

Roots of the 2020 Green Book Levelling Up Review

In 2019 a chorus of criticism

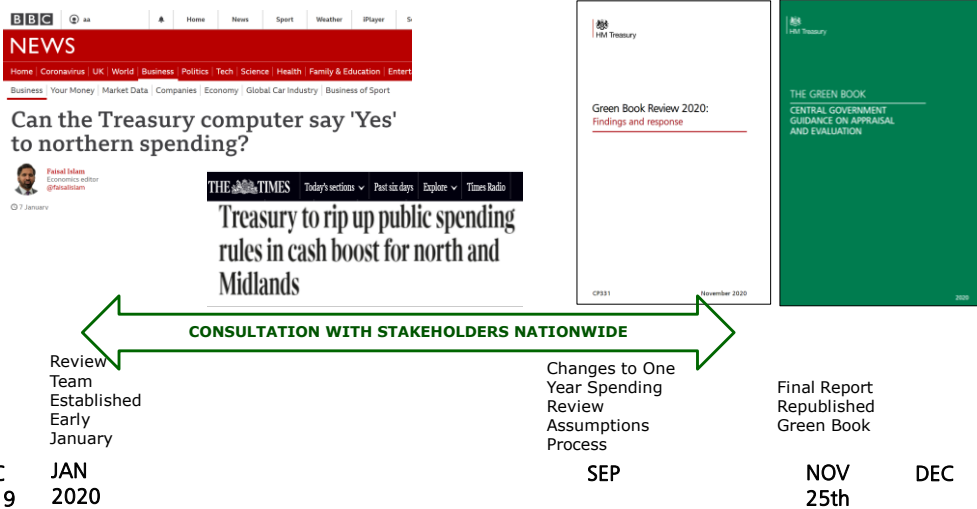
January 2020 review set up to assess criticisms in the context of the Government's 'levelling-up' agenda.

Alleged:

- ❑ Systematic bias towards London and the South East
- ❑ The 'Tyranny of the BCRs'
- ❑ Overlook unmonetised benefits.
- ❑ No allowance for 'transformational' or other complex effects
- ❑ No focus on where or by whom effects are felt
- ❑ Guidance responsible for strategic policy faults

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The Green Book Review - Overview



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Key Questions

What is the critique telling us?

- About the guidance
- Particularly is there any systematic Bias
- What else is wrong
- How is the guidance understood
- How is it being used in practice

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Key findings

- No systematic methodological bias, a view echoed by:
 - Professor Henry Overman (LSE)
 - The Centre for Cities.
- Significant problems in understanding of the Treasury “Five Case Model” leading to
- Significant poor practice in application of the Green Book.

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Key findings

Problems in common practice stemming from a failure to understand and use the Treasury Five Case Model leading to:

- ❑ Not working in a joined up way from the outset across disciplines/functions and public organisations
- ❑ Not developing a clear strategic context of proposals, defining objectives and interaction with other public policies and organisations
- ❑ Not developing proposals in an integrated way where objectives drive choices for delivery that are appraised for social/public value.

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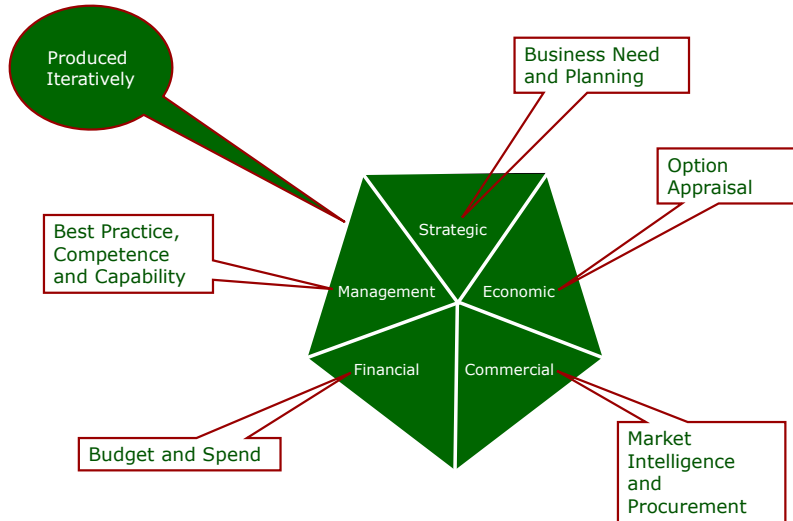
Key findings

Problems in common practice stemming from a failure to understand and use the Treasury Five Case Model leading to:

- ❑ Failure to conduct long list analysis and shortlist selection as set out in the Guidance with narrow thinking and retro fitting
- ❑ Benefit Cost Ratios considered in isolation from the the objectives and the scope of the proposal
- ❑ Spurious BCR maximisation
- ❑ Failure to apply Optimism Bias correctly or conduct appropriate risk management planning

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The 5 case model – renewed emphasis



Key findings

Problems in common practice stemming from a failure to understand and use the Treasury Five Case Model leading to:

- ❑ Failure to develop proposals in an integrated way so that risk, commercial, management and cost issues are considered in an integrated way as part of choice in designing a shortlist.
- ❑ Benefit Cost Ratios considered in isolation from the objectives and the scope of the proposal
- ❑ Spurious BCR maximisation
- ❑ Failure to apply Optimism Bias correctly or conduct appropriate risk management planning

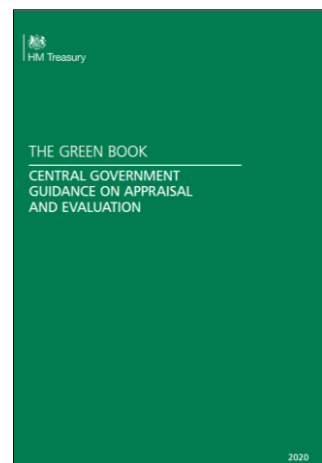
Results and Key Changes November 2020

- ❑ A programme to create a significant change in the culture of understanding and application of the improved guidance.
- ❑ A review of all existing guidance relating to spending to ensure consistency with the new 2020 Green Book and to improve clarity
- ❑ New Green Book with:
 - ❑ Stronger guidance on appraisal process joint working and the Five Case Model
 - ❑ Clearer guidance on the strategic and economic dimensions of the case
 - ❑ New guidance and obligations to consider place based issues and effects
 - ❑ New guidance on Transformational change and systemic and dynamic considerations

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What is the Green Book and what is it for?

- ❑ Guidance to officials on creation and presentation of objective transparent decision support advice to ministers and other elected and appointed decision makers.
- ❑ Not an algorithm and cannot be employed as one.
- ❑ Ministers (or other decision makers) decide on the subjects of policy their priority objectives.
- ❑ Green Book advice focuses on finding the most socially efficient ways of achieving objectives to deliver public/social value for money.



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Policy and the wider context



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Key changes 2020 Green Book

- ❑ Clarification of the role of the Green Book and appraisal in decision support
- ❑ Clarification on the role strategic objectives from the outset.
- ❑ Inclusion of guidance linking strategic policy objectives with Strategic Portfolios, Programmes and Projects.
- ❑ Inclusion of a requirement for a logical change process - a golden thread explaining how the changes proposed will lead to attainment of the objectives
- ❑ New guidance on place based appraisal, and local employment effects.

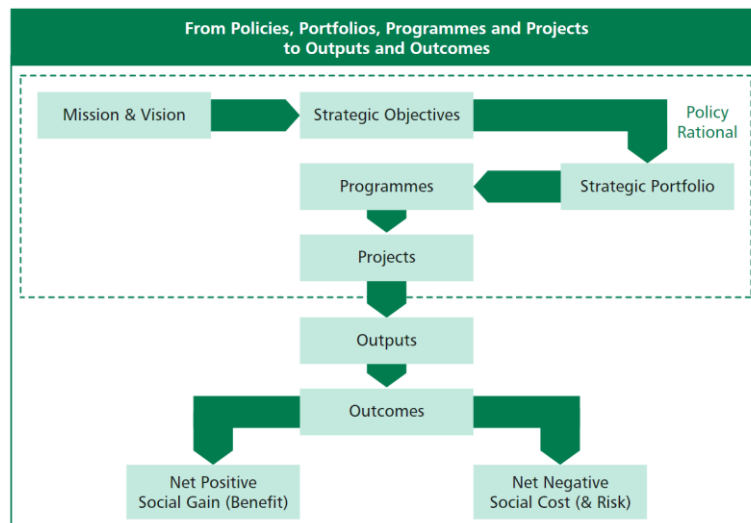
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Focus on role of strategic objectives

- ❑ Strategy belongs at the beginning and not the end!
- ❑ Understanding how the Five Case Model works particularly how the five dimensions interact
- ❑ New clearer guidance, strategic policy objectives, pursued through strategic portfolios of, programmes and projects
- ❑ The role of the strategic dimension in setting objectives from the outset to driver other dimensions.
- ❑ Objectively based logical change process linking proposed changes to objectives and outcomes.

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Linking Policy to Outcomes



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Still to come

A sustained programme of culture change with:

- ❑ widespread training across the public sector
- ❑ internet based support site and use of technology
- ❑ user lead community of good practice

The publication in early 2021 of

- ❑ new extended Optimism Bias values.
- ❑ supplementary guidance Strategic Portfolio Business Case's
- ❑ a review of the social time preference discount rate applied to climate change

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Where to find it

The Green Book
and Business Case Guidance
freely available in plain English



Just "google" HM Treasury Green Book

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More detail on the Green Book changes

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The Strategic Dimension

- Should include understanding:
 - The Rationale i.e. Business As Usual (BAU) and the SMART objectives, Business Needs, and the Objective Logical Change Process.
 - An explanation of the logical change process – cause and effect – from BAU to SMART objectives?
 - Strategic Fit i.e. how does this fit programmes, portfolios and policies of which it is a part and with wider government priorities, commitments and objectives?
 - Whether Place Based, Equalities and/or Distributional appraisal is needed and if so how detailed.

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Transparent longlisting and shortlist selection

- ❑ Clarification of robust guidance on the longlist and selection of the shortlist using the Green Book Options Framework Filter
- ❑ Stronger and clearer guidance on public/social value for money and how objectives with unmonetisable benefits can be taken into account
- ❑ Clearer more robust requirements on the presentation of evidence, use of ranges and the transparent treatment of risk costs.
- ❑ Clearer guidance on the distributional effects and public sector equalities duty

Stronger and clearer guidance on VfM

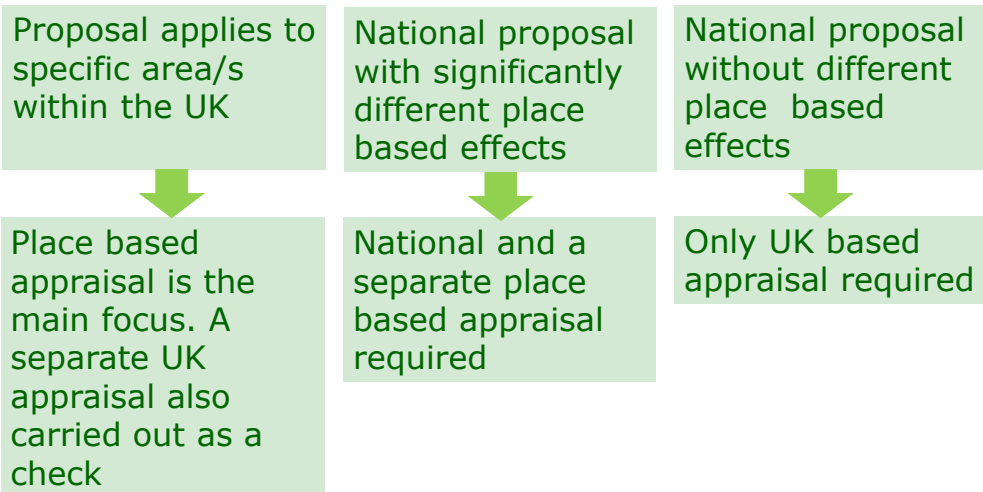
- ❑ Social Value for Money VfM is clearly defined in chapter 5 table 18
- ❑ Every option in the shortlist **must** meet the SMART objectives.
- ❑ Options not delivering the SMART objectives are not Social Value for Money- no matter how high their Net Present Social/Public Value (NPSV) or the Benefit Cost Ratio (BCR).
- ❑ Optimism Bias and Risk Costs must be included in accordance with the Green Book and Risk Mitigation and Management included.
- ❑ Objectives with significant but unmonetisable benefits must be accounted for by revealing the cost of their inclusion to decision makers who decide if it is a price worth paying.

New place based guidance

- New guidance on local employment effects is provided giving employment multipliers applied following adjustments for the below effects.
- The inclusion of employment changes in the area in question, after adjustment for objectively based estimates of Substitution, Displacement and Leakage.
- Substitution – substitution of one type of labour for another to harvest benefit without increasing employment.
- Displacement – reductions in employment that offset positive employment gains within the area.
- Leakage – such as commuting in from other areas so employment 'leak outs' of a target area into others.

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New place based guidance



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New guidance on transformational changes

- ❑ Transformational change is defined as resulting in a persisting fundamental structural change that is virtually irreversible.
- ❑ Consideration of transformational effects is required when;
 - ❑ transformational change is a specific objective.
 - ❑ where it may result as a collateral unintended effect
 - ❑ where change is taking place exogenously, i.e. independently in the external environment for example global warming)
- ❑ Planned achievement of a transformation usually requires multiple changes across many fronts organised through strategic portfolios

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Cultural Change

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Delivering and Embedding cultural change

- ❑ A training programme for the SCS to outline the changed approach
- ❑ Communication across all functions / professions on key results of the review the need for working across functions and departments
- ❑ The Green Book approach to be included in training for Programme and Project Senior Responsible Owners' (SRO's)
- ❑ A new approach to the Spending Review process
- ❑ Renewed Promotion of the Better Business Cases Accreditation and Training Programme across the public sector and partner organisations

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Delivering and Embedding cultural change

- ❑ Promotion of the refreshed web based HMT Master Class Programme for Business Case Reviewers
- ❑ Updated Introduction to Green Book Appraisal for Analysts delivered through the GES
- ❑ Support for other training programmes as required
- ❑ From April 2021 all infrastructure projects and programmes on the Government's Major Projects Portfolio to publish a summary business case within four months of final approval
- ❑ A commitment by HMT to audit and review business cases to monitor quality and incentivise improvement.

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Delivering and Embedding cultural change

- ❑ Commitment to build and sustain a community of good practice to share expertise and solutions
- ❑ User led Green Book / Business Case user group to build a shared culture with:
 - ❑ A User website with a forum for exchange of experience
 - ❑ Virtual web meetings eventually physical
 - ❑ FAQs, Case Studies and Blogs and Bite Size Videos on Green Book topics

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End

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