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Social Impact Bonds



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Civil Service Quarterly opens up the Civil Service to greater collaboration and challenge, showcases excellence, and invites discussion. If the Civil Service is to be truly world-leading it needs to collaborate more, learn from experts outside the Civil Service, listen more to the public and front-line staff and respond to new challenges with innovation and boldness. Do you have something to write about in Civil Service Quarterly? Send the editorial team an abstract telling us what your article would be about.

Cover image: Photo taken by HPRT – Strategic Communications Team

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Editorial

» Civil Service Quarterly: Less bowler hat, more body armour



Sir Jeremy Heywood

Many civil servants work on the front line of public service. Sometimes this is quite literally true, as this quarter's lead article makes clear. Catriona Laing's experiences leading the Helmand Reconstruction Team in Afghanistan make for an inspiring read. Around the globe civil servants work in all sorts of roles; staff from the Ministry of Defence support senior military figures on campaign whilst others from the Department for International Development are deployed to respond to humanitarian disasters.

But there are many other civil servants on the 'front line'. For example, as I write, Paul Fowweather, governor of Full Sutton prison, has been shortlisted for the leadership award in the annual Civil Service Awards. His team, and prison staff up and down the country, carry out a core function of the state, administering sentences imposed by the criminal justice system, for the benefit of society.

Over ten times as many civil servants work in operational roles as work in any other profession in Government. Many work in public-facing roles that we are all familiar with, helping the unemployed in Job Centres, issuing visas, or running courts like the digital Magistrates' Court you can read about in this issue. Other

roles, like the inspectors of the Marine Accident Investigation Bureau in Southampton, are less familiar. The unifying factor behind all these roles is that they represent the interface between the Government and the rest of the world. No policy, no strategy will succeed if it fails the front line test, if it cannot be made to work in practice. Articles in this issue, for example from the Driver and Vehicle Licensing Agency on road safety, and from the Foreign and Commonwealth on taking steps to improve policy making, show organisations adapting their approaches to make them work better in real-world circumstances.

One of the great things about the UK Civil Service is that staff are able to move between the front line and other posts. This is an enriching process for the individuals themselves, but also for the organisations they work for. The constant back-and-forth flow of ideas and expertise this enables will be vital to ensuring the health of public services in the coming years.

Sir Jeremy Heywood
Cabinet Secretary

The view from Helmand: provincial reconstruction in Afghanistan

» The UK presence in Afghanistan has been about more than just military action. Catriona Laing, Head of Mission of the Helmand Province Reconstruction Team, talked to James Mortimer about her experiences there.



Q1 **What is the Helmand Province Reconstruction Team (HPRT), and what role do Civil Servants play?**

The HPRT is a multi-national, multi-functional team that aims to build on the improvements in security and stability gained by the joint Afghan-NATO military operation, creating the foundations for a lasting peace in Helmand Province. Our underlying strategy recognises that peace and development is possible in Helmand, but it will only be sustainable if ordinary Helmandis have a meaningful stake in their government and society. So the HPRT works with contractors, police, and military colleagues drawn from the UK, USA, Denmark, and Estonia, as well as very talented local Afghan staff, to bring development and good governance to Helmand Province in Afghanistan.

Civil servants are the core of the HPRT, which has been UK-led since 2006. It includes people from a range of different departments: not just the Foreign and Commonwealth Office (FCO), Department for International Development (DFID), Ministry of Defence (MoD), but also staff from the Cabinet Office (CO), Ministry of Justice (MoJ) and HM Revenue and Customs (HMRC). As the FCO and NATO civilian representative in Helmand I head up the team. We are located on a UK military base on the outskirts of the

provincial capital Lashkar Gah. At its peak the HPRT had 220 staff; we are now reducing in size in line with the planned handover to Afghans in 2014.

Q2 **What issues has Helmand Province faced?**

As the heartland of the Taliban insurgency it is one of Afghanistan's most challenging provinces, and is where most British troops have been deployed. Helmand's infrastructure has suffered decades of war and neglect; it is one of the largest opium producing areas in the world and suffers endemic corruption, plus has a complex and subtle political, tribal, and social system.

Q3 **What practical steps has the HPRT taken to achieve its aims?**

In the early days we focused on 'bricks and mortar' type projects, such as building roads, schools, health clinics and police stations. This was necessary to ensure Helmandis had the infrastructure on which a functional society could be built. Subsequently, during my 18 months as Head of Mission, our efforts have concentrated on the human elements: training, mentoring and advising the Afghans to do the job for themselves. We've been working with the senior levels of the

provincial government to strategically plan sustainable development. A key element of this is ensuring provincial officials develop good links with central government in Kabul; this enables them to access long term funding. We've helped them with budgeting, managing and developing staff, maintaining and running buildings and facilities – all the things that are needed for a local government to function effectively. Our role is to support Provincial Governor Naeem in running Helmand and last year the UK spent over £30 million supporting projects in the province.

Q4 **You've said that Helmand suffers endemic corruption – isn't corruption and a lack of accountability in provincial government going to undermine your efforts?**

These are some of the most significant challenges, but there's been real progress. One of the reasons the Taliban was able to establish a stronghold in Helmand was because government was perceived as offering nothing or – even worse – preying on the population. Rebuilding trust and confidence is vital to our long term aim of a stable and secure Afghanistan. One of the other great challenges we've faced is helping to extend accountable government across the province, thereby giving ordinary people a voice. My governance





Marja District Governor Habibullah and his team visited Helmand PRT on 17 June 2013. Marja was one of the most violent districts in Helmand, but tremendous progress has been made over the last two years
Photo taken by HPRT – Strategic Communications Team





Head of Mission Catriona Laing leaves Helmand PRT, into the Lashkar Gah sunset
Photo taken by HPRT – Strategic Communications Team

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team, working closely with the Afghan authorities, has done pioneering work in this area. Together they have established directly-elected district level councils, which deal with everything from development to justice. Over 40,000 people have now voted to elect 275 councillors to represent them. This has been a huge success, and Helmand's experience is now shaping the national debate in Afghanistan around local democracy.

Our Rule of Law Team has also helped to facilitate Afghan-led courses in community-based dispute resolution for village elders. The aim of these courses is to help bridge the gap between traditional village-level justice and the formal justice system. This complements the excellent work done by our police mentors in building a professional, effective, and increasingly respected police force in Helmand. The improvements in Helmand policing have been achieved from a low starting point. In 2006 police in Helmand were untrained, undisciplined and unprofessional. They were feared by the public who had very little confidence in their ability to provide basic core policing services. There is some way left to go but remarkable advances have been made. As with all our most successful projects, the solutions have been Afghan-led, often working with structures that are already there.

Q5 **How do you measure whether your efforts have been successful?**

We measure a whole range of different variables to judge

our effectiveness. For example, the number of children enrolled in school has increased from 54,000 in 2007 to 130,000 in 2013 including 30,000 girls, up from zero in 2001. Today almost 80 percent of the population has access to healthcare within 10km of their home. We also track attitudes through a quarterly survey, conducted by Afghans with heads of Helmandi households. One critical statistic which gives us cause for optimism is that support for a Taliban return to power in Afghanistan has fallen in Helmand from 18 percent in 2011 to just five percent now.

People in Helmand are no different to anyone else: they want peace, security, justice, decent services and the opportunity to make a living. It was desperation caused by the failing state that drove many to the Taliban.

Q6 **What happens when the UK withdraws its personnel in 2014?**

Helmand province has come on a huge amount since we arrived seven years ago. Afghans are relying on our support less and less. So it is natural that the work of the HPRT is changing. We are stepping back from providing direct support and advice, and helping the Afghans to lock in the gains we have made over the last few years. Ultimately the HRPT is due to close next year, but this is not the end of our support. UK funding will continue to be provided through central government in Kabul or through international organisations. We have supported the Provincial Governor to get the United Nations established in Helmand and they will set up shop by the end of this year.

Q7 **What is it like to work in Helmand? Can you describe some of the difficulties you and your team face?**

It is definitely one of the wilder places for a British civil servant to be working. The biggest concern is the security of the team. There are regular insurgent attacks on Lashkar Gah, and there is a constant threat of attacks on our base, and on our transport. We have to travel to meetings in armoured vehicles wearing bullet-proof vests and helmets. We rely on careful monitoring and analysis of the threat, and on our highly dedicated G4S security teams, to keep us safe. The threats include crude but deadly roadside bombs, and suicide bombers driving vehicles rigged with explosives.

Helmand is also a very tough natural environment. The summer temperatures are oppressive, sometimes close to 50 degrees, but it can be freezing cold in winter. Dust storms are a regular occurrence and extremely unpleasant. Our location is remote: getting here involves a three-hour flight from Dubai to the main UK military base in Camp Bastion, and then a military helicopter to our base in Lashkar Gah. From bad weather to helicopters being diverted for operations, plenty can go wrong to add hours or days to the journey.

Q8 **How have you found leading such a mixed team?**

Leading a team with staff from 15 different organisations ranging from US marines to the Danish aid agency DANIDA isn't always





Photo taken by HPRT – Strategic Communications Team

easy. There can be competing departmental agendas, and different organisational and national cultures. Though formally I count as a two-star General, I don't give orders. The top team here relies on 'soft power' and persuasion to get things done. At the heart of our approach is a clear plan which we all work to. Physically sharing offices helps too. Communication isn't just something that happens in formal meetings, we are constantly discussing what we are doing, bouncing ideas off each other and drawing on each other's experiences. We all live together in a series of rooms and converted shipping containers on the base. Every day we share meals, play sport and socialise – this creates a real camaraderie and team bond. This is essential for a team to get things done in a tough environment like Lashkar Gar.

Q9

So what do you do in your down time?

People said to me on arrival

the days would be long and the weeks short, and I agree with that. It's not unusual for staff to work 12-hour days, six days a week. But that pace means that the weeks fly by. We work flat out for six weeks and then have a two week 'breather break' to recharge our batteries.

Sport and exercise is a major part of life here and I have never been fitter, with a mixture of running round the camp, Thai boxing with my body guard Andre, and the latest US fitness craze to hit Helmand: *Insanity*, a full-on interval training programme. We also have wonderful yoga classes under the desert stars and a weekly volleyball match. Thursday evenings we open our club house for a few hours to socialise together. We have had some great mixed events such as a celebration of the Queen's Jubilee and an Iftar (Ramadan fast-breaking) dinner for our Afghan colleagues. My iPad mini has been a life-saver and I read a bit most evenings – usually detective novels to relax.

Q10

What will you personally take away from your experience working in Helmand?

Three things: the importance of innovation, admiration for the brave women of Helmand who put their lives on the line to make a difference, and respect for the military.

I am a big fan of the book *Adapt* by Tim Harford which argues for the need to adapt ideas through trial and error and to learn from what has worked less well. I am very proud of how we have applied this in Helmand and others have also been impressed. When Oliver Letwin, Cabinet Office Minister for Government Policy, visited in November 2012 he was very struck with our localism agenda and reported back to Cabinet that the HPRT was engaged in truly inspiring work.

Helmand is a very conservative society based on the Pashtunwali code. Women in positions of power and influence are rare but we are seeing the start of a generational change. For example, elections were held recently for the municipal council. When these were last held three years ago only a handful of women registered to vote; this year 880 registered and five stood for the four seats reserved for women. This is a huge breakthrough. I have such admiration for the women who are willing to do this because they risk their own security. I have made female political empowerment one of my top priorities and I speak at a number of women-only



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events to encourage women to participate in political life.

I have developed an enormous respect for the military too. The best British commanders are incredibly impressive, not just at the tactic of military operations but also at grasping the wider context of our deployment in Helmand. The way they motivate their troops is truly inspiring. On the US marine side the strength of their bond with their motto "Semper Fidelis" or "always faithful" is moving. Living and working on a military base means life is generally very male dominated. I have got used to being the only women present at the senior command briefs in a sea of male uniforms. I have learned how to make sure my voice is heard by my military colleagues through adopting their language and keeping interventions as crisp as possible.

Above all, the experience has tested my leadership capabilities. While I have learned a lot from my military colleagues about leadership I do think they need to be more willing to challenge up the chain of command. Overall I would say we have learned from each other. I have tried to bring the best of both cultures to bear on what is the most challenging job I have faced in my career so far.

I have become much more resilient as a person and better able to keep things in perspective. Attending deeply moving memorial vigils for soldiers killed in action was all too frequent in the first part of my time here. The sacrifice that our young soldiers have made in Helmand is a constant reminder for me of the importance of the legacy we leave behind. I am confident that we have

done everything we can to leave Helmand with the best possible chance for the future. That future is in Afghan hands, though with our continuing support and goodwill.

After 18 months in post I will soon be leaving. I will be visiting capitals of partner countries to set out my reflections and the lessons we have learnt from this demanding experience. On his most recent visit in July, the Prime Minister made it very clear that we have an important responsibility to capture these lessons to inform those engaged in conflicts of the future. We are doing just that.

James Mortimer, Acting Head of Communications, Helmand Province Reconstruction Team, Foreign and Commonwealth Office



HPRT-hosted Iftar dinner
Photo taken by HPRT – Strategic Communications Team

How a small nudge is helping people save for their retirement

» In October 2012, the Government began introducing a groundbreaking new policy to automatically enrol people into workplace pension schemes.

The programme of automatic enrolment into workplace pension schemes is at an early stage. However, the early results have been impressive: 1.6 million workers have been enrolled to the end of August 2013, and research among the largest employers, who enrolled their workers first, showed overall pension enrolment rates increasing from 61 to 83 per cent. Because these figures come from the first few months of the scheme and apply only to the largest employers, the results might well change over time, as automatic enrolment is rolled out to all businesses.

What we do know, however, is that these early findings are in line with the behavioural economics literature, which shows that individuals often go with the 'default' option, which for millions of Britons previously meant no company pension.

The simple insight is that the pension default could be changed to overcome the behavioural biases that result in people failing to enrol. So the decision was taken to switch the default option: from one that required people to 'opt in' should they wish to join a company pension scheme, to one that allowed people to 'opt out' if they did not want one.

It is a good example of a 'nudge' – a way of helping people make better decisions for themselves but without closing off any options. People are still able to opt out of

“ *[This is] a new dawn for pension savers, with millions more workers being helped to save towards a pension with a contribution from their boss.* - John Cridland, Director-General of the CBI ”

their pension if they wish to.

Though an apparently straightforward change, automatic enrolment has been years in the making and has only been possible due to the work of DWP officials and partner organisations. The key decisions date back to the previous administration: automatic enrolment was one of the recommendations of the Pensions Commission, chaired by Adair Turner in 2005.

After the Government accepted that recommendation, DWP officials began working out the detail of the policy, implementing a highly successful communications campaign and managing this huge change programme which continues until 2018. DWP officials have been working collaboratively throughout with delivery partners including The Pensions Regulator, who are providing guidance and tools to help employers affected by the scheme.

Even now, DWP are only one year into a six year process. So far only the largest employers have

been affected. But over the life of the programme, some 1.3 million employers will be required to automatically enrol their staff.

For small and medium sized businesses, this will create challenges that do not affect larger firms (with dedicated corporate centres to support the changes) to the same extent. This will require DWP and The Pensions Regulator to provide additional support and guidance for the smaller employers, which is already being planned for.

All in all, this has been a great example of a department and its partners working over a long period of time to devise a policy, work out the necessary regulatory changes, and then support businesses to implement the changes - with the aim of changing Britain's workplace saving habits to help millions of workers to start saving for their future.

Becky Morrison, Programme Director for the Automatic Enrolment Programme, Department for Work and Pensions





International oil and gas – a new paradigm

» The international markets for oil and gas are undergoing a dramatic transformation. Civil servants in a number of Whitehall departments have an important role analysing market developments and advising the Government on how best to respond.

Oil and gas are crucially important to the UK, accounting for 70 percent of total energy consumption in 2012. Three quarters of the oil consumed in the UK is used for transport, while nearly 70 percent of gas is used for electricity generation or for heating in the domestic sector. The country imports 37 percent of its oil needs and 48 percent of its gas; oil and gas together account for nearly 30 percent of our current account deficit. The Office of Budget Responsibility (OBR) has estimated that a 20 percent permanent increase in the price of oil would reduce Gross Domestic Product (GDP) by 0.5 percent in the medium term.

Countries outside the Organisation for Economic Co-operation (OECD) already account for some 50 percent of total world oil and gas consumption and the balance continues to shift to the emerging economies. In the five years to 2012, non-OECD demand for crude oil grew by 15 percent, while OECD consumption fell by six percent. Over the same period non-OECD demand for gas grew by 19 percent compared to just seven percent for OECD demand.

The UK has long been a 'price taker' in the international market for crude oil, accepting the global price as a given, independent of domestic policies and consumer choices.

International gas prices, which

generally used to be linked to the global crude oil price under long-term contracts, are becoming increasingly 'de-linked' as new and more diverse sources of supply come on stream. Thus, the UK wholesale gas price is now determined by supply and demand at the UK's virtual 'gas hub', or marketplace, although high connectivity with the wider continental European market means that the latter remains an important influence.

Several factors will shape international oil and gas prices over the medium term. On the demand side, the key issue will be the pace of economic growth in the emerging economies, particularly China and India, and the speed with which these countries reduce the energy intensity of their economies through changes in the composition of their output and increasing energy efficiency.

Several factors may begin to slow the recent very rapid growth in Chinese demand for oil and gas in future: China's economic growth is experiencing a structural slowdown; its output composition is planned to change towards less energy-intensive activity; and there is an increasingly strong, centrally-driven, commitment to boosting energy efficiency. But for some other significant emerging economies, including some of those which deploy very large energy subsidies, the picture is

much less encouraging.

On the supply side, production of unconventional crude oil (including 'light tight oil', also known as shale oil) is rising rapidly, particularly in North America. The International Energy Agency (IEA) estimates that US crude oil production will increase by around 3 million barrels per day (mn bpd) between 2011 and 2020. Largely as a result of this, the USA could be self-sufficient in energy by 2035.

Meanwhile, the incremental growth in conventional oil supplies will come from new and resurgent sources – notably Brazil, Kazakhstan and Iraq. Iraq, with the world's fifth largest oil reserves, has the potential to increase conventional oil production from 3.1 mn bpd in 2012 to at least 8 mn bpd by 2030. Though how far and how fast this will be realised, given the considerable internal political, governance and security obstacles Iraq faces, is hard to judge.

But whatever the net result from these trends, a key determinant of the global crude oil price in the short- to medium-term will be the response of Saudi Arabia, the oil market's only 'swing producer', holding substantial reserve capacity and able to add or subtract significant supply to the global market at will. The Saudi 'break even' price for crude oil has increased in recent years



International oil and gas – a new paradigm

Gas trade in 2011 and 2012

International flows of natural gas through pipelines and Liquid Natural Gas (LNG)
(BP Statistical Review of World Energy, June 2013)

Billion cubic metres	2011				2012			
	Pipeline imports	LNG imports	Pipeline exports	LNG exports	Pipeline imports	LNG imports	Pipeline exports	LNG exports
US	88.3	10.0	40.7	1.7	83.8	4.9	45.1	0.8
Canada	26.6	3.3	88.2	–	27.5	1.8	83.8	–
Mexico	14.1	4.0	0.1	–	17.6	4.8	†	–
Trinidad & Tobago	–	–	–	18.5	–	–	–	19.1
Otherwise S. & Cent. America	14.8	10.6	14.8	5.2	16.9	15.2	16.9	5.8
France	32.3	15.5	2.2	–	35.0	10.3	1.2	0.2
Germany	84.0	–	11.7	–	86.8	–	12.5	–
Italy	60.8	8.7	0.1	–	59.7	7.1	0.1	–
Netherlands	15.6	0.8	50.4	–	14.5	0.8	54.5	–
Norway	–	–	95.0	4.5	–	–	106.6	4.7
Spain	12.5	24.2	0.5	0.8	13.3	21.4	0.7	1.2
Turkey	35.6	6.2	0.7	–	34.9	7.7	0.6	–
United Kingdom	28.0	24.8	16.0	0.1	35.4	13.7	12.0	–
Other Europe	100.8	10.9	10.1	0.6	97.6	8.2	9.3	1.7
Russian Federation	30.1	–	207.0	14.2	29.8	–	185.9	14.8
Ukraine	40.5	–	–	–	29.8	–	–	–
Other Former Soviet Union	35.3	–	63.0	–	32.3	–	68.8	–
Qatar	–	–	19.2	100.4	–	–	19.2	105.4
Other Middle East	32.1	4.6	9.1	28.2	29.2	4.6	8.4	25.9
Algeria	–	–	34.4	17.8	–	–	34.8	15.3
Other Africa	5.7	–	8.3	40.0	6.0	–	11.0	38.8
China	14.3	16.6	3.1	–	21.4	20.0	2.8	–
Japan	–	107.0	–	–	–	118.8	–	–
Indonesia	–	–	9.3	29.3	–	–	10.2	25.0
South Korea	–	50.6	–	–	–	49.7	–	–
Other Asia Pacific	28.6	32.1	16.3	68.7	34.1	38.8	21.0	69.0
Total World	700.0	329.8	700.0	329.8	705.5	327.9	705.5	327.9

† Less than 0.05.

Source: Include data from Cedigaz, CISStat, GIIGNL, IHS CERA, Poten, Waterborne.

as social expenditures have risen. But large fiscal reserves, minimal debt and moderate unused capacity leave them with significant scope to exercise pricing power. Oil Minister Ali Al-Naimi has consistently said that he considers US \$100 per barrel to be a “reasonable” or “good” price for oil. Saudi Arabia has already made substantial cut backs in future investment plans in response to the emergence of new global sources of supply, and so far this year the price level has remained above \$100 per barrel for most of the time. Such a level will ensure continued development of unconventional sources for crude oil, as it is sufficiently high to make it profitable for producers to justify the necessary investment and relatively high production costs.

In contrast to oil, the global gas market is sharply segmented

by geographic region. Prices vary from \$4 per million British Thermal Units (mmbtu) in the USA to \$11/mmbtu in continental Europe, and \$16/mmbtu in the Far East. The low US price reflects the rapidly growing domestic supply of shale gas combined with limited export facilities at present. The high Pacific price reflects heavy Chinese and Japanese demand – the latter boosted by the closure of most nuclear power plants after the 2011 earthquake and tsunami.

New sources of gas supply such as the Australian conventional reserves and China’s vast shale gas reserves (the world’s largest), new pipeline routes and rapidly rising liquid natural gas (LNG) production (now over 30 percent of global gas trade) should help to create more even pricing around the globe. But several

factors mean this is likely to be a gradual process. These include: geological, technical and business environment constraints on shale gas development outside the US; high transport costs, for example up to \$6/mmbtu to take gas across the Atlantic as LNG; possible government constraints on energy exports, for example in the USA; and lack of competition in vertically-integrated domestic gas supply industries in some parts of Europe and Asia.

Scientists from the British Geological Survey have estimated that the total volume of gas in the Bowland-Hodder shale in northern England, the UK’s main shale gas formation, is some 1,300 trillion cubic feet. There is not yet enough practical experience in developing these resources to say how much is technically recoverable,



although the amount is likely to be significant relative to UK gas consumption. The Government believes that shale gas has the potential to provide the UK with greater energy security, growth and jobs, and is encouraging safe and environmentally sound exploration to determine this potential.

The direct impact of UK supply and demand decisions on global market flows of oil and gas is limited. However, the Government uses a range of channels to influence global market conditions. A number of departments are working in four specific areas.

Market efficiency

Increasing efficiency in international oil and gas markets will ensure prices reflect, as far as possible, the underlying fundamentals of supply and demand so that the correct signals and incentives are given to producers and consumers. The Department of Energy and Climate Change (DECC), Her Majesty's Treasury (HMT), Cabinet Office (CO), and the Foreign and Commonwealth Office (FCO) are pursuing this through multilateral initiatives (for example under the auspices of the International Energy Forum) to improve transparency on global stocks and output in the oil market and, at the EU level, by strongly supporting full implementation of the EU's third energy package. This will increase competition by breaking down the vertical integration among some gas suppliers, under which wholesale supply, distribution and market infrastructure are all owned by the same entities. DECC is also working with the IEA to ensure that the 'stock release' regime, under which reserve stocks of oil are released to counter exceptional supply disruptions, remains fit for

purpose. The response of oil markets to the loss of Libyan production in 2012, when prices spiked above \$120 per barrel, illustrates the continuing risk of unplanned supply disruptions.

Reducing wastage

Departments are also working with a wide range of international partners to tackle perverse incentives for energy use and to promote best practice in energy efficiency. For example, HMT and DECC are working with other member states in the G20 on a collective effort to reduce poorly targeted and enormously expensive government subsidies paid to consumers of hydrocarbon fuels. Through the IEA, DECC is supporting a global effort to spread best practice in energy efficiency. In Nigeria, the FCO is supporting efforts by the Government, private companies and the World Bank to reduce 'gas flaring' – the burning of gas produced as a by-product of oil production.

Increasing supply

The Government is working with like-minded member states in the EU to drive forward the shale gas agenda in Europe to ensure that those countries which wish to develop their shale gas reserves are able to do so. FCO Posts, DECC, UK Trade and Investment (UKTI), and the Department for Business, Innovation and Skills (BIS) work internationally to attract the foreign investment needed to develop our critical energy infrastructure. The FCO and UKTI are also working with a wide range of countries to improve the global investment climate for oil and gas exploration. Effective energy governance has a key role to play in this regard. For example, in Iraq we are assisting the Government in strengthening the legal basis and institutions for regulating the oil industry.

Flexible use

Increasing the flexibility with which oil and gas supplies can be used in the global economy will enable consumers to use the cheapest fuel for any given purpose and should eventually reduce the sensitivity of GDP to changes in the crude oil price. The Department for Transport is therefore supporting work on the scope for using gas as an alternative for oil in transport, particularly heavy goods vehicle road transport and marine transport. There is already a strong drive for this in the USA given the substantial cost savings available as a result of shale gas. The key constraint is the cost of developing distribution infrastructure – although this is easier to manage in the case of commercial fleets, which can use a limited number of refuelling points.

Renewable and other low carbon energy solutions are growing in importance, with strong encouragement from the Government. But even with ambitious goals on green house gas reduction, the international oil and gas markets will remain critical to our economy for the foreseeable future. The Government will continue to monitor developments closely and ensure our strategy offers the best chance of securing efficient and well supplied international markets for oil and gas, with reduced wastage and flexible use. This in turn will provide a sound basis for the elaboration of further key policies on economic growth, energy security and greenhouse gas reduction.

**Creon Butler, Director,
European and Global Issues
Secretariat, Cabinet Office**

The digital court

» A team at Birmingham Magistrates' Court is showing how cases can be heard digitally, in a test of what a magistrates' court could look like in the future.

From transferring money to downloading music, digital technologies are used in every part of our daily lives. But in the criminal justice system there is still a mountain of physical paperwork – every year the courts and Crown Prosecution Service (CPS) use roughly 160 million sheets of paper – expensive and risky transfers of offenders from prison to court, and a great deal of police time wasted waiting around in court itself. This isn't an efficient use of resources, and takes frontline staff away from the duties that the public expect from them – preventing, prosecuting and punishing crime.

Digital working is very much at the heart of the Ministry of Justice (MoJ) strategy for reforming the criminal justice system, which was published in June. Significant progress is already being made in modernising and digitising working practices in the criminal justice system. Police forces are transferring over 90 percent of case files electronically to the CPS, and all magistrates'

courts are now able to receive digital case files from the CPS. In some areas prosecutors are presenting 75 percent of cases electronically in court instead of using paper files.

While a lot of work is going on to develop and test various digital solutions, they hadn't been brought together as one package – until now. A team at Birmingham Magistrates' Court has done just that in order to prototype the first digital court in the country.

Introducing the digital court

Individually the technologies being used in Birmingham will be familiar to us, such as video calling, the electronic presentation of information and Wi-Fi. However, the complexities of the justice system, the range of different agencies involved, the competing IT systems and the sensitive nature of the personal information being handled, together bring huge challenges when trying to implement an

integrated digital solution.

Michael Seath, Justices' Clerk for West Midlands & Warwickshire, is driving the project in Birmingham. He said: "The idea came from conversations across the criminal justice system. But we did not want only to have an idea; we needed something solid to show and test – to prove we could deliver a digital criminal courtroom. We know that this concept court is not necessarily the exact solution we will have in the future. But like a concept car at a car show, it demonstrates what we can do".

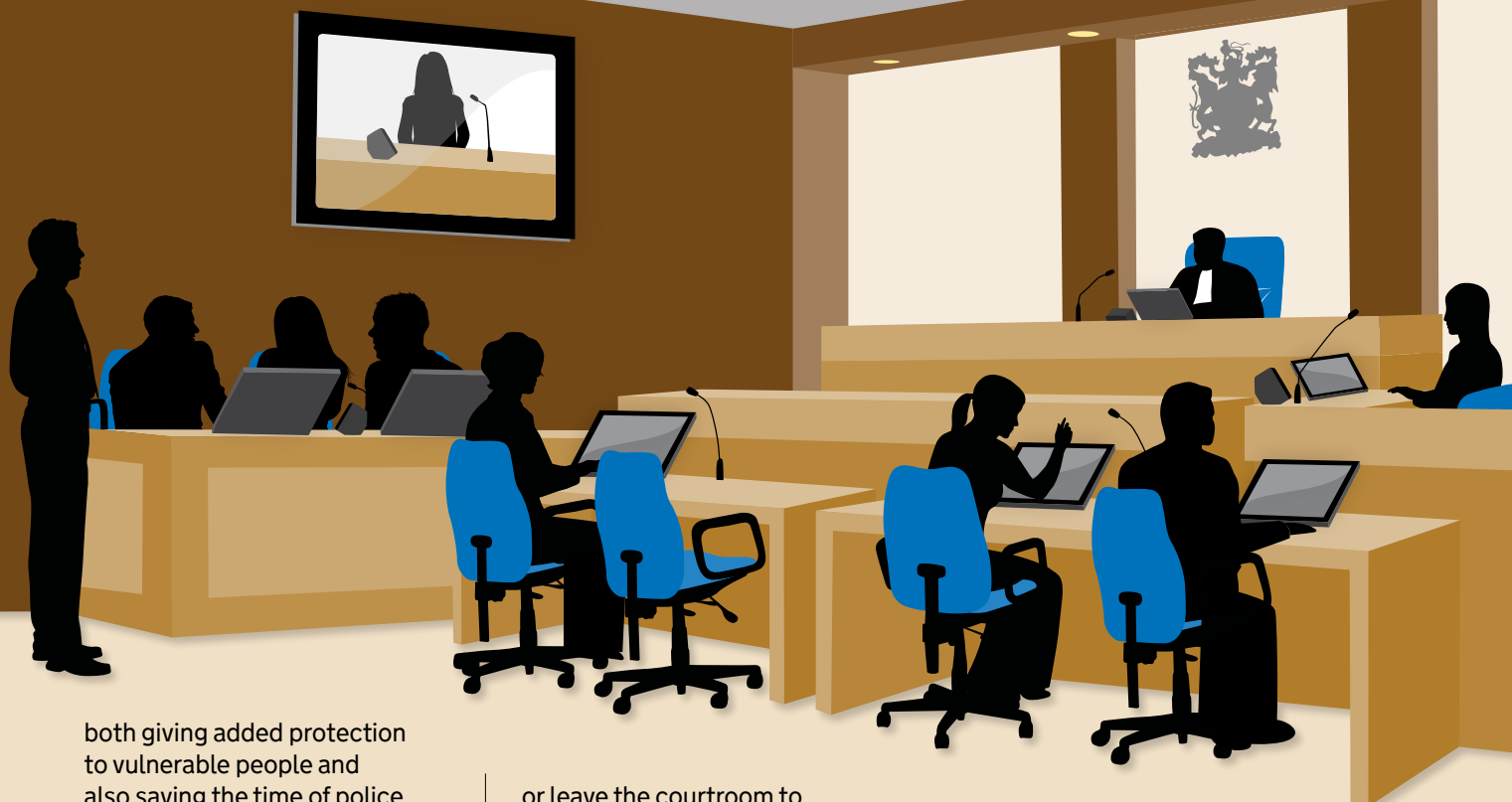
The use of secure video links, now available in 90 percent of magistrates' courts and all crown courts, has been a simple solution that has uses across the criminal justice system. It allows defendants to appear in court from prison or police stations, reducing the expensive and risky transfer of offenders to court (roughly 13,500 prisoners are escorted to court across England and Wales each month, on average). For example, in a recent case at Westminster Magistrates' Court, a man had been caught in possession of drugs and kept overnight in the police station. The magistrates were able to hear the whole case and issue the sentence in just a few minutes via video link directly from the police station, avoiding the significant time and cost associated with bringing him into court.

Video links also allow witnesses to give evidence in court without having to be physically present,



Mock session in Birmingham Magistrates' Court
Photo taken by Adam Brown





both giving added protection to vulnerable people and also saving the time of police witnesses. To ensure the safe transfer of information to court, video links must meet Government security standards.

The digital presentation of evidence from laptops or tablets onto screens in the courtroom has also delivered benefits and removed the need for sharing paper copies of evidence.

Bindi Atwall, Senior Crown Prosecutor, explained a recent case in Birmingham where all the evidence was on closed-circuit television: “We requested the footage from the police; within two hours we had it in our hands and were able to play it in court. The defendant pleaded guilty on seeing the video evidence. Without the use of this technology, we never would have got it to court so quickly – it would have taken at least four weeks”.

Making Wi-Fi available to court users has had a positive impact. It allows staff to continue working during necessary, but often frustrating, periods of downtime when waiting for evidence or when magistrates are considering cases. It also allows for real-time access to digital files and correspondence, negating the sort of delays associated with having to photocopy documents

or leave the courtroom to retrieve information.

Defence lawyer Steve Gelsthorpe has seen the advantages that it can bring: “I can access my case file from within the courtroom and I don’t have to bring to court piles of secure documents”. The safe transfer of information digitally was an important consideration and has been ensured through the use of secure email.

Underpinning all of this is the use of digital case material. Material such as statements and evidence is passed to the CPS digitally by the police following a criminal act, and is used throughout the criminal justice system as the case progresses into court.

The future of digital courts

The Government set out its plan to digitise the criminal justice system in its paper *Swift and Sure Justice* last summer. As a result, the Criminal Justice System Efficiency Programme has been testing digital working in Birmingham and six other ‘early adopter areas’ across England and Wales.

Greta Band, Magistrates’ Bench Chairman, said: “People are using technology in all areas

of life. We need to bring it into court and use it to speed up justice. Birmingham is the largest and busiest court in the country and this is a good place to trial the concept court – if it can work here it can work anywhere”.

The digital court test successfully dealt with 80 cases, ranging from shoplifting to assault. As a result of the trial, there is now a commitment across Government to make the ‘digital courtroom’ a reality. Despite significant cuts in funding across Whitehall, MoJ has committed £160 million to make the criminal justice system digital by 2016, a programme being led by the Minister of State for Policing, Criminal Justice and Victims, Damien Green. Digital courts are a part of this ambition.

The criminal justice system in this country is recognised the world over for being fair and just. The ambition of the MoJ is to transform it into one that is also respected for being swift, effective and modern.

Joanna Higgins,
Communications Advisor,
Ministry of Justice

Interview with Professor Ian Boyd, Chief Scientific Adviser at the Department of Environment, Food and Rural Affairs



» Professor Ian Boyd, appointed Chief Scientific Adviser at the Department of Environment, Food and Rural Affairs in April 2011, answers questions from Jill Rutter about his experiences so far.

Q1 Why did you apply to be Chief Scientific Adviser (CSA) at the Department of Environment, Food and Rural Affairs (Defra)?

I have always had an interest in the application of science to real-world problems. Much of my career has been spent working in areas of science that have been relevant to policy as it relates to both Government and industry. I have always had broad interests so the job of being a Chief Scientific Adviser, which requires me to deal with anything from the chemistry of plastics to the population dynamics of badgers in a single day, is an interesting challenge.

Q2 CSAs are unique in Government, coming in from outside and often retaining an academic job – what do you see as the advantages and disadvantages of that approach?

Academia and Government are almost opposite ends of a cultural and structural

spectrum so there are some tough early lessons when entering the Civil Service and it is very easy to make some serious errors. However, fortunately for me the Civil Service has a lot of tolerance built in – everybody seems so polite and considerate. But it is this contrast that makes the externally appointed CSA such a strength because they act as a bridge between two very different cultures. Keeping one foot in the academic community also allows CSAs to maintain their credibility as an independent voice within Government. That benefits Government but it places CSAs in a very delicate position. Balancing the independent role with being a credible voice within Government is not easy. Doubtless, some people outside Government probably think I have 'gone native', but that is simply not the case. The skill a CSA needs is to be able to challenge in a way that is listened to and that involves having to make compromises.

Q3 You have had some very controversial issues to deal with as CSA. Badgers are top of the list. Can you say how you saw science informing the policy the Government is now taking forward?

Having got bovine tuberculosis (bTB) in cattle under control in the past, it is now getting worse. The scientific evidence tells us that, in the UK, badgers are an important part of the disease cycle in areas where bTB is widespread, and that reducing transmission between badgers and cattle is an essential part of managing the disease. Science is often very good at enabling us to define and understand problems but it is often a lot slower when coming up with workable solutions. Science can only do so much with a complex problem like bTB, although in this case some of this complexity comes from overlying human factors, including behaviour, economics and politics. For example, governments in Wales and



England have both looked at the same evidence and come to different decisions on whether to include a cull of badgers as part of their strategy to deal with the disease in wildlife. Some of the limits around what science can do to help are often misunderstood by the public. For example, it is really difficult to develop a reliable test to distinguish between TB-infected and healthy badgers. Some people say we should only cull diseased badgers, but we have limited ways of identifying them with any degree of accuracy. Other people want to vaccinate badgers and cattle, but the vaccine is not 100% protective and it will take a substantial amount of further research and funding to get a vaccine licensed for use in cattle. Scientific problems are not solved just by spending money.

Q4

Lord Krebs, who oversaw the initial trials, said in June that “rolling out culling as a national policy to control TB in cattle is not really credible”. How do you square that with your reading of the evidence? And how do you help non-expert policy makers when ‘experts’ disagree?

Lord Krebs did not oversee the initial trials; a report he compiled in 1997 suggested they should be carried out and

this resulted in Defra running the Randomised Badger Control Trials (RBCT). However, I agree with almost all of what Lord Krebs says about the evidence and I actually don't think many scientists disagree about the evidence, which concludes that there can be benefits to the control of bTB as a result of reducing the density of badgers. What some scientists disagree on is how the evidence has been translated into policy. I leave it to people who make policy to be in the driving seat on those issues, and to the public to agree or disagree, but I need to be very clear that it is my role to advise about the potential consequence of different policies based upon the evidence, not to say whether one policy or other is right or wrong. Many people seriously misunderstand that culling badgers is not the national policy to control TB in cattle. The national policy is contained within the TB control strategy and that requires a broad range of measures to be taken, mostly focussed on cattle, and only one of which is culling badgers in appropriate circumstances. Culling badgers is not the single solution to controlling bovine TB but it needs to be a part of the solution in the same way as culling cattle is part of the solution. I'm afraid that people need to face the fact that if we don't get TB under control in

badgers, together with cattle, we don't get TB under control at all. I know this is a very tough message for many people.

Q5

Something else you dealt with early on was ash dieback. This seemed to take Government by surprise despite being quite prevalent in Denmark. What lessons do you think there are for Government in terms of preparing for future risks?

Following ash dieback, we set up a Plant Health Taskforce that looked at ways to prevent pests and diseases from entering the country in the future, and the risk mitigation recommended by it is now being implemented.

Airborne pathogens like *Chalara fraxinea* have shown



Photo taken by Department of Environment, Food and Rural Affairs



Interview with Professor Ian Boyd, Chief Scientific Adviser at the Department of Environment, Food and Rural Affairs

that we will never be able to totally stop the entry of new tree diseases in future, but by being better prepared we can reduce their frequency and severity. One of the best precautions we can take against tree diseases is to build resilience into the way our countryside works so that we can cope with these kinds of challenges when they arrive. We have learnt a lot from dealing with *Chalara fraxinea* and I believe that the country is now better prepared to deal with pests and diseases in the future. For example we have worked with key stakeholders to create a prioritised risk register of pests and pathogens to help us recognise threats that are bearing down on us and then to respond, as much as we can, in advance. We are on track to significantly increase plant biosecurity but we are not there yet. Much of the change will need to come from cultural change as much as it will from better regulation. Everybody needs to play their part in this. We have been used to doing things in certain ways for a long time and some of these things might need to change. Many of us think nothing of importing wooden objects when coming back from holiday or we never think of cleaning our shoes before coming into the country. While these specific causes are likely to be minor routes for importing new plant pests, if we start to get them right then, as a society, we are beginning to show the kind of level of awareness required to make a real difference.

Q6

On a final difficult issue, the UK seemed to be pretty isolated in the European Union opposing the precautionary ban on neonicotinoids

because of their impact on bees (which went ahead despite UK opposition). Any thoughts on why the UK and other EU member states took such different views, based on the same science?

I cannot speak for other member states although many were, like the UK, unable to support the proposed restrictions in two indecisive votes. However, I think the UK took the position that was most strongly supported by the evidence. The issue of neonicotinoid pesticides has been entwined with a campaign to arrest what some pressure groups would have us believe is a decline in pollinators, and bees are being used as the flagship for pollinators more generally. I suspect that the massive landscape changes in the British countryside in the past 50 years have changed the composition of pollinator populations, but there is a lot of uncertainty around evidence to support the idea of a broad-scale and generalised decline in pollinators. Of course it is essential not to be complacent about such an important issue and a lack of evidence does not mean it has not been happening but I am afraid we have to work on the evidence we have. Consequently, while we are trying to generate new and better evidence we have a lot of people pointing the finger at neonicotinoids as a supposed cause of a problem that we cannot be sure really exists. As I pointed out in a recent article in the journal *Nature*, the way that the scientific community has tackled this kind of problem has probably resulted in a lot of confusion. We do not need more studies

of neonicotinoids telling us that insecticides kill insects. What we need are studies that examine whether they have measurable effects on pollinator populations in the field where they are used. I am keen to see Defra promoting this kind of research but it is difficult to do and is likely to be very costly.

Assuming a problem does exist with pollinators, my experience with these kinds of problems also tells me that there is almost certainly no simple cause. Simply banning neonicotinoids might make many people feel a lot better but it almost certainly would not make the problem go away. Because enough people believe there is a problem with neonicotinoids, the EU is taking the position that there must be a problem. I don't subscribe to that kind of logic and just because a lot of people say there is a problem with neonicotinoids doesn't make them right. However, it is not for me to make the decision. My role is to advise on the evidence and to point out the possible consequences of different courses of action.

Q7

You have been very active on social media. Why do you think that is important? And do you have advice to your fellow CSAs – or Civil Service colleagues – on engaging directly with the public?


Perhaps some of my previous answers give a clue as to why I think it is important to engage with the public. Science, and the role of scientists, is widely misunderstood by the public. Scientists often don't agree about things and will argue about the slightest detail. 



Photo taken by Department of Environment, Food and Rural Affairs

When this gets into the public domain and the press get hold of it the differences can be magnified out of proportion to the real level of disagreement. I think this has happened in the climate change debates, and also about bTB. But scientists themselves can be guilty of driving the social amplification of these differences. The public needs to hear the voice of scientists more directly and without the filter of the press and pressure groups. While I don't think I am a natural communicator, I wish I had more time to engage directly with the public.

Q8

The role of the CSA has been described as being an 'honest broker' rather than an advocate. How do you see your role?

I think that's a fair description. I dislike advocacy in scientists. It undermines credibility. But as I indicated, being a CSA is a very difficult role to play. On the one hand it is essential to be embedded in the Government system and to be sufficiently trusted

to allow your voice to be heard in the right places and at the right times, but on the other hand when the message is not what people in Government want to hear or when people outside Government perceive that you have 'gone native', one's credibility can be undermined. I would not like to say that I get it right all of the time by any means.

Q9

What has surprised you most, seeing Government from the inside?

I was surprised by the genuine way in which politicians and officials want to use evidence. I thought it would be a fight to get them to listen but it isn't, even if the news is not what they would like to hear. There is a strong sense that officials and ministers care about getting to the right solution and not just the solution that is politically most comfortable.

Q10

And, now you have seen it from the inside, what advice would you give to your

academic colleagues on how best to engage with Government?

Be patient. Government is trying to do the best it can, often in difficult circumstances. In academia we can pick and choose the problems we want to tackle, and in business the problems that don't provide a reward in terms of profits are set aside, but in Government there are no such choices. Government cannot walk away from problems, so it is left with the unenviable task of having to deal with the difficult, the tricky and sometimes the down-right intractable. I admire the skills of the policy officials when finding their way through the trickiest of problems. They will benefit from clear advice about what the evidence does and does not say, and about uncertainty around the evidence. They will be less enthused about advice that strays into their territory and does not see science as just one strand that needs to be considered in addition to practicality, ethics, legality, cultural and social issues, value-for-money and politics. That is not to say that scientists should not be critical – of course they should be. But that criticism has to be pitched skilfully if it is to have impact. Scientists need to understand that the way they deliver messages is very important to how the messages will be received and acted on. Science advisory committees are a mechanism that I would encourage scientists to engage with to make their voices heard within Government.

**Jill Rutter,
Programme Director,
Institute for Government**

Road safety and the DVLA

» **The Driver and Vehicle Licensing Agency doesn't just collect road tax. By making better use of data and improving regulations it is helping improve road safety in the UK.**

The UK's roads are safer than ever. According to the International Transport Forum's Road Safety Annual Report 2013, the UK is ranked as one of the three safest countries in the world, following a drop of over 60 percent in road fatalities between 1990 and 2011. Over the same period the number of accidents leading to injuries dropped by 40 percent, despite the number of cars on the road growing by 40 percent.

Better road engineering, trauma care and better education have all contributed to these reductions. Various public sector organisations have had a role in this success story, but the role of the Driver and Vehicle Licensing Agency (DVLA) – best known for collecting road tax and issuing driving licences – has been relatively unheralded.

Uninsured drivers

Uninsured drivers are a danger to other road users. That is why the registered keeper of a vehicle has a legal obligation either to insure it or declare it off road. If they fail to do so they could face fines or prosecution.

Nevertheless, in 2011 the potential number of uninsured drivers stood at 1.4 million across Great Britain. It is estimated that uninsured or untraced drivers kill 130 people and injure 26,500 more each year.

The existence of a legal obligation is of little use if

there is no practical way to enforce it – identifying uninsured drivers on the road is an uncertain business. That is why, two years ago, the DVLA introduced a new system – Continuous Insurance Enforcement (CIE) – to try to improve enforcement rates. At the heart of the system is greatly enhanced data-sharing. The DVLA works closely with the Motor Insurers' Bureau (MIB) on CIE, comparing datasets of insured vehicles and registered keepers to systematically identify potentially uninsured drivers. All UK motor insurers are required by law to join the MIB, a not-for-profit organisation that compensates the innocent victims of uninsured and untraced motorists. MIB aims to significantly reduce the level and impact of uninsured driving by working closely with partners across Government and the insurance industry, as well as managing the Motor Insurance Database (MID) – the only central record of all insured vehicles in the UK.

Under CIE, when a registered keeper of a vehicle appears to be uninsured, the MIB sends them an advisory letter that sets out the steps they need to take to comply with the law. If the keeper fails to comply, their details are transferred to the DVLA for enforcement, resulting in a fixed penalty of £100. If the penalty is not paid, the DVLA will prosecute the vehicle keeper and if convicted they will face a fine of up to £1,000. The vehicle may also be clamped, seized and disposed of.

The introduction of CIE has meant that greater numbers of keepers than ever before are now complying with their legal obligation to insure their vehicle or declare it off road. In the two years since CIE was introduced, over 1.2 million letters have been sent by the MIB and over 380,000 fixed penalty notices have been issued by the DVLA. More than £5 million has been collected in penalties and fines. As a result, more



... THE UK IS RANKED AS ONE OF THE THREE SAFEST COUNTRIES IN THE WORLD



... A DROP OF OVER 60 PERCENT IN ROAD FATALITIES BETWEEN 1990 AND 2011



uninsured drivers are being kept off the roads.

Since the introduction of CIE in June 2011 the number of vehicles registered with the DVLA has remained fairly constant, the number of vehicles on the MID has risen, and the number of potentially uninsured drivers has now dropped to 1.1 million. CIE is a powerful illustration of what Government agencies and the private sector can achieve by sharing data effectively and introducing straightforward measures to benefit the honest motorist and reduce the level of uninsured driving.

Cassie's law

The DVLA also supports road safety by making sure that those who drive are medically fit to do so. If at any point a driver is no longer considered fit to drive, their licence can be revoked. The DVLA has dedicated teams overseeing this work, working closely with the police and the medical profession.

A new process enables the police to notify the DVLA electronically with details of eyesight test failures, so they can review the case immediately and, where appropriate, provide an emailed revocation for the licence. This new process uses only existing resources, so is at no extra cost to the taxpayer.

The law requires that all drivers must be able to meet the eyesight standard for driving by reading a number plate from 20 metres – this can be easily checked by the drivers themselves or police at the roadside. A motorist who drives when unable to meet this standard is committing an offence and will have their

licence revoked by the DVLA. Up until now, the police notified the DVLA in writing or by fax, which meant that the revocation of the licence could take up to four days.

Tragically, in February 2011 one particular driver failed an eye test. The local police had no powers to immediately suspend his licence and three days later he killed Cassie McCord, who was just 16, in a road traffic incident in Colchester. The driver had refused to surrender his licence, despite the police trying to persuade him to do so.

Following a campaign by Cassie's mother, the DVLA worked closely with the Association of Chief Police Officers to look at introducing changes so that police could deal with roadside eyesight test failures more quickly. As a result of this work, in February 2013, new rules were introduced which allow the police to take immediate action against motorists who fail roadside eye tests.

Now, when an officer undertakes a roadside eye test and considers the safety of road users will be put at risk,

they can request an urgent revocation of the licence through the DVLA. Outside office hours, if the police deem the circumstances merit immediate action they can use existing powers to impose bail conditions including a requirement not to drive. Breaking the condition could result in a court hearing to review the bail conditions.

Once revoked, a licence will not be returned until a driver can demonstrate that their eyesight meets the required standard.

By the end of July 2013, 127 licences had been revoked under the new rules, helping to make Britain's roads safer. The DVLA will continue trying to ensure that law enforcement agencies have the right framework in place to prevent further tragic loss of life.

Gareth Bowen, Head of CIE & RNPS Operations, Casework and Enforcement Directorate, DVLA; Sarah Tuckwood, Manager of Motor Insurance Database (MID); Jan Chandaman, Acting Head of Medical Licensing Policy, Corporate Affairs Directorate, DVLA.



Reinvesting in policy-making

» Alex Ellis, the UK Ambassador to Brazil, reflects on how policy-making has changed in the Foreign and Commonwealth Office since 2010.



“You’re not as good as we thought you were.” That was the message from the new Ministerial team to officials in the Foreign and Commonwealth Office (FCO) after they took office in 2010. Swallowing our pride, the message struck a chord with civil servants in the FCO: our management had improved substantially in the last decade, but our policy-making skills had not kept pace.

This challenge from Ministers led directly to the Diplomatic Excellence initiative. As the Foreign Secretary, William Hague, put it in a speech in 2011, the Diplomatic Excellence initiative is “the biggest drive to enhance the cutting edge abilities and diplomatic skills of the Foreign Office that the Department has ever seen; skills in negotiation, analysis, difficult languages, economics and policy-making”.

I worked with the FCO

Policy Unit on this agenda until this summer, when I moved to be the British Ambassador in Brazil. What conclusions can be drawn from the policy work on Diplomatic Excellence, and how am I applying them here in Brazil?

The Policy Unit’s starting point was listening to what people inside and outside the FCO thought comprised policy excellence, and then establishing projects to improve our performance. Some of these projects worked, like ‘challenge sessions’. These involved bringing in people from different government departments, as well as people outside government, to test a policy being developed. This started with an ad hoc session on how best to respond to the Arab Spring early in 2011; but soon it expanded to include how the FCO should support

the central priority of the Government: to strengthen the UK’s economic prosperity. In light of this challenge on prosperity, the relevant Directorate changed how they structured their programme work, incentivised their non-project work, and used their own ‘Dragon’s Den’-style policy workshops.

The FCO Management Board were also big fans of the Policy Unit’s work to define specific in-year outcomes for the FCO as a whole. This enabled the organisation to focus on achieving specific and measurable goals, achievable within a year, rather than having only vague and qualitative aspirations about ‘enhancing relations’ with other countries in the long term – aspirations that make any form of performance analysis much harder. Each month, the Policy Unit collects examples of the tangible impact the FCO has had around the world, and an internal but independent panel scores these examples according to the importance of the event, and the success of the FCO’s involvement. At the end of the year we use these

Diplomatic Excellence

Diplomatic Excellence is the FCO’s reform and improvement agenda (2011-15) with the ambition of making the UK’s Diplomatic Service the best in the world. The FCO launched the Diplomatic Excellence campaign in response to the Foreign Secretary’s vision for the Department to be a strong, influential institution that gives leadership to the Government’s international policy through its expert knowledge, its strong diplomatic skills and the power of its ideas.





in-year ratings to evaluate our overall performance, and also ask independent experts from outside the FCO to give us their assessment of our performance, so we can learn from our successes and failures. This has helped us identify and disseminate some of the critical success factors, such as: the importance of identifying the specific FCO contribution to a desired outcome; bringing creativity into policy-making; investing in strong cross-Whitehall co-operation; and allocating a specific campaign or project resource to a particular diplomatic goal. The outcomes idea was unashamedly borrowed from elsewhere in Whitehall and was developed with the support of the Department for International Development (DfID), drawing on best practice from other leaders in this area, such as the Crown Prosecution Service.

Some of the projects have not worked so well. For example, as part of the Civil Service-wide drive for open policy-making, we set up a project to address the FCO's

weakness in using outside expertise, encouraging teams to create knowledge groups – networks of FCO alumni and external experts who could contribute their institutional memory and expertise to improve our policy-making. This stuttered rather than sparked. There were some successes: the Europe team notably using alumni, especially previous negotiators, in preparing for a (successful) UK negotiation of the 2014-20 EU budget, avoiding a real terms increase in the UK's contribution. But other teams either did not see the value, or communicated with their networks with general mailshots rather than using them for policy formulation and specific expertise which was relevant to a current issue. If we were starting again with knowledge groups, I think it would be better to bring in experts in creating, maintaining and intelligently using alumni databases to add value to policy-making from the outset.

How did we know if all this was working? We established an internal evaluation

framework both for policy and for Diplomatic Excellence overall, with a range of quantitative indicators combining numbers on a scale of 1-10 and qualitative feedback on policy capability through a survey of Whitehall customers, and input from ambassadors and external experts. The team's running joke was that civil servants rank everything in life at 6.5, but the numbers were useful in showing variation between different indicators, and patterns over time. The latest data tells a story we recognise: the FCO is strongest in using internal expertise and presenting policy clearly, and worst on making use of external expertise and being consistent in the quality of its policy advice. The best aspects of evaluation were the interviews with key policy consumers as part of the customer survey, which provided a richness which numbers alone cannot: for example, on the struggle for creativity in policy-making. It was a relief at a session on evaluation, which the Policy Unit had organised,



Reinvesting in policy-making

to hear the present and former heads of evaluation at DfID explain that there was no perfect method for doing this.

So have we improved? The numbers suggest we have, but only a bit. The view of Ministers is that we have become more consistent. On the other hand the Foreign Secretary urges civil servants to be braver and more ambitious. As he put it last December “Yes, we want the Foreign and Commonwealth Office to be a Rolls Royce of a Government Department. But we should not be afraid to take that Rolls Royce out and to race it around the odd corner on two wheels when necessary, even if that means risking the occasional dent and scratch”.

So there is still a lot more to do. The feedback from our regular customer survey suggests we need to get better at producing high quality policy consistently – by developing and extending learning about how to make policy effectively, spreading peer learning about how to do diplomacy in practice, and getting more systematic feedback from Ministers and others in government about the quality of our work. We need to reality-test our assessment of the FCO’s impact with others in government, too. And, like every department, we need to create capacity to focus on our core priorities by using the resources more flexibly and, when necessary, by doing less on lower priorities – considerably easier to say than to do. We need to keep an understanding of wider government objectives constantly in our thinking; and as demand for international engagement grows and resources tighten across government, we need to look at creative and radical

ways of working together on international business.

This work on policy-making did not stay at the bottom of my suitcase on arrival in Brazil. One of my first tasks was to fix in-year outcomes at a country level, drawing on the model produced for the FCO Management Board. There was a country business plan, but it was too long, too general, and too long-term to help drive better policy and management performance and to bring the different parts of the diplomatic network in Brazil into a single whole; a challenge in a network with similar sized teams in three different cities and the main commercial activity, which is the centre of our work, outside the capital. So instead of an aspiration for Brazil to be a ‘partner of choice’ on human rights, it’s better to adopt a specific and meaningful outcome of Brazil voting with the UK on the main UN human rights resolutions.

I think the foreign and home Civil Services can learn more from each other on policy-making than both sides realise. Senior civil servants from across Whitehall observe that the old levers, of money and legislation, are not so readily available in this decade and that influencing in other ways was becoming more important. This is something on which the FCO has experience and expertise to offer, just as the FCO can learn much from the rest of Whitehall on policy-making: not least on the use of outsiders, sharper focus on outcomes and mechanisms for evaluating them. Welcome to the world of diplomacy.

Alex Ellis,
British Ambassador to Brazil





Photo taken by André Mourão

The Centre for Social Impact Bonds

» **Public sector finances are tight. Social Impact Bonds promise to encourage innovation in public services without the risk of paying for failure.**

Faced with the growing challenge of addressing complex and costly social problems at the same time as reducing Government spending, civil servants in a number of departments, together with their counterparts in local government, are exploring new and innovative ways to finance and deliver public services. This includes looking beyond the tools and levers traditionally available, and bringing new players into policy making and service delivery.

Social Impact Bonds (SIBs) have become a particular area

of focus, attracting interest among politicians, investors and service providers, both in the UK and around the world.

At its simplest, a SIB is a way of financing a Payment by Results (PbR) contract. Under a PbR contract, Government agrees to pay a service provider if – and only if – it achieves certain agreed results. This means that the service provider must cover the initial costs of delivering services. Many potential providers find this difficult, particularly social enterprises and charities, as they often do not have the capital available to provide services in advance

of being paid.

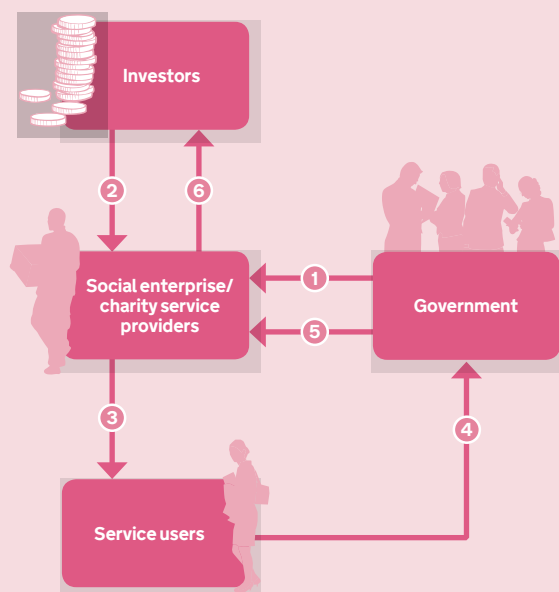
A SIB is a way to bridge this gap, enabling socially-minded investors to fund the provision of a service delivered by a social enterprise or charity on the basis that they will receive a return on their investment from Government – if the service delivers the results specified in the PbR agreement.

SIBs are an opportunity for the Civil Service to rethink the way limited resources are used to tackle complex and expensive social problems that Government has previously struggled to solve. In particular, the policy makers and commissioners of public services who are testing SIBs see them as a mechanism to drive innovation in public services by shifting the focus of commissioning towards outcomes. This allows service providers to design interventions based on their expertise and experience of dealing with specific groups or tackling social problems, focusing on what works rather than being constrained by systems and processes imposed by commissioners.

By expanding the sources of investment and making finance available to a wider range of organisations, SIBs also have the potential to increase the diversity of organisations able to deliver services, enabling

Social Impact Bond Model

1. PbR contract – government agrees to pay a service provider if and when it achieves certain outcomes
2. Investors provide up front finance to fund the provision of services by a social enterprise or charity
3. Social enterprise/charity service providers deliver services to service users
4. Improved outcomes for services users and savings to government
5. Government pays if and when agreed outcomes specified in the PbR agreement are achieved
6. Outcome payments from government provide a return to investors



social enterprises and charities to deliver PbR contracts. This can bring greater levels of innovation, expertise and specialism into the delivery of services, especially in areas where people using those services are marginalised or hard to reach.

Because SIBs focus providers on achieving outcomes and only pay for interventions that succeed, they may help improve performance and reduce costs. Finally, the external investment that SIBs generate can also be used to fund preventative services that can reduce demand for more expensive remedial

services and generate more sustainable public services in the longer term.

SIBs in action

The first SIB was developed by Social Finance, a not-for-profit organisation that supports charities and social enterprises to access finance, working with a Civil Service team in the Ministry of Justice (MoJ). Launched in September 2010, it aimed to reduce reoffending among short-sentence prisoners released from Peterborough prison. Social Finance raised a total of £5 million from 17 social investors

to fund experienced social sector organisations such as the St Giles Trust (a charity that supports ex-offenders with housing, education, training and employment) to provide intensive support to 3,000 male short-sentence prisoners inside prison and help them resettle in the community after release. The MoJ and the Big Lottery Fund will repay investors if there is a reduction in reconviction rates of seven-and-a-half percent or more compared to a control group of similar short-sentence prisoners who have not received any support after release. Returns to investors are linked to the percentage decrease



Department for Work and Pensions Innovation Fund

The Innovation Fund is a £30 million pilot programme developed by DWP to test new delivery models to support up to 17,000 disadvantaged young people over three years. It is a targeted and preventative programme aimed at re-engaging disadvantaged young people in education or training, improving their employability and reducing their longer-term dependency on benefits. The Innovation Fund was commissioned by DWP via open competition. Payments are made on a results basis against a number of agreed outcomes. These include improved behaviour, school attendance, educational qualifications and employment opportunities. Ten SIBs have been launched across the UK through the Innovation Fund, with social investors including Big Society Capital (a social investment bank set up by Government in 2012 to grow the social investment market) and the Private Equity Foundation (a charity providing finance and expertise to organisations working with vulnerable young people) providing the up-front capital.



London Homelessness Social Impact Bond

The London Homelessness SIB, commissioned by the Greater London Authority (GLA) with funding from the Department for Communities and Local Government, began operations in November 2012. It will run for three years. The GLA has commissioned homelessness charities St Mungo's and Thames Reach to deliver frontline services to 831 entrenched rough sleepers in London. Social investors, including CAF Venturesome, Big Issue Invest and the Orp Foundation are providing the up-front funding. Investors will receive a return on their investment, in the form of outcomes payments from the GLA, only once specific outcomes are achieved. These include a reduction in the numbers of rough sleepers, moving people into settled accommodation, reducing A&E admissions, and getting people into employment.



The Centre for Social Impact Bonds

in the reconviction rate and are capped at 13 percent. The Peterborough SIB has attracted considerable international attention as an original policy experiment. The first full results will not be available until summer 2014, but very early results released by MoJ in June show that the SIB has led to a decline in the frequency of reconvictions of six percent compared to a 14 percent increase nationally. If those results are confirmed they would provide compelling evidence that SIB-based interventions could play a key role in future social policy.

There are now 14 SIBs in the UK with another about to launch. These are operating across a variety of policy areas including youth unemployment, homelessness, children in care, reoffending, and adoption, building on innovative work by a wide range of civil servants from the Department for Work and Pensions (DWP), the Department for Communities and Local Government (DCLG), and MoJ as well as public servants from local authorities. There is also growing interest around the world, with SIBs

“By aligning the interests of key stakeholders around social outcomes, Social Impact Bonds have huge potential to significantly increase investment in effectively tackling social issues. They are also powerful in addressing preventative care that directly impacts on health and social costs.

– Sir Ronald Cohen,
Co-Founder of Apax Partners
and Chair of Big
Society Capital



launched recently in both the US and Australia, and being explored in Canada, Israel, Germany, and South Korea. While initial results from the Peterborough prison SIB are promising and there is increasing interest in developing more SIBs, they are a new and, ultimately, unproven tool. This means that they can be difficult, time consuming and expensive to set up. For commissioners, transaction costs for SIBs are high and, while these should reduce as SIBs become larger and more commonplace, there is concern among some commentators that they will never be low enough to make SIBs a viable mainstream delivery model. Gaining buy-in for a SIB from finance, legal and procurement teams is also tricky and takes time, while accessing the data needed to accurately measure outcomes can be a significant barrier. Experience and understanding developed from early SIBs should, over time, help address the first of these issues, while there is broader work ongoing across Government to make data and data sharing easier. It can also be difficult, and in some cases impossible for those developing a SIB to secure agreement to contribute to outcomes payments from other parts of the public sector which will benefit from the outcomes and savings generated by a SIB. This is something that the Civil Service still needs to address if more SIBs in complex areas are to get off the ground.


Equally, there are barriers for investors considering investing in a SIB. There is a lack of clarity on potential returns and limited understanding of the level of risk associated with an

investment in a SIB. While this hasn't deterred social investors so far, the lack of clarity around risk and return coupled with the small size of the market has meant that mainstream investors have not yet been prepared to invest in a SIB. For SIBs to reach significant scale mainstream investment will be key. Greater clarity on the returns delivered by SIBs will come with time, although it is difficult to predict whether this will be enough to attract mainstream investors at scale.

The Centre for Social Impact Bonds

The Centre for Social Impact Bonds was set up in the Cabinet Office late in 2012 to tackle some of the barriers to developing SIBs. It is a small team of civil servants and sector experts, with a mix of skills and expertise that reflects the nature of the SIB market. This includes an understanding of Government, knowledge of social investment and financial services, and experience working with local authorities, social enterprises and charities delivering public services.

The Centre for SIBs embodies many of the characteristics of the modern, reformed Civil Service – being open, evidence-based, and innovative, working across departmental boundaries to provide a shared expert service. The team focuses on four areas of activity where it can have the greatest impact:

First, in increasing awareness and understanding of SIBs across the Civil Service and beyond. Learning resources developed by the Centre for SIBs and others are disseminated through reports, seminars, workshops, blogs and online 

resources such as the SIB Knowledge Box.

Second, in helping to reduce transaction and set-up costs. Experience suggests that the time and resources required to develop a SIB can be prohibitive because there are few precedents to follow. The Centre has developed a standard template SIB contract to reduce the legal costs of setting up a SIB, and is looking at other areas where standardised models could help.

Third, in helping SIB developers estimate cross-cutting benefits. Making data publicly available about the costs to Government of providing specific public services (for example the cost of an arrest, or the cost of a week in care for a child) can help build a viable business case for a SIB.

Finally, supporting individual SIB developers with hands-on strategic advice and analytical support, and making contacts with other SIB developers and Government departments.

The Centre for SIBs also aims to address the difficulty

of multiple spending 'silos' in central and local Government, where organisational structures and budgets that focus on specific policy areas make it difficult for policy makers and commissioners to tackle issues that cut across numerous policy areas. The £20 million Social Outcomes Fund (SOF) provides top-up money where no single commissioner can justify making all of the outcomes payments, but where the wider savings across Government mean that a SIB is value for money. To date, the SOF has agreed to provide top-up outcome payments to two SIBs, one developed by the Consortium for Voluntary Adoption Agencies (CVAA) and Baker Tilly focusing on the adoption of hard-to-place children, and one commissioned by Manchester City Council to support young people in care.

There is growing support available for SIBs outside Government: from investors, grant funders, and experienced SIB developers. In July the Big Lottery Fund (BLF) launched the £40 million Commissioning

Better Outcomes fund (CBO). This sits alongside the SOF, with one point of entry into both funds, to pay for a portion of outcomes payments for SIBs in complex areas. Social Finance also provides support to commissioners, funded by BLF, to develop early stage SIB proposals; and the £3 million BLF technical assistance fund provides grants of up to £150,000 to help commissioners develop a full business case for a SIB.

The growing SIB market also includes social investors willing and able to provide the up-front investment. The Bridges Ventures Social Impact Bond Fund is a £14 million fund launched in April 2013 with investment from Big Society Capital alongside Omidyar Network (a US philanthropic investment firm set up to scale social innovation) and Panahpur (a UK charitable trust committed to supporting the development of the social investment market). It will make investments of up to £3 million in social enterprises and charities to deliver outcomes-funded interventions such as SIBs. The Bridges Ventures SIB Fund is the first of its kind in the world.

Early evidence suggests that SIBs present a real opportunity to open up public services to a diverse provider base that can increase innovation and improve outcomes in complex areas. The Centre for SIBs wants to enable more policy makers and commissioners across Government to use them. You can find out more through the Centre for SIBs website or by emailing directly – sibs@cabinet-office.gsi.gov.uk.

Manchester Children in Care Social Impact Bond

The Manchester Children in Care SIB, commissioned by Manchester City Council (MCC), aims to move at least 95 children aged 11-14 with behavioural and emotional issues from local authority residential care to more stable, family-based placements. The up-front costs of the programme will be funded by social investors who will receive outcome payments based on the number of children moved from residential care, as well as improved school attendance, better behaviour and wider wellbeing. The SOF has committed to contribute up to nine percent of the outcomes payments.



Tamsyn Roberts,
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Social Impact Bonds

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