will play in achieving several of the missions outlined by the government, prevention could be integrated within mission budgets before being 'spun out' into departmental budgets once the mission-driven phase of governing has been successfully completed.

Whether it is advancing prevention or prevention as part of mission-driven government more broadly, however, institutional reforms are essential to avoid the missions or prevention being lost in claim and counterclaim by various parties; what they are currently doing (or would like to do) achieves those goals. To govern is to choose, and the government needs to choose a mechanism for public expenditure classification and implementation that advances its core goals.

CONCLUSION

The country desperately needs a 'preventative shift' but the institutional structures and behaviours we currently have are key barriers to delivering that shift. At the same time, we have an ambitious government which wants to focus on long term transformation and 'missions' but which lacks the institutional tools to drive forward those ambitions.

Creating Preventative Departmental Expenditure Limits (PDEL) is a clear way that the government can achieve two goals simultaneously. Embedding prevention is key service areas through classifying, monitoring and tracking spend would lead to long term transformation and be mission-oriented. It would also provide a clear signal to the system that the government is serious about cultural and institutional change.

To meet current need and invest in prevention will require additional funding in the short-term, but this investment alone won't go far enough. It needs to be accompanied by a cultural reset towards prevention, as we have set out in this paper. The innovation required to end the doom loop in public services demands it.

It would also have benefits beyond cultural change. Better monitoring of preventative spending would give the public, private and civil society sectors greater confidence to work together around shared goals and encourage long term investment. It would also give communities the opportunity to mobilise their resources knowing that there will be a consistent focus on prevention. It would further encourage innovation, giving officials and system leaders the knowledge that they can think boldly about prevention.

At its core, however, PDEL is a tool of cultural change. Measuring and tracking prevention will not make our public services preventative overnight. But it could change the behaviours of actors within government and our public services to see the benefits of prevention and to overcome biases against taking a long-term approach.

Mission-driven government and prevention are, therefore, closely aligned. Both design long termism and cross government working. Both require significant cultural change and institutional reform. Both require patience and political leadership. Both require partnership working and engaging with communities to deliver results.

It is impossible to predict exactly the results from introducing PDEL to the culture of government and the public sector, but we have strong evidence from previous initiatives that public expenditure changes can have a powerful motivating impact on the wider system.

Ahead of the next Spending Review, there is an opportunity for the government to begin embedding PDEL into public spending and set the platform for mission-driven government over the next decade.

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