Efficiency *and* resilience

How can we adjust the dial?

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Nigel Ball is an entrepreneurial leader with a track record in social change spanning government, social enterprise, and academia. As Executive Director of the Government Outcomes Lab until Spring 2023, Nigel worked alongside a team that uncovered cutting-edge research insights and has worked painstakingly alongside practitioners to change the way cross-sector partnerships work. Prior to that, Nigel was part of the founding team of West London Zone for Children and Young People, the Head of Innovation at Teach First, the leading education charity, and supported social entrepreneurship in East Africa.

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The Government Outcomes Lab at the Blavatnik School of Government investigates how government can foster effective cross-sector partnerships. Its researchers have walked shoulder to shoulder with governments at all levels as they have explored innovative ways to improve social outcomes, evaluating those efforts and ensuring that we can all learn from them. The knowledge built holds powerful lessons on how governments can improve their partnerships.

The Cambridge Assessment Network is a part of Cambridge University Press & Assessment, and their work supports teachers, schools, and governments around the world to unlock the power of education for every learner. Advancing equity in education is a major priority for policy makers and practitioners. It also sits at the heart of Cambridge Assessment Network's mission to support high-quality assessment practice to the sector. In partnership with Loic Menzies, Cambridge Assessment Network convened a series of seminars and round table events asking key voices in the education sector, 'What are the barriers to equity in education? And how can we overcome them?' The series has explored themes in relation to how better information – from assessment data and beyond - can support policy makers and practitioners steer towards greater educational equity.

Acknowledgements

This report, and the roundtable it was based on, would have been impossible without the support of Government Outcomes Lab team members Andreea Anastasiu, Harry Bregazzi, Michael Gibson, Srinithya Nagarajan, Juliana Outes Velarde, and Jessica Reedy, each of whom assisted with logistics and note-taking on the day and helped to produce an early draft of this report. Thanks also to Calum Miller and Jenny North for assisting with chairing break-out groups.

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Executive Summary

In recent years, the UK Government (and the Treasury in particular), has adopted efficiency as its public spending North Star. The pursuit of efficiency is certainly desirable and it can hardly be said that our public services embody efficiency. However, viewing efficiency as the sole guiding principle for public spending can undermine resilience. Even in good times, this is bad for delivery, but it can have catastrophic consequences when things go wrong.

As a recent report from Demos argues:

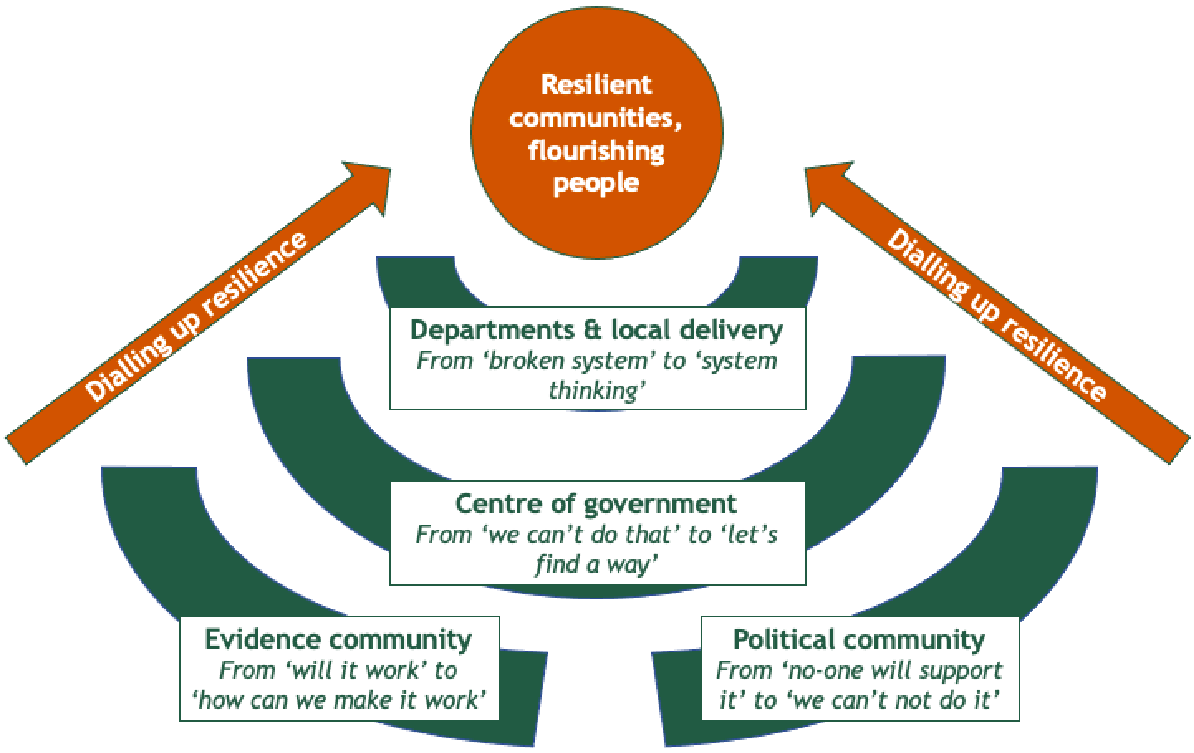
"To truly reduce demand for public services in the long run, we need to not only prevent problems from arising, but create the conditions for flourishing and resilience within communities."

(Curtis et al., 2023, p. 4)

In January 2023, we (Nigel Ball and Loic Menzies) convened a roundtable at the Blavatnik School of Government, University of Oxford, to explore how a better balance can be struck between efficiency *and* resilience.

By summarising the discussions from the roundtable, and setting out a number of ideas that emerged from it, we hope to contribute to the discussion regarding how policy can shift towards prevention and resilience. We do not intend to imply that all these ideas are necessarily viable or advisable in their current form, but we hope that they might provide avenues that lead to the solutions our system so urgently needs.

We organised the discussions, and have organised this write-up, around four themes which correspond to four parts of the governance system, as shown in the figure below.



Departments and local delivery

Improving delivery and capacity: from ‘broken system’ to ‘system thinking’

The people who would most benefit from joined-up, preventative services are often those who end up having contact with the most components of the public system. Engagements with public systems can feel piecemeal and transactional, like being on a badly designed factory production line. These are the legacies of a system designed not to prevent ills, but cure them.

Several ideas were based on the need to reorient the system around the former.

1. **Bring different local services and service users together to understand underlying needs,** target budgets towards aligned goals, and focus on a relational approach between public service staff and users.
2. **Reconsider approaches to public procurement,** for example by awarding more medium-sized, long-term contracts and using relational principles to draw-up and manage partnerships.
3. **Spread support for long-term, resilience-building approaches beyond the initial champions** and allocate responsibility for preventative strategies at a high level within leadership teams.
4. **Invest in infrastructure to provide “continuity of care”** including management continuity, relational continuity, and informational continuity. Clarify data sharing arrangements so that data can be pooled, and improve the accuracy of predictions used to target preventative work.
5. **Explore whether a new independent long-term funding body could improve commissioning** by aligning incentives and coordinating spending around defined issues.

Centre of government

Overcoming bureaucratic barriers: from ‘we can’t do that’ to ‘let’s find a way’

The way government thinks about public expenditure creates bureaucratic barriers to a more preventative approach: funding envelopes are fixed, and existing spend for everyday services and people already in crisis is prioritised over preventative programmes. Budgets are typically short-term and annualised, even within multi-year spending reviews, whereas prevention requires consistent investment over multiple years combined, alongside consistent policy prioritisation

Treasury spending classifications are a hugely influential driver in decision-making and are therefore a powerful lever for change. Rather than radically overhauling the current approach, participants generally suggested that change can be achieved by working with the grain of the current system– not least because many of the rules are internationally mandated. Key ideas to improve this system were:

1. **Mandate transparency around how Treasury classifies spending,** and how it is interpreting international accounting standards, plus a mechanism for other parts of government and civil society to challenge these classification decisions.
2. **Create a new spending classification for preventative spending,** defined in a similar way to capital spending (high upfront cost with a long tail of benefits), and allow such spending to be spread across accounting years.
3. **Set the timing of three-year spending reviews into law** to regularise the planning process for spending departments and agencies.
4. **Create an independent Office for Spending Evaluation**, with an obligation to transparently evaluate the likely impact of future public spending proposals across government.
5. **Strengthen parliamentary scrutiny of spending decisions,** for example by mandating Ministers to make a statement to Parliament and publishing the metrics against which Government is assessing its success.

Evidence community

Redressing lack of evidence: from ‘will it work?’ to ‘how can we make it work?’

The typical government view of evidence is currently narrow, focusing on the quantifiable effect of defined interventions and those interventions’ impact on government finances. Yet when it comes to improving outcomes, the implementation of policy is as important as the choice of policy. Moreover, fiscal impact is difficult to attribute.
Potential solutions in this area are therefore premised on a broader interpretation of evidence and how it is used, rather than just how it is generated.

1. **Focus evidence-gathering on how to make programmes work within different delivery systems and contexts,** not just “what works” in terms of off-the-shelf interventions. Acknowledge that future savings will often be realised in the form of additional capacity to address less acute issues, rather than just cash on the balance sheet.
2. **Build evidence for preventing low probability-high impact events,** like war and Covid, as well as high probability-low impact ones. Use this evidence to make the case for “tolerance”, or spare capacity, in systems.
3. **Improve the absorption of evidence across government** by investing in specialist evidence brokers and encouraging greater sharing of evidence and experiences across departments and different levels of government.
4. **Build a better picture of risks to long-term positive outcomes** by better linking and using live data. Measure long-term outcomes with administrative proxies grounded in a clear theory of change.
5. **Value narrative and experiential evidence alongside experimental and quantified evidence;** explain evidence findings through stories of representative places and people.

Political community

Getting the messaging right: from 'no-one will support it' to 'we can't *not* do it'

Investing public money upfront to reduce acute needs in the long-term does not secure political wins in the short-term. Consequently, the public tends not to engage in the debate. Yet people do care about their country's resilience if the right narratives are found.

Ideas for reshaping narratives sought to secure widespread support for prevention and resilience, across individuals and communities with differing value sets.

1. **Communicate the need for national resilience** both in principle and through specific resilience-promoting policies.
2. **Tap into multiple value sets** by drawing on both collectivist and individualistic sentiment, emphasising that prevention both helps others and conserves capacity for when you might need it yourself.
3. **Build on existing solidarities and tap into collective interest,** emphasising ideas of mutual support that emerge from shared identity.
4. **Challenge misconceptions** like the "maxed out credit card" and deploy powerful metaphors that explain the case for spending preventatively.
5. **Blend targeting and universalism,** with the former speaking to traditional efficiency arguments and the latter promoting fair access to services.

Introduction

Write-up: Loic Menzies, Nigel Ball and Michael Gibson

Responding to and recovering from crises requires resilience at the individual level, through communities, and right up to the state as a whole. There are a number of components to this resilience, but often they centre around ensuring there is sufficient capacity to adapt.

The COVID-19 pandemic brought the need for resilience across society into sharp relief. The government called on the population not just to "save lives" but also to "protect the NHS". The state alone was not resilient enough, and so it took a monumental effort across society to prevent catastrophic collapse.

Much of the need to protect the NHS in the first place stemmed from a myopic focus on efficiency – running near capacity, operating just-in-time delivery, and focusing on only the most pressing acute need. This might work when everything is running smoothly, but it leaves the system vulnerable. Surge capacity, vital for scaling up in response to crisis, has been framed as waste, and so a system that was already stretched to breaking point has come perilously close to collapse (Government Outcomes Lab, 2023).

Learning those lessons

The challenges of the pandemic have highlighted the need for resilience and this has prompted a number of suggestions for how new institutions, new accounting rules and new approaches to contracting might tilt the balance towards resilience and avoid the next catastrophe. However, this is not just about what happens at the top of government. The education-focused discussion that planted the seed for this work highlighted how a failure to invest in the relational fabric of communities was undermining educational equity and torpedoing the next generation's life chances (Menzies, 2022c). Meanwhile a long-standing failure to prioritise prevention stacks up future problems for future tax payers to resolve – often at even greater expense.

This report

Following a discussion as part of the Cambridge Assessment Network's "Mapping the Way to Educational Equity" programme[1], we (Nigel Ball and Loic Menzies) decided to convene a roundtable at the Blavatnik School of Government, University of Oxford in January 2023, to explore how a better balance can be struck between efficiency *and* resilience. The discussion was far-ranging and we were privileged to spend an afternoon in the company of so many experts who brought such valuable expertise to the table.

We begin by summarising a series of reflections from opening speakers. We then turn to four themes that formed the focus of in-depth group discussions over the course of the afternoon. We then conclude by summarising the key ideas that were raised over the course of the day.

This report is only a starting point and is an effort to build momentum for more extensive work identifying additional options and exploring the ideas raised so far in greater detail.

[1] https://www.cambridgeassessment.org.uk/blogs/categories/mapping-the-way/

Roundtable attendees

The ideas set out in this report should not be mistaken to represent the consensus view of attendees, among whom there was significant divergence of views, nor the position of the host organisations.

Baz Ramaiah – The Centre for Education and Youth
Bridget Gildea – Intellectual Forum, Jesus College, Cambridge
Calum Miller - Blavatnik School of Government
Christopher Hood – Visiting Professor, Blavatnik School of Government
Ciaran Martin - Professor of Practice, Blavatnik School of Government
Conrad Smewing - former Director of Public Spending, Treasury
David Gauke – former Lord Chancellor and Secretary of State for Justice
Eleanor Carter - Government Outcomes Lab, University of Oxford
Gen Maitland Hudson - Social Investment Business
Helen Barnard - Joseph Rowntree Foundation / Pro Bono Economics
Jeff Matsu – Chartered Institute of Public Finance and Accountancy
Jenny North - The Cloth Workers Foundation
Joe Prendiville - West London Zone
JP Spencer - Metro Dynamics, former Head of Green Book, Treasury
Kirby Swales - Deputy Director of Supporting Families / Changing Futures at DLUHC
Leon Feinstein - Professor of Education and Children's Social Care, University of Oxford
Loic Menzies - Sheffield Institute of Education/Jesus College Cambridge / Cambridge University Press and Assessment
Nigel Ball - Blavatnik School of Government, University of Oxford
Olly Bartrum – Institute for Government
Paul Collier - Professor of Economics and Public Policy at the Blavatnik School of Government, formerly World Bank
Pamela Dow - Civic Future, former Executive Director of Government Skill Campus, Cabinet Office
Polly Mackenzie - University of the Arts London, former No.10 Advisor
Robert Pollock - Cambridge County Council, former Director of Public Service Transformation Network
Sam Freedman - Independent/ Institute for Government
Sam Warner – University of Manchester
Stephen Muers - Big Society Capital
Tim Leunig - Department for Health and Social Care / Department for Education

Opening reflections

Reflections from Helen Barnard, Sam Freedman, Professor Christopher Hood, David Gauke and Polly Mackenzie

Write-up: Loic Menzies

We are used to asking "what is our risk appetite", but we are less used to reflecting on our "waste appetite".
What if there was a trade-off between the two?

When a system runs at 95 percent and gets hit by a shock it can rapidly swing over 100 percent. At that point, prioritising efficiency at the expense of resilience starts to look like a bad idea, pointed out Sam Freedman as he opened this roundtable on efficiency and resilience. Professor Christopher Hood agreed: spare capacity is not the same as waste.

The government's new "Resilience Framework" (Cabinet Office, 2022) defines resilience as *"an ability to withstand or quickly recover from a difficult situation... [and] to get ahead of those risks and tackle challenges before they manifest".* But how do we know where those risks will emerge? Freedman worried that the pandemic pushed the NHS over the edge, but that with public services stretched on every front, strains in other areas will become intolerable before too long. He recommended adopting a mechanism for comparing the risks across different services and anticipating the dangers.

It is no surprise that conversations like this have gained momentum since the pandemic. As Polly Mackenzie argued, people often struggle to think about public services in the abstract, or to imagine what might happen if it all went wrong. But the pandemic affected everyone, making this a propitious time to rethink resilience.

Yet the need to rewire society for resilience is not just a product of the pandemic. According to Helen Barnard, we are currently in a period of huge change and uncertainty, driven by technological upheaval on a par with the 1920s and 30s. Periods of change like this force us to rethink how we create "stability and security in a world that seems to have become very uncertain". This is a theme she explores in depth in her recent book (Barnard, 2022).

Unfortunately, the case for resilience is not easy to make. Freedman asked, *"what will it take for taxpayers not to see an empty, tax-payer funded hospital bed as wasteful?"* As Mackenzie pointed out, it can be hard to strike the right balance between narratives based on compassion, and arguments stressing self-interest through mutualism. We often call on people's kindness as a motivation for wanting someone down the road to get good social care - but there is also a place for pointing out that this care ensures there is space in hospital when you need it.

So, what does resilience look like? The story of the Craigellachie Bridge in Scotland (pictured on the cover) provides an illustration according to Professor Christopher Hood. When it was being built in the 19th Century Thomas Telford infuriated builders and funders alike by suddenly deciding that its abutments should be four metres higher than originally planned. However, when disaster struck fifteen years later and floods swept away all the bridges on the river Spey, what had seemed like waste suddenly came to be seen for what it was: sensible contingency. Telford's was the only bridge to survive.

Tolerances like those built into Craigellachie bridge are not the only source of resilience (Hood, 1991). "Redundancy" - whereby multiple units ensure that if one crashes, others can take over – also play a part. Meanwhile being pushed over 100 percent need not spell disaster if services are built for "bounce-backability", for example by using components that are rapidly replaceable. Maintenance is a fourth ingredient in resilience, since services that are already held together with metaphorical-gaffer-tape, are far less likely to withstand, or recover from, shocks. Yet the grip of "treasury brain" (Freedman, 2023) makes it hard to secure resources for any of these sources of resilience, or for prevention more generally.

For Hood, the Treasury is best thought of as "a classification machine" and David Gauke agreed, recalling it had been his responsibility to *"raise my eyebrows and question whether promised savings from preventative expenditure would materialise"* during his time at the Treasury. He has therefore proposed a new institution to help the Treasury distinguish between waste; Telford-esque tolerances; and preventative investment (Gauke, 2022). If this body categorised spending bids' long-term value, we might be able to go beyond blunt categorisations of "capital spending" and "revenue spending". This Office for Spending Evaluation might then create a new type of political pressure and buy leeway with markets, skewing spending towards prevention and resilience.

Participants returned to themes emerging from these reflections throughout the day and this report now explores four of them in greater detail, as well as a series of ideas for making the opening speakers' ideas a reality.

Improving delivery and capacity

From ‘broken system’ to ‘system thinking’

Chair: Nigel Ball
Write-up: Loic Menzies and Harry Bregazzi

The Issue

Capacity and resources in public services tend to be swallowed up by the urgent requirements of day-to-day crises, leaving little time or money for strategic planning and preventative work. However, even if funding and support were available, shifting services so that they prioritise resilience alongside efficiency, and prevention alongside responsiveness, would still be challenging. It would require new structures, leadership, and ways of working.

For example:

- current data does not allow for the accurate identification of who would benefit from preventative support;
- staff turnover sabotages continuity;
- outcomes are parcelled out in such a way that cross-cutting needs and the root-causes of social challenges fall through the gaps; and,
- risk appetite is very limited, inhibiting innovation and experimentation.

As one participant put it:

“There’s not much space for failing, and that means there’s not much space for trying new things.”

Bring together different services around users

Bring different local services and service users together to understand underlying needs, and direct resources to them jointly. Focus on a relational approach between public service staff and users.

Vulnerable people frequently require support from multiple services. Too often, these needs are dealt with separately, drawing on distinct departments, budgets, and metrics. This drives inefficiency and competing interests between providers, making it harder to join the dots between needs or see the bigger picture. Tackling this does not just depend on aligning different public organisations, it also requires co-ordination with third sector partners and the private sector (Ball, 2020a, p.403).

Helen Barnard has highlighted work by *New Local* as well as ongoing work in Cambridgeshire and Wigan - which have been trailblazers in reshaping services to put users at the centre (Barnard, 2022, p. 106). Meanwhile organisations like the West London Zone and Right to Succeed have forged a fresh path in the third sector (Menzies, 2022b, 2022a). These approaches hinge on skilled staff who build-up trusting relationships with service-users, working with these users to find solutions that reach across different services.

People with personal experience of facing social challenges can help build the case for more collective approaches. For example, one attendee described an ‘away day’ where leaders from different public services came together alongside members of the community with direct experience of key challenges. Budget holders then put some of their funding together in a shared, multi-year budget to address issues that cut across their remits.

Reform contracting

Use “relational contracting” to award medium-sized, long-term contracts and reconsider the way public procurement is used.

Partnerships between government and companies or charities often require public procurement and this can contribute to siloing when providers do not look beyond the activities they are responsible for. As Curtis et al. note:

“The market forces in public services did not create incentives to prevent the problems, it created competition for contracts to provide services. It reconfigured services to become a complexity of one-size-fits-all services, that can be scaled and profited upon.” (Curtis et al., 2023, p. 8)

Outsourcing can also put money in the pockets of private equity firms rather than funding investment in strategic capacity and resilience.

Public service contracting currently leads to a “U shaped distribution of providers”, favouring either very large providers that do not take a sufficiently tailored, relational and place-based approach; or very small, fragile providers that lack the scale needed to plan for the long term and build resilient systems. Reforming contract size and duration would help fill this “missing middle”. Social investment could then provide the risk capital that organisations need to prepare for these types of contracts.

Contracting also needs to allow providers a degree of autonomy rather than trying to “pull the strings on the puppet.” Relational contracting may be one way of improving efficiency and flexibility whilst shifting providers’ risk appetite, promoting innovation. Ball and Gibson suggest that this approach is particularly suited to situations where there is: a high degree of complexity; a changeable environment; an alignment between the two parties’ goals; and a need for mutual reliance in order to achieve the objectives (Ball & Gibson, 2022).

According to a 2019 article, co-authored by the Noble Prize-winning specialist in contract theory, Oliver Hart (Frydlinger et al., 2019), relational contracting involves:

1. Establishing a partnership mentality
2. Co-creating a shared vision and objectives.
3. Adopting a set of guiding principles.
4. Aligning expectations and interests.
5. Establishing governance mechanisms to maintain alignment

Ball and Gibson (2022) highlight a series of barriers to relational contracting, including current procurement rules. Tackling these could pave the way for wider adoption of the approach.

Prioritise leadership and informational continuity

Spread support for long-term, resilience-building approaches beyond the initial champions and allocate responsibility for preventative strategies at a high level within leadership teams. Invest in infrastructure to provide informational continuity.

High turnover, combined with a dependence on individual champions and person-to-person relationships makes many long-term, preventative initiatives unsustainable and fragile. Support for more resilient approaches therefore needs to be broadened out beyond individual champions and embedded in organisations' way of working.

Research on education and public health has emphasised the need for "continuity of care" – involving informational, management and relational factors (Haggerty et al., 2003; Menzies, 2023). Evidence collection and data management can play an important part in this by providing "informational continuity". Again, providers can only invest in this if they have sufficient scale and long-term funding.

Leadership teams should be structured to encourage long-term thinking, for example by having separate leads responsible for longer-term preventative strategy and day-to-day operations.

Infrastructure for coordination

Explore whether a new body could improve commissioning by aligning incentives and coordinating spending. Clarify data sharing arrangements so that data can be pooled, improving the accuracy of predictions used to target preventative work.

Whilst pumping more money into public and community services would no doubt be welcomed, and is desperately needed, this would not on its own result in coordinated delivery. A new independent commissioning body with responsibility for distributing a large, long-term funding pot that went beyond single electoral cycles could play a role in coordinating investment and aligning incentives around shared, person-centric outcomes.

While there is a strong preventative role for universal services, much prevention requires targeting. However, targeting fails if it is inaccurate. Better data-sharing is needed to improve predictions as to who will need help – for example by assessing who is at risk of long-term unemployment. Overly rigid interpretations of GDPR can be a barrier to this, and government needs to take a lead in clarifying appropriate practices. One Council has reshaped its family support service by creating a platform which brings together health, education, social care, and individual child-level data. This has helped dismantle siloes and it is now informing the day-to-day operation of children's services.

Overcoming bureaucratic barriers

From ‘we can’t do that’ to ‘let’s find a way’

Chair: Calum Miller
Write up: Nigel Ball and Andreea Anastasiu

The issue

The way government thinks about public expenditure contributes to bureaucratic barriers to a more preventative approach. Funding envelopes are fixed and existing spend for everyday services and people already in crisis is prioritised over preventative programmes. Budgets are typically short-term and annualised, even within multi-year spending reviews, whereas prevention requires consistent investment over multiple years combined, alongside consistent policy prioritisation. On top of this, there is little space for deeper thinking, given that the policymaking process is packed into a few days.

HM Treasury's Green Book (HM Treasury, 2011) describes itself as “the means of developing proposals in a holistic way that optimises the social / public value produced by the use of public resources.” Its “five case” methodology may yield a strong business case for preventative spend in some cases, but such business cases are easily trumped by competing imperatives, exacerbated by a lack of shared incentives.

As the former Head of the Green Book JP Spencer puts it:

“The Treasury prioritises short-term flexibility on [...] public spending allocations to give it more long-term certainty on meeting its fiscal objectives on behalf of the chancellor.” (Spencer, 2022)

Enable transparency and challenge of Treasury spending classifications

Create the ability for other parts of government, and civil society, to challenge Treasury decisions on spending classifications, when it becomes clear that classification is driving suboptimal outcomes. Pinpoint who is arbitrating the accounting rules, and publish these as advisory notes, allowing others to scrutinise the interpretation of official standards.

There is a lack of transparency around how Treasury applies international accounting standards. There are international rules around spending classification (for example, capital spending tends only to count hard assets such as physical infrastructure), to facilitate valid comparisons between countries. But the Treasury has some flexibility over how these standards are applied.

These spending classifications are powerful. Particularly important high-level distinctions are made between capital expenditure and revenue/current spending, and between Annually Managed Expenditure (AME), which is responsive to changing demands (such as welfare support payments), and Departmental Expenditure Limits (DEL), which are pre-set (such as police or school budgets).

These classifications can drive strange decisions. For example, by favouring rate of return on capital spending in decision making, a new railway will be prioritised ahead of a new school, as the railway generates revenue, whereas a new school will not. Yet both forms of hard infrastructure are essential to public safety and the delivery of public value. In another example, Treasury have previously objected to using a graduate tax to finance universities as this the cost would be accounted as current expenditure and increase the budget deficit. Student loans, by contrast, are booked in the public account as an asset, with repayment providing a financial return. This decision is mainly about accounting since the cost of running the universities, and the lifetime cost to graduates, might be equal in both cases.

Often, the reasons spending is classified in one way and not another are not transparent. There is a perception Treasury is applying rules only they understand – even that they are deliberately secretive. Treasury officials might argue that their job is to apply a spending control framework for tens of thousands of institutions, and excessive transparency would lead to gaming of the rules. Instead, though, we have a guessing game. Sometimes, CIPFA (Chartered Institute of Public Finance and Accounting - the independent public accounting standards body) arbitrates the interpretation of the rules, and, especially in edge cases, ONS (Office for National Statistics) also plays a role.

Create a classification for preventative spending

Create a new classification for preventative spend as something that Treasury can recognise and use in spending decisions. Allow such spending to be spread across years, like capital spending, and allow flexibility within the envelope, like Annually Managed Expenditure. Tweak the definition of capital spending to mean a large upfront expenditure with a long tail of benefits, and protect such spending.

Creating a classification for preventative spending would tap into the power of the current spending control framework. All spending classification rules have an origin and there are precedents for creating new ones. For example, the accounting distinction between capital and revenue spending was announced in 1992 Mansion House speech by Norman Lamont in response to Black Wednesday (when Pound Sterling left the European Exchange Rate Mechanism and was rapidly devalued)(HM Treasury, 2013). Despite the technical issues, eventually the Treasury were persuaded to enact it in the 1993 budget, and the quality of the classification has improved over time.

Individual budget holders within the delivery system will always tend to prioritise everyday needs. Paying nurses or social workers more to tackle a staff retention crisis will always feel more urgent than investing preventatively in public health or family and community support infrastructure. Offering spending authorities greater flexibility in the application of ringfenced preventative spending may help incentivise it.

As with any classification, defining it and drawing the boundary of “what counts” would be challenging. One approach would be to classify a portion of past years’ spending as “preventative” and use that as a baseline going forward. Importantly, the future benefits need to be significant and strongly evidenced, to avoid spending classified as “preventative” from either cannibalising present spending, or adding further fiscal pressure. This could involve a combination of traditional quantitative cost-benefit analysis - as dictated by the Green Book, and conversations throughout the delivery chain to understand what preventative policies have an impact, guided by the public value framework.

Improve processes for proposing and approving preventative spending

Set the timing of three-year spending reviews into law to regularise the planning process for spending departments and agencies, thus alleviating short-term budget anxiety and pushing deliberation efforts towards longer-term horizons. Make annual targets rolling-targets over a longer time horizon.

Treasury-led spending reviews have assumed the role of government long-term strategic decision-making. Spending Reviews are nominally a discretionary budget allocation process. Yet beyond the spending review process, the government does not have a forum or process for developing its long-term spending strategy. As such, the Treasury has become the department of long-term government strategy (instead of No. 10 or the Cabinet Office).

Annual fiscal targets distort incentives in government departments and local government away from long term thinking, and policymaking horizons become very short term. This is compounded by the very narrow window of time that departments are given to make and justify spending proposals.

Spending Reviews are comprehensive, rather than enabling a deep-dive on certain policy issues (as happens for example in the Netherlands). Deep-dives provide a focus on cross-cutting issues that do not fall under the purview of one department, such as the social determinants of health, crime-prevention, or mental wellbeing. Political focus can help overcome individual departments' inclination to hoard budgets and power rather the collaborate, leading to increased allocations. The Shared Outcomes Fund of the 2020 Spending Review was an attempt to do this, but at only £200m it was too small to make significant impact.

Improve forward-looking scrutiny of spending proposals

Create an independent Office for Spending Evaluation, with an obligation to evaluate future public spending proposals. Ensure they evaluate impact across all of government, not just the proposing department. Oblige them to publish bids.

The UK currently has no scrutiny body to evaluate governments' public spending decisions in advance. The Public Accounts Committee and National Audit Office are both parliamentary bodies, and they work closely together to audit and scrutinise past spending decisions. Departmental select committees perform a similar role for department-level spending. The Office for Budget Responsibility (OBR) is forward-looking, but is concerned with scrutinising the government's fiscal forecasts and targets, not its spending decisions.

The disciplining effect of these scrutiny bodies varies. The OBR lends credibility to government plans, facilitating market discipline on government borrowing (when more borrowing was announced prior to its evaluation in Autumn 2022, bond rates rocketed).

The PAC is perhaps less effective – its criticism of Ministry of Defence Procurement is so persistent it is no longer news.

Market discipline might be brought to bear on preventative spending via independent scrutiny. This is because increasing preventative spending without reducing current spending would require more public borrowing, with future fiscal benefits (such as reduced social issues or increased labour market participation), uncertain. An independent scrutiny body for public spending, that properly evaluated preventative spending proposals, might reassure markets about such expenditure. Other forms of expenditure such as tax breaks could be scrutinised too.

Strengthen parliamentary scrutiny of spending decisions by mandating Ministers to make a statement to Parliament explaining public spending proposals.

UK government budgets are not subjected to proper parliamentary scrutiny. The statutory "estimates" process does not effectively enable this. Other wealthy medium-sized democracies, such as Germany, have parliamentary budget committees. Scrutiny could therefore be enhanced through ministerial statements to parliament regarding budgetary decisions and their long-term impact.

Publish the metrics against which Government is assessing its success (for example, by publishing the full Outcome Delivery Plans (Cabinet Office 2021)), and benchmark these internationally

Scrutinising government performance against its own targets would reveal the extent to which government decisions were being guided by questions of long-term benefit, and whether policies were meeting government goals. Identifying where the UK is an international outlier would help to direct spending allocations preventatively.

Redressing lack of evidence

From ‘will it work?’ to ‘how can we make it work?’

Chair: Jenny North
Write-up: Nigel Ball, Srinithya Nagarajan and Juliana Outes-Velarde

The issue

It is easier to account for actions to tackle problems than actions that stopped problems happening. High-quality evidence that preventative programmes are effective does exist; many studies compare preventative programmes to comparison groups who did not receive support. But how much this evidence can be generalised to new contexts is questioned, and not without justification. Even when budgets are available, these too rarely translate into effective action and there are concerns that the benefits from investment in areas such as the Early Years do not materialise in the long run. This leaves many decision makers sceptical of the benefits promised in SROI estimates.

There have been attempts to get around this issue by conducting live evidence-gathering alongside programme delivery, and building this into the business case so that if a programme does not work, the government does not pay. The 2010 Peterborough Prison Social Impact Bond is the most famous example. Though there have been 88 such projects since (Government Outcomes Lab, n.d.), these mechanisms have not enjoyed widespread adoption.

Focus evidence-gathering on how to make programmes work, not off-the-shelf interventions

Evaluate practices not interventions. Evaluate how to deliver, not just what works. Build more evidence on how the delivery system and context affects outcomes; collect and compare standard variables on these things.

The government’s What Works Network is generally focused on attempting to evaluate interventions against a robust counterfactual, to understand how a programme performs compared to doing nothing. But strictly many trials only tell you the effect of a defined intervention at a particular time and in a particular place. Context and the specifics of implementation may change the result. The idea that there is a “boutique of interventions” that can be bought and applied does not work, because people’s lives are complex, and so are their interactions with public services.

Much more evidence is needed on how outcomes are shaped by delivery, frontline staff’s practices, and context. The industrial, “production line” approach to public service delivery must be superseded by a relational and systemic approach. Government needs to consistently collect comparable data not just on outcomes, but on *how delivery is done*, in order to understand and scale implementation approaches.

Consider different forms of long-term risk

Build evidence for preventing low probability-high impact events as well as high probability-low impact ones. Use this evidence to make the case for "tolerance", or spare capacity, in systems.

Much of the evidence around prevention to date focuses on relatively high-probability, low-impact events, such as the long-term effects of systemic disadvantage or long-standing social ills. There is less evidence around how to prevent low-probability, high-impact events which may mean these do not get prioritised – with the exception of defence, whereby the government spends over £40bn / year on redundant capacity to deter hostile acts against the country. Solid systems for generating evidence are key to anticipating, and informing the response to, future crises.

Improve the absorption of evidence across all government

Invest in evidence brokers to moderate between the producers and users of evidence. Encourage evidence- and experience-sharing across departments and between different levels of government. Embed a preventative perspective throughout government.

Preventative measures of any policy sector are never constrained to one department. Sharing best practice across policy makers from different departments and hierarchical positions can be a way of accelerating learning and preventing the repetition of previous mistakes. The skill of evidence and policy brokering should be cultivated and valued. Learning functions should be resourced and integrated with delivery (Marczak et al., 2019).

Make political, not just economic arguments for prevention

Acknowledge that future fiscal savings will be realised in the form of capacity to address less acute issues, not as cash.

"Invest to save" arguments that claim preventative spending will pay for itself down the line are specious. Preventative spending does make future problems less acute, and this does save public money – but the money saved will not be "cashable", it will merely create spare capacity which is immediately applied to the next most urgent problem in line (e.g. even if you rehabilitate all prisoners, the police will find new criminals to catch). Preventative spending does not pay for itself, it buys outcomes more cheaply than if we acted later.

Prevention should therefore be framed under a broader concept: value. Cases for investment need to be rooted in what we value as a society and some of these outcomes may not have a clear monetary value, but have deep, societal value. The argument to make is around harms we could have prevented, and more appropriate spending – less money spent dealing with people in crisis, meaning more can be spent on making life better for more people.

Blend targeting and universalism for a holistic preventative response

Understanding whether a certain outcome would have happened despite preventative state spending (i.e. the counterfactual) is difficult, particularly for complex issues. Spending on positive outcomes that might have happened anyway (i.e. deadweight) is feared, which leads to efforts to target spending only at extreme cases. Yet there are risks to this approach. Narrow targeting undermines the political support for preventative programmes, with people feeling they are missing out, or that services are offered unfairly. Furthermore, accurate prediction of future harm is difficult and inexact, rife with uncertainty. This implies a continued role for universal provision in order to prevent future harms. Sure Start is a good example of a universal service that had a lot of deadweight but also a lot of unanticipated benefits. It may not have met the bar for attributed impact but it built community, promoted social mixing, and enabled knowledgeable citizens to share insight with less experienced ones (Bouchal & Norris, n.d.). Deadweight should not be considered intolerable or wasteful. Indeed, universalism can make services like job clubs and after-school clubs more effective and such services should be viewed as "essential parts of our social and communal life, rather than… purely as instruments of public policy" (Curtis et al., 2023, p. 21)

Improve citizen engagement with evidence to win support for long-term spending proposals

Political campaigns and manifestos can promise to deliver outstanding results. However, during a politician's term in office, what can be realistically achieved is limited. Policy makers are pressed to deliver results fast. Citizen engagement with evidence can increase its political salience and make it matter more. This can also help cultivate the long-term outlook needed to generate support for long-term spending.

Get better at using live data to improve prediction of future harms

Build a better picture of risks to long-term positive outcomes by collecting more data. Measure long-term outcomes with administrative proxies.

The idea of preventative spending is to achieve better long-term outcomes, but these are hard to measure and hard to attribute to the spending. Long term outcomes are not captured by administrative systems, making them invisible and undervalued. Risk factors to these outcomes are also invisible. For example, children might suddenly appear as teenagers in the children social care system with no prior warning – but in fact, there was an accrual of prior low-level risks that were invisible to the administrative system. Therefore, we need to be confident in producing and using proxies of long-term risks and outcomes that *do* get captured by our administrative systems.

Value a broad range of types of evidence equally

Value narrative and experiential evidence alongside experimental and quantified evidence. Explain evidence findings through stories – find the representative place and person and take political decision-makers to meet them.

"Evidence", as typically understood, means research studies of the effectiveness of a particular intervention, practice or implementation approach. But there are several problems with taking such a one-dimensional and narrow view on what constitutes valid evidence.

- **Evidence often contradicts.** Contrasting conclusions can compete for attention. Conclusions can be highly context-dependent. Policy-makers may unfairly favour conclusions that confirm prior ideas or align with political narratives.
- **Evidence does not solve a prioritisation problem**. It cannot resolve values-based questions about trade-offs that are moral or political in nature, such as which of two vulnerable groups to help within a limited resource envelope (the so-called "short blanket dilemma").
- **Evidence may only play a small role in a decision**. Not having any evidence at all may mean a proposal never gets a hearing, but once an issue has secured interest, other factors may have a greater influence over which course of action is taken.
- **Evidence can rapidly become dated**.

A broader conception of what constitutes "evidence" can help to alleviate some of these concerns. While quantifiable findings are favoured by Treasury, qualitative insights provide a useful validation or counterweight to these insights. Ministers get insights from their political engagements that help resolve trade-offs that evidence cannot solve.

Citizens may experience a problem in a different way than the aggregated data suggests. For instance, British citizens may feel that their neighbourhood is insecure and be concerned about their safety, even if the latest data suggest the UK is one of the safest countries in the world. The fact that the evidence contradicts the feeling of these citizens does not mean that society's perceptions should be left aside. Instead, social perceptions and more "objective" data need to be considered alongside each other (Ball, 2020b).

Delegate decision making, especially around specialised problems

Rely on a "theory of change" to link local preventative spending proposals to long-term outcomes of national interest

As noted earlier in relation to "bureaucratic barriers", many spending decisions are moderated by the Treasury. Yet the Treasury cannot make good decisions about spending on its own, since it lacks sufficient understanding of the evidence base across different areas of policy. Therefore, the more specialised the problem, the more it should be delegated.

A solid "theory of change" should be used to link preventative spending proposals to the long-term outcomes that are of concern to the Treasury. But the risk of poor long-term outcomes (and therefore, the case for preventative spending) requires not just better data but nuanced judgment which often depends on frontline insight. These decisions should therefore be delegated. The National Tutoring Programme that was intended to help children catch-up on learning after the disruption of Covid-19 is an example of over-centralisation and standardisation (Ramaiah & Hallgarten, 2022), undermining its potential to mitigate long-term effects that will fall disproportionately on poorer pupils.

Getting the messaging right

From ‘no-one will support it’ to ‘we can’t not do it’

Chair: Loic Menzies
Write-up: Loic Menzies and Jess Reedy

The Issue

Preventative investment can take many years to bear fruit. This is a bad fit with today’s Twitter-driven, twenty-four-hour news based political culture. The political case for preventative spending clashes with the sense of urgency demanded by the latest crisis. Meanwhile the political payoff, when it comes, does not go to those who pushed through the required investment years earlier. Thus, preventative spend can feel like additional spending, driving an endless “doom loop of servicing ever greater problems” (Curtis et al., 2023, p. 7)

As noted in the opening comments, resilience can also depend on “just in case” redundancies and investment in intangible, relational assets, none of which are easy to justify amidst a pre-occupation with cutting waste.

A shift in approach therefore requires a parallel shift in public narratives.

Communicate the need for national resilience both in principle and through specific policies

The need to build national resilience in the abstract is hard to communicate, but there are existing examples of specific resilience-promoting policies which have secured public support.

Political narratives around “building back better”, “leveling up” and a “long-term economic plan” have gained at least some traction, and relate to strengthening the country’s resilience. However, it may be easier to build support for narratives that are tailored to specific, resilience-promoting policies. For example, the sugar tax and the banning of plastic bags are policies that promote our collective, long-term interest, and have secured widespread support despite constraining our freedom. Lessons should be learned from these examples and tangible examples used as comparison points.

Tap into collectivist, altruistic *and* individualistic sentiment

Frame the case for resilience in every individual’s interest as well as in relation to “taking care of others.” Strike a balance between these approaches in order to tap into different value sets.

There were two schools of thought in the discussion-group. These reflect two ways of thinking in society at large (Haidt, 2012). Some participants called for “bold” and “aspirational” framing, emphasizing how resilience-promoting policies contribute to a better, more “generous” society. These participants pointed to continental social democracies like Denmark as examples of polities characterized by the pursuit of fairness and equity, asking why we would not emulate them.

Others argued that a second narrative would be more effective – one that emphasised just desserts, sanctity, and personal interest; recognising and building-on the public's risk-aversion.

The question therefore arises: which of these narratives is more compelling? Perhaps it is a matter of navigating both, given that, as was clearly demonstrated even within the discussion group, both ways of thinking can be powerful for different people.

Build on existing solidarities

It is easier to tap into collective interest and ideas of mutual support when people already feel a sense of shared identity. Narratives of resilience should build out from these.

Securing people's willingness to invest in collective resilience requires a degree of "in-group" identification. People are more likely to buy-into solidaristic policies if they see them affecting people they deem "like me", people they have contact with, or people who they consider part of their community. It will therefore be easier to pursue resilience-enhancing policies at a local level where there is a degree of affinity and familiarity to build on. This requires decentralization and subsidiarity.

The Role of Foundational Policy and Relational Services in "The Preventative State"

In "The Preventative State" Curtis et al. suggest that prevention depends on both "foundational policy" and "relational public services."

Rather than simply "tapping into" solidarities, the authors argue that prevention requires "Foundational Policy" which builds the networks and solidarities that underpin relational services.

They suggest that foundational policy might involve investing in the fabric of communities through:

- Community Wealth Funds
- An expanded Community Ownership Fund
- Reforms to the UK Shared Prosperity Fund

Relational public services would then involve:

- Considering people more holistically and understanding how they have got to where they are
- Tapping into the networks and relationships around them
- Co-producing services with people and treating them as respected citizens.

Curtis et al., 2023 p.15-16

Challenge misconceptions and deploy powerful metaphors

Flawed characterisations of national budgets can undermine the case for investing in resilience. Totemic ideas like the "maxed out credit card" therefore *need to be challenged and replaced with equally powerful and easy to grasp alternatives.*

The legacy of Liam Byrne's "I'm afraid there is no money" note lives on (Byrne 2015), and the public tends to look at national budgets like household budgets. This constrains government's ability to invest in capital, prevention and the resilience-enhancing fabric of society.

Understanding long-term policy making and resilience is not simple and requires a degree of nuance. Once this is introduced ,attitudes can shift. However, there is rarely time to engage the public in this level of detail and most people have limited bandwidth. Nonetheless, if flawed metaphors like the "maxed-out credit card" can gain traction, so might alternatives.

Messages therefore need to be carefully calibrated to strike a balance between nuance and simplicity, drawing on quick and easy to grasp metaphors, like Telford's bridge.

Conclusion

Nigel Ball and Loic Menzies

Taken together, the four challenges explored in this report make it hard to escape a trap in which the quest for efficiency inadvertently becomes the driver of systemic *in*-efficiency. This makes it hard to do anything but battle an endless stream of individual and societal crises.

If left unchecked, a myopic focus on efficiency will result in a tragic loss of human potential, an unjustifiable waste of taxpayer money and the source of ever-greater cynicism about the state's ability to deliver the public services voters expect.

The purpose of our January 2023 roundtable was to outline ideas – however tentative – that might inspire routes out of the trap the British state is headed towards. While the options that emerged from it do not represent a coherent set of fully-fledged recommendations, we believe each is worthy of further exploration and hope that by recording them here we will have succeeded in catalysing future debate.

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