Future Governance Forum

The Green Book and getting more investment into the regions

December 2025

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About The Future Governance Forum

The Future Governance Forum (FGF) is a progressive, non-partisan think tank focused on reforming the state with the ultimate goal of renewing the nation. We make politically credible recommendations for reforms that can be delivered nationally and locally, build strong networks to test new ideas, and collaborate and use our relationships with public, private and social sector leaders to innovate.

Our current programmes of work explore:

- **In Power**: how can we reimagine government to make it fit for the multi-dimensional challenges of the mid-21st century?
- **Mission Critical**: how can we translate mission-driven government from ambition into action?
- **Impactful Devolution**: how can we meaningfully and permanently devolve power to regional and local levels in one of the most centralised countries in the world?
- **Rebuilding the Nation**: how can we utilise innovative models of public and private investment to spur growth and rebuild our crumbling infrastructure?
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By prioritising these questions we are thinking about new progressive models of governance for the long term. Our working model is to convene experts and find ways in which we can bring perspectives from very different organisations together to suggest ways in which the ‘how’ of government could be more effective at every level.

About the author and acknowledgements

About the author

Dan Corry is FGF'S Chief Economist. Dan started as Chief Economist in March 2025 having served on FGF's Policy Advisory Group since its launch. Dan recently served as Chief Executive of New Philanthropy Capital (NPC), a think tank and consultancy for the social sector. Previous to this he held a variety of posts in public policy and economics. He was Head of the Number 10 Policy Unit and Senior Adviser to the Prime Minister on the Economy from 2007 to 2010; Chair of the Council of Economic Advisers in the Treasury; a special adviser to the Secretary of State in the Education Department as well as at DTI and DCLG; a Director in the Economics segment of FTI Consulting; ran the New Local Government Network think tank (now called New Local) between 2002 and 2005; was Senior Economist at the IPPR in the 1990s and was a government economist in the civil service before that.

Dan is a former trustee of homelessness charity St Mungo's and of the What Works Centre for Wellbeing, and a former member of the Research Committee of the ESRC and of the Greater Manchester Economic Advisory Panel.

Dan is currently Chair of the Carers Trust, a charity serving unpaid carers.

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This does not in any way indicate these experts' endorsement of the report's conclusions and/or recommendations, which are ultimately the views of the author.

Executive summary

The government's overriding mission is to raise the rate of economic growth and - importantly - to ensure that growth is felt 'in every part of the United Kingdom'.[1] In opposition, then Chancellor Rachel Reeves stressed this element of Labour's growth mission when she criticised 'the assumption that the people and places that matter to a country's economic success are few in number'.[2] And she has stressed it again in government as Chancellor, arguing that under previous administrations 'long-term failure to invest in our regions has built growth on a narrow base - with some parts of the country forging ahead while others fall behind'.[3]

The government's ambition recognises that if we want to get strong and sustained growth at a national level - and if we want the impact of that growth to be much more equitable than it has been in the past - then we need every part of the economy to be growing and thriving. That will mean many things, but will include having enough public investment outside the traditional growth strongholds of South East England.[4]

Yet there is a strong belief that those areas outside South East England do poorly in terms of securing public investment, by which people mostly mean investment in physical infrastructure such as roads and rail and regeneration as opposed to, say, schools and hospitals. This is supported by evidence: analysis by Labour Together shows that 'growth' spending per head in 2023/24 was £4,522 in London but just £3,052 in the North West and £2,683 in the East Midlands.[5]

There are counter arguments to be made as to why these figures do not tell the whole story.[6] Dishing out public money proportionately to population does not make sense if it does not ultimately lead to funding high quality projects and achieving strategic outcomes. The costs of building are higher in South East England than elsewhere in the country, and so investment there is likely to be greater even if

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[1] HM Government, 'Plan for Change: Milestones for mission-led government', December 2025.

[2] The Labour Party, 'Rachel Reeves: Securonomics', May 2023.

[3] HM Treasury, 'Chancellor's Scene Setter speech ahead of Budget 2025', November 2025.

[4] For the purposes of this paper, we use 'South East England' to cover London and the wider South East region.

[5] JP Spencer, 'Nation Rebalanced: How do we create a country that works for all places?', Labour Together, April 2025.

[6] The Institute for Fiscal Studies (IFS) says these calculations may not be the right comparison: if you look at regional spending as a percentage of regional Gross Domestic Product (GDP), the difference between London and elsewhere looks much smaller. See IFS, 'Exploring regional differences in public spending across England', April 2025.

producing the same end result. And this is not a zero-sum game: investment in one part of the country can be beneficial to other areas.

Nevertheless, there is a valid question as to whether the current state of affairs is caused, at least to some degree, by the use of what some see as a flawed methodology to make these decisions – as set out in the Treasury's Green Book.[7] The Chancellor clearly considered the question worth asking, announcing in January 2025 that the Treasury would review the Green Book.[8] This review concluded in June and the department plans to publish a revised version of the guidance 'at the start of 2026'.[9]

This short paper, informed by many conversations with experts and practitioners in the field, looks first at the way the government goes about assessing where it is more advantageous to put investment, as codified in the Green Book. It asks whether the changes proposed so far by the Chancellor are the right changes to make but also whether, on their own, these will make that much difference to where investment goes and how that could be best achieved with these revised rules. It then goes on to look at other measures that could be taken, beyond Green Book reform, to ensure more investment takes place outside South East England.

We conclude:

- **The changes being proposed are largely the right ones**, following the logic of the reforms carried out by the last government, and will be useful in making sure that areas outside South East England get a fair deal - but they are by no means all straightforward and raise issues in themselves;
- **There are some other changes that the government could make to the Green Book**: further boosting the strategic case for projects, changing the way people use the Green Book in practice, and perhaps giving more weight to the distributional consequences of public investment decisions;
- **On their own, neither the changes the government has proposed nor the additional measures we propose are likely sufficient to herald a substantial change in where investment goes** (although they can make some difference if used in a sensible, proactive way);

[7] It is worth noting that the Treasury itself does not seem wholly convinced (*'The review has not found conclusive evidence that the methodology set out in the Green Book is itself biased towards certain regions'*). See HM Treasury, 'Green Book Review 2025: Findings and actions', June 2025.

[8] HM Treasury, 'Chancellor vows to go further and faster to kickstart economic growth', January 2025.

[9] HM Treasury, 'Green Book Review 2025: Findings and actions', June 2025.

- **Blaming the Green Book for the apparent bias towards public investment in South East England is a tactic used by Whitehall and regional leaders but it is not the key problem**;
- If the changes the government is proposing plus those we recommend here, were combined with **(a) the government being more prepared to talk about its strategic priorities and then welcome project proposals that helped achieve those; and (b) a crucial political policy steer that the government actively wants to see more investment outside South East England**, then the Green Book can become a genuine enabler of those broader objectives;
- **Beyond Green Book reform, we ultimately need to look towards devolving capital (and other budgets) more fully** and allowing devolved areas to raise more finance themselves, to see a genuine step-change in investment right across the country and the public policy outcomes associated with that.

1. The Green Book approach and its weaknesses

1A. Green Book methodologies

Governments have to have some way of deciding how to allocate their limited funds, especially capital, and whenever they do so they should apply a strong value for money (VfM) lens. This means government will always have some kind of criteria on which to base its spending decisions, and will want everyone involved to apply these criteria in the same way.[10] The usual tool used is cost-benefit-analysis (CBA). If a CBA for a potential project produces a positive result - in other words, if the benefits outweigh the costs and so the Benefit-to-Cost Ratio (BCR) is above one - then it should go ahead, though in practice this is far from always the case.

Applying such a methodology to investment decisions will always be complex as it involves trying to compare different types of investment with one another - each of which will have costs and benefits that occur over different time periods, will help different types of economic activity in different places, and will have differing social impacts. On top of that, there is the need to try to assess the *net* impact of an investment rather than just its *gross* impact – in other words, how much of the impact will happen anyway ('deadweight'), how much the potential investment might displace or substitute for activity elsewhere, and how much of its impact might be genuinely additive.[11]

There has for many years been a suspicion that the tools that the Treasury uses to determine what constitutes value for money and therefore merits public investment (and what does not) are faulty and embed a bias into the system as to where public investment ends up. Most of these tools are in the Green Book.

1B. The scope for change

None of what we describe above is easy: it is challenging to assess what the costs and benefits of a project might be in advance, to put a monetary value on things like 'wellbeing', or to take account of 'additionality' (that is, the indirect knock-on effects of the public investment).

[10] This will apply at any spatial level. For instance, a mayor in a Strategic Authority deciding how to allocate funds will also want to use some kind of appraisal tool, and will face many of the issues that the Green Book raises, just at a smaller spatial level.

[11] There is also an argument that it is the 'supply side' benefits of a publicly-funded project - such as increases in productivity and efficiency - that really matter, rather than the macro benefits (such as reduced benefit expenditure if the investment creates jobs), because any similar amount and type of expenditure could be argued to produce the same macro benefits.

Those sorts of fundamental challenges will remain in place whenever you are using this kind of methodology to rank potential projects, irrespective of adjustments to the methodology. However, there *are* other factors around these fundamentals that it might be possible to address in order to affect outcomes, and these merit further attention. In particular, more thought can and should be given to:

1. **Where and how to bring in additional private sector investment to meet the government's infrastructure ambitions, given state funding is always constrained**. There is a limit on the scale of potential public investment (whatever the Chancellor's current fiscal rules may be): capital is always rationed and constrained in the public sector to at least some degree, so there will never be a situation in which every potential project with a positive CBA result will be given approval for public investment. The Chancellor should be applauded for the changes she made to her fiscal rules in Budget 2024 that significantly increased the scope - by over £100bn - for public capital investment over this parliament, but this will still need to be augmented by private sector finance if the country is to build the social and economic infrastructure we need. That is why FGF has argued for a new model of public-private partnership (PPP) - Infrastructure Investment Partnerships - to be introduced as part of the government's procurement toolkit.[12] It was encouraging to see at Budget 2025 that PPPs will be used to build some of the government's newly proposed Neighbourhood Health Centres.[13]
2. **How to account for the costs and benefits of a project that are not realised until much later**. There are important - and seemingly endless - debates about this. Most agree that 'a bird in the hand is worth two in the bush': so a £100 benefit in 10 years' time is not worth as much as £100 today. But exactly *how much* less is not so obvious. While it is supposed to be answered in Green Book methodology by the so-called 'discount rate', which reduces the magnitude of future costs and benefits according to the time it takes for them to be realised, this is not straightforward and it matters a lot.
3. **How to consider infrastructure that might fundamentally change the way a place works**. In particular, this means looking at projects that would alter a place not in a small or 'marginal' way but in a discontinuous, 'transformational' way. The CBA methodology is not very good at this, as it is primarily designed to look at smaller ('marginal') changes.

[12] Matt Bevington, 'Rebuilding the Nation 03: Infrastructure Investment Partnerships', FGF, September 2024.

[13] HM Treasury and Department of Health and Social Care, 'Chancellor to double down on drive to cut NHS waiting times and rollout of new Neighbourhood Health Centres', November 2025.

4. **How to compare and balance direct and indirect benefits from a potential project**. Direct benefits from a potential public investment that turn up as money – cash – to the government can be relatively easily quantified. It is much harder to calculate benefits that materialise more generally to society - be that to firms, families or other stakeholders - and yet these can be just as, if not more, important a consideration as to whether a project should go ahead or not.

All four of these areas are sources of common criticisms of all CBA methodologies and related concepts, and looking at each can help to improve public investment decisions and ensure they are better aligned with the government's overall political and policy vision (though as we shall come on to, that relies on these being spelled out in clearly understood terms).

1C. The specific bias towards South East England

The arguments set out above apply to the Green Book methodology as a whole, irrespective of the geographical location of the potential investment. The critique of the perceived bias in favour of South East England (often phrased as 'anti-Northern', though in practice the impacts are also felt in the South West and the Midlands) is more specific, and has traditionally been about the way benefits are calculated.

A new train line in the dense city of London will, as soon as it is in use, almost certainly have more people using it than many other new rail lines elsewhere in the country, and those people will on average earn more than their peers in other regions. As a result, any time saved via better new transport in London is deemed to be worth more than the equivalent time savings in other places, and so London will always do better in calculations of benefits arising from these types of project.

The potential benefits in London will not only appear greater, but also will be more immediate. It is easier to score the benefits of a new train line in the well-established transport network of the capital than for proposed new transport infrastructure linking major northern towns. These might well lead to new economic development in both places, but it will be over a longer time period and with a higher degree of uncertainty. The argument therefore goes that the methodology for calculating benefits as part of the Green Book's BCR process means that the north, the west, and the midlands of England miss out on investment.

If that is the case, it is not unqualified good news for London and the South East either. It can be argued the result of funnelling ever more investment into that part of the country increases the risk of it continuing to overheat. That in turn has macro implications if it boosts inflation and keeps interest rates higher than they would otherwise have been.

2. How the Green Book has changed over time

2A. Revisions by previous governments

Successive governments have been aware of the issues we set out above for many years and the Green Book is regularly reviewed. Indeed I worked on a Green Book revision as a Treasury economist back in the late 1980s when some similar debates took place.

The most recent run through - in 2020, under then Chancellor Rishi Sunak - brought the strategic case more to the fore: in other words, it focused more on the high level political question of what the government was trying to achieve, and worked backwards from there. It also gave more prominence to ensuring that local economic and social outcomes, as well as environmental impacts, were more thoroughly assessed, and placed a greater emphasis on considerations such as wellbeing.[14]

2B. Changes proposed by this government

On taking office, the new Labour government - alongside mayors like Steve Rotheram of the Liverpool City Region - did not feel that the 2020 Green Book review went far enough to ensure the elimination of any unfair bias against investment beyond South East England. So in January 2025, Chancellor Rachel Reeves said:

> *'we will review the Green Book and how it is being used to provide objective, transparent advice on public investment across the country, including outside London and the Southeast. This means that investment in all regions is given a fair hearing by the Treasury that I lead.'*[15]

In June the Treasury then published its 'Findings and Actions' paper following this review, which said that the Green Book would be strengthened in a number of areas, the main ones being:

(i) More emphasis on a variety of projects undertaken in a place;

(ii) More emphasis on longer term transformational impacts of projects;

(iii) Less stress on projects having to attain a BCR greater than one;

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[14] Nancy Hey, 'Summary of HM Treasury's Green Book: Valuation of Wellbeing Guidance for Appraisal', What Works Wellbeing, July 2021.

[15] HM Treasury, 'Chancellor vows to go further and faster to kickstart economic growth', January 2025.

(iv) Reviewing the discount rate;

(v) More business cases published so that people better understand how the Green Book can be used; and

(vi) Simplification of the guidance and better training on how to use the Green Book.[16]

These seem to be sensible areas for reform, although there are issues around many of them which we outline below.

(i) More emphasis on a variety of projects undertaken in a place

This means focusing on what a place needs in the round: in other words, and as is often the case, if several different types of investment are required to create fundamental change in an area, then these various investments need to be considered together not individually. As the Treasury put it:

> *'the benefits of different projects in a place, such as transport and housing, are often mutually reinforcing and greater than the sum of their parts. Appraisals can sometimes neglect the important interactions that exist between these different projects.'*[17]

This is a welcome move, but hard at times to do - especially where the different projects have different time scales, funding streams and so on.

(ii) More emphasis on the longer term transformational impacts of projects

Another change is a promise of greater clarity on how to assess a project that might have transformational impacts over the long-term, but which straightforward cost-benefit analysis will struggle to capture. This was something FGF argued for in 'Mission Critical 01: Statecraft for the 21st century', our paper with UCL's Institute for Innovation and Public Purpose authored by Mariana Mazzucato.[18]

In truth this will always be difficult as predicting long-term transformation is hard to establish with any certainty, and so promoters of projects will be accused of optimism bias while those resisting the project will be accused of being far too pessimistic.

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[16] Ibid.

[17] HM Treasury, 'Green Book Review 2025: Findings and actions', June 2025.

[18] Mariana Mazzucato, with Sarah Doyle, Nick Kimber, Dan Wainwright and Grace Wyld, 'Mission Critical 01: Statecraft for the 21st century', FGF, May 2024.

We also need to be clear what we mean by 'transformation'. A project might transform life for 10,000 people now connected by a train line, but this may have little overall impact in transforming regional, let alone national, productivity. Policymakers need to be clear in what they mean, and what they are going to prioritise, before coming to a decision.

(iii) Less stress on projects having to attain a BCR greater than one

The BCR has come in for attack, not least because it is seen to be the crucial (almost the only) determining factor in decision-making and is by its nature rather crude. It is felt by some to be overly prescriptive and inflexible such that if you don't manage to produce a BCR that is positive (above one) you will never get approval.

There are issues with the construction of this metric. While costs are on the whole relatively easy to calculate (although less so in terms of elements such as ongoing maintenance costs), benefits are much more controversial and speculative.

As an example, the recent re-opening of the Northumberland train line has generated many times more traffic than anticipated.[19] The original, much more conservative projections would have resulted in a lower BCR which ultimately could have prevented the project from going ahead. This case study might suggest that many other similar projects – especially outside South East England – are being consistently underestimated in terms of their BCR. As we have set out above, it can be argued that this is perhaps inevitable given that the benefits of infrastructure in South East England are better understood and often incremental to a degree - and therefore are both more easily assessed and more likely to be given a high BCR, whereas in other parts of the country it is all more speculative.

There is a clear link here to the need to give more weight to those infrastructure projects that could potentially have transformational impacts, as discussed above. It is also worth noting that this is not a problem specific only to those areas of the country outside South East England. The transformational benefits of many investments in that region, such as the Elizabeth line, are also often underestimated.

More generally, though, the argument is that the BCR is used too much as a simple metric when it should be just one of many factors taken into consideration. That said, in practice the BCR will most likely retain its powerful influence, partly because it produces a simple number that people then find easy to use – whereas other metrics that could be used as well or instead of the BCR tend to be more complex. Whether this is the fault of the analysts that conduct the appraisals, or the decision makers that then opt for the easy and more readily defensible criteria, is unclear.

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[19] Create Streets, 'Missing the Train: How measuring access not time can get Britain's growth back on track', April 2025.

In addition, as an ex-Treasury hand under both the Conservatives (as an official) and then Labour (as a special adviser), I have to confess that I can't recall ever seeing a major investment turned down by ministers on the basis simply of a BCR ratio. If they wanted a project to go ahead, it would happen; if they did not, it would not.[20]

Given all this, it is sensible that the Treasury makes clear that having a BCR below one will not in future necessarily rule out an option – not least if its 'hard to measure' benefits look to be large. However, care needs to be taken: value for money must still matter and we have many projects that do have a BCR greater than one and are already not getting funded. You can sense the Treasury's nervousness here*:*

> *'These changes do not mean that proposals with 'low' BCRs, or which have BCRs that are lower than would be typical for that type of proposal, should avoid rigorous scrutiny. Neither do these changes imply that evidence and analysis do not matter.'*[21]

One way forward would be to have some manner of 'call-in' option - as with planning or investment screening - where a minister can say they want to reconsider a project with a low BCR, but that then triggers greater scrutiny of the project.

(iv) Reviewing the discount rate

The Treasury has committed to an independent review of the discount rate, which is used to convert future costs and benefits into present values. This makes sense given it has not been reviewed for some time, but it is unlikely that a much lower discount will emerge - which some would welcome, given a significantly lower rate would favour projects whose benefits, they might feel, are undervalued at present as they take too long to materialise.[22]

(v) More business cases published so that people better understand how the Green Book can be used

There are remarkably few published business cases that show the case made by projects that were ultimately approved following a Green Book appraisal. This makes it hard for people to see what a good business case and a positive appraisal

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[20] Whether that was because appraisal is at the end of the day pretty 'subjective', and sharp officials who knew what was wanted produced the BCR answer 'required' by Ministers or that low BCRs were overruled I am not so clear about, but the net result was the same.

[21] HM Treasury, 'Green Book Review 2025: Findings and actions', June 2025.

[22] It may be that the recent downgrading of the assumption on productivity growth by the Office for Budget Responsibility (OBR) may have some impact on the discount rate, given the way the Treasury currently calculates it.

look like, so the government's commitment to publish more is welcome. It would be of even more use if we saw the publication of projects that did *not* pass the test; making sure that this happens would be a valuable contribution to understanding and evidence in this area. Meanwhile we must be alert to the danger that those lobbying for their own pet projects will simply try to mimic successful, published ones, whatever the 'truth' about their project really is.

More generally, one point made by those who have been around a long time in this area – including with the Regional Development Agencies (RDAs) that existed in the period of the last Labour government – is that many project business cases are not made very well. It is not the case, they argue, that there are a bunch of well put together, thought out, compelling, strategically sensible projects that are constantly being turned down. Publishing business cases may help in this, as will the growing expertise and building of capability within the major Strategic Authorities and elsewhere, a general point made in a number of FGF publications.

(vi) Simplification of the guidance and better training on how to use the Green Book

As the Treasury points out:

> *'The Green Book itself is 148 pages long. It is accompanied by detailed guidance on developing project and programme business cases, which are both more than 100 pages each. There are also thousands of pages of supplementary guidance on a variety of appraisal topics.'*[23]

It must be right therefore that there is a commitment to make the guidance on how to use the Green Book simpler so that it is more comprehensible to those across the system who need to use it. A promise to improve training on how to use the Green Book is also welcome.

Finally, we need to make sure we have proportionality in all this. At present we have heard of cases where multi-million pound capital decisions receive fewer pages of economic analysis than are needed for grants in the thousands of pounds (and the answer here should be to slim down the latter rather than make the former longer).[24]

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[23] Ibid.

[24] Given there is often a positive correlation between public and private capital investment, there could be a lighter touch approach to project approval when private capital signals there is likely to be an economic return (although then there would have to be good analysis of 'additionality', demonstrating why public investment is required in this instance rather than leaving it to the market).

3. What other changes could be made to the Green Book and the way it is used?

3A. Further boost the importance of strategic case and regional policy objectives when looking at projects

Recent revisions to the Green Book have placed ever more emphasis on the need to make the strategic case for an investment. If that is successfully implemented, the Green Book methodology then becomes more about trying to find the best way of meeting that strategic objective rather than attempting to compare a proposed investment with very different projects in other places.[25] We should not judge all cases against one another on the same, purely 'economic' criteria if the reason for pursuing some projects is different - whether that relates to equity, regional growth, the environment, wellbeing or another objective.[26]

The revised Green Book could and should be a tool to help this government pursue its regional economic policy, produce good regional outcomes and in turn help it achieve its overall national economic growth mission. But to create a culture that achieves this - including via the way the Green Book is to be used - the government has to be more explicit to all decision makers about what exactly that means.[27] If the government nationally (and sub-nationally where relevant) talked more about its strategic priorities, and encouraged project proposals that helped achieve them, this would help to make the Green Book a useful servant to its masters, and not the other way round.

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[25] What exactly is meant by 'strategic' will depend on the specifics of the case in question. For instance, at one level the strategic decision could be about the best way to build a railway between two towns, while at a higher level the question might be about how to improve connectivity between those two towns more generally, bringing in solutions around buses, cars or other forms of transport.

[26] For instance, some take issue with the prominence of aspects like 'land value uplift capture' in the Green Book, which favours South East England because the final value of developments there is so much higher. However, others argue that land value capture uplift does reflect the genuine 'economic' value of a potential project, so the best solution is to still use it, but not to compare schemes outside South East England with those inside it on that particular metric.

[27] This government places great store on growth - both Gross Domestic Product (GDP) and Gross Value Added (GVA) - but it is not usually a key metric in Green Book analysis. Some argue there should be less of a pre-occupation with generic 'economic welfare' and more on Key Performance Indicators (KPIs) that matter to the government of the day.

3B. Improve the way appraisals are done and used in practice

There is a strong case to be made that it is not the letter of the Green Book and its BCRs that is the problem, but the way in which they are interpreted and deployed. Professor Rebecca Riley and her team at the City-Region Economic Development Institute (City-REDI) at the University of Birmingham have done a lot of work looking at this and considering how to improve the situation.[28]

In addition, at times and where appropriate we should not see a one-off Green Book appraisal as giving a yes or no decision that lasts 'forever', but rather serving as an indicative assessment at a point in time which can then be more adaptive and agile as a project develops, allowing for learning as we go. This is especially the case when there is a lot of uncertainty either in the costs of a project (such as High Speed 2) or its benefits. In the same vein we should better join up Green Book appraisals of a potential investment and the subsequent evaluation of the finished project; at present they are conducted separately.

Risk is a vital part of any Green Book analysis but sometimes risk is seen in too aggregate a way. In some cases where risk and uncertainty abound, it may be better to look at breaking up the project to see where the risks are and what mitigations are possible, and conducting comprehensive sensitivity analysis rather than simply and crudely branding the whole project too risky and uncertain to proceed.

3C. Use distributional weights more

The Green Book already allows for 'distributional weights' to be used at the level of individual people. This means, for instance, that the same benefit to someone on a lower income is counted higher than that to someone on a higher income.[29] Evidence from our interviews suggests that this is not often done and certainly not routinely. If it were, it would naturally give more weight to places that suffer from deprivation and therefore be more likely to result in more investment being directed to those places (which tend to be outside South East England, although there are of course areas of high deprivation within South East England as well).

Others argue that there should also be *spatial* distributional weights, where a potential project in a deprived part of the country would, all other things being equal, score higher under Green Book appraisal than one in a more prosperous

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[28] Rebecca Riley, 'From Tick Box to Toolbox: Rethinking the Green Book', City-REDI, University of Birmingham, July 2025.

[29] Note that this is based on the widely accepted view among economists of all schools about the diminishing marginal utility of public money being spent (in other words, this is not purely a moral judgement).

place. But it is not clear that this makes as much sense as the individual weighting. If ministers want more investment in more deprived areas then they should mandate it, rather than insisting such schemes have to compete on equal terms with those in South East England and then bending the Green Book too far out of shape to suit that.

4. What changes could be made beyond the Green Book to improve investment outside of South East England?

4A. Devolution of capital and other spending

The government does not, of course, have to be bound solely by the Green Book: the elected government of the day can simply decide to spend more in certain regions and nations and then work with those areas to make sure the investment is used well.

This government is already pursuing a programme of economic devolution but it could go further if it wants to ensure more public investment goes to places outside South East England. A major move would be to devolve capital budgets so that capital decisions are made much more at the regional level (where appropriate). For this to work, the national government would have to be clearer about how much of the capital budget it would give to each area, which would no doubt give rise to tensions that would need to be managed. This is already the overall approach taken for the devolved nations, but the breadth of their capital spend and the complexity of the Barnett formula is unlikely to point the way to the right model for regions, so adaptations would have to be made.

As things stand, the current system is arguably a 'no lose' game for those in the regions (like mayors). They pitch for central funding and either get it and claim the win or lose out and blame the Treasury. If Mayoral Combined Authorities had more power to raise their own finance and were then required - and prepared - to put some of that into projects so that they had genuine skin in the game, then the whole dynamic would be altered. This would of course require central government to allow Strategic Authorities to raise more funds in various ways.[30] It would also mean ensuring that accountability mechanisms at that level were rigorous - for instance, having a local accounting officer in place - so that things did not still end up with responsibility for everything resting with the Treasury.

A lot of this interconnects with, and can be achieved by, more powerful and effective regional and industrial policy, much of which the government is already working on.

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[30] Ultimately some argue that the long-term solution involves robust local and combined authorities borrowing from capital markets, so becoming more sensitive to value for money and driving down their own cost of capital. The case for this is set out in Anthony Breach and Simon Jeffrey, 'Re-writing the Green Book for levelling up', Centre for Cities, September 2020.

Giving Combined Authorities and their mayors more strategic and other powers, and ensuring all have viable and ambitious local growth plans, would help.[31]

[31] See: Ben Lucas and Elizabeth Hopkins, 'Impactful Devolution 01: A new framework for inclusive local growth and national renewal', FGF, July 2024; and Alex Bevan, 'Impactful Devolution 03: A toolkit for regional growth and industrial strategy', FGF, September 2025.

Conclusion

Overall, the changes the government looks likely to make to the Green Book are good steps in the right direction. Throughout this paper, we have also suggested other steps the government could take - both within the Green Book and beyond it - to ensure public investment spreads beyond South East England.

But it's what comes next that matters: how officials and, vitally, politicians in Whitehall departments and city halls now apply these revised rules in practice and to what extent ministers really do want to push for more spatial balance in public investment and are prepared to make the trade-offs that entails. The political will to drive investment out beyond South East England will ultimately count for more than a change or revision to methodology here or there.

The November 2025 Budget saw the government stick to its ambitious plans for public investment even through difficult times. That needs to be used intelligently to help our regions and nations grow.

There is a way to break the current vicious cycle in which previous investment in South East England makes future investment there more likely, with the opposite happening elsewhere: the so-called 'Matthew effect'.[32] Instead, we can replace it with a virtuous cycle in which investing more broadly across the nation increases the likelihood that more balanced investment decisions happen again in the future, ultimately leading to better social and economic outcomes across the country.

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[32] This term is based on the quote from Matthew's Gospel in the Bible: 'For whosoever hath, to him shall be given, and he shall have more abundance.' See Diane Coyle and Marianne Sensier, 'The Imperial Treasury appraisal methodology and regional economic performance in the UK', University of Cambridge, July 2018.