

Green Book Roadshow Presentation

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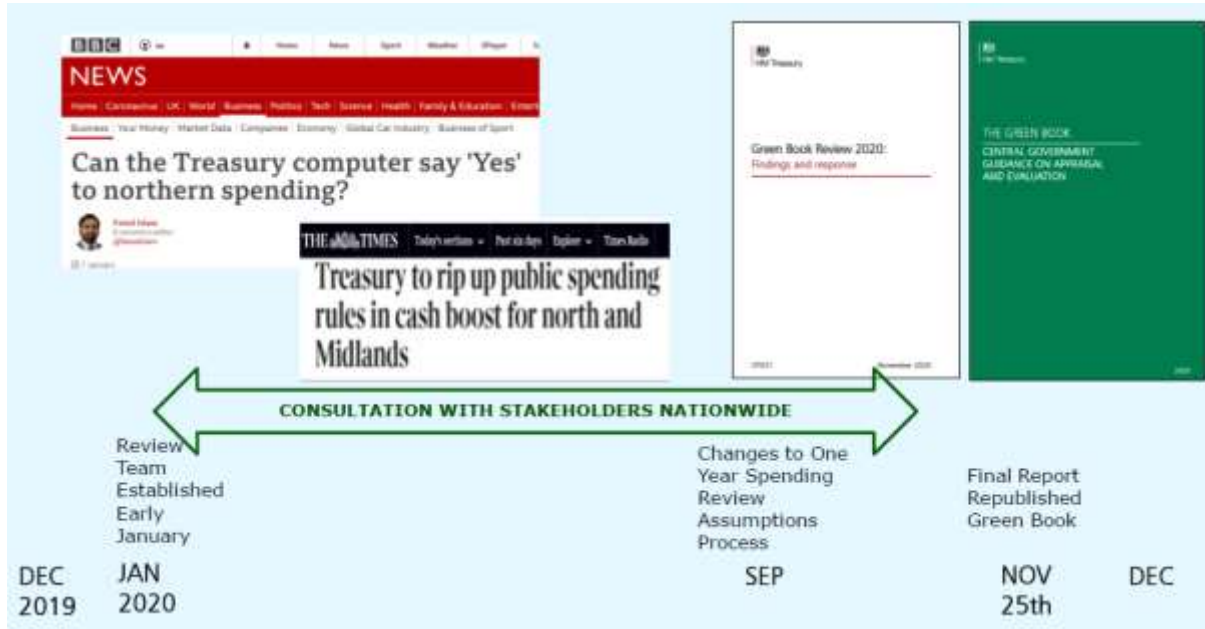
Roots of the 2020 Green Book Levelling Up Review

In 2019 a chorus of criticism

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

- A lightning rod for discontent with capital spending
- 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 of by whom effects are felt
 - Guidance responsible for strategic policy faults

The Green Book Review – Overview



Key Questions

What is the critique telling us?

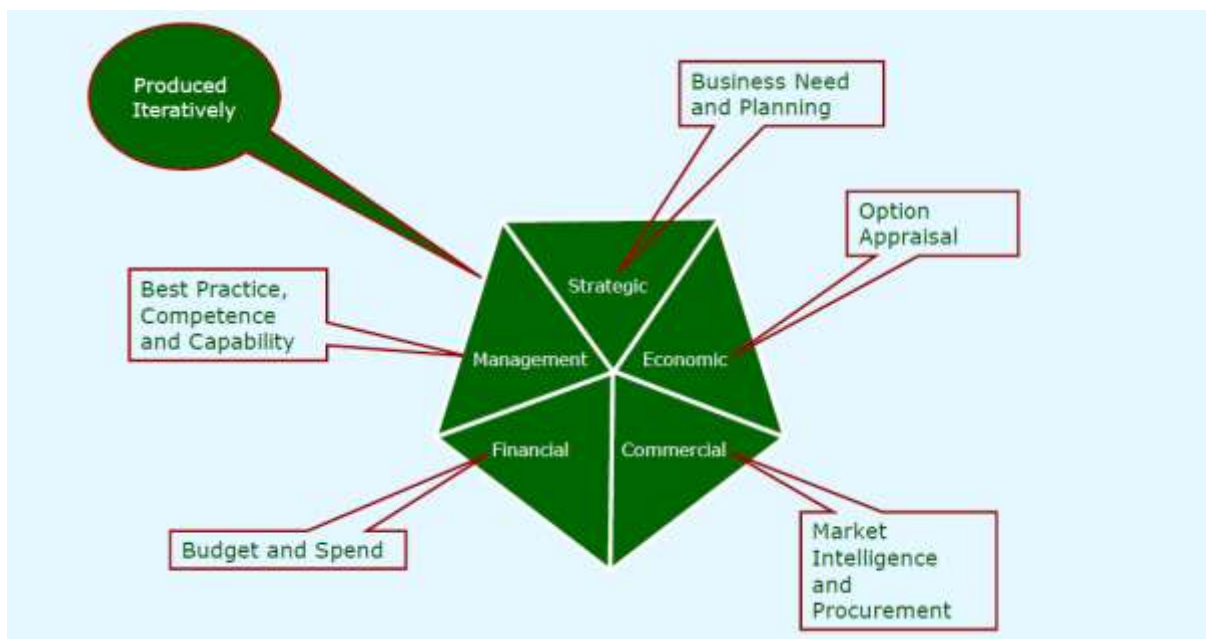
About the guidance

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

Key findings of the 2020 Green Book review

- 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
- A need for clearer stronger guidance on several issues

Key findings - The need to emphasise correct use of the 5 case model



Key Findings

Faults in common practice stemming from a failure to understand and use the Treasury Five Case Model.

Leading to not:

- Understanding the role and purpose of Green Book appraisal
- Working in a joined up way from the outset across disciplines/functions and public organisations

- Developing a clear strategic context of proposals, defining objectives and interaction with other public policies and organisations
- Using the strategic dimension so that objectives drive choices for delivery in short list selection, that are then appraised for social/public value.

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 considering, risk, commercial, management and cost issues 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

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 scope of the proposal and SMART objectives
- Leading to spurious BCR maximisation
- Failure to apply Optimism Bias correctly or conduct appropriate risk management planning

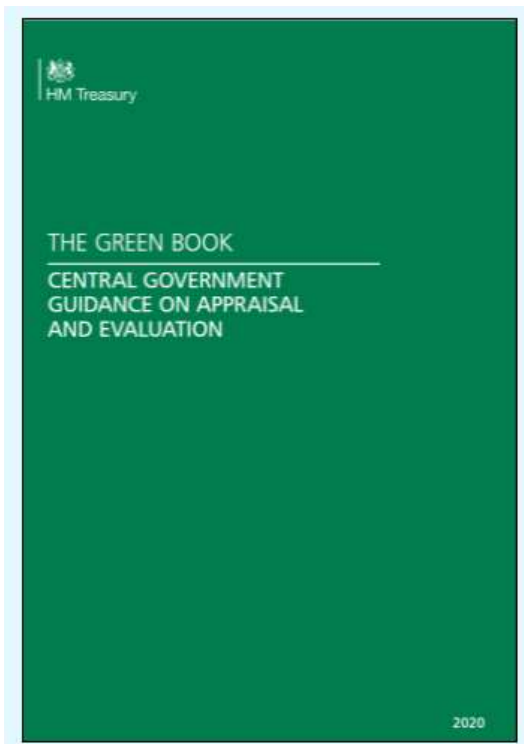
Results and Key Changes November 2020

- 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
- 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

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.



Policy and the wider context

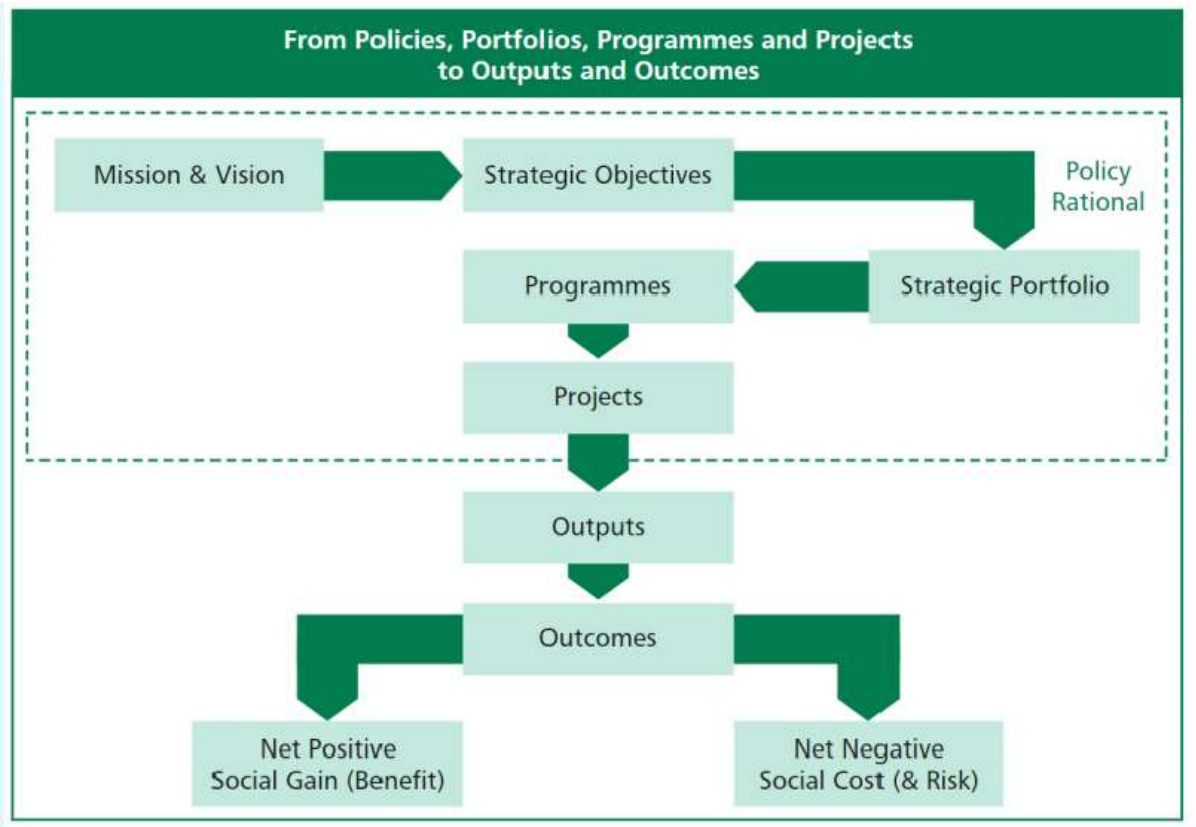
Political, Economic, Social, Technological, Environmental, Legal (PESTLE)



Key changes 2020 Green Book - An increased focus on role of strategic priorities and objectives

- Clarification of the role of the Green Book and appraisal in decision support
- Inclusion of guidance linking strategic priorities that must drive objectives of Strategic Portfolios, Programmes and Projects.
- Inclusion of guidance on how SMART objectives drive choices at longlist analysis leading to short list selection.
- Inclusion of a mandatory requirement for a logical change process - a golden thread explaining how the changes proposed will lead to attainment of the objectives and how this supports strategic priorities.

Key changes 2020 Green Book - Linking Policy to Outcomes



Key changes 2020 Green Book - Transparent longlisting and shortlist selection

- Clarification of guidance on longlist analysis and selection of the shortlist with mandatory use of the Green Book Options Framework Filter
- Clearer more robust requirements on the presentation of evidence, use of value ranges not just point estimates, sensitivity analysis
- Clearer guidance on the treatment and quantification of risk and the transparent treatment of risk costs.
- Clearer guidance on the distributional effects and public sector equalities duty
- New guidance on place based appraisal, and local employment effects.

Key changes 2020 Green Book - 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.

Key changes 2020 Green Book 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

Publication in early 2021 of

- New extended Optimism Bias values.
- Strategic Portfolio Business Case guidance
- Review of the social time preference discount rate as applied to climate change

Where to find it



More detail on the 2020 Green Book - New place based guidance

- 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

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

Delivering and Embedding cultural change continued

- 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 / inclusion of modules in, other training programmes, e.g. project leadership programme and policy profession training.
- 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
- Treasury GEP to audit and review business cases to monitor quality learn lessons and incentivise improvement.

Delivering and Embedding cultural change continued

- User led Green Book / Business Case user group to share expertise and solutions :
 - Users meetings 2 or 3 a year at first all web based eventually physical large scale meetings
 - A User website with a forum for exchange of experience
 - FAQs, Case Studies and Blogs and Bite Size Videos on Green Book topics

Summary of Key changes 2020 Green Book 1

- Clarification of the role of the Green Book and appraisal in decision support
- Inclusion of guidance on how Policy can be developed through Strategic Portfolios of Programmes, Programmes and Projects.
- Inclusion of a requirement for a logical change process - a golden thread linking strategic policy objectives with portfolios, programmes, and projects.
- Clarification of the relationship between project outputs and the outcomes resulting from programmes and portfolios.
- More clarity on the role of strategic objectives from the outset
- More clarity on how Strategy drives longlist analysis and shortlist selection through SMART objectives

- New guidance on place based appraisal, and local employment effects.
- Clear guidance on social and public value

Summary of Key changes 2020 Green Book 2

- Clearer guidance on how risk and uncertainty are treated and the use of ranges of values not just point estimates with a more thorough requirement on the presentation of evidence.
- Stronger and clearer advice on value for money and how unmonetisable benefits can be taken into account.
- New guidance on transformational change, systems effects and changes over time in the relationships used in calculations.
- More on distributional impacts and equalities including, legal duties under the Public Sector Equality Duty (PSED) and the Children and Families Act
- Improved guidance on the treatment of uncertainty and risk and the publication in early 2021 of improved Optimism Bias allowances.
- Publication in early 2021 of supplementary guidance on the Strategic Portfolio Business Case.
- A review of the discounting of climate change effects