CIVIL SERVICE QUARTERLY

Issue 14 July 2017 FEATURE
CHARTING PRODUCTIVITY
IN THE UK ECONOMY

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BUILDING OUR INDUSTRIAL STRATEGY

HOW DO YOU PUT A VALUE ON 'NATURAL CAPITAL'?



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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.

Any civil servant can write for Civil Service Quarterly – contact csq@cabinetoffice.gov.uk

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EDITORIAL

Civil Service Quarterly: Economics in government.



Welcome to the 14th edition of Civil Service Quarterly (CSQ).

This edition has a particular focus on economics (and economists) in government.

In our lead article, "Charting productivity in the UK economy", Treasury economists Henry Shennan and Dominic Muir use a series of annotated charts to illustrate graphically the scale of the UK's productivity challenge on different measures, international, national, regional and sectoral.

In a companion piece, "Building our Industrial Strategy", Tom Gelderd, from the Department for Business, Energy & Industrial Strategy, sets out the thinking behind the strategy Green Paper from his position as an adviser on the project.

John Curnow, Chief Economist at Defra, throws light on an emerging area of economics, the insights it can provide to inform environmental policy and how we care for the natural environment, in "How do you put a value on 'natural capital'?"

In "Economics in government: more open, more diverse, more influential", members of the Government Economic Service, Thomas Bearpark and Andrew Heron, with HMRC's Ben Glover, chart the growth of a new Civil Service network, Exploring Economics. This is dedicated to increasing awareness and understanding of economics among civil servants and builds on the conviction that economics and economists, in common with every other part of the Civil Service, can actively benefit from greater diversity.

As Conrad Bird, director of the GREAT campaign, explains in "Why evaluation is GREAT", the decision to place evaluation at the heart of the programme from the outset was essential in managing a global campaign of this size and complexity.

Other articles in this edition include:

- Civil Service Live ten years of learning - Alex Aiken, Executive Director, Government Communications, celebrates the tenth year of the biggest learning and development event for civil servants, and why it's more important than ever.
- We're better connected –
 developing a knowledge
 network within the Civil
 Service Richard Banks,
 Head of the Policy Profession
 Support Unit, and Helen
 Anderson, Government
 Equalities Office, look at how
 knowledge sharing platforms
 are helping to make sure that
 valuable personal experiences
 of and insights into working in
 the Civil Service are not lost
 to current and future policy
 professionals.

DefraLex: making legislation more accessible and transparent - Steve Darling, Head of Better Regulation at Defra, writes about the development of DefraLex, an online facility, currently unique in Whitehall, that gives information on all Defra's legislation in force, providing far greater detail and greater accessibility for stakeholders and the public.

Finally, rounding out the economy theme and closing this edition of Civil Service Quarterly, we are grateful to Robert Chote, Chair of the Office for Budget Responsibility (OBR), for granting us a fascinating interview on the role and significance of the OBR.

I hope you enjoy this issue. You can give us your views and comments on the Civil Service Quarterly blog (https://quarterly.blog.gov.uk/), by email (csq@cabinetoffice.gov.uk), or via #CSQuarterly on Twitter. If you would like to submit an idea for a feature in a future edition, please get in touch.

Chins Womald

Sir Chris Wormald, Permanent Secretary, Department of Health

CHARTING PRODUCTIVITY IN THE UK ECONOMY

Productivity is a key indicator of economic performance. Henry Shennan and Dominic Muir of HM Treasury illustrate trends in UK productivity with a series of annotated charts.

Productivity, or how well an economy takes inputs and turns them into useful outputs, is important. Paul Krugman, the Nobel-Prize-winning economist, describes this importance as, "productivity isn't everything, but in the long run it is almost everything".

Improving the UK's productivity is a priority for this government. Over the long-term, improving productivity in the economy is the best way to increase pay and improve living standards. For individuals, greater productivity means higher wages; for government, by supporting wages and profits, improving productivity increases tax receipts and in turn the Government's

ability to provide public services.

As the Chancellor said in his recent Mansion House speech: "Productivity is the elixir that raises incomes and living standards, and it must be a national priority to make every learner more skilled; every worker more productive; every business more competitive; and every public service more efficient. That is the route to higher wages, higher quality public services, and a brighter future."

Improving the UK's productivity will be a challenge. As the following charts show, the UK, like many other developed economies, has suffered a slowdown in productivity since the financial crisis and overall

levels of productivity lag those in most other G7 countries. However, there are bright spots, with highly productive firms in all regions and across all sectors of the economy.

Chart 1: UK productivity has stagnated since the 2007 financial crisis, having remained broadly unchanged since the end of 2007. The gap between current productivity and where productivity would be, based on the pre-crisis trend, currently stands at around 17%. This represents approximately £300 billion in additional GDP, or almost £15,000 per household. While growth rates in the immediate run-up to the financial crisis may have been unsustainable, there is no doubt





that productivity growth in the decade since has been very low in comparison to the 15 years before. There has been considerable debate on the source of the UK's productivity 'puzzle', and it is unlikely that there is a single underlying cause. Research has pointed to the most likely contributing factors, including: specific problems in certain sectors such as oil and gas and finance; the financial crisis affecting the allocation of resources within the economy; the low cost of labour pushing firms into substituting away from capital to labour; and issues with how we measure GDP – this is especially important in an increasingly digital economy where many new innovative services are 'free' to the consumer and do not show up in the productivity numbers. Chart 2: The UK's recent performance contrasts strongly with productivity growth over the past few hundred years. Such periods of low productivity growth are relatively rare in peacetime. That said, arguably it is the past few hundred years that are unusual, with productivity growth virtually non-existent before the advent of the Industrial Revolution. Some economists, including Robert Gordon, argue that our recent productivity slowdown represents a "reversion to the mean", caused by us having exploited all of the most easily available ideas. Even if this is the case, and many disagree, there is a huge amount of potential for productivity growth in the UK if it is to catch up with the most productive developed economies.

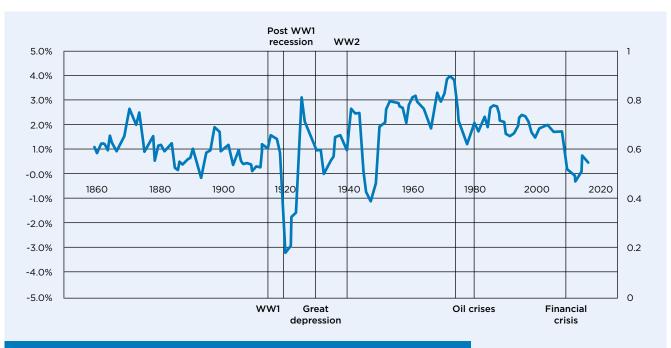


Chart 2: Labour productivity per head (5yr moving average). Source: various via. Bank of England

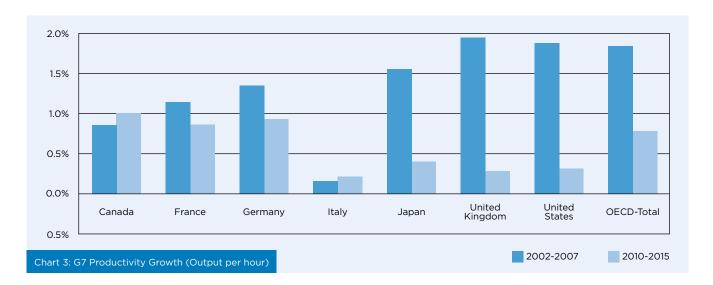


Chart 3: However, it's not just the UK that has faced productivity challenges. Productivity growth has stagnated across the OECD, with average growth falling from 1.8% between 2002 and 2007, to 0.8% between 2010 and 2015. With this, there are some clear differences in performance. In the case of the UK and the US, the recovery has been primarily driven by strong employment growth rather than productivity increases. Finally, it is worth noting that these figures reflect productivity growth rates rather than productivity levels. Many of these countries had a lead over the UK in productivity before the financial crisis, which has increased since. Currently, productivity in Germany is 35% greater than the UK, with the US and the G7 averages being 30% and 18% ahead, respectively.

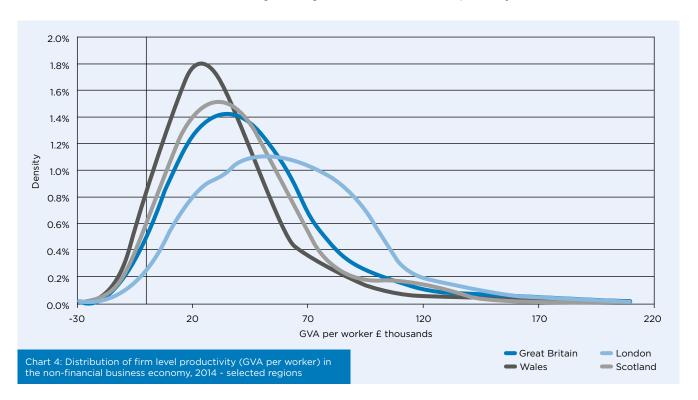
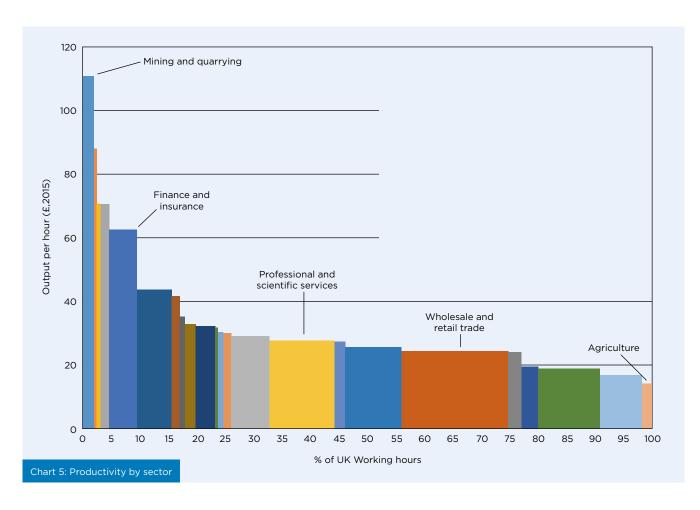


Chart 4: Considerable variation in productivity levels exists across the UK, and there are generally greater differences within regions than between them. This chart shows the distribution of productivity across firms in selected UK regions. London is clearly an outlier, with significantly stronger average productivity than the rest of the country, and more than 35% of London firms have a GVA² per worker of above £70,000. However, there are firms with high productivity in every part of the UK, with Scotland and both the West Midlands and East of England (not shown) all having around 15% of firms with GVA per worker higher than £70,000.

Chart 5: There is considerable variation in productivity across UK sectors, with some of the most productive sectors being relatively small (like financial services and pharmaceuticals). The largest proportion of hours is worked in sectors with relatively low productivity, such as retail and administrative services. There is also considerable variation within sectors. The top 10% of firms in each industry can be as much as five times as productive as the bottom 10%.³ There is evidence ⁴ that the difference between firms within sectors, particularly in service sectors, is getting bigger over time, and that diffusion of ideas, technologies and business practices is not diffusing from the 'best to the rest' as quickly as it once was, meaning that the best firms are accelerating away from the rest.



CONCLUSIONS

There are a number of schools of thought on what needs to be done to improve the UK's productivity performance. These include supply-side reform that improves competition and enables markets to work as effectively as possible; and increased investment in infrastructure that can support better connections between firms in a region and increase the size of a local labour market by allowing people to travel to work over a wider area - driving 'agglomeration effects'.

Others suggest increasing levels of investment in tangible and intangible assets and R&D. UK spend on investment as a share of GDP is one of the lowest in the OECD and although the UK punches above its weight as a research nation, it invests a relatively small share of GDP in research and innovation compared with similar nations. Many cite the importance of improving basic skills, where the UK also performs relatively badly in comparison with other developed economies. More recently, economists such

as Nicholas Bloom and John van Reenen⁵ have highlighted the importance of good management in the productivity of firms, especially tackling the UK's long tail of firms with very poor productivity.

The Government has already put policies in place to tackle many of the areas highlighted above. These include a £23 billion National Productivity Investment Fund to support investment in transport, housing and digital infrastructure as well as R&D; the introduction of the Apprenticeship Levy to incentivise firms to invest in the skills of their staff; alongside reforms to technical education and £13 million of seed funding for the Productivity Leadership Group that supports firms in adopting the best business and management practices.

Looking ahead, the Industrial Strategy is a key part of the Government's plan for addressing the productivity challenge.
As discussed in more detail elsewhere in this issue of Civil Service Quarterly, it will continue to develop the evidence base to understand the challenges facing the economy and use this to set

out policies that drive growth across the country. While the UK faces a difficult productivity challenge, the gains from even small improvements are great. Even if - as some think - growth is slowing across the developed world, there is huge potential for the UK to catch up with the most productive economies.

Henry Shennan, Head of Economics Branch, Growth & Productivity - HM Treasury Dominic Muir, Economist, Growth & Productivity - HM Treasury

- The total size of the puzzle is here calculated as (Out-turn/Trend)-1. Figures for total compensation per hour do not include the income of the self-employed.
- Gross value added (GVA) is the measure of the value of goods and services produced in an area, industry or sector of an economy.
- Building the evidence base for productivity policy using business data linking. Criscuolo, C, Haskel, J, and Martin, R (2003), Economic Trends 600.
- Frontier Firms, Technology Diffusion and Public Policy - Micro Evidence from OECD Countries. Andrews, D, Criscuolo, C, Gal, PN (2015), OECD Paris.
- Management Practice & Productivity: Why they matter. Bloom, N, Dorgan, S, Dowdy, J, van Reenen, J (2007).

BUILDING OUR INDUSTRIAL STRATEGY

Tom Gelderd was one of the officials advising on the creation of the Government's Industrial Strategy. He looks at the strategy, why it's needed, how it has evolved and the challenges it has faced in the months leading up to its publication.

When she took office last year, the Prime Minister emphasised the importance of a comprehensive industrial strategy in delivering an economy that works for all. She established the Department for Business, Energy & Industrial Strategy (BEIS) – the first time that industrial strategy has been 'hardwired' into a department's identify.

A team of officials tasked with building the foundations for the industrial strategy was quickly expanded. They had to rapidly establish a network around Whitehall and adjust to the requirements of a new department and a new secretary of state. As you would imagine, the months that followed were intensely busy for a cross-Whitehall team working on the development and publication of the Green Paper, Building our Industrial Strategy.

WHAT IS AN INDUSTRIAL STRATEGY?

To start with the obvious question – what is meant by the term 'industrial strategy'?

You don't have to delve too far into the relevant literature to see that this is not a simple question. Similar terms with a host of different meanings have been assigned to government approaches in previous decades in countries all over world. According to one analysis, there are 31 definitions of 'industrial strategy', and we expect that the work underway here will add a further definition to that list.

Some critiques of industrial strategy define it as "government picking winners" (and often failing in the attempt); or limited to manufacturing while ignoring the wider economy; and even as reminiscent of what Ronald Reagan called the most terrifying

sentence in the English language: "I'm from the government, and I'm here to help."

But as BEIS Secretary of State Greg Clark has said, industrial strategy can be a force for good:

forms a view of how it is going to earn its living in the future. I've never understood why it has been considered controversial for a government to do the same.

Understanding the challenges to be addressed, and aligning activity, and evidence internationally and within the UK, indicates that industrial strategy can make a real difference to economic performance.

WHAT'S DIFFERENT THIS TIME?

This is not the first time that the UK has attempted an industrial strategy. So the challenge for this government and for the Industrial Strategy team is to develop a strategy that is distinct and designed to deliver over the long term.

There are a few things that make this strategy different from previous ones. First, it is a genuinely cross-government endeavour - not just for the business department. The strategy is being designed with contributions from BEIS, No. 10, Treasury, and a large number of

other departments. And it has been given crucial momentum by strong leadership from the Prime Minister chairing the Economy and Industrial Strategy Cabinet Committee.

Second, there is a determination to ensure that this strategy is for the long term and not just to add a new definition to the long list, with no lasting impact. Central to this is ensuring that this strategy is co-authored by the businesses, workers and local leaders who will be affected by it.

Third, there is a focus on ensuring that this is a strategy for the whole of the UK, providing opportunities and driving growth right across the country. A strategy which recognises that while we have serious challenges to tackle as a nation around issues like productivity, no one solution will work for every area, and reflects this in the approach it takes. (Factors affecting UK productivity are addressed in a separate article elsewhere in this edition.)

CREATION OF THE GREEN PAPER

The first challenge was to identify the strategy's objective and the main challenges it should address. To do this, the team used the evidence the department had built on the strengths and weaknesses of the UK economy, looking at issues like productivity, regional growth and sectoral trends. The BEIS analytical team was critical in compiling the evidence base and engaging analysts at all levels from across Whitehall and academia, as well as drawing on international sources like the OECD. This economic analysis made use of new approaches, such as data visualisations and mapping, to understand regional economic trends, clusters and

emerging sectors, as well as incorporating more recent insights from the OECD and elsewhere into the long tail of poorly performing firms in the UK and some of the reasons for this.

Discussions underpinning the Green Paper were informed by new analysis showing how productivity varied across sectors and between firms, even within the same sector; and how, over time, the best firms in each industry, especially in services, appeared to be pulling ahead of the rest. While this was true of both the UK and more globally, subsequent analysis suggests that the variation in productivity across firms and the widening gap between the top performers and the rest, is larger in the UK than our key competitors⁶.

Looking below the level of the whole of the UK, the analysis highlighted a long-term regional divide in economic performance. The highly uneven economic performance across the UK is reinforced by the underperformance of our core cities. However, the analysis also pointed to the resurgence of some previously lagging places and sectors, suggesting that more balanced growth can be achieved.

Based on this work, the objective stated in the Green Paper is:

66 to improve living standards and economic growth by increasing productivity and driving growth across the whole country. 99

The Green Paper also sets out the three key challenges to achieving this objective:

- to build on our strengths and extend excellence into the future - British excellence in key technologies, professions, research disciplines and institutions provides us with crucial competitive advantages; but we cannot take these for granted;
- to close the gap between the UK's most productive companies, industries, places and people and the rest - for

- all the global excellence of the UK's best companies, industries and places, we have too many lagging behind the leaders;
- to make the UK one of the most competitive places in the world to start or grow a business

 a modern British industrial strategy must make this country a fertile ground for new businesses and new industries that will challenge and, in some cases, displace the companies and industries of today.

The team then had to build a consensus across government around the areas the strategy would focus on. There was clear recognition that the strategy should not be narrow; by focusing only on sectoral approaches, for example. But it was also clear that trying to 'boil the ocean' with too wide a focus would be likely to lead to failure. We agreed ten areas - or 'pillars' - which we knew from the evidence would have the greatest impact on our stated objective, and where there was opportunity for early action and work was in train that it was critical to incorporate in the strategy.

In each of these areas, the Green Paper candidly assesses the current landscape and the challenges ahead for the UK; sets out the approach we want to take; and puts a number of key questions about the current direction of government policy, inviting new ideas.

The Green Paper also sets out the extensive actions already underway to support delivery of the strategy's objectives. These include the £4.7 billion increase in investment in research and development announced at the 2016 Autumn Statement - the largest increase in 40 years - and a range of actions to create a proper system of technical education to provide better routes into high-quality employment.

LOOKING AHEAD

We are currently looking to further develop and strengthen the evidence base and our understanding of what might inform a successful industrial strategy. For example, employing new analytical approaches like complexity economics, using datasets and advanced mathematical techniques to understand the diversity of the UK economy and its places, their strengths and opportunities, how these evolved and how government interventions facilitated this. And we are bringing together a wide range of evidence around the impacts of policy and 'what works', both domestically and internationally, to ensure that policies are informed by the best-available evaluation and insight.

With the consultation having closed in mid-April, the team's focus is moving towards delivering a White Paper that builds on our strengths and addresses the challenges of driving productivity and growth around the country, and tackling skill shortages. We must also consider how to prepare for future opportunities and challenges. For example, looking at how we: harness digitisation across all industries; adapt to increased levels of automation and its impact on the labour market; prepare for an ageing population; and harness the opportunities of the shift to a low-carbon economy.

Critical for this industrial strategy will be creating something that endures and remains relevant. This ambition can only be met by government working in partnership with businesses, workers and civil society across the UK. But government needs to set the framework for this discussion and to provide the confidence that it is committed to an approach that lasts. Previous strategies have been subject to political cycles and 'policy churn', and too much time has been spent reinventing the wheel. How we prepare for the industries of the future, retain our competitiveness and reduce inequality across the UK are going to be relevant issues for vears to come.

Read the Green Paper 'Building our Industrial Strategy' here https://beisgovuk.citizenspace.com/strategy/industrial-strategy/supporting_documents/buildingourindustrialstrategy greenpaper.pdf. If you're interested in getting in touch with the team at BEIS, you can reach us at industrial. strategy@beis.gov.uk.

Tom Gelderd, Department for Business, Energy & Industrial Strategy - BEIS



HOW DO YOU PUT A VALUE ON 'NATURAL CAPITAL'?

A clean, healthy environment is central to Defra's vision of a 'great place for living'. But how can economics help us deliver that vision? John Curnow, Chief Economist for Defra, sets out the insights that economics can provide into environmental policy, the important new approaches for evaluating 'natural capital', and how they are being put into practice.

HOW ECONOMICS CAN HELP ENVIRONMENTAL DECISION-MAKING

Economists across government are used to analysing the costs and benefits of options to help policy-makers. For example, assessing the revenues that can be raised from tax changes and the costs this might impose on the public - all of those costs and benefits are represented by market prices in the economy. In the arena of transport, that thinking is extended - market prices provide costs for new infrastructure, but analysts also use techniques to put a monetary value on the time savings that might emerge for users of a new transport system. Yet people can feel sceptical of economists using these approaches when considering environmental decisions - how can we place a value on clean air, a beautiful landscape, or fresh water - our natural capital? In fact, isn't attributing such values wrong?

The first thing to say is that valuing environmental 'goods' is tricky. We have markets that can give us the value of a car or a house, but there are no markets that give us the value of the environment. This is related to the classic economics problem of externalities, where one person's actions to improve or damage the environment has a consequence for others yet this is not properly rewarded or penalised through the market without intervention. For example, if Firm A produces a

product but, as a consequence, pollutes a river and negatively affects other water users. So, how can governments decide on the value of regulating a polluting firm or improving a part of the landscape?

They could try to make these decisions without quantifying environmental benefits or costs in monetary terms. However, in so doing they will often be placing an implicit monetary value on such environmental improvements \$99

- that, let's say, a cleaner river, is worth X million pounds of cost (for the sake of argument, the cost of compliance to a polluting firm) or not. Where possible, it would be better to value those environmental improvements formally, up front. This helps decision-makers understand the full range and value of environmental impacts; decide whether an environmental change is worth the investment it requires; and allows them to consider the benefits of improving the environment alongside other potential uses

of public money. In essence, it answers the economists' challenge of deciding the best use of our scarce resources.

VALUATION AND NATURAL CAPITAL

So, how can decision-makers value environmental benefits? They need to consider the environmental 'asset' or good itself and the benefit it brings (or, in some cases, the environmental damage that is occurring and the benefits from mitigating it). Market data can shed light on environmental values, but only partially: for example, admission and membership fees to nature reserves, emerging markets for woodland carbon, or the enhancement to crop values of pollination. Generally, in the absence of a market price for these environmental goods, there are two broad techniques for estimating them:

• Revealed Preference

Techniques - these analyse market data for nonenvironmental goods to infer a value for an environmental good - for example, looking at how house prices vary according to local environmental features; the time and cash costs people incur in travelling to a National Park; the willingness of individuals and organisations to spend on compensating for the loss of environmental goods and healthy natural assets, such as air filters, water treatment facilities, or flood defences.

· Stated Preference

Techniques - these cover studies undertaken to ask structured questions or using 'choice experiments' to establish people's willingness to trade-off money for an environmental improvement. While this approach has the potential to be less robust than revealed techniques, it has the advantage of addressing the change in benefit directly, in river or habitat restoration, for example. They can also uncover genuine 'non-use values' that nature has for us, such as the value placed on knowing that an environmental improvement will benefit other people (altruistic motives) or future generations (bequest motives).

Defining value in this way also aims to ensure it is the wider ethical values of and benefits to society that are used in decision-making, not those imposed by others.

Valuation studies using this range of techniques have generated a substantial evidence base over the last 20 years, although many gaps remain, which are being addressed by a lively research agenda. Defra and

its partners have been seeking to develop these values to help guide decision-making for a number of years.

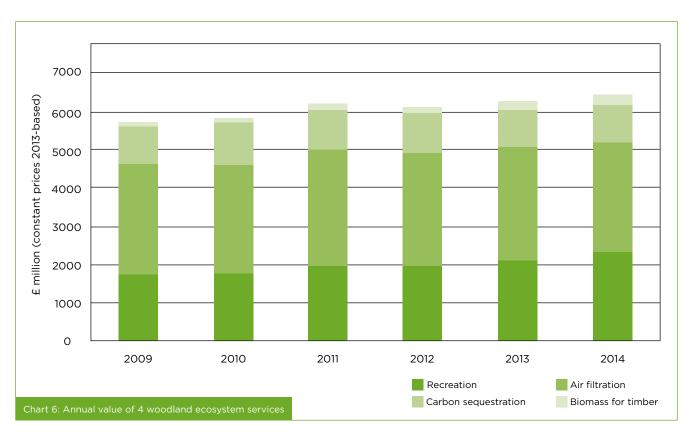
The concept has moved further since 2011 through the work of the Natural Capital Committee (NCC) - an independent advisory committee established by government, which provides advice on how to ensure England's 'natural wealth' is managed efficiently and sustainably, unlocking opportunities for sustained prosperity and wellbeing

The NCC has led the way in developing a framework. for considering the value of our environment. It encourages the assessment of the value of natural capital in terms of the flow of benefits to society from a high-quality environment. The approach has a number of advantages:

- it focuses on sustainability by forcing consideration of the total stock of natural capital, not just the benefits that might arise from a change this year or next;
- it thinks about the
 environment as a system changes to one aspect of the
 environment can have a range
 of benefits, such as where tree
 planting reduces greenhouse
 gases in the atmosphere,

- improves local air quality, and may help with flood prevention;
- it allows prioritisation
 of those environmental
 improvements with
 greatest value, and speaks
 the language of finance
 ministries by enabling value for-money decisions.

The NCC and Defra work closely with the Office for National Statistics (ONS) to develop estimates of the UK's natural capital. The most recent estimates indicate its asset value (based on the flow of benefits we receive) at around £500 billion. This estimate, albeit experimental, includes the market value of benefits (such as the value of woodland timber), but two-thirds of the valuation is attributable to non-traded services such as recreational amenity, air filtration, and carbon capture and storage. In the case of woodland, the discrepancy between these non-market benefits and the economic value of forested timber is greater still, as the experimental estimates given in the chart below show (with timber at the top) [source: ONS Environmental Accounts 2016].



PUTTING THIS INTO PRACTICE

There are a number of ways that decision-makers in government and more widely can put these concepts and estimates into practice. First, Defra is building the information on environmental economics, valuations and appraisals to help everyone make the right decisions. It plans to make this publicly available through an Environmental Portal as part of its approach to open data. Already, information on the recreational value of any public green space in England can be accessed online on the user-friendly ORVal tool - http:// leep.exeter.ac.uk/orval/ (see box below). This tool is now being used by Defra's agencies in strategic and project analyses and was mentioned in the recent Housing White Paper.

Second, appraisals across

government are guided by the Green Book (https://www.gov. uk/government/publications/ the-green-book-appraisal-and-evaluation-in-central-governent) which sets out best practice. Ensuring natural capital is well integrated into this approach can help guide decision-makers on the best choices, secure the greatest net gain for society and deliver maximum value for money forthe taxpayers.

Third, the NCC recommended the establishment of pioneers to use the natural capital approach to identify good practice and innovative solutions. In Cumbria, Greater Manchester, Devon and East Anglia, this is being put into practice so local communities and decision-makers can use these insights to improve the environment within their areas.

Of course, developing these concepts is not easy. When using

values, it is important to take care and continue to address the limitations of the methodology. 'Stated preference' methods, for example, work best where respondents have reasonably well-formed preferences and understand the trade-offs with market goods and money.

Instead of cost-benefit analysis, there are other approaches, such as multi-criteria analysis (MCA), which is highlighted in the Green Book, to help decision-making.

MULTI-CRITERIA ANALYSIS:

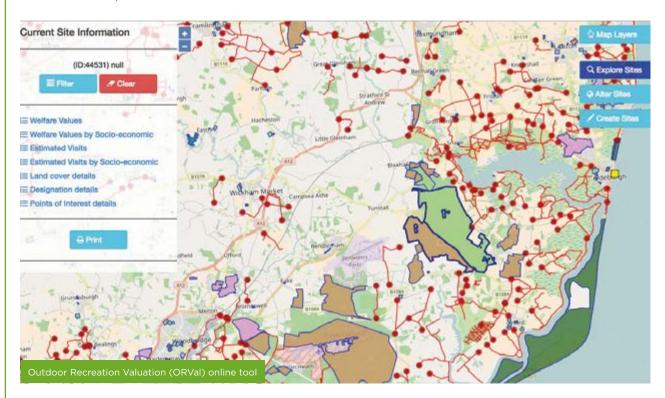
This technique involves systematically weighting success criteria and scoring options to inform decisions. It can incorporate a wide range of evidence to inform the process as well as the judgements of experts and stakeholders. For highly complex and dynamic

VALUING OUTDOOR RECREATION USING NEW ONLINE TOOL

The University of Exeter, funded by Defra, developed the Outdoor Recreation Valuation (ORVal) tool in order to quantify the recreational benefits that are provided by accessible greenspace in England.

ORVal is an online map-based application that allows users to explore accessible greenspace across England in a user-friendly, intuitive way. Based on a cutting-edge, world-leading statistical model of recreational demand, ORVal brings data together and provides information that can now be included in the decision-making of communities, government and businesses.

The online tool is in map form, giving people the opportunity to explore recreational opportunities close to them. It also helps connect them with their local environment, both in urban as well as in rural areas as the map below shows.



UPSTREAM THINKING

'Upstream Thinking' is a project undertaken by South West Water in Exmoor and other water-catchment sites in the region. Joint investments between farmers and the water company ensure that land is managed in such a way that potential water pollutants including peat, soils and natural fertilisers are kept on their land and do not run off into surrounding water courses. This brings benefits to the farmer (in terms of lowering the costs of operations), to the water company (which does not have to invest as much to treat the water downstream) and wider society (which benefits from having healthier rivers for recreation, angling and enjoying wildlife).

By funding improvements in water and slurry management at source, South West Water has cut the costs of its operations. Such interventions are proving to be good value for money. Furthermore, improving the quality of water catchments is not just good for water quality but has other benefits too For instance, re-wetted peat bogs also capture and store carbon dioxide, create habitat for plants and animals, reduce peats for the livestock that graze peatby and increase recreation values.



environmental contexts, where the maintenance of critical, irreplaceable natural capital needs to be considered, or where stated preference studies may not work because preferences are not easily articulated, Defra has published a guide and case studies. This guide recommends using 'participatory and deliberative' techniques to support standard valuation approaches (http://randd.defra.gov.uk/Document.aspx?Document=NRO124.pdf).

And, in the case of the environment, it is also critical to

be particularly attuned to issues of uncertainty. For example, where scientific evidence may be developing; in threshold effects, where reduction of a good below a certain level may make it particularly vulnerable; and irreversibility, such as the loss of a species. Nevertheless, using economic concepts and valuation can help ensure the very best information for decision-makers. ensure the environment's enormous value is appropriately recognised, and help create a great place for living.

John Curnow, Chief Economist, Department for the Environment, Food & Rural Affairs - Defra

ACKNOWLEDGEMENTS

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WE'RE BETTER CONNECTED DEVELOPING A KNOWLEDGE NETWORK WITHIN THE CIVIL SERVICE

Richard Banks, Head of Policy Profession Support Unit, and Helen Anderson, Government Office for Equality, Department for Education, consider how the Civil Service can use knowledgesharing to help policy professionals learn and develop.

The Civil Service Policy Profession believes that the best learning experiences are delivered by practitioners (across all professions) who have lived and breathed the work and values of the Civil Service. To help them tell their stories, the profession has established a range of internal knowledgesharing platforms. Internal learning happens both in a formal communal environment, such as our annual Civil Service Live event, and in pockets within departments and teams.

So, what is the evidence for how such knowledge networks help civil servants learn; and how can we create the right spaces and opportunity for knowledge to be spread further and wider than it currently is?

EVIDENCE

The Policy Profession has spent the last five years thinking about how civil servants like to learn.

In 2014, as part of a research paper into building policy capability, we asked 350 policy officials (mainly at Grade 6/7) how they like to learn. Their answers showed a preference for learning 'on the job' and from experts. Each answer was 'chunked' into a specific area of interest for policy officials, ranging from understanding economics to engaging with stakeholders

We then worked with ethnographers to understand the environment in which policy professionals work and how they preferred to learn and develop. One of the recommendations was to "recognise that the expertise embodied in the work of a good policy-maker involves skills, knowledge and understanding, attitudes and behaviours. This includes judgement and the ability to form and sustain relationships and networks."

Evidence from the 2017 three-day Policy Profession Fast Stream programme suggests new arrivals to the Civil Service want to hear from leaders. Everyone who completed the post-programme survey agreed or strongly agreed that the speakers/facilitators made the course engaging. One said it was "punctuated with insight, real-world application and hindsight".

We know that civil servants want to learn the specifics of working in government from credible doers, not just theorists. Today, this means other civil servants sharing knowledge of how we can support the Government to exit the EU and what, in turn, this requires in terms of skills and knowledge of parliamentary working and devolution.

EFFICIENCY

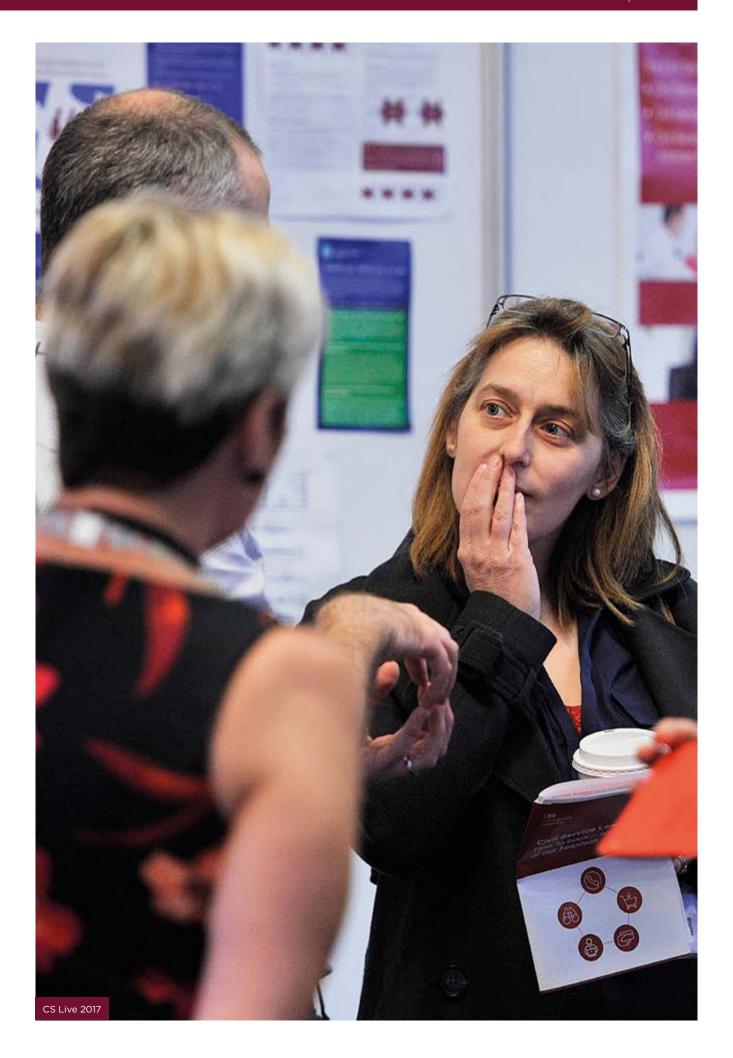
The Civil Service must take account of continuing downward pressures on budgets and numbers; but also of the need to address complex, long-term challenges: exiting the EU; our more interconnected world; the possibilities opened up by big data; transparency; social media;

digital delivery; the wider role of the public sector as a funder and regulator of public services as well as a provider. To deliver the right learning, the Civil Service should look externally, but only if it lacks what's required internally.

The growth of departmental policy schools is an example of how civil servants are learning from each other at a fraction of the cost of external courses. Begun in the Communities department, this - and similar initiatives - harnesses the talents and energies of current civil servants.

Building knowledge networks and uncovering expertise in-house can generate a culture of sharing. And there are secondary benefits - such as making connections on a human level and building support. It is about being a more networked Civil Service that enables interesting and creative responses to day-to-day issues. Sharing the hard-won experiences, as well as the successes, will connect us in a way that dusty textbooks never could.

Internal events are free, with the administration (venue, catering and AV) covered by funds from Heads of Policy in departments. The small events team in Civil Service Learning (CSL) can support between 20 and 50 events a year. These events (including one for Policy, Operational, GDS and Statistics in November 2016 and another in June this year) have continued to grow, bringing together professions and developing our communities of practice.



CAN WE SCALE THIS UP?

Civil Service Live 2017, the biggest learning event of the year for civil servants, is expected to be the best-attended ever (see the related article in this edition). Now in its tenth year, it recognises and harnesses the wealth of expertise in the Civil Service – people from all departments giving their time to benefit others.

To help map a career path through the Civil Service it is useful to know what others have done. Within those personal leadership journeys are nuggets of knowledge based on real experience of working and building relationships. The twists and turns of the day job are part of the story but can be



these events is one of the ways I am able to crystallise my thinking... Speaking provides visibility and is a very real and practical demonstration of sharing knowledge. 99

David Prout, Former Director General, HS2 Group, Department for Transport overlooked when we try to sum up a leadership journey. This is recognised by the new Civil Service Leadership Academy, especially the immersive workshops underpinned by real Civil Service case studies and led by Defra Permanent Secretary Clare Moriarty.

Ethnography commissioned by the Policy Profession in 2014 showed that there are 'badges of experience' that everyone understands. For example, 'he worked at No. 10", or "she worked on a bill... or in private office". These become more important the higher the grade.

The Policy Profession has developed a framework outlining the necessary skills and learning to help policy professionals identify and fill their personal gaps. But only so much of this career journey can be codified and it is useful to understand the personal experiences that have helped our leaders develop in their own careers. CSL's events programme offers opportunities to impart this kind of knowledge, specifically the Leaders Teaching Leaders series, where the Permanent Secretary leading each event describes the challenges they have overcome and how.

OPENING UP THE CIVIL SERVICE

Work within the UK Civil Service has excited interest elsewhere, particularly in the academic world and in other governments. It needs to recognise the world-leading brains within its ranks and invite others in. This is about blurring the academic boundaries and generating more opportunities for the cross-pollination of knowledge.

But this is not just about academics downloading knowledge. This means civil servants being clearer about what it means to be effective within government and sharing stories that encapsulate the nuance and networks involved. As an organisation, the Civil Service needs actively to explain itself and be a more welcoming place.

A great example of sustainable sharing of expertise is the Department for Education Policy Fellows programme - https://www.gov.uk/government/news/dfe-

policy-fellowship.

The UK's is not the only Civil Service wrestling with this problem. Andrew Kibblewhite, Head of the Policy Profession in New Zealand, believes that if civil servants work together, "...as part of a connected and coherent policy ecosystem, we will be closer to a powerful policy culture, characterised by innovation, continuous improvement and sharing good practice [and] we will be better placed to articulate, tackle and solve the big problems facing our country".

VALUE

In April 2016, the Public Administration and Constitutional Affairs Select Committee (PACAC) launched a fresh inquiry into the future of Whitehall. One focus is the effectiveness of policy delivery and the Civil Service's ability to "learn from success and failure".

In November 2014, the Policy Profession Board looked at assessing policies as an opportunity to learn from the past and enhance current policy work. Rather than assigning praise or blame, the aim was to explore the cultural and systemic issues affecting policy outcomes. The board concluded that a degree of peer-to-peer scrutiny of policy case studies was inherent in the Leaders Teaching Leaders series, effectively inviting further reflections on policy making.

INSTITUTIONAL MEMORY

It is recognised that each time someone leaves a job, they take a chunk of the organisation's memory with them. How, then, can the Civil Service support government, managing complex systems and delivering long-term projects, without avoiding past mistakes?

Sir Nicholas Macpherson,
Permanent Secretary at HM
Treasury from 2005 to 2016, was
acutely aware of this during the
the 2008-09 banking crisis. He
realised that "the vast majority
of Treasury staff had never
been through even a recession,
let alone a banking crisis".
Institutionalising the handing
on of knowledge is something
the Knowledge and Information
Management Profession have

Looking at the policy world through the eyes of others has been excellent in highlighting where practice diverges from theory, and as a stimulus to continue to improve and develop.

Anna Paige, Former Deputy Director, Home Office

been looking at, but it depends on individuals and the business understanding its value.

Learning is not a one-way process. It also directly benefits those sharing their knowledge, supporting personal, professional and organisational self-confidence.

THE OFFER

The Policy Profession Support Team have been building knowledge-sharing platforms for many years. It sees the value of civil servants learning from one another. It aims to 'take the pain away' - making the business of learning as simple as possible by managing 1) admin and; 2) supporting development of effective delivery approaches for sharing knowledge. This means arranging events where leaders at all levels can share their experiences. These testimonies and views are invaluable, because they are personally authentic.

Events include the annual Policy Excellence event for DGs/Directors; the annual 4 Nations event; the quarterly Leaders Teaching Leaders; the Knowledge Series; and the Fast Stream Policy Base Camp. Developing events include: Universities in Westminster series (Blavatnik, LSE and King's College London);

the Parliamentary Programme of Learning; and Permanent-Secretary-led Masterclasses.

The emphasis is on creating a safe space where leaders can be honest and open. Events have been well-received but getting people together can be costly, and there are other ways to share knowledge.

In June 2014 the profession published Policy Excellence, showcasing examples of successful policy-making. In June 2015, steered by David Prout, Policy Profession Knowledge Management lead, this was followed by Leading a Connected Profession, a collection of knowledge-sharing best practice adopted by departments and designed specifically for the policy profession. It is important for policy officials to have options, but the ones they select (and adapt) will differ from department to department - one size does not fit all. 'Steal with Pride' is the mantra.

Richard Banks, Deputy Director for Professional Capability, Civil Service Learning, and Head of Policy Profession Support Unit

Helen Anderson, Government Office for Equality - Department for Education



CIVIL SERVICE LIVE - TEN YEARS OF LEARNING

Alex Aiken, Executive Director, Government Communications, reflects on the success of Civil Service Live and the purpose and benefit of collective learning.



In 2017, Civil Service Live, the biggest single learning and development opportunity for civil servants, is being staged for the tenth year in succession.

Launched in 2008, this combined conference and exhibition, a place for learning and a showcase for innovation and best practice in public service, has become a fixture in the event calendar. This year it is bigger than ever, with over 21,000 civil servants registering to attend one of the seven events in six locations

around the country - Manchester, Gateshead, Cardiff, Edinburgh, Birmingham and London.

The fundamental purpose of CS Live is to improve public service through learning and sharing best practice.

The best organisations are always learning, improving and adapting to changes in the world. In the private sector, failure to do so leads to loss of customers and markets, business failures and liquidations. In the public sector, it can lead to stagnation, inefficiency, losing touch

with the needs of the people you serve, and the loss of confidence in government. New businesses can rise from the ashes relatively easily, but rebuilding trust in public institutions can take much longer.

To avoid this hardening of the arteries of public service, the Civil Service has not just to respond to change but to anticipate it. It has to take account of developments in society, in technology and science, in working practices, to equip its workforce with the right outlook as well as the right skills to do its job.

As I travelled round the country visiting civil servants, I was very struck that there was a lot more that united us than divided us. There were so many brilliant civil servants around the system doing amazing jobs. Nearly all the conferences that existed, however, were aimed at colleagues in specific grades, roles or departments. I wanted an event that was open to all civil servants, irrespective of their grade or department. I wanted an event that would facilitate learning, inspire best practice and help colleagues to build a shared understanding of the tremendous and

positive impact that the Civil Service was having on ordinary people's lives.

At the time, we were all striving to do "better with less". With ever tighter resources, inspiring innovation was a key theme and I remember in one of the first Civil Service Live events sharing a platform with Peter Jones from TV's Dragons' Den. Peter had agreed to help judge our version - Lions' Lair - in which civil servants pitched their ideas for improvements to processes or service delivery. He went down a storm with the audience and, in turn, told me how impressed he was with the passion, dedication and talent of the staff that he met.

One early suggestion was to hold Civil Service Live events outside London to ensure that as many staff as possible could engage with the experience, and we ran a very successful event in the iconic Sage

I am delighted to see, a decade later, that there are now multiple events around the UK attracting big audiences. 99

Gus O'Donnell, Cabinet Secretary and Head of the Civil Service, 2005-2011

TRANSFORMATION AND INNOVATION

This ability to transform through learning from external developments and to foster innovation in its own ranks has never been more relevant to the Civil Service than now. We face generation-defining challenges: managing our exit from the EU, reshaping the UK's role in the world, and responding to continuing financial strictures by combining greater efficiency with greater effectiveness.

The Civil Service hasn't always been brilliant at this kind of change. The archetype of the bowler-hatted, pinstripe-suited, furled-umbrella-wielding civil servant is anachronistic to anyone working in the Civil Service. But it has had a frustratingly persistent hold on the public imagination. It sums up the popular view of an organisation dominated by white

males of a certain age and class, set in its ways and impervious to change, detached, convinced it knows best and closed to ideas from outside - and most of all from the people it's supposed to serve.

Driven by the imperative of gaining and retaining commercial advantage, the private sector has tended to be much more focused on what its customers want. It has been quicker to adopt new technologies and working culture to meet their needs. The Civil Service can take great pride in its public service ethos, the positive difference it can make to people's lives and the scale at which it works. But it can't neglect the skills and practice that increase that potential: it has to provide - and civil servants have to take up - opportunities to develop themselves so they can apply that ethos to maximum effect in everimproving public services.

NATIONAL EVENT

The prime mover in the creation of CS Live was the then Cabinet Secretary and Head of the Civil Service Gus (now Lord) O'Donnell. His vision was of a national event that would bring civil servants from different departments, disciplines and professions together in large numbers to learn, share knowledge and collaborate. It was in the vanguard of a move to break down departmental silos and unite the Civil Service across traditional boundaries. And it recognised that the Civil Service is everywhere. It is one of the most widely dispersed workforces in the UK, in a vast range of different roles, many public-facing, that had to be joined-up in learning, to include, as far as possible, civil servants wherever in the country they work.

The first CS Live event was held in London's QEII Conference Centre in April 2008, opened by the then Prime Minister Gordon Brown. Since then, CS Live has extended its reach across the UK, first to Gateshead in 2009, and up to this year - including its sister event in Northern Ireland, NICS Live - had been staged 32 times in 13 cities.

CS Live has been an important platform for communicating important cross-government messages. In 2010, when the event fell shortly after the General Election, the Coalition Government used it to communicate its plan, with the PM, Deputy PM and a range of Secretaries of State coming to speak to their senior departmental teams.

In the last ten years, the event has featured interactive workshops, seminars, an innovation space, a Civil Service history museum, and it has attracted expert speakers from within and outside government. As well as senior Civil Service leaders, these have included prime ministers and ministers, leading business people such as Peter Jones, and con-man-turned-FBI consultant on fraud and corruption Frank Abagnale.

IMPACT

Today, the need for the event is greater than ever. Civil Service Live 2017 is built around the skills and attitudes needed to realise the vision of A Brilliant Civil Service.

with its four supporting pillars: Improved Outcomes, Effective Leaders, Skilled People, and A Great Place to Work. It highlights the progress made since the vision was launched at CS Live 2016, including examples of the vision in action, and reinforces commitment to its aims of supporting the governments of the UK in implementing their commitments and delivering high-quality public services. A fifth theme for 2017, Global Britain, is designed to increase appreciation of the important international context of our work and how it contributes to the UK's reputation and influence in the world

So, in the tenth year of CS Live, has practice improved? First of all, its very existence highlights the importance of learning for more efficient public service. It has provided a point of focus for new and innovative ways of working and a forum where civil servants from different departments, professions, functions and roles, from policy to operational delivery, can meet, share and learn - from each other as well as from expert practitioners.

Certainly Civil service Live is popular. Numbers and sessions continue to increase and it provides a single forum for the Civil Service to review its progress, from speeches by the Cabinet Secretary and the Chief Executive of the Civil Service, through to training for the newest recruits.

CIVIL SERVICE LIVE IN NUMBERS: 2008-16

- **32 events** (39 including 2017)
- 13 cities:

London, Manchester, Belfast, Birmingham, Edinburgh, Glasgow, Liverpool, Sheffield Coventry, Cardiff, Bristol, Newcastle, Gateshead

- Rising attendance:
 - 2012: 4,264
 - 2013: 7753
 - 2014: 10.000+
 - 2015: 11,302
 - 2016: 13.803
 - 2017: target attendance 15.200
- Total attendance: 80,000+
- More than 680 workshops and seminars delivered at CS Live 2016

- Survey of delegates (2016):
 - 84% of staff left CS Live understanding that there is a vision for becoming A Brilliant Civil Service:
 - 85% said they had a role to play in making the vision a reality
 - 90% would recommend Civil Service Live to a colleague
 - 80% left inspired to do more to develop themselves
 - 61% said they would do something differently as a result of knowledge they had gained

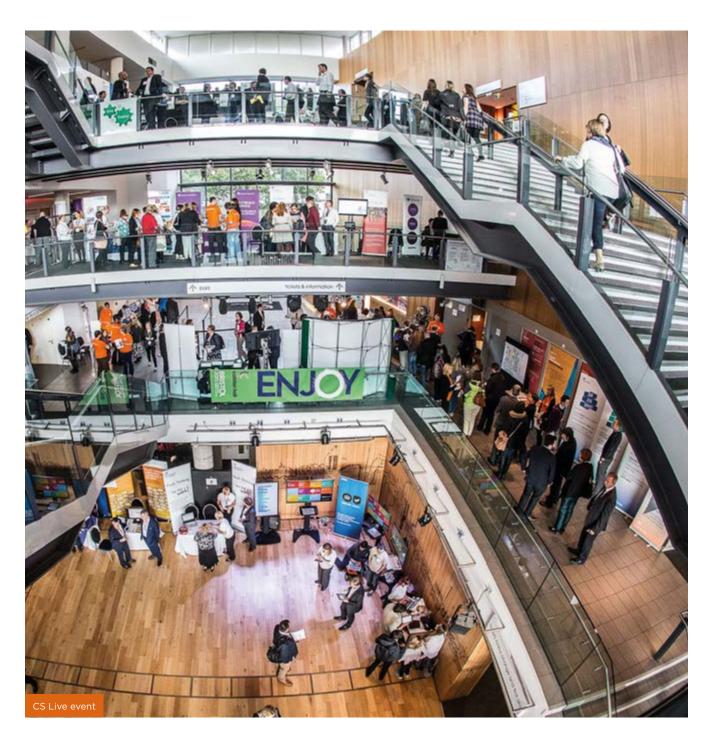
HIGH-QUALITY LEARNING

In the last decade, the principle of constant improvement that ignited Civil Service Live has sparked a range of measures - of which Civil Service Quarterly is one - to create a culture of learning and innovation. Another part of that commitment to developing civil servants has been Civil Service Learning. Founded in 2011 as one of three

expert services, also including Civil Service Employment Policy and Civil Service Resourcing, it is now under the aegis of Cabinet Office.

Civil Service Learning is set up to provide high-quality learning, reacting to changes in learning methods, in technology and skills requirements, and government priorities. It makes a learning offer to every civil servant, including leadership development and other priority skills, such as





digital, commercial and project management.

Of a piece with these innovations and an inclusive view of civil servants wherever they are, was the creation of Civil Service Local. The idea behind this regionally based initiative is to bring together departments and agencies within each area to deliver actions and opportunities that will bring the vision of A Brilliant Civil Service to life and encourage more civil servants to be part of it.

CS Live echoes these priorities. It offers learning and best practice in areas essential for a high-performing 21st-century Civil Service that can deliver the most informed advice to government and services that meet the needs of citizens used to the speed and convenience of a digital world.

So, there is now a strong concentration on capability in digital and data that helps to frame policy and deliver services based on evidence of what works, making the best use of available and developing technologies.

DOING THINGS DIFFERENTLY

From 2011, CS Live was a shop window and best practice guide for 'digital by default' - the revolution in how public services are designed, delivered and, ultimately, used that has transformed the efficiency of government and its relationship with citizens. This revolution began with the Civil Service learning to look outwards, asking what people want from their government, and then acquiring the skills and tools to meet their needs. Civil Service Live makes a similar appeal to civil servants - come along, learn something new, and do things differently so we can meet the challenges of the times.

Alex Aiken, Executive Director, Government Communications

WHY EVALUATION IS GREAT

Conrad Bird, Director of the 'GREAT' campaign at the Department for International Trade (DIT), explains why his team put evaluation at the heart of the campaign from the outset and how they measure its impact.

66 If you can't measure it, you can't manage it 99.

- Peter Drucker

Evaluation in the public sector can be a highly complex and challenging process. For an initiative as ambitious and farreaching as the GREAT Britain campaign, this complexity is multiplied – yet GREAT's willingness to confront its evaluation challenge head-on has been at the heart of its success.

Launched in 2012, the GREAT Britain campaign is the Government's most ambitious international marketing campaign ever. It showcases the very best the nation has to offer to encourage the world to visit, study and do business with the UK.

Operating under a single brand for all its activities, GREAT provides an integrated and consistent marketing platform for the international promotion efforts of the new Department for International Trade (DIT, formerly UK Trade & Investment), VisitBritain, the British Council and the Foreign & Commonwealth Office. It is the first time any country has managed to successfully unify its international promotional efforts in this way. Indeed, a total of 21 government departments and arm's-length bodies (ALBs) now use the brand. It is active in 144 countries and 252 diplomatic posts worldwide, and delivers approximately 80 to 100 economic activities and programmes each month (particularly in the key markets of China, the US, Brazil and India).

To maximise the impact of

messaging to key target markets globally, GREAT leverages the existing strong brand recognition and support of iconic UK companies and high-profile individuals including British Airways, Jaguar Land Rover, the Premier League, Richard Branson, Andy Murray, Katherine Jenkins and the Royal Family.

Using sector-specific methodologies that have been validated by the National Audit Office (NAO), GREAT has already secured confirmed incremental economic returns of £2.7 billion for the UK, comprising:

- £1.77 billion from international and domestic tourism;
- £720 million from trade and foreign direct investment; and
- £228 million from international education.

WHY DID GREAT DECIDE TO PLACE EVALUATION AT THE HEART OF ITS ACTIVITIES?

Implementing and managing a campaign of this nature - global, multi-partner and multi-sectoral - requires the constant and careful balancing of various, and often competing, priorities including brand development, project planning, securing funding, financial management, stakeholder management, team performance, competitor intelligence, market information and overall impact. To manage these effectively, GREAT took the strategic decision from the outset that evaluation had to be embedded in all aspects of the campaign to ensure consistency, evidence-based comparability and constant improvement.

This approach has proved highly successful - in 2015, a comprehensive appraisal (https://www.nao.org.uk/





report/exploiting-the-ukbrand-overseas/) by the NAO concluded by commending the campaign. This was followed by confirmation in the Spending Review that GREAT would receive government funding through to 2020, with an ambitious target of securing £1.6 billion per year of additional economic benefits for the UK. Today, given the number of government organisations involved with the campaign and the evaluation work they are each undertaking, GREAT may now be the most evaluated campaign across government.

SO HOW DOES GREAT EVALUATE ITS ACTIVITIES?

Independent, conservative and best-practice evaluation techniques (based on two frameworks, OASIS https://gcs.civilservice.gov.uk/guidance/campaigns/guide-to-campaignplanning-2/ and GCS Evaluation https://gcs.civilservice.gov.uk/guidance/evaluation/tools-and-resources/) lie at the heart of the campaign.

To ensure that GREAT is meeting its target of obtaining a strong and evidenced-based economic return on (government) investment (ROI), the campaign is evaluated at three distinct levels:

- organisational level, where dedicated evaluation and monitoring teams in each delivery partner organisation use proven methodologies to track and analyse the incremental economic returns from their marketing activities;
 - aggregated level, by the central GREAT team, comprising ongoing ROI analysis, the valuation of private sector support and overall campaign appraisal - importantly, all GREAT's partner organisations are challenged robustly by the central team on an ongoing basis to ensure that their monitoring and evaluation methodologies are at a best-practice level, are providing the hard ROI evidence required for the campaign and, crucially, that

- additionality and attribution have been adequately accounted for; and
- overall governance level, through scrutiny by the campaign's Senior Responsible Officer, review and sign-off from the ministerially led GREAT Programme Board and, finally, review by HM Treasury and the NAO.

Within this framework, the three key areas of sectoral analysis are:

Tourism: VisitBritain's industry-standard methodology for calculating ROI for its marketing activities is based on assessing the incremental uplift in visitor expenditure that is directly attributable to their intervention (see https:// www.visitbritain.org/ourperformance-reporting). Both the domestic and international GREAT tourism campaign evaluation results are typically available six to nine months after marketing activities.



Education: When GREAT launched in 2012, the British Council had no specific methodology to calculate the incremental economic returns from their education marketing activities. To receive GREAT funding, the British Council developed a robust measurement approach from scratch, working closely with the central GREAT team and using best-practice evaluation approaches shared across the campaign by other delivery partners. Now, the British Council can clearly identify the incremental expenditure generated by international students choosing a UK university at both undergraduate and postgraduate level as a direct result of their interventions. At the heart of this is a comprehensive annual survey of international students at UK institutions, combined with a survey of prospective students in key overseas markets (such as China, India and the US). This innovative approach is providing the wider UK education sector with rich data on the full decision-making process of international students.

• Trade and Foreign Investment: Historically, DIT/UKTI has measured the impact of trade promotion using 'service deliveries' (essentially providing support to companies, ranging from attending an event to providing detailed export market reports and direct introductions to potential buyers). Following a recommendation by the NAO, this approach has gradually been enhanced, resulting in a new methodology that measures the 'Additional Export Value' created from DIT interventions with UK companies. This is adding even greater accuracy to measuring the real economic impact that DIT's GREAT activities are having. Similarly, for foreign direct investment, DIT is implementing a new approach to calculate the additional economic value generated by international companies investing in the UK. These new methodologies will ensure that





DIT is at the forefront of best practice in the measurement of trade and investment.

This comprehensive sectoral approach has enabled GREAT to implement, measure and then adjust its activities based on robust management information and evidenced results. Where activities have worked well, the campaign has re-invested. Where activities have performed less well, the campaign has been ruthless in reducing or removing investment and focusing on more effective areas (for example, the first year's activities in Japan did not generate the expected level of outputs, so GREAT reallocated funding in the following year to better yielding markets such as China and the US).

To underpin the ROI evaluation

work by GREAT's delivery partners, the campaign also conducts regular international customer perception tracking surveys. These allow impact to be measured longitudinally across different sectors and geographies. Changing perceptions globally is a long-term process, so this 'softer' measurement is crucial – particularly given the focus on building relationships with global markets following the Brexit decision.

Finally, the GREAT central team has also been heavily involved in trialling and implementing new areas of measurement and evaluation, including the impact of soft power/return on influence, digital analysis and brand valuation (using private-sector

best-practice standards). All of this innovative work keeps the campaign at the cutting edge of evaluation in the public sector.

WHAT HAVE WE LEARNED?

The diverse remit of the campaign has enabled GREAT to become involved in numerous evaluation challenges. The key recommendations we would make for others based on our experiences are:

- Build on existing knowledge. Ensure that you follow and use government best practice where it exists - there is no point reinventing the wheel.
- 2. Ensure that evaluation is integral to all your activities before launching any new project. Also, make sure that the objectives you identify from the outset are all SMART (specific, measurable, achievable, relevant, timely).
- 3. No matter how difficult, make sure that you evaluate the right long-term factors, such as actual project or organisational impacts (and not just simple activity outputs, such as clicks on websites or other early stage activity metrics).
- Evaluation is your friend it helps you learn and improve and provides evidence of management effectiveness to stakeholders both internally and externally.
- 5. Be objective. It often helps to have an independent perspective, so do not be afraid to bring in credible outsiders who can help to independently verify results.
- 6. Invest in evaluation this does not mean spending on expensive assessments or surveys, but it does mean that the full evaluation process is appropriately funded as part of the overall management of your project or campaign.

So, with apologies to Peter Drucker, perhaps a slightly more positive approach for the public sector would be... 'if you can measure it, you can manage it'!

Conrad Bird, Director 'GREAT' campaign, Department for International Trade - DIT



DEFRALEX: MAKING LEGISLATION MORE ACCESSIBLE AND TRANSPARENT

Steve Darling, Head of Better Regulation at Defra, describes an innovative approach to managing the department's stock of legislation and the benefits of easier access to the law.

With the support of the National Archives (TNA), the Department for Environment, Food and Rural Affairs (Defra) has launched a new portal to Defra legislation, called DefraLex: www.legislation.gov. uk/defralex. Unique in Whitehall, DefraLex provides information on all Defra's legislation currently in force, and provides far greater detail and more ways to search than is publically available elsewhere. This is the story of why and how Defra decided to create this system, and its expected impact.

800 YEARS OF LEGISLATION

Our system of Common Law has been in existence in England since 1189 and across the United Kingdom since 1707. Our law is thus the result of over 800 years of continuous development and modification, reflecting changing social and economic requirements and, since 1973, our membership of the EU.

TNA is responsible for holding the public record of all UK Law, and is published on www.legislation. gov.uk. However, as a result of the continuous flow of new and amending law, and the lack of regular consolidation, it has become ever more challenging for users to identify what law remains in force and to obtain a single view of the up-to-date texts. As a consequence, access to the law has increasingly been the preserve of lawyers and consultants, or those businesses and citizens willing to pay for expensive commercial services.

However, this lack of access to the law is not only a problem for the public. It also impedes government departments' own awareness and understanding of the legislation for which they are responsible, and increases the risk that unnecessary or outdated laws remain on the statute book. Tracking historic legislation has been further complicated as a result of Machinery of Government (MoG) changes, such as departmental mergers.

EXITING THE EU - A CATALYST FOR CHANGE

The UK's exit from the European Union will lead to another significant change in our laws. It is estimated that the Great Repeal Bill will require between 800 and 1,000 statutory instruments to convert existing EU law into UK law. And further changes are anticipated in the years that follow. This will undoubtedly create a strong demand from





businesses and citizens to understand the nature, substance and impact of these changes on their day-to-day obligations.

DEVELOPING DEFRALEX

Defra's Better Regulation team believed that modern technology, allied with determination, would provide a long-term solution to these problems. Instead of commissioning an external consultancy to produce a report on Defra's legislation, the team looked for a partner to develop a sustainable, resource-light, digital system that could be largely self-maintaining. Enlisting the support of TNA, they created a specific Defra dataset linked to the official legislation.gov.uk website database, which would then automatically update as new legislation was published.

The initial sources for the dataset included earlier studies and products from the Red Tape Challenge programme, and additional research was also tendered with commercial legal publishers. The results were then checked by Defra policy teams and lawyers.

This integration with the normal legislative publishing system means that there is virtually no cost to maintaining the system, and being linked to legislation. gov.uk means DefraLex is also easy to find and freely accessible to the public.

HOW DOES IT WORK?

DefraLex adds an additional step to the normal legislation.gov. uk publication process, allowing

many additional information fields to be populated that are of interest to stakeholders. These include 'category' (e.g. animal health and welfare, environment), 'source' (to distinguish legislation that is of EU, international or domestic origin), and the types of measures introduced (e.g. permits, offences, fees or charges). Associated documents that may be of interest to the public and which improve transparency can also be added to specific legislation, such as Impact Assessments and consultation responses.

WHAT DOES DEFRALEX ALLOW US TO DO?

Defra has nearly 200 primary Acts currently in force, with the oldest dating back to 1609: the Sea Sand (Devon and Cornwall) Act. And when the project was first started in 2012, Defra also had around 2,000 regulations in force.

However, the creation of DefraLex has allowed the department to identify regulations that are no longer needed and revoke them. Similarly, regulations that have been subject to multiple amendments can now be identified for consolidation into new single texts. Since 2012, Defra has reduced the number of individual regulations by 20% and estimates that through online revision this could reach 40% during 2018.

DefraLex also allowed Defra to quickly identify 1,200 pieces of legislation that need to be assessed in relation to the UK's exit from the EU and preparations for the Great Repeal Bill.

NEXT STEPS

Defra continues to look at ways to improve the management of its legislation and access to it. The department has established a Legal Transparency Project, which is producing online revised versions of all its legislation in response to stakeholder demand. Over 21,000 individual revisions to Defra's primary laws will shortly be completed, and all 1,800 pieces of in-force secondary legislation will be digitally revised during 2018.

Although DefraLex is currently unique in Whitehall, it is starting to attract serious interest, and its design and integration with legislation.gov.uk and other data sources mean it is technically easy to replicate. For example, the Northern Ireland Executive has a project underway to explore how best to create a system similar to DefraLex, for all Northern Ireland departments.

Matthew Bell, Head of Legislation Services at TNA, calls DefraLex "a significant step forward for legislation.gov.uk, adding value to both government and the end user. Combining expert subject knowledge at Defra with advanced publishing and editing infrastructure developed by TNA, it has been possible to deliver new features, such as legislation ordered by subject, that wouldn't be achievable otherwise. We hope that this is not a one-off project, but that others are inspired to work with TNA and benefit from these new features. It would be great if one day we could have individual areas on legislation. gov.uk curated by each government department, helping citizens who often struggle to find the legislation that they're looking for."

Following the publication of DefraLex on legislation.gov.uk (on 16 June 2017), Defra will launch a consultation to gather views on the benefits to users and identify whether further enhancements could be made. Additionally, an Impact Assessment is in preparation to establish the anticipated savings to business from having Defra legislation readily accessible. These benefits will also extend to Defra itself and government, for example by reducing the cost of consolidating regulations via new amending regulations.

Steve Darling, Head of Better Regulation - Defra



ECONOMICS IN GOVERNMENT: MORE OPEN, MORE DIVERSE, MORE INFLUENTIAL

A new network, Exploring Economics, is dedicated to increasing awareness and understanding of economics among civil servants and breaking down barriers to smarter economics in government. Thomas Bearpark and Andrew Heron of the Government Economic Service (GES) and Ben Glover, HMRC, examine the principles behind the network's activities.

Economics, the so-called 'dismal science', has had a somewhat dismal press recently. Voices from the media, politics, and the economics profession itself have labelled economists as too detached from the real world, hardwired to get things wrong, and even as the practitioners of a discipline "in crisis".

While the validity of these criticisms can be debated - many have argued in defence of mainstream economics - economists in the Civil Service cannot be complacent.

The vast majority of the roughly 1,500 government economists aim to provide analytical policy advice to ensure that policy delivers true value for money, is delivered efficiently and effectively, and has the greatest impact on society. Their roles can be summarised as:

- predicting or assessing the impact of different policies;
- using this to propose courses of action based on this analysis; and
- explaining the implications of their analysis for certain policy objectives.

As such, government economists tend to work on mainly microeconomic issues in multidisciplinary teams spanning everything from transport to childcare.

However, the public debate is a reminder that in order to remain relevant and influential, and to make sure that policy is informed by the best possible analysis,

all economists must strengthen and broaden their capabilities. They must look for solutions and engage with others outside their traditional domain, as well as developing a much stronger appreciation of history in order to draw on the lessons of the past. Just as importantly, they need to be vigilant against 'groupthink' and ensure that alternative voices and approaches are heard. This is often linked to ensuring there is a diversity of background within the profession. As the Governor of the Bank of England put it recently, the more that ideas are shared, the better we will be at making decisions.

A STEP FORWARD

The GES 2020 Strategy, published last autumn, acknowledges these challenges as it outlines a plan to strengthen the economics profession in the Civil Service. It commits the GES to become more open and outward facing, working closer with other analysts and policy professionals, as well as the wider economics profession, in order to maximise the impact that economists have on policy. This approach is underpinned by the encouragement of debate and the promotion of diversity in thought and background, alongside increased analytical rigour. In other words, good economics is about the culture it springs from.

In the spring of 2016, a group of civil servants formed Exploring

Economics, a new network with two aims:

- to increase the accessibility and understanding of economics in government; and
- to encourage and raise awareness of a plurality of economic perspectives in decision-making.

The network has grown rapidly, and now has several hundred members across the Civil Service.

Working together, Exploring Economics and the GES are taking an open, diverse and crossdisciplinary approach to meeting the challenges faced by the economics profession.

OPENNESS

As set out in its strategy, the GES is becoming increasingly outward facing. The new policy and analytical questions facing government economists mean that it is vital to be able to draw on outside expertise. The GES is facilitating this by strengthening its links with the wider economics profession, through new partnerships with organisations such as the Society of Business Economists or the Indian Economic Service.

GES economists also recognise that producing robust, influential analysis needs more than just economic insights. They have to be able to work flexibly and nimbly, using modern tools across the analytical, operational and policy disciplines. In that

spirit, the analytical professions, including the GES, along with other data disciplines have recently joined together to create the Civil Service Analytical Function Board, which will formally link into the Civil Service Board. This will give analysts a stronger voice at the top of the Civil Service, a more strategic approach to developing talent and coordinating work, and will ensure that when acting together, the analytical professions are more than the sum of their parts.

Supporting GES initiatives to raise awareness and understanding of economics among civil servants, Exploring Economics has set up a series of events, Unpacking Economics. These events explain economic ideas in an accessible way and encourage open discussion. Civil servants of all backgrounds attend - from the casually interested, to those with PhDs. So far, topics 'unpacked' include valuing life in monetary terms; what is actually meant by 'the economy'; and the pros and cons of GDP as an economic indicator. These events have stimulated debate and critical thought about key economic concepts and how they are applied to policy, to the benefit of economists and noneconomists alike.

Exploring Economics is also

creating an accessible guide to the Green Book, the Treasury's main guidance document on evaluation and appraisal in government. This will introduce policy professionals to the economic concepts that underpin the book, and facilitate a discussion of its underlying assumptions.

The efforts to raise the understanding of economics and analysis across the Civil Service are ultimately aimed at fostering a cultural change. A shift towards an environment where there is less focus on a 'magic number', more awareness of risk and uncertainty in analytical evidence, and more debate and challenge from all sides will lead to better policy making.

Therefore these open and outward-facing approaches are not only making it easier for economists to draw on a wider pool of expertise, but also to improve the quality and impact of analysis in policy advice.

DIVERSITY

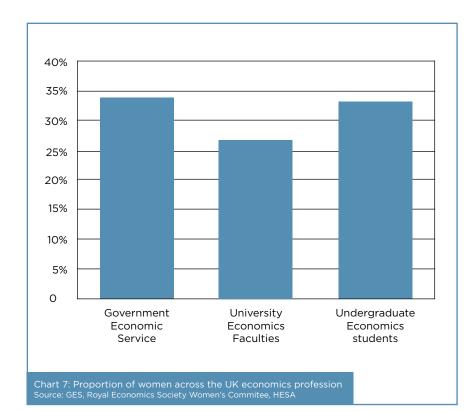
Diversity consists of both intellectual – or cognitive – diversity, and diversity of identity or background. Often these are intertwined, and the absence of either presents significant risks for the quality of advice economists in the Civil Service are able to provide. Greater

diversity forces others to think more critically about their own views and makes challenge more likely. It not only offers fresh perspectives, but also can improve the quality of existing economic thinking and analysis.

Exploring Economics and the GES are explicitly building in greater diversity of economic perspectives into the training curriculum for government economists, through a series of new modules. These will encourage economists to learn about and discuss new and alternative economic approaches and apply these to questions of policy. Modules will include learning opportunities on behavioural economics, which looks to incorporate insights from psychology into economics; institutional economics, which focuses on the role institutions play in shaping economic behaviour; and feminist economics, which helps us to recognise the implications of gender roles in the economy. All will be set within their historical context; with an appreciation of historical changes built in throughout. This interdisciplinary appreciation of the diversity in economic approaches will improve the tools available to government economists, and broaden the debate within government.

Diversity of background is intimately linked to these issues, and is essential in preventing confirmation or unconscious bias. Gender diversity remains an issue for the economics profession, with the GES mirroring the wider profession with women making up roughly a third of economists (as the chart opposite shows). Improving socio-economic diversity is another concern identified in the GES Strategy. That being said, the latest GES entrants are representative of the population in terms of Black, Asian or Minority Ethnic (BAME) background.

The under-representation of women in economics is something shared by the whole economics profession, and stems from a low proportion of women choosing to study economics. To tackle this, the GES is joining up with universities and other employers of economists to promote various 'Women in Economics' initiatives,



encouraging women to study and work in the profession. The GES is also actively showcasing excellent female role models and success women have had as government economists, alongside putting additional resources into marketing, specifically towards female economics students.

The GES is also leading the development of a degree-level Economics Apprenticeship, as an important route to improving socio-economic diversity within economics. The apprenticeship will be aimed at school-leavers and individuals without formal economics degrees, combining on-the-job experience with university-accredited study. Upon completion of their apprenticeship, individuals will be able to work as highly effective professional economists in the Civil Service and elsewhere.

Large, multi-disciplinary and diverse networks such as Exploring Economics are themselves helping to make government economics more accessible to civil servants of all backgrounds.

MORE TO BE DONE...

These steps are all part of government economists' response to the criticisms levelled at economics. Yet there is a longer-term goal: to foster a culture where challenge is welcomed; where knowledge flows more freely and openly across disciplines and the wider economics profession; and where a rich variety of economic ideas and approaches is encouraged and celebrated. Such a culture will only strengthen the quality, relevance and impact of economic analysis within the Civil Service

Much more remains to be done. If you are interested in the work of Exploring Economics you can join the mailing list at http://eepurl. com/cpNWsv (civil servants only). To find out more about the GES, go to www.ges.gov.uk.

Thomas Bearpark, Ofgem and Government Economic Service - GES

Andrew Heron. Economic Adviser, Head of GES Strategy -**HM Treasury**

Ben Glover, HMRC, Generalist Fast Stream



WHAT DO THE NEW GENERATION OF ECONOMISTS IN **GOVERNMENT THINK OF THE PROFESSION AND THE AIMS** OF EXPLORING ECONOMICS?

66 I chose to join the Civil Service partly out of curiosity and

I currently work in Disability Benefit forecasting. The key is what takes up the majority of my time, trying to understand

Economics as a discipline can be guite dogmatic, and this has often meant that one particular way of doing economics has tended to prevail. Exploring Economics provides a crossgovernment impetus to remedy this problem. By opening up allow us to improve the way that we use economics within the Civil Service and better address some of the challenges we will be facing in the future. 99

- Rahim Lakhani, Department for Work and Pensions
- 66 Having studied Economic History as part of my university degree I was really keen to be part of a civil service network about how I can apply them in my analysis as a government has encouraged me to think differently about key economic concepts, such as GDP. As a new economist in government, the greatest benefit I have received from being a member of Exploring Economics is the network of economists and noneconomists I have met who are keen to discuss and debate economics and its use in analysis and policymaking.
- Eve Turner, Ministry of Justice

ROBERT CHOTE, CHAIR OF THE OFFICE FOR BUDGET RESPONSIBILITY

Independent scrutiny of the public finances is now an accepted feature of the political landscape. Civil Service Quarterly interviewed Robert Chote, Chair of the Office for Budget Responsibility (OBR), about what the OBR is for and the challenges it faces.



CAN YOU EXPLAIN WHAT THE OFFICE FOR BUDGET RESPONSIBILITY (OBR) DOES AND WHY IT WAS ESTABLISHED?

The OBR was created by the Coalition Government in 2010, with cross-party support.

Our overarching role is to provide independent and authoritative analysis of the public finances, free of politically motivated doommongering or (more often) wishful thinking.

Specifically, we produce fiveyear forecasts for the public finances and the economy alongside each Budget and Autumn Statement; and we use these to judge the Government's progress against its fiscal targets. We scrutinise the costing of individual policy measures; and we assess the long-term sustainability and riskiness of the public finances.

IS THE OBR UNIQUE TO THE UK?

No, we are one of around 40 independent-but-official fiscal institutions around the world. We all share the same motivating spirit, but differ in our precise roles and structures.

The OBR is unusual in a couple of respects. First, the Government has fully 'outsourced' the official public finance forecast to us, rather than asking us to scrutinise or second-guess its own numbers. Second, Parliament confines our analysis to the current policy of the current government. We cannot assess policy options or – like our Dutch counterparts, for example – scrutinise party manifestos.

CAN THE OBR MAKE POLICY RECOMMENDATIONS?

No. We cannot even say whether a policy we have

examined is a good idea or not, tempting though that can be.

HOW IMPORTANT IS THE OBR'S INDEPENDENCE?

It's crucial, both in substance and appearance. The legislative underpinnings are essential: our freedom to set our work programme, our right to information from government, the openness of our funding, the way we are appointed, and so on. And, although our staff are civil servants, they are responsible to me and do not take orders from departmental ministers, advisers or other civil servants.

But, beyond these formalities, the main way we demonstrate our independence is through transparency - in the way we work and the analysis we publish. People are bound to disagree with some of the conclusions we reach, so it is important that we 'show our working' to demonstrate that it reflects professional judgement rather than political axe-grinding. In practice, I am pleased to say that ministers have never tried to put pressure on us - either directly or indirectly - even when we have told them that they are on course to miss their targets or when we have revealed some of the more imaginative ways in which they have remained on course to hit them.

But transparency is also valuable in its own right: we publish far more information about the public finances than the Treasury used to.

HAS THAT INDEPENDENCE PAID DIVIDENDS IN TERMS OF THE ACCURACY OF THE OBR'S FORECASTS?

Our forecast errors are smaller on average than those in official forecasts over the previous 20 years, although we have not yet had a recession on our watch (when errors tend to be bigger). The IMF also said last year that "while it is still relatively early in its track record, the OBR's forecasting record indicates a lower degree of bias than under the Treasury forecasting regime." But this is not a 'spot-theball' competition. We always emphasise the uncertainty around our forecasts, and this July we will publish our first dedicated report on fiscal risks. No sensible government would set policy on the assumption that a particular forecast will come true. Policy has to be robust to a range of possible outcomes

HOW MANY PEOPLE WORK AT THE OBR? HOW MANY ARE CIVIL SERVANTS AND WHAT DOES THAT MEAN FOR THE WAY THE OBR WORKS?

The three members of the Budget Responsibility Committee - appointed by the Chancellor subject to a Treasury Select Committee veto - have ultimate responsibility for the OBR's judgements, but we have a staff of 27 civil servants to help us. Different teams work in areas such as macroeconomics, public spending, tax, welfare, long-term and risk analysis, and policy costings. We advertise vacancies externally when we can, and sometimes take graduate entrants, but in practice we draw heavily on the pool of civil servants with relevant expertise in places like the Treasury, HMRC and DWP.

When I arrived at the OBR from the Institute for Fiscal Studies, I worried that I would have to impose a culture of independence from the top as most of our staff would come from and/or expect to go back to government departments. But that was to underestimate their professionalism and to

misunderstand human nature they are perfectly happy to prod their former colleagues with a stick when necessary.

We are too small to offer people a career structure for life, but it is very important to me that people see the OBR as a fun and rewarding place to work and that their time with us will enhance their future career opportunities. As a small, flexible team with a clear mission and a strong esprit de corps, we have very high staff engagement scores and we attract great people.

WHAT ARE THE MAIN CHALLENGES THE OBR HAS FACED SINCE IT WAS ESTABLISHED IN 2010?

66 My main goal on joining the OBR was to cement it in place as a trusted and permanent part of the UK's economic policy infrastructure. putting transparency and the recognition of uncertainty front and centre. Stakeholder surveys, external reviews and crossparty support have all been encouraging in that regard, but we can never be complacent. 99

Economic forecasting is always a challenge, of course, and the main puzzle that we and others have had to grapple with has been the remarkably weak performance of productivity and what that might imply for future growth prospects – a

challenge that the uncertain outcome and impact of Brexit will only add to. In fiscal forecasting, the challenges have included assessing the impact of changing work patterns, income distribution, tastes and technology, and ensuring that we are clear-sighted and hard-headed when scrutinising government welfare and tax 'reforms'. One challenge I would not have predicted at the outset was the scale and speed of devolution, which is creating new and interesting analytical work for us and requiring wider stakeholder engagement.

HOW DOES YOUR EARLY CAREER AS A JOURNALIST COMPARE TO YOUR WORK AT THE OBR? DID IT PREPARE YOU IN ANY PARTICULAR WAY FOR YOUR OBR ROLE?

Not so long ago the editor of the Spectator said I was still a 'hack at heart', which - for him at least - was a compliment. But fundamentally I do feel as though I am trying to do the same job now that I was at The Independent and the Financial Times - namely to be a decent reporter. At the end of the day we are trying to make sense of what is going on in the public finances, to explain it as best we can to the public, and in particular to shine light on those areas that governments might prefer to keep in the shade. Hopefully that contributes to better policy and a better-informed public debate, although I am frustrated that Parliament does not make more effective use of our work in holding the Government to account - why do they have an Opposition response and debate on the Budget as soon as the Chancellor sits down rather than giving everyone time to read the detail of the forecasts and policy measures first? I am certainly glad that I was a consumer of economic and fiscal forecasts and analysis before I was a producer - I think it helps you approach the task in the right spirit!

Robert Chote, Chair of the Office for Budget Responsibility - OBR

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