

## Blog: Debunking the Myths of the ‘Green Book’

Date Posted: September 2024



On 3 September 2024, the first in-person Midlands business case conference was held to discuss the [Green Book](#) – a guidance issued by HM Treasury on how to appraise policies, programmes and projects. The event was held at The Exchange, in Birmingham, and was a joint venture between the University of Birmingham, Nottingham Trent University and the Midlands Engine Observatory.

A line-up of distinguished speakers brought diverse perspectives to the conference including Joseph Lowe, who served as the long-serving editor of the Green Book from 2006 to August 2024 and Dr. Steve Wallace who provided a real example of utilising Green Book guidance to bring the Sherwood Observatory to life. The conference also featured two insightful panel discussions: one reflecting on the use of the Green Book to secure regional investment, and another focused on how the guidance can be used to create successful bids.

In this latest blog post, we distil the key takeaways from the event and explore how the Green Book also provides direction on the design and use of monitoring and evaluation before, during and after implementation.

### Use the Green Book as a toolkit

The Green Book should be used as a toolkit to strengthen business cases – not as a checklist exercise, or ‘a whole lot of fences to hop over to secure funding’ – **Rebecca Riley**.

All dimensions of the five-case model should be deployed effectively – this means not focusing all resources on the strategic and economic case.

1. **Strategic dimension** – What is the case for change, including the rationale for intervention? What is the current situation? What is to be done? What outcomes are expected? How do these fit with wider government policies and objectives?
2. **Economic dimension** – What is the net value to society (the social value) of the intervention compared to continuing with Business as Usual? What are the risks and their costs, and how are they best managed? Which option reflects the optimal net value to society?

3. **Commercial dimension** – Can a realistic and credible commercial deal be struck? Who will manage which risks?
4. **Financial dimension** – What is the impact of the proposal on the public sector budget in terms of the total cost of both capital and revenue?
5. **Management dimension** – Are there realistic and robust delivery plans? How can the proposal be delivered?

## Provide a unified case

There is a need to have a unified approach so each of the ‘cases’ are developed within a skilled team offering a wide range of skills with one overall author, working collaboratively.

This is especially important for when the private and public sector need to work together. Knowledge needs to be shared to ensure Local Authorities are able to develop the skills required in future.

The panels also emphasised that spending sufficient time to get the strategic case right is critical, but not at the expense of the commercial case which ensures these plans are realistically deliverable.

*‘The better you can plan, the better you can deliver’* – **Matthew Lambert, Principal Consultant, Mott MacDonald**

*‘You must bring in stakeholders to avoid disaster’* – **Joseph Lowe, former Editor of the Green Book (2006 to August 2024)**



*Rebecca Riley, Co-Director of City-REDI with Joseph Lowe, former Editor of the Green Book (2006 to August 2024)*

## Have a long-term outlook, with a few good projects

When producing a business case its always best to have a few good projects, rather than many which are delivered for the sake of delivery.

This means investing more up-front in a project's early development cycle to get it on the right footing. This is where a key lesson was emphasised – it is more beneficial to design a project considering all available options and costs, as opposed to a bad project which doesn't benefit anyone.

*'Take the business case design as seriously as the evaluation'* – **Luke Delahunty, Director, SQW**

## How to avoid traps

- **Go back to basics.** A strong business case needs to be clear and measurable – not something that is 30 pages long covering 18 objectives. It means clear and few objectives which consider every option and don't cut corners.
- **Have an honest review of each project,** allowing sufficient time for reflection.
- **Set aside a suitable budget** for planning and delivery, providing as much emphasis on development as evaluation.
- **Use additional pairs of eyes** to bring in a new perspective, including consultants and all stakeholders.
- **Trial an intervention first before writing a business case.** The public sector should focus on delivering high-quality projects, not merely those that are profitable 'vanity' projects.  
*'[The Green Book] is there to deliver the best option to society'* – **Sophie Laycock, Assistant Economist, UK Home Office**
- **Competitive funding doesn't work.** It creates time constraints and tight budgets, often leading to undeliverable projects which don't suit local needs.  
*'A competitive funding process is forcing people to make the wrong decisions'* – **Sarah Thompson, Associate Director, Metro Dynamics**
- **Devolution can lead to better business case development** through extended timelines and reduction in bidding culture, focusing on an outcomes-based approach.

## What are the myths and challenges of Green Book?

One of the biggest myths about Green Book compliant cases was the **Benefit-Cost Ratio (BCR)**, a metric used to determine the viability of a project based on cost and its likely returns. The problem which surrounds the BCR is not that it is irrelevant, but the opposite – the BCR is used too frequently or treated as the only or pre-eminent metric.

So, how the Green Book is applied is key.

The use of competitive funding has too often turned into competitions based on relative BCRs – incentivising optimism bias in the preparation of funding bids.

Sometimes it is not possible to monetise all outcomes, but this also means not shying away from attempting to quantify other evidence.

Whilst not all benefits can be quantified, this does not mean that they shouldn't be considered.

For example, when looking at skills, innovation, Co<sup>2</sup> emissions or even reducing crime, it may be necessary to provide other types of analysis such as break-even analysis. In other cases, a negative BCR might also be an equally important indicator to invest in a project.

*'Perceived problems with the Green Book approach are often less a function of the guidance itself than of the context in which it is used. E.g. competitions for 'challenge funds' which can incentivise optimism bias and encourage an over-emphasis on the BCR.'* – **Professor William Rossiter**

## The Green Book in action: Sherwood Observatory

As part of the wider discussion, Dr. Steve Wallace was invited to discuss his experience producing a Green Book compliant business case which was successful in bringing the [Sherwood Observatory Science Discovery Centre and Planetarium](#), to life. The Observatory, situated in Sutton-in-Ashfield in Nottinghamshire, is scheduled to open in late 2024.

- **'Keep coming back to your vision':** Making sure every step of the case aligns with its original goals, keep it simple.
- **Benchmark against similar projects:** First, look elsewhere and explore the social benefits of comparable projects to inform your own case.
- **Look at value beyond money:** Consider non-monetary benefits, like educational and wider social impact – a high BCR isn't representative of a project, it serves only as an indicator.
- **Craft a compelling narrative:** Develop a strong economic case, highlighting returns to the local economy.
- **Plan ahead:** Start early to navigate tight deadlines. The Observatory's established visitor base allowed for a successful public consultation; this foresight was crucial to secure funding.



*Credit: Sherwood Observatory*

## Next steps

Building on the success of the conference, stakeholders were keen to develop a '**Community of Practice**'. This community will help navigate the complexities of Green Book compliant business cases by offering training, sharing expertise and best practice, informing users of future events, and linking to the national Green Book user group.

## Speakers:

- **Rebecca Riley** – Professor Enterprise, Engagement, and Impact, Co-Director – City-REDI
- **George Bramley** – Principal Analyst, City-REDI
- **Delma Dwight** – Director of Economic Intelligence at the Economic Intelligence Unit and Director of the Midlands Engine Observatory
- **Will Rossiter** – Professor of Regional Policy and Development at Nottingham Trent University
- **Joseph Lowe** – Treasury’s Head of the Economics of Social Welfare and editor of HM Treasury’s Green Book (2006 until August 2024)
- **Luke Delahunty** – Director at SQW
- **Sarah Thompson** – Associate Director at Metro Dynamics
- **Matthew Lambert** – Principal Economic Consultant at Mott MacDonald in the UK
- **Dr Steve Wallace** – (Planetarium Project Manager, Sherwood Observatory)
- **Sophie Laycock** – Assistant Economist at the UK Home Office
- **Andy Phillips** – Head of Research at West Midlands Growth Company
- **Lada Zimina** – Project Manager for Energy Research and Innovation at the University of Birmingham