

8 May 2015

Dear Prime Minister

Congratulations on your victory. We know that no-one has more demands on their attention than a Prime Minister after an election. But we'd like to request a few minutes of your time to think about something important that might otherwise get neglected: the question of how you structure and run the centre of government.

We're aware that the centre of government doesn't look like an obvious priority. You'd be forgiven for telling us that it's too wonkish, too removed from the day-to-day concerns of the people who have just voted for you. Or for thinking that the existing set-up worked well enough for the last government, and the one before that. And we know you have plenty of other things to worry about.

But the truth is that how well the centre of government works is vitally important. Getting this right will help you deliver what you have promised to voters, and reduce the chances of your government being overwhelmed by events or derailed by blunders. Because it's an issue that has long been neglected, there are big opportunities to change things for the better. And the best – perhaps the only – time to deal with it is right after an election, when people expect change and your political stock is high.

This will be particularly important over the course of the next government. You will need to deal with difficult and long-term challenges from the UK's stubbornly low productivity to the looming affordability crises facing our public services. And you will have to do it without a large parliamentary majority to depend on. You need every advantage you can get, and a well functioning centre of government will help greatly. So though this letter is technical, we believe it's also deeply practical, and pressingly urgent.

In this letter we suggest changes to how you organise the centre of government and to how you organise the distribution of roles between ministries and departments, and some specific tactics and measures you should consider to make your government as effective as it can be.

The purpose of the centre of government

You will be relying on the centre of your government – the collection of organisations and teams around Number 10, the Cabinet Office and Treasury – to help you do several important things. It should help you project power and control across the rest of government and the public services. It allows you to direct your three main resources - money, legislative power, and focus - to where they can have the most effect. It is an engine of legitimation, providing a platform to win support from Parliament and amongst the public. And, more subtly, it should act as a central processor, taking in information from around the government and beyond, mulling it over and acting on it.

Those are the things the centre should do. But it does not always do them well. Downing Street has often struggled to align the public's hearts and minds behind its goals – or even to have a clear conversation with the public about what those goals might be. It has been poor at making use of the right types of knowledge to make important decisions. Coordinating and aligning the sprawling government machine is a constant challenge, as is delegation – Britain's government is rightly accused of being too centralised. And its timing is often out: not only does it act slowly when it should act fast, but – perhaps worse – it acts fast when it should act slowly (for example with rapid implementation of poorly considered reforms).

This letter sets out four practical steps you can take to fix this. It is based on longer reports, which set out parallel arguments in more detail: *Rewiring the Brain*, *The End of the Treasury*, *I-teams*, and *Reforming the European Commission*.

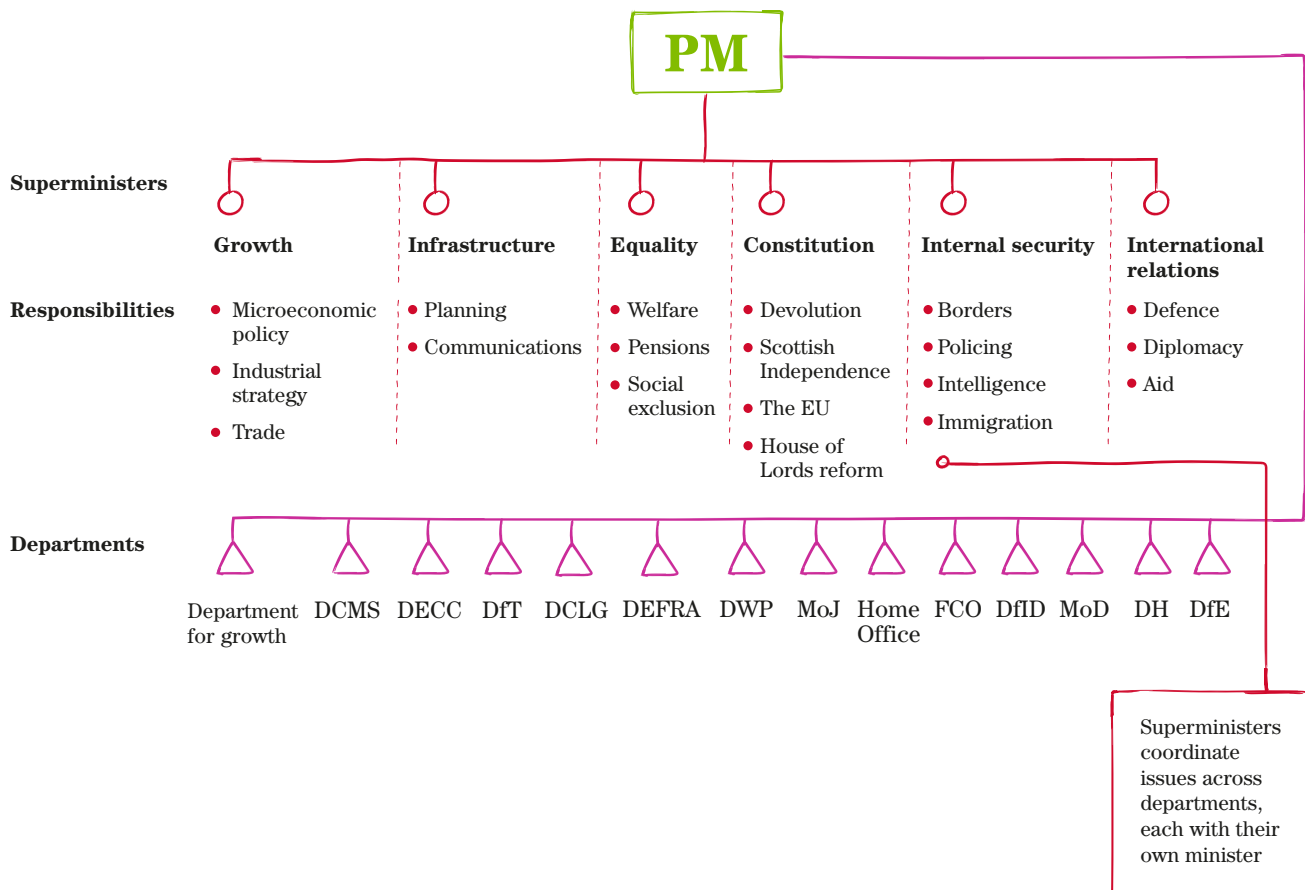
1. Shape ministerial roles to ensure a clearer focus on the most important government priorities

Departmental siloes are a problem for any leader who wants to govern well. Social care impacts on health; transport affects economic growth; immigration has a bearing on workforce skills. But the traditional way of dealing with siloes – slicing bits off one department and bolting them on to another – is rarely effective. It usually just pushes the coordination problem elsewhere, and causes disruption to the day-to-day business of the departments to boot.

A particularly overdue reform is to reshape ministerial roles to focus attention on the small number of priorities that matter most to your government – and to its mandate from the public.

We therefore recommend appointing a small number of Deputy Prime Ministers or super-ministers to focus attention on the goals that are particularly important to you. They need to have the power to coordinate government – from budgets and legislation to communication. They would not take over all the relevant departments – which would still need ministers and clear boundaries. But they would have overarching power to drive, stop and agree all major plans in their fields.

Chart 1: Remits for Superministers



Given the key tasks facing the UK over the next few years these could include:

- A senior minister for infrastructure (bringing together energy, transport, planning, communications), to oversee public and private investment, achieving a visible upgrade in the systems on which the UK depends.
- A senior minister for growth (covering macro and microeconomic policy, industrial policy and trade) – we set out more details in the following section.
- A senior minister for equality (with oversight of welfare, redistribution and social exclusion).
- A senior minister responsible for international relations (encompassing FCO, DfID and MoD), and ensuring coherent UK policies across the world.
- A senior minister responsible for internal security (overseeing borders, policing, intelligence and immigration).
- A senior minister responsible for constitutional matters, ranging from future issues around devolution, Scottish independence, EU referendums, House of Lords.

Of course there are many different ways of defining these roles and their boundaries. But the traditional tools of Cabinet Committees are simply not strong enough to ensure effective focus on the issues that matter.

The scope of these senior ministers or DPMs would leave much of government relatively untouched – and the bulk of the work of the Departments of Health, Education and so on would continue in the more traditional form of Whitehall departments. But they would be the main drivers of the government machine, its communications plans, budget setting and legislative programme.

Creating a number of superministers would also make Cabinet work better. It is widely observed that Cabinet has become too large, and that its size makes it less effective. A Cabinet of superministers and the few Secretaries of State outwith the new structures (such as Health and Education) would be smaller and more manageable than the current Cabinet.

These changes are a necessary but not sufficient condition for more effective government. A very common lesson in government is that processes and cultures are as important as structures. Structures get the attention, and are the subject of bitter turf wars. But processes for allocating money and setting political and legislative priorities count for more. Cross-cutting targets, joint appointments and budgets and double-keys (for example for IT systems) can align departments without wholesale organisational revolution. So it's vital that you use things like spending reviews to reinforce these priorities.

2. Create a genuine Department for Growth and break up the Treasury

Perhaps the most important change to departmental structures you need to introduce concerns economic policy.

No other country in the world uses the same arrangements for economic policy as the UK – and for good reason. These arrangements have grown up as the result of a mix of accident, bad luck and past policy errors, and have left the UK with odd biases and distortions in economic policy, and in the operation of government more generally.

In the absence of a well-organised central locus of control for the UK government, the Treasury has become one by default. Having worked in the Treasury before, you'll be aware that its role is powerful and wide-ranging, and that it attracts many of the cleverest people in government. It combines budgetary responsibility for the rest of government, overseeing and in practice approving novel expenditure with a more traditional financial remit, and also an economics brief. This is unusual among the finance ministries of developed countries. Germany, France and Japan separate their economics ministries. The US keeps its budgetary ministry in an Office of Management and the Budget.

We advise you to divide the Treasury's responsibilities. The Treasury's budgetary responsibilities – its spending teams – should be brought into the Cabinet Office

as the nucleus of an Office of Management and the Budget. This will ensure that finance is aligned with strategy in a way that has rarely been the case in a British government. It would end the many ambiguities that have caused problems in recent years when the Treasury has been a policy activist department as well as a controller of public spending, and at times a competitor with Number 10.

The Treasury's economic policy remit should then be merged with BIS into a serious Department for Growth, led by a senior minister or Deputy Prime Minister (we would advise leaving the Treasury's financial remit and remaining regulatory responsibilities in a smaller City ministry).

One of the top priorities for any government now must be to address the causes of stagnant productivity. In the long-run it will be hard to make headway on the deficit, or on problems of inequality, unless economic policy becomes more effective in raising productivity. That's why growth needs to be at the forefront of any government's agenda.

There have been attempts in the past to deal with these problems – notably in the 1960s. Their failure acted as a deterrent to attempts to recast the Treasury's role in the 1990s and 2000s. But the reasons these failed are largely irrelevant today, and it is worth noting that Canada and Australia both successfully reconfigured their Treasuries where Britain failed. Today you have an opportunity to follow their examples.

3. The right capabilities

Having sorted out the allocation of jobs and the basic structures for Whitehall, you then need to shape the style and structure of your own team.

Since the centre of government will be your nearest-at-hand and most reliable resource, you will need it to have the right skills. Some of these are obvious – good communications, political nous and ability to mobilise the government machine. But one of the lessons from the establishment and success of the Government Digital Service and the Behavioural Insights Team over the past five years is that certain specific and technical skills can be very useful to the centre of government, but do not magically arise unless you take steps to create them.

These can help to define the character of the government – and your influence over it. We have elsewhere described in more detail how the central teams should be organised, and what new tools are available to governments. They include better ways of communicating with the public; ensuring strategic focus; ensuring priority policies are on track; using data creatively; and averting stagnation. Here are a few of the most important ones which risk appearing unimportant in the drama of the days after an election:

a) Mobilising knowledge to guide decisions. The UK government has a memory like a sieve: it is bad at remembering what it has done, and, even when it remembers, it is bad at sharing that information internally. It's rarely systematic in tapping the best available knowledge - and can be unduly influenced by people

with little relevant knowledge. When it comes to information that resides outside government, its standard method of accessing it – the consultation – is crude and inefficient. Digital technologies offer radically more effective ways of mobilising the brainpower of the public – and of organising the memory of what happened before. The What Works Centres also show a way forward to much more intelligent government – and help a Prime Minister get the best out of departments and public services, and use money more efficiently. You should give these strong backing: smartening up government in this way could be a useful theme for your administration.

b) New ideas. A big risk for the centre of government is stagnation. The natural tendency of large organisations is inertia, and the natural inclination of any leader is to believe their own rhetoric about policy success, and to become less open to new insights and approaches. When innovation happens, it is often overly centralised, planned in advance on paper and then rolled out in a costly and lavish way. Innovation teams and labs have sprung up all over the world in recent years – and provide a way to organise much more disciplined experiment around difficult issues, such as how to help young people find jobs, how to cut the costs of government procurement (how these can work is set out in more detail in our study with Bloomberg Philanthropies on innovation teams).

c) Experimentation. Governments (the UK government is not alone in this) err to extremes when it comes to experimentation. They either avoid novelty altogether, or embrace it too wholeheartedly, deploying their new idea everywhere before its value is proven. But in many cases, a government will genuinely be unsure if a new policy will work or not. The centre should establish a capability to support experimentation – through trials, small-scale pilots, and rapid evaluations – to identify ideas that work and stop ones that don't. You should talk about this right from the start – as some of the greatest leaders like Roosevelt did in the past – and not fall into the trap of pretending that everything you try will work first time.

d) Long-term vision. The pressures of day-to-day emergencies make it hard to focus on the long-term, no matter how important. The Office of Budgetary Responsibility is an institutional attempt to focus government on the future when it comes to fiscal matters, but for the most part concerns itself only with the debt and deficit. It omits the question of how much government invests in the UK's capacity to grow: in infrastructure or education, for example. It tells us nothing about whether government is spending money in ways that will reduce the burden on future generations – for example through effective health prevention. You should consider expanding the OBR's remit to keep track of government investment, making it easier to keep assess government commitments to the country's future, as well as the state of its finances. For example, the OBR might report on whether actions today on education, or infrastructures, are likely to have a positive or negative effect on UK GDP, and the national balance sheet in future decades. And you should commission an overhaul of how government thinks about money – moving to methods closer to the way investment is organised and looking at the relationship between spending and results.

Chart 2: Neglected roles at the centre of government and what to do about them

<p>(a) Mobilising knowledge to guide decisions</p> <ul style="list-style-type: none"> • Use digital technologies to share knowledge, tap public expertise and engage with the public on major issues. 	<p>(b) New ideas</p> <ul style="list-style-type: none"> • Support innovation teams to generate new ideas and build relationships with innovators outside government.
<p>(c) Experimentation</p> <ul style="list-style-type: none"> • Build a capacity to support trials, pilots and rapid evaluations. • Strengthen and build the What Works Network. 	<p>(d) Long-term vision</p> <ul style="list-style-type: none"> • Expand OBR remit to track government investment. • State of Nation communicate big objectives. • Other long-term institutions such as an infrastructure commission.

4. Set your own rhythm

It hardly needs saying that an essential role of central government is to communicate the government's intentions - both the public at large, and to the government and public sector. Indeed, modern Prime Ministers are often accused of elevating communications – in particular media management – above all else.

What is less often said is that the current set up of the centre of government makes this perversely difficult to do. The centre of government ought to provide a platform for communicating a mission, a programme of government to the public. A well-designed centre ought to give at least some opportunity to set your own tone and rhythm, to mitigate the constant day-to-day flood of events and non-events.

But the set-pieces and rhythms of the British constitution give the Prime Minister very few opportunities to set direction. There's an annual Queen's Speech, weekly Prime Minister's Questions, and an annual Budget as red-letter days, but none of these are effective ways to build legitimation for the goals you have been elected to deliver. The Queen's Speech and the Budget have similar problems: although they attract significant media attention, both limit themselves to a small part of what government does, legislation and fiscal measures respectively. It is no wonder modern governments have been hyperactive legislators and our tax code is full of poorly structured carve-outs and exemptions, often designed to pad out press releases and feed the media around these events. PMQs are at best a source of accountability, at worst a repellent scrap, of interest to political insiders only.

With such a meagre range of set pieces, it is no wonder the management of the media and the Downing Street Grid has taken on such importance. Good media management is vital, obviously. But if the Grid rules your communications, it will produce a cacophony of short-termism.

The alternative is to create your own channels for setting a vision and engaging with the wider world. Adopting the American model of a State of the Union address – a regular setting-out of views and priorities, including but not limited to legislation – would be a start, providing a formal way of broadcasting the government's goals and narrative.

Legitimation also requires listening and discussing. Alongside an annual address, you should put in place regular means of discussing policies and strategies with the population as a whole. There are now many ways to do this, and parliaments and governments around Europe – such as the digitally advanced ones in Finland and Estonia – are experimenting with ways to orchestrate conversation with citizens that goes well beyond petition sites, or the stale formulae of public consultations. Early on you should identify one or two of the most challenging issues – such as care for the elderly, or the relationship between children and the internet - as subjects for a more open dialogue.

Conclusion

As a new Prime Minister, you have a very rare opportunity to make changes to the structure and functioning of the centre of government. You will undoubtedly face questions from critics: some will interpret paying attention to the centre of government as implying neglect for localism, or a wonkish focus on arcane political mechanisms. The truth is the opposite: by fixing the centre of government now, you make it more open to the views of voters and make decentralisation easier. You will make meaningful communication between you and the citizens of the UK easier, and you will make government more focused and more able to deliver on its promises.

There will no shortage of competing priorities for your time and energy in the first few days after the election. But this is one area where intelligent action now will make it much more likely that you can return to the electorate in five years' time with your head held high.

Yours sincerely,



Geoff Mulgan and Stian Westlake