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## **Restructuring UK government at the centre - Why the IFG Commission's naïve plan will not work**

Patrick Dunleavy

*Abstract:* An IFG report on 'government at the centre' recommends creating new, rationalist policy machinery (including an inner Cabinet) to manage UK government's four year policy programmes as a whole - faithfully following how the Cameron-Clegg coalition operated in 2010-15. That government's disastrous example shows how politically naïve this plan would be, and I draw out its complete infeasibility in late 2024 conditions. IFG also wants to set up a new Department for the Civil Service headed by a powerful minister as a counterweight to the Treasury (criticized only for being 'too good' and hence over-dominant). Instead, I set out the case for a new and strong Department of Finance, Procurement and Productivity to take over spending control and other key public management roles where the Treasury's resource-management has conspicuously failed in the last decade.

The likely advent of a change of government before the end of the year should trigger some serious thinking about how UK governance is ever going to get out of the apparent 'vortex of governance decline' in which it has seemed to be locked since 2019,<sup>1</sup> with PMs and ministers changing and failing repeatedly, and bizarrely avoidable policy fiascos (like the Rwanda scheme) preoccupying the minds of ministers. The Institute for Government has a timely report out, *Power with Purpose: Final report of the Commission on the Centre of Government*,<sup>2</sup> drawing on the advice from an internal Commission of 16 (almost) great-and-the-good elite members - overwhelmingly folk who can be trusted not to rock the boat. Jordan Urban, Alex Thomas and Rhys Clyne are credited as the authors. Spreading over 150 pages and ambitiously scoped, the report

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<sup>1</sup> Gwyn Bevan, *How Did Britain Come to This? A century of systemic failures of governance*. London: LSE Press. Open access at:

<https://press.lse.ac.uk/site/books/m/10.31389/lsepress.hdb/>

Patrick Dunleavy, 'The core executive and government', Chapter 5.2 in Patrick Dunleavy, Alison Park and Ros Taylor (eds) *The UK's Changing Democracy: The 2018 Democratic Audit*.

London: LSE Press, 2018. Open access at:

<https://press.lse.ac.uk/site/chapters/e/10.31389/book1.o/> Abby Innes, *Late Soviet Britain: Why Materialist Utopias Fail*. Cambridge: Cambridge University Press. Paywall:

<https://doi.org/10.1017/9781009373647>

<sup>2</sup> Institute for Government, *Power with Purpose: Final report of the Commission on the Centre of Government*. London: IFG. Open access at:

<https://www.instituteforgovernment.org.uk/sites/default/files/2024-03/Centre-Commission-final-report.pdf>

essentially makes two big recommendations , each backed up by smaller points (seven in all).

### **Rationalist policy-making**

The first IFG macro-argument is a rather hackneyed rationalist case for more planned government at the centre to be achieved by four steps:

1. 'The government should agree its priorities at the start of a parliament and announce them as part of a modernised King's Speech.
2. The prime minister should appoint an Executive Cabinet Committee made up of a few key ministers [*which would carry through the programme*].
3. The prime minister should appoint a new, senior first secretary of state with responsibility for delivering the government's priorities and ministerial responsibility for the civil service.
4. The government's priorities should be fully reflected in a new shared strategy, budget and performance management process owned collectively at the centre of government'. [*My insert in italics*]

The case made for this approach is cheerfully normative and completely rooted in an old-fashioned (almost nineteenth century) concept of 'government at the centre'. (The report completely ignores and never uses the more modern 'core executive' concept).<sup>3</sup> Not much of what social scientists would recognize as evidence is provided (except from supportive testimony from other great and good folk down the years). None the less the report concludes:

'The prime minister has over time become ever more of an executive leader of the government, but the support they are given has not kept pace with their responsibilities. The centre of government fails to set and maintain an overall strategy for the government to follow. The resulting vacuum is filled by the powerful Treasury. Governments do not do enough to translate their manifesto and other policy ambitions into priorities for government linked to the outcomes they want to achieve' (p.8).

Now the same sad, conventional lament for more policy 'planning' has echoed down the years in conservative elite circles and it has always been consistently ignored by the relentless push for political short-termism - amongst PMs and senior ministers as

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<sup>3</sup> Patrick Dunleavy and R.A.W. Rhodes (eds), *Prime Minister, Cabinet and Core Executive*. London: Macmillan 1995. Now Bloomsbury Press. Paywall: <https://www.bloomsbury.com/uk/prime-minister-cabinet-and-core-executive-9781349241415/>  
by

much as anyone else. In addition, the continuing constitutional importance of the Cabinet (highlighted by its role in ditching the last *three* Prime Ministers against their will), stands as a huge roadblock to the IFG recommendation. The authors and commissioners ignore all this however – for instance, the demise of May, Johnson and Truss rate no mention at all anywhere in the report. One isolated comment does acknowledge that:

‘The cabinet can be influential. When a prime minister is weak, it can exert substantial influence over the direction of the government and so the country. During the second half of Theresa May’s tenure, her cabinet was fundamental to setting the government’s direction over Brexit’ (p.39).

But this is a solitary exception and instead the main thrust of the report only says dismissively: ‘Cabinet – at one point the UK government’s chief decision-making body – has ceased to be effective. It retains an important constitutional and political role, but the big decisions are taken elsewhere (p. 1).’

So given that earlier siren voices for similar schemes have been ignored by PMs and cabinets multiple times for decades, what is different this time? Well, it turns out that the authors can point to a recent example both of a full programme for government being implemented and of exactly the kind of inner-Cabinet ‘Executive Committee’ they recommend operating at the very heart of UK government. Surely the pure and very recent exemplar of what the IFG now proposes was the Cameron-Clegg austerity government of 2010-15? It stuck religiously to its initially enunciated ‘coalition agreement’ programme for a full five year term? In addition, did not the ‘Quad’ inner cabinet arrangement of David Cameron and George Osborne for the Conservatives and Nick Clegg and Danny Alexander for the Liberal Democrats operate in exactly the manner that IFG recommends for their Executive Committee?

By this point major alarm bells will be ringing for most dispassionate observers, because the Cameron-Clegg austerity government’s reputation has been sinking fast for over a decade as its woeful blunders and lost opportunities have become more and more apparent. The coalition deal was hurriedly conceived and finalized in a mindless (and unnecessary) panic (triggered by a false anxiety over Greek financial policy

protests). And it resulted in a classic ‘conceived in haste and repented at leisure’ neo-liberal strategy. The deal and the Quad’s enforcement of it against accumulating evidence of the harm done wrecked the economy and economic growth, avoidably shattered public spending for decades<sup>4</sup>, hollowed out local and NHS governance<sup>5</sup>, and (as elsewhere) austerity created the essential foundations for a subsequent populist backlash<sup>6</sup> – the 2016 Brexit wrecking referendum. The Coalition neglected every opportunity offered by low interest rates to renew the UK’s crumbling infrastructure - because once the initial austerity deal was done the two parties had to cling to each other without any re-evaluation at all to the bitter end – hugely magnifying the damage done.

How on earth then could Keir Starmer now seek to follow the IFG’s recommendations after gaining office in late 2024? Coming into government after the last 14 years of chaotic incompetence the Labour cabinet will be faced with an immediate omni-crisis in the NHS, wholly inadequate defence spending, acutely threatening foreign policy crises, and public services morale shattered by years of Tory ministerial opportunism in pointless degrading pay and provoking unnecessary strikes. How good are the conditions of late 2024 or early 2025 likely to be for formulating a four-year plan for the Starmer first term? Simply to pose the question shows the stunning political naivety of the IFG’s report’s first recommendation. I hope and trust that the core executive inner team (of Starmer, Sue Gray, Rachel Reeves and the experienced Pat McFadden) will instead do what Blair-Brown did in 1997, namely read themselves in carefully and spend at least a year or two sorting through priorities and possibilities. Ideally, in the first two years they will pick off some cheap regulatory changes to provide some initial easy wins, and to begin recreating the necessary confidence that the vortex

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<sup>4</sup> Tania Arrieta Hernandez, ‘The Consequences of the Austerity Policies for Public Services in the UK’, *Studies in Social Justice*, Vol. 15 No. 3 (2021). Open access: <https://doi.org/10.26522/ssj.v15i3.2568> Zoë Irvin, ‘The Legacy of Austerity’, *Social Policy & Society* (2021) vol. 20, no. 1, pp. 97–110. <https://doi.org/10.1017/S1474746420000500>

<sup>5</sup> Bevan, *How Did Britain Come to This?*; Colin Copus, ‘England: local government and politics’, Chapter 6.9 in Dunleavy, P et al. 2018. *The UK’s Changing Democracy: The 2018 Democratic Audit*. Open access at: <https://press.lse.ac.uk/site/chapters/e/10.31389/book1.ab/>

<sup>6</sup> Hans-Jürgen Bieling. ‘Austerity-induced populism: the rise and transformation of the new right’, Ch 10 in Stephen McBride (ed.) et al. *The Changing Politics and Policy of Austerity*. Bristol: Bristol University Press, 2021, pp. 213-29. Paywall at: <https://doi.org/10.1332/policypress/9781447359517.003.0011>

of governance decline has stopped spinning. Defining an agenda for a full first term government that is feasible will take time and a lot of Cabinet (and party) debate.

The IFG's position for new roles that might potentially threaten the PM's position is also hopelessly politically naïve – and reflects its authors approach of determinedly never even mentioning recent history of four acutely failing PMs in a row (including Sunak here). As Prime Minister why would Keir Starmer want to create an 'Executive Committee' of powerful rivals for his position and day-to-day influence over policy, even if Labour has won a large majority and he seems untouchable. Everyone in British governance knows that the chief rival and likely successor to any incumbent PM is the Chancellor, and the other likely EC members might also be possible contenders. Rather than bigging up his potential rivals (if something should go wrong), Starmer will rationally want to construct a broad-based cabinet, and to ensure that his administration operates on the large majority principles (i.e. 75% consensus agreement) that are rightly central to modern core executives across liberal democracies.

### **The civil service pleading for ministers to pay them attention**

Across every liberal democracy, civil services and wider public services apparatuses play key roles in making governance work. So their structural arrangements are of the first importance for how effectively national states operate. Yet politicians routinely and pervasively refuse to focus on civil service arrangements in anything but the speediest and most erratic ways - because these back-office concerns just do not matter to their voters, or to their next promotion and election challenges. The second plank of IFG's report takes the form of yet another desperate love-letter from officials on the same (doomed) lines. It argues that the PM and top ministers should take three steps:

5. The Cabinet Office and No.10 should be restructured into a Department of the Prime Minister and Cabinet and a separate Department for the Civil Service.
6. The roles of cabinet secretary (accountable to the prime minister) and head of the civil service (accountable to the first secretary) should be filled by separate individuals.
7. There should be a new statute for the civil service and the Civil Service Board to hold its leadership accountable for reform priorities'.

In an otherwise largely blasé report, the parts of the IFG analysis covering the Cabinet Office are much the most bitingly realistic about recent past failures. ‘The Cabinet Office, founded to serve cabinet and its committees, has become bloated and unfocused. Despite the talent of many of its people, it is failing in its core role of supporting the prime minister and cabinet’. Although the report goes on to claim in mitigation ‘The Cabinet Office has driven cost-savings and capability improvements across government’ (p.10), no supportive examples are anywhere evidenced within the report’s 150 pages.

The idea of separating out a specific Prime Minister and Cabinet Office (PMCO) from the Cabinet Office, creating a new agency that combines the PM’s office and the cabinet secretariats, and moving it out of No 10 Downing Street into proper accommodation, are reasonable enough steps. This is what happens in Australia (without doing anything much for the overall rationalism of Cabinet decision-making though). Similarly, after the last three Cabinet Secretaries’ disastrous records in not standing up for the civil service, and their apparently craven willingness to damage governance for the shallowest political imperatives, point 6 above seems fair enough. A separate head of the civil service might do some good, depending on where the new role was located – an issue to which I return below. But point 7 above is for the birds. Every minister in the new Labour Cabinet will want to get a handle on how the civil service is operating in their own department after 14 years of shockingly bad decay and drift. Neither they nor the core executive inner team will want to start legislating now for ‘third term’ issues like a new civil service statute.

A conspicuously missing component of the IFG report throughout is any criticism of the Treasury. Its only faults apparently are that it is perhaps good and so ends up inadvertently dominating government at the centre (presumably without the brief or competence to make things cohere). No changes are proposed for the Treasury, its operations are never cited as problematic in any way and it is spoken of only in hushed, respectful terms. Of course, the IFG intends the new Department for the Civil Service (DCS) to form some kind of counterweight to the Treasury, but it stands absolutely no chance of working in this role (or indeed most other respects). If DCS was ever created, its top minister will be no ‘First Secretary’ of any salience. Instead, as with the Cabinet

Office rump now, the minister in charge will likely be someone entirely unimportant in the ministerial rankings, yet another Chancellor of the Duchy of Lancaster or minister no one quite knows what to do with. Put the head of the civil service into a DCS like this, and you can be sure that their role will be a tiny and uninfluential one, as it was before when this separation was tried for a few years.

What would a better solution be? How could a genuinely effective new counterweight to the Treasury be established in a way that will help unify government? In addition to the IFG's suggested PM and Cabinet Department, the key step needed is to move everything else that the Cabinet Office now does into a properly run and really powerful full ministerial Whitehall department that is not the Treasury. The critical step here is to take away the control of public spending from the Treasury, forcing it to concentrate just on its macro-economic role and its much-neglected supervision of HMRC and its previously sloppy and erratic tax policy-making (e.g. yoyoing National Insurance). Of course, the Treasury would still set the total for aggregate public spending, along with the Office for Budget Reform. But it would cede all detailed control of public spending to a new Ministry of Finance – again on the Australian pattern.

The Treasury has hung onto the spending control function long after it emasculated its expenditure divisions during the austerity cuts, leaving them visibly with little expertise and operating mechanistically, in ways that damage public services provision. For generations also the Treasury has made poorly informed, ham-fisted and under-committed joint efforts with the Cabinet Office to improve public services efficacy – with no discernible results in improving government productivity. The new Department of Finance should control how all public spending is allocated across other ministries.

The new department's role should include scrutiny of (indeed especially) of the Treasury itself, given

- the stunning Covid incompetence of 'Eat Out to Help Out',
- massive, unrecovered Covid furlough frauds,
- a complete failure to control value for money in the Test and Trace Programme
- and inability to stem the unbelievable public procurement corruption around Personal Protective Equipment.



Well documented by NAO these catastrophes show that the Treasury has been and remains grossly overloaded in trying to handle spending control as well as being a macro-economic ministry, and supervising HMRC (which it has woefully failed to do). The Treasury has also inexpertly presided (in fresh out of Oxbridge naïve ‘generalist’ mode) over the spirally decline of procurement effectiveness across all the public services – which accounts now for a third of public spending. Finally, of course, the Treasury has had fifty years to come up with any effective strategy for genuinely enhancing government productivity and driving digital era progress, but only under Jeremy Hunt in the last few months has it shown the slightest hint of how to do anything effective.

Instead of the IFG’s weak and hopeless Department of the Civil Service, its Commission should have recommended creating a genuinely substantial counterweight to the Treasury in the form of a Department for Finance, Procurement and Productivity (DFPP) that

- Allocates and scrutinizes all public spending across departments, within the macro-limits determined by the Treasury.
- Re-grips public procurement with an iron grasp to tighten up the hopelessly unrigorous and complex procurement structures now in place, not just in Defence and the NHS but across all Whitehall departments.
- Takes a clear-eyed view of when UK government can save money by bringing back outsourced services in-house, against the previous Treasury ideological neo-liberal orthodoxy that brought us the HS2, water industry and non-regulation of privatized industries fiascos.
- Is committed to working collaboratively with all department on a long-run programme to grow the productivity of public services in the radical ways that the third wave of ‘digital era governance’ now makes feasible.
- Can work to rebuild long-run government resilience and capacity at the centre, acting with the new PM & Cabinet Department, advising the Treasury in realistic terms on determining public spending needs, and acting co-operatively with Whitehall and the devolved governments. This purposefully-designed structure would sweep away the tangle of ad hoc and political

expedient ‘planning’ and contract-approval machinery of the post 2010 period, which reached its nadir in the KPMG-run Test and Trace disaster.

- Can force the Treasury to account explicitly for its huge ‘tax expenditures’ incurred by creating complex tax exemptions for business or other politically salient lobbies, at a huge cost to the UK’s overall ‘tax morale’. Similarly the Treasury and HMRC need to be held accountable for the unparalleled scale of tax evasion and tax avoidance enabled by lax or scanty HMRC enforcement actions.
- Can help Whitehall begin to put right the enormous damage to resilience and governance capacity done by two decades of short-sighted ‘new public management’ strategies. Radically new governance capabilities need to be created e.g. to reverse the incessant bed-pruning in the NHS that has maintained unsustainable 95% bed occupancy, at huge national cost during Covid and since; or rectifying the UK’s now severely undersized armed forces, weak reserves and depleted industrial base in Defence.

This brief for the FPP department is hugely strategically significant if the next Labour government is to correct the years of decline in state capacities of the last 15 years, and if the new labour government is to efficiently generate the resources it needs for productive public service improvements. Unlike the anaemic DCS proposal from IFG, a key ministerial brief for such an FPP department would attract a senior politician to steer things through and to make the fundamental landscape change that the UK core executive has needed for so long.

### **Think tank or junk tank?**

Most of what passes for think tanks in London these days are actually ‘junk tanks’ where poorly informed quasi-journalists scribe away at the behest of unnamed corporate finance sponsors to come up with wizard wheezes and political gimmicks that suit the sponsor’s hidden financial or corporate interests. Based on just a little amateurish study, and drawing only in the most superficial ways on social science research, they typically result in unevidenced tinkering with no observable impacts. In the past the Institute for Government used to stand in a clearly different place, conducting its own solid and up to date research on some intra-Whitehall matters, maintaining some

worthwhile academic and critical connections and plausibility, and hosting seminars that genuinely spanned across the political divides.

But *Power for Purpose* marks a disturbing recent tendency for IFG to go the other way, to become simply an establishment junk tank for Whitehall, uncritically filtering out any criticisms of ministers or civil servants in its publications in favour of unreflective (albeit ‘moderate’) elite consensus-mongering. How else can one explain that this IFG Commission sat for so long to produce its underwhelming recommendations including such obvious political non-starters? Why did no one apparently seek to challenge or stress-test the emerging ‘line’ for feasibility? In the same vein another recent IFG ‘commission’ on the constitution managed to include no serious or committed constitutional reformers, and failed even to reference the more extensive or radical reform literature produced elsewhere, coming up only with tiny tinkering changes whose effects would be negligible.<sup>7</sup> A remarkable recent academic article by staff members drew heavily on the IFG-curated database of ministerial recollections to explore ‘ministerial learning’. Its authors completely excised from their vocabulary any mentions of ‘problems’, mistakes, crises, policy fiascoes, blunders etc., so that ‘ministerial learning’ consisted only of positive lessons - without *any* negative feedback from mistakes that any reputable psychologist would recognize as vital for learning.<sup>8</sup> The same ‘sanitize everything’ tendencies to not even mention things going seriously wrong with UK governance also characterize *Power with Purpose* with a vengeance – the text occasionally acknowledges that UK governance has ‘issues’, but makes no mention at all of ‘crises’, mistakes, institutional decline or even conflicts amongst ministers.

IFG’s movement into spinelessness and apparently giving up on genuine evidence or critique are severely adverse developments for the quality of public debate. It must be hoped that with a change of government in the autumn or before, and with ministers confronting a daunting agenda to try and control past mistakes, the Institute

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<sup>7</sup> Institute for Government, *Review of the UK Constitution: Final report*. London: IFG, September 2023. Open access at: [https://www.instituteforgovernment.org.uk/sites/default/files/2023-09/review-uk-constitution-final-report\\_0.pdf](https://www.instituteforgovernment.org.uk/sites/default/files/2023-09/review-uk-constitution-final-report_0.pdf)

<sup>8</sup> John Boswell, Jessica C. Smith, Daniel Devine, Jack Corbett, ‘Learning to govern: A typology of ministerial learning styles’, *Public Administration*, 11 March. Open access at <https://doi.org/10.1111/padm.12994>

for Government will be able to find its way back from its isolation and timidity. It needs to cultivate a renewed ability to think outside an incremental elitist box, to engage with serious academic evidence and critical literature once again (not just old-time ministers self-serving recollections in its interview archives), to recognize its own limitations and biases in a more self-critical way, and to get into better perspective the shockingly poor record of both UK government and the civil service in the last fifteen years.

Meanwhile *Power with Purpose* is likely to be a useful read only for UK core executive nerds like me. It includes some shrewd analysis (of Cabinet Office failings especially) and at points it discusses some interesting detailed institutional policy options. My guess, however, is that absolutely none of its recommendations (even the worthwhile PM & C Department) will get implemented. Most of them should not even be further discussed. But readers will find it a useful exercise to figure out why this should be, and how such a 'dead on arrival' report came to be written, as I did.