



## Public policy practice

FRONTIER ECONOMICS

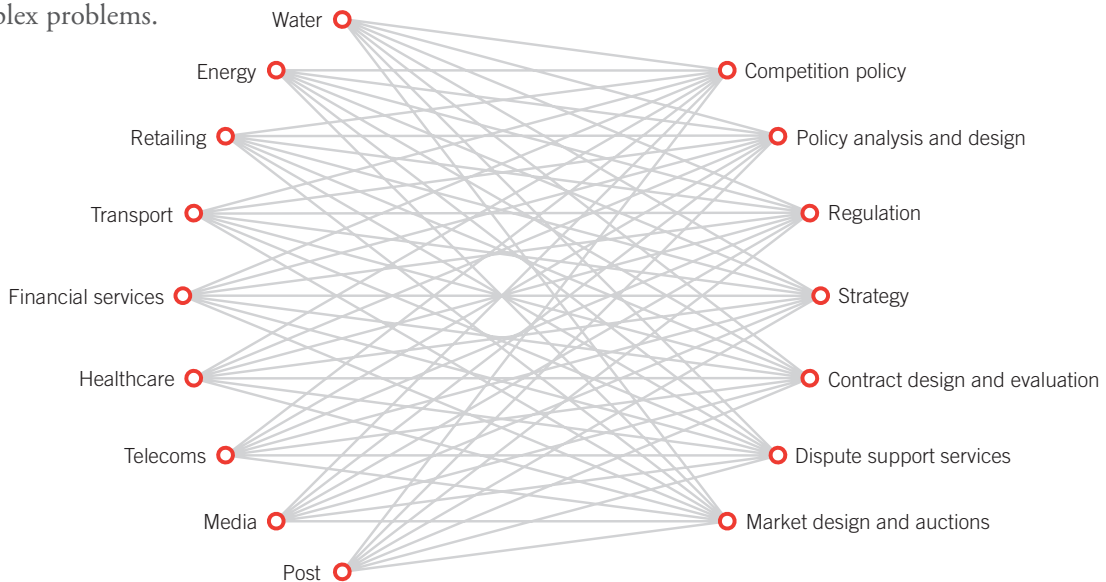


## Frontier practice areas

Frontier Economics was founded in 1999 by a team of experienced consulting economists. Our objective is to provide the highest standards in strategic, regulatory and competition policy advice for business and public policy-makers. We use advanced techniques to provide practical solutions to complex problems.

The European and Australian companies in London and Cologne, and Melbourne and Sydney, are staffed by economists used to working together for many of the largest companies and most important policy-makers around the world.

With over 50 consulting staff and associates in London and Cologne, we are one of the largest economic consulting firms in Europe. The Frontier company in Australia employs a further 15 consulting staff.





## Frontier's public policy practice

At Frontier, we understand how "evidence-based policy-making" helps governments deliver better policies. The key elements are:

- practical assessment of policy problems and arguments for intervention;
- effective methods of selecting and designing the right policies; and
- rigorous analysis, monitoring and evaluation.

We also understand the need for businesses to keep ahead of policy changes. We regularly provide companies with public policy support and advice to assist strategy formation.

We are experts in:

- developing policy;
- understanding policy problems;
- choosing and evaluating policies;
- reviewing government spending; and
- assessing market effects of policy.

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## Developing policy

Increasingly, policy development takes place within a long-term strategic context.

A strategic framework should enable policy-makers to:

- identify specific policy objectives;
- test ideas against departmental strategy and objectives; and
- connect policy initiatives to ensure synergies are exploited.

We have helped with policy development across the spectrum - education, health environmental protection, labour markets, taxation and industrial policy.

### Recent examples of our work

- **Department for Education and Skills (2002).** We developed a methodology for linking high-level policy objectives to policies and spending programmes. This allowed the department to assess the evidence requirements for policy formation.
- **Office of the Deputy Prime Minister (2004).** The ODPM, Department of Trade and Industry and HM Treasury have a joint Public Sector Agreement (PSA) target to improve regional economic performance. We helped develop a framework for identifying policies to assist them achieve their PSA target.

*"Frontier undertook a major piece of analysis for the Treasury, the Department of Trade and Industry and the Office of the Deputy Prime Minister on the key drivers of regional economic growth. The work was analytically rigorous and comprehensive. Final conclusions were communicated very clearly and accessibly. Frontier's work has had a major impact on thinking not just within central government, but also within the Regional Development Agencies."*

PHILIP COX, HEAD OF REGIONAL ECONOMIC PERFORMANCE TEAM,  
OFFICE OF THE DEPUTY PRIME MINISTER

## Understanding policy problems

Effective policies are built on a sound understanding of policy problems. Understanding the size of a problem and deciding whether Government should intervene are tasks that require the rigorous application of analytical skills.

We are experts in carrying out empirical and analytical work in a range of policy environments. Our strengths lie in the robustness, clarity and timeliness of our analysis and findings. We deliver high-quality output to tight deadlines in an accessible format.

### Recent examples of our work

- **Department of Constitutional Affairs (2003).** We developed a database of solicitor firms that provide legally-aided services. We analysed the survey data to assess the extent to which there may be excess supply or demand in different parts of the market for legally-aided services.
- **Office of Fair Trading (2004).** We have recently been involved in assessing the degree to which Government subsidies can inadvertently distort competition between firms.

*"We commissioned Frontier to develop an econometric model that would help us forecast patterns of growth in adult participation in learning. No such model had been constructed before. We were very impressed by the way that the Frontier team developed a clear conceptual framework to underpin the work and demonstrated a detailed understanding of the available data. Frontier has provided us with a useful and adaptable tool that is already helping to inform policy."*

MICK FLETCHER, RESEARCH MANAGER, LEARNING AND SKILLS DEVELOPMENT AGENCY

## Choosing policies

Successful decision-making in government requires the ability to both identify the most effective policy from the options available (appraisal), and to assess the effectiveness of policies once they are introduced (evaluation).

The Treasury has set out the Rational Objective Appraisal Monitoring Evaluation (ROAME) framework to help policy-makers with appraisal and evaluation. However, applying ROAME to real policy instruments and markets can be challenging. Our strength lies in the pragmatic, yet rigorous, application of this framework to complex policy instruments and markets. This strength is reflected in our experience – we have helped a wide range of departments and public bodies carry out policy appraisal and evaluation.

We also have expertise in the evaluation of public sector efficiency. Using techniques such as data envelope analysis and econometric and simulation modelling, we have advised on the efficiency of a range of public bodies.

### Recent examples of our work

- **Office of Fair Trading (2002).** We estimated the costs and benefits associated with removing resale price maintenance from over-the-counter medicines (OTCs).
- **Department of Trade and Industry (2003).** We carried out an evaluation of the DTI's capital grants scheme for renewable energy. The work involved the development and collection of a detailed evidence base to assess the initial impact of the scheme on individual and firm behaviour.

*"A member of Frontier's staff was recently seconded to work on a joint Home Office and Strategy Unit project on police reform. This economist brought invaluable conceptual clarity and analytical rigour to issues such as workforce modernisation and the measurement of performance, whilst at the same time commanding respect and showing appropriate sensitivity in dealing with key stakeholders inside and outside government."*

STEPHEN ALDRIDGE, DEPUTY DIRECTOR, STRATEGY UNIT, CABINET OFFICE

## Reviewing government spending

Central government allocates money to a variety of institutions, such as regional development agencies, local authorities, schools, colleges and hospitals.

Constructing the right allocation mechanism is crucial. If designed properly, it can radically improve the effectiveness and delivery of key public services.

We have significant experience in the design of resource allocation mechanisms. By combining empirical analysis, the economics of incentives and an in-depth understanding of the policy landscape, we have advised departments on ways to improve efficiency and effectiveness through better resource allocation.

### Recent examples of our work

- **Learning and Skills Council (2004).** The LSC is responsible for the allocation of nearly £7 billion to colleges. We designed an area cost adjustment measure for the council's funding formula.
- **Metropolitan Police Service (2004).** We carried out a review of the sources of funding available to the MPS. The aim was to determine whether the MPS was receiving a sufficient level of funding to provide the level of service both required and expected by central and local government.

*"Frontier Economics produced an analysis of the legal services markets within which the £2bn per annum legal aid scheme operates. The key issue was whether legal aid rates are sufficient to ensure an adequate supply of solicitors and barristers to operate the scheme. The Frontier team developed an approach that allowed us to form a judgement about the market conditions we faced. That they were able to complete the work within a demanding timetable is a testament to the skill and professionalism of Frontier staff."*

TONY DONALDSON, HEAD OF ECONOMICS AND STATISTICS,  
DEPARTMENT OF CONSTITUTIONAL AFFAIRS

## Understanding market effects

Increasingly, firms are investing more in understanding the policy-making and regulatory environment in which they operate. We understand the need for businesses to keep ahead of policy changes, and to build them into their business planning processes.

We regularly provide companies with public policy support and advice to assist strategy formation. By combining our understanding of markets with our knowledge of public policy, we help firms to assess the impact of proposed policy changes on their business. We also have expertise in helping develop responses to consultation papers and regulatory and competition impact assessments.

In addition, Frontier has a well-established reputation in the fields of regulatory and competition policy advice. We have worked on many of the major policy issues of the past decade and we work with companies and governments in many parts of the world.

### Recent examples of our work

- **Office of Fair Trading (2003).** We assisted the OFT's investigation into the control of entry regulations and retail pharmacy services in the UK.
- **Postcomm (2004).** As the main economic adviser to the UK's new postal regulator, we have assisted with the development of a framework for evaluating licence applications in response to the regulator's obligation to ensure a universal service at a uniform price, and its primary duty to introduce competition.

*"We were thrilled with the quality of work from your team and the respect it generated outside Camelot."*

MICHAEL GRADE, FORMERLY CHAIRMAN OF CAMELOT (NOW CHAIRMAN OF THE BBC)



## Members of the Frontier Economics public policy practice

### Michael Ridge

**DIRECTOR**

Michael leads our public policy practice. He is an expert in the formulation, appraisal and evaluation of policies and spending programmes. He has directed projects for almost all government departments, including HM Treasury, the Cabinet Office, the Office of the Deputy Prime Minister and the Department for Education and Skills. He has worked for governments in Europe and for international agencies, including the World Bank and the European Commission. Michael also regularly provides public policy advice and support to private sector clients. He has led a large number of projects involving the analysis of large-scale data sets. Recently, Michael has directed a wide-ranging review of policies to promote regional economic performance.

### Dr George Houpis

**DIRECTOR**

George has significant experience of public policy design and policy development and appraisal, and has worked for central government departments, including HM Treasury and the Department of Trade and Industry; international institutions such as the European Commission and the World Bank; and local government. George has considerable experience in economic modelling, cost-benefit analysis, forecasting and the use of quantitative and qualitative analysis (statistical analysis, econometrics, surveys, interview programmes, etc) in a variety of public policy areas. George's recent work involved directing a study examining the benefits associated with a roll-out of broadband across Europe.

### Rachel Webster

**MANAGER**

Rachel is an experienced economist and project manager. She has worked for most government departments and is an expert in policy appraisal and evaluation. As a government economist, she provided advice on urban and regeneration policies and on the development of policies towards regional economic development. Since joining Frontier she has managed studies for many government departments. Most recently, Rachel has worked for the Department of Constitutional Affairs on market analyses of the legal-aided services provided by both solicitors and barristers.