



November 2020

Response to Consultation: Reforming the Green Book to achieve better outcomes from infrastructure investment: ICE discussion paper

This response has been prepared on behalf of the South West Infrastructure Partnership (SWIP). SWIP was established in 2017 and has brought senior members of the civil engineering profession and key stakeholders from the South West together to discuss the issues that each sector was facing and assessing what lessons or experiences could be learned from other sectors. This response has been prepared and circulated to our steering group for their inputs. Not all steering group members have been able to respond so this consultation response as it stands should be considered as representative rather than the collective view of SWIP.

SWIP held two decarbonisation workshops in Truro and Bristol in early 2020, attended by more than 120 people. These were held alongside the ICE's State of the Nation regional workshops and there was a strong body of opinion that the Green Book did not take adequate consideration of net zero in its methodology or in the guidance that is published alongside it.

We are therefore pleased to see the publication of this consultation and to contribute to it.

Question 1: *How should the Green Book and the appraisal process be reformed to better factor in strategic national objectives?*

The Green Book and its associated guidance documents have evolved over time. Whilst the different updates have attempted to reflect the changes in priorities and national objectives, we believe that if the Green Book was re-drafted from scratch, it would look very different from today's version and would also be simpler and more cost effective in its use. For example, priorities would be more effectively communicated, use of international sustainability goals would provide a more effective over-riding framework and clarity and the relevance of objectives better understood. A serious challenge is the appraisal of a project on whether the benefits outweigh the costs rather than achieving best value in achieving an objective. A second area, directly related to climate change mitigation and adaptation programmes is the use of the social discount rate which reflects both GDP and risk. As Professor Stern pointed out in his assessment of climate change risks for the Government in 2006, the discount rate applied to climate change objectives should be lower as there was no lower risk alternative. A reduction in discount rate could result in objectives that take several decades to deliver achieving a higher priority than is the case today.

Question 2: *Does the urgency of the net-zero greenhouse gas emissions target warrant the expansion of the Five Case Model to include a sixth net-zero case, or can this effectively be appraised against through the current methodology (e.g. the strategic case or supplementary guidance)?*

SWIP believes that the legal requirement to achieve net zero outcomes from infrastructure by 2050 is not reflected at all in the current version of the Green Book and its associated guidance documents. Whilst Chapter 6 of the Green Book includes two paragraphs on how greenhouse gas emissions should be evaluated and Annex 2 provides further detail, we believe that this does not adequately reflect the necessity of considering emissions at the very earliest stages of the project. We believe that the legal requirement to achieve net zero should be addressed explicitly in the various sections addressing the Strategic dimension and subsequently reinforced in the methodologies and guidance in the Five Case model.

We do not believe it necessary to introduce a Sixth Case focusing solely on Net Zero providing the requirement is explicitly and clearly stated as a key objective of the strategic and subsequent dimensions. However, if a sixth case was to be introduced to cover net zero, it should precede the Strategic dimension.

We are concerned that in its present form, the Green Book presents the objective of reducing greenhouse gas emissions as less important than the direct financial outcomes of the project or programme being appraised. This leads to the conclusion that a project that does not contribute to achieving net zero could still be considered to have an adequate business case should it be sufficiently financially viable. Whilst there may be cases where this might be justified, these are the minority and should be conditional on adequate offsetting measures being available and considered within the strategic dimension. We do not believe it is wise use of tax-payer's funds to reach this conclusion towards the end of the appraisal process.

Question 3: *How can the Green Book best account for social value and help achieve wider societal outcomes?*

We believe that social value considerations can be challenging and where improved processes are in-use and available (such as DfT's TAG and the Environment Agency's review of social impacts of flooding), they should be incorporated into the Green Book methodology. We also agree that for both social and environmental valuation, the use of a financial approach based on limited evidence may result in misleading outcomes. We would prefer to see a more qualitative approach that is subject to post project appraisal to review its effectiveness and update guidance. We believe it is important that a consistent approach is undertaken in all parts of the country and subject to determination using stakeholder workshops to ensure maximum transparency in resolving the relative importance of the environmental and social values in the context of policy and infrastructure development

Question 4: *What, if any, are the limitations of the Green Book in achieving the government's aim of 'levelling up' the country?*

Whilst levelling-up is a key Government objective, the current approach has tended to distort investment to those programmes and projects demonstrating the highest potential cost benefit ratio rather than those where the need (not always measured financially) may be highest. This may be due to weaknesses in preparing the strategic case, compounded by focusing on short term returns and growth rather than longer term opportunities. Affordability constraints may result in solutions being considered in isolation rather than as part of a more comprehensive and cohesive programme. In theory, the strategic case should consider these issues but the fact that there is a rebalancing exercise taking place to counter the historic under investment outside of London and the South East suggests that this has not been the case.

Question 5: *How can greater consistency of application of Green Book project appraisal be achieved across government, both local and central?*

As set out in our answer to Q1, we believe that the Green Book should be revised and simplified to make it more aligned with the SDG's as well as made more user-friendly. A pre-requisite is an extensive training programme for all users and potential users, including senior civil servants and ministers, and across local government cabinet members and senior officers. This was partly proposed by The Project Management Institute and Institute for Government in 2017. Their suggestion that there was a lack of challenge to the appraisal process because of limited knowledge of the Green Book by senior civil servants and ministers reflects that the process appears to have trumped the ambition to achieve real progress against wider societal objectives.

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