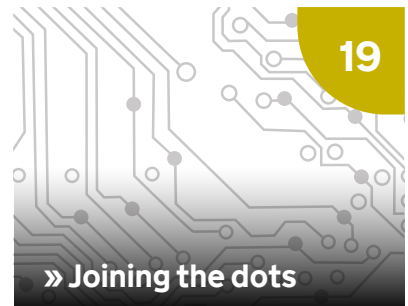Feature
Trust in the People - the Canal and River Trust

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Civil Service

#CSQuarterly

Issue 6 » October 2014
Civil Service Quarterly

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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.

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Cover photo: Miranda Krestovnikoff, Zoologist, TV presenter on The One Show and Friend of the Canal and River Trust.

Editorial

» Civil Service Quarterly: The beauty of numbers

Chris Wormald

Welcome to the sixth edition of Civil Service Quarterly. I am honoured to be taking over the stewardship of the magazine from Sir Jeremy Heywood. We've had a great year with over 60,000 unique users on the website. And I'm looking forward to an even more successful year to come.

This edition explores one of the Civil Service's most important capabilities: our analytical skills. In a fast-moving, unpredictable modern world our ability to use our data to inform policy making and help citizens is crucial.

Today, increasing numbers of people are victims of mobile phone theft. The Behavioural Insights Team explains how it has analysed crime data to discover which phones are most likely to be targeted. This helps consumers make informed choices and also puts pressure on manufacturers to improve security.

The Office for National Statistics offers us an intriguing view into how much the country spends on prostitution and drugs. It delves into the murkier side of life because it's part of a hugely important analysis of the overall state of the economy.

No less important is Cody Xuenig and Rory Moody's article. It offers tools to help decide how much to spend on public services – a crucial question in a time of austerity. And Steve Peters' article on Linked Data is part of an ongoing theme that we will explore more in the next few issues. It looks at the innovative ways government is exploring its own data to bring immense value to citizens.

Another ongoing theme is a perennial one. How can we make the Civil Service we are so proud of fit for the challenges of the 21st Century? John Manzoni, our new chief executive, writes a pithy and frank response to the last edition's article on government blunders. While for Stephen Muers it's all about evolutionary forces: will your policy survive? Is it a dodo or a cockroach?

And as the nights draw in, we also take you away to more exotic and beautiful places. Sarasa Podaval tells us about her experiences in Beijing as the first Department of Health employee ever to be seconded outside Europe. And finally, we hear how Defra helped the national treasures of our canals...

I hope you enjoy this edition of Civil Service Quarterly. Please do comment on the articles online and on social media using #CSQuarterly. You can also subscribe for free at quarterly.blog.gov.uk. We look forward to hearing your views.

Chris Wormald
Permanent Secretary,
Department for Education

Trust in the people - the Canal and River Trust

» The Public Bodies Reform Programme will reduce government administration costs by more than 2.6bn. One of the bodies transferred to the voluntary sector under the programme was the Canal & River Trust. Its chairman Tony Hales and Peter Unwin, Director General at the Department for Environment, Food and Rural Affairs (Defra), describe the challenges and benefits of turning a national treasure into a charitable trust.
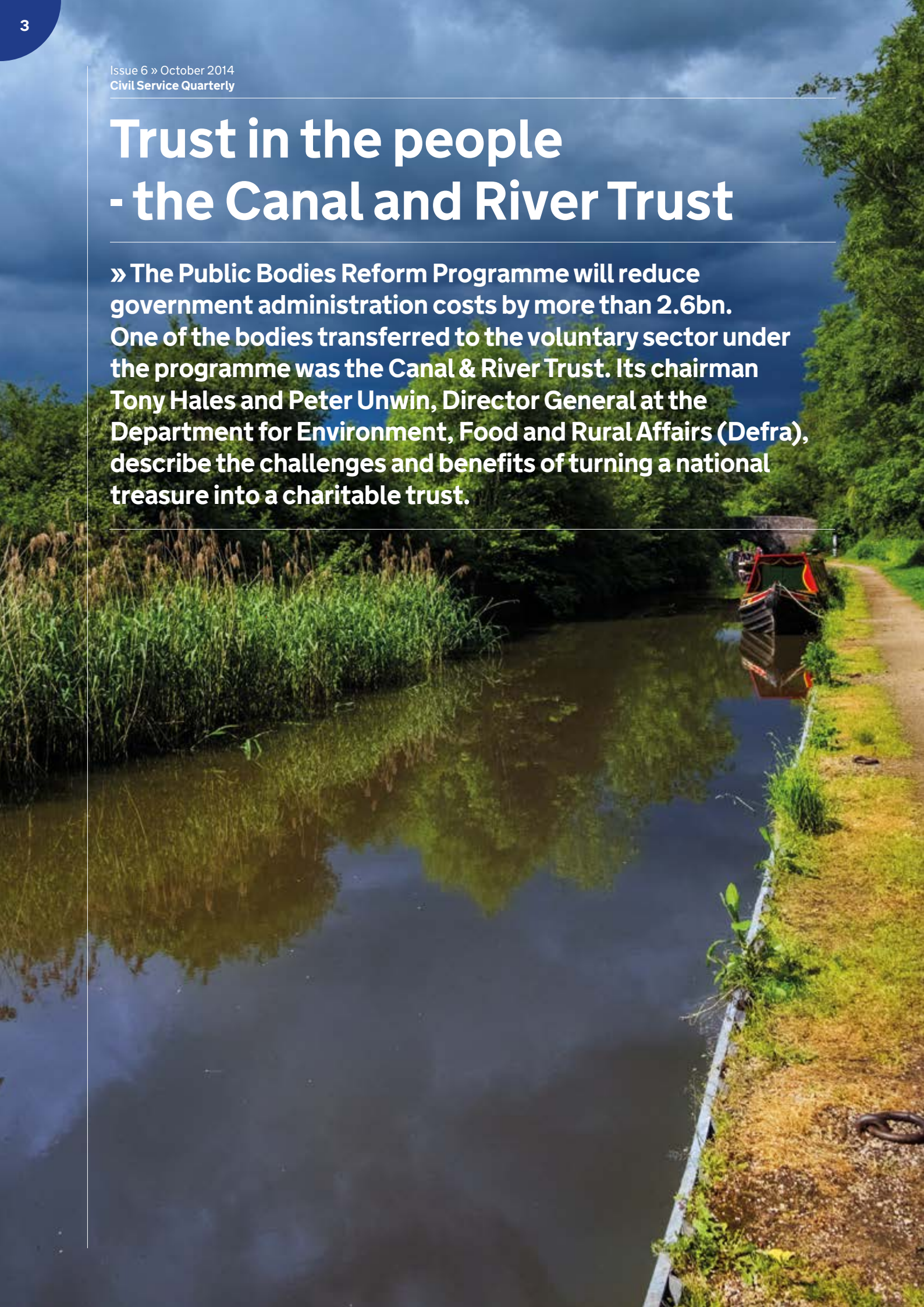
Anyone who knows their history knows the role played by Britain's inland waterways during the Industrial Revolution. But perhaps less well-known is how waterways are still making history today. In July 2012, when the government transferred responsibility for 2,000 miles of waterways to the Canal & River Trust, it created the largest ever transfer of state assets to a voluntary sector body.

This transfer had first been proposed more than fifty years ago by campaigners keen to liberate the nationalised waterways from the monolithic British Transport Commission. Despite years of being controlled by government, the waterways - once described as the 'Cinderella' of nationalised transport - had never really found their niche in public ownership. From their original function for freight transport, the waterways have diversified and now have links to anything from regeneration to tourism – so, arguably could be sponsored by any number of government departments.

In 2009, cuts to public funding led to discussions between British Waterways, Defra, HM Treasury, waterway user groups and the public about a new model of ownership – one which would give both longer-term funding security and a greater role for waterway users and volunteers. This longer-term financial security was vital. If the waterways had remained in the public sector, the proportion of the assets in poor condition would have risen sharply without adequate investment. Defra and British Waterways also truly believed that decisions affecting the waterways would be better if taken among local communities and users of the waterways, rather than in Whitehall.

The vision got the backing of all the main waterway stakeholder groups and quickly won cross-party support. Following the General Election, it fitted neatly into a much wider commitment by the Coalition Government to reduce the number and cost of its public bodies under the Public Bodies Reform Programme. This was the largest restructuring of public bodies in a generation.

Following widespread consultation, a charitable trust model for the waterways was selected. However, not everything was plain sailing. Waterways evoke powerful passions and there was strong debate on all sides. Single-issue groups required time and effort to be spent on specific aspects of the proposals, while unrelated controversies threatened to delay discussions. Furthermore, there wasn't a Britain-wide agreement on the way forward, so separate bodies were created for England and Wales.

The legal issues regarding a transfer of this size from a government body were also very complex, covering everything from ensuring the transfer was compatible with EU law, to ensuring the trustees of the Waterway Pension Scheme supported the move. Engaging the legal team as a key part of the process from an early stage was vital.

According to David Foot, head of Inland Waterways Sponsorship, Policy and Legislation in Defra when the transfer took place, deep consultation with all the groups helped to address any difficulties. He says: "the project really did benefit from the comments and ideas we received from the various stakeholders on our proposals, especially on the charity's governance structure. Ministers were happy to support the project publicly at key stages and to help reassure people who were nervous that moving the canals from the public sector was perhaps not the best way forward to protect the heritage waterways network." Commissioning independent financial modelling that all the parties could trust also helped.

In 2012, the Canal & River Trust was established and a deal was secured with Defra that transferred the assets and responsibilities of the waterways to the Trust. This limited Defra's liability to less than half the annual cost of grant than had been the case 10 years earlier, while ensuring the heritage infrastructure was conserved over the long term.

This was possible because the Trust inherited British Waterways' assets and sources of commercial income, property, utilities and boating, and negotiated a 15 year contract with government to manage the waterways. As well as giving the new body greater funding certainty and security than ever before, its charitable status opened up opportunities to widen the waterways' funding base – whether from voluntary donations or tax benefits.

A board responsible to a Minister was replaced with a board of voluntary trustees responsible to a Council of twenty-five stakeholders, with Wales and eleven regions represented on the Council by regional chairs. This ensured representation of the main stakeholder groups - like boaters, canoeists, anglers

Trust in the people - the Canal and River Trust

and the Trust's employees - but also enshrined a strong principle of localism in the Trust.

Dean Davies, Head of Customer Service at the Canal and River Trust, believes the transfer has been a "massive cultural change" for staff, but everyone supported what it was trying to achieve. Communication was key to ensuring this support, Dean said: "Of course there was some trepidation at the outset but a lot of work went into keeping people informed and seeking their views throughout the process." Volunteers make an increasing contribution to the Trust's work - 2,000 regular volunteers gave over 50,000 days of volunteering in the past year alone, helping with everything from marketing and PR to painting lock gates or clearing litter.

The move to Trust status has also allowed much stronger links to local communities and other non-profit organisations. A particularly imaginative partnership has been with the Arts Council, developing local projects where people can access poetry, art and sculptures, including a major community programme on the Leeds & Liverpool Canal. The partnership expresses the Trust's ambitions to inspire its visitors, to engage with communities and to enrich people's lives – a far cry from the days of British Waterways.

Finally, the Trust traditionally had a strong commercial source of income, but this was restricted quite tightly by its status as a government body. Gaining trust status has created new opportunities to develop the property endowment and interest in a wider range of assets, both enhancing overall returns, but also spreading risk.

Defra also had to ensure that the assets provided for long-term financial stability while respecting the independence of the Trust. The department monitors the Trust's delivery performance against a limited number of standards and an investment expert has been jointly appointed to provide oversight. Reserve powers exist to remove trustees or the Trust in the case of serious failing and to provide an ultimate safeguard for this public heritage.

The Trust is now just over two years old and still faces many obstacles. Teams of engineers are working hard to secure the old and fragile infrastructure which took a bashing in the last winter storms. Like any other start-up charity, the Trust must also increase public awareness of its brand and cause.

But the signs are good

The light touch scrutiny of Defra, coupled with the transfer of responsibility has created a more vigorous, dynamic, entrepreneurial approach and one where more people feel not only empowered and responsible but a real sense of ownership. The transfer of canals and waterways remains the largest transfer of state assets to civil society to date, but is also a model of how making that move can have a positive outcome for everyone involved.

Public Bodies Reform

In 2010 the coalition government pledged to reduce the number and cost of public bodies. Nine hundred bodies were reviewed to identify areas where it was no longer appropriate for the Government to be involved. The aim was to make the landscape smaller, more efficient, less costly, and to offer better value for money to the public.

The reforms were designed to achieve greater accountability where ministers are directly accountable to Parliament for functions that do not need to be at arm's length. Where arm's length bodies remained they were subject to regular review. The purpose was also to shift power away from Whitehall, placing more control over the delivery of public services in the hands of people who use them. Abolished bodies include the Child Maintenance and Enforcement Commission and the Tenant Services Authority.

The National Endowment for Science, Technology and the Arts became a charity.

To date more than 185 public bodies have been abolished, more than 165 merged, and the total administrative cost of running public bodies will have been reduced by at least £2.6bn by 2014–15.

900 bodies reviewed

185 bodies abolished

165 bodies merged

£2.6bn reduction in administrative costs by 2014–15

Photo: The Canal and River Trust

The story so far

Since the transfer, just over two years ago, the Canal and River Trust has:

- signed up over **7,000 (and rising) individuals** who each make a regular donation
- partnered with over **50 corporates**, including Google and Marks & Spencer
- **raised over £15m** in voluntary donations and partnership funding
- established over **60 community adoptions** (ranging from Scout groups to local residents) with people taking real ownership and pride in their local waterway
- established a **new inclusive model** of voluntary governance involving a Council, trustees, local partnerships and expert advisory groups
- **reduced the proportion of assets** in the worst condition to the lowest level since the grading system was introduced
- been **voted** the People's Postcode Lottery's Charity of the Year in 2014.

Stop Thief!
How data can help prevent mobile phone theft

» **Crime in general has fallen, but thieves are still targeting mobile phones. The Behavioural Insights Team (BIT) has developed a risk index to keep consumers informed and even prevent crimes before they happen. Simon Ruda, Ed Bradon and David Halpern from BIT show us how they did it.**

Since the early-90's, car theft has fallen more than four-fold. In less than a generation, 'joyriding' has gone from being a symbol of troubled youth, to a term that most youth would not even know. Crime in general has fallen over the period, but the fall in car crime stands out as particularly dramatic. In contrast, a minority of crime-types have been more stubborn, and a handful have even risen. Amongst the crimes to have fallen more slowly is 'theft from the person', driven substantially by the theft of mobile phones.

Every year, almost three quarters of a million mobile phones go missing – that's about one in fifty people losing their phone every year. Given the increasing value of phones, and the amount of personal data held on them, this is a major problem. Increasingly, your mobile is also your diary, your photo album, and even your wallet.

The mobile phone has become an indispensable component of modern life. But have a think about when you last got one. You'll have had no shortage of choice: Britons looking for a new mobile phone today can choose between at least seventy-nine different models on the market, across eleven manufacturers, together with many networks. This choice is informed by a wealth of information on everything from design and brand appeal to screen size, battery life and operating system. But there is one critical area where consumers have far less information – the security and risk associated with different phones.

Are some phones safer than others? The case for a 'risk index'

The overall numbers of phone thefts masks big differences in the risk of theft of different handsets. The Police, manufacturers, and thieves all have a pretty good idea of which phones are more at risk. But until September this year, the one group that didn't were consumers. This matters, not just as a matter of principle, but because it shapes the market – and crime.

If we look back to the fall in car crime, we can see that improved security features played an important part in making cars harder to steal. More specifically, manufacturers started making

Value of mobile phones

In 2011, the average value of personal data on a phone was estimated to be **£760**. In the last three years, this is likely to have increased greatly.

cars that were harder to steal, and one of the reasons they did this was that consumers started to care about it. And why did consumers start to care? Because of the decision by the Home Office, some twenty years ago, to release the data showing the relative theft rates of different cars, so that consumers were able to make better informed choices about the cars that they purchased. We also know, from the work of behavioural scientists such as George Lowenstein, that security and privacy are things that people do not think about or value, unless they are prompted to do so. That's why the Behavioural Insights Team – formerly of the Cabinet Office, now a social purpose company – has been working with the Home Office and the Metropolitan Police

to develop the first official risk ratio for mobile phones. Our conclusion was that, just as happened with cars, better informed consumers will not only keep their phones safer, but will also encourage manufacturers to build phones that are more secure and less attractive to thieves to steal. But to do this, we first had to find a way of establishing whether, and by how much, some phones are more likely to be stolen than others.
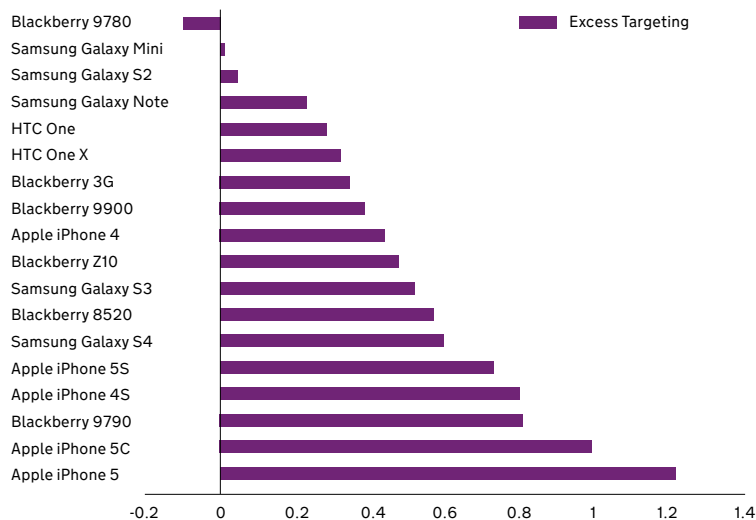
The Mobile Phone Theft Ratio

The Mobile Phone Theft Ratio uses data supplied by the Police to show which handsets were more likely to be stolen than others, proportionate to their market share and availability. The data

that lies behind it is an analysis of thefts of over a hundred thousand mobile phones in London over the eighteen months between August 2012 and January 2014, together

with data on market share by phone type and manufacturer. This data has enabled us to build an index that shows which models of phone had the highest risk of theft;

Estimated excess targeting of smartphones

Excess Targeting

Model	
Blackberry 9780	
Samsung Galaxy Mini	
Samsung Galaxy S2	
Samsung Galaxy Note	
HTC One	
HTC One X	
Blackberry 3G	
Blackberry 9900	
Apple iPhone 4	
Blackberry Z10	
Samsung Galaxy S3	
Blackberry 8520	
Samsung Galaxy S4	
Apple iPhone 5S	
Apple iPhone 4S	
Blackberry 9790	
Apple iPhone 5C	
Apple iPhone 5	

-0.2 0 0.2 0.4 0.6 0.8 1 1.2 1.4

Stop Thief!
# How data can help prevent mobile phone theft

which were most likely to be returned if stolen; and early indications of how effective new security features on handsets might be at deterring theft.

The findings were clear: models such as the Apple iPhone were most at risk (see below). This does not mean you should not buy one. But it does mean that these phones' attractiveness to consumers may have translated to high black market value, and that their security features at the time may have been inadequate deterrents to thieves.

Harnessing the ingenuity of manufacturers to design out crime

Just like cars a decade ago, the challenge facing mobile manufacturers is to build products that are both more secure and still easy to use (when did you last think about your immobiliser?). Fortunately, manufacturers are moving in this direction. PIN codes, remote tracking and data wiping are commonplace. Hardware advances have made biometric security measures such as fingerprint scanners a possibility. Leading manufacturers have also made a voluntary commitment to provide a 'kill switch' to new phones sold in the US from July 2015, which would remotely wipe a user's data and render the phone inoperable to an unauthorized user.

We can also start to see the impact of such features in the Met Police data during the period of our analysis. For example, we can see the impact of the introduction of iOS7 – an operating system with enhanced security functions, such as requiring consumers to opt out of using a pass code lock, rather

Apple Thefts   **Samsung** Thefts
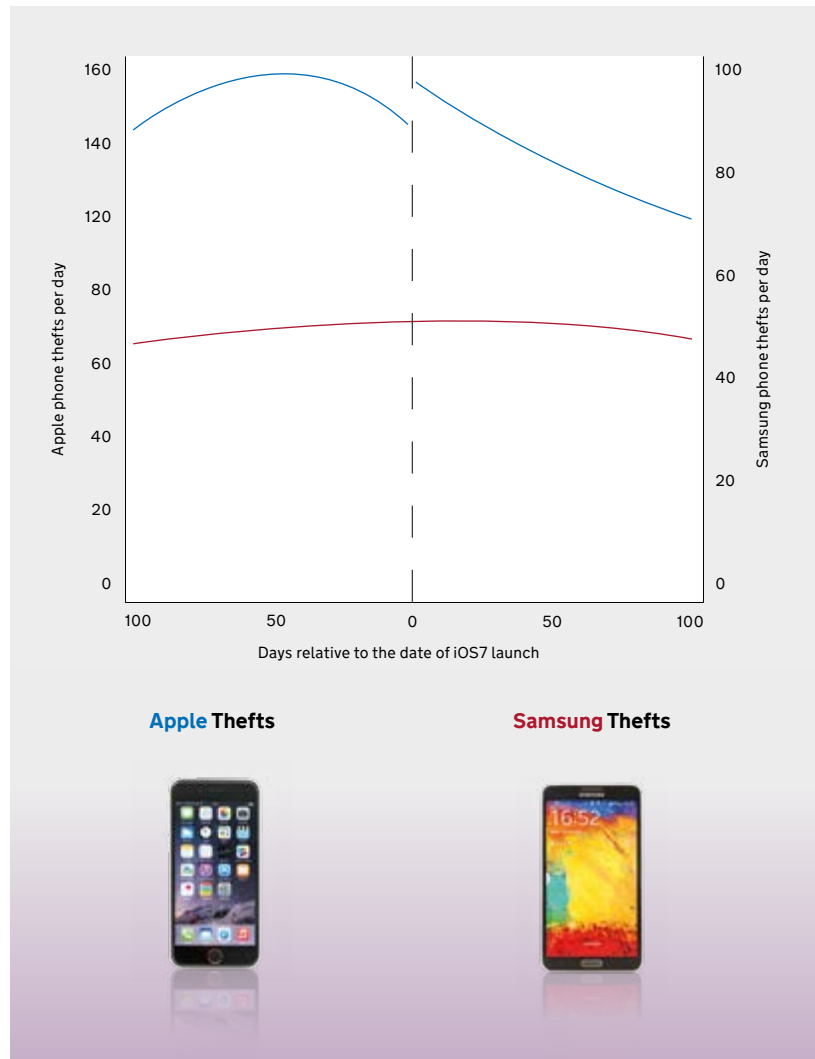
than having to opt in – on thefts (see figure). Over the 100 days following its introduction, the theft rates of Apple phones fell from roughly double that of rival Samsung, to around half more. Thieves learnt that Apple security got harder to crack. This was towards the end of the data period of our analysis, and therefore probably too soon to see the impact of this in the Mobile Phone Theft Ratio.

Getting a phone? Lessons for consumers

What are the lessons for consumers, and for you, when you get your next phone? Here

are three things you might do, based on our analysis of the Met Office data:

1 Use your phone's security features. Don't skip that PIN, or leave it set to 1111. You'll not only keep yourself safer, you make mobiles less attractive to thieves in general.

2 Don't leave it out! Many phones are stolen from tables and bars – you wouldn't leave your wallet out when you go to the toilet… Also take extra care in busy sites where many people automatically take their phones out, such as coming out of the underground.

3 Ask about security features when choosing your new mobile. This is arguably the biggest thing you can do to make mobiles more secure. Not only might it guide you to a safer phone, but it's also a direct line to manufacturers telling them to try harder to keep you safe.

Conclusion

Behavioural insights and data transparency are both powerful tools, but bringing them together can be a knock-out. For the Met Police and Home Office, it is a way of preventing tens of thousands of crimes before they have occurred, and at little or no public cost.

Some mobile manufacturers were worried about the publication of a theft index, just as were some car makers a generation ago. But they also know that it's an opportunity too. For those manufacturers that are fast off their feet, they can offer mobiles that are more secure and that consumers will pay more for, at least at the margin. Indeed, it is thought that security improvements introduced by industry contributed to recorded theft from the person falling by 10% in the last year. In the longer-term, such innovations can lead to products that we trust, not just as phones but as engines of innovation for both economy and society. Who knows – perhaps your grandchildren will ask 'what's mobile theft?' just as your kids ask 'what's joyriding?'

Building the theft index: technical details

To construct the ratio, we analysed a dataset containing information on every crime in which a mobile phone was stolen in London between August 2012 and January 2014. These data were cleaned to exclude errors and repetition of reporting. From this we were able to code the makes and models of phones, and to use this to create the mobile phone theft ratio.

The ratio itself is calculated by dividing a particular handset's share of all "targeted" thefts (i.e. where the handset was plausibly targeted, such as a phone being snatched from someone's hand) by the estimated "availability" of that phone (i.e. that handset's share of all those in active use in London during that time).

It's important to note that availability is not the same as market share, which only tells us which phones come into use (or become available for theft) each year, and not which phones cease to be used (or become unavailable for theft). Only mobile phone providers have access to precise information on which phones are active over a period of time, and this information was not available to government.

Therefore, we needed to accurately estimate the proportion of each handset in London in use. To estimate availability, we measured the proportion of handsets in the dataset whose theft could not plausibly have been targeted (e.g. a stolen handbag containing a phone, which the thief could not have known). As these datasets are so large, we are confident that they provide an accurate representative sample for London.

This allowed us to calculate an average risk of theft across all handsets, and then calculate which handsets suffered from excess risk of theft over and above the average. It also allowed us to observe the impact of security features as they were introduced to the market, like iOS7.

In addition to this, we looked at whether people's age and gender affected their likelihood of being a victim of crime, and identified where thefts were most likely to occur (e.g. nightclubs).

A healthy dose of diplomacy

» When Sarasa Poduval was seconded to China, she became the first Department of Health civil servant ever to be seconded outside Europe. She is now Second Secretary, Health and Social Care in the British Embassy Beijing. She writes about what her adventure has taught her about China, the NHS and the importance of keeping your links back home.

Recently, I had the unique experience of being seconded from the Department of Health (DH) to the Foreign and Commonwealth Office (FCO) to work in China for a year. But what on earth does health have to do with foreign policy? Well, it turns out that the NHS is one of the most respected institutions and most unique selling points of our great country. That respect buys us soft power to increase foreign trade and investment and improve our high-level bilateral relationships. We can use

NHS experience to help other countries reform their own system through seeing how we run ours. Not only that, my secondment has brought two UK Departments considerably closer, eschewing that common complaint of 'silo working'.

So you've been seconded to China. Now what?

The first hurdle was the language barrier. I took six semesters of Mandarin for fun at university and developed

a passable level of fluency. However, arriving in Beijing, I found that my skills were more than a little rusty. I gawped uncomfortably at impatient cashiers asking if we would like a bag for our groceries; mumbled at taxi drivers; and made full use of our interpreters at meetings with Chinese government officials. It was more than three months before the majority of my vocabulary came back to me – something I hope my beloved Chinese tutor, Li Laoshi (Professor Li) never finds out!

From the top down...

When I arrived, preparations for the first UK-China Summit in two years were in full swing and colleagues were preparing for the visit of David Cameron and five other UK Ministers – among them Health Secretary of State Jeremy Hunt. I'd arrived just in time to see health diplomacy in action at the highest levels.

The Summit marked the elevation of the UK and China's health dialogue to Secretary of State level – previously, discussions had taken place between junior Ministers. Jeremy Hunt signed a comprehensive Memorandum of Understanding (MoU) with Chinese Health Minister Li Bin, setting out the areas in which DH would collaborate with China's health ministry (the National Health and Family Planning Commission, or NHFPC).

Photo: British Embassy Beijing

China has achieved much in terms of health service reform, but acknowledges that it has far to go. Our Chinese colleagues hold the NHS in very high regard and feel that they have a lot to learn from us in many areas, including primary care and improving hospital standards. They aim to provide universal healthcare coverage by 2020; an impressive target. So far, the Chinese government has increased the rural insurance coverage rate from 3% to 90% in just five years, so they are right to be ambitious. Chinese health officials say that if they could buy the NHS wholesale, they would.

A healthy dose of diplomacy

Photo: Sarasa Poduval with MHRA Director of Inspections Gerald Heddell and officials of the Chinese Pharmacopoeia

They see it as a 'socialist' model of care – fitting in with China's political ethos.

...to the bottom up

One of the many ways we use our experience to support China is through small-scale policy projects co-funded by the FCO and the Chinese government. These range from pharmaceutical pricing and distribution, to reforming doctors' pay. These are hot-button issues in China, but the UK is so experienced in these fields that few people stop to think about how our pharmacies get their supply of medicines, or which incentives motivate GPs.

These small-scale projects also help us to build relationships with our opposite numbers in the relevant ministries. They boost the UK's credibility, bring together experts and open up opportunities for businesses from both sides to work together. The Chinese government has accepted most of the recommendations so far – creating a positive outcome for its public healthcare consumers.

Trade and investment between the UK and China also happens from the ground up. UK Trade and Investment (UKTI) and Healthcare UK work hard to match UK strengths with Chinese needs and have helped facilitate numerous partnerships - ranging from British companies implementing electronic patient records systems, to designing and building elderly care homes.

The Whitehall picture

And what of our inter-departmental collaboration? Thanks to my five years at DH, I've been able to bring a network of contacts to this role, enabling the team in Beijing to link directly with relevant policy leads or ministerial offices in London; and a strong understanding of the UK health and care system, so I can explain the role of DH and its various arm's-length bodies to colleagues in the Chinese government.

What have I learned?

Going out on secondment, my objectives were rather broad. I wanted to learn about the health challenges China was facing, which were vastly different to the issues we would deal with at the Department of Health. I wanted to learn about the health diplomacy landscape and the opportunities for UK-China collaboration. I was also very curious to learn how the policy-making process differed from ours. On a personal level, I also wanted to learn how another government department worked, and to gain some new skills.

I met these objectives and more. Perhaps the most important thing I learned was the importance of being anchored to Whitehall throughout. You cannot successfully represent UK policy without having your finger on the pulse of current Whitehall priorities. This requires excellent, proactive communication with all departments involved – sitting at a desk 5,000 miles away, we can be easy to

forget unless we are in constant communication, joining video- and teleconferences, and asking for regular updates.

I also learned about the challenges of influencing another country's policy, and how much depends on the UK's reputation overseas. The opening of doors – both commercial and political – depends on it, something which UK civil servants are not always cognisant of on a day-to-day basis. It's mind-boggling to think that the actions we take at DH which seem so UK-focused – legislation, policy, collaboration – can make an impact on a country like China – so huge, and ostensibly so distant.

The secondment has been a unique opportunity for cross-departmental collaboration and I believe, led to benefits for the UK Civil Service. For the team in the Embassy in

> **"** *I don't want to overstate the benefits that a sole individual can bring, but I've been able to grow my own networks, both within and outside the civil service, and bring back new ways of thinking to DH and awareness of the impacts of our work...* **"**

Beijing, it has improved access to the relevant UK experts, who can then contribute to the FCO and China's health policy objectives. DH can grow its influence abroad, particularly in a country where its expertise is so warmly welcomed. Chinese colleagues are always thrilled when they hear that DH has

a secondee here in China – they view it as a sign of taking healthcare collaboration with China seriously enough to send out an "expert" (their words, not mine!). We've also been able to promote the view that UK Departments do not operate in isolation and are a living example of 'One Her Majesty's Government'.

I don't want to overstate the benefits that a sole individual can bring, but I've been able to grow my own networks, both within and outside the civil service, and bring back new ways of thinking to DH and awareness of the impacts of our work, which will be hugely beneficial in my civil service career. Last but not least, the UK clearly benefits from equipping its civil servants with the knowledge and ability to deal with one of the most important countries now and in the future.

Photo: British Embassy Beijing

Sex, drugs and GDP

» The Blue Book from the Office for National Statistics (ONS) describes economic activity in the UK. This year, for the first time, it will include spending on prostitution and drugs. Peter Patterson, the Deputy Chief Economic Advisor at the ONS, describes how they calculate the figures in the Blue Book and what they mean for the UK economy.

Mention the UK national accounts and, even if you know what they are, sex and drugs do not immediately spring to mind. But they did this year as the Office for National Statistics produced a bumper package of improvements to the key economic figures that are devoured eagerly by policy-makers, analysts and the media.

The national accounts provide the essential framework for producing many of the key statistics on the economy that appear in the media every day. As well as familiar numbers, such as the rate of economic growth measured by changes in GDP, the national accounts offer a rich mine of information on a huge range of transactions carried out by households,

companies, and government. These are vital for policy-makers, and anyone interested in understanding how the economy is performing.

The national accounts in the UK and abroad are produced according to a rigorous set of international accounting standards. These are updated every 15-20 years in order to

keep pace with changes in the structure of the economy and in patterns of economic behaviour, and to ensure full international comparability. The latest version is legally mandated through the European System of Accounts 2010 and other statistical manuals (ESA2010).

International consistency lies behind further requirements on EU members to improve and harmonise statistics in a number of areas. One of these - spending on illegal drugs and prostitution - particularly caught the media's attention. Some activities may be illegal in the UK, but that is not the case everywhere. Comparability between nations dictates that ▶
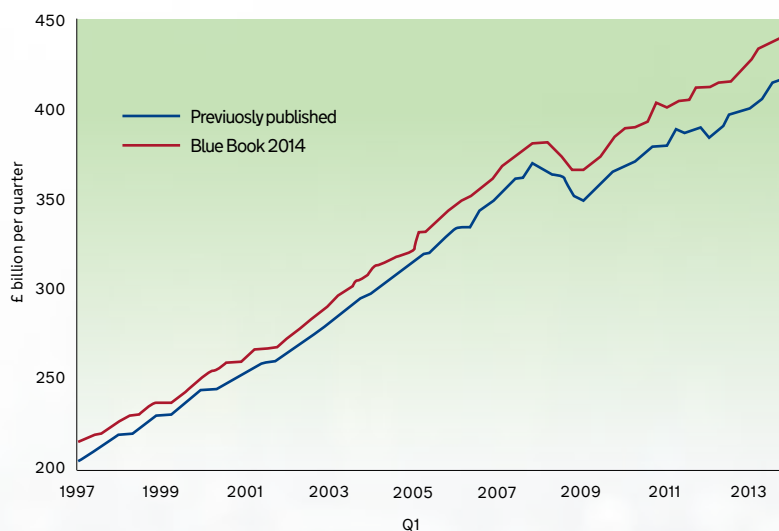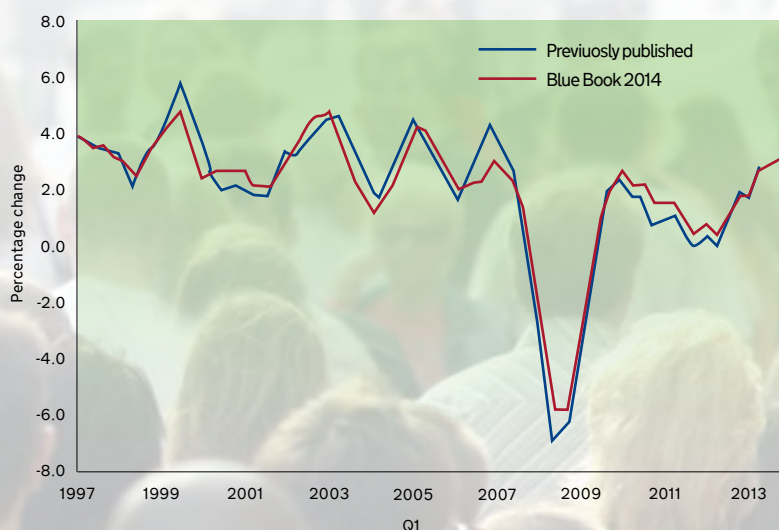
Figure 1: Changes to level of GDP in current prices

Legend: Previuosly published; Blue Book 2014
Y-axis: £ billion per quarter
X-axis: 1997 to 2013, Q1

Figure 2: Changes to real GDP growth (chained volume measure)

Legend: Previuosly published; Blue Book 2014
Y-axis: Percentage change
X-axis: 1997 to 2013, Q1

Sex, drugs and GDP

all countries include it in their GDP figures.

In the UK, the national accounts are revised each year in the annual Blue Book exercise. This is always a demanding process, involving a myriad of surveys and administrative data sources, and where conflicting information has to be reconciled and 'balanced'. The incorporation of ESA2010, as well as some significant improvements to the way investment and inventories figures are produced, has made this year's Blue Book all the more challenging.

Where a complete set of data cannot be readily identified, figures are estimated using the most relevant information available. ONS *desk* research (please note the italics for emphasis!) into the numbers of prostitutes and the price of drugs yielded the result that spending on these illegal activities in the UK contributes up to £10 billion a year to the level of GDP. Another requirement to measure households' spending on new cars using discounted rather than list prices entailed the use of "What Car" magazine as a prime data source. This research further uncovered the need to apply bigger discounts for cars with extras such as metallic paint.

The most substantive change to the new figures results from the inclusion of spending on research and development as part of investment, requiring detailed modelling and a number of data sources. This adds on average £18 billion a year to the level of GDP.

ONS set up a major

Figure 3: Comparison of UK post-war economic downturns
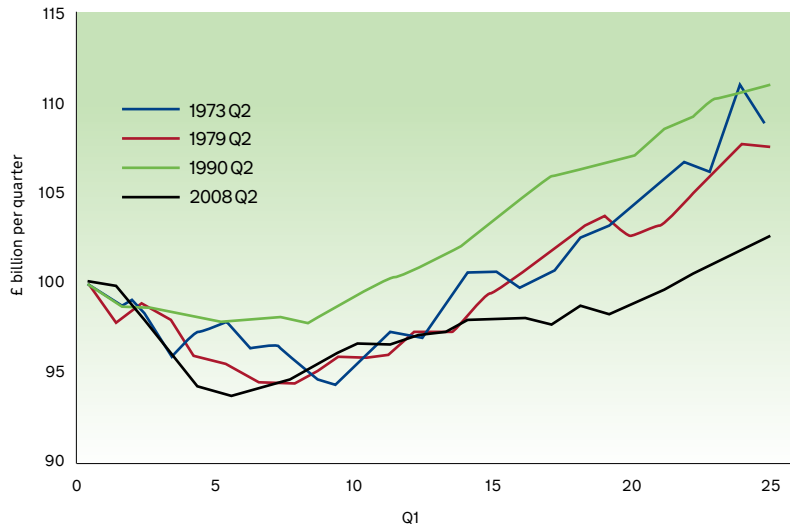
business transformation programme to deliver one of the biggest set of changes in a Blue Book for a generation using a number of best practice programme management techniques.

In view of the complexity and number of changes, ONS put together a comprehensive communications programme to ensure that users were fully informed about the changes that are being introduced and their impact on key economic indicators. Through publication of a regular series of articles since late 2013, ONS has explained the changes carefully, made clear the impact of individual items, and provided headline figures as soon as they were available. A formal communications plan, updated on a weekly basis over a period of several months, served to minimise the risk of confusion about a complex package of revisions to key data. This approach has been welcomed by key

users, and is widely regarded as exemplary among other European statistical institutes.

Economic impact of Blue Book 2014 changes

The main national accounts dataset was published on 30 September, and the Blue Book itself will add further detail on 31 October 2014. By expanding coverage, the overall effect has been to raise the level of GDP by around £50 billion a year – some 4%. The ESA2010 changes account for about half of the total increase.

The level of GDP is important because it determines, either directly or indirectly, a number of important government transactions such as the UK's payments into the EU budget. It is also used as a benchmark to reference cash figures against the size of the economy – for instance the level of spending on defence and overseas aid, and the public sector's

outstanding debt, will now be slightly smaller when expressed as a percentage of GDP.

Economic policymakers and commentators are most interested in the growth of the economy, measured by the movements in real GDP. In fact, the overall path of economic growth has not changed substantially. The average rate of real GDP growth since 1997 has gone up slightly – from 1.9% to 2.0% a year – primarily as a result of the ESA2010 changes. Within this figure, there are much bigger revisions in a few individual years. And there has been a substantial upward revision to the path of business

investment which is now seen to have risen strongly since 2010.

Interest has focused particularly on changes to the figures for recent years. The economic downturn in 2008-2009 is now slightly shallower than previously estimated. The peak-to-trough fall in output during the recession has been revised from 7.2% to 6.0%, but it remains the deepest UK downturn since ONS records began in 1948. While the subsequent recovery is now faster than shown in previous estimates, it is still the slowest on record.

There is no single factor behind the upward revisions to GDP growth

over the period since 2008, although improvements to the measurement of investment spending and the incorporation of new information have both contributed. The addition of spending on neither R&D nor illegal activities has added significantly to GDP growth.

... and so to Blue Book 2015

Updating the national accounts over the last 18 months has been an exciting and challenging time for ONS. The resulting picture of the UK economy is based on statistics that are more relevant to the economic structure as it stands in 2014, incorporating substantial and long awaited improvements to the way it is measured.

However, the economy continues to evolve, and there is no time to rest. Just as with the metaphorical painting of the Forth Railway Bridge, no sooner is one Blue Book completed than it starts all over again. Work is already well under way on Blue Book 2015 – although ONS cannot promise anything as newsworthy as measuring illegal activities.

Joining the dots

» **Government departments create reams of data. Linked with other data sources it can provide powerful insights for individuals and communities. Steve Peters from the Department for Communities and Local Government (DCLG) discusses how they are developing smarter ways to link information together online.**

Data is everywhere, underpinning almost all aspects of our everyday lives. We use it for major decisions such as choosing a new home, or seeking care for elderly family members. We use it for more mundane activities too – checking for the next bus, or getting the best price on that "must have" new DVD. We are already using data from multiple sources and organisations: local authorities, governments, charities and business, for example, when we search for the best local school, GP surgery or Chinese takeaway.

The rise of Open Data – free and available for re-use for anyone – will generate new potential for linking together all these related data sources. This data linking will be the fuel to power radical new opportunities inside government and across the digital economy. This is the quiet hard slog of data work, and DCLG is at the forefront of efforts to stitch together data in government.

Data fuels our work at the DCLG. We use it for key government priorities including housing and public service reform and it is widely used by local authorities, charities and businesses. One example is Shelter's online databank, which uses our data on housing tenure to tackle homelessness. Companies use our housing, planning and land-use statistics to support retail planning, or better understand the changing demography of their target markets.

The trouble with data

However, much of that data is still locked-away in separate silos, created for a time when a dataset served a single human need. We tend to release our data in separate files or documents, the result being hundreds or thousands of spreadsheets on various websites, even if they are all brought together through the government's data portal (www.data.gov.uk).

Publishing in this disconnected, piecemeal way can create significant overheads. Spreadsheets are hard to find and difficult to use when the user only requires certain columns from a particular file. The result is a user community that spends significant time and effort copying, pasting and reformatting data before they can use it.

These problems are exacerbated when users combine DCLG data with other third-party sources. For instance, imagine you are a homelessness advisor wanting to link together separate spreadsheets from DCLG, Ministry of Justice and Local Authority data on, say, homelessness and housing in Cornwall. How has each data publisher defined Cornwall in its own spreadsheet? Have they used names or codes, and are these consistent across all sources? We invariably

Linked Data

Have you ever talked to someone for a few minutes before realising you were using a common word or phrase but meaning different things? Humans are pretty adept at understanding the context of language, but computers are essentially dumb when interpreting context and meaning. The solution, Linked Data, is a set of standards and techniques for reliably and consistently linking together related data sources over the web, meaning computers can 'understand' that different datasets are referring to the same thing. Organisations like the BBC have meticulously catalogued and linked their data so that when

you search their news site - for Manchester United for example – it automatically connects up and offers you all the BBC content on that person, place or organisation. Web pioneers such as Tim Berners-Lee have led the campaign for similar common identifiers across the open web, so that if you referred to Tower Bridge in your blog it will reference a commonly understood definition and URI, and open up the potential to access a myriad of other data connected with this same entity. The linkability of data is captured in the 5 star ratings ascribed to data on data.gov.uk and other international open data portals.

find a lack of commonality or standards here, which again translates into unnecessary time and effort to prepare data for re-use.

The prize: joined-up data, for joined-up problem solving

Our vision is that anyone should be able to discover and link together related sources over the web. For example, DCLG wants to develop smarter ways of joining-up disconnected data on housing, schools, parks, and retail facilities - empowering people to make more informed choices about where they want to live. We are doing this by publishing our data as Linked Data. These sources could be open data, linked over the public web, or could equally be private information shared in a

more secure and protected environment.

Our front-end solution to this is OpenDataCommunities, an innovative online portal. It is a publishing platform for releasing DCLG datasets that can be quickly discovered and linked to other data. It comprises 154 Linked Data sources drawn

from DCLG's statistical and geographic data portfolio. These have been selected by working closely with data owners and end-users, ensuring that datasets can be published in new, open and linkable forms, and will be actively used.

Alongside the data repository are low-cost, ▶
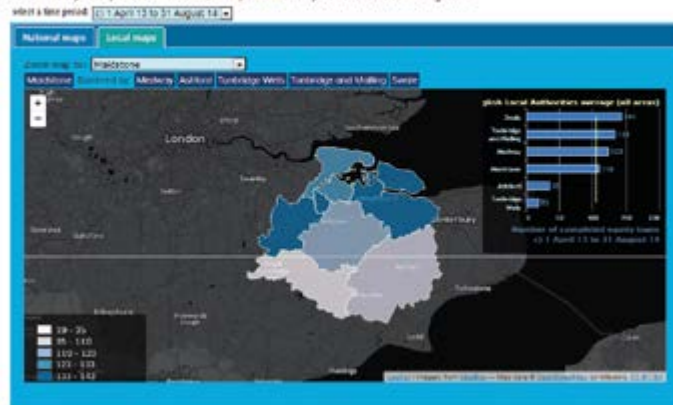
Joining the dots

innovative visualisation tools to help people understand how they might use our data and create new tools and insights from it. Two examples are visualisation of new experimental statistics on the energy performance of buildings, and statistics on loans completed under the Help-to-Buy scheme.

Making a difference

OpenDataCommunities has already had an impact. Our Linked Data has been used alongside third party sources to better plan and target local services. One example is Lambeth-in-Numbers, a project by Lambeth Council to solve the problem of families being unable to afford good food, and so suffering poor diet and health. The council and residents used the site to co-design solutions based on evidence gained by combining deprivation data, health data (e.g. child obesity levels), council data (e.g. location of different types of food outlet, level of free school meals) and resident data (e.g. on the size and location of food banks). The data now underpins the work of the new Lambeth Food Partnership which brings together residents, community organisations, businesses, local government and the NHS. The LFP is supported by Lambeth Borough Council as part of their co-operative approach to working with local people. Its priorities for action are school meals service in the borough, food poverty and access, and the local food economy.

Securing the prize: challenges and lessons learnt

However, we have faced challenges along the way. Firstly, creating Linked Data is challenging. Data owners need to look afresh at how their data is organised and structured, to determine how and where it can be reliably and responsibly linked to external sources. So we are developing new technical skills in-house.

Secondly, publishers generally lack the tools, capacity and expertise to help them generate and maintain Linked Data from multiple databases. That's why we have built tools that can "read" and convert these sources with minimal human intervention, and then publish them directly to OpenDataCommunities. Thirdly, we have found that consuming and re-using Linked Data is not straightforward. Again, this is partly due to a lack of established tools and standards. Our solution here is to incorporate tools in OpenDataCommunities for non-technical users to quickly blend and retrieve data from multiple datasets. One example is our new Geography Selector, which helps users extract data for particular places of interest.

Finally, there is a need to improve awareness about the benefits and opportunities of open, linked data. This is not well understood amongst senior decision-makers, data publishers, end-users, and software intermediaries. We are tackling this issue by building up a portfolio of evidence about the benefits of Linked Data over more conventional publishing approaches such as spreadsheets.

In conclusion

Linked Data has the power to deliver a web of information, deeply interconnected and rich in context. It heralds a not-too-distant future where data is not just clumps of zeros and ones parked somewhere in a spreadsheet, but a sea of meaningful connections ready to be used - like the experience you already have when searching Google, but much more powerful. It's similar to the game of Six Degrees of Separation where connections open up a cascade of definitions and relationships, revolutionising how we interact with our data. Applying its principles to DCLG's data has simplified yet powerfully expanded what we and others can do.

But our data work at DCLG is only part of a much wider picture across government. Departments and agencies, and civil servants of all professions, are working together to create new services for the public using Linked Data. You can now check the price of your home, look at information about companies or check the quality of the water at your local beach – all using Linked Data. Data – whether Linked Data, Open Data or Data Science - is increasingly becoming a fundamental asset on which services can be built both inside and outside government. The American technology evangelist Tim O'Reilly argues that government should eventually become a platform which instead of just providing services, actually enables and empowers citizens to innovate for themselves. We believe OpenDataCommunities is one of the first steps on the path to that future.

Is your policy a dodo?

» **Speeding up the "evolution" of policy could help promote the survival of the fittest in policy solutions, argues Stephen Muers, Director, Sentencing and Rehabilitation, Ministry of Justice.**

Talk to any worker in the public sector and there is a good chance they will say they face never-ending change. But an analysis of Queen's Speeches showed that many of the same issues keep coming up.[1] Sometimes it is only when looking across many decades that very large shifts in policy become apparent, such as changes to the way services are provided by the state.

The tendency is for constant small-scale change but overall stability in the short term, coupled with large, unpredictable shifts in the long-term. This can also be seen in another environment: the natural world. Can we learn lessons from Darwin's theory of evolution to improve how we develop public policy?

Mutation

Take mutation as a starting point. Living organisms do not reproduce perfectly but vary in unpredictable ways. Similarly, public

1 John and Jennings, "Punctuations and Turning Points in British Politics: The Policy Agenda of the Queen's speech, 1940-2005", British Journal of Political Science, 2010.

Is your policy a dodo?

policy and its implementation never remain static. There is a constant swirl of new priorities, management approaches and technologies, meaning that outcomes vary. Each person implementing a policy will affect it by their personal approach (what Lipsky calls the power of "street-level bureaucrats"[2]).

In animals, which of the changes survive and are passed on depends on how far the mutation helps the bearer survive and reproduce. If the environment doesn't change radically then the most likely mutations to survive are minor improvements on the existing situation. This explains the fact that the overall natural system tends to stay fairly stable despite all the mutation going on. Similarly, in government small changes that incrementally build on the status quo are the most likely to succeed and be built on in turn.

Complex interactions and competition

Which mutations last also depends on how different organisms interact. If a new bacteria weakens gazelles, lions will be able to catch more prey, so the lions will become stronger and breed more. Complex system interactions are the norm in public policy as well. Decisions made by ministers and civil servants do not always lead to predictable outcomes. Instead, those decisions interact with choices made by others - for example, businesses and local government in a complex way.

In addition, one of the key

tenets of evolutionary theory is how species compete for survival. It is often argued that competition is absent in the public sector. However, public servants experience something very different: constant competition - for status, budgets, and interesting work.

Accumulating changes

Unsurprisingly, the long-term consequences of all this mutation, competition and natural selection rarely follow a straight or predictable course. It is more common for an accumulation of changes, small in themselves, to lurch into paradigm shift (perhaps the extinction of a whole species).

Similarly, the speed and exact direction of long-term policy developments are neither constant nor predictable. The evolution of the European Union since 1957 has happened in bursts of change, for example. Major developments are very hard to predict because they are the outcome of negotiation and competition between countries and the European institutions, all buffeted by external events. Evolutionary biologists coined the term "punctuated equilibrium" to describe this pattern of unpredictable bursts of change[3] and subsequent research by Baumgartner and Jones and others has applied the same models to public policy.[4]

Evolving the policy process

If there is value in this comparison between the natural world and the policy

one, what does that mean for our policy making practice?

Organisms that reproduce fast and rapidly eliminate unhelpful mutations are best at succeeding in changing environments. The continual rapid changes to the influenza virus are what make it such a formidable opponent. To improve policy development, we need to make it quick to get a new policy into implementation but equally quick to kill it off if not successful.

Small experiments that can be scaled up and down rapidly are the best way to replicate this behaviour. A good example of experimentation is the series of pilots as part of the Ministry of Justice's Transforming Rehabilitation programme, which looked at new payment methods for reducing re-offending.

Some demonstrated results worth scaling up because they showed a significant fall in reconviction rates against a comparable group. Others demonstrated that ideas were not worth pursuing: offering additional money to providers of employment support, under the Work Programme, would not significantly prevent reoffending because there were too few prison leavers joining the programme.

A larger version of the experimental approach can be seen in the "What Works" movement. For example, the Education Endowment Foundation is involving more than two thousand schools in over seventy controlled trials that test alternative ways of increasing the educational performance

2 Lipsky, M., Street-level Bureaucracy; Dilemmas of the Individual in Public Services, 1980
3 Gould, Stephen Jay, & Eldredge, Niles. "Punctuated equilibria: the tempo and mode of evolution reconsidered." Paleobiology, 1977
4 Baumgartner, Frank and Bryan D. Jones. Agendas and Instability in American Politics, 1993

of disadvantaged students. Results are published and head teachers can use them to decide where to invest Pupil Premium funding.

In the private sector, competition, entrepreneurship and take-overs force the pace of change. However, many public service markets feature long-term contracts and high barriers to entry. Such an environment suits incumbents, and does not encourage experimentation. Despite this, it's possible to create a broad and flexible supply chain. A key part of the Transforming Rehabilitation programme, for instance, is to make sure that smaller voluntary sector organisations are equipped to participate, and that there is a diverse and competitive market.

Another approach would be to lower the barriers to introducing small, innovative policies. There are clear processes through which any policy has to go, but could more approval processes be subject to thresholds, enabling small experiments to be launched more quickly? Any failures could be nipped in the bud by applying strict time limits to these projects.

Communicating that some policies are pilots and are expected to fail could help manage the expectations of stakeholders. By presenting a series of experiments under an overall 'brand', success is tied to the brand rather than individual components. The Innovation Fund led by NESTA in partnership with the Cabinet Office works along these lines. Government departments could put teams together specifically to launch and then kill off experiments without developing an institutional interest.

And while the legislative process is (for good reasons) time-consuming and pushes government towards specifying detailed plans early on, there is scope for speeding things up.

> **...it's possible to create a broad and flexible supply chain. A key part of the Transforming Rehabilitation programme, for instance, is to make sure that smaller voluntary sector organisations are equipped to participate, and that there is a diverse and competitive market.**

The Welfare Reform Act 2012 created a power to allow small experiments in benefit rules. This opens the door to more rapid experimentation, and is an approach that could be used more widely.

Above all, policy makers need to view the public policy environment as a complex and shifting ecosystem and let this guide their approach. The technology industry uses 'Agile' techniques, characterised by rapid roll-out of rough prototypes and constant feedback from users. The Government Digital Service and others are already using Agile techniques in a government context.

Invariably, boundaries and roles will shift as policies develop. So incentives for the system as a whole need to work however individual parts develop. In education, for example, there are clear incentives set by the funding and inspection regime, which push the overall system in the desired direction. This is regardless of the different models of schools and their relationships with the Department for Education or their local authorities. However, this approach must be supported by transparency about performance.

Thinking about what makes organisms succeed in the battle of evolution and natural selection suggests ways to improve policy making. If we speed up the "evolution" of policy and recognise how public sector organisations compete with one another, we could promote the "survival of the fittest" in policy solutions.

There will be small variations in policy and implementation, but by embracing such differences and learning from them, we can deliver continuous improvement. Such an approach requires a focus on the empirical evidence of what actually works, and an acceptance that we do not know what is best when we start the policy process. But it offers the prospect of accelerating evolution and improvement across public services.

Do you agree with Stephen? Let us know your views at quarterly.blog.gov.uk or #csquarterly

How on earth could they let that happen?!

» In the last issue of CSQ, Sir David Normington reviewed _The Blunders of Our Governments_. John Manzoni the new Chief Executive of the Civil Service wrote this article when he was the head of the Major Projects Authority. It discusses what the organisation is doing to prevent such blunders and improving how projects are run.

I read Sir David Normington's review of *The Blunders of Our Governments* with interest and trepidation. Interest because he draws from the book the critical conclusions as to why blunders happen. Trepidation because he concludes that for sure, another blunder is brewing – and someone will say 'how on earth could they let that happen?!'

Sir David asks: "Why then aren't the lessons learned?" and "Why don't things get better?" New to government as head of the Major Projects Authority (MPA), I'd like to give you an idea of what we are doing to try and avoid the next blunder and why improving seems to take so long.

As the book states: 'When governments blunder, their blunders frequently make headlines.' The majority of the largest projects in government are not building or buying things; they are transforming things - and these projects are by nature more complex. Even the relatively simple buy and build projects in the public sector tend to have more stakeholders, longer timeframes, and bigger numbers than many private sector projects.

Accepting that as context,

we must strive to do better, and *The Blunders of Our Governments* should be a wake up call to those of us who aim to improve execution. But this will not be easy. The top two hundred projects in government today add up to nearly £500bn: delivering new railways, better schools, the latest in medical treatment, and IT development projects to improve public services.

Our aim here at the MPA is to ensure good execution of these projects. We help teams clarify their objectives, understand the resources they require, and give them the confidence to identify challenges and develop solutions. One of the ways we do this is by offering candid red, amber and green ratings to projects, to help project leaders to identify and address problems early on. We are also committed to publishing extensive data on all of our major projects, thereby helping people to ask the right questions.

We work closely with departments to ensure that their projects are in the best position to succeed. Over the last twelve months we have undertaken over 250

reviews. Each one identifies issues and makes specific recommendations. If necessary, we undertake follow up visits to ensure actions are taken.

In addition to making the recommendations, we are now helping projects to get the right kind of support, whether that be from project leaders, provision of specific technical expertise, management advice or access to outside lessons or data sources.

This has resulted in improvements in over half of the projects we identified as having the most significant challenges. These projects include our work with the Department of Health to improve patient administration systems, and with HM Revenue and Customs' 'One Click' project, which will bring together many businesses' tax needs in one place.

Capability and the Profession

The Blunders of Our Governments identifies 'cultural and operational disconnects' as sources of blunders - often because policy development does not consider implementation. Policy is seen as the way in which departments address strategic objectives. Project delivery is focussed on execution and developing the various routes to implementation, including: appraising the options, deciding the best value for money option and then developing plans to meet policy objectives.

If we want to avoid disconnects, we must ensure that a key part of policy development is the assessment of these project delivery options.

Added to that, major projects require

The top 200 projects in government today add up to nearly...

£500bn

How on earth could they let that happen?!

outstanding leaders who have the skills and experience to manage complex relationships, to allocate scarce resources, and to solve problems as they arise.

We have already enrolled 250 project leaders into our Major Projects Leadership Academy to address our aim of creating a recognised cadre of experts who can move across different government projects. Around a hundred of these leaders will have graduated by the end of 2014. Another programme, for leaders of priority projects or less experienced civil servants, will be launched in the middle of 2015.

Despite the Civil Service offering some of the most exciting projects in the country, we fail to attract enough of the best project delivery professionals. We need to create career paths, and learning opportunities that help us to attract, retain, and develop these leaders. This way, more individuals will have the delivery experience to build implementation into the thinking as policy is developed, so blunders should become less common.

Strategic prioritisation

Sir David sees what the authors call 'activist Ministers' as drivers for change - but also a cause of blunders. Ministers are always going to be judged on 'getting things done', yet departments will continue to be required to deliver more for less.

We can't let 'activism' or efficiency drives be an excuse for poor delivery. The Civil Service needs to be more realistic in understanding the resources required to achieve any given outcome, and better at thinking through the options and delivery mechanisms at an earlier stage. To 'speak truth to power' we have to know the real truth.

This means being clear about our portfolio, the resources we need, where the real risks and constraints lie, and how we can re-prioritise to meet shifting demands. This isn't only about tools and charts; it's about realistic and robust discussions with decision makers around the challenges associated with any particular policy.

Front end loading

Thinking through properly what is required during the initial phase of project initiation is crucial. We can then ensure that the project is clearly linked to policy priorities, that deliverability is understood, that the benefits and risks are made clear, and that delivery options are flexible.

Every new project coming onto the Government's Major Projects Portfolio is subject to a Project Validation Review. This is a good start, but sometimes there is a reluctance to ensure sufficient resources are deployed early enough. We have plans to strengthen these entry reviews, and to gain a better understanding from departments of what is really needed to deliver.

Accountability

At the same time, complex accountability structures and unclear lines of responsibility within our major projects make delivering them more challenging. With this in mind, Senior Responsible Owners (SROs) will be issued a formal letter of appointment to clarify their role, accountability and tenure. This means they can have more informed conversations with decision makers and articulate what is and isn't possible within the sphere of their control.

A blunder is brewing...?

As Sir David states, 'if risks are never taken, then nothing will ever change'. The government is always going to undertake large-scale projects to deliver complex policy; realistically some blunders are probably going to occur.

We have made a good start at addressing the causes of blunders - but there is still much to be done. We have a clear set of priorities, and we now have to accelerate our actions. The MPA's maxim "right projects, done right" is an important part of the future agenda.

You can hear more about John's plans in his new role as Chief Executive of the Civil Service here. https://civilserviceleaders.blog.gov.uk/2014/10/02/the-new-chief-executive/

Building a common currency

» Spending money on public services requires tough decisions and a robust understanding of the costs and benefits. Cody Xuereb, Economic Adviser at the Department for Communities and Local Government and Rory Moody, Policy Adviser at the Cabinet Office, explain how a suite of new tools can help.

One of the challenges of government departments working together is how to make choices about allocating budgets when there are so many competing priorities.

Faced with reducing the deficit by half to £38bn by the end of 2014-15, government has to make transparent decisions around which services will deliver the greatest value and benefit. That means when pitching proposals to government, any local authority or voluntary organisation must back them up with a robust cost-benefit analysis (CBA).

Something that would make this process far more efficient would be a way to estimate a unit cost for delivering a service. Imagine, for example, if you could show the average unit cost per person engaged in effective drug treatment, or the average annual cost of a child attending a pupil referral unit. This unit cost would show the expenditure incurred for providing one unit of a service, enabling government departments and local authorities to assess the value of proposals to restructure or expand such services.

To address this challenge, the Department for Communities and Local Government (DCLG), the Public Sector Transformation Network, New Economy Manchester and a number of other departments have come together to produce an innovative appraisal toolkit to help teams come up with a cost-benefit analysis and access a repository of unit cost data.

The toolkit, launched earlier this year, is already providing a common basis for making and appraising the case for public service transformation across a number of different areas. For example, in Manchester, the number of individuals claiming out of work benefits has remained stubbornly high. It is roughly half of all people out of work in the area and costs taxpayers roughly £1.4 billion a year.

The authority wanted to understand the impact of supporting long-term claimants with a more holistic approach to getting them into work. Its Working Well programme provides a key worker who puts in place an integrated package of support including health, skills, debt advice and housing.

Using the new CBA Toolkit, Greater Manchester was able to make the case for a £15m investment in the programme, jointly funded between local partners and the Department of Work and Pensions (DWP). The investment enabled the authority to pilot the approach with five thousand Employment and Support Allowance (ESA) claimants across the area, and the decision to invest was heavily influenced by the estimated breakdown of benefits among the partners involved.

As this example demonstrates, having access to consistent cost data enables local authorities to understand the fiscal, economic and social impacts when appraising public service transformation proposals. It goes further, too, in helping cities and local authorities quantify the impact on different agency budgets and estimate the benefits of commissioning services jointly. This can unlock opportunities for joint investment with new partners who may not otherwise have been identified as beneficiaries.

New tools for a new way of working

Of course, cost-benefit analysis (CBA) is used by governments across the world to estimate the costs and benefits of spending options and to assess the relative merits of alternative policies. The Green Book, soon to be refreshed by HM Treasury, sets out the broad principles of CBA. However, there is no guide that can be easily applied by practitioners working directly on service delivery. The building blocks of the CBA tool are shown overleaf.

We believe that this toolkit – based on good practice and aligned with HM Treasury's approach to business cases – will help commissioners develop robust business cases and answer questions that are essential to all

Building a common currency

Photo: Former offender and ICO attendee Edem Ekpenyong with Helen Latham, ICO manager (back row) and two magistrates from Greater Manchester.

spending proposals such as:

- Do the proposed interventions provide value for money relative to business as usual and what is the payback period for the project?
- By investing in a preventative approach, can local partners reduce the levels of need and therefore budgets in the medium to long-term?
- Where an agency invests in a programme, to what extent are other agencies or departments likely to benefit?

A range of agencies stand to benefit from a tool that enables them to answer such questions.

One way in which the CBA tool could be used is to show the distribution of the cost of a complex housing eviction across a number of agencies, or the fiscal benefit of getting a Jobseekers Allowance claimant back into work. The CBA guidance in the toolkit has also been added to the Green Book series so has the backing of HM Treasury (HMT) as a robust approach.

The unit cost database now contains more than six hundred unit cost estimates. All of these can be used to calculate the costs of delivering proactive services and the potential savings in reactive costs that can be achieved. Reactive costs are those incurred when

services have to respond to problems, as opposed to intervening before a crisis occurs (i.e. proactive or early intervention services).

This standardised and common set of estimates accelerates the process of assessing spending proposals, saving time and money for HMT. Equally important, the database shows the constituent cost estimates and the sources upon which they are based, enabling organisations to understand the quality of the evidence underpinning the cost estimates and providing a basis for challenging them.
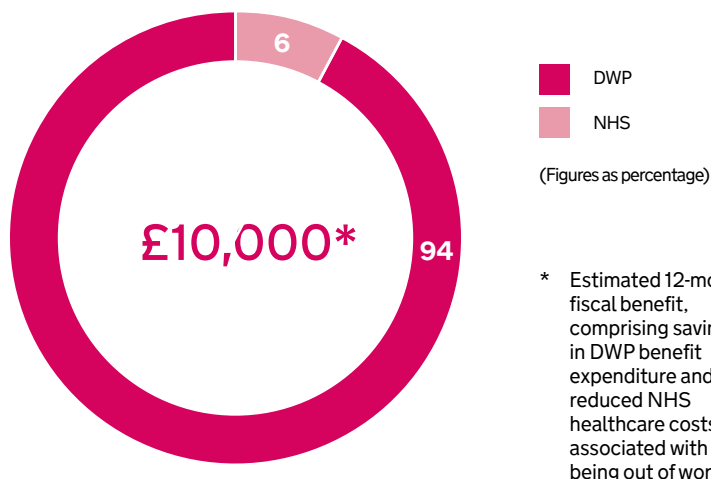
In Greater Manchester, for example, the authority was able to estimate the value for money in expanding a programme to reduce re-offending among young offenders. The Intensive Community Order targets young males with custodial sentences of less than twelve months, combining community restitution with training. The CBA tool estimated that the expected fiscal benefits of the programme were £14 per every pound spent on reducing re-offending. Of these benefits, it estimated that, once at scale, up to £8 per every pound spent could be cashable, or lead to taking money out of the budget – supporting the decision to scale up the programme across the whole of Greater Manchester.

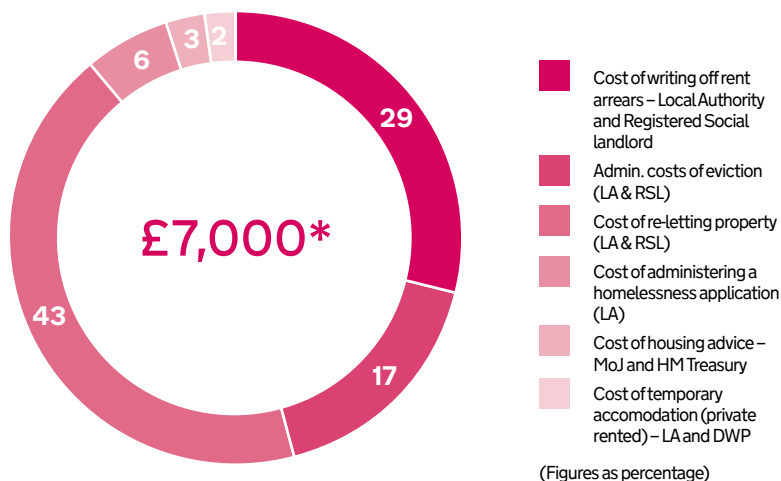| **Costs** Capital, Revenue, In Kind		
Outcomes Need, Engagement, Impact, Deadweight, Lag and drop-off	**Cost Benefit Analysis Tool**	**Economic Case** Net Present Public Value, Value for Money Benefit Cost Ratio
Cashability assumptions		**Financial Case** Net Present Budget Impact, Financial return on investment, Payback period

How unit costs are calculated

There are two approaches to estimating unit costs: top-down and bottom-up. The top-down approach is based on a simple calculation: divide total expenditure for a programme or policy by total units of activity to derive a unit cost. The units of activity are specific to the services that are being costed, for example, the cost of a prison place or GP consultation. Typically this approach uses aggregate, budgetary data to estimate a unit cost. Imagine, however, if you could go one step further and trace those costs to the intensity and duration of services provided to a range of people with different levels of need. This would allow you to disaggregate the costs of a service so that you could see variation in costs and begin to understand why some service users cost significantly more than others. This bottom-up approach provides a greater level of granularity than the top-down method but it requires (more) robust cost data. It involves identifying all of the resources that are used to provide a service and assigning a value to each of those resources. These values are summed and linked to a unit of activity to derive a total unit cost. More information on unit costs can be found here www.pssru.ac.uk/pdf/B062.pdf.

Fiscal benefit from a JSA claimant entering work

£10,000*

6

94

DWP

NHS

(Figures as percentage)

* Estimated 12-month fiscal benefit, comprising savings in DWP benefit expenditure and reduced NHS healthcare costs associated with being out of work.

Average (unit) cost of a complex housing eviction

£7,000*

29

17

43

6

3

2

Cost of writing off rent arrears – Local Authority and Registered Social landlord

Admin. costs of eviction (LA & RSL)

Cost of re-letting property (LA & RSL)

Cost of administering a homelessness application (LA)

Cost of housing advice – MoJ and HM Treasury

Cost of temporary accomodation (private rented) – LA and DWP

(Figures as percentage)

Next steps

Seeing the difference these tools have made to projects like those in Manchester and other local areas, we now want them to become mainstream. We have provided training for local public bodies and also required the tool be used in service reform proposals for the Troubled Families programme and the Transformation Challenge Award. The uptake has been extremely encouraging: almost 120 local areas bidding for the Challenge Award and at least sixty local authority and voluntary organisation bidders for the Our Place programme are expected to use the tools.

The next challenge is to ensure that the toolkit becomes the standardised approach for developing spending proposals across a range of services and in doing so helps catalyse partnerships between public, private and voluntary agencies.

Access the toolkit here neweconomymanchester. com/stories/1855-cost_ benefit_analysis_guidance_ and_model and let us know your feedback.