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The Treasury fights back

Roger Steer

It was little noticed but the Chancellor in his Spending review on 25th November announced revisions to the Green Book, the Treasury rules for evaluating the costs and benefits of public investments.

Some people have got excited about this: including the Northern Research group who have lobbied for extra public spending in the North.

In a statement, the group said it was thrilled to see;

"the tearing-up of the Green Book rules that favours investment in London and the south-east"

and said it was;

"clear this northern chancellor has actively engaged with the Northern Research Group's agenda".

Sunak announces record peacetime borrowing to combat historic downturn | Politics | The Guardian

This seems to be an exaggeration.

But, let's look at the claims and changes.

The changes and the reasons for changes are usefully summarised in a document not readily advertised on the Treasury website.The Northern Research Group may have thought that they could bully the Treasury into turning a blind eye to its pet projects but the Treasury is a beast not easily roused and when it does it takes the opportunity to deal with a stack of issues in its in-tray at the same time.

So it appears that the Northern Research Group has had some impact in the acknowledgement of issues, relating to the ranking of transport schemes where the Benefit Cost Ratio (BCR) is most used.

But, in practical terms, in healthcare, I cannot see that the revised changes will make it any easier to bulldoze the Treasury into turning a blind eye to dubious projects.

And… by using the Governments own strategic priorities against them (*levelling –up, reducing emissions and tackling inequality*) they may be making the task much harder

For example, in Healthcare four of the six new hospital projects earmarked for funding are either in Watford or south of Watford. And most involve consolidation, rationalisation and increasing the amount of travelling to more inaccessible places, increasing emissions and impacting badly on inequality.

But the worst of it, for the NHS, is that the threat is that the blinkers are coming off, the blind-eye opened and increased standards of assurance will be demanded in future.

The Treasury highlight a string of the common failings in business cases, which those that examine NHS business cases will long recognise:

- **Failure to engage with the strategic context**: It is a common failure not to understand that business cases are there to help decisions that support political priorities, investment objectives and not to get approval for "good things". The NHS appear not to have cottoned on to the fact that Covid might represent a change in strategic context which challenges previous policies based on rationalisation, cutting capacity and living with fewer more intensively worked specialist staff.

- **Failure to produce well –defined investment objectives**

  Not only does the NHS usually fail to clarify, in SMART terms, objectives but fails to show how its proposals will deliver them. For example; in a recent business case the main objective was to address specialist staffing shortages and yet its proposals not only cut the staff numbers but shifted the problem onto neighbouring Trusts. Similarly vague assertions that "sustainability" would be created are undermined by the costs incurred by the new model, the claiming of benefits from transferring catchment to neighbouring Trusts, and by inserting huge unidentified savings targets into projections.

- **Weak Strategic cases**

  Choosing options, in the first place, to evaluate, is identified as the root of problems. Again I have seen three "gold-plated" options presented for evaluation, completely putting aside the need for a "do–minimum" option and serious consideration of cheaper, smaller scoped options. Is it really a national objective to build a new specialist hospital in South London?

- **Failure to consider wider costs and to suggest more certainty in the costing of benefits than is justified**

  The Treasury reinforce the message that costs and benefits should be calculated for society as a whole in a transparent way, not just the impacts for the proposer.

  Cost shifting is not a benefit, and imposing extra costs onto the most disadvantaged groups needs to be fully costed, and identified.

- **The case made, fails to illuminate the issues but is presented as a "black box".**

  This defeats understanding, limits the range of options available and obfuscates whether goals will be achieved.

- **Transformation is claimed without justification**

  It is not clear that the changes in practice proposed are dependent on the investment proposed or that investments will lead to the changes claimed.

- **A lack of joined up thinking**

  It is not clear whether wider potential changes to social care, transport policies or to staffing strategies have been factored into proposals.

- **Analysis is not robust**

  This seems to be a polite way of saying that figures have been invented to justify investments.

In addition the Treasury acknowledge what they term process errors: lack of transparency in decision making; the encouragement of speculative bidding based on exaggerated benefits; lack of capacity to review and appraise proposals; over-reliance on consultants; lack of band-width and understanding, experience and consistent rigorous scrutiny of business cases; lack of investment in post project evaluation and consideration of the impact of inequalities as an afterthought.

They identify what they intend in the revised Green Book recently published:

- To make it a strategic requirement to establish clear objectives in the first place
- Give clearer guidance on Value for Money and to ensure that options are correctly designed at the outset.
- Clarify how to appraise transformational change, explain how place based analysis can be presented, how equalities impacts can be assessed and how environmental impacts costed and discounted.
- A robust strategic case for each investment proposal for 2021.
- A new emphasis on business case review, more training, and closer working with proposers before approval.
- More support, more transparency and more commitment to audit and review.

So how well have the drafters done in achieving their objectives?

On the face of it the revised Green book is even clearer and straightforward in its messages… but the devil is in the detail and the NHS will be searching for wriggle room.

All extant business case processes should be returning to go and project Boards considering whether: their understanding of the strategic context is adequate and relevant in the light of Covid and a new willingness to invest in infrastructure and in staff; the strategic objectives and case for change is sufficient for purpose; and whether the right options have been evaluated, chosen appropriately for full analysis which is sufficiently robust to justify the investment proposals. I can think of at least one example where this will not be the case.

What straws will be clutched in these circumstances?

The description of the workshop based shortlisting process , facilitated by experts and dominated by local professionals still gives too much power to local vested interests to exclude options for proper consideration; by legitimising the claims of the "transformation " industry there is still too much scope for the inclusion of dubious benefits into calculations; and by giving an excuse (of lack of training, experience, scrutiny, and assurance capacity) an open ended escape clause may have been created for exploitation . Threats of post project evaluation, audit and review will not keep managers awake at night if they can have a new hospital on their CV.

My conclusion is that for all the technocratic rhetoric that the Treasury use they have the knowledge and the experience to know when they are being taken for a ride by the NHS desperate to get a slice of the new National Infrastructure pie.

They can intervene as they see fit and will juggle capital approvals in order to manage the national books. Often this can involve delaying projects but can involve speeding projects up. Use it or lose it still applies.

My hope would be that managers see the writing on the wall and be honest in framing their projects, the options properly considered, the costs and benefits claimed and that NHS England and the Treasury apply good discipline to assurance and the approvals process.

My fear is that the mantra to “get things done” will override rational debate, due process and scrutiny.

Early in my career in the NHS I had to give a presentation to a party of visiting Japanese Health Insurance Fund managers on resource allocation in the NHS…

…I explained slowly and in a loud voice the RAWP formula (*through a translator*). When I had finished I was presented with a pocket calculator and thanked, but not before the most elderly of the party replied that my presentation was very interesting because in Japan the way a new hospital was built depended on the power of the local MP. I bowed and have thought about this for a long time.

Cynics will say that it was ever thus. But is it too much to expect that politicians who have to make difficult decisions should have the best information in front of them?

The Treasury plays the long game because they know that governments succeed based on its ability to generate credibility and trust [1]. The top managers in the NHS on the contrary seem to be people happy to play faster and looser knowing that their time in the sun may be limited. They shouldn’t complain too much therefore if they are sent back to do their job properly.

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[1] See the foreword to “Managing Public Money” HMT 2013