[Anne White](#) and [Patrick Dunleavy](#)
Making and breaking Whitehall departments: a guide to machinery of government changes

Report

MAKING AND BREAKING WHITEHALL DEPARTMENTS

A guide to machinery of government changes

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Foreword

The ability of British Prime Ministers to rearrange Whitehall departments serves as a powerful tool to meet existing and emerging policy challenges and one we think should be preserved. Politically, the configuration of departments provides the framework for Cabinet membership and allows a Prime Minister to put a stamp on the building blocks of Whitehall, as well as signal priorities to the electorate. Indeed, it is such an important tool that only one new Prime Minister since 1950 has chosen not to reconfigure departments in some way after assuming the leadership.

Machinery of government change, however, can be a very blunt instrument. We researched department reconfigurations from 1979 to 2009 and found that whilst they may bring advantages, the majority of changes were insufficiently planned, announced at very short notice and always involved costs.

This report aims to provide some insight into department changes of the past 30 years and we present some in-depth case studies of changes which were deemed to be especially successful by our interviewees. The recommendations we propose do not limit the Prime Minister's ability to make well-prepared changes to the structure of Whitehall. Instead, our research seeks to help Whitehall minimise the costs of reconfigurations so when Prime Ministers do decide to build and dismantle Whitehall departments, they do so using a more considered and planned approach.

I hope we have been able to provide some insight into the changes which Whitehall has experienced in the past 30 years and that we stimulate some debate over how changes could be more effectively managed in future. The overarching objective of the Institute is to inspire the best in government through considered analysis, learning and debate. I hope you find this report a worthy contribution to that mission.

Lord Bichard
Executive Director, Institute for Government

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About the authors

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Acknowledgements

Executive summary

To change the shape of Whitehall – and by extension to alter the trajectory of ministerial careers – at the stroke of a pen is one of the most powerful tools at the disposal of the British Prime Minister.

At their best, these machinery of government changes provide a way to adapt government departments to meet long-term policy and administrative goals. Our research shows that the most effective reorganisations over the past 30 years have had these kinds of goals at their heart. But however successful a new department might become, long term governance arrangements are seldom the primary motivation for machinery of government changes. Reconfigurations always provide the opportunity to reorder the Cabinet, reward allies and signal new priorities to the electorate.

These potential benefits come at a price: whatever their motivation, machinery of government changes are often announced at very short notice, usually poorly managed and always costly. Where a wholly new department such as the Department for the Environment and Climate Change (DECC) is created, our research shows costs of at least £15m are incurred in the first year just to cover the extra staff and building expenditures required to support a new team of ministers.

Productivity losses and pay settlements can increase this figure substantially. We estimate the cost of creating the Department for Environment, Food and Rural Affairs (DEFRA) to be over £30m, and the price of creating the Department for Work and Pensions (DWP) at almost £175m. In some cases, new departments are created only to be abolished within a short period, such as the Department for Innovation, Universities and Skills (DIUS).

The current procedures for reorganising Whitehall departments do little to minimise these costs. The common themes that emerged from our 34 interviews with a wide range of senior and former officials included:

No time to plan: new departmental structures are often announced by the Prime Minister with little or no prior planning. The transition teams tasked with reorganising or creating entirely new departments were often forced to 'go live' with insufficient planning time and with little or no resources in terms of staffing, buildings or equipment. In many cases, departments were created over a weekend, and in the exceptional case of DECC the team was given only one night to prepare.

Lack of funding: new departments are allocated insufficient budgets to cover the set-up of corporate overhead functions. This is partly because the Treasury insists, somewhat unrealistically, that all changes are cost neutral.

Overloaded staff: once departments are live, top officials and transition teams find themselves with a double workload, running day-to-day operations while also undertaking the strategic planning needed for new or reorganised departments.

Little central support: the Cabinet Office and Treasury do not have the resources to provide effective support to new departments.

Shaking up Whitehall

Despite these drawbacks, our report does not argue against the use of machinery of government changes *per se*. Whitehall departments may need periodic shaking up, if only to force new issues onto the administrative agenda and to tackle underperformance.

While the current insistence on doing machinery of government changes quickly and in secret makes it nigh on impossible to manage them well, there are examples of departments, such as DWP and DECC, that make a great deal of administrative sense. Our case studies demonstrate that success is possible when changes are well planned and properly implemented, where a strong rationale for the changes can be made, and where staff can be positively engaged in making them happen. But important questions need to be considered before making any changes:

Figure 1: Questions to ask before reconfiguring departments

Questions to ask before reconfiguring departments		Our analysis shows that:
1.	Have we considered the alternatives to machinery of government change?	Administrative savings and greater policy coordination can often be achieved without reconfiguring departments.
2.	Are we prepared to spend at least £15m on this?	Restructuring costs are at least £15m.
3.	Are there big pay differences between staff in the affected departments? If so, are we prepared to level up salaries or risk industrial action?	Levelling-up differential pay can be a massive cost, exceeding £170m in one case.
4.	Can we afford a productivity dip and to wait for at least two years before realising concrete benefits of this reorganisation?	It takes at least two years for the new organisation to settle and three or more years to start realising expected benefits.
5.	Is this reorganisation really just about the politics of cabinet formation?	Changes undertaken for purely political reasons are the least likely to deliver real benefits.

Where department reconfigurations are deemed necessary and desirable, we find that a number of small but important changes would enable politicians and officials to strike a better balance between the political imperative to change departmental structures and the managerial imperative of good administration:

1. Changes should be announced early enough to allow effective planning for the transition

Departmental reorganisations should be unlinked from the immediate context of ministerial reshuffle announcements. Departments should not be created until at least four weeks after they are announced, giving time for initial preparation and set-up. Any large-scale changes should not be implemented until after an affirmative parliamentary resolution (point 2 below). The current conventions of maintaining extreme secrecy about prospective changes of department structures should be abandoned.

2. An affirmative parliamentary resolution should be required within six months of a reorganisation

All departmental reconfigurations should require an affirmative parliamentary resolution when transfer of functions orders are laid and before substantial reorganisation work begins. Parliament should have an opportunity to consider departmental changes in a detailed way before a vote is held, possibly in the Liaison Committee of Select Committee chairs in the House of Commons, or possibly in a joint meeting of relevant departmental select committees. The Cabinet Secretary and permanent secretaries involved should attend to outline how it is intended that planned reorganisations will work. A detailed cost-benefit analysis of the changes made and a properly developed business plan should be considered in advance of the main parliamentary debate by the relevant departmental select committee, assisted by staff from the National Audit Office. The Treasury must be more realistic in recognising that new and heavily reorganised departments will necessarily incur extra costs for at least their first year and that this needs to be factored into reorganisation planning.

3. New and radically changed departments should receive more support from the centre

The Cabinet Office and Treasury need to improve their procedures and capabilities to provide more positive support for new or heavily reorganised departments. The Cabinet Office should create a capacity to provide a 'scratch team' to run a new department's core responsiveness operations for a transition period of at least six weeks, helping set-up press operations, interim human resources functions and facilitating IT and finance systems changes, while its senior officials are undertaking the reorganisation work. The Cabinet Office should recognise that the reorganisation of departments is a vital task that is likely to recur reasonably frequently, and should henceforth be properly documented and continuously improved over time – instead of the current situation where experience resets to zero in each new case.

4. Post-change assessments

The cost-benefit analysis, business plan and strategic change programme originally submitted to Parliament should provide a focus for the relevant departmental select committee to assess the benefits and costs of changes, assisted by staff from the National Audit Office, within 18 months to two years. By this time changes should have 'bedded in' and differential pay or productivity dip problems should be evident.

Looking forward

The changes we propose do not limit the Prime Minister's ability to make well-prepared and properly considered changes to the structure of Whitehall in a timely way. However, they would improve the executive's accountability to parliament and the public for changes made to the structure of government. Taken together, our recommendations would help minimise the costs of changes and enhance the likelihood of putting through organisational changes that are well-considered, properly planned and implemented in a sustainable way, and which positively build the capacity of UK central government. In the wake of the recent general election, and with a looming period of relative austerity in the public sector, there is no better time to reconsider how machinery of government changes are undertaken.

1. Changes in the United Kingdom and other countries

One departmental reorganisation after another in short succession is increasingly seen as, at best, a 'mixed blessing' for the UK – a symptom of the 'hyperactivism' of the political class and of the country's exceptional under-provision of constitutional safeguards.

In this section, we consider whether the UK is in fact hyperactive in the pace of its reorganisations by examining:

1. how political and administrative factors are involved in the decision to make a change of departments;

2. the extent and pace of change in the UK, asking whether it has accelerated under New Labour compared with previous UK governments;

3. whether the UK's record of changing the centre of the machine is exceptional compared with other Organisation for Economic Co-operation and Development (OECD) countries.

Finally in this chapter we look at whether the *process* of change in the UK is exceptional in allowing Prime Ministers to change the structure of departments without much accountability.

The politics and administration of changing departments

The main Whitehall departments are critically important to how the UK state is organised. Their top ministers are secretaries of state with guaranteed seats in the Cabinet and its sub-cabinets and committees. The main departments also organise and give top-level purpose and direction to the wider public sector, directly controlling an apparatus of executive agencies, non-departmental public bodies (NDPBs) and main quasi-governmental agencies, plus a very few non-ministerial departments (of which the main example is Her Majesty's Revenue and Customs (HMRC)). Beyond these executive bodies, the central state embraces regulatory, advisory and consultative organisations, again organised into departmental fiefdoms. Outside central government, many Whitehall departments have further extended groups of 'client' bodies or stakeholders, whose inputs they organise into government decision-making and whose activities they fund and link to targets. In all, there are at least 950 such arms-length bodies (ALBs) reporting to Whitehall and at least 11 distinct 'types' of ALB operating at different degrees of remove from Whitehall control.[1]

Thus departments are the key bridge between the core executive of Cabinet, Prime Minister, Treasury and other core departments and committees on the one hand and the 'front-line', delivery-level public sector agencies on the other: local authorities, NHS bodies, police forces and so on. Devolution to Scotland, Wales, the Greater London Authority and Northern Ireland has nibbled important edges away from Whitehall's domain. But the strength of the UK-wide functions and the predominant size of England in the union both mean that we remain one of the largest undivided government administrations in the western world.

So how departments are structured and restructured matters a great deal, both at the top political level, in terms of the Prime Minister's ability to get the best possible performance from her or his government and at the administrative level.

In Whitehall speak, the reorganisation of the main departments is termed 'machinery of government' (commonly abbreviated to MoG) change. In some other liberal democratic countries (such as the US) changing national government departments is rarely undertaken and requires Herculean efforts at achieving consensus before reforms can be made. But in the UK the organisation of Whitehall basically stems from Crown prerogative powers – that is from the unremoved autocratic powers of the medieval British monarchy. Like almost all other Crown prerogatives (such as the ability to declare war or sign international treaties) the ability to re-sculpt Whitehall's departmental structure is fundamentally exercised on the Crown's behalf by government ministers, in this case specifically the Prime Minister, with some subsequent parliamentary scrutiny.

Balancing three sets of influences

In deciding whether to keep things as they are or on the need to make a change, and in choosing which particular change or combination of changes to make at any one time, the Prime Minister has to balance three main influences: external pressures, administrative challenges and political and cabinet-making considerations (Figure 2).

Figure 2: How the Prime Minister decides on departmental reorganisations
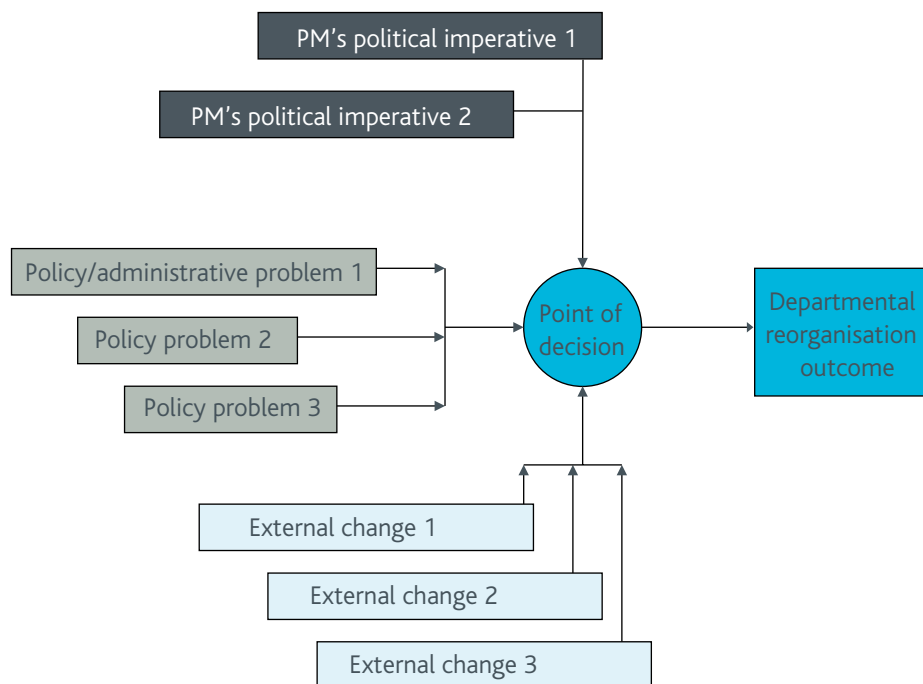
1. **External change** One fairly constant motor of changes at the departmental level (and in terms of the substructure of agencies and executive bodies) is the *alteration of the external context*, the growth of new demands and priorities for the UK state to grapple with. Some of these changes can be coped with in other ways than to expensively reorganise departments, especially by creating cabinet committees, pooling budget-lines or forming cross-cutting task forces or working groups across the existing departments. But where this first recourse has not fully worked, or the new priority or issue has begun to look more permanent or more serious, then the issue will arise of vesting it directly with a secretary of state and a department who can bring both the political priority and the administrative focus needed.

2. **Administrative challenges** A second set of influences on the Prime Minister's thinking, and one that he or she will discuss in detail with the Cabinet Secretary who heads the home civil service, concerns *the performance of existing departments and administrative arrangements*. If a minister personally is the main source of problems, he or she can be moved in the annual cabinet reshuffle that takes place (usually in June). But if a problem is more long-standing, in the structure or set–up of the department itself, or in the split of connected issues or functions across different departments, then changing ministers will not solve the difficulty. At one time, these matters were known principally to Whitehall insiders and surfaced only episodically in Parliament, in reports from the National Audit Office (NAO) or in the writings of experienced Whitehall watchers. But over the years the relative performance of Whitehall units has become more open to public and media inspection, and it is now publicly charted in a rather coded way by the regular Cabinet Office 'capability reviews' of departments. Normally the PM and Cabinet Secretary will have a small number of problem areas to consider in existing arrangements, some of which may correlate closely with new issues or priorities, and some of which are purely intra-governmental in character.

3. **Political and cabinet-making considerations** The final set of influences on the Prime Minister are political and cabinet-making considerations. The Prime Minister does not directly control much by way of an administrative apparatus. In order to get things done, he or she appoints secretaries of state and junior ministerial posts from the available pool of senior party colleagues. Changing the set up of Whitehall departments is necessarily and inevitably bound up with the premier deciding exactly who should sit around the cabinet table and with what resources and ministerial brief. It involves the PM balancing political priorities, and setting a balance of power between the wings of their party (or in future, perhaps between different parties in a governing coalition). And the PM must work with the ministerial materials that he or she has to hand in the senior echelons of their party, with the particular personalities and sets of talents and vulnerabilities amongst the people judged sufficiently credible and competent enough to hold down the secretary of state role. A good minister for issue Y may well perform badly if suddenly asked to tackle issue Z, their style or interests no longer closely matching with the subject matter or the particular demands of a different ministerial role.

As a result any Prime Minister contemplating a reorganisation of the Whitehall machine must necessarily combine a bewildering set of considerations – main changes in the external governing context, internal administrative and policy reasons, and political and cabinet-making factors – into a single overall strategic judgment. At each point of decision the external and policy factors are likely to throw up at least four or five possible options for adjustments, some of which might be combined, but which cannot all be tackled at once.

The Prime Minister must therefore pick and choose among a range of potentially viable alternative changes, deciding which ones can be accomplished in a given year and which must be left for a later date or addressed in other ways. At the same time, the PM's picking and choosing will be intensely influenced by short-term factors, the need to ensure party and governmental unity and top performance, the need to appease disgruntled senior colleagues who might otherwise depart or cause trouble, the need to bring on younger talents in the ministerial cadre, and, above all, the need to signal to voters, the media and Parliament that the government is purposeful, addressing the key political issues effectively and responding agilely to new threats and opportunities affecting the UK.

The role of the Cabinet Secretary

The Prime Minister's decision is likely to be heavily influenced by political and personal factors about cabinet colleagues that he or she has most immediately experienced, even if these factors are rather short-term compared to some of the longer-term issues involved in department reorganisations. The desire of a key minister to tackle a certain policy challenge or take on additional functions coupled with the Prime Minister's need to govern and manage Cabinet may override disruption to departments if a change could solve the former problem. The key role of the Cabinet Secretary in advising the premier on these issues is to represent the administrative and longer-term interests of the Whitehall machine, to try and ensure that any rearrangement eventually chosen will work effectively and have a good chance of becoming a long-standing part of the architecture of Whitehall and contributing to the stability, durability and performance of the government machine.

In suggesting solutions the Cabinet Secretary and his or her staff are generally more experienced than even the longest-standing premier. The Cabinet Secretary has access from the inside to a history of Whitehall folklore replete with stories of the same solutions already tried and not working, or of closely analogous solutions attempted and later scrapped. The implications of reorganisations can therefore be better weighed and their implications worked through for different elements of the government's programme.

Types of reorganisation

The Cabinet Office can put on the table for the PM to consider many differently shaped types of reorganisation, including the following elements summarised in Figure 3. At any one reorganisation a complex range of interrelated moves may be made affecting several departments at the same time, so that many changes will combine elements of two or more of the changes below.

Figure 3: Types of reorganisation

Type of MoG Change	Description	Example
Mergers	Department level merging of entities or significant functions into a new organisational entity	Climate Change (DEFRA) merger with Energy (BERR) creates DECC
Demergers	Department level demerging of significant functions into their own entity	FCO splits into DFID and FCO
Start-ups	Creating a wholly new ministry with new functional priorities requiring new corporate centres	DIUS
Major acquisitions/ transfers of functions	Sub-department level mergers and demergers of functions	NOMS (HO) transferred to MoJ
Terminations	Legal cessation of departments and transfer of remaining functions to other organisational entities	MAFF

- *Department mergers*, bringing together previously separate ministries, as with the merging of the Inland Revenue and HM Customs and Excise into a single tax-raising ministry, Her Majesty's Revenue and Customs (HMRC). A hallmark of mergers is that the total number of departments falls by at least one – at least one existing identity ceases to exist.

- *Demergers*, separating out into a new department a set of functions previously carried out as a sub-component of a broader department, as with the creation of the Department for International Development out of the Foreign and Commonwealth Office in 1997.

- *Start-ups*, creating a wholly new ministry, as with the ill-fated Department for Innovation, Universities and Skills in 2006, although (as in this case) the component elements of a start-up will usually already exist elsewhere and thus require a combination of a merger from two or more other departments as well as the demands of a start-up.

- *Major acquisitions and transfers of functions* are essentially the government equivalent of corporate takeovers and buy-outs. Two or more departments remain in being, but a substantial set of responsibilities are shifted across from one to another. The leading recent example is the creation of the Ministry of Justice (MoJ) in 2007 by re-allocating prisons and the probation service (supposedly integrated under the National Offender Management System, NOMs) from the failing Home Office to be run instead in harness with the existing responsibilities of the Department of Constitutional Affairs (DCA). Whereas the previous Home Office/DCA boundary ran between all 'law and order' activities on the one hand and the courts on the other, the new boundary line lay between activities leading up to arrest (on the Home Office side) and all subsequent courts and sentence-related activities (run by the Ministry of Justice).

- *Terminations* are essentially decisions to close down a department and transfer its remaining activities to other departments; usually because one or more of its key functions has been reorganised and the remaining activities no longer have the critical mass to justify a secretary of state position with a seat at Cabinet. A clear case was the 1992 abolition of the Department of Energy, following the privatisation of the UK's previously state-owned gas and electricity industries, and the asset sales of large government oil industry stakes in the North Sea and in BP[2]. Occasionally, political factors may prevent the complete abolition of a department title associated with one previously powerful minister, even though its role has largely disappeared, as in the last phase of John Prescott's Office of Deputy Prime Minister (ODPM) from 2002 to 2007.

How frequently and extensively is Whitehall reorganised?

The pace of change in Whitehall is quite dynamic. Figure 4 shows a synoptic picture of Whitehall reorganisations that have taken place across the three decades from 1979 to 2009. The unbroken lines here show which departments of state have survived unchanged by mergers, demergers and other reconstitutions of their role in this period; the list is not large, comprising:

- the Ministry of Defence, although it has been internally reorganised in major ways;

- the Treasury, although it has accreted functions and its relationship vis a vis the new integrated tax agency, HMRC, changed significantly in 2005;

- the Cabinet Office, although it has swelled and shrunk periodically as it has added non-core functions and then shed them again;

- the Scottish and Welsh Offices, although their roles diminished hugely in favour of the devolved governments of Scotland and Wales from 1999 onwards. Indeed nowadays their Secretary of State roles may be combined with holding other departmental briefs.

Every other department has been substantively reorganised, even those such as the Home Office which has managed to retain the same name across the entire period but lost a large part of its traditional role to the Ministry of Justice in 2007.

Figure 4: Department changes in Whitehall from 1979 to 2009
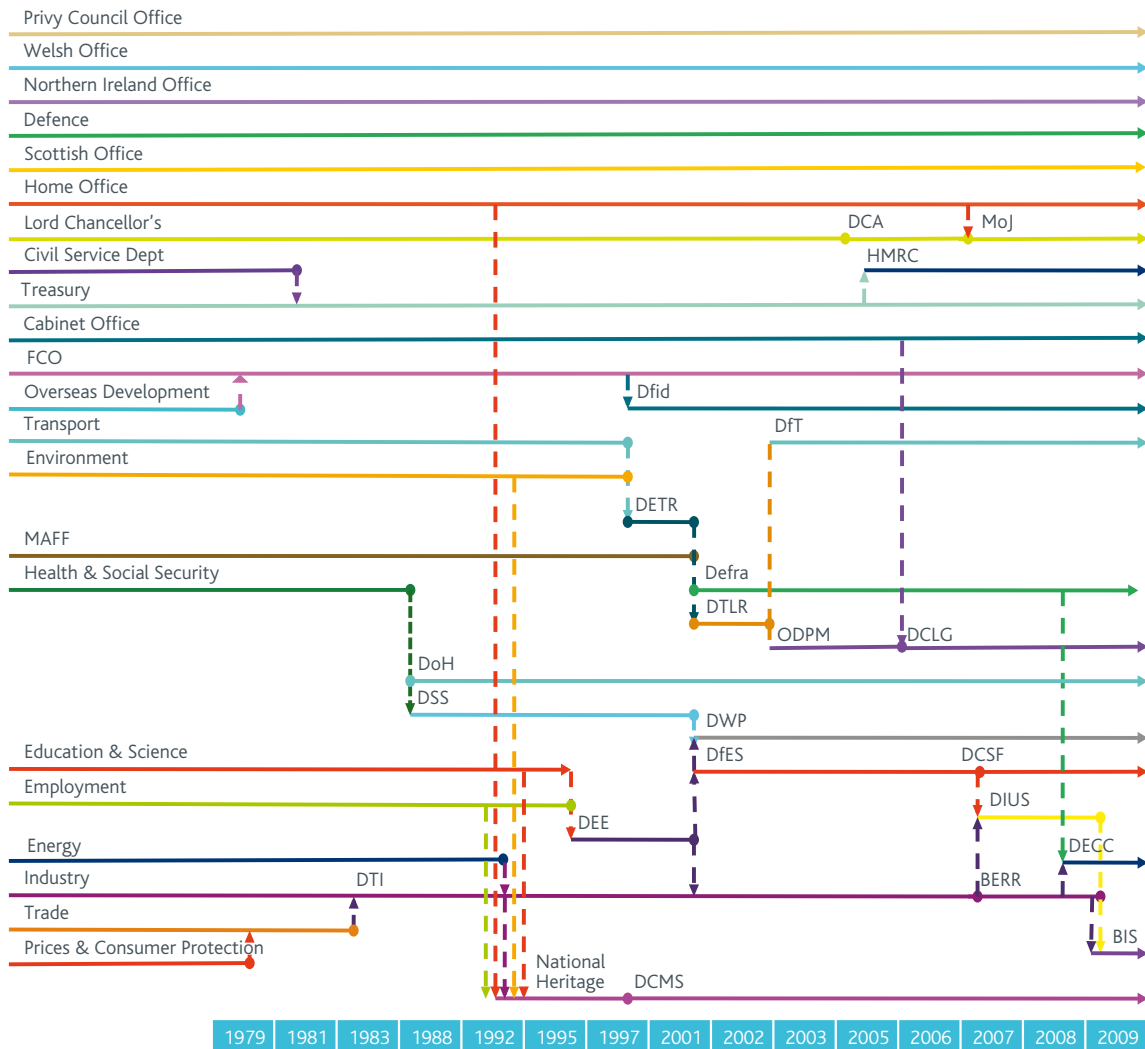
Figures from 1950-1979 derived from Davis, Weller, Craswell and Eggins (1999).

Trends in the pace of reorganisation in the UK

Have the trends for reorganisation speeded up or become more extensive in modern times, and if so for what reasons? In particular, is there evidence for the commonly held perception (since the days of Harold Wilson) that Labour premiers tinker around more with departments than Conservative ones?

Figure 5 shows that for many decades the number of departments has actually remained surprisingly constant at around 20. So if tinkering has been going on, it is with a largely fixed number of departments and size of cabinet. The bottom bars in Figure 5 show the overall numbers of departments affected by major reorganisations in any year (which peaked in 1971 under Heath) and the numbers of net new departments (which are sometimes positive and sometimes negative).

There is a relative scarcity of departmental reorganisations from 1975 to 1996. Mrs Thatcher certainly believed that department reorganisations were largely unnecessary, but it is important to note that her government, and that of John Major, presided over unprecedented changes at the sub-department level – selling state-owned enterprises to the private sector and pushing through the 'Next Steps' agencification programme that affected 55% of the UK civil service from 1988 to 1995.

Figure 5: Trends in MoG department changes since 1950
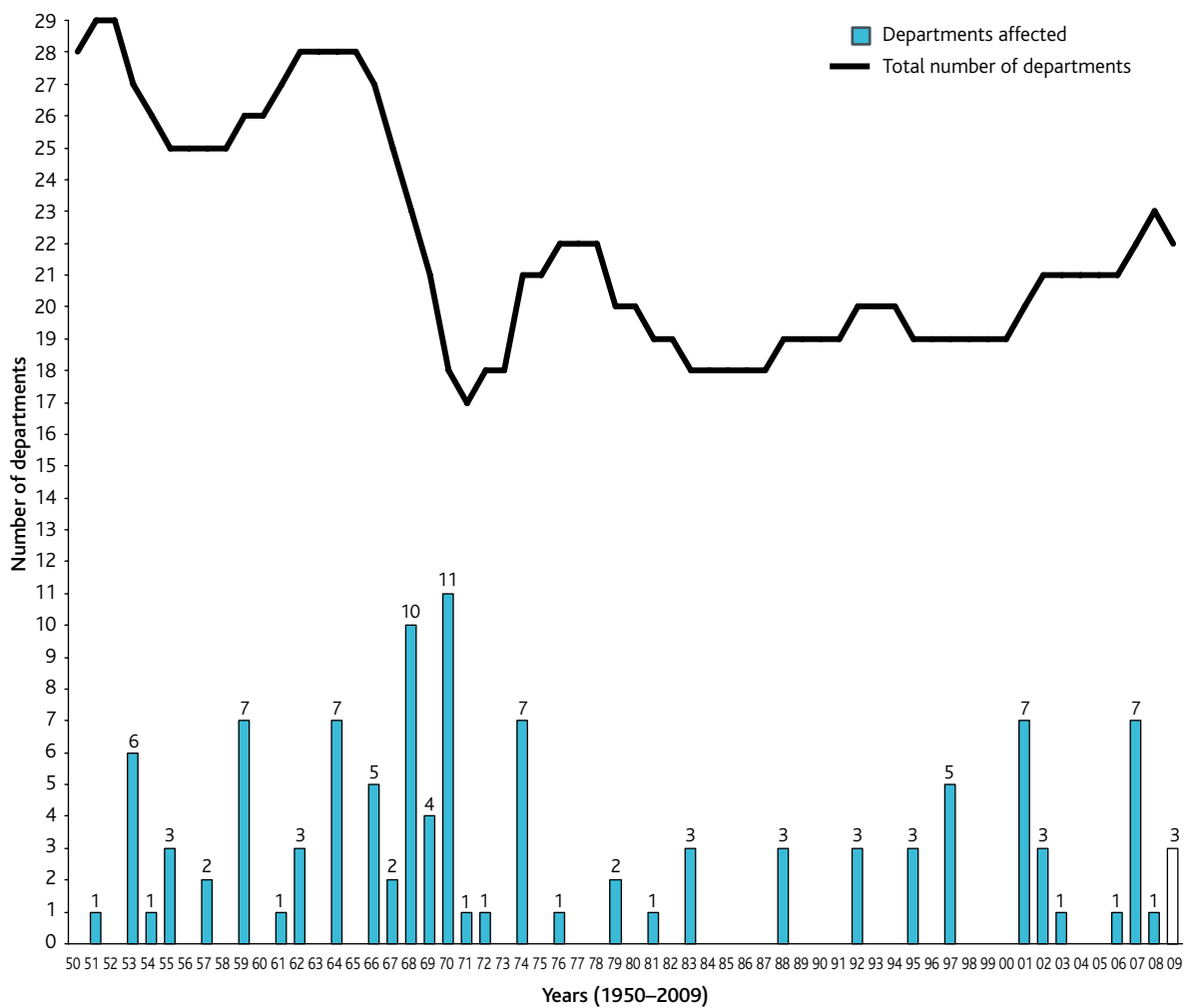
Figures from 1950-1979 derived from Davis, Weller, Craswell and Eggins (1999).

Arguably there is a fairly fixed capacity for overall public sector organisation to be changed in any given time period, and so the Conservatives' focus on restructuring sub-departmental operations may largely account for much of the stasis in top-level Whitehall organisations in the 1980s and early '90s.

Labour expands and Conservatives consolidate

Figure 6 shows machinery of government changes per prime ministerial term and confirms that post-war Labour governments have tended to be slightly more active in changing departments (Labour governments on average implementing changes that affected 13 departments versus 8.6 for Conservative). Similarly, Tory governments have typically re-structured Whitehall in a way that has reduced the total number of departments (by on average a reduction of 1.4) while Labour governments have tended to increase them (by on average 1.2).[3] This may give us a general idea of what to expect following general elections where a party holds a majority of the votes.

Figure 6: Department reconfigurations, 1950-2009

Number of departments affected

Brown	11
Blair	19
Major	6
Thatcher	9
Callaghan	1
Wilson 2	6
Heath	14
Wilson 1	28
Douglas-Home	7
McMillan	13
Eden	3
Churchill	8
Labour average	13
Conservative average	9

Net change

Brown	1
Blair	2
Major	0
Thatcher	-3
Callaghan	1
Wilson 2	4
Heath	-2
Wilson 1	-2
Douglas-Home	-5
McMillan	3
Eden	-1
Churchill	-2
Labour average	1
Conservative average	-1

Labour
Conservative

Note that the averages calculated for Labour and Conservatives are averages for the political parties over this time period. They do not reflect premier tenures. Figures from 1950-1979 derived from Davis, Weller, Craswell and Eggins (1999).

Looking in more detail, Figure 7 shows that department reconfigurations are most likely after leadership changes – whether these occur post-election or simply after a leadership change post-appointment, that is, when a new Prime Minister assumes the leadership due to the resignation of his or her predecessor. In all Prime Ministerial leadership changes since 1951, only John Major in 1990 left the department configurations untouched within his first months in office. Indeed, it was not until after the 1992 election that he changed the department machinery by creating the Department of National Heritage (now the Department for Culture, Media and Sport) and abolishing the Department of Energy by merging it with the Department for Trade and Industry (DTI).

Figure 7: Department reconfigurations post-appointment and post-election, 1950-2009
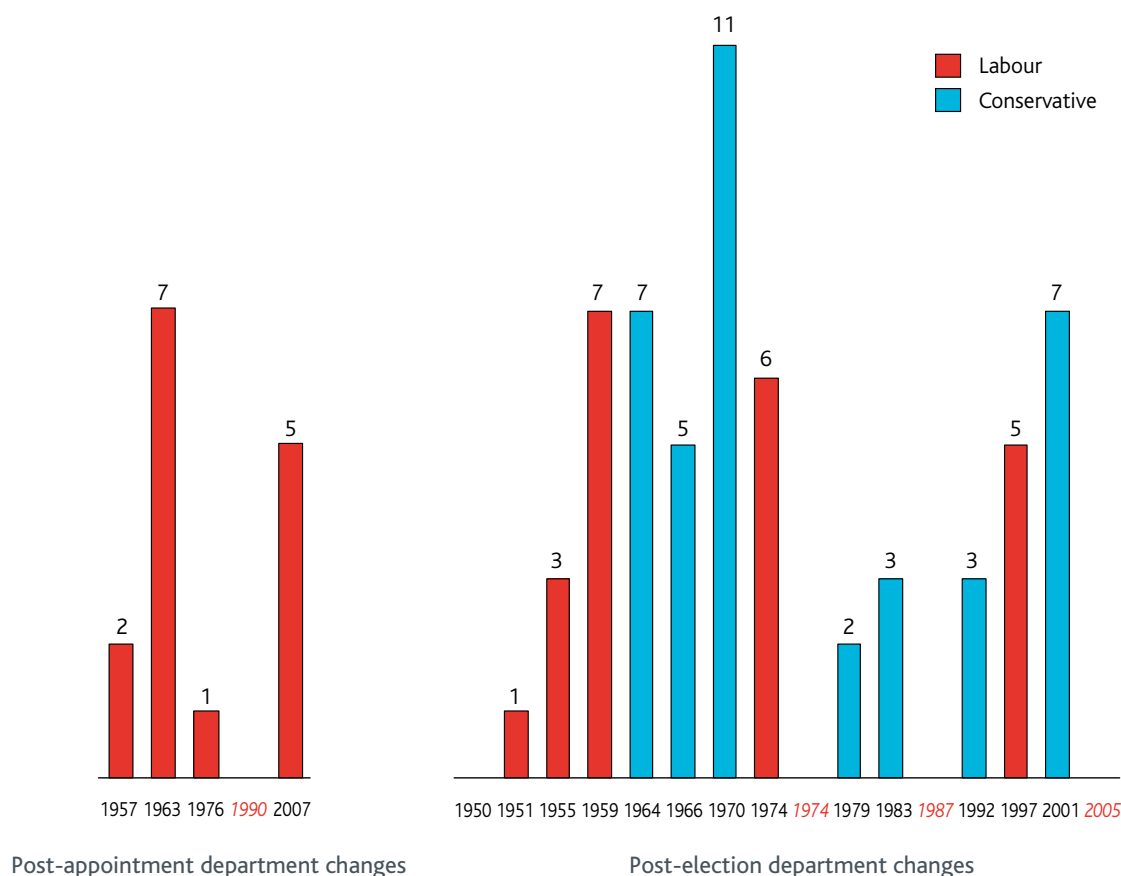
Figures in red italics are for emphasis only and indicate the years when new Prime Ministers (post-coronation and post-election, respectively) abstained from reconfiguring departments. Figures from 1950-1979 derived from Davis, Weller, Craswell and Eggins (1999).

Interestingly, at the start of the last period of minority government in 1974, the incoming minority government under Harold Wilson made six changes to department configurations within his six months tenure leading up to the second election of 1974.[4] No further changes were made by Wilson in majority government after 1974 nor during the Lib-Lab Pact of 1977-78.[5] James Callaghan, as a new Prime Minister put his stamp on the government machinery in between these periods by creating the Department of Transport in 1976 which was the only change made while in office.

Figure 8 separates changes made by premiers in their first two years in office and illustrates that Gordon Brown does seem to show a greater proclivity to change Whitehall departments around, paralleled only by Edward Heath's record – at least in the first two years in office. However, Brown's record may look more exceptional because he is new to power, and so has not yet had time to consolidate a governance structure that he can live with. Indeed, Heath, who commissioned the committee on *The Reorganisation of Central Government* in 1970, restructured the majority of departments within his first two years and subsequently left the departments quite stable.

One of the reasons why departmental changes may seem particularly turbulent in recent times is that they form part of a wider picture of ministerial changeovers, where there has been something of an acceleration of the 'churning' of ministers through different positions in the last decade.[6] Every new secretary of state may create significant changes to departmental policy, distancing themselves from previous political initiatives or adopting a different style and set of priorities. Even in a department with a completely stable configuration, the cumulative effect of rapid changes of leadership raises significant issues. For instance, in a lecture at LSE in May 2008, the then recently retired Sir Richard Mottram, noted:

> *One of my old departments (the Department for Work and Pensions) is… an employment and financial services organisation of world scale. It can be argued whether its secretary of state is by private sector analogy its Executive or Non-Executive Chairman for management purposes. (Clearly for strategy and policy he has a strongly executive/deciding role). Either way, the DWP has had six Secretaries of State since 2002, some brought down by events, one who resigned for his own reasons, a number simply reshuffled. If DWP were a regulated financial institution, this scale of turnover would surely have attracted the regulator's attention (Mottram, 2008).*

Subsequently the Secretary of State for Work and Pensions changed twice more by the time of writing, making eight top ministers in all across the eight years between 2002 and 2010.

Figure 8: Change in first two years of term vs. change in rest of term (and total number)
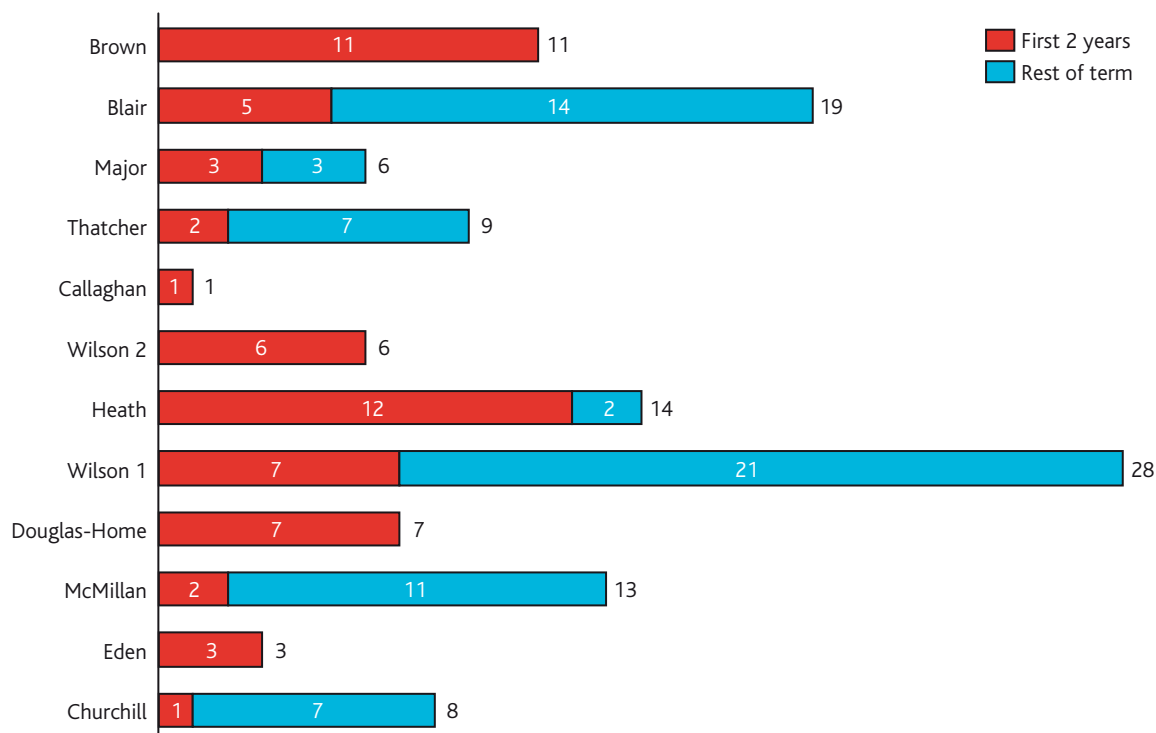
Figures from 1950-1979 derived from Davis, Weller, Craswell and Eggins (1999).

The evolution of department types in the UK

Turning to the more administrative aspects of recent reorganisations, do changes show any consistent pattern or trend over time in how departments are structured? The 1918 Haldane report identified two alternative principles upon which the services of government could be organised: "by persons or classes to be dealt with, or by distribution according to the services to be performed".[7] Haldane's work led him to believe that departments could not deliver as high a standard of specialised service when its work was at the same time limited to a particular class of persons, and he famously argued for a service-focused structure, with each ministry running a particular specialised function:

> *The other method, and the one which we recommend for adaption, is that defining the field of activity in the case of each department according to the particular service which it renders to the community as a whole. Thus a Ministry of Education would be concerned predominantly with the provision of education wherever, and by whomsoever, needed. Such a Ministry would have to deal with persons in so far only as they were to be educated, and not with particular classes of persons defined on other principles.[8]*

According to the report, structuring departments along service lines would lead to a minimum amount of confusion and overlapping and any joint governance areas could be met by collaborative arrangements where necessary. Continuing with the same example, he explained that:

> *The work of the Education Department, for example, may incidentally trench on the sphere of Health, as in the arrangements of school houses and care for the health of scholars. Such incidental overlapping is inevitable, and any difficulties to which it may give rise must in our opinion be met by systematic arrangements for the collaboration of departments jointly interested in particular spheres of work.[9]*

With the expansion of state intervention, however, both these alternative approaches implied a proliferation of ministries. From the late 1950s onwards there was a trend to consolidate smaller ministries, culminating in the Heath White Paper's advocacy of larger 'programme' departments arranged in a long-term stable structure.[10] New priorities (like prices and incomes controls) quickly frayed this structure around the edges but its underlying shape lasted quite well into the mid 1990s.

Revisiting the Haldane categories in a 2008 report for Booz & Company, Lord Andrew Turnbull (a former Cabinet Secretary) notes further challenges to the service-focused structures such as "producer capture, seen most acutely at the Ministry of Argriculture, Fisheries and Food (MAFF), and poor coordination across government, with blinkers replacing focus".[11] His report provides an interesting and ambitious history of department evolution since Haldane.

Turnbull identifies an evolution of department types through nine categories, starting from the Haldane service model to one which he terms 'synthesis' (described as bringing together overlapping policy issues to produce better coordination and resolution of priorities under one roof), to 'customer-focused' departments with various external conflict resolution and accountability arrangements for both policy and delivery. He finds clear trends:
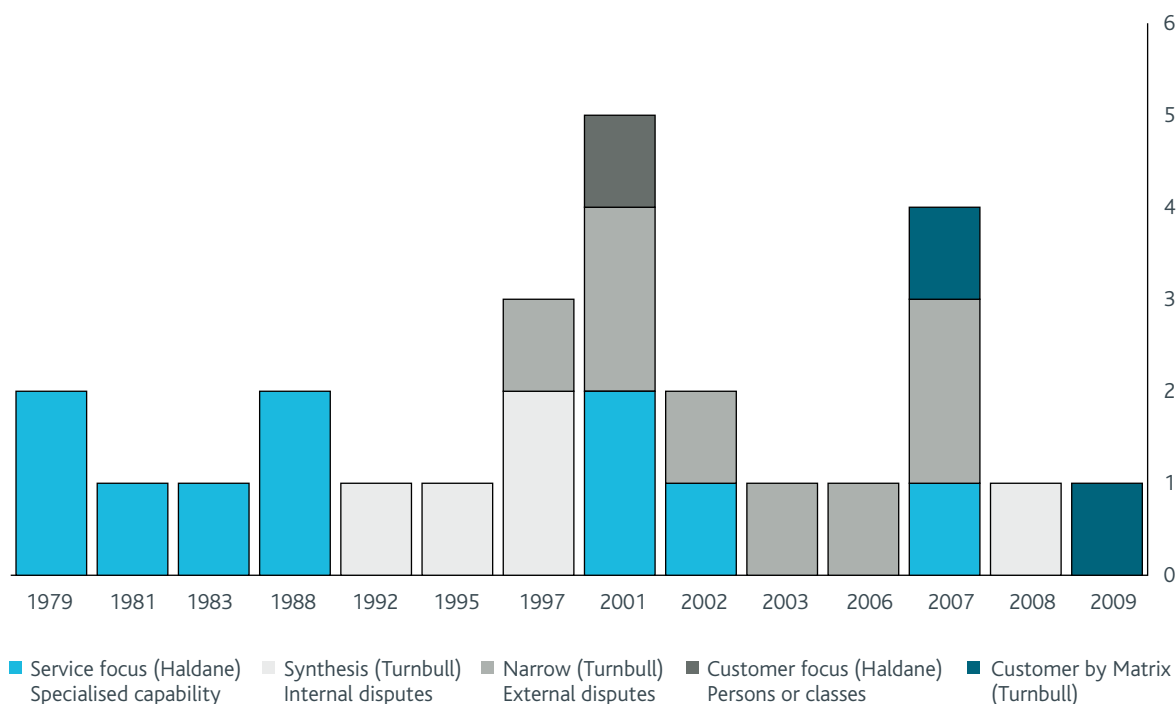
> *The service focus model is in decline, tainted by siloism and producer capture. As is synthesis within large departments which are difficult to manage and lack transparency about decision making. I believe the trend is towards customer focus, defined accountability with external dispute resolution, independence and separation of powers.*[12]

Figure 9 shows an attempted classification of recent departmental changes into a hybrid of Turnbull and Haldane's categories. We use what we see as the main department reconfiguration trends in Turnbull's report combined with Haldane's earlier categories, leaving aside the changes to accountability and structures which led to the creation of arms-length bodies. Three main changes are noticeable. Reorganisations in the early 1980s under the Conservatives fitted closely into either Haldane's service orientation or Turnbull's synthesising model on programme lines. Labour have focused on reorientating government to respond to external challenges along client lines often externalising disputes when large departments proved unwieldy. Perhaps the best example of this is the continuous fragmentation of the synthesised Department of Environment, Transport and the Regions (DETR) into more narrow departments with externalised dispute resolution arrangements for cross-cutting themes via Cabinet. In some cases, as in the Department for Transport (DfT), the externalising of disputes has led back to the service-focused Haldane model.

The culmination of the Department evolutions so far, in our view, lies with the creation of customer-focused matrix-management structures such as the Department for Children, Schools and Families (DCSF). As Turnbull points out in his report, the matrix management techniques, where a focus on the customer is achieved without large-scale machinery of government changes, is common in the private sector.[13]

In fact, a recent report from Deloitte, *New Shapes and Sizes: Reshaping Public Sector Organisations for a Period of Austerity*, notes that increasing agility in government can be achieved by focusing on organisational shape and building flexibility into government structures.[14] It observes five different evolution types since 1990, culminating in an activity-focused organisation with flexible resourcing based on a professional services firm model. The flexible-resourcing success case used in the Deloitte Report is based specifically on RENEW, the 2006 strategy refresh at DEFRA, which Deloitte was commissioned to develop and implement. With RENEW, staff register skills and a resourcing team deploys them based on changing priorities – a strategy which some feel is inappropriate for the whole of DEFRA's activities but which on the whole supports what Turnbull noted as a trend toward greater adaptability and flexibility in meeting customer needs.[15]

Figure 9: Categorising some main department changes, 1979-2009

Legend:
- ■ Service focus (Haldane) Specialised capability
- □ Synthesis (Turnbull) Internal disputes
- ■ Narrow (Turnbull) External disputes
- ■ Customer focus (Haldane) Persons or classes
- ■ Customer by Matrix (Turnbull)

Department Structures are defined as follows: Service focus is structured according to the services to be performed. Synthesis structures reunify overlapping or conflicting areas in one department based on the theory of internal dispute resolution. Narrow structures have clearly defined objectives with external conflict resolution. Customer focus structures are focused on persons or customer classes. Customer by Matrix refers to customer focus without major machinery of government changes using Matrix Management principles from the private sector.

The pace of change in the UK and other countries

How exceptional is the UK in the extent to which ministries and departments are rearranged? Much of the existing literature seems to suggest that the British core executive changes more than that in other countries, and seems particularly influenced by a contrast between the regular pulses of change in the UK compared with the high levels of stability in the departmental structure of the US federal government.[16] However, the United States is a constitutional outlier on many different dimensions, and especially in the unusual division of control over the federal administration between the Presidency and Congress. All US departmental reorganisations have to be approved by Congress, and changes are generally opposed because of their inevitably disruptive effects on the existing structure of congressional committees and sub-committees, many of whose powerful incumbents often stand to lose out from any reorganisation. So if we set the exceptionally static USA to one side, a wider series of comparisons can be made with the more 'advanced' liberal democratic countries included in the OECD.

Turning to the narrower but arguably more applicable comparison of Westminster style systems (both parliamentary and electoral), our research finds that the pace of administrative reorganisations in the UK is not particularly high. For example, compared with the 25 UK department reconfigurations between 1979 and 2009, we calculate that Canada experienced at least 24.[17]

The types of change in the UK and other countries

In terms of structural change, we find that the evolution in the type of UK department configurations over time fits with the general pattern of department evolution in OECD countries. Figure 10 is an analysis of department name changes in 2003 and 2009 in 23 OECD countries. The titles of departments do not reveal the extent of all activities in the departments themselves, however there is important political signalling value in how government departments are named. We coded the departments into categories and tracked the changes from 2003 to 2009 to see whether trends could be found in international department changes. (Note that classifications control for superficial naming idiosyncrasies.)

The same 15 or so basic departments occur across countries both in 2003 and 2009. The top cluster of bars show the most generally present functions and they are all evident in the current structure of Whitehall. The UK also has almost none of the rarely found ministries. The main exception is the Cabinet Office, found in only one other country, with most nations having a Prime Minister's Office instead. Even this distinction is arguably partly symbolic in modern UK government.

The change from 2003 to 2009 indicates a similar shift across countries from singularly focused departments, what we called silos, to cross-cutting departments. The ministries being abolished or merged into larger entities in this period were more concentrated in three areas: justice, business and the environment. For example, where Justice was mainly a singularly focused 'silo' function in 2003, in 2009 across our sample, five countries merged the Justice function with another function. The environment departments were merged with other functions in six countries. Similarly, five economic departments (in the case of the UK, the Department for Trade and Industry) were merged with other functions across our sample in the same time period and in one case, the focus on the 'Economy' in naming was lost altogether.

Figure 10: The changing configurations of central government departments in 23 OECD countries from 2003 – 2009
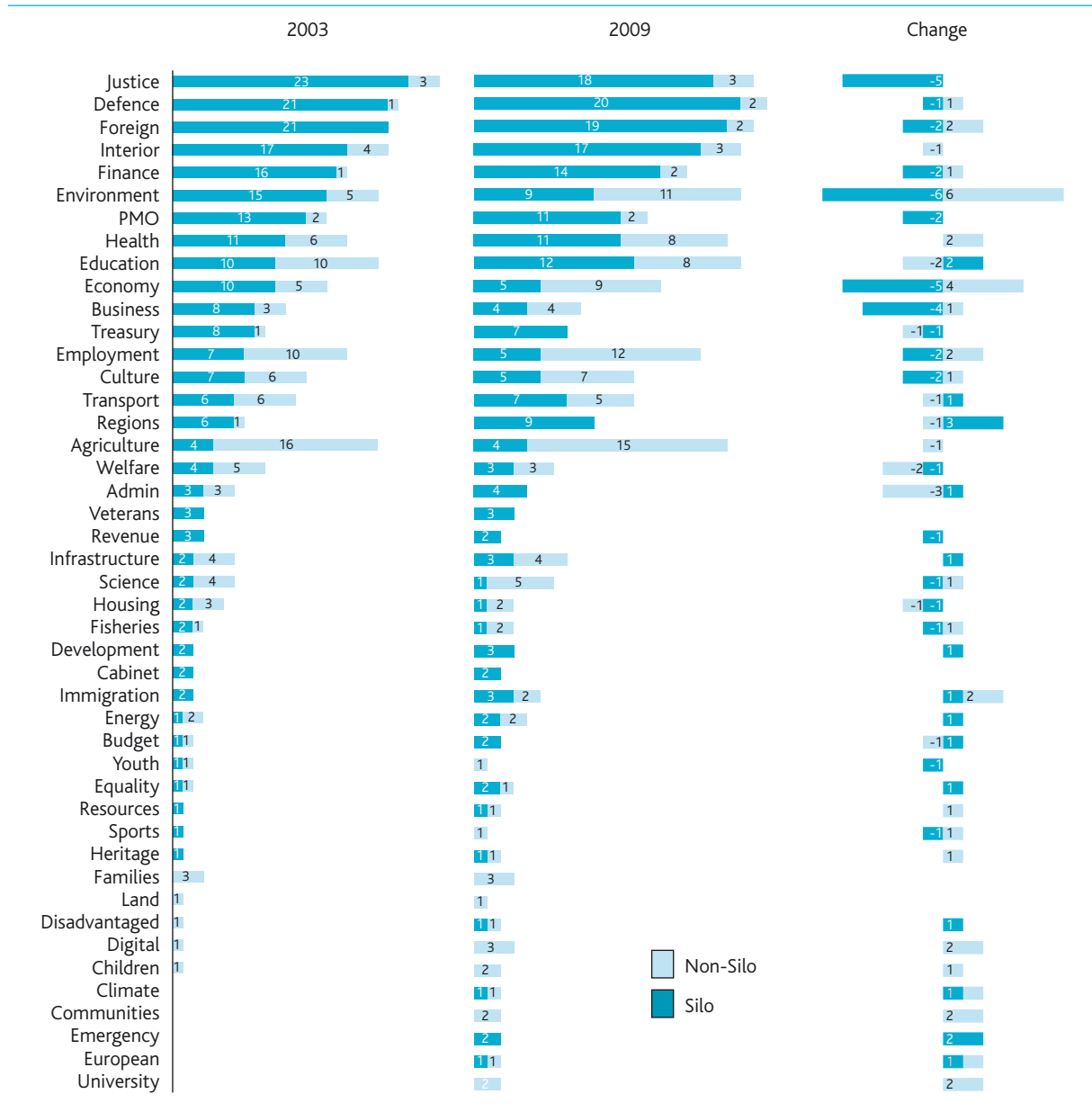
Figure 11 shows that the overall trend within the OECD countries moves away from single-focus siloed departments with a specialist set of skills and approaches (such as defence, foreign affairs, justice and interior) towards non-siloed approaches, combining connected functions (as with agriculture, environment and business) – again an area where UK patterns seem broadly consistent with the overall OECD trend. Of particular interest is that although there is ample change in department reconfigurations, the overall number of departments across our sample is only reduced by one – an indication that cabinet size considerations remain a pressing concern for government leaders.

The analysis strongly suggests that across the OECD, while the machinery of government can be changed to suit new prime-ministerial or government priorities, many traditional departmental structures have remained more or less intact. Policy areas that are emerging or growing in salience often require new structures (such as business, the environment and most recently climate change) and countries are experimenting with an array of configurations for tackling established areas of activity whose scale and external context has changed.

Figure 11: Trends toward fragmentation of departments in OECD countries

	2003	2009
	349	350
Non-Silo	112	134
Silo	237	216
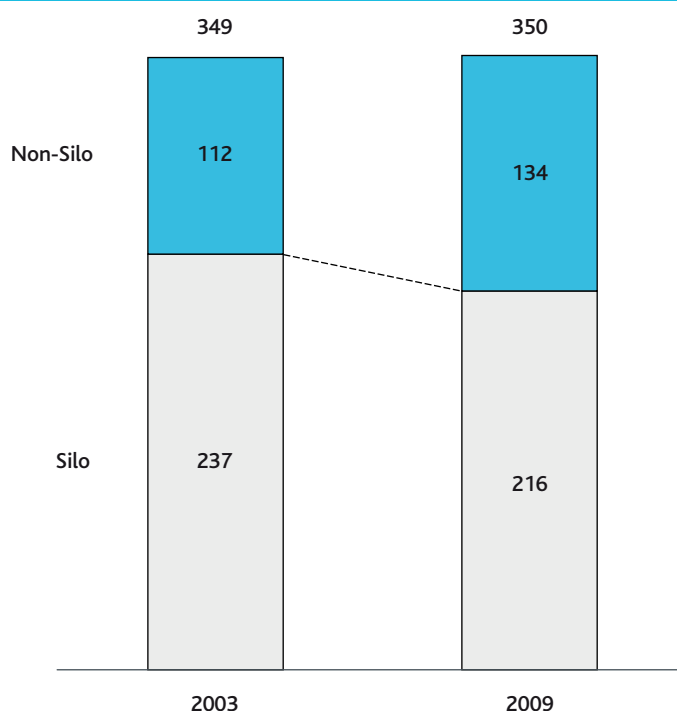
The process of change in the UK and other countries

We noted at the beginning of this report that changes of departments decided upon by the Prime Minister can be undertaken using Crown prerogative powers, with parliamentary approval being sought afterwards as a *fait accompli*. However, there is always a statutory basis for reorganisations. Since the 1975 *Ministers of the Crown Act* the main method for creating departments has been to announce the new arrangements and then to lay Transfer of Functions Orders before Parliament, which are subject to the 'negative resolution' procedure. In practice this means that debate on the Order is not guaranteed even if Members of Parliament chose to 'pray against them', that is raise objections. The Public Administration Select Committee noted:

Procedural changes in the Commons over the years have meant that debates on any negative instruments have become the exception rather than the rule. Even if an Order has been prayed against, debate only takes place if the Government gives an opportunity for it, either in Committee or on the Floor of the House. It is at the Government's discretion if and where prayers are debated. If the debate is in Committee, there may then be no opportunity for a division on an effective motion.[18]

In addition, Figure 12 shows that Transfer of Function Orders are rarely brought forward in less than two months and in many recent changes have taken around five months to be moved. For instance, when DEFRA was created in June 2001 its main predecessor, MAFF, was only formally dissolved in November 2002, several months after all its staff had been transferred to DEFRA and the new department was up and running.

New statutory functions, or the cessation of existing statutory functions, both require primary legislation that allow much greater parliamentary scrutiny. However, such changes are often not needed. A rare and recent example of where such legislation was used was in the creation of the Department for Constitutional Affairs where, in 2005, the Constitutional Reform Act confirmed the changes to the judiciary proposed in 2003.

Limited advance consultation Other features of the UK's system contribute to the public impression that Prime Ministers' can change Whitehall structures very easily, perhaps even on a whim, chiefly because under current UK practice there is often very little advance consultation or discussion of changes. Instead the possibility of reorganisation is normally kept very secret and not communicated to anyone outside the Prime Minister, the Cabinet Secretary and (usually at very short notice before the Prime Minister's announcement) the ministers and permanent secretaries of the affected departments.

The logic of this way of proceeding does have a political rationale within the UK's strongly adversarial parliamentary system, where Her Majesty's Opposition sees it as its first task to critique the government's perceived failings. The official justification of suddenly announced and ill-prepared changes is that it would be unsettling (indeed intolerable) for cabinet ministers still in post to learn that their department was perhaps losing major functions or closing down; thus a swift and immediately effective change must be engineered.

There have also been occasions when senior ministers have told the Prime Minister that they would meet any reorganisations taking functions away from their department by resigning, risking serious political damage and potentially prematurely wrecking the timings of cabinet reshuffles:

You can't consult the departments because the relevant permanent secretary and secretary of state would oppose it if they were faced with taking away a part of their department. For example moving [function A] from [Department X] to [Department Y]. Everyone thought there was a good case for moving it out of [X] but as soon as it became known we were looking at that, [Minister Z] came out and opposed it... and it had to be put on ice until he had gone.[19]

Figure 12: The legislative process for MoG changes in Whitehall

Methods of reform	Process	Examples	Loopholes
Formal dissolution and transfer of statutory functions to another department or departments	Secondary legislation: proceeds by Order in Council subject to the affirmative resolution procedure	Ministry of Overseas Development	The choice between negative and affirmative resolution procedures is not clear cut (Pollitt 1984) Example: DEA was dissolved via a Transfer of Functions Order rather than using the affirmative resolution procedure.
Transfer of statutory functions from one department to another	Secondary legislation: Transfer of Functions Order under the negative resolution procedure	Civil Service Department Department for Trade Department for Trade and Industry	Transfer of Functions regularly delayed: (PASC 1995) Example: ODPM was created on 29 May, 2002 and the Transfer of Functions Order was laid, November 2002.
Transfer or cessation of non-statutory functions	No need for the use of statutory instruments in this case	None identified	None required
Cessations of statutory functions	Primary legislation: approval of both Houses	None identified	Delayed legislation: Pollitt (1984) claims there are countless examples of statutory functions falling into disuse and waiting to be formally eliminated in revising legislation.
Creation of new statutory functions	Primary legislation: approval of both Houses	Department of Constitutional Reform Act of 2005 confirmed changes to the judiciary	Bodies may be created administratively and then subsequently become statutory or created by administrative action pending statutory authorisation: (Pollitt 1984) Example: Department for Constitutional Affairs was effectively created in 2003 but not confirmed until 2005.
Creation of new government bodies under new Secretaries of State	Secondary Legislation: Proceeds by Order in Council subject to the negative resolution procedure	Department of Economic Affairs Welsh Office	None required

Whilst politically useful with respect to governance arrangements in the short-term, the process of shock announcements can lead to poorly planned department changes. The creation of the Department for Constitutional Affairs (DCA) is one example of such a change where several interviewees understood why it was announced so suddenly and yet felt that the process was significantly flawed. One interviewee close to the change explained that

the separation of powers between the judiciary and legislature would not have occurred had more open debate taken place. He explained that the judiciary and Lord Chancellor were extremely comfortable with the status quo, those who wanted change did not have much of a voice and therefore the only way around this was to effect a sort of 'coup'.[20]

The process, however, was still seen as inadequate by other interviewees. The DCA, after all, was the one change since 1979 that required legislative approval and the Prime Minister was not prepared for this. As one interviewee noted, "It's always dangerous to say we had to do it quickly, without any debate, because otherwise it wouldn't have happened. In my experience, that's how really disastrous decisions are taken."[21]

In the following paragraphs we look at how announcements and operational processes are managed in other countries. We find that whilst the amount of transparency surrounding department reconfigurations can vary, the processes used by other Westminster-style systems can help minimise the level of disruption that may occur when shock announcements are made.

The 'cost-neutral' doctrine discourages proper planning The tendency for Prime Ministers to make poorly planned changes may also be perversely encouraged by the Treasury's consistently maintained (but not especially realistic) position that Whitehall reorganisations must always be cost-neutral. The Treasury stance means that no more money is made available to a new or reorganised department than was provided in previous approved expenditures, even if the net effect of a set of changes is to enlarge the overall number of departments, and hence to multiply the number of private office and communications sets-ups providing key services to a secretary of state and a set of junior ministers. In modern terms this departmental core usually numbers around 130 civil service staff, some very senior, and costs around £15m a year to provide. The new department is expected to cover such elements by finding compensating savings from elsewhere within its existing or transferred-in budgets. This is a very difficult thing to do quickly and without much (or indeed any) preparation time. The Treasury stance certainly implies that if a net addition is made to the number of departments through a demerger or from the new creation of a department, then some stakeholders in the departments affected by reorganisation will lose out as money is top-sliced to meet additional corporate-centre costs. By contrast, mergers and transfers of functions normally pose no equivalent immediate problem of funding. (However, merged departments often confront the duplication of functions in corporate services. Staff tend to be cut or reassigned as a result which, while not necessarily a costly exercise, provokes job-insecurity and uncertainty in the organisation.)

In thinking about the UK's process for reorganising departments it is perhaps most useful to compare it with those of other reasonably large 'Westminster-model' systems. These have similar political and constitutional set-ups, such as a predominance of single-party governments, strong party discipline in the legislature, and a strong executive subject to relatively weak prior legislative control over its actions. The closest parallels here are Australia and Canada and Figure 12 shows that there are many areas of comparison across the three countries – including the announcement of departmental changes at short notice, their decision by the premier almost alone, and the PM's ability to announce changes first and seek legislative approval of them only well after the fact.

Both Canada and Australia, however, have more robust change-management processes in advance or post-change than the UK. In Canada, most department reconfigurations are solidified in statute and whilst new departments are operationalonce announced, significant changes may be delayed until legislative approval is acquired. Although not a foolproof strategy to mitigate ill-conceived government reorganisations, Canadian conventions provide an added incentive for the Prime Minister to ensure department changes are based on sound rationale because the alternative is to face certain defeat in the House of Commons.

For instance, in December 2003, the newly appointed Prime Minister, Paul Martin, separated the Department of Foreign Affairs and International Trade (DFAIT) into a Department named Foreign Affairs Canada (FAC) and another named International Trade Canada (ITCan). Whilst the two departments were operationally and legally existent from the time of their announcement, legislation to formally abolish DFAIT and provide a statutory basis for a separate FAC and a ITCan failed to pass a first vote in the Canadian House of Commons in February 2005 – over a year after their creation. The Prime Minister faced media scrutiny over this change both before and after the defeat in the Commons. In late 2004, a prominent *Globe and Mail* columnist, Jeffrey Simpson, famously described Prime Minister Martin's decision to split the departments as "an idea so splendidly stupid that literally no one in Ottawa will admit to having favoured it."[22] The uncertainty surrounding the departments had an obvious effect on their operations: the 2005 FAC Department Management Accountability Framework Assessment (the Canadian version of UK Department Capability Reviews) notes that "as a result of 2003 machinery of government changes, there was a lack of legal certainty of organisational structures and authorities. Consequently, there was a significantly increased risk of breakdown in financial authorities and delegations for effective control and accountability."[23] The Prime Minister set up a Blue Ribbon Panel to advise the government on next steps after facing the defeat in the Commons and finally in 2006, the two were amalgamated back into their original structure.

The Australian process does not require affirmative resolution of change but it does provide for much post-change guidance and support from the centre in ensuring the department has the capacity to meet the goals of the change. In Australia, departmental reorganisations also have implications for the 'portfolio structure' of budgets and programmes funded by them, and the Senate provides a less partisan and more considered coverage of public administration issues than occurs in either of the other two countries.

The UK is not strongly out of line with other parliamentary democracies The UK's current arrangements for achieving departmental changes and reorganisations, while flexible and short-termist in their set up, are not dissimilar to those in most other parliamentary liberal democracies. Nor are the results of the UK's cumulative changes very different from those of other OECD countries. Finally the tempo of machinery of government changes has not been especially unusual in the overall context of post-war changes across countries, although it has been high in Gordon Brown's first two years in office, as is common with other new premiers.

None of this in any way suggests that the UK's current practices are in any sense optimised or even working tolerably well. Figure 13 shows a comparison of the UK's processes around MoG changes with the otherwise quite similar governments of Canada and Australia. Though this figure focuses on time spent rather than quality *per se*, it strongly suggests that

such changes in the UK are more rushed – and therefore arguable more ill-considered and ill-prepared – than those elsewhere. A theoretical counter-argument is that the swiftness of MoG changes in Britain brings with it decisiveness, and even a deliberate element of disruptive surprise. To better understand this change process and test these potentially competing interpretations, we turn in the next chapter to how reorganisations are seen by most senior civil servants closely involved with them.

Figure 13: Assessment of the key stages of MoG in Canada, Australia and the UK

Stage	Key Inputs		
	CANADA	*AUSTRALIA*	*UK*
Pre-planning	PM PCO	PM PM&C	PM CO
Preparation after announcement	3-5 days	3-5 days	None
Parliamentary consultation	Confirmed via legislation†	None unless new legislation	None unless new legislation
HR transfer	TBS	PSC DFD	None
IT transfer	TBS	None	None
Budget transfer	TBS	DFD	CO
Accountability	TBS	DFD	PASC

Black shading indicates relative activity for each stage of MoG change for each country. More black shading indicates a greater level of activity. Pre-planning is defined as the amount of time and rigour spent planning change in advance of announcements. Preparation after announcement is defined as the stage between announcement and the operational commencement of new departments. Parliamentary consultation refers to the stage where Parliament is consulted on changes. HR transfer refers to human resources transfer support provided, IT transfer requires to IT transfer support provided, Budget transfer refers to budget support provided and Accountability refers to the amount and body which is ultimately accountable for scrutinising the change. † The Canadian PM can change the machinery of government by prerogative order however in practice this is exceptional, not least because most of Canada's government machinery, including most government entities, have been given a basis in statute, which the Prime Minister cannot unilaterally change.

2. The views and experience of the senior civil service

When departments are reconfigured, senior civil servants are charged with implementing the change and they have to ensure that a new or remodelled department becomes quickly operational. They are necessarily concerned by operational processes and administrative effectiveness, yet the senior civil service also has a strong ethic of bi-partisan loyalty to meeting the needs of elected politicians, and to not questioning political value-judgments made by the Prime Minister and his or her cabinet colleagues. The juxtaposition of these at times contradictory themes were consistently repeated in the 25 interviews that we conducted with senior civil servants, all of whom have been closely involved in one or more Whitehall reorganisations.

Little time for preparation

Whilst interviewees did share their personal perspectives on how departments should be set up, our focus here is to compare their experiences of departmental changes. Most criticism – and sometimes dismay – was focused on the lack of preparation time in the days leading up to the changes. Figure 14 shows that the majority of new or demerged departments between 1979 and 2009 were implemented with less than four days to prepare for creating the new or remodelled department. A small majority of mergers were given additional time – in a few cases over 10 days. These more extended timeframes tended to be for the largest changes, especially the creation of the Department of Work and Pensions (for which preparatory work and political debate went on for a lengthy period), the creation of HMRC from Inland Revenue and Customs (which merged two non-ministerial departments into one) and the transfer of prison and probation functions from the Home Office to the Ministry of Justice (following on from a lengthy internal review of problems in the Home Office).

The DWP and HMRC changes were unsurprisingly better planned and longer prepared than most Whitehall reorganisations, with relatively more thorough business plans and transition strategies, because each of these giant departments employed over 100,000 staff, accounted for more than a fifth of the UK civil service personnel, and have running costs in the billions of pounds. However, the multi-step transition of the Lord Chancellor's department to becoming a ministry of justice (via being the Department of Constitutional Affairs) is an example of a larger Whitehall change that also involved big agencies (NOMs and the prison service) and where changes were arguably less well planned.

Figure 14: Preparation time for department change

Preparation time for change

	Merger (10)	Demerger (7)	New (3)
0-4 days	40%	57%	67%
1 week	10%	43%	
> 10 days	50%		33%

Time required to refocus department

	Merger (8)	Demerger (7)	New (3)
< 1 year	25%	71%	33%
> 1 year	25%		
2+ years	50%	29%	67%
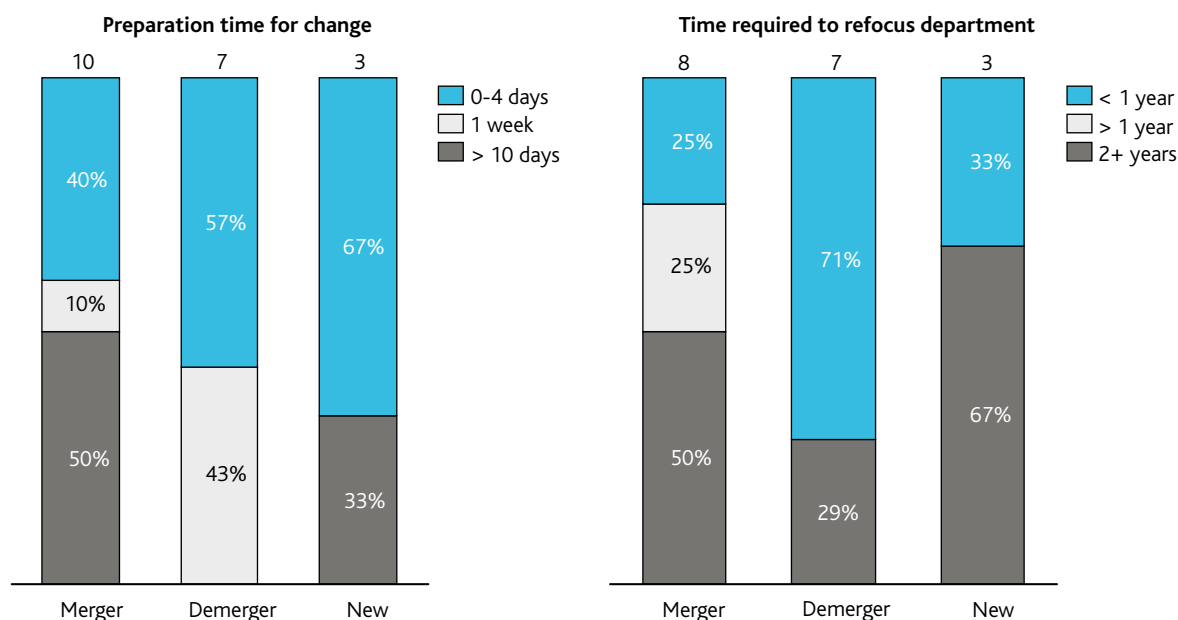
Preparation time: time given to senior civil service and transition teams to prepare department for change in advance of first day of business.

Time required to refocus department: time taken to configure department business processes, culture and systems toward new change mandate.

Results based on codification of 18 senior civil servants involved in department level machinery of government changes between 1979-2009.

Back of the envelope calculations

In most reconfigurations, interviewees explained that the relatively narrow windows of time available for preparing organisations for business, or what the civil service termed 'going live', constrains the transition teams in what can be properly assembled. In most reorganisations between 1979 and 2009 there was a focus on getting communications and some departmental branding sorted in order for the department to appear cohesive from day one. However little time was left for the essential but longer-term issues around synergy identification, corporate planning, or even how best to set-up the human resources, operations and finance. An official at DIUS during its creation noted:

> *We only had about three days, which is pretty standard for most machinery of government changes. The difference here is that it was a brand new department which is often underplayed. We were creating three departments from two... So on day one, you had ministers but no ministerial offices, you had files and people but no HR function, a budget but no finance function... That was the core of the tasks... just trying to get the basics in place.[24]*

Senior civil servants acknowledge that a degree of planning and discussion of departmental changes does occur amongst politicians, but in most cases they see the resulting conclusions as producing little more than a broadly defined vision. By the time top officials are briefed by the Cabinet Office, they normally encounter what they see as 'back of the envelope' type calculations and strategies only. This is true even in cases where the Economic and Domestic

Affairs Secretariat, the section of the Cabinet Office that advises on machinery of government change, has had an opportunity to advise the PM in more detail on proposed changes.

This situation usually arises because the advisory process on administrative possibilities and options is tightly constrained by lack of time and lack of transparency. Officials called in to advise on changes or plan the new set-ups are not able to consult widely within the departments that will be subject to change, for fear of sparking political rows amongst ministers or provoking embarrassing leaks to the media.

Politics is the decisive driving factor for change

Top officials strongly take the view that the vast majority of departmental reorganisations occur primarily as a response to political pressures at Cabinet level, including both the need to create jobs to satisfy a particularly valuable member of Cabinet as well as the need to contain the size of Cabinet – with policy and delivery requirements taking second priority (Figure 15). Other political factors also play some role, such as the departure of a minister who has previously blocked change, and the PM's wish to signal a new policy priority to voters or the media. Pressure from stakeholders or media criticisms rarely feature in officials' lists of political influences. Instead the primary drivers of reconfigurations involve powerful ministers aligning themselves with issues, departmental briefs and the PM's priorities.

A former official in the Cabinet Office explained that he was often faced with this scenario when advising on changes. The regular (annual) reshuffle of cabinet roles is a time when both cabinet formation and political signalling priorities assume great importance, and when institutional innovations sometimes occur at short notice. Indeed, he noted that during reshuffles, a Prime Minister is often faced with competing objectives: wanting to reward politicians with influential portfolios whilst at the same time meeting the long-term needs of Whitehall without putting too much strain on the size of Cabinet. In the end, he explained that decisions were made quickly and the balance of factors rested with the political need to keep Ministers happy:

> *We do it all the time… In the process of a reshuffle, a few [switches or moves] happen and then you get Number 10 ringing up and saying: "The PM wants to keep X person happy. What can we give him to do?" . . . [It's a] very ad hominen arrangement. Some [changes] which turn out to be quite beneficial, but they were not based on any great analysis, nor was there time for it. When the question comes, very often you only have half an hour to find the answer. Literally half an hour. Sometimes less.*

Figure 15: A breakdown of the drivers of department reorganisations
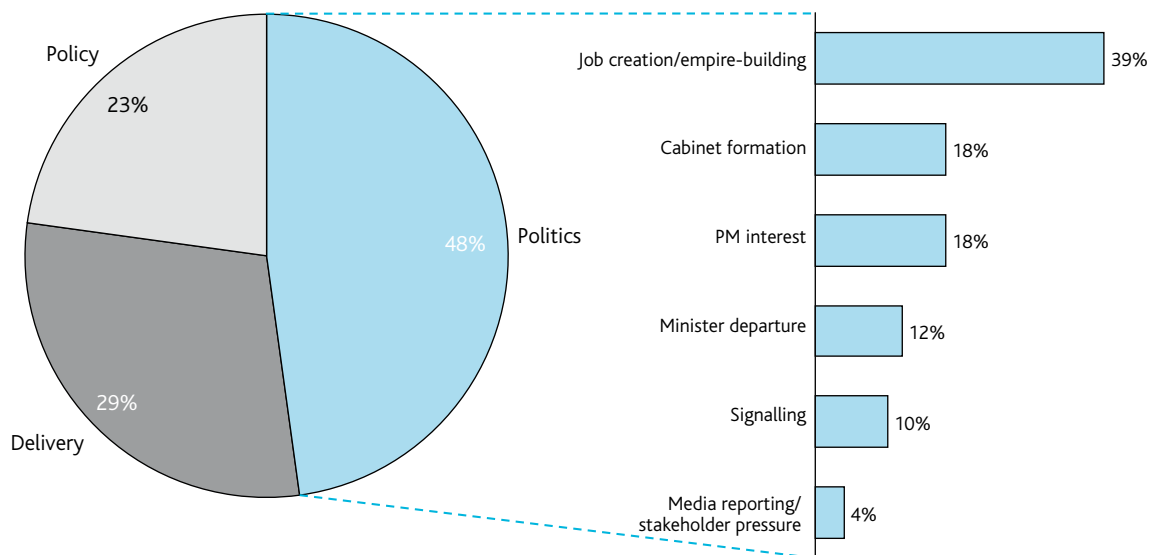
Job creation/empire building is defined as the need to create jobs to satisfy a particularly valuable member of Cabinet. Cabinet formation refers to the need to contain the size of Cabinet PM interest is defined as driven by the Prime Minister's personal interests. Minister departure refers to the need to reshuffle departments as a result of a Minister resigning his or her role. Signalling is defined as the desire to show the electorate and other stakeholders that a certain issue is a priority. Media reporting/stakeholder pressure refers to public demands to change the management or direction of a department.

We further asked interviewees to comment on the primary drivers for all the departmental reconfigurations between 1979 and 2009. Figure 16 categorizes these responses into 'delivery' concerns, where changes followed directly from service-driven needs or imperatives; 'policy' reasons, where the change responded most to either environmental or internal administrative rationales; and 'political' reasons of an especially short-term or cabinet-making kind. Not all departments during this period are represented: we invited interviewees to comment only on those reorganisations where they felt they could provide a considered view. In their general comments our respondents stressed political motivations for changes around two thirds of the time, with the remainder evenly split between delivery and policy rationales. But in commenting on specific named reorganisations, top officials often acknowledged a stronger role for delivery and policy concerns. Clearly the most 'political' of the reorganisations was identified as the Office of Deputy Prime Minister (ODPM), the vehicle for salving John Prescott's loss of a ministerial role. Earlier and related changes in that area (such as the initial creation of the very large Department of Environment, Transport and the Regions (DETR) in 1997 and the later recreation of a Department for Communities and Local Government (DCLG)) also were seen as mainly political. Less politically dominated changes included the creation of the Ministry of Justice (MoJ) and the Department for Work and Pensions (DWP).

Figure 16: The number of times that three different kinds of reorganisation drivers were cited about different reorganisations (from interviews with 25 senior civil servants)
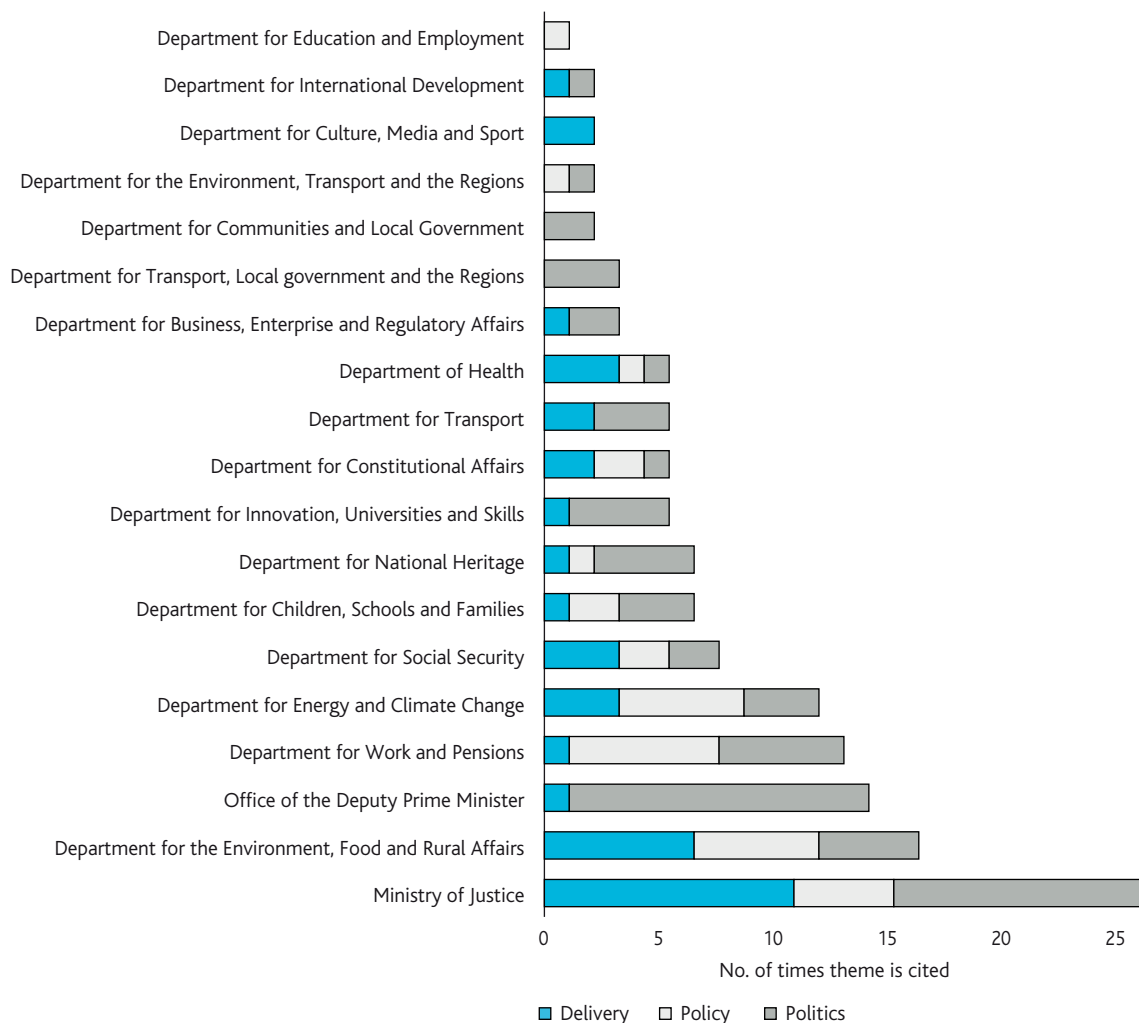
*The bars indicate the number of times the three driving factors were cited in interviews for each machinery of government change.

Dunkirk spirit amongst transition teams

This need to respond fast often produces a 'Dunkirk spirit' amongst the embattled officials of the affected departments. One of the recurring themes of our interviews with senior officials is the resilience of the civil service in serving the political needs of ministers and the government. Some interviewees described to us the absurd timetables they faced for accomplishing taxing departmental reorganisations, and yet also their organisations' strong capability for accommodating such 'political' demands:

Although this was a complete shock to the department, by the following Monday morning it was up and running and there were no bad feelings – because the civil service doesn't do bad feelings, and we were all as sweet as pie. We worked over the weekend and by the Monday the minister would have thought: "Oh, piece of cake – this was undoubtedly well-planned". The stress and strains are absorbed by the system, and the ministers don't see them.[25]

This responsiveness and ability to cope in crises or difficulties (however they may be induced) is rightly seen as one of strongest capabilities of the British senior civil service, with top staff and officials well down the line all rallying around to produce smooth organisational paths for ministers even in the most difficult circumstances.

However, the way department reconfigurations are announced and effectively created is also a period of high stress and very high workloads that longer planning might well have alleviated or avoided altogether. Moreover, for civil servants, planning time is of great importance, not only in terms of preparing an organisational change, but because of the emphasis they place on being able to deliver a high quality of service for their secretary of state and other ministers. The current process of department reconfigurations does not allow for such a professional approach to management change. Unfortunately it often boils down to civil servants relying on the new department's image and brand as the first test of whether it is delivering for its political masters:

The moment the Secretary of State walked into the door, this had to be the [Department of X], right down to making sure the old sign was taken down and the new sign screwed up. Those first moments are absolutely crucial in establishing the relationship and you want the Secretary of State to feel that I am in the [Department of X] and these people are competent.[26]

Resistance to change

Beyond the shock of the first few weeks, the longer-term organisational set-up of reorganised departments is complex, and normally involves some fraught negotiations with related or predecessor departments. Most senior officials involved in reorganisations also felt that they experienced significant resistance to change within their new organisations, which normally resulted in larger disruption costs and an increased delivery risk during the transition period. Figure 17 shows what senior civil servants felt were the top issues involved in MoG changes (as a percentage of changes in which the issue was raised.) Resistance to change is the top issue cited with 81% of reorganisations between 1979 and 2009 affected. Several interviewees explained that improper planning and the shock announcements can reinforce both resistance to change and increase home loyalties.

Figure 17: Top issues cited by senior civil servants involved in department reconfigurations (as a percentage of department changes between 1979-2009)

Issue	Percentage
Resistance to change	81%
No planning/shock	62%
Home loyalties	43%
Cultural challenges	38%
Staff morale	38%
Anger	29%
Informal/superficial planning	29%
Delivery risk	29%
No support	29%
Disruption	24%

The lack of planning and limited consultation with the civil service reinforces staff resistance to change.
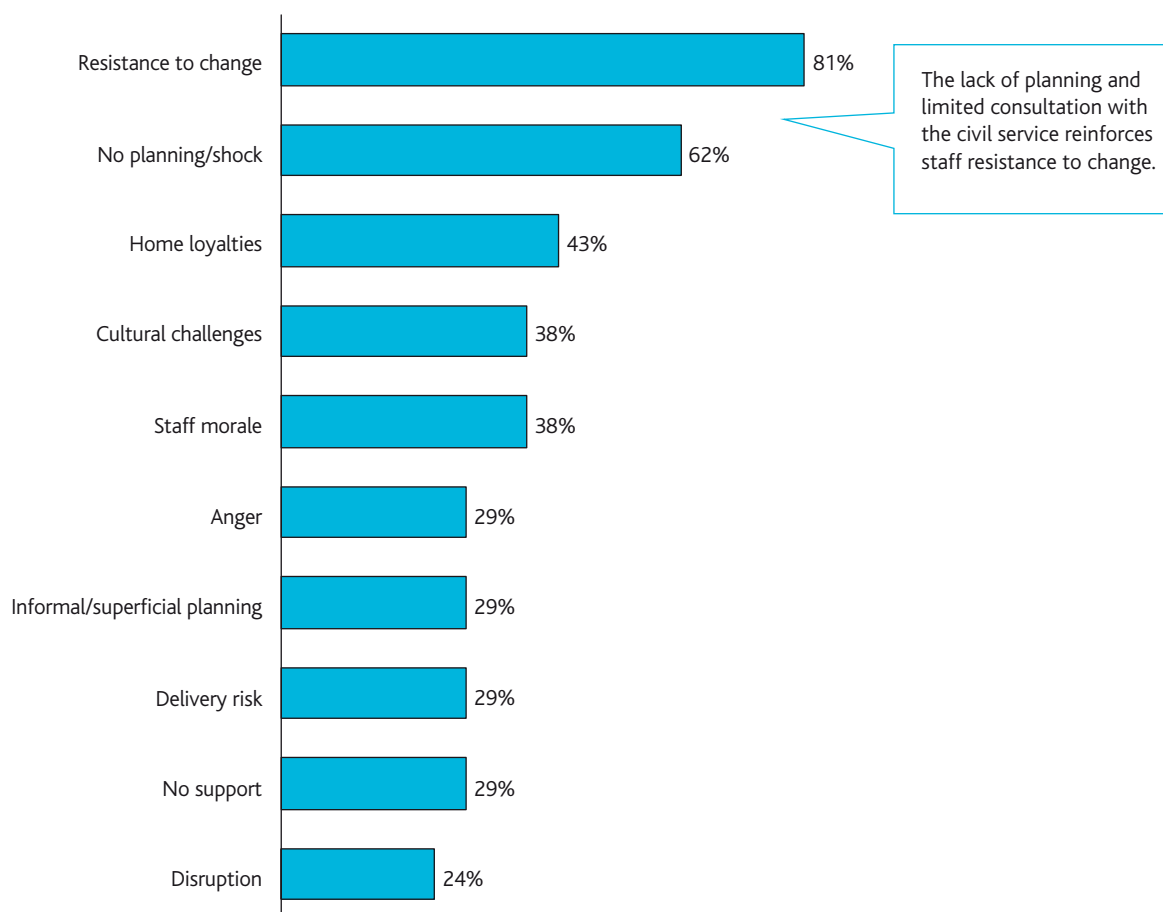
Results based on codification of interviews with 18 senior civil servants involved in department level machinery of government changes between 1979–2009.

Some changes are seen as positive

It would be possible to interpret the responses in Figure 17 in a hostile manner, reflecting the conservatism of civil servants with comfortable roles not wanting to innovate for the future. But this would be far from an accurate picture, for top officials were more than ready to acknowledge the need for some changes, such as the growing salience of climate change issues and the rebounding importance of energy concerns which lay behind the creation of the Department for Energy and Climate Change (DECC) in 2009.

Indeed, one senior official in our interviews clearly welcomed some of the changes that they were involved in:

> With [Department P], people needed renewing and we needed some different people to take a fresh look. And quite honestly, it's just easier to do something like that if you're making a major structural change. And that's the positive by-product of one of these MoG changes.

In addition, almost all top officials conceded that some Whitehall reorganisations had proved well-founded and relatively successful. Figure 18 shows how our interviewees viewed the success of department changes from 1979-2009. The Department of Work and Pensions formed in 2001, the new Department of Energy and Climate Change created in 2008 and the creation of the Department of Environment, Food and Rural Affairs in 2001 attracted the most positive praise amongst our interviewees. It is worth noting, however, that this question was unprompted and so a certain amount of memory recall is at play.

A number of earlier changes, such as the splitting of the Department of Health and Social Security in 1988, were recalled and mentioned positively by only two interviewees, with one official describing the process as similar to dividing an orange into its component parts.[27] Yet even here, politics and poor planning had some effects:

> *DHSS was created [originally in 1968] in order to provide a department big enough to justify a cabinet seat for [Secretary of State]. It followed from that, that the two departments were not necessarily coherent as an organisation and indeed they weren't.*[28]

Once the change was effected in 1988, in the words of an interviewee, "there was a great sigh of relief because the 'Social Security' people didn't really want to have anything with 'Health' and the 'Health' people didn't really want to have anything to do with 'Social Security'. So they thanked the heavens and turned native so to speak."[29]

Figure 18: How top officials view the successes or problems of recent reorganisation
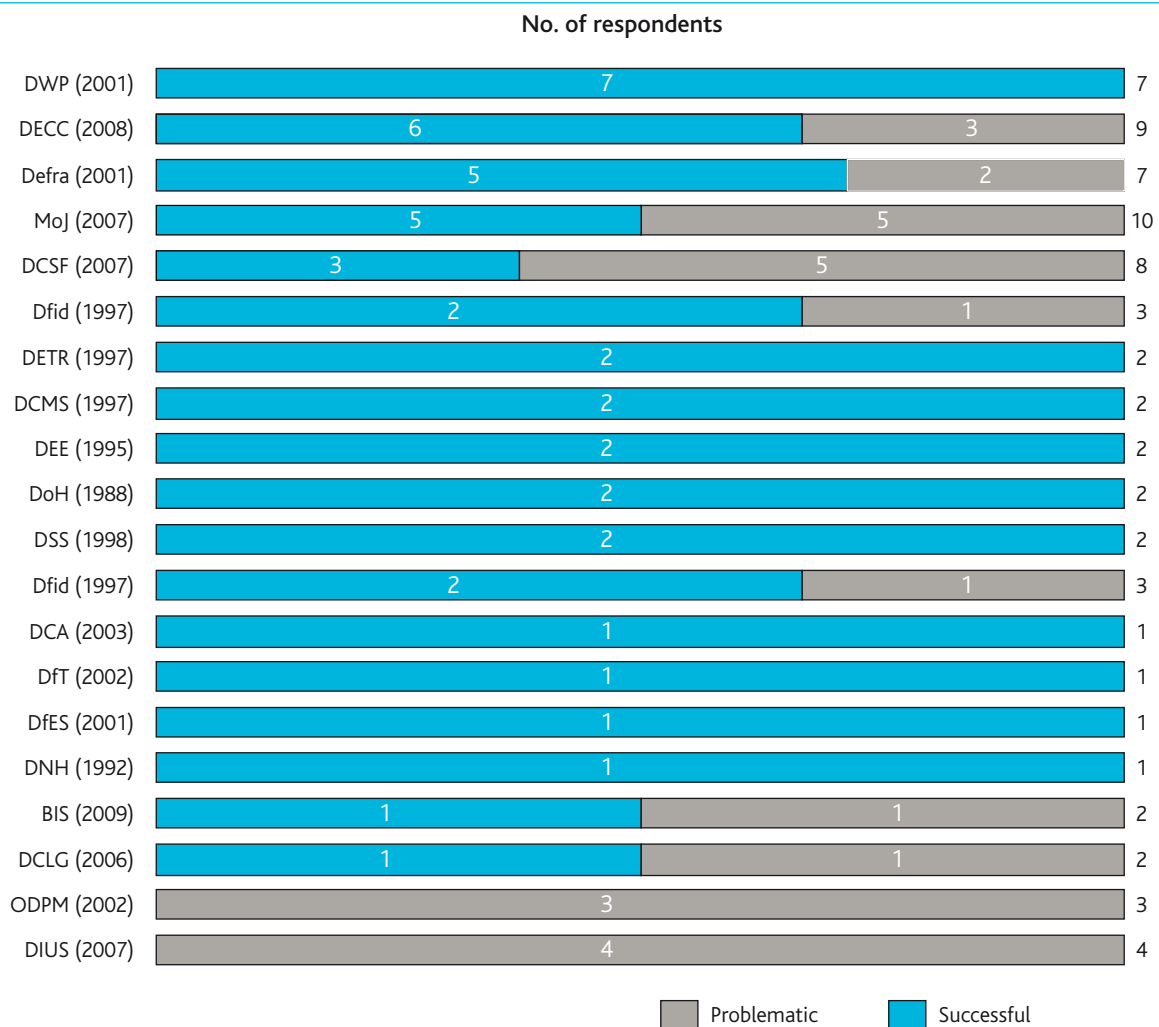
No. of respondents

Department	Successful	Problematic	Total
DWP (2001)	7		7
DECC (2008)	6	3	9
Defra (2001)	5	2	7
MoJ (2007)	5	5	10
DCSF (2007)	3	5	8
Dfid (1997)	2	1	3
DETR (1997)	2		2
DCMS (1997)	2		2
DEE (1995)	2		2
DoH (1988)	2		2
DSS (1998)	2		2
Dfid (1997)	2	1	3
DCA (2003)	1		1
DfT (2002)	1		1
DfES (2001)	1		1
DNH (1992)	1		1
BIS (2009)	1	1	2
DCLG (2006)	1	1	2
ODPM (2002)		3	3
DIUS (2007)		4	4

☐ Problematic ☐ Successful

Results based on codification of 18 senior civil servants involved in department level machinery of government changes between 19792009.

Department names were unprompted leading to less commentary for later changes.

We consider the lifecycle of department creations for the DWP, DECC, DEFRA and DCSF/DIUS in the following chapter but it is worth digressing briefly here to consider the series of unique changes that progressively created an integrated MoJ.

Creating the Ministry of Justice

The series of changes from Lord Chancellor's Department to Department for Constitutional Affairs and eventually culminating in the Ministry of Justice is unique in the time period of our study because it is the sole reconfiguration that required primary legislation, that is, the approval of both houses of Parliament to confirm the changes announced by the Prime Minister. Moreover, the changes moved a previously weak, courts-orientated ministry (the Lord Chancellor's Department) first into being a Department for Constitutional Affairs in 2003 with the Supreme Court coming into being, and then to taking over the National Offender Management System from a failing Home Office in 2005 to become the current MoJ.

Department for Constitutional Affairs: The question of process is an important one starting with the announcement and creation of the DCA in 2003. Whilst the Prime Minister announced the changes as a *fait accompli*, subsequent legal requirements meant that it was not until 2005 that the changes were in fact confirmed in Parliament. Senior officials we spoke to were divided about whether the process that the Prime Minister followed was the correct one to handle not just a machinery of government change, but what is seen as a significant change to the history and role of the British judiciary.

Some acknowledge that there were rows which followed the DCA announcement but see the net change as highly worthwhile and fundamental:

> *The series of changes [involving] the creation of the Supreme Court, ending Lord Chancellor as politician, establishing proper judicial appointments and ending the anomaly whereby a Minister was ex-officio speaker over the House of Lords, [were] well thought out – and it was just a question of how to do it.[30]*

Indeed, some felt the lack of consultation was necessary to bring about the change. Others, however, felt that unilateral decisions of this sort can cause serious problems.[31] The question of whether greater consultation, or specifically in this case, greater planning for the introduction of an Act in Parliament, would have reduced the conflict or even thwarted the effort to separate the powers of the judiciary, will likely fade with time and those who were involved with the change. A salient point remains, though, regarding the role of politics in the process of change, whether a Parliamentary Act is required or not: merely two years after the Constitutional Reform Act was passed, the Ministry of Justice was created under similarly contentious circumstances.

Ministry of Justice: The eventual creation of the MoJ further highlights the role that politics can play in many department reconfigurations. Whilst again a fundamental policy or administrative rationale may be present, the immediate context around changes is seen as politically-oriented. One interviewee explained that moving the prisons service to the MoJ had worked at one level but that the process of change and consequences remained challenging for the management team:

> *You have a core of the old Lord Chancellor's Department – relatively small – and now it has quadrupled in size in over a decade and it has taken a long time to build a culture. It's still very far from complete.[32]*

For MoJ, the challenge will not be resolved with an Act of Parliament. The change process it is undergoing is still seen to be in early stages and while the MoJ actually had the longest preparation time in all the departments we have studied, six weeks, before the change was enacted, the lack of planning for such a large-scale organisational change pales in comparison to what would be expected in the private sector. One official involved in the planning team noted that:

> *In the best MoG changes, politicians decide early on for the right reasons that they are interested in a change. There will be major policy or delivery benefits from reordering the functions of government. Then they ask the*

Cabinet Office to examine the potential changes in some depth. That occasionally happens but it's not the norm. An example of where it did was splitting the Home Office and the formation of MoJ. After [a minister] briefed the Sunday Times that he felt the Home Office was unmanageable, the Prime Minister asked [X] to work on a plan for six weeks with the two departments and [they] produced a case for doing it… [That exercise] drew the lines of who should go where, the functions, the people, how much money and a crude look at costs. That's the best you can hope for.

Nonetheless, on the whole, the question of the success and endurance of the MoJ with respect to its core functions was not disputed across our entire interview panel. The future of its individual parts, however, remained open to debate.

Politics and process

While senior civil servants acknowledge the strength of the political factors involved, and are proud of the civil service's ability to loyally accommodate and help implement Prime Ministerial or other political imperatives, the stress in their interviews was predominantly upon the process and various costs of change. The experience of the MoJ, certainly with the major changes required via the Constitutional Reform Act to confirm the changes to the judiciary, is unique in its requirement to gain approval of the change. To shed more light upon the benefits and costs of reorganisations which are perhaps more typical, and to get more a of a grip on the longer term implications of Whitehall changes, we look at a number of recent changes in more detail in the next chapter.

3. UK case studies

There is currently no regular or systematic information kept in Whitehall on the costs and benefits of departmental reorganisations. So in this section we look in detail at five case studies of recent changes under the new Labour governments of Tony Blair and Gordon Brown. Our cases cover:

- the creation of DEFRA, spanning across agriculture, food and environment in 2001;

- the large-scale amalgamation of social security and employment services into the Department of Work and Pensions in 2001;

- the setting up of the Department for Children, School and Families and the simultaneous creation of the (as it turned out) short-lived Department for Innovation, Universities and Skills in mid 2008;

- and the creation of the Department for Energy and Climate Change in mid 2009.

Before looking at these creations in detail, it is worth noting the variable impacts of department reconfigurations. The costings in Figure 19 are estimates of the costs of DECC, DIUS, DEFRA and DWP respectively. Since department reconfigurations are deemed to be cost neutral, there is little incentive for individual departments to track in any detailed manner. As such, we have reconstructed them to the best of our ability based on cost estimates of select changes and the creation of a Department Change Cost Model. The model is based on interviews with senior civil servants, Department annual reports and documentation of change, Civil Service Statistics and Select Committee hearing minutes.

Figure 19: Costs of select department reconfigurations, 1979-2009

	£15,687,500	£15,289,600	£31,041,700	£173,374,300
First year	89%	91%	19%	5%
Recurring			48%	81%
Indirect	11%	9%	32%	14%
	DECC	DIUS	Defra	DWP
% of administrative budget	20%	22%	18%	3%

Cost estimates of MoG Changes based on IfG Cost Model. Model based on interviews with senior civil servants, department annual reports and documentation of change, Civil Service Statistics and Select Committee Hearing Minutes. First-year costs are tangible costs incurred in the first year of the department's operations. Recurring costs refer to differential pay settlements which were agreed to in the first year of the department's operations as a result of a merger. The settlement may be paid over several years. Increases to salaries as a result of the merger remain for the lifetime of the new organisation and therefore are coded as recurring although we do not attempt to predict how much these cost beyond the settlement payout. Indirect costs refer to productivity losses which we estimate for disruptive changes.

We believe the costs for a new policy department and a mid-sized merger to be representative of the costs incurred in most department changes – roughly in the neighbourhood of £15m. This estimate accords with the recent National Audit Office (NAO) findings in its *Reorganisation of Central Government* report. The NAO's research covers a more narrow time period of four years and is mainly focused on the costs of reconfiguring arms-length bodies: however, they note similar challenges to ours in reconstructing data.

We believe our costs are pretty conservative since they do not include an estimate of disruption costs resulting from institutional memory loss, delivery risk or stakeholder relationship losses. For the largest merger costs, we use the DWP. It is unusual because DWP endured labour disputes and spectacular organisational upheaval in its early years. Nonetheless, it presents an important experience for would-be change agents who fail to appreciate the technicalities of Whitehall machinery of government changes and how these can present challenges previously unconsidered.

Department for the Environment, Food and Rural Affairs

Context

The general election of 2001 took place shortly after the onset of a substantial crisis in the agricultural health field: an outbreak of foot-and-mouth disease (the first since 1968 in the UK). The outbreak quickly mushroomed from a local to a national crisis and was contained only with difficulty and at major cost to the Exchequer. This was the second crisis in which the Ministry of Agriculture, Fisheries and Food (MAFF) was widely held to have acted too slowly and conservatively, being over-deferential to the interests of farmers – the other occasion being the BSE crisis from 1996-2001. Labour governments have always had difficulty in placing good ministers in an agriculturally-focused ministry, which is seen as a sideline area for the party, and their ministers in 1997-2001 were not political heavyweights. In April 2001 the Institute of Public Policy Research (IPPR) proposed a plan for the reorganisation of the DETR after the forthcoming General Election. It recommended moving local and regional government into a Department for Constitutional Affairs, leaving a manageable and coherent Department of Environment and Transport (DET).[33] DET would also assume the regulatory and environmental responsibilities of an abolished MAFF, and the promotion of the agri-business industry would be left to the DTI.

Tony Blair subsequently went into the general election resolved to change the self-contained nature of MAFF, which had endured unaltered through many successive reorganisations of government since its original creation in 1947. The Labour party manifesto at the general election did not embrace the IPPR proposal, but instead promised the creation of a new Department for Rural Affairs, which would support the countryside and lead renewal in rural areas.[34]

The Prime Minister, however, was challenged with strengthening the portfolio of the new department in the hours immediately following the election. Indeed, it was not until one Minister was in his car on the way to what he believed to be his department (at 8:00 am the morning after the election), that the call came explaining the new roles and reconfiguration for a strengthened DEFRA.[35]

By most reckonings outside the government itself, this change was quite rational – the DETR was overly large and Prescott's performance in running it had not been rated by many outside commentators as one of the government's strengths. The management process and lack of planning however are striking: "they just put it together. There was no examination of any kind at all. It was just done. And most machinery of government changes are just like that."[36]

Figure 20: The family tree for DEFRA

Year					
1955	Agriculture Food Farming				
1976			Environment		Transportation
1997			Environment Transportation Regions		
2001		Environment Farming Rural Affairs		Transportation Local Govt Regions	
2002			Deputy Prime Minister		Transportation
2006			Communities Local Government		
2008		Environment Farming Rural Affairs	Climate Change	Environment Climate Change	
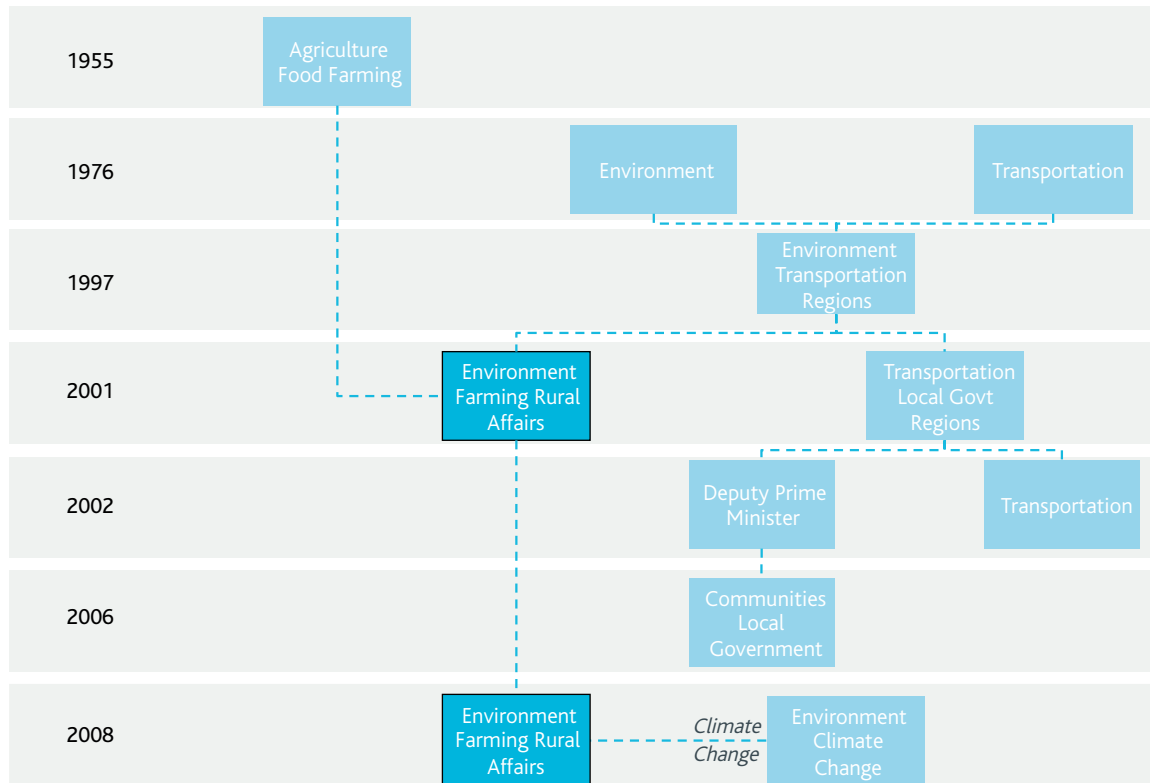
Notes: MAFF Ministry of Agriculture, Fisheries and Food; DfT Department for Transport; DoE Department of the Environment; DETR Department for Environment, Transport and the Regions; DEFRA Department for the Environment, Food and Rural Affairs; DTLR Department for Transport, Local Government and the Regions; ODPM Office of Deputy Prime Minister; DCLG Department for Communities and Local Government.

Figure 20 shows the 'family tree' of DEFRA, with the merger of the environment parts of the DETR brief (especially its role in supervising major regulators like the Environment Agency) with MAFF. DEFRA's creation was the first time that a genuinely environmentally focused department was created in British government. (The previous Department of the Environment, which lasted from 1971 to 1997, was, in fact, a local government, housing, and urban and regional development department, so that its environmentally focused activity was only a small part of its role for most of this period.) DEFRA'S separating out from DETR started the repartition of Prescott's brief into its component parts, with transport later separating back out in 2002.

The change process

Figure 21: Quick facts on DEFRA's creation

Planning prior to announcement	◑
Number of days to prepare prior to live	3
FTE Count – old	6,280
FTE Count – new	6,980
Scale of change (% FTEs)	10%
Scope of change	◑
Settling-in time	6-9 months
Time to integration	> 2 years

Black shaded circles are relative measures compared to other case studies based on the researchers comparative analysis. Number of days to prepare prior to live indicates the number of days the transition teams were given to prepare the department prior to it being open for business. Settling-in time refers to the amount of time required before the department was able to begin to act on its mandate. Time to integration refers to the amount of time required before the changed department functioned as a whole. All responses based on interviews with senior civil servants.

No planning

There was no prior planning for the last-minute change. As one senior official recalled:

>…*It was quite clear that various people were talking to Blair in the Labour Party. Which we were not privy to at all... Blair's aim was to do something that would alter MAFF and I think he was probably right that simply giving it responsibility for rural issues and one NDPB coming across wouldn't have produced anything like DEFRA that we have now for obvious reasons. I can see why he ended up doing it... [but] I don't think a lot of thought went into it.*[37]

The change from the manifesto promise caught them by surprise:

>*We were essentially dealing with what the private sector would call an unplanned merger – we had done no planning whatsoever, no thinking about anything that radical.*[38]

A weekend to prepare

The top civil servants and the new Secretary of State for DEFRA, were briefed on the Friday prior to the official announcement on Monday, giving the team just three days to prepare the new department before its formal opening for business. As is apparently the case with most other Whitehall changes, this time was a hectic period, requiring the quick setting-up of a press office to cover the merged department, website/branding redesigns and other cosmetic changes.

The first year

The first year of DEFRA is widely acknowledged to have been challenging, with little progress made on integration a year after its creation. The interviewees we spoke with explained that it took six to nine months to begin to sort out the IT systems, HR systems, and building preparations for the new department. Whilst draft aims and objectives were created in the days following the department's creation, the shock of the change required officials to be sorting out long-term planning and justifications for the new organisation at the same time as undertaking reorganisation issues – all in the midst of the foot-and-mouth crisis. Indeed, one official suggested that throughout most of 2001 DEFRA was "sort of in chaotic shambles." The common view is that the department came together two years later in 2003, after much effort with respect to cultural integration and synergy identification, so that the department could look forward as a whole.

In common with almost all the reorganisations we studied, the senior staff who had to make the DEFRA merger real were struck by an overall lack of central support available, not just in the immediate transition but during the subsequent integration phase. Few guidelines or experts were available for the budget transfer negotiations, IT integration or legal procedures required for DEFRA's transfers of functions, and future governance arrangements were made up from scratch. Many important negotiations were strikingly informal. A senior official involved recalled that when a gap was discovered with respect to a resource transfer, the affected parties sorted the issue over the phone with no support or planning to determine exactly how the gap should be filled.

Figure 22: Major events in the first year at DEFRA

Activity	2001							2002						Type
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Creation of Defra	◆ Announcement													*Legal*
Industrial action														*Industrial action*
Differential pay settlements			◆ First pay settlement						Dispute settled					
Finance/budget transfers														*Administrative*
Legal requirements										◆ Dissolution of MAFF				
HR systems integration														
IT systems integration														
Accommodation Work														
Risk scenario planning														*Early integration*
Cross-functional integration														
Synergy identification														
Strategy														
Aim and objectives														
Communications														
Culture integration work														

Industrial action resulted in 16,201 days lost by PCS staff from the former MAFF and its agencies.[41]

A clear rationale

Despite its rushed nature, the merger that created DEFRA clearly had a substantial rationale in countering the public and media impression that MAFF was no longer able to balance out farming interests and the public interest, nor to meet the pressures of an evolving environmental movement. As one senior official put it:

> *The case for integration was overwhelming [with] MAFF. I think MAFF as a separate department had become captive of a particular producer interest namely the farming industry – they had become the champion for farmers in a way that I think had become outdated as far as the British economy is concerned – outdated and damaging. I think it was right to get rid of the independence of MAFF and bring it into DEFRA.[39]*

Yet for the merger to work effectively it was important that the new department should quickly come to function in an integrated way, and the former MAFF and environmental divisions should not retain intact their previous organisational cultures, strongly formed in MAFF's case given the department's many decades of continuous existence. The two groups of staff were also initially wary of the merger from entirely different standpoints. The environment people were worried about being linked with the MAFF legacy, whereas MAFF staff, clearly aware of the challenges, felt unappreciated and tired in the midst of another agricultural health crisis. In the words of one interviewee, they felt: "We're on our knees, we're exhausted from foot-and-mouth, why does everyone hate us?"[40]

The costs of change

In addition, the merger faced an immediate difficulty because of the divergence in civil service pay levels. Normally the level of difference across related departments is not too serious, but in DEFRA's case the MAFF staff were amongst the lowest paid Whitehall staff in 2001, in the bottom quartile of pay levels, whereas the environment divisions were coming from one of the higher-paid departments, in the top quartile. The resulting disparities in pay levels within one department, created by the merger, lead initially to a period of industrial action by the civil service trade unions, which Figure 22 shows plagued much of the new department's first year, with a six month period of June 2001 and January 2002. One interviewee told us that:

> *The one very salient lesson from the creation of DEFRA was that of the constancy of delegation of pay to departments. Departments had diverged quite widely and, in making that change, Blair put together two groups of staff that were at opposite ends of the range. You had very poorly paid staff at DEFRA and very highly paid staff coming across and that caused a lot of trouble and a lot of cost because levelling up was the only thing you could do.[42]*

First-year costs: The industrial dispute itself and necessity for equalising pay had a major impact on the overall costs associated with the DEFRA merger. Since a departmental centre already existed in MAFF, and the environment portfolio moving from DETR was also already in operation, it might have been expected that the creation of DEFRA would be a relatively low-cost or even cost-neutral operation. And in terms of the first year tangible or 'hard' costs of the change, this is basically true – with Figure 23 showing that around £6m of extra costs, approximately 4% of the administrative budget, can be directly tagged to the reorganisation.

Recurring costs: The labour dispute resulted in a first pay settlement in August 2001 but it was not finally settled until March 2002, and only then by putting in place a scheme which concentrated salary increases over the next four years on the former MAFF staff to bring them up to par, while holding back increases for the former environment staff. The final differential pay settlement scheme in 2002 totalled approximately £15m and was implemented over the department's first four years. Without this relatively costly device, it would have been impossible for the new department to move around staff or to achieve much of the merging of the organisational cultures and creation of a modernised approach that was the basic rationale of the merger.

Whilst we quantify the differential pay as one-lump sum of £15m, the net cost for DEFRA would have been far greater than this over the future lifetime of the department. Once the four-year settlement payment mark was reached and the salaries of both the former MAFF and DEFRA staff reached par, salary increases would continue for all staff. The additional salary increases for the MAFF staff specifically could arguably be quantified as a machinery of government change cost. We do not have access to the data to detail what this amount might be; but it is an important contributor to the broader cost implications of Whitehall machinery of government changes.

Indirect costs: The impact of the industrial dispute and of loss of morale would create a dip in the new department's productivity and also incurred costs albeit indirectly. Although no clear-cut data are available here, we apply figures on the conservative end of productivity dips for private sector mergers to estimate the cost. Assuming that around a fifth of staff will be completely resistant to change, we can implement this as a standard 20% loss in productivity for this proportion of staff (i.e. an overall reduction of 4%) which we apply to salary costs for each grade in the DEFRA for 10 months[43]. On this basis we estimate that the productivity costs of the reorganisation were at least an additional £10m.

Figure 23: The costs of creating DEFRA to the end of June 2002

	First year	Recurring	Indirect	Total
% of administrative budget	4%	9%	6%	18%

Cost estimates of MoG changes based on IfG cost model. Model based on interviews with senior civil servants, department annual reports and documentation of change, Civil Service Statistics and Select Committee Hearing Minutes. First year costs are tangible costs incurred in the first year of the department's operations. Recurring costs refer to differential pay settlements which were agreed to in the first year of the department's operations as a result of a merger. The settlement may be paid over several years. Increases to salaries as a result of the merger remain for the lifetime of the new organisation and therefore are coded as recurring although we do not attempt to predict how much these cost beyond the settlement payout. Indirect costs refer to productivity losses which we estimate for disruptive changes.

The overall change cost of the creation of DEFRA totals £31m based on the documented costs and estimates after the first year post-merger alone. This total represents less than 1% of DEFRA's total annual budget, but close to 18% of the department's administrative budget for 2001.

Benefits of change

While the costs of reorganisation tend to accrue in the short-term, and to be relatively easily measured or at least estimated with some difficulty, the benefits of successful reorganisations are more intangible and certainly accrue in the longer term. DEFRA successfully navigated through to the end of the foot-and-mouth crisis and the new department put in place revised procedures that have coped very successfully with agricultural health issues – so that subsequent scares or outbreaks have been quickly and effectively contained. The MAFF image of an agriculturally 'captured' department was also swiftly exorcised and the department has been broadly seen as maintaining a much better balance between agricultural productivity, food safety and environmental protection issues.

More change?

With the growing political salience of climate change, DEFRA became the lead department for an expanding area of concerns that only partly meshed with its predominantly rural- and countryside-focused approach to environmental issues. (Some Cabinet Office involvement in the climate change issue did little to resolve problems.) But it was not until mid 2009 that DEFRA was again restructured, losing the relatively small Office of Climate Change (that it had only recently created) to another Whitehall recombination move, the creation of DECC (see below). Some of our interviewees speculated about the long-term sustainability of DEFRA as it is currently structured, wondering whether the environment portfolio could reasonably stay with DEFRA in light of this new department. Most agreed that while DEFRA seems to be functioning effectively, 'the boundaries can always change' in the future.

The Department for Work and Pensions

Context

The creation of the Department for Work and Pensions (DWP) in 2001, also following the general election, stands out from the DEFRA case in several different dimensions. First, there was a strong administrative rationale for the move and the reorganisation was extensively planned in advance, with many different scenarios carefully considered. Second, it was driven through largely in response to a long-run governmental policy priority: the need to create stronger and more integrated active labour market policies, with political factors forming a fairly marginal set of side-notes to the central change process. This important difference reflected the huge size of DWP which despite extensive outsourcing of its IT functions accounted for nearly three of every 10 of all UK civil servants at its peak year in 2002. The operations of the welfare systems comprehensively integrated for the first time under DWP auspices also accounts for around a quarter or more of all public spending in the UK.

The impetus of the reorganisation was to combat the long-standing separation of:

- the social security system, coping with non-working people, both those of working age and pensioners, and run by the Department of Social Security

- the employment advice and placement services and benefits for working-age people with qualifying employment records, run by the employment divisions of the Department for Education and Employment (DEE).

Figure 24 shows the 'family tree' of DWP, with DSS formed in 1988 under the Conservative government as an integrated welfare-benefits ministry. The employment services for most of the post-war period were organised in a separate Ministry of Labour and then Department of Employment, but were shrunk under the Conservatives and linked with education in 1995.

Figure 24: The family tree for DWP

Year				
1944				Education
1966	Social Security			
1968/69		Health & Social Security	Employment	
1988	Social Security			
1995			Education & Employment	
2001		Work & Pensions		Education & Skills
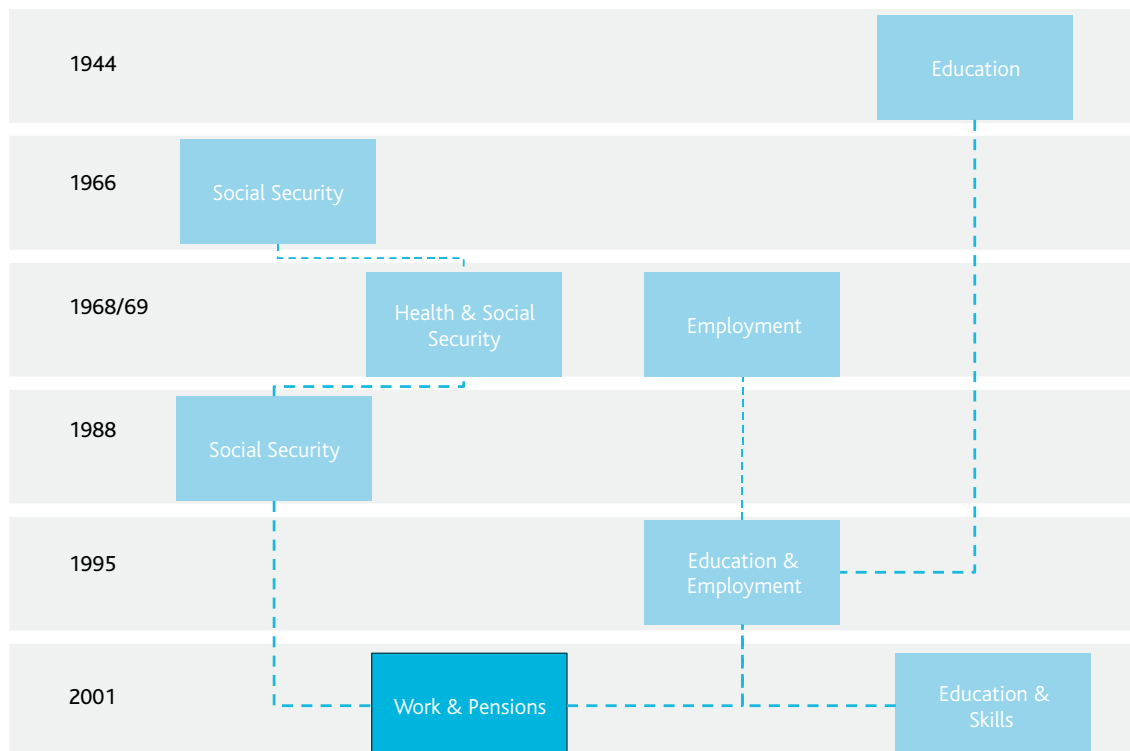
A clear rationale

In 1997, Labour ministers came to office ambitious to introduce a different approach to managing unemployment and non-working for people of working age in a different way, stressing active labour market policies with stronger positive incentives and an administrative push to get non-working people into employment. Achieving an integrated set of policies across the DSS and DEE boundary line was essential for Blair's goals of re-emphasising the mutuality of rights to benefit – the responsibilities for individuals themselves to actively seek work. The government's 'New Deal' programmes for young unemployed people, lone parents, the long-term unemployed, disabled and a host of others was integral to New Labour's 'rights and responsibilities' agenda. Programmes sought to consolidate the 'stricter' Jobseekers Allowance (JSA) regime of the Conservatives with 'guaranteed' intensive employment assistance after a particular duration of unemployment.[44] Following its 2001 election victory, the government also announced demanding new targets to increase employment rates (especially for lone parents and those in the most disadvantaged areas) and to reduce child poverty.

Pilots and planning

Yet there were two ways in which a Whitehall reorganisation might have accomplished this – either shifting all the benefits for working-age people over to the DEE to manage, leaving the DSS as a department solely for benefit to the elderly, ill and disabled; or shifting the employment divisions of DEE over to DSS control, the option that was finally adopted with the creation of DWP. Rather naturally perhaps, neither of the Secretaries of State involved was prepared to see their portfolio radically reduced, but the reorganisation could not be achieved without one or the other accepting a significant decline in salience.

The Whitehall solution was to begin an extensive trial of joint workings between the two departments at local level, which began in some areas of the country as the 'One' pilot in 1999 and rapidly spread to more regions and localities. Supposedly a two-year experiment that would be systematically evaluated before a final decision, the One pilots were in fact quickly judged to be so successful that a decision to generalise them was made even before the 2001 general election, even as the choice between DEE and DWP was still being postponed by the Prime Minister. The One pilots were never formally evaluated (a fact that the relevant Parliamentary select committee deplored). But from 1999 onwards a Whitehall inter-departmental committee comprehensively examined the whys and wherefores of creating a single new department bringing together all benefits and advice services for working-age people in a service to be called JobCentre Plus that would break away from the old images of 'labour exchanges' and provide a radically improved standard of customer service.

A small working party was set up to create a blue print for JobCentre Plus, chaired by the Chief Secretary of the Treasury and including senior leaders in the Department for Social Security and Department for Education and Employment. This investigation was also announced publicly, breaking with the usual conventions of keeping all reorganisation issues and discussions completely secret. The process was also backed up with detailed business planning for the merger and a raft of consultant reports on issues such as IT integration and achieving cultural change in whichever solution was adopted. The common wisdom amongst those officials to these discussions is that while open planning was theoretically ideal, the emotional charge of the process caused heightened stress and uncertainty for the respective departments and ministers. We heard several converging narratives of ghastly rows in Whitehall during this planning process and one individual who was aiding in the preparations frankly admitted that "it was quite the worst experience of my entire career".

Another interviewee explained that:

> *It's very difficult to have a detached conversation with people when their private interests are so involved. In a way, the right thing would have been to produce the blueprint but promise that it won't happen until after the next election or reshuffle so that the politicians did not feel it would affect them personally.*[45]

In the end, shortly before the election, the recommendation which resulted from these discussions amongst officials was that the sponsoring department should be Education and Employment and not Social Security – a proposal that Blair put on hold until the re-shuffle that would follow the government's return to office.

Politics trumps in the end

Much of the planning and piloting work was not affected in hugely significant ways by the eventual allocation of the top-level responsibility between the departments. But ironically after so much preparatory work and pre-planning, political considerations re-entered the picture and the Prime Minister decided not to follow the committee recommendation of allocating JobCentre Plus to DEE. Instead, as one insider explained: "It went the other way after the election, because of the need to give [a Cabinet colleague] what [they] wanted." The employment services and the JobCentre Plus network were moved together with the benefits for working age people as one of three main components of a remodelled DSS, now called

DWP – the other two components covering benefits for elderly people, and benefits for the sick and disabled. The new department had over 122,000 direct employees and the staff in the department headquarters expanded from just over 3,400 under DSS to 5,400 under DWP, as Figure 25 shows.[46]

The change process

Because of the prep work that had already been carried out, the issues involved in the reorganisation were well known from the outset. The top officials were also given ten days notice of the Prime Minister's decision being announced and so had more time than in the creation of DEFRA to prepare for the public launch of the new ministry.

Figure 25: Quick facts on DWP's creation

Planning prior to announcement	◕
Number of days to prepare prior to live	> 10 days
FTE Count – old	3,140
FTE Count – new	5,430
Scale of change (% FTEs)	84%
Scope of change	◕
Settling-in time	6-9 months
Time to integration	> 2 years

Black shaded circles are relative measures compared to other case studies based on the researchers comparative analysis. Number of days to prepare prior to live indicates the number of days the transition teams were given to prepare the department prior to it being open for business. Settling-in time refers to the amount of time required before the Department was able to begin to act on its mandate. Time to integration refers to the amount of time required before the changed Department functioned as a whole. All responses based on interviews with senior civil servants.

Challenges in modernising the new department

Despite the 'One' experiments, the organisational cultures of the DSS and DEE were still very different at the time of the merger, the main department focusing on the accurate and prompt payment of social security benefits, while the employment divisions had previously focused mainly on achieving a marriage between education and employment in a skills agenda for long-term economic prosperity. The new department was plagued by an inheritance of chronic under-investment in buildings and computer systems under the Conservative governments before 1997, which took many years of investment and strong modernisation efforts to begin to counteract. As with a similarly scaled corporate merger, the new department also faced significant organisational upheaval in its early years. Figure 26 shows the productivity losses estimated by the Office for National Statistics and the DWP itself during this time period.[47]

A number of interconnecting issues were at play during this time which affected productivity: modernisation had to be paid for by realising synergies and cutting out jobs and services that duplicated each other, which met with some strikes and industrial action; management turnover was considerable in the early years, with policy consistency hindered by the rapid rotation of ministers in both the Secretary of State and junior ministerial roles; and a period of relative economic prosperity coupled with a relatively inflexible labour force which left some staff with time on their hands. Taken together, these pressures (many of which were a direct result of the organisational change), affected productivity negatively for a number of years post-merger.

Figure 26: Productivity dips experienced by DWP
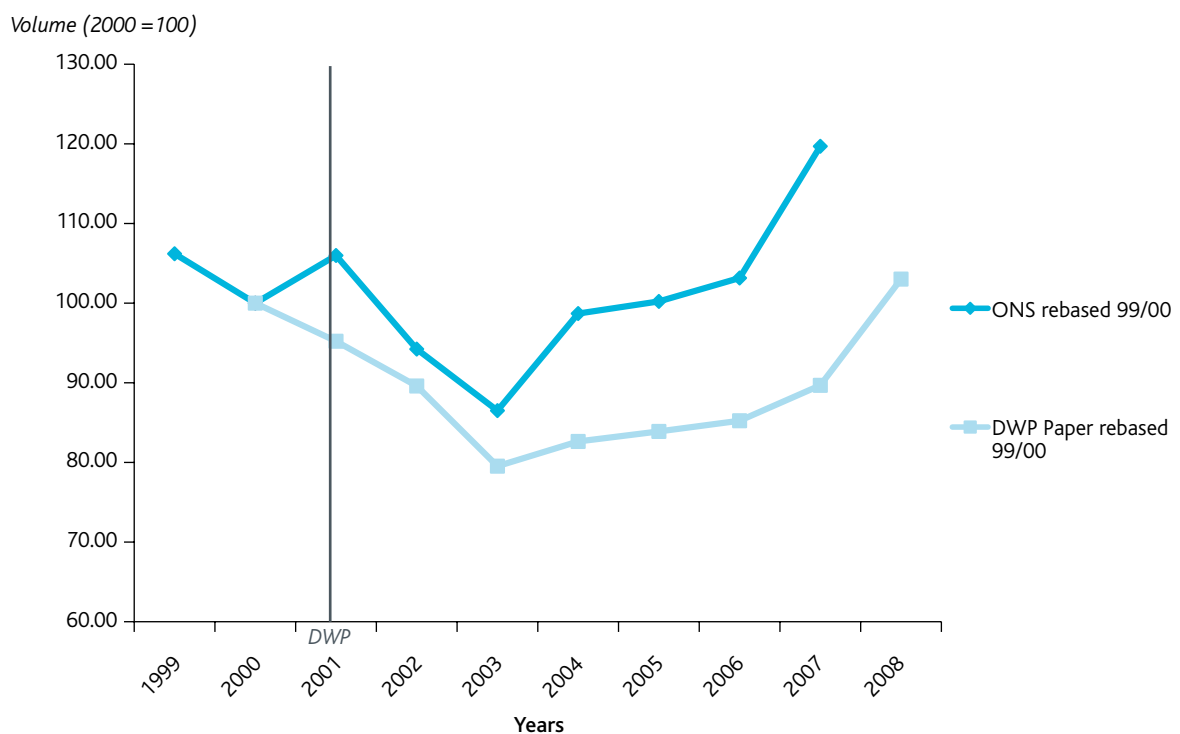
The DWP preferred measure of productivity is based on recurrent expenditure and quality adjusted output. The ONS uses a technical view of productivity based on the Atkinson Report defined as the volume of goods and services produced by an organisation for its customers from a given input volume. Both of these measures, in general, imply that productivity decreased during a period of massive organisational change. For a discussion of both methods see the DWP Spear Research Summary (2006): *An analysis of DWP productivity.*

The costs of change

Given the size of DWP, it was inevitable that the reorganisation process was appreciably more costly than any of the other cases considered here. We use the same approach for costing the creation of DWP as we did above for DEFRA.

First-year costs: The immediate costs of the creation of DWP were very similar to those for DEFRA at approximately £9m (Figure 27). Of these, IT and systems costs proved to be the greatest percentage.

Recurring costs: The onset of industrial action and pay differential problems also emerged as significant for DWP. Despite DSS and DEE being much more similar in starting positions than was the case in DEFRA, the 2002 settlement reached approximately £140m.[48] As we noted in the DEFRA case, the net cost of the pay increases at DWP would have been far greater than the original settlement over the future lifetime of the department the delta in additional salary increases could be quantified as a machinery of government change cost.

Indirect costs: The considerable disruption which resulted from the change at DWP leads us to believe productivity dips are worth estimating. Once again, our estimate of total productivity loss using standard costings and scaling them for the with-agency FTE counts amounts to over £24m. Again, we feel this is a conservative measure of the disruption that occurred to this department only using 20% disruption to 20% (a 4% loss overall) of staff and quantifying salary level loss only.[49]

Thus our overall estimate of the costs of reorganisation in DWP's case is around seven times larger than those for DEFRA, but are broadly comparable once scope and size issues are controlled for.

Benefits of change

In terms of the benefits of changes, there seems little doubt that the gains made from the reorganisation have far exceeded the costs involved. Amongst all the department changes which occurred between 1979 and 2009, DWP was rated the most successful department change by our interviewees, with none of the respondents viewing the department as problematic in any way (see Figure 20 above). The department has remained unchanged in the intervening years (although its component agencies were subsequently reduced from three to two by an internal merger that created the Pensions, Disability and Carers Service (PDCS) in 2005.

The 'look and feel' of DWP's buildings, especially JobCentre Plus, services and communications with customers have all improved appreciably since 2001, while its IT systems and related business processes have also clearly strengthened in an era where government IT, as a whole, has faced considerable difficulties. The department is also expected to endure unchanged throughout at least the next administration, whatever its political colour. The reasons behind these glowing views stem largely from the perceived logic of the merger of the work and benefits function, not only linking unemployment benefits to job-seeking services, but linking both with the pension service as well. Interviewees commented:

Figure 27: Estimated costs of DWP as known at June 2002

Legend
■ Accommodation
■ HR systems integration
■ IT investment
■ IT Integration
■ Differential pay settlement
■ Productivity

	First year	Recurring	Indirect	Total
% of administrative budget	0.2%	2%	0.4%	3%

(Bar values: First year £9,274,3000 / £3,300,000; Recurring £140,000,000; Indirect £24,100,000; Total £173,374,300)

Cost estimates of MoG changes based on IfG Cost Model. Model based on interviews with senior civil servants, department annual reports and documentation of change, Civil Service Statistics and Select Committee Hearing Minutes. First year costs are tangible costs incurred in the first year of the department's operations. Recurring costs refer to differential pay settlements which were agreed to in the first year of the department's operations as a result of a merger. The settlement may be paid over several years. Increases to salaries as a result of the merger remain for the lifetime of the new organisation and therefore are coded as recurring although we do not attempt to predict how much these cost beyond the settlement payout. Indirect costs refer to productivity losses which we estimate for disruptive changes.

Probably the most successful [reorganisation] in my view was DWP. It's hard to remember now that it didn't exist. There's a real logic in bringing work and benefits together in that way. It's a compelling logic.[50]

DWP… has been very successful. It has three client groups with one thing that unites them which is the world of work. What's the best way to get a bad pension? The answer is not to work long enough. So that [change has] been quite successful.[51]

The Department for Children, Schools and Families and the Department for Innovation, Universities and Skills

Context

Gordon Brown's first Whitehall changes as Prime Minister in June 2007 created the Department for Children, Schools and Families (DCSF) to deal with all aspects of the education and care of children up to 16 years of age. This move was a radical break with the 59 year-old pattern of having an education ministry that covered all aspects of the education system from nurseries through schools and colleges to universities and research in one department (see Figure 28). For most of the post-1970 period the education ministry also had control of the science research budget, and was called the Department for Education and Science (DES).

However, under John Major this role was moved to the main business department (then the Department for Trade and Industry). Instead the Conservatives sought to link education with a skills agenda by putting it in the Department for Education and Employment. This ministry, DEE, was scrapped after six years at the time of the creation of DWP. Also in 2002, a new version of DES was created – DES – this time standing for Department of Education and Skills, since the department retained responsibility for the training of (mainly young) people in vocational skills directly for the world of work. All these were essentially permutations of the idea of an integrated education ministry, which throughout remained the 'genetic code' of the department.

A new type of department structure

By contrast, DCSF no longer had any roles in research, further or higher education, but instead brought together nurseries and schools along with children's social services, especially child-care provision and child protection. A key motivation here was that a number of serious and damaging scandals occurred during the new Labour government, where young children of different ages were killed by their parents or other carers and the different branches of childrens' services – schools and social services, plus the NHS and police – failed to co-ordinate their activities to prevent disasters. In the noughties, many local authorities had already moved to bring their schools, child care and child protection services under a single directorate, and so the creation of DCSF in some ways gave belated recognition to this trend towards this more client-focused approach, encapsulated in the 'Every Child Matters' drive to integrate services in 'Children's Trusts' at a local level from 2005. Politically the move also created a major cabinet role for Ed Balls, long one of Brown's closest advisors and most important supporters.

Figure 28: Family tree of DIUS and DCSF

1944	Ministry of Education		
1966			Ministry of Social Security
1968/69	Department of Employment		Department of Health & Social Security
1983		Department of Trade & Industry	
1988		*science*	Department of Social Security
1995	Department of Education & Employment	Department of Trade & Industry	
2001	Department of Education & Skills	Department of Trade & Industry	Department for Work & Pensions
2007	Department for Children, Schools and Families	Department for Innovation Universities & Skills	Department for Business Enterprise and Regulatory Reform

Once DCSF was envisaged as exclusively children-focused, then the remaining education roles of providing vocational skills services for post-16 young people and running higher education policy and funding either had to be given to a new department or moved elsewhere in Whitehall. The only alternative billet was to place these services under the control of the government's main business department, the Department for Trade and Industry (DTI) – which already supervised the highly expensive government support for the science and technology research base. Instead Brown opted for the new department solution by creating the Department for Innovation, Universities and Skills (DIUS) and transferring the science research support role to it from DTI (itself renamed as the Department for Business, Enterprise and Regulatory Reduction, BERR). DIUS was given a strong 'innovation' and productivity focus to 'provide a strong, integrated, permanent voice across Government for effective investment in research, science, enterprise and skills, embedding these into the heart of the government's competitiveness strategy'. This idea reflected two themes of Brown's long tenure as Chancellor of the Exchequer by marrying universities more closely to the economy in hopes of generating greater commercialization of research and innovation in the higher education sector and combating the UK's long-standing skills and productivity deficiencies. Politically the move also created a space for Brown to bring back John Denham into Cabinet, who had resigned as a minister in 2003 in opposition to the invasion of Iraq.

The change process

In terms of implementation, the senior civil servants at Education (and DTI because they were losing functions) were briefed on the forthcoming changes ten days in advance of the Prime Minister's announcement, so that the remaining DES hierarchy was able to plan ahead to absorb the non-education children services, and to shed the skills and universities role. By contrast, the creation of DIUS was more rushed because a brand new departmental centre had to be built from scratch and initially identifying a suitable person to become the new Permanent Secretary staff was difficult.

One person close to the change explained that the Cabinet Secretary worked in conjunction with the other pertinent civil servants for five days to identify a leader for DIUS "because there were two exporters to talk to... and there was no importer. It was only at the very end of that week that he thought of Ian Watmore". By the time that this problem was solved the DIUS senior staff had only three days to prepare. Thus while both departments were announced simultaneously along with the creation of BERR, the DCSF had relatively more planning time than DIUS. Figure 29 shows the key facts about the new departments.

Once briefed, however, the reorganisation process for both departments was again the traditional one of maintaining complete secrecy about forthcoming changes until the respective Secretary of States were made aware of the change by the PM once the reshuffle was imminent. For DCSF this meant discussing the change and its implications with staff at the Treasury, who were seen in Education as the primary architects of this particular departmental reconfiguration. For a week, the DES Management Board operated in secret to put together plans and prepare for the change:

> *[X] called the Board together on the Monday morning and suggested that as a Board we do all the thinking and planning. Then, for the following week, we did all the planning and thinking in that very small group.*

Relative ease for the demerger DCSF was able to create an eight-person transition team in advance of the announcement and bring them together to work with the Board in the final days before the announcement. The rest of the organisation, however, was not privy to any details until the actual announcement by the PM. From the civil service's point of view – at least those directly involved in running the process – the effort was successful: "It was a brilliant piece of work from the people involved and I think the civil service takes an enormous amount of credit for putting that together under such bizarre circumstances".

Figure 29: Quick facts on the creation of DCSF and DIUS

DIUS		DCSF	
Planning prior to announcement	◔	Planning prior to announcement	◐
Number of days to prepare prior to live	3	Number of days to prepare prior to live	10
FTE Count – old*	650	FTE Count – old*	4,060
FTE Count – new	809	FTE Count – new	3,910
Scale of change (% FTEs)	+20%	Scale of change (% FTEs)	−17%
Scope of change	◕	Scope of change	◔
Settling-in time	10 months	Settling-in time	<6 months
Time to integration	NA	Time to integration	<6 months

*Estimate 80% of staff from DfES. Black shaded circles are relative measures compared to other case studies based on the researchers comparative analysis. Number of days to prepare prior to live indicates the number of days the transition teams were given to prepare the department prior to it being open for business. Settling-in time refers to the amount of time required before the department was able to begin to act on its mandate. Time to integration refers to the amount of time required before the changed department functioned as a whole. All responses based on interviews with senior civil servants.

The stark difficulties of creating a new department DIUS had a considerably more chaotic planning process once its top civil servant was chosen and in place alongside a 'scratch' team for the new departmental centre. Although a merger of already ongoing operations, and as Figure 29 shows one of the smallest Whitehall departments, DIUS still needed to get a complete set of ministers in post, equip them with private offices, create a new press office from scratch, find a physical building to serve as its headquarters and put in place other essential aspects of a new corporate centre, including HQ financial and IT staffs. The team also had to create a new brand and website and to flesh out the very minimal brief from the Prime Minister and the Cabinet Office as a developed rationale and organisational mission. The Secretary of State, Permanent Secretary and a small transitional team of four were put in place over a weekend, in their hands only a two-page brief from the Prime Minister which they had to transform into a department. These initial challenges had something of a lasting impact on DIUS because the department was always running to keep up with the expectations of its numerous and vocal stakeholders and of the media.

As with DEFRA seven years earlier, the DIUS planning team were shocked to find that little support was available from the centre of government and that basic guidelines on creating a new department were lacking:

> *We were quite surprised how little institutional memory there was around machinery of government. I was quite shocked by that. And a number of the questions we had, we solved ourselves because no one at the centre knew. We felt like we were working in the dark.*[52]

Diseconomies of scale DIUS did not fare well in the negotiations process with DCSF and BERR about the transfers of budgets to go alongside its new responsibilities. As we have seen above, as HMT generally deems MoG changes cost-neutral, any new department's additional requirements for management, accommodation and other functions come with no funding attached. Indeed, an interviewee at DCSF said of the change:

> *The costs [of reorganisation] were more observable on the DIUS end. I don't know if we ever did the exercise [to cost DCSF changes]. I suspect that the actual costs for this department were quite modest. You might say a couple of weeks work on the administration and signs changed and stationary. And the other costs on corporate services were tied up with decoupling who our staff were and who the DIUS staff were. But of course, the Treasury says they [reorganisations] are cost neutral. How could it possibly be cost neutral? It's just completely barking mad. For DIUS, you had the overhead and infrastructure of an organisation. And you couldn't just say DIUS was 50% of what the DES was and DES could restructure its costs downward by 50%.*

The first months at DIUS were dedicated to building the core of the organisation: ensuring that existing operations flowed smoothly; and that the department was able to deliver on its current commitments. It was not until April 2008 that staff from the various source departments were brought under one roof, almost 10 months after the announcement of DIUS's creation. Despite the best hopes of the department's e-savvy Permanent Secretary, e-communications and a departmental intranet could not compensate for the physical separation of DIUS's component sections. As a result the hopes of achieving synergies across the department's separate functional areas were pushed further down track.

Costs of DIUS

First-year costs: Even though DIUS total staff numbers were quite small at only 809 FTEs at the time of its creation, we estimate that the costs of its creation were close to £15m. The details of this estimate are shown in Figure 30 below. The biggest cost incurred for DIUS was largely with respect to new accommodation, which we estimate at £10m based on interviews and accommodation estimates from other departments. Achieving IT integration across the department's silos and different financial control systems was also substantially costly, at around £3m.

Indirect costs: Maintaining the same approach applied in the earlier costing estimates, we apply a 20% disruption to 20% (a 4% loss overall) of staff to estimate a productivity dip associated with this relatively large-scale organisational change – quantifying salary level loss only.[53]

Note that we do not estimate recurring costs from pay harmonisation for the creation of DIUS. The new department was not subject to labour disputes and consequently, data was not readily available to us to estimate pay harmonisation costs.

Our overall estimate is in line with figures quoted in our interviews on the cost of DIUS and with the former permanent secretary's already publicised estimate of its costs of creation at £13-15m in the first year. One official from another department close to the change told us that:

> *When DIUS was set up, we had to go to arbitration with the Treasury, same as when DECC was set up. However grown up you tried to make the conversations… We gave more than we felt was objectively justified and that came to about £9m or £10m above and beyond transferring the costs associated with the staff and Ian [Watmore, the Permanent Secretary at DIUS] reckoned he was about £10m light. And I suspect the same is true in DECC's case because of the diseconomies of scale of having a finance department, communications and all the overheads. I think there is a case for some guidelines. But the bottom line is there will be diseconomies of scale and the Treasury is bound to say there's no new money.*

Figure 30: The costs of creating DIUS

	First year	Recurring	Indirect	Total
% of administrative budget	20%	0%	2%	22%

Cost estimates of MoG Changes based on IfG Cost Model. Model based on interviews with senior civil servants, Department annual reports and documentation of change, Civil Service Statistics and Select Committee Hearing Minutes. First year costs are tangible costs incurred in the first year of the Department's operations. Recurring costs refer to differential pay settlements which were agreed to in the first year of the Department's operations as a result of a merger. The settlement may be paid over several years. Increases to salaries as a result of the merger remain for the lifetime of the new organisation and therefore are coded as recurring although we do not attempt to predict how much these cost beyond the settlement payout. Indirect costs refer to productivity losses which we estimate for disruptive changes.

Adjustment challenges and missteps early on: Modest changes were beginning to occur at the department after the first anniversary of its creation. A cross-departmental group was established to identify synergies and ways for the four silos (further education, higher education, science and research, and innovation) to work better together. Most of DIUS employees remained on their pre-existing pay scales and contractual terms and conditions of employment throughout the ultimately short lifetime of the department.[54] Progress on integration, however, was slow and frustration among staff was reported regarding the challenges of shared services and processes in the capability reviews.[55] There were also a considerable number of serious glitches in the public financing schemes that the department was responsible for supervising. The further education capital funding programme 'Building

Colleges for the Future' specifically was deemed a disaster badly managed by both the Department for Innovation, Universities and Skills (DIUS) and the Learning and Skills Council (LSC) by a report from the Innovation, Universities, Science and Skills Committee.[56] Halfway through the programme, the report claims, it suddenly dawned on the senior management of DIUS and the LSC that the total potential cost of projects which had received 'approval in principle' were more than the total capital budget and many more applications were in the pipeline. Rather than try to dampen demand, the committee concludes that the LSC was building up a bidding culture amongst colleges.

In the higher education area there were no similar disasters, partly thanks to generous financial settlements from the Treasury in these years. But under Education the universities had been used to avoiding financial pressures at the year end, because the schools sector habitually under-spent its budgets, so that the department as a whole was often not under tight financial constraint and a degree of overspend in universities could be easily accommodated. Now that this almost automatic comfort blanket was no longer present, keeping spending within limits raised new difficulties for the university sector.

Perhaps most telling of all, a long-delayed DIUS strategy document providing guidelines on how the department would function moving forward, was actually only finalised in April 2009. Just two months later at a major reshuffle Brown decided to move Denham to another ministry and to wind up DIUS as a separate department, transferring its functions to the new 'super-department' of Business, Innovation and Skills (BIS), created with the powerful Peter Mandelson at the helm.

DCSF: Catching up with the local authorities

In sharp contrast with DIUS, the DCSF experience was relatively smooth. Civil servants there found that the creation of the department resonated with its staff, local authorities and other stakeholders:

> *For quite a lot of people in the department at DCSF, they felt there was a great logic in what we were doing and the change was institutionalising in the structures of the department what it was that people felt we were trying to achieve… There was a logic in creating it.*

The creation of DCSF resonated with large parts of the local authority professional world as well. For senior civil servants at the department the message was that "You had required that we create directors of children's services in 2005. We [children's services] got ahead of you and now you're catching up with us". This deeper-lying fit with wider trends in the sector meshed with the stronger continuity in DCSF's core schools roles:

> *We had the easier bit of the split because 70 per cent of the DCSF was continuing in staff terms from the DES. DIUS was the new entity. We felt like continuing but expanding. We had the building… we felt like continuity plus. We had a particular SoS who had the headroom to make a big splash quickly and very much drove what he wanted to drive in the department.[57]*

Few costs for children's services Turning to the costs of the changes, interviewees told us that few costs were incurred at the DCSF and that the change itself was not very disruptive compared to what DIUS was struggling with. DCSF staff were also quite positive regarding costs, delivery risk and disruption:

> *We were able to use the opportunity of the creation of a brand new department to get people behind the mission of the department. It was an opportunity to accelerate organisational change that was already there. I don't think we missed a beat as the departments changed. I think we were very fortunate that we didn't lose momentum and I think that comes back to the logic of the department and the energy of the Secretary of State.[58]*

Reflecting on their ability to achieve change, DCSF officials felt that strong organisation allowed them to progress forwards whereas DIUS was constrained by limited resources and a larger scope of change:

> *We didn't get side-tracked by the administrative bits. It was delegated to the Director of Corporate Services and the PS [permanent secretary] and Board did not get sucked into the administration of the change. That relies on having someone you can completely trust to deliver. I think that for DIUS they were very thin in being able to accomplish that and Ian [Watmore] found himself having to deliver the policy and do this massive organisational change. DCSF was able to avoid that partly because of the individuals here but partly because of the super structure we had.[59]*

Benefits of the change

Turning to the benefits of the two reorganisations, the fact that DIUS did not endure beyond two years as a separate entity means that it did not have time to achieve the full promise of its 2007 brief, while its reputation was tarnished by the succession of funding policy mishaps. Nonetheless, the department did achieve an interesting change of tone in discussions about the importance and role of innovation in sustaining the UK's economic flourishing. To give one example, some felt that in all its many years of supposedly handling the 'innovation' brief, the DTI retained a solely private sector and very dated 'metal-bashing' conception of industry, even though the UK public sector accounts for a quarter of all final consumption in the economy and is clearly critically important in many dimensions for national productivity. DIUS transformed this stance in its two years, initiating work on productivity and innovation in the public services that had never been contemplated before. Indeed, one of its quangos (NESTA) also raised challenges about 'hidden innovation' that does not show up in the old industrial focus on patents (as with innovations in financial services). Some also felt the shift helped make the HE and FE sectors focus much more on the relation to the wider economy, and away from a more traditional 'education' brief. The bulk transfer of the DIUS functions to Business, Innovation and Skills ensured that the impact of many of these positive initiatives under DIUS transferred across, at least for a while.

Whether DCSF will survive in its current form has also been much discussed, following commentary by prominent Conservatives ,including David Cameron and Francis Maude in November 2009, that the new business department (BIS) is too large and an integrated Education department could be considered should the Conservatives come to power at the 2010 general election. Officials within DCSF commented that a reversion to an education department was plausible and potentially politically salient: "Symbolically, calling it a Department of Education is a big symbolic act. As symbolic as it was for [Gordon] Brown and [Ed] Balls to call this the 'Department for Children'." Officials felt that a return to the pre 2007 format would be easily accepted by staff in the Department, should it occur, because it would not erase the solid gains which have already been made in focusing on children. "The structures of government are important politically", one interviewee said, "but we overestimate how important they are in bringing about change and delivery".

Department for Energy and Climate Change

Context

The Department for Energy and Climate Change (DECC) was created in October 2008 by merging the energy divisions of BERR with the Office for Climate Change from DEFRA, so as to 'bring together energy and climate change policy to respond to the challenges faced in working towards de-carbonising the economy and ensuring energy security'.[60] The change was part of a larger government reshuffle which involved important political negotiations with respect to cabinet ministers and saw the return to government of Lord Mandelson, who later became Secretary of State for a greatly enlarged and renamed Business, Innovation and Skills department, despite losing a few hundred staff and the energy brief (see above). The new DECC Secretary of State, Ed Miliband was also a strong Brown loyalist who had served with him at the Treasury for many years.

Figure 31: The creation of DECC
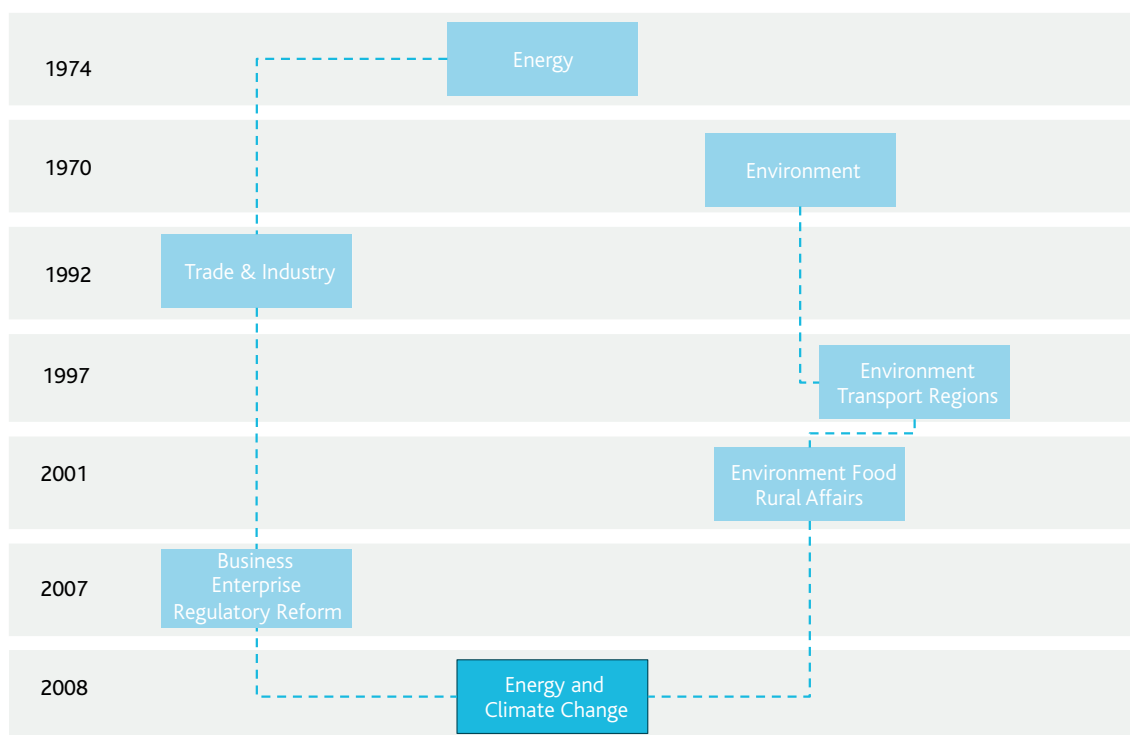
As Figure 31 shows, the decision ended a 16-year period from 1992 when the last remnant of Labour's 1970s Department of Energy was abolished by Margaret Thatcher, following on from the privatisation of the formerly extensive BP oil shares holding, the British North Sea Oil Corporation (BNOC), British Gas and the state-owned electricity companies. The organisational 'death' of Energy as a separate department was an unusual event, made possible by the retirement of a third of its senior staff, moves into various regulatory bodies by a further third,

and the transfer of the last third into DTI. In the benign, low-cost energy environment of the late 1990s and early 2000s, entrusting the UK's energy futures largely to a junior DTI minister was satisfactory. But as this era began to come to an end in the mid noughties, with the UK switching from being a net exporter to an importer of energy as the North Sea supplies began to run low, and security concerns emerged about future energy supplies, stakeholder demands for the recreation of a separate energy department began to grow.

A second long-run change in the policy concerns of British government grew rapidly from 2002 onwards with the escalating significance of climate change, and especially its management via a series of international agreements trading off economic decisions about energy sources with commitments to take action safeguarding the earth against continuously rising temperatures as a result of industrial and domestic carbon emissions. This very different new angle on environmental issues prompted DEFRA to establish the Office of Climate Change in 2006 but the weight of the department's environmental slant remained very much on the natural environment, and it relied on the DTI to negotiate and deliver business acceptance of climate change and sustainability concerns – all issues which fitted poorly with its overtly pro-business orientation.

A clear rationale

Throughout the four years leading up to DECC's creation there is evidence that the Cabinet Office advised the Prime Minister on and off about the interlinked issues of energy and climate change/sustainability and possible departmental reorganisations to be more effectively co-ordinated:

> *It looked plausible publicly and pleased the greens. We had looked at it for years as a private piece of work for the PM. The conclusion was that there could be one substantial advantage that you had in the energy part of DTI a group good at CBA and economic analysis – and the climate change bit was very bad at those things. And it was actually because of that, that it [a new department] had failed to cut any ice at all with the Treasury.[61]*

Politics served as the tipping point

Eventually, the political salience of both signalling the importance of climate change to voters and the international community in advance of the Copenhagen Conference of December 2009, as well as signaling to the electorate that the government was gripping the increasingly media-focused UK energy supply crisis, began to outweigh the earlier obstacles to creating the Department. The final tipping point for a new department was Brown's simultaneous political need to offset somewhat moving the whole DIUS portfolio over to Mandelson, while also finding a Cabinet position for Ed Miliband. This combination of factors tipped the argument in favour of creating the [currently] smallest and newest government department, one that Figure 32 shows was created with just 1,000 civil servants.

Figure 32: Quick facts on DECC's creation

Planning prior to announcement	◕
Number of days to prepare prior to live	1 night
FTE Count – old	650
FTE Count – new	1,000
Scale of change (% FTEs)	35%
Scope of change	◔
Settling-in time	6-9 months
Time to integration	> 2 years*

*Estimate by Senior Civil Servant, DECC

Black shaded circles are relative measures compared to other case studies based on the researchers comparative analysis. Number of days to prepare prior to live indicates the number of days the transition teams were given to prepare the department prior to it being open for business. Settling-in time refers to the amount of time required before the department was able to begin to act on its mandate. Time to integration refers to the amount of time required before the changed department functioned as a whole. All responses based on interviews with senior civil servants.

The change process

No planning: Unfortunately for the Secretary of State and senior civil servants who were to create DECC and bring its functions together into one department, the earlier discussions did not translate into any planning phase with time for preparation. The new teams at BIS, DEFRA and DECC-to-be were briefed just one day before the announcement of the new department and given just one night of preparatory time to get the DECC publicly ready for business. One closely-affected senior civil servant was out of the country at the time and discussed the implications of the changing configuration by phone.

Unsurprisingly then, whilst it was formally operational, DECC was not in fact fully prepared for business in its first days. Instead conditions were again somewhat chaotic and embattled:

> *They had no IT… The first few weeks were really difficult because all the staff were in the wrong place. The ministers were in one [different] building… it was a bit like going back to WWII. There were messengers coming in with bits of paper because they didn't have IT connected and so on.*[62]

Like DIUS then, DECC started running to catch up – an unfavourable context to be in. Interviews with people close to the transition have suggested that the department's first six to nine months were dominated by set-up concerns, finding pathways and time to function operationally and get everyone under one roof. Insiders told us that the change took its toll on several key staff, who even after a year felt exhausted – while there is at least anecdotal evidence that some top talent left the new organisation:

> *You have the worst possible world when there's no receiving department. In the case of DECC there was nothing, no building, no one in place, not even a name plate to put on the door. It hasn't gotten over this even now. The shakeout is still happening. People are still leaving. Almost all the key figures that were drafted from other departments have chosen to leave.[63]*

No support but DIUS helps DECC: Again a lack of central planning and support functions from the Cabinet Office and Treasury made this difficult situation worse.

The Cabinet Office supplied a document of best practices to follow during machinery of government changes, which, whilst helpful in documenting all of the items which should be planned for, was not realistic given the context within which actual department changes occur. Preparation lead times, for example, were assumed to be at least four weeks. Where DECC did gain support, however, was from leaders of other departments which had been created under similar circumstances in the recent past – a curious positive aspect of increased rates of MoG change. The Department's transition team found the team at DIUS to be particularly helpful since it too involved the creation of a brand new department.

Costs of the new department

Turning to the costs of the reorganisation, despite DECC's small size – as with DIUS – creating a new department produced costs of at least £15m, shown in more detail in Figure 33.

First-year costs: The new corporate centre required suitable accommodation, at a cost around £10m in the first year, and again IT integration to unify across the ex-DTI systems and the former DEFRA systems cost approximately £3m.

Indirect costs: Achieving a common organisational culture across the two radically different halves of the department was far from straightforward. Some interviewees told us that an instruction from the Secretary of State that all business cards should be printed with the slogan 'Committed to sustainability' produced a near revolt amongst former DTI staff, who argued that their credibility with hard-headed business stakeholders would sink to zero. By the end of the first year, whilst productivity was generally seen to have been stable or more positive, the consensus amongst those close to the transition was that the staff were exhausted and the pace of change of the past year was not sustainable for much longer. We use the same approach applied in the earlier costing estimates of a 20% disruption to 20% (a 4% loss overall) of staff to estimate a productivity dip associated with this organisational change – quantifying salary level loss only.[64]

Note that again, we do not estimate recurring costs from pay harmonisation for the creation of DIUS. The new department was not subject to labour disputes and consequently, data was not readily available to us to estimate pay harmonisation costs.

Figure 33: The costs of setting up DECC

	First year	Recurring	Indirect	Total
% of administrative budget	18%	0%	2%	20%

Cost estimates of MoG changes based on IfG Cost Model. Model based on interviews with senior civil servants, Department annual reports and documentation of change, Civil Service Statistics and Select Committee Hearing Minutes. First year costs are tangible costs incurred in the first year of the Department's operations. Recurring costs refer to differential pay settlements which were agreed to in the first year of the Department's operations as a result of a merger. The settlement may be paid over several years. Increases to salaries as a result of the merger remain for the lifetime of the new organisation and therefore are coded as recurring although we do not attempt to predict how much these cost beyond the settlement payout. Indirect costs refer to productivity losses which we estimate for disruptive changes.

Possibly more change?

Amongst our group of interviewees, DECC is generally perceived to be a department that has successfully introduced greater political priority for energy and climate change concerns, and successfully internalised some of the previously marked inter-departmental differences in approach. Yet whether the department will endure in its current form remains doubtful. The boundary issue which exists with the environment part of DEFRA was regularly discussed as being potentially problematic over the long-term. Moreover, some interviewees were not convinced that the operational merger was necessary to achieve the intended synergies between energy and climate change:

> *Putting energy and climate change together, maybe you'll get more effective work in there than you've had in the past but was it really necessary? That was really a policy problem that you were resolving. Not that the climate change people have business process that automatically involved the*

operation of energy companies. That was trying to resolve a problem at the level of policy and politics... And a machinery of government change as an instrument of policy seems to me to be a bad idea.[65]

A more poignant concern lies with internalising the debate between energy and climate change in one department. Interviewees generally felt that whether or not the department succeeds will now rest largely on the skills of the Permanent Secretary and Secretary of State. The debate no longer reaches across departmental boundaries:

The downside is... that when you have two areas of policy which are so much in conflict, it's much better to externalise the argument than to internalise it... And that's exactly what has happened [with DECC]. Nobody else gets a look in.[66]

Another interviewee explained that the risk of failure at DECC is further heightened because the debate is between two conflicting factors:

There is a debate between the requirement to produce energy as cheaply as possible – at least in the true resource sense. The other is to want to make statements in global leadership on environmental issues. Instead of nuclear energy and renewables competing [where] there would be a problem resolution, one of those partners tends to get suppressed. And I think that's what's happened with nuclear power. You're better off having the dispute resolution set at the level above – at cabinet level.[67]

In addition to DECC continuing as it is, two or three different possible future scenarios exist. In one, DECC might expand its control of environmental concerns at DEFRA'S expense. In another, the energy function might be reallocated to BIS once again. Possibly both changes might occur at once.

4: A deeper case for MoG changes?

In considering department reconfigurations, it is useful to take a step back and compare the reorganisation issues in government with those elsewhere, asking whether government is perhaps now a rather unusual area in the digital era in still trying to solve its organisational challenges through structural change.

We briefly compare government reorganisations with corporate structures and with mergers and acquisitions in the private sector. A key question raised by this analysis is – instead of searching for a single 'perfect' structure, for instance, should government be aiming to construct more 'agile' ways of organising? Instead of minimising changes because of their costs and disruptive effects, should Whitehall be aiming to create a set-up where change can happen more easily and seamlessly, and where the costs of changes (recognised as likely to continue to occur) are instead minimised and measures put in place to allow smoother reorganisations where needed?

In this final section we consider the possibilities for creating more agile structures in Whitehall – and, in a sense – making departmental boundaries and loyalties matter less than they do at present.

Is top government in fact strangely stable?

Writing in 1976, before the tremendous shake-up of governments inaugurated by Thatcher, Reagan and the 'new public management' movement, the American political scientist Herbert Kaufman asked a question that is highly relevant for Whitehall: *Are government organisations immortal?* His point was that once a salient function is taken on by the state, it is rarely let go or superceded. The 'products' of state intervention tend to create political support from interest groups and stakeholders, while the more successful they are in building this constituency the more powerful they tend to become within the state apparatus itself.

In particular, successful public policy programmes tend to insulate their organisation from change, and even if their original rationale weakens they can typically find new analogous missions (thus horse cavalry become armoured divisions, and the US airforce's current strategic plan calls for it to migrate to being a 'spaceforce' in the future).

The implication then becomes that once they are set up government organisations rarely, if ever, 'die.' This is in contrast to many private sector firms where new 'births', the growth of small competitors and ceaseless technological and market innovations constantly put pressure on big companies. As such, the dominant companies of the 1960s look nothing like those of the 2000s.

By contrast, the lineage of Whitehall organisations is not hard to trace and the main movement has been a proliferation of branches on the organisational tree from the nineteenth century to the 1950s, followed by a slight pruning back since then. The family trees of departments have morphed and intertwined through successive reorganisations but no major department has completely died out.

Limited pressure to innovate

Does this matter? It may, in one important way – there cannot be a strictly evolutionary organisation process in government. One branch of organisational studies, called organisational ecology, points out that in the most competitive sectors of the private economy, much

innovation takes the form of new firms displacing old firms, without any 'organisational learning' occurring. For instance, in the restaurant sector thousands of new entrants come into the market each year with different rationales, menus and customer audiences, while a tranche of existing companies go out of business.

Change is thus a competitive succession process, and not a direct learning process – once established in one niche a restaurant will rarely change its character significantly – but merely flourish or die out. By contrast in Whitehall, there is little succession. There may be marginal competition between agencies to 'own' particular new 'turfs' that open up, but the general ethos of state organisation is the avoidance of 'duplication' – so that only one department or agency should be handling any one function at a time. British government interprets this very strictly, unlike (say) US federal government, where bureaucratic competition is more pervasive[68]. Of course there is a kind of 'government market' still – marked especially by intense ecological competition between agencies for scarce budgets. But budgetary tussles are not directly a dynamic for organisational change and innovation – they may spark changes, but are mostly too incremental to do so.

A blunt tool for achieving some evolution

Seen in this light, a reasonable frequency of Whitehall reorganisations might be justified systemically in a different light from the arguments for or against particular individual changes. Reorganisations might be seen as fulfilling a useful political corrective to Kaufman's 'immortal' government agencies by periodically shaking up otherwise more and more ossified structures[69]. While government departments rarely go out of business, and can never go bankrupt, they can be exposed to being reorganised, to seeing parts of their functions merged into rival departments and to seeing their own scope of functions changing character or being radically downsized. The threat of reorganisation is thus a constant spur to senior officials and ministers to do a good job and to avoid disasters – especially successive disasters which may trigger radical de-mergers or even complete absorption into another ministry. Equally the ability to expand turf and to take on new functions and extend the scale of department operations may sometimes provide a stimulus to their ministers and senior officials to be successful.

Even if some reorganisations are carried out too frequently, so that some fail or are quickly unwound, a fairly constant pulse of politically induced changes might be defended as a useful element in constantly energising the Whitehall system. There is a strong line of analysis in organisational studies that argues that some degree of strictly random (or 'stochastic') change can be therapeutic in keeping managers on their toes, creating a degree of uncertainty in an otherwise 'over-determined' and perhaps permanently static top government sector.[70]

Comparing government departments and private corporations

This kind of organisational analysis has been strengthened by evidence that the tempo of reorganisations in comparably large firms to government departments has increased considerably in recent decades, especially in industry sectors most affected by the increased pace of IT and internet-lead changes, e-commerce processes and the 'disintermediation' of middle actors in corporate value chains. Where once company structures up to the 1960s followed unitary or U-form hierarchical structures, the next two decades saw a transition widely to 'multi-form' or M-form structures where company budgets and power bases were divided.[71] From the 1990s onwards the pace of organisational change and diversification of strategies has seemed to increase strongly in large private companies.

The growth of matrix management in the private sector

Many large firms now have some form of 'matrix management' set-up and regularly 'flex' or change their de-layered management structures every two or so years, making the regular U-form patterns that Whitehall departments still seek to emulate only a distant memory in most of the big corporate sector. Corporate efforts to optimize structures have become ever more sophisticated and fine-tuned around efforts to secure stronger performance in terms of delivering 'shareholder value', securing faster innovation or achieving more organisational growth – not by any means necessarily analogous or even easily compatible objectives.

At the same time, matrix models have flourished because there has been an increasing recognition that: 'There is value in an organisational design that will perform reasonably well in a variety of environments, even if it is not perfectly adapted to the current context'.[66] Instead of the 'tight coupling' optimisation strategies that dominated organisational design innovation a couple of decades ago, business strategists have realised that fitting only a single set of conditions and imperatives can be wasteful. Other organisational forms may be better suited to encouraging continuous innovation and spreading its implications through a firm's operations. 'Loose coupling' approaches instead aim to anticipate a high rate of change in markets, technologies and business processes, and to create frameworks for organisational management that can change easily, without extensive disruption being an inevitable concomitant of managerial or organisational strategy changes.

Meanwhile, the pace of mergers and acquisitions in the corporate sector has generally remained high, despite the mounting evidence that a substantial fraction of larger corporate mergers have been unsuccessful and some have had to be unwound after the rapid demise of anticipated 'synergies' – as with the unbundling of the Time-Warner and AOL merger in 2009 after the union of content-provider and once-leading internet services provider completely failed to generate the benefits that were anticipated when the two companies were brought together at the height of the dot.com boom.

Rewards to targeted, not acquiring, firms

More generally the consistent message of scientific studies of mergers and acquisitions is that they deliver rewards chiefly to the shareholders of targeted firms, while their impacts on acquiring firms' shareholder value is generally either negative or negligible. The chief reason for this assymmetry in returns is that acquiring firms' managements almost always encounter far more difficulty in integrating the organisational cultures of the previously separate firms than they originally anticipated, or in achieving 'synergies' in areas like integrating ICT provision or reconciling different service philosophies.

Figure 34 below also shows that a characteristic after-effect of a merger or acquisition is a dip in productivity in the combined business, as management time and attention are diverted into achieving structural changes and integration. At the same time productivity typically dips because a proportion of the staff most affected by the transition will find the change process disruptive for their life plans and work expectations. Some skilled staff may well leave for other employers rather than face uncertainties or risks in the transition period. Other workers and junior managers will resist changes (either consciously or unconsciously), and morale in the newly acquired units, or in existing sections merged with newly acquired units, will typically fall until the new organisational trajectory is firmly re-established and greater predictability in

operations returns. New owners often run into difficulties even if they opt for strategies such as running the newly acquired organisations in separated or multi-firm structures (as with Sony's efforts to run its movie businesses in a different way from its main company operations)[72].

Figure 34: The productivity dip experienced in most mergers and acquisitions
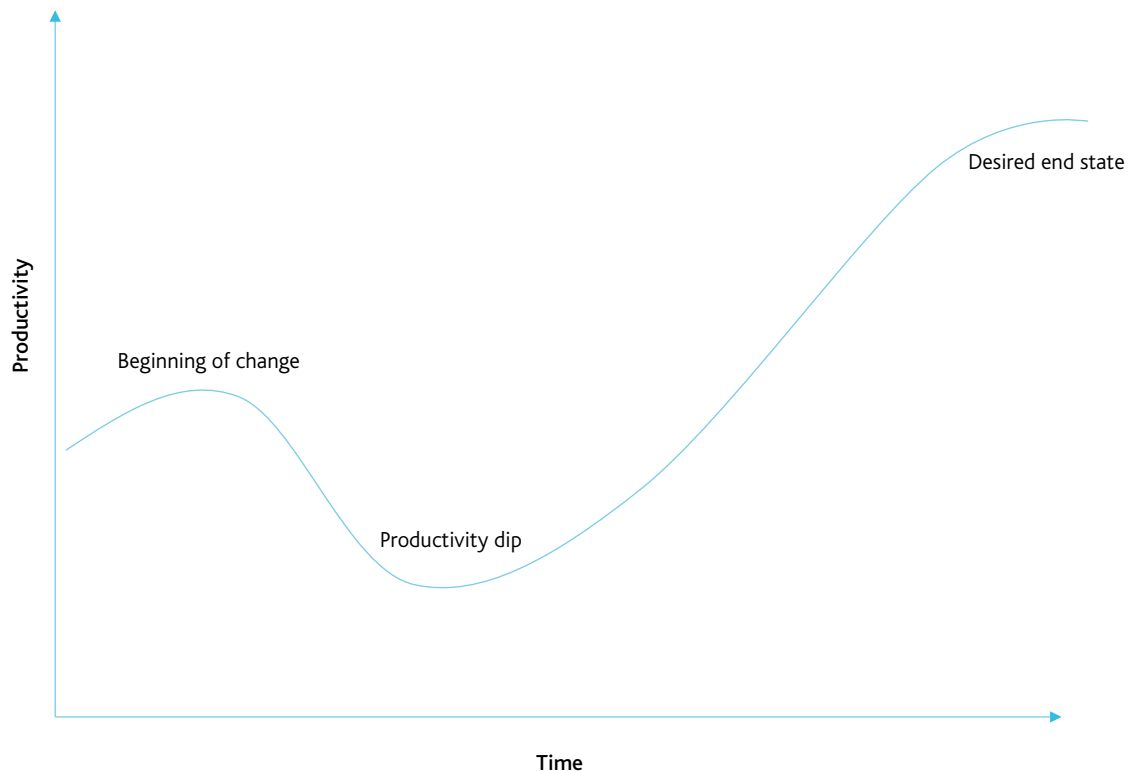
These now very well-documented experiences have many analogies in Whitehall reorganisations. As we have seen in the case studies, it is the acquiring departments, whether brand new or the larger merger partner, which face the greatest reorganisation challenges. Demerged departments, having lost a portion of their business, can more rapidly refocus on their narrower remit and face no real cultural or morale problems (e.g. DCSF). Interestingly, the evolution of department reconfigurations in the UK towards more matrix-like structures like the Department for Children, Schools and Families may indicate that the public sector is attempting to replicate the more flexible and agile private sector experiences. However positive this development may be, our research indicates that Whitehall has a long way to go before seeing the benefits of these changes.

Looking back across all the issues considered in this chapter, we see that rearranging and merging departments is a blunt tool which at times successfully induces fundamental changes and much-needed improvements that re-energise Whitehall where 'immortal' departments might otherwise risk becoming ossified. Whether or not reconfiguring departments is the best way to achieve these changes is debatable. A recent Institute for Government study, *Shaping Up*, identifies a number of tools which could help solve policy and administrative coordination challenges including:

- cross-cutting programmes with associated budgets and cross-departmental boards;

- cross-cutting remits for particular client groups and control of discretionary spending;

- shared units providing analytical capacity and advice to departments on particular cross-cutting issues.[73]

Whether or not the use of these tools reduces the frequency of department reconfigurations in the future, we can expect at least some machinery of government changes to continue. The focus of our next chapter, then, is on recommending ways to smooth the one consistent thorn in all mergers and demergers: lack of planning and limited attention to sound management principles.

For a discussion of how New Public Management legacies, ICT systems and agencification affects the ability of government to embrace matrix management and smoother reconfigurations in Whitehall, see Annex 4.

Recommendations

"... these big complex organisational changes, because they are often politically motivated, are forced through the system at a wholly inappropriate rate preventing good planning. Which is not to say they can never be the right thing to do but you would certainly have far fewer when you only did them for non-political reasons – and you would certainly take a lot more time to plan them." (Former advisor, No. 10).

It is one thing to analyse what's wrong with an existing business process in a complex administrative/political system like British central government, but quite another thing to find ways of improving these arrangements for the future. Reorganising Whitehall departments, or machinery of government changes in official parlance, are a reasonably effective way for Prime Ministers to indicate changing political priorities to their Cabinet colleagues, the Whitehall machine and to voters. It is also very unlikely that reorganisations can simply be wished away in favour of a permanently relevant pattern of programmatic ministries, as Ted Heath apparently wished to do in the early 1970s. Nor should we put much stock in the claims of opposition parties that they would reorganise less, however sincere and well-intentioned these statements may be at the time that they are issued. And, as Chapter 4 showed, there are good reasons for some periodic shake-ups of long-lived bureaucracies, and some reasons why in the modern era we might wish to create more agility and flexibility in British government structures.

Changes are costly

The chief problem with Whitehall reorganisations is that they are sometimes (but not invariably) costly to undertake, and that under current arrangements they are often rushed and ill-planned affairs.

One barrier here is that traditionally the Treasury's approach to reorganisations has been that they must be cost-neutral and that no new resources can be made available, even in the first year of a brand new department, to help smooth the changes being undertaken. This approach is widely seen by our interviewees as being especially unrealistic for new departments especially, and for major reorganisations of existing functions. The Treasury stance has no counterpart in the private sector and it is dysfunctional, forcing new departments to obsess about finding relatively small amounts of money (say £15m for the first year of a new departmental centre, which is trivial in terms of overall central government running costs) to simply conduct their basic operations.

A first area to examine concerns ways of reducing the costs of making MoG changes for the delivery of public services and the efficient operation of government business. Most of our panel of senior officials involved in recent reorganisations accept that there is no simple constitutional way in which Prime Ministers' use of departmental reorganisations can be constrained or reduced, but even within this mindset they identified some critical areas where improvements could be made in making reorganisations easier to accomplish, shown in Figure 35.

Need for support from the centre

Far and away the most common demand from the civil service is for stronger levels of support from the Cabinet Office and the Treasury (the central departments) for teams involved in major reorganisations and especially in new department creations. Time and again our interviewees accounts of major changes were littered with laments that teams setting up new or greatly reorganised departments had to struggle on their own with procedural, legal, financial and administrative issues where they might reasonably have expected that the central departments would already have key information and a rich stock of past experience on which to draw.

Figure 35: Ways of easing Whitehall department changes

Results based on codication of interviews with 18 senior civil servants involved in department level machinery of government changes between 1979-2009.

As one former senior civil servant put it:

> *The Cabinet Office is not sufficiently institutionally equipped to make these changes when they have to happen. [Person X] used to have responsibility for MoG changes but most of [the] focus, and [Person X] readily admits [this], is on the Whitehall bureaucracy – like sorting the budgets out and all that stuff. And it always surprises me how difficult that is. But there are all sorts of organisational developmental dimensions to this, which any well-*

versed practitioner of mergers and acquisitions in the private sector could talk to you about, which Whitehall has no institutional knowledge of. And frankly, for as long as we continue to have MoG changes happening as often as they are, the more important it is that when they do happen, we are well-equipped to know what goes wrong and what you can do to avoid it.[74]

There was a prevailing commentary on the relative 'amateurism' of the Cabinet Office in handling MoG changes, its lack of a cumulative knowledge base, and the consequent need for reorganisation teams in departments to scrabble around with their own resources to find out how things were done last time or in analogous past reorganisations:

The people who do MoG [machinery of government] work are people who work in the Secretariats, whose main job is something else – and [they] are not particularly experts in what makes good organisations tick. And we did try..., to have some capacity to think in that way. Not necessarily by employing someone but at least trying to work out where we could go to get it. But [the Cabinet Office] didn't think it was necessary.[75]

There is some evidence that the Cabinet Office has begun to pay closer attention to Whitehall reorganisations and is attempting to provide more support. Most recently it has published for the first time some guidelines to follow during a departmental change (although with somewhat unrealistic timelines and assumptions).[76] But there are still no substantive resources available to new departments and the relevant sections of the Cabinet Office continue to lack capacity, authority, and budget to help smooth changes, thus severely limiting the positive role that they could potentially play.

One of the most acute problems for brand new departments is that they come into existence with nothing, and the Cabinet Office provides them with no temporary extra support. Thus the new team must put together a whole apparatus of support for ministers such as private offices, a media office and linkages to the policy and administrative sections of the new department, at the same time as trying to design and plan their own structures, negotiate budgets, secure personnel and deal with the 'donor' departments who are giving up functions to them. Thus new departments are working in overdrive from the word go just to keep their heads above water in providing services to ministers, Parliament, the media and stakeholders, while simultaneously designing the new organisational architecture and looking for the resources and permanent personnel to run the new structures with. This is a near-impossible load and is not conducive to any kind of well-planned organisational transition.

Yet why does this huge load fall upon the new team at all? The British civil service is still one of the most integrated and consistently operated public service systems in the western world. So it seems unclear why the Cabinet Office cannot organise a 'scratch' transition team that could lend personnel from other departments to the new arrival for a period of (say) six weeks or so, to provide a working press and communications operation and temporary private offices for the new ministers, while most of the core transition team of senior officials are thereby liberated to accomplish essential transition planning.

Divergent areas need to be identified and understood in advance

Senior officials believe that differential pay rates across Whitehall departments are the second most important area where changes are needed to lower the costs of reorganisation (see Figure 33 above). Our case studies in Chapter 3 also demonstrated that in several cases accommodating units brought together in reorganisations that had divergent levels of pay created industrial relations issues and necessitated costly adjustments before organisational cultural differences could begin to be addressed by moving personnel more flexibly across the department.

There is some evidence that the Economic and Domestic Affairs Secretariat within the Cabinet Office has recently paid closer attention to the potential costs and challenges of organisational change as a result of these legacy problems.[77] But at present their role appears to be no more than warning in vague terms of potential problems, rather than being able to offer professional advice on how to properly manage the challenges of handling differential pay problems. Some of our respondents argued for a return to the older system where the central departments were responsible for managing collective bargaining arrangements for Whitehall departments as a pay group overall. One interviewee recalled: "Things like the big department [X] was set up and pulled apart again – it was not so time consuming or impractical to do. People had the same pay arrangements. All these pragmatic issues have got more and more difficult."[78] At the very least, the Treasury and Cabinet Office should ensure that divergences between related (or sufficiently similar to be potentially related) areas do not diverge so markedly as to make reorganisations infeasible.

IT is always an additional costly project

IT challenges are an often cited influence in raising the costs of reorganisations, creating transition difficulties and delays in getting reorganised divisions to pull together effectively. Whitehall has a poor track record of IT management, especially under the current system which is largely fragmented.[79] The appointment of a government Chief Information Officer (without much of a budget, but with a brief to head up the ICT profession in the civil service as a whole), the development of the Council of Chief Information Officers as a forum for professional and coordinative development, and some new central facilities in training government IT managers have made a start in rowing back the excessive fragmentation of IT during the 'new public management' period. Yet the Cabinet Office and Treasury competence in these areas remains very weak, despite their central importance in a period of 'digital-era governance'. A recent Institute for Government study argued that the Treasury needs to rebuild some of its past capacity to monitor, and to some degree direct, department's ICT programmes.[80] One of the key objectives here might well be to ensure that reorganisations of medium and small-sized departments could be accomplished more easily in future, with more flexible and easily re-configurable ICT architectures than those of the recent past.

Better planning

Despite the strong criticisms that our former senior officials made of the secretive, sudden and often completely 'out of the blue' character of departmental reorganisations, better planning of MoG changes only featured fourth in their suggestions for making improvements. Many senior officials we spoke with are deeply pessimistic that any changes could be made to the current politically expedient system with its impromptu, uncosted and largely unanalysed prime-ministerial decisions. Yet there is an important argument that Prime Ministers and Cabinet Secretaries should engage in much more planning.

Although there is some potential for embarrassment under current conventions if news of reorganisations leaks out, we could not identify in any of our discussions exactly why so many Whitehall reconfigurations have been so rushed and poorly executed. The operational challenges which ensue add greatly to costs especially with new department creations. The lack of planning also contributes to reorganisations having potentially higher rates of failure in the long-term.

Changing announcement conventions

Some of our interviewees argued forcefully that many of the currently encountered problems could be avoided by simply changing conventions to announce changes ahead of time by at least three or four weeks, and further in advance for complex or large-scale reorganisations. As one said:

> *The right thing would be to produce the blueprint but promise that it won't happen until after the next election or [Cabinet] reshuffle, so that the politicians did not feel it would affect them personally.*[81]

Shifting to a pattern where the Prime Minister announces changes in department structures well in advance of the new arrangements becoming live *can* work well, as the Department of Work and Pensions case study shows. There is no necessary reason why this approach should create any political embarrassment for incumbent ministers, nor would it in any way contribute to secretaries of state being seen as 'lame ducks' or attracting more opposition criticism.

A more grown-up attitude to Whitehall changes by the government would contribute instead to more mature and considered approaches by opposition parties and the media. This shift of convention would also create new pre-change opportunities for Parliament to be involved in helping to debate and potentially help shape reorganisations, especially via the relevant departmental select committees. A limited degree of pre-announcement would also create new opportunities for additional government accountability in planning and explaining the rationale for changes, without inhibiting the Prime Minister's freedom of action or ability to respond to new political imperatives and circumstances.

Post-change accountability

Merely adjusting announcement conventions is unlikely to be enough, however. Another change that seems desirable is to improve the post-reorganisation accountability of the government to Parliament for changes made in Whitehall structures. The current very weak 'negative resolution' procedure needs to be replaced by a properly informed assessment of the reorganisation process made at a relevant time period, such as six months after the changes are implemented. To help avoid a partisan colouration of such consideration, a report to Parliament as a whole might be best prepared by the relevant House of Commons departmental select committee, and officials from the National Audit Office (NAO) might be seconded to the Committee to help ensure that the reorganisation planning and the scale of any remaining integration problems or achievements already made are more objectively assessed.

To help sum up these considerations, we offer these recommendations:

1. Departmental reorganisations should be unlinked from the immediate context of ministerial reshuffle announcements. Departments should not be created until at least four weeks after they are announced, giving time for initial preparation and set-up. Any large-scale changes should not be implemented until after an affirmative parliamentary resolution (point 2 below). The current conventions of maintaining extreme secrecy about prospective changes of department structures should be abandoned.

2. All departmental reconfigurations should require an affirmative parliamentary resolution when transfer of functions orders are laid and before substantial reorganisation work begins. Parliament should have an opportunity to consider departmental changes in a detailed way before a vote is held, possibly in the Liaison Committee of Select Committee chairs in the House of Commons, or possibly in a joint meeting of relevant departmental select committees. The Cabinet Secretary and permanent secretaries involved should attend to outline how it is intended that planned reorganisations will work. A detailed cost-benefit analysis of the changes made and a properly developed business plan should be considered in advance of the main parliamentary debate by the relevant departmental select committee, assisted by staff from the National Audit Office. The Treasury must be more realistic in recognising that new and heavily reorganised departments will necessarily incur extra costs for at least their first year and that this needs to be factored into reorganisation planning.

3. The Cabinet Office and Treasury need to improve their procedures and capabilities to provide more positive support for new or heavily reorganised departments. The Cabinet Office should create a capacity to provide a 'scratch team' to run a new department's core responsiveness operations for a transition period of at least six weeks, helping set-up press operations, interim human resources functions and facilitating IT and finance systems changes, while its senior officials are undertaking the reorganisation work. The Cabinet Office should recognise that the reorganisation of departments is a vital task that is likely to recur reasonably frequently, and should henceforth be properly documented and continuously improved over time – instead of the current situation where experience resets to zero in each new case.

4. The cost-benefit analysis, business plan and strategic change programme originally submitted to Parliament should provide a focus for the relevant departmental select committee to assess the benefits and costs of changes, assisted by staff from the National Audit Office, within 18 months to two years. By this time changes should have 'bedded in' and differential pay or productivity dip problems should be evident.

Annex

1. How we researched this report

The core research for this report consists of 34 structured interviews with senior civil servants, politicians, private sector experts and leading academics. The majority of our interviews were conducted with senior civil servants who occupied the post of Permanent Secretary between 1979 and 2009 and many interviewees have experienced several machinery of government changes directly and indirectly in their careers. As such, many participants have contributed comments to more than one section of the report.

We also had the great fortune of consulting with former and current professionals in the Privy Council Office and the Machinery of Government Secretariat in Canada as well as the Machinery of Government contact at the Australian Public Service Commission. Private sector experts were consulted on organisational change management and merger and acquisition best practices. Lastly, academics in both business administration and public policy studies in the UK at the London School of Economics and the London Business School, as well as in Australia at Griffith University and Melbourne University have provided helpful advice at various points throughout the course of the study.
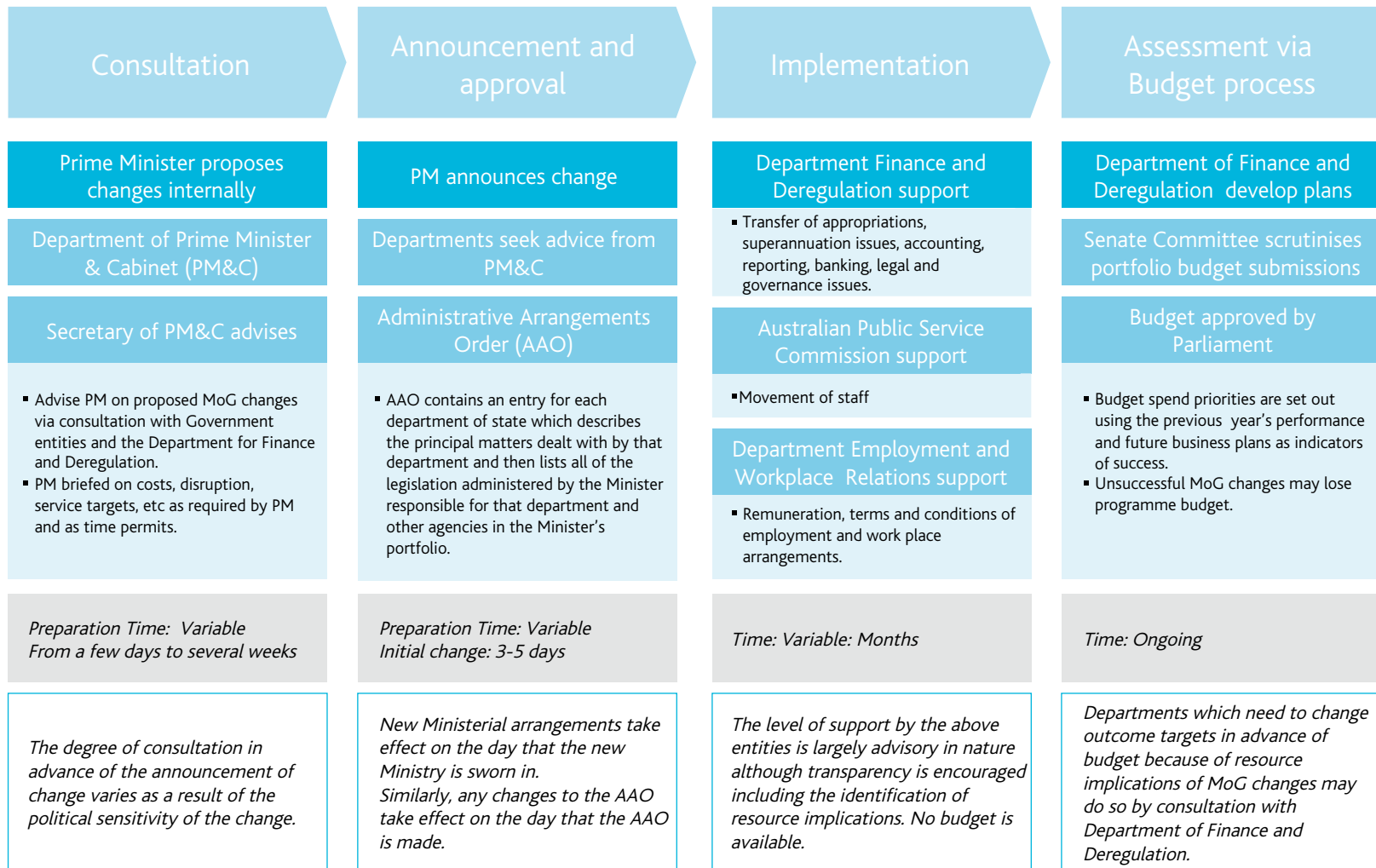
We conducted extensive literature and evidence reviews for each section, and collated and analysed a range of departmental and international performance data where appropriate to do so.

Typical approval process of large-scale departmental change in Canada

Consultation	Announcement and approval	Implementation	Assessment via TBS
Prime Minister proposes changes internally	PM announces change followed by Order in Council	Department operationally existent once announced	TBS scrutinises operational performance and plans
Privy Council Office (PCO)	Government tables legislation to confirm change	Significant organisational changes require statute	TBS recommends programme changes for Budget annually
Machinery of Government Secretariat Advises	Parliament confirms change	Treasury Board Secretariat (TBS) supports change	Budget approved by Parliament

▪ Advise PM on proposed MoG changes via consultation with Government entities.
▪ Establish: costs, disruption, implementation time, accountability, service targets, alternatives where applicable, impact on size or operation of government, ongoing relevance.
	▪ Legislation confirms the following details:
	  ▪ Responsible Minister
	  ▪ Ministerial powers, duties and functions
	  ▪ Activities of the organisation and other appropriate information
		▪ Support given on HR integration, labour disputes, pay harmonisation, business plan development, IT changes, strategic review of priorities in change period.
		▪ Budget given for pay harmonisation, and when required for significant IT challenges.
			▪ Budget spend priorities are set out using the previous year's performance and future business plans as indicators of success.
			▪ Unsuccessful MoG changes may lose programme budget.

Preparation time: Variable *From a few days to several weeks*	*Preparation time: Variable* *Overall: Months to years* *Initial change: 3-5 days*	*Preparation time: Variable* *TBS Support ongoing.*	*Preparation time: Ongoing* *TBS Support immediate*
The degree of consultation in advance of the announcement of change varies as a result of the political sensitivity of the change.	*Whilst the change is operationally functional via PM prerogative power and once an Order in Council is laid, significant operational changes may be delayed until the change is confirmed in statute.*	*Whilst the change is operationally functional via PM prerogative power and once an Order in Council is laid, significant operational changes may be delayed until the change is confirmed in statute.*	*TBS assessment begins in the implementation phase with support programs. Financial ramifications of poor performance can occur if business plans need to be changed throughout the year or annually during the Budget process.*

Change process compiled based on Canadian government websites and interviews with Canadian officials.

Typical approval process of large-scale departmental change in Australia

Consultation	Announcement and approval	Implementation	Assessment via Budget process
Prime Minister proposes changes internally	PM announces change	Department Finance and Deregulation support	Department of Finance and Deregulation develop plans
Department of Prime Minister & Cabinet (PM&C)	Departments seek advice from PM&C	▪ Transfer of appropriations, superannuation issues, accounting, reporting, banking, legal and governance issues.	Senate Committee scrutinises portfolio budget submissions
Secretary of PM&C advises	Administrative Arrangements Order (AAO)	Australian Public Service Commission support	Budget approved by Parliament
▪ Advise PM on proposed MoG changes via consultation with Government entities and the Department for Finance and Deregulation. ▪ PM briefed on costs, disruption, service targets, etc as required by PM and as time permits.	▪ AAO contains an entry for each department of state which describes the principal matters dealt with by that department and then lists all of the legislation administered by the Minister responsible for that department and other agencies in the Minister's portfolio.	▪ Movement of staff Department Employment and Workplace Relations support ▪ Remuneration, terms and conditions of employment and work place arrangements.	▪ Budget spend priorities are set out using the previous year's performance and future business plans as indicators of success. ▪ Unsuccessful MoG changes may lose programme budget.
Preparation Time: Variable *From a few days to several weeks*	*Preparation Time: Variable* *Initial change: 3-5 days*	*Time: Variable: Months*	*Time: Ongoing*
The degree of consultation in advance of the announcement of change varies as a result of the political sensitivity of the change.	*New Ministerial arrangements take effect on the day that the new Ministry is sworn in.* *Similarly, any changes to the AAO take effect on the day that the AAO is made.*	*The level of support by the above entities is largely advisory in nature although transparency is encouraged including the identification of resource implications. No budget is available.*	*Departments which need to change outcome targets in advance of budget because of resource implications of MoG changes may do so by consultation with Department of Finance and Deregulation.*

Change process compiled based on Australia website research.

4. The effects of NPM, ICT and agencification on the agility of Whitehall

Could the existing capacity for accomplishing departmental changes be improved further in the near future? One area where more might have been expected concerns the impact of 'agencification', the series of changes carried out in the period from 1988 to 1996 which eventually involved moving 55% of the then civil service personnel out of being directly employed in Whitehall ministries and into the so-called 'Next Steps' executive agencies. Along with other forms of 'arm's length administration' such as non-departmental public bodies (NDPBs), quasi-governmental agencies (QGAs) and quasi-non-governmental agencies (quangos), the executive agencies have their own management structures, budgets, staffing systems, IT systems and planning processes. So moving these substantial chunks of personnel and operations out of departments should have meant that the consequences of departmental reorganisations were reduced to just the Whitehall headquarters staff level. Agencies should be able to move from one department to another without this having very strong or major implications for how they were named, managed or run. So one might expect that agencification would have radically reduced the transactions costs of departmental changes.

There may indeed have been some gains here, but in the current state of knowledge they cannot be very clearly or accurately identified, and nor have these gains been as large as might have been hoped, for several reasons. First, although the centre of government is now smaller, there has been something of a 'rowing back' since the noughties from the level of operational independence originally anticipated for agencies. In November 2009 the Chief Secretary of the Treasury estimated at an IfG seminar that there were 750 separate agency and other bodies across central government, of which somewhat less than 300 can be thought of as administratively substantial bodies. Giving all such bodies operational freedom as originally envisaged by the Next Steps enthusiasts would entail an unacceptable duplication of IT, finance, accounting and HR and personnel services across central government. Instead the push for 'shared services' is for departments to pool more and more of these services so as to cut back-office costs and improve efficiency. The same pressures have meant that departments are once again providing more services for agencies in their departmental group as a whole, and there is pressure to go further in this respect. In addition there have been strong political and control reasons why the practical independence of agencies and NDPBs have tended to be curtailed in recent years compared with the heyday of the 'new public management' (NPM) period. Indeed service delivery disasters by agencies, quangos and contractors have all played important parts in some recent departmental reorganisations, such as the Ministry of Justice take-over of prisons or the short-lived career of the Department for Innovation, University and Skills. These incidents have served to emphasise that the Whitehall headquarters bodies involved were showing a failing grip on the bodies in their departmental group – and strengthened pressures from ministers and via the Whitehall 'capability reviews' for top officials to keep a very close watch and involvement with the bodies for which they are answerable. Although all governments promise a cull of 'quangos' and agencies early in their terms of office, only to then create new bodies themselves within a short period, the looming fiscal crunch for the UK state from 2010 to around 2015 is likely to also intensify recentralisation pressures and the rise of a far more integrated style of 'digital era governance' in which facilities across departmental groups are increasingly pooled. The clear implication here is that the costs of departmental reorganisations may once again increase steeply as these new structures dismantle the older NPM legacy arrangements.

Another NPM legacy has also made departmental reorganisations more expensive, namely the creation from the 1990s onwards of more and more localised and differentiated pay settlements across Whitehall. With nationwide and cross-departmental pay negotiations increasingly replaced by more departmental-specific and regionalised or even localised deals, civil service pay levels across different Whitehall bodies have significantly diverged. Where departmental mergers then bring back together sections with disparate levels of pay then an additional cost of transition is created as the merged department tries to re-equalise the levels of pay involved – without which staff cannot be easily redeployed from one section of the ministry to another. Since pay cuts are never politically or legally feasible, this means that either extra resources have to be found to bring the low paid divisions up to the department average, or the higher paid divisions have to be held back from pay increases until the lower paid sections catch up – with deleterious consequences for organisational morale and the loss of key staff to other agencies or career paths. We show in Chapter 3 that pay disparities, and the industrial disputes which often surround them, have played significant roles in increasing the costs of some recent reorganisations.

One of the least-well recognised aspects of 'digital era governance' is that Whitehall departments are now heavily dependent upon their ICT systems to maintain the day-to-day standard of their operations. Several decades of efficiency drives and greater use of risk assessment systems in administration have tended to create systems of administration that are highly vulnerable to problems with IT systems. Hence we show in Chapter 3 that a significant intermediate to long-term cost of most reorganisations is the need to reorganise IT systems – to detach the IT system for a moved division from department A's systems and to move it across to department B's systems. Of course, this is not an immediate need, especially given agencification. Yet having multiple ICT systems working differently in different bits of a merged department is a very important barrier to the development of more integrated organisational culture and methods of working.

In the longer term, some developments in how government computing and IT systems are organised may hold out some promise of making reorganisations easier to achieve in the future. Outside of a few very big siloes – such as the HMRC tax systems, the DWP social security systems, and the Ministry of Defence's personnel and support IT – by 2020 it is possible that more and more Whitehall department's ICT systems will have begun to migrate to a 'cloud computing' set up. In cloud computing the departments no longer run their own IT systems or their own IT contracts with big systems integrator companies. Instead these facilities could be run centrally in a 'government cloud' where servers are outsourced and shared across multiple departments and agencies. If and when such a configuration is achieved, then the costs and disruptions involved in moving divisions from one department to another might be substantially reduced if both bodies were already using the 'government cloud' facilities.

Similarly, one of the bigger immediately adverse implications of reorganisations for stakeholders in the period 1995-2005 was the disruption caused to web traffic by changes in the web addresses (the URLs) of the reorganised departments. This problem was substantially reduced by the emergence of excellent search engines, especially Google, which is increasingly the dominant means by which citizens and stakeholders locate the facilities and sections they need within central government. Since 2008 in particular, the centralisation of citizen-facing and business-facing government websites in three sites for citizens at www.direct.gov.uk, business at

www.businesslink.gov.uk and the NHS at www.nhschoices.nhs.uk is seen by Labour ministers and the senior civil service as a further step that in a sense unlinks access to services from associations with any particular department's name. In the near future, it is possible that the current planned centralisation will be taken a stage further, with both business and NHS traffic being directed via the direct.gov site. However, with the increased use of search engines to locate services a 2007 NAO report raises substantial issues about whether changing the names of government websites has much impact, and hence whether it makes reorganisation any cheaper or easier to accomplish. The costs factors here may not be very substantial.

5. Acronyms

ALB   Arms-length bodies

BERR   Business, Enterprise and Regulatory Reform

BIS   Department for Business, Innovation And Skills

BNOC   British North Sea Oil Corporation

BERR   Department of Business, Enterprise and Regulatory Reform

DCA   Department for Constitutional Affairs

DCLG   Department of Communities and Local Government

DCMS   Department for Culture, Media and Sport

DCSF   Department for Children, Schools and Families

DECC   Department of Energy and Climate Change

DEE   Department of Education and Employment

DEFRA   Department for Environment, Food & Rural Affairs

DET   Department of Environment and Transport

DETR   Department of the Environment, Transport and the Regions

DFAIT   Department for Foreign Affairs and International Trade

DfES   Department for Education and Skills

DFID   Department for International Development

DFT   Department for Transport

DHSS   Department of Health & Social Security

DIUS   Department of Innovation, Universities and Skills

DNH   Department of National Heritage

DoE   Department of Energy

DoH   Department of Health

DRA   Department for Rural Affairs

DSS   Department of Social Security

DTI   Department for Industry and Trade

DTLR	Department for Transport, Local Government and the Regions
DWP	Department for Work and Pensions
FAC	Foreign Affairs Canada
FCO	British Foreign and Commonwealth Office
HMRC	HM Revenue & Customs
IPPR	Institute for Public Policy Research
ITCan	International Trade Canada
JSA	Jobseeker's Allowance
LSC	Learning and Skills Concil
MAFF	Ministry of Agriculture, Fisheries and Food
MoD	Ministry of Overseas Development
MOD	Ministry of Defence
MoE	Ministry of Education
MoG	Machinery of Government
MoJ	Ministry of Justice
NAO	National Audit Office
NDPB	Non-departmental public bodies
NOMs	National Offender Management Services
OCC	Office of Climate Change
ODPM	Office of the Deputy Prime Minister
OECD	Organisation for Economic Co-operation and Development
PDCS	Pensions, Disability and Carer's Service
PM	Prime Minister
QGA	Quasi-governmental agency
Quangos	Quasi-autonomous non-governmental organisation
SOS	Secretary of State

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62 Former senior civil servant, BERR

63 Former senior civil servant, Cabinet Office

64 See note 43

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68 See for instance; Heclo, H., Wildavsky, A. (1981), *The Private Government of Public Money* (London: Macmillan); Heclo, H. (1977), *A Government of Strangers: Executive Politics in Washington* (Washington: Brookings Institution); Seidman, H. (1998), *Politics, Position and Power: The Dynamics of Federal Organisations* (New York: Oxford University Press)

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71 A U-form Company is more precisely defined as a structure built on a management model in which responsibility and authority are concentrated at the apex of the organisation in the hands of its only general manager, the CEO. An M-form Company is defined as a multidivisional structure where companies are literally divided from a single corporate entity into several entities. The new structural units are given legitimacy and power through the allocation of resources and delegation of responsibility to general managers created at this level.

72 Finkelstein, S. (1999), 'Safe ways to cross the merger minefield'. *Financial Times Mastering Global Business: The Complete MBA Companion in Global Business* (London: Financial Times Pitman Publishing) p.2

73 Parker, S., Paun, A., McClory, J. and Blatchford, K. (2010), *Shaping Up: A Whitehall for the Future* (London: Institute for Government)

74 Former advisor, No.10 Downing Street

75 Former senior civil servant, Cabinet Office

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79 See for instance, Hallsworth, M., Nellis, G. and Brass, M. (2009), *Installing New Drivers: How to Improve Government's Use of IT* (London: Institute for Government); Dunleavy, P., Margetts, H., Bastow, S. and Tinkler, J. (2006), *Digital Era Governance: IT Corporations, The State, and E-Government* (Oxford: Oxford University Press)

80 See for instance, Hallsworth, M., Nellis, G. and Brass, M. (2009), *Installing New Drivers: How to Improve Government's Use of IT* (London: Institute for Government); Dunleavy, P., Margetts, H., Bastow, S. and Tinkler, J. (2006), *Digital Era Governance: IT Corporations, The State, and E-Government* (Oxford: Oxford University Press)

81 Former senior civil servant, Cabinet Office

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