

## SCRUTINY OF STRATEGIC THINKING IN GOVERNMENT

Aldersgate Group written evidence November 2023

### BACKGROUND

1. The Aldersgate Group is an alliance of major businesses, academic institutions, professional institutes, and civil society organisations driving action for a sustainable and competitive economy. Our corporate members, who are some of the largest businesses in the UK, believe that ambitious and stable low carbon and environmental policies make clear economic sense for the UK.<sup>1</sup> They have operations across the UK economy and include companies such as Associated British Ports, Aviva Investors, BT, CEMEX, Co-op, the John Lewis Partnership, Johnson Matthey, Michelin, Siemens, SUEZ, Tesco and Willmott Dixon.
2. We develop independent policy solutions based on research and the expertise and diversity of our members. Through our broad membership, we advocate change that delivers benefits to an ever-growing spectrum of the economy. In this submission the Aldersgate Group responds to the inquiry issued by the House of Commons Liaison Sub-Committee on Scrutiny of Strategic Thinking in Government. Throughout our response we utilise net zero as exemplifying a strategic challenge facing Government.

### SUMMARY

3. Meeting the UK's climate target of net zero emissions by 2050 is a significant economic, social and environmental opportunity, but also poses a challenge to Government to think strategically and cooperate across Whitehall departments, devolved and local governments, and public and private sector. As our submission will indicate, Government is typically well-versed in identifying strategic opportunities and risks, but there are areas for improvement in how Government manages and delivers on these. This is particularly highlighted by recent UK Government announcements on climate action, and there is a clear role for Select Committees to ensure that Government as a whole remains focused on delivery and management of these strategic challenges.
4. To maximise Government's ability to think strategically and manage important risks and opportunities related to net zero and nature, it is vital that there is a stronger role for the Cabinet Office and Number 10 to coordinate and drive cross-departmental collaboration. There are also multiple gains that can be made by looking more closely at existing mechanisms and levers within Government, such as the Green Book and procurement policy, to advance decarbonisation and send clearer signals about the direction of travel.
5. Ultimately, to manage and respond to a strategic opportunity like net zero, it is essential that Government provides long-term stability which signals a clear direction of travel, with rising levels of ambition and a focus on implementation. This will support the private sector in playing its part, and attract crucial investment into all areas of the economy, create jobs, accelerate innovation and boost energy security. To do this, Government should provide continuity and regularly examine its strategies and delivery plans so that policy gaps are filled. Parliamentarians should also, where

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<sup>1</sup> Individual recommendations cannot be attributed to any single member and the Aldersgate Group takes full responsibility for the views expressed.

possible, seek to create and maintain cross-party consensus on strategic risks and opportunities, so that they do not become victims to political changes.

6. Select Committees also play a critical part in ensuring accountability and transparency on these vital issues. In our response, the Aldersgate Group makes clear that we believe Select Committees in both Houses of Parliament should be strengthened to have more enforcement powers in relation to its investigatory and evidence-gathering function, and play a more active role in communicating government action or inaction to the public. On net zero and wider climate issues, it is also essential that there is coordination between committees in both Houses so that there is robust accountability, no gaps in scrutiny and no overlap between different inquiries, given the number of committees involved.

## QUESTIONS

### Identifying and managing strategic opportunities and risks

7. Government is often very good at identifying strategic opportunities and risks – they are regularly highlighted in policy documents and conversations of all kinds, and civil servants are well trained in thinking beyond their own horizons generally. By contrast, the decision-making machine does not effectively manage these, especially opportunities. This is compounded by the insistent reliance on economic analysis as a primary basis for decision-making; often a long-term opportunity is hard to quantify in terms of concrete benefits, and by the time one gets close enough to an opportunity, it is too late to make best use of it.
8. The challenge of managing strategic opportunities and risks is also compounded by the fact that policy responsibility is divided across several separate departments, leading to siloed policy making. Particularly in the case of climate change and the environment, opportunities and risks become easy to identify but difficult to manage. This is partly because the likelihood of a risk materialising has some uncertainty attached to it and the impact (i.e. magnitude) certainly does. It is also because risks are spread across more or less every government department, and in most cases the impacts do not materialise in single-point way, and mitigating measures are quite separate from where the impacts occur. This means that there is often no immediate cause-and-effect relationship to manage within an individual department (unlike, for instance, the continuity risks posed by an industrial strike, or the health risks posed by a pandemic).
9. A similarly siloed approach can be observed when examining the responsibilities for net zero and its delivery. At the moment, the Department for Energy Security and Net Zero (DESNZ) is responsible for delivering security of energy supply, encouraging greater energy efficiency, and seizing the opportunities of net zero to lead the world in new green industries. However, reaching net zero will require the whole economy to decarbonise, and consequently the impact of policy making goes beyond DESNZ. **There should be a much clearer and active role for the Cabinet Office in supporting DESNZ and driving cross-government collaboration and action on climate.**
10. Because of these limitations, it becomes difficult to quantify long-term benefits that meet Government's net zero commitment and can help support a diversification of energy and thus increase our energy security. Community energy is a good case in

point. Community energy projects were identified as important more than 15 years ago by a range of stakeholders, with their co-benefits in terms of public engagement and beyond.<sup>2</sup> However, because large-scale electricity generation offers much more efficient returns in terms of £/kWh, community energy had low credibility in the departments responsible for energy policy. Now that grid connections are constraining the expansion of large-scale generation, the benefits of community energy are becoming more apparent, and the UK is well behind where we could have been in supporting positive models for community energy projects.

11. The complex picture between cause and effect – as well as responsibility – is one of the reasons why climate change and the environment pose an ongoing challenge in terms of spatial governance – centralised versus devolved interventions. While reaching net zero emissions by 2050 is a UK-wide legal target, many of the actions required to reach it lie with devolved and local governments across all four nations. The National Audit Office has identified that it will be essential that “choices made by each nation – when considered collectively – provide an effective path to achieving UK net zero targets, in addition to those set at a devolved level”.<sup>3</sup> Relatedly, a 2020 report from the National Audit Office highlighted the challenges for a department to lead when it relies on actions from across all departments, citing **the need for it to be a sufficient priority by all departments, accountability and planning structures which encourage collaboration, and sharing of information across departments.**<sup>4</sup>
12. Planning regulations are another example where this challenge comes to the fore. Planning plays a crucial role in ensuring that the UK builds the homes and infrastructure it needs, while responding to the local environment and protecting nature. If utilised correctly, it can be a vital tool which can unlock rapid decarbonisation and nature restoration. However, the current planning system is not set up to respond to these significant challenges and there are three main issues which holds it back from being an effective lever for decarbonisation.
13. Firstly, while it has become very clear that planning policy needs radical reform to support net zero objectives<sup>5</sup>, there is no single vision of how that will be achieved, given the multiple competing objectives on land (principally housing, energy and nature). The Climate Change Committee has argued that the “planning system must have an overarching requirement that all planning decisions must be taken giving full regard to the imperative of net zero”.<sup>6</sup> However, details in the latest consultation on the National Planning Policy Framework were scant on how net zero will be effectively incorporated into the framework, focusing predominantly on carbon assessments.<sup>7</sup>
14. Another factor which makes reforming planning challenging relates to the fact that reforming and updating planning sits across multiple departments, many of which do not have net zero as their primary objective. Overarching planning policy sits with the Department for Levelling Up, Housing and Communities (DLUHC), but specific aspects of the planning system sit with other departments – as is the case for National Policy

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<sup>2</sup> Department of Energy and Climate Change (2013) Community Energy in the UK: a review of the evidence

<sup>3</sup> National Audit Office (2023) Approaches to achieving net zero across the UK

<sup>4</sup> National Audit Office (2020) Achieving net zero

<sup>5</sup> Climate Change Committee (2023) Progress in reducing UK emissions – 2023 Report to Parliament

<sup>6</sup> Ibid.

<sup>7</sup> Department for Levelling Up, Housing and Communities (2023) Levelling-up and Regeneration Bill: reforms to national planning policy

Statements which sits with DESNZ. This leads to organisational challenges on how reforming planning policy should be undertaken, and there is no holistic view on how those reforms will proceed. The final third challenge with planning within this institutional set up is that it fails to consider additional benefits, such as nature restoration. It is recognised as part of planning applications, but in practice, the current system does not sufficiently recognise the benefits of action early enough in the process.

15. To alleviate these challenges, **it is important that Government looks to maximise the mechanisms and tools already at its disposal to increase its ability to strategically identify and manage the opportunities associated with the net zero transition.** This includes aligning the policies in the HM Treasury’s Green Book with the UK’s climate and environmental objectives, ensuring that government procurement policies incentivises more circular products and services, and that there are effective cross-departmental groups in place within Whitehall to enable collaboration on these strategic issues. In parallel, it is equally important that accountability and transparency accompanies the identification and management of risks, and here organisations and institutions such as the National Audit Office and the Select Committees in both Houses of Parliament play a critical role.

### **Leadership within and across Government**

16. Leadership on topic such as net zero have been and continue to be important. The UK has played a substantial role in accelerating the importance of climate change and decarbonisation globally, in being the first major economy to set a legally binding target to reach net zero emissions by 2050.<sup>8</sup> Since then the Government has developed detailed policy documents on how it will deliver on these, including the *Net Zero Strategy* and most recently *Powering Up Britain*, and has actively pursued international agreement on climate change, through for example its Presidency of COP26. While these achievements are important, there are some limitations on how consistent and comprehensive this leadership can be, in part due to the nature of our politics.
17. The UK’s democratic process does not easily lend itself to strategic thinking at political level, given that it rewards measures that deliver fast results with obvious cause-effect relationships. There is no immediate political reward (or at least, none perceived) for making decisions that will take more than five years to deliver a reward, or those that require a complex mixture of interventions (“wicked” problems). The best that can normally be expected is the setting of long-term targets or ambitions, with detailed change – especially with cost attached.
18. It is hard to identify any fully comprehensive example of a strategy for an aspect of life in the UK which genuinely considers wide-ranging implications and interactions and makes commitments on specific policy interventions for the long term. Most documents described as a Strategy are narrowly focused on the issue at their heart, and might contain a high-level timeline alongside specific measures focused on the short term. At best, documents of this kind could more accurately be entitled a Plan.
19. By contrast, the recently-published *Biomass Strategy* is a good example of a document where considerable expert thinking and industry input was involved, and multiple

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<sup>8</sup> Department for Business, Energy and Industrial Strategy (2019) UK becomes first major economy to pass net zero emissions law

complex issues were taken into account.<sup>9</sup> The penalty for this, however, is that although the Strategy recognises and lays out clearly the great complexity of issues involved, it struggles to give clarity about how these will be resolved or what the future might take shape – almost the opposite of the problem described above. There is clearly a balance which need to be struck between the two routes, but it does mean that the strategic direction or leadership given by Government can be short term in some cases.

20. **The key priority for government leadership should be, via strategies, plans and policy decisions they made, to create long-term certainty over the direction of travel.** This is especially vital when looking to incentivise the private sector to play a significant part in acting on climate and nature. To make the necessary investments and respond to a public need, businesses need a stable policy environment in which they can predict return on investment, and this stability in turn helps increase the UK's productivity, generate growth across the country, ensure nature restoration, create jobs, boost energy security, and drive private sector investment into key areas of the economy. Recent major policy choices on net zero, however, been made based on perceptions of public opinion, with enormously insufficient attention given to the wider implications of decisions, either “horizontally” (i.e. across a range of issues) or “vertically” (i.e. looking to the future). Consistency and transparency over decisions that are taken on climate and environmental issues will be essential to ensure continued progress and private sector buy-in.
21. To help increase the ability for leadership within Government, the Aldersgate Group would recommend increasing the role of Number 10 and the Cabinet Office in coordinating and setting a consistent tone for business and the public on these areas. Additionally, **it is equally important that the national leadership on climate and nature provides continuity and that the UK Government regularly examines its strategies and delivery plans so that policy gaps are filled and that they are able to respond to the latest developments.** Finally, it will be important for political leadership to **ensure that there is strong cross-party consensus** on climate and nature, so that acting does not become a party-political issue. Together these factors should help create a more stable and consistent leadership approach to help guide net zero and nature action.

### Capacity and resources for strategic thinking within Government

22. Generally speaking, strategy functions are put in the centre of departments alongside communications teams and Ministers' private offices. They operate quite separately from policy teams, and it is normal for a strategy team to look at a policy issue afresh and on a short-term basis in order to come up with new recommendations, but with less access to detailed expertise. To maximise the impact of strategy teams, it would be beneficial for departments to enable them to take a genuinely strategic look across departmental business and look to consider whether the work of the assorted policy “verticals” make sense as a coherent whole.
23. Additionally, it is vital that strategy teams collaborate much more with their peers in other departments to establish consistent or complementary working across Government, than is currently the case. If every department had a similarly-resourced strategy team which worked effectively across their own portfolio, and all of these

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<sup>9</sup> Department for Energy Security and Net Zero (2023) Biomass Strategy 2023



teams liaised regularly as a group (and in subject-related subgroups), the results could be extremely powerful in supporting genuinely strategic cross-departmental decision-making.

24. Because there are generally numerous burning issues under consideration within every department, and strategy is never one of them, individual policy teams will always be allocated substantial resources before strategy teams are. This is a rational approach at each individual decision-point, but the result is that there is never time to get ahead of burning issues and stop them occurring in the first place – a problem that properly resourced and designed strategic planning could get help to solve. **Strategy teams can therefore play a crucial role in building further capacity and resources within Government for strategic thinking and planning**, and therefore need to be appropriately resourced.

### Role of Select Committees

25. The final piece of delivering effective strategic thinking within Government entails ensuring appropriate levels of accountability and transparency. Select Committees tend to be better than other aspects of the political architecture at considering issues strategically and making well-developed recommendations. The main problem those Committees face is that they are not well understood by the general public, and as such their recommendations can be given insufficient attention by incumbent governments; or at least, select committee recommendations are often given short-term attention and then quietly shelved. To help combat this, it will be important to look at ways of strengthening the Select Committee structure. It is not obvious how this problem might be addressed except by giving Select Committees some sort of statutory powers.
26. Arguably, one of the most important powers for Select Committees is its ability to send for people, papers and records on particular issues. This evidence gathering power is vital to ensure its effectiveness. However, there is no enforcement power to compel witnesses or papers to materialise if they are not forthcoming. The current system relies on good will, as well as reputational and political pressure, but these do not always yield powerful results. **It would therefore be our recommendations that Select Committees in both Houses of Parliament are strengthened to include more enforcement powers and play a more active role in communicating government action or inaction to the public.**
27. Another important role that Select Committees can play relate to **further collaboration and coordination between themselves**. For the area of climate and environment, it is highly welcome that there are a number of committees which examine these topics – principally the Environment, Food and Rural Affairs Select Committee, the Environmental Audit Select Committee, and the Energy Security and Net Zero Select Committee in the House of Commons, and the Environment and Climate Change Committee in the House of Lords (alongside several other committees that examine net zero and nature on an inquiry-level basis). To maximise the effectiveness of each committee, it will be vital that there is coordination between the Committees to prevent overlapping inquiries or gaps being created. Committees should also **more regularly consider their ability to issue follow up inquiries** on important issues, so that there is regular scrutiny over government progress.