

# All Change

Why Britain is so prone to policy reinvention,  
and what can be done about it



# Acknowledgements

The authors would like to thank colleagues Jill Rutter, Julian McCrae, Bronwen Maddox and Jo Casebourne at the Institute for Government for invaluable advice throughout this research. Thanks to the publications, events and media teams at the Institute for Government for their support in completing and launching the research. Thanks also to the experts who contributed their knowledge and expertise to specific subject chapters.

Finally, we would like to thank all those who generously agreed to talk to us throughout our research. We have drawn heavily on existing work and have been able to benefit from a wealth of experience and expertise to come up with what we hope is a sensible, accurate and implementable set of proposals. All errors and omissions are, of course, our responsibility alone.

The views expressed in Chapter 4 are personal reflections of the individual authors and do not represent the view of the Institute for Government.

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# Introduction

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Government has a tendency to recreate policies and organisations on an alarmingly regular basis. New organisations replace old ones; one policy is ended while a remarkably similar one is launched. In this report, we demonstrate this through an in-depth examination of three policy areas where change has been especially acute: further education (FE), regional governance and industrial policy. In the FE sector, since the 1980s there have been 28 major pieces of legislation, 48 secretaries of state with relevant responsibilities, and no organisation has survived longer than a decade. In the industrial strategy space, there have been at least two industrial strategies in the last decade alone – and we are now moving onto a third.

The costs of all this churn and reinvention are high. There is the human cost: in the FE sector, thousands of students and employers are faced with a confusing and ever-changing set of qualifications, with no certainty that those same qualifications will exist a few years down the line. The economic costs are significant too. We have estimated that the cost of creating a new department – often at short notice, and poorly planned – is £15m in the first year alone. Taking into account the temporary disruption to business, as people grapple with the logistics of creating a new department from the constituent parts, as well as the potential loss of institutional memory, the longer-term costs are substantially higher. The same considerations will apply to the frequent reorganisations that central government inflicts on the rest of the public sector.

The change and churn we describe is not only a result of shifting ideological preferences. Rather, this churn highlights some persistent weaknesses in our system of government:

- poor institutional memory
- the tendency to abolish and recreate organisations as a proxy for demonstrating progress
- a centre of government that remains too weak at long-term planning
- a policy development process that is not as resilient as it could be.

We outline recommendations to overcome this below.

## **Strengthening institutional memory**

Our analysis shows that past initiatives are recreated, or new organisations with similar remit to existing or previous ones are created. Institutional memory and knowledge management in Whitehall are weak and require improvement. We suggest the following.

- In each department, the head of policy profession – the senior civil servant responsible for the quality of policymaking in the department – should be held accountable for ensuring that the knowledge management system is adequate, and that major reforms are proceeding on a full understanding of past and existing policies and organisations.
- In Whitehall, moving up often means moving on – but as the Institute has written before,<sup>1</sup> some of the most successful policies and projects have benefited from keeping key officials in post over the longer term, allowing them to accumulate knowledge and networks. Personnel practices in Whitehall should be sufficiently flexible to reward stability as well as those who move on regularly.

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- As commentators have noted recently,<sup>2</sup> departments struggle to access past research to inform policymaking processes, resulting in waste and reinvention. This must change – all policymakers should be able to access a repository of work already undertaken in their policy area, in order to inform their own recommendations.

## Strategy and challenge from the centre

Policy churn happens not just when one party loses power and another gains it, but within single governments. There is a failure to set out and monitor long-term strategy and plans adequately, leaving some policy areas particularly vulnerable to piecemeal change. We suggest the following.

- The capacity for long-term strategic planning in No. 10, the Cabinet Office and the Treasury – often referred to as the ‘centre of government’ – should be strengthened, as we<sup>3</sup> and others, including the National Audit Office,<sup>4</sup> have often argued. In addition, No. 10 should explore alternative mechanisms to set firm and enduring priorities for top officials and ministers – for example, Australia and Canada use charter and mandate letters respectively, which are sent by the prime minister to an incoming secretary of state.<sup>5</sup>
- The Cabinet Office and relevant secretariats should play a greater role in interrogating policy proposals.

## Making organisational change harder

The costs of institutional and organisational change are high, but it remains too easy in Whitehall to abolish old organisations and create new ones.<sup>6</sup> We suggest the following.

- The Treasury, in conjunction with the National Audit Office, should analyse the costs and benefits of past organisational changes, both to help departments better assess proposals, and give them the capability to challenge reorganisations that may not be value for money.
- Parliament also has a critical role.<sup>7</sup> It should ensure that no new arm’s-length bodies can be established without a written business case, which must be approved by the Cabinet Office and scrutinised by the relevant select committee, and by the Public Administration and Constitutional Affairs Select Committee.

## Strengthening the policy development process

A final conclusion is that these changes fail to endure because they are rooted in insufficient prior analysis, and have been developed in a policy process that is too restricted. We suggest the following.

- Policy announcements should be accompanied by the evidence base that underpins them. The ‘evidence check’ exercises currently undertaken by the Science and Technology Select Committee and the Education Select Committee should be a routine part of committee enquiries.
- To ensure that existing departmental expertise is being used, departments should be required to acknowledge previous policy and organisational approaches in all new policy proposals – including White and Green Papers – explaining what lessons they have learned from previous reforms.
- Outsiders – including external experts and citizens – should be involved in the policy development process, to strengthen the basis of the policy and generate a broad coalition for change that will increase the possibility of the policy enduring, even when political interest wanes.<sup>8</sup>

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# 1 Further education

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The further education (FE) sector has been defined by more or less continuous change over the last three decades. Our timeline of major policy, programme, leadership and organisational changes in the sector demonstrates the sheer scale of churn that has been experienced. Since the early 1980s there have been:

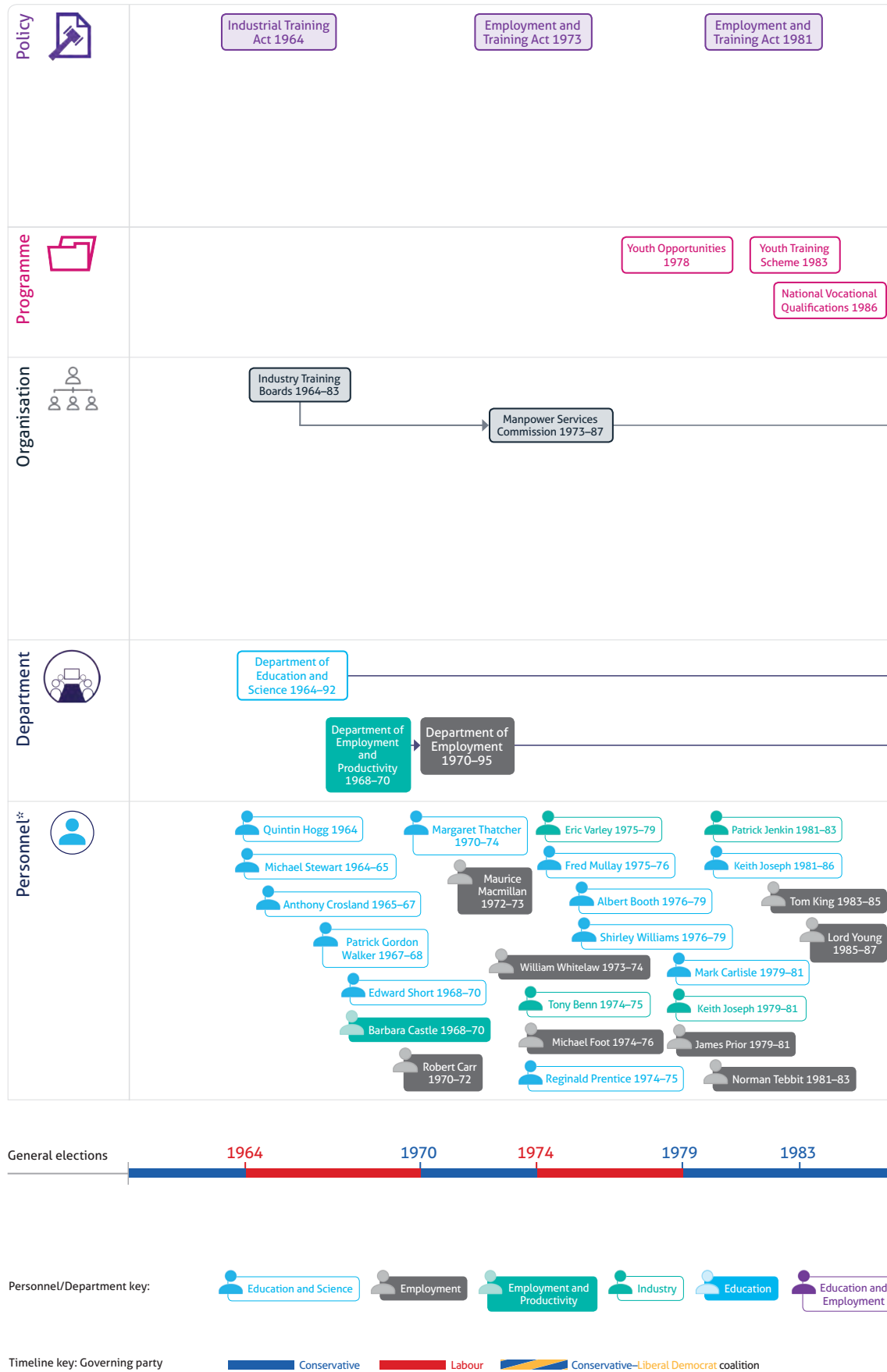
- 28 major pieces of legislation related to vocational, FE and skills training
- six different ministerial departments with overall responsibility for education
- 48 secretaries of state with relevant responsibilities<sup>9</sup>
- no organisation has survived longer than a decade.<sup>10</sup>

The instability in the sector has created a complex and changeable landscape for its users and providers. Currently, 16- to 24-year-olds are presented with a variety of pathways and programmes of different lengths and levels, leading to qualifications with different values in the labour market, provided by organisations of varying quality. The degree of choice varies from one geographical area to another. As some commentators have quipped of the resulting landscape of post-compulsory education and training provision: if you are not confused by it, then you have not understood it. <sup>11</sup>

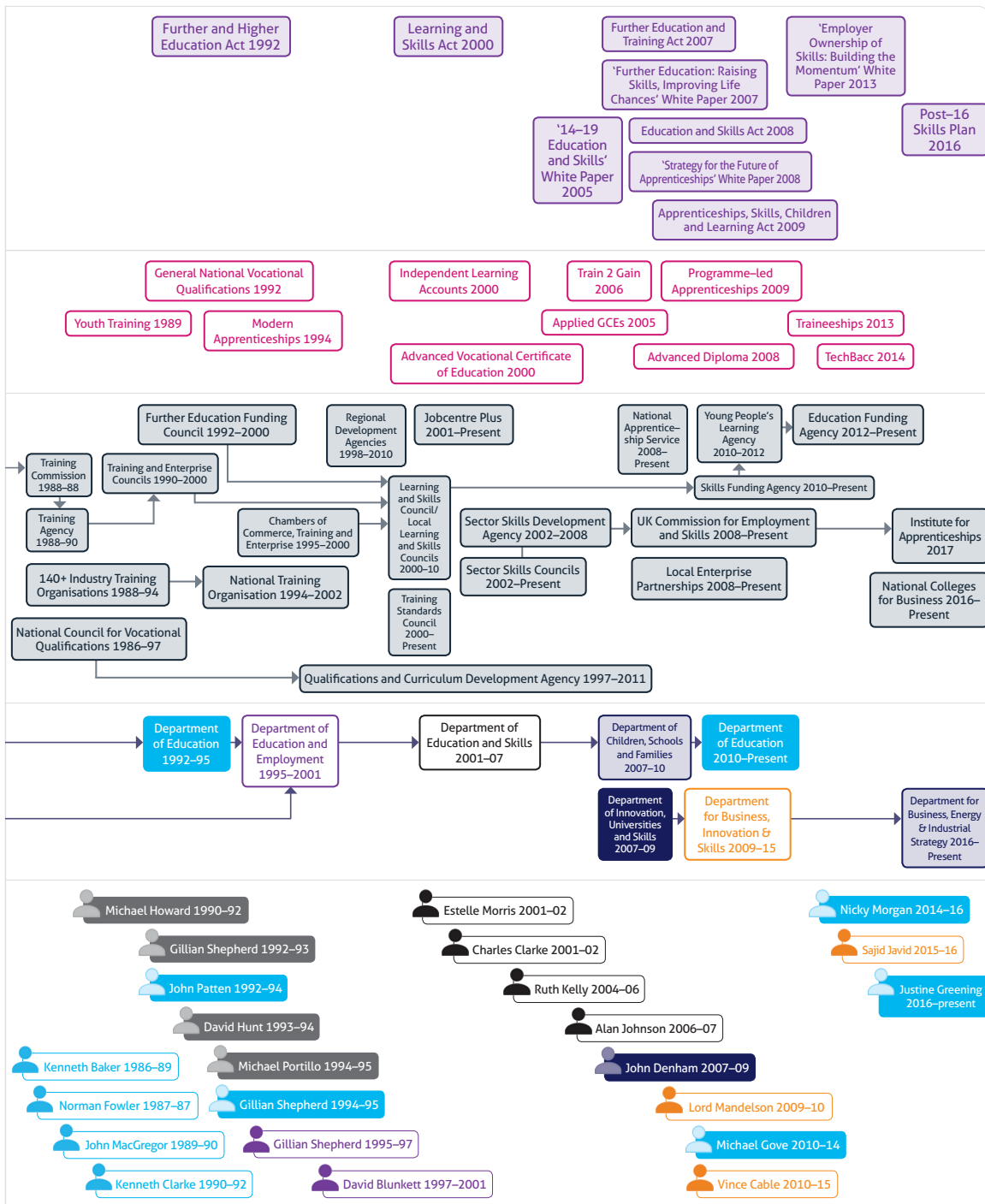
The landscape looks set to change again – although this time commentators seem hopeful about the possibility of simplification and a stronger link to jobs actually being achieved. The government announced a Post-16 Skills Plan<sup>12</sup> in July 2016, which will pull the piecemeal selection of qualifications into a more coherent offer of 15 clear options for vocational education, with each resulting in a qualification attached to a job.

*// Instability in the sector has created  
a complex and changeable landscape  
for its users and providers //*

**Figure 1: Churn in the further education sector: a timeline of policy, structural and personnel changes**







Education and Skills   
 Innovation, Universities and Skills   
 Business, Innovation & Skills   
 \* Secretary of State unless otherwise stated.

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## What is causing churn?

The reasons for the change and inconsistency in the FE sector are numerous, but have their roots in four issues:

1. competing and often conflicting ideas about what the sector is for
2. the high level of discretion that ministers have to make changes to the system
3. organisations not being given time to bed in and make progress on reforms
4. poor levels of institutional memory in Whitehall.

### Competing ideas about the purpose of further education

The regularity of change in the FE sector is partly down to the competing objectives of different interested parties, and a lack of agreement about the purpose of FE. In general, the Government has prioritised using the sector to develop a competitive workforce to support economic growth; employers are more focused on it providing specific workplace-ready skills; and learners themselves want to increase their employability and their qualifications to compete with those of degree-holders, to progress to higher education and often to 'learn for learning's sake'. Even within particular aims – such as the need for the FE system to develop a competitive workforce – there are disagreements about the time horizons: should the sector be developing a workforce for the future, or one for the present needs of the labour market?

There is also disagreement about where power should reside, with it regularly churning between central and more local levels. At times, the sector has even been subject to reforms distributing power in different directions simultaneously. For example, the creation of the Learning and Skills Council in 2001 supported more central planning in the sector; but Individual Learning Accounts, also launched in 2001, were designed to give learners more individual purchasing power.<sup>13</sup>

### High levels of ministerial discretion over change

Unlike our neighbours in Europe, there is only limited use of any social partnership arrangement in FE – that is, shared decision-making between government and other parties such as unions and employers. This means that government has considerable discretion over how FE institutions and provision are designed, configured, managed and measured,<sup>14</sup> and reforms proposed by central government do not require the consent of any other party before change can occur.<sup>15</sup>

More broadly, the FE system is demonstrably subject to a lower level of public scrutiny than other parts of the education system: debates about its size, shape and objectives tend to happen outside the spotlight of media attention. Indeed, the only subject within FE that receives much attention is apprenticeships – which account for only a minority of the FE study body. This contrasts with the scrutiny applied to reforms in the universities or schools system (the recent proposals on the expansion of grammar schools being a case in point). The relative absence of attention given to FE provides ministers and policymakers with much greater freedom to make changes. Indeed, it not only provides freedom but, arguably, the incentive to make changes. Ministers of state who are responsible for FE are competing for attention with other more visible briefs. The relative absence of scrutiny means the costs of major reform are relatively low.

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## Organisations are not given time to prove their worth

The sector has undergone five major reorganisations during the last two decades, and no institution has survived for longer than a decade, making it difficult for any of them to build the necessary experience and skills to learn, adapt and become more effective over time. For example, the Learning and Skills Council developed a new performance regime in the mid-2000s that offered the potential to drive improvements in the quality and diversity of provision. However, by the time it got ready to roll it out at scale, it was abolished.

The same can be said for other improvement agencies, which have included the Quality Improvement Agency – created in 2006 and closed in 2008 when its assets and liabilities were transferred to the Learning and Skills Improvement Service, which itself was wound down in 2013 when its funding was ended by the Department for Business, Innovation & Skills. None were given requisite time to establish themselves, let alone achieve significant improvement.

## Whitehall lacks a strong institutional memory

Amid all this change, evaluation or evidence about which policies and reforms have worked, and which have not, is in short supply. It is difficult to access information about the initiatives and policies that have been tried before. In fact, consistent churn in the system has created what has been described as a 'collective amnesia',<sup>16</sup> disrupting institutional and organisational memory at the political and official levels. This weakened memory makes further change more likely, and the organisational loss of memory is amplified by the fact that relatively few Whitehall officials have direct – or indirect – experience of the FE sector.

*// the cycle of churn must be broken //*

## Has anything endured?

The scale of change and churn in the FE sector is significant: in fact, some have suggested it has been subject to the fastest changing set of institutional arrangements in the developed world.<sup>17</sup> However, despite the constant reinvention shown in our timeline, and so effectively explained in much commentary about the sector,<sup>18</sup> there are some policy objectives that keep reappearing through different rounds of reform.

The first of these is the aim to make the sector more responsive to the demands of the labour market. Indeed, current government plans to simplify the FE system are driven by this aim – creating 15 routes into technical employment, including social care and construction, and having standards set by an employer-led body.<sup>19</sup> The second is ensuring that the FE sector is not just responding to the current demands of employers, but creating a workforce that is able to compete in future growth sectors. Again, this is an explicit aim of the new Post-16 Skills Plan and the Sainsbury Review<sup>20</sup> that underpins it. Finally, there has been a continuing desire – largely unrealised – to 'decentralise' decision-making in the sector, to ensure that the skills system is responsive to local labour market needs, and works effectively with other related public services such as employment and health. However, it is worth noting that different actors mean very different things by 'decentralisation'.

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If these long-standing goals are to be realised in the FE sector – and the new Post-16 Skills Plan is to be successful in providing simpler, more effective technical education routes for school leavers that equip them to compete in the labour market – the cycle of churn must be broken. In the FE sector, this means avoiding further radical overhauls, and instead pursuing a more managed process of learning and adaptation (as the Institute has argued before<sup>21</sup>). It also requires a focus on creating and sustaining the apparatus for self-improvement,<sup>22</sup> where the strengths of previous systems are understood and built upon and institutions are given time to perform.

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## 2 Regional government

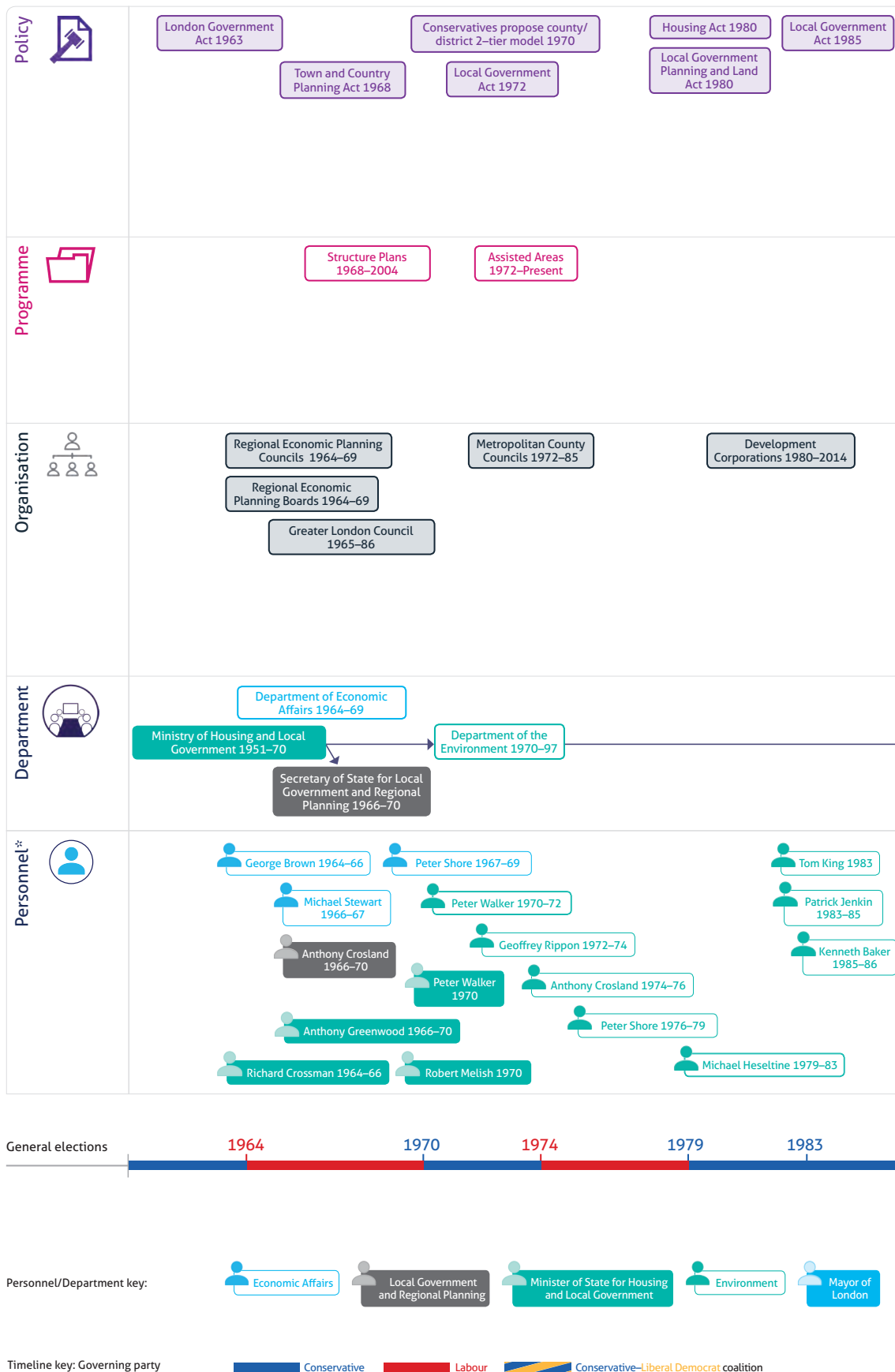
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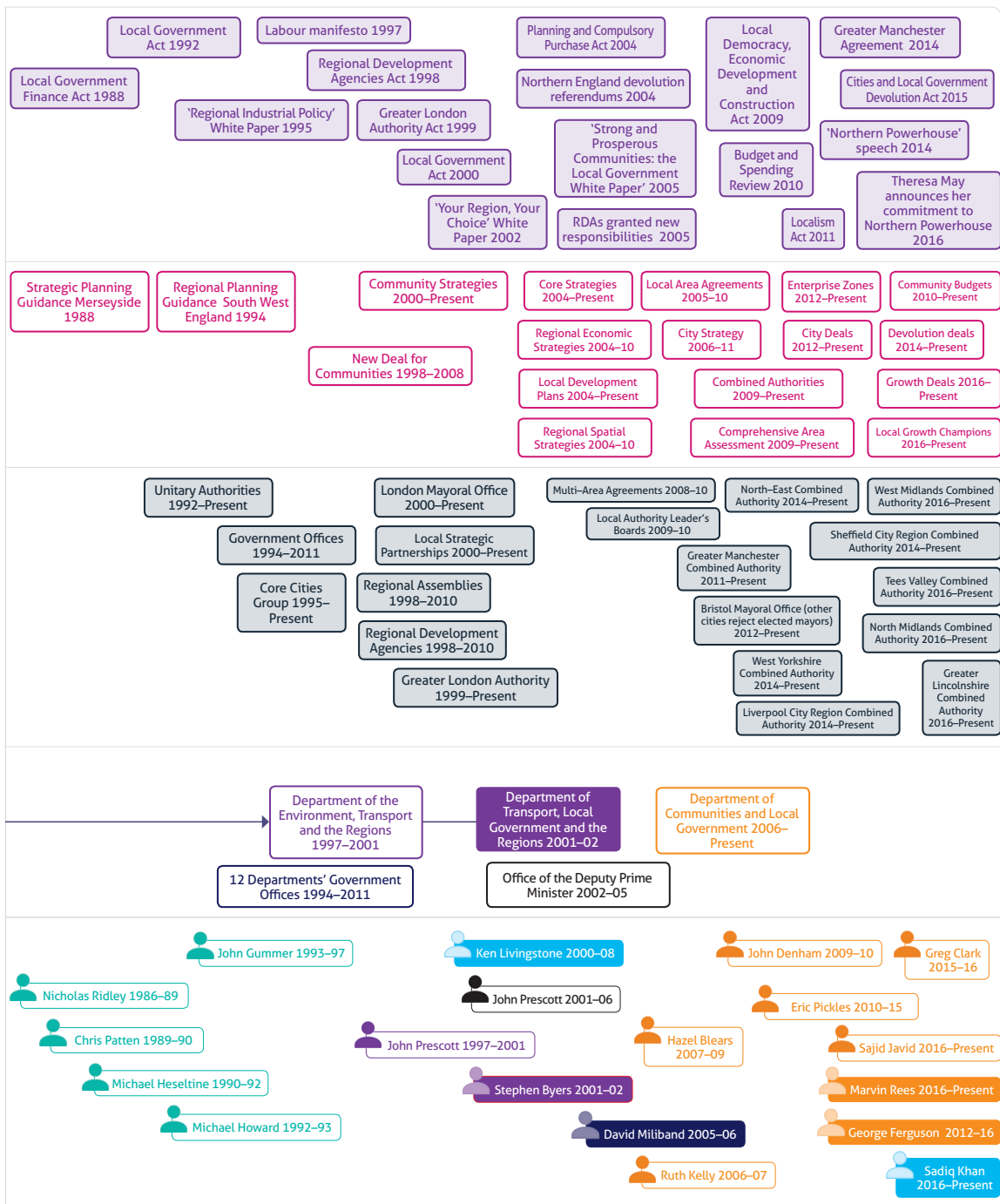
The UK is one of the most centralised countries of its size in the developed world, but over the last three decades and beyond, UK parties of all political persuasions have consistently made verbal commitments to decentralise power in England to regions and cities. Since the Barlow Commission in 1940 there has been interest in how regional governance can support economic development, and academics and think tanks regularly argue that more effective regional governance could boost economic growth, better reflect differences in local identities and preferences, and allow more local variation and innovation in public services.<sup>23</sup> Meanwhile, there are strong pressures from communities and local politicians for increased control over the way that their areas are governed.

However, like the FE sector, regional governance has been subject to endless tinkering and change, which has damaged the potential to make substantial progress on the possibilities that a stronger regional tier of governance offers. As our timeline demonstrates, this churn has taken place at the organisational, legislative and programmatic levels. In the space of just over 20 years, the main vehicles for regional governance have included government offices, regional assemblies, Regional Development Agencies and currently, Local Enterprise Partnerships. London-wide government alone has been reorganised five times since 1855, and the governance of public services has been so continually rearranged that scholars have termed the phenomenon 'redisorganisation'.<sup>24</sup>

In summer 2014, the Chancellor of the Exchequer, George Osborne, gave a speech in which he first talked about a 'Northern Powerhouse'.<sup>25</sup> This signalled the start of a new devolution programme aimed at giving more power to cities in the north of England, in order to stimulate growth and productivity. There have been many attempts at devolving powers to city-regions in the past – including recent initiatives such as City Deals – but this new devolution effort was different. For once it had strong political leadership by the chancellor, and a promise to devolve significant powers, including budgets. Between summer 2014 and the European Union referendum in June 2016, several 'devolution deals' were agreed, but the resulting change in government has thrown the agenda into question. It is unclear how committed the new prime minister, chancellor or other relevant secretaries of state are to the current devolution process, and there now could be yet another change of direction in the drive for regional governance that works.

**Figure 2: Churn in regional government: a timeline of policy, structural and personnel changes**





\* Secretary of State unless otherwise stated

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## What is causing churn?

The reasons for the regularity of change and reform in the structure of regional governance can be traced to five issues:

1. disagreement about the purpose of regional governance
2. disagreement about the appropriate spatial level to which to devolve powers
3. citizens want inconsistent things from regional governance
4. central government unwillingness to place trust in existing local institutions, instead preferring regularly to create them anew
5. incumbent local politicians often oppose local reform.

### **Central government does not sufficiently trust subnational government**

One of the barriers to developing more stable regional government has been central government nervousness about devolving significant (or politically salient) powers, due to the fear that ministers will be held accountable for local failures for which they no longer bear formal responsibility. This has been a particular worry in the absence of strong locally or regionally accountable figures such as mayors. Central government wariness is compounded by the fact that ministers and civil servants do not trust subnational government to exercise additional powers competently, and – in the words of a former minister at an Institute roundtable – constantly worry that they will ‘do something barmy’. The centralised political and media culture of the UK contributes to this obstacle.<sup>26</sup> This means that central government often feels most comfortable creating new institutions, rather than relying on existing ones.

### **Incumbent local politicians oppose local reform**

Politically, it is very difficult to reorganise local government, as it can be – or be interpreted to be – a threat to the position of incumbent local politicians. Local councillors are a powerful interest group, close to electors and able to exert considerable pressure from both within and outside political parties. For example, creating unitary authorities means second-tier local authorities being subsumed into larger governance structures that would often dilute or undermine their political make-up and control. One way around this problem has been introducing new layers of regional governance which avoid having to tackle this issue head-on.

### **Competing ideas about the purpose of regional governance**

Alterations in regional governance are driven partly by a failure to agree what it is for. There has been broad agreement that it is partly – perhaps mainly – there to drive economic development and growth. This aim has been more or less constant throughout the history of attempts at constructing an effective regional tier, and is at the heart of current efforts around the north of England.<sup>27</sup> However, competing factors also have been influential, including:

- recognition of regional identity<sup>28</sup>
- creating better-value, more transparent, accountable and effective public services<sup>29</sup>
- the intermittent desire to create a new democratically accountable tier of subnational government.<sup>30</sup>



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## Disagreement about the best spatial level for regional governance

In addition, there has been discord about the appropriate spatial level for devolved governance, with concerns that many subnational government structures do not operate at the right geographic scale – leading to regular reorganisation.

This is particularly confounding, given that appropriate geographic scales differ depending on the proposed activity, and it was one of the major objections raised by Whitehall departments when the government tried to secure new powers for elected mayors. One reason for London's success in attracting significant powers over transportation, policing and other areas is that the Greater London Authority area logically aligns with many of these functions. However, this is not true of most other UK cities: the City Deals process managed this problem, but did not eliminate it. The city's ability to exercise additional powers across an 'appropriate geography' – aligned to the local functional economy – was an explicit requirement. Calls to eliminate the problem point to the need to redraw the boundaries of cities whose governance structures no longer match the functional urban area.<sup>31</sup>

## Citizens are unsure about regional governance

Citizens themselves are inconsistent about what they want from regional government. On the one hand, there is some evidence that citizens instinctively feel the existence of regional bodies that can engage businesses is likely to be good for local economic prospects.<sup>32</sup> On the other hand, citizens have opposed more government bureaucracy and, in the past, rebuffed attempts to introduce elected assemblies at a regional level – although more recent polling from the Institute for Public Policy Research (IPPR) suggests that these attitudes might be changing.<sup>33</sup> Without concerted support in one direction, reform is more likely to fail or be subject to regular modification.<sup>34</sup>

## Has anything endured?

While the scale of change in regional government has been significant, such as FE, nonetheless there are some objectives that appear in every round of reform.

The first – and most obvious – is simply the commitment to devolving power itself. Despite disagreement about the exact size, shape or level of regional government, there has been an almost constant verbal commitment to spreading power beyond central government for many decades. The second is that one of the purposes of some form of regional governance is to boost local economic growth. Local Enterprise Partnerships are one of the most recent expressions of this – with government claiming that these relate to functional economic areas, rather than political units of governance (although this is contested in practice).<sup>35</sup> Finally, the value of the city-region as a spatial unit that should be in receipt of devolved powers keeps returning.

If the cycle of churn is to be broken, and current plans are to stick in a way that previous ones have not, the current process of devolution to a city-regional tier must be given the stability it needs to develop and perform effectively.

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## 3 Industrial strategy

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Industrial strategy in the UK has waxed and waned since 1945. Churn has been less dynamic than in FE and regional government, although no less significant for it. Our timeline shows the major ideological shifts that have taken place, and the machinery changes that have accompanied them: from the nationalisations of the mid-1940s to the early 1950s, and the power-sharing arrangement of government, business and workers in the 1960s and 1970s, to the privatisations and curbed Whitehall power of the laissez-faire 1980s and 1990s.<sup>36</sup>

In some ways, change and churn has been at its most regular in the last 15 years – particularly through regular shifts in the organisations used to engage industry in dialogue with government. Under New Labour from 1997 onwards, there was an interest in providing key industries with support to generate key skills and increase productivity through the Sector Skills Councils, and then through then-Business Secretary Peter Mandelson’s pledge to provide more government support to key industries, including low-carbon technology and high-tech manufacturing, to get the economy moving again.<sup>37</sup>

Under the Coalition Government, Vince Cable, Secretary of State for Business, Innovation and Skills (2010–15) announced the return of a more proactive industrial strategy, pledging to provide finance, invest in technology and skills, and open up government procurement.<sup>38</sup> Industrial strategy under Cable targeted specific sectors including aerospace, life sciences and construction. Sector Councils were formed to help business and government collaborate, coordinate and agree opportunities for intervention and support. Sajid Javid, Secretary of State for Business, Innovation and Skills (2015–16), rejected this approach in favour of more general, horizontal support: for example, championing the reduction of red tape for all business.

The current Prime Minister, Theresa May, is committed to an active industrial policy, promising a comprehensive industrial strategy and refashioning the business department as 'Business, Energy and *Industrial Strategy*'.<sup>39</sup> A Green Paper outlining the Government’s current plans and launching a consultation which ends in mid-April was published in January 2017. However, making a success of this will depend on learning from what has – and has not – worked in the past.

**// The current Prime Minister,  
Theresa May, is committed to  
an active industrial policy //**

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## What is causing churn?

Although carried out on different terms, the factors causing churn in industrial strategy policy bear resemblance to those of FE and regional government, driven by:

- disagreement about the relationship between industry and government;
- personal conflict and authority – particularly the relationship between the prime minister and other relevant ministers;
- fluctuations in resources; and
- organisational confusion and weakness.

### Policy shifts in the relationship between government and industry

While there may have been continuity since the overall shift after 1979 to a government role that is less directly involved in industry, there also have been a number of shifts in policy purpose underneath this overarching stance. In their search for the right role, different governments and even individual ministers have pursued policies that varied in their approach to industry in either sectoral terms – favouring and supporting defence and pharmaceutical or digital sectors, for example – or horizontal approaches. Some have sought to be far more interventionist than others.

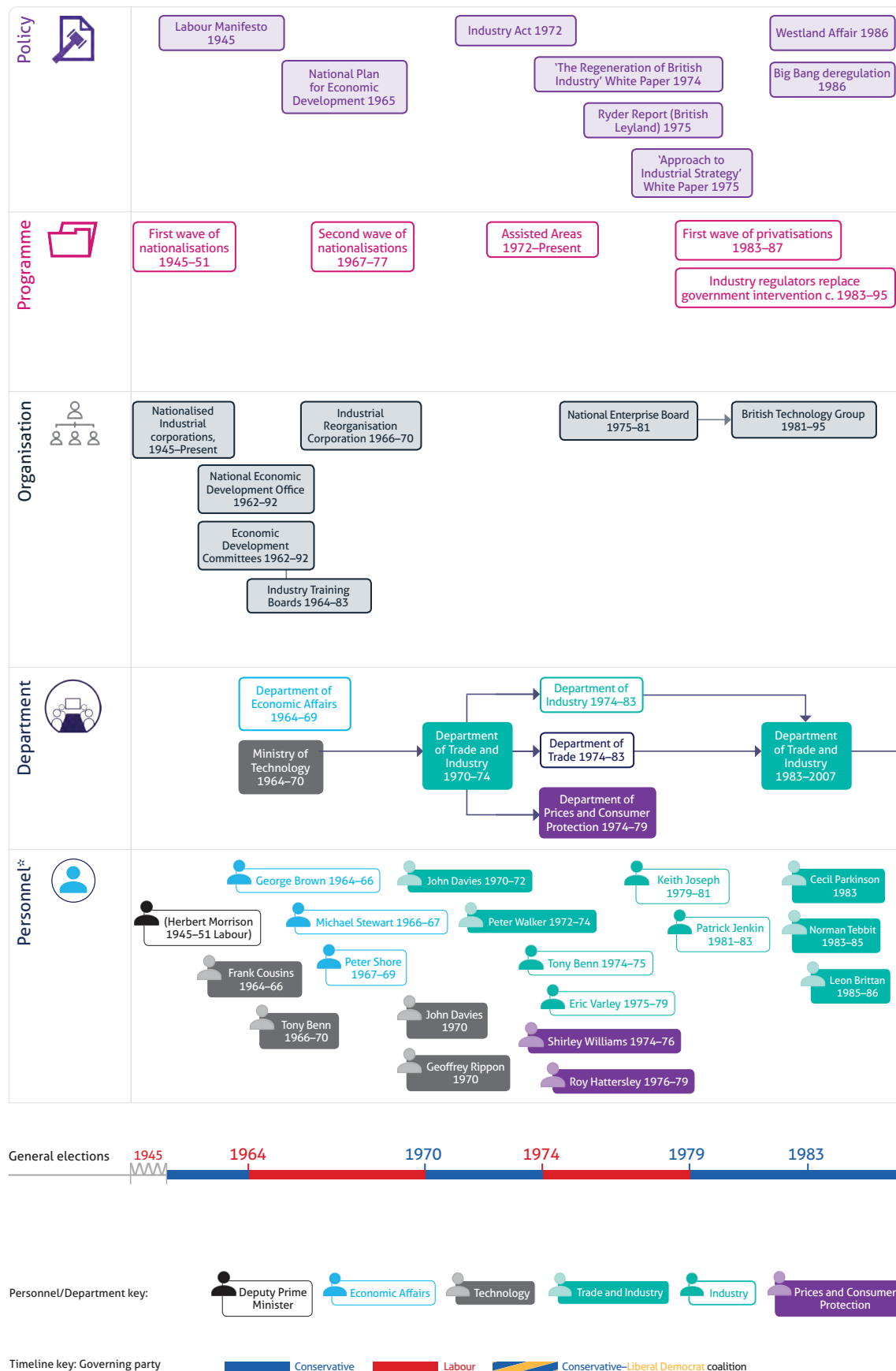
In the 1990s, the Secretary of State for Trade and Industry, Michael Heseltine, wanted a powerful role for his department in driving modernisation. Heseltine also pursued industrial development through regional development. While such interventions did not go against the general flow away from an activist state – the amounts involved were relatively small, compared to the pre-1979 position – it did see a number of initiatives whose success depended on long-term investment.

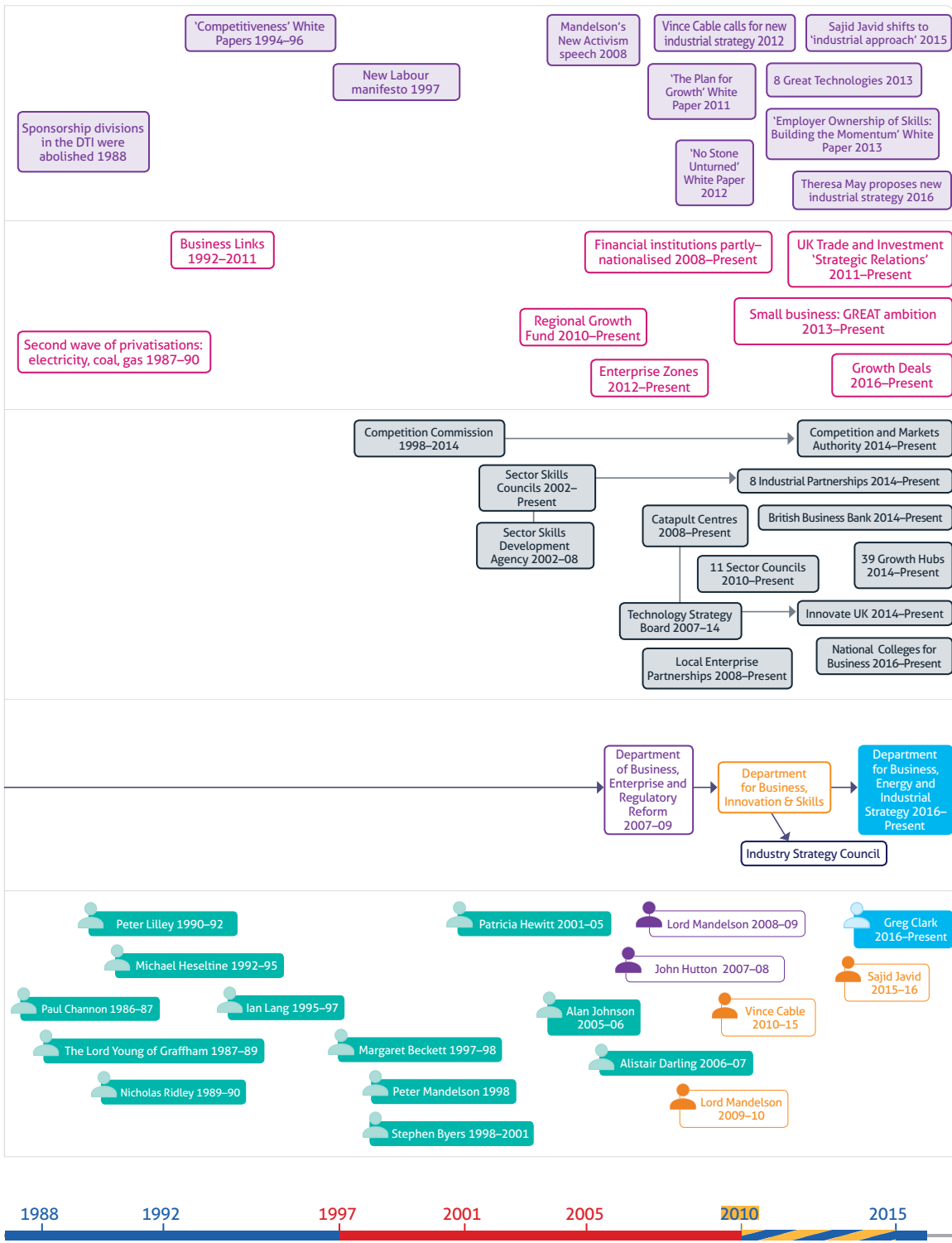
In recent years, three strong business secretaries have shaped the course of policy, often wishing to shift away from their immediate predecessor. From 2008, Mandelson looked to use his department to rebalance the economy away from one focused heavily on financial services. He called for a 'new activism' and 'targeted intervention' for government to invest to support particular enterprises. After 2010, Cable sought to use government to support themes such as skills, technological development and creating conditions for investment and growth. After 2015, Javid also sought to distance himself from his predecessor, setting out a far more deregulatory and small-state role for government.<sup>40</sup> This is now set to change again.

### Relationship between prime minister and key secretary of state

The role and interest of the prime minister in industrial strategy also has an effect on churn. In 1985, the clash between Prime Minister Margaret Thatcher and Michael Heseltine, then Secretary of State for Defence, over the foreign purchase of Westland Helicopters, went to the heart of the question about the government's role in guiding key industries and firms. Prime ministerial interest in industrial strategy can be a significant determinant of the degree of empowerment that the department has, and the amount of activity undertaken. Thus far, the signs are that Theresa May sees industrial strategy as a key area of personal interest. This will shape not only the policy role of the department and Secretary of State, Greg Clark, but thus far is manifesting itself in a scaling up of industrial policy activity.

**Figure 3: Churn in industrial strategy: a timeline of policy, structural and personnel changes**





Business, Enterprise and Regulatory Reform
 Business, Innovation & Skills
 Business, Energy and Industrial Strategy
 \* Secretary of State unless otherwise stated.

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## Fluctuations in resources

One important tool that ministers and government have used to direct industrial strategy is the control of resources. The withdrawal of resources – or underresourcing from the outset – has led to fluctuations in the power, influence and even existence of some organisations. Before 1979, the Department of Trade and Industry (DTI), or its variant manifestations, was well-resourced. From the 1980s onwards, the DTI was progressively stripped of powers and funding as the Treasury assumed greater control over discretionary budgets. Chancellor George Osborne arguably extended Treasury power further, curtailing Cable's capacity to exercise an extensive industrial policy.

Often, funding pots for particular strategies – research and development investment, tax incentives, skills and training and particular interventions – have been the recourse of the Treasury. The same has been true of the funding of organisations working through the department: Sector Skills Councils have not been formally abolished, but have had to adapt as their funding – which has not been sufficient to cover the remit asked of them – was cut and cut again over the years.<sup>41</sup>

## Organisations

Finally, the institutions and organisations given power to support and deliver industrial strategy have struggled at times to have impact. The National Economic Development Office, designed to bring government and industry together, actually embodied the lack of cooperation between the two, and became mistrusted on both sides.<sup>42</sup> More recently, the establishment of Sector Councils in 2010 and Industrial Partnerships in 2014 (partly replacing Sector Skills Councils) has offered new avenues for communication and coordination – but their impact has not always been as strong as it might have, because of the limited opportunities they have to shape policy.<sup>43</sup>

Moreover, they have existed in an increasingly full landscape. Sector Skills Councils, Sector Councils, Industrial Partnerships, Growth Partnerships and Leadership Councils all exist, but it can be difficult to discern what their respective relationships are and how much is duplicated. The regular turnover and/or expansion of these bodies and organisations has limited their ability to have impact, and weakened the confidence of industry in such bodies.

**// May's plans ... must focus ...  
on committing to a  
clear and consistent  
industrial strategy //**

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## Has anything endured?

Although the ideological shift in 1979 was significant, certain features of the UK approach to industrial policy remain the same today as they were 60 years ago. Foremost among these is the enduring belief in supporting certain 'special' industries. In the 1960s and 1970s, this was reflected in extensive financial support for uncompetitive companies in struggling industries: for example, British Leyland.<sup>44</sup> While the 1980s marked a watershed for this, the idea of supporting British manufacturing resurfaced in the 2010s with regard to 'strategic' industries such as steel, but is now complicated by European Union rules against state aid. The consequences of the Brexit vote will have further implications here. A corollary of the special status given to manufacturing has been the focus on investment in high technology through the British Technology Group in the 1970s and Innovate UK today.

Two other ideas have continued to the present day: that industrial strategy must have a spatial dimension, and that skills lie at the heart of future industrial success. Each of these indicates the interrelationship between the three case studies discussed in this report. Regional policy has played an important role in industrial strategy since at least the Industry Act 1972, which established the hierarchy of 'assisted areas' in existence today. It returned as the primary focus of Cable's industrial strategy from 2010, underpinning Enterprise Zones, Local Growth Hubs and the funding provided to Local Enterprise Partnerships through the Regional Growth Fund.

The desire to address the mismatch between skills and jobs as part of industrial strategy has been a long-standing ambition. The Sector Skills Councils were partly there to address skills gaps and improve productivity, continuing much of the work originally carried out by Industry Training Boards. However, as covered in Chapter 1 of this report, the quality of skills development and training has been a persistent problem.

If May's plans for a new industrial strategy are to make progress, they must focus less on overturning the work of previous governments, and more on committing to a clear and consistent industrial strategy for the long term, learning the lessons of the past and allowing organisations and policies time to perform.

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## 4 Inside views – perspectives on policy churn

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### Introduction

To understand churn in practice and why it happens, the Institute for Government invited Rachel Wolf and Philip Collins, two former advisers who have worked at the heart of government, to comment on their own experiences of policy churn and the reasons why it occurs. This chapter contains their personal reflections.

### Why is the UK so prone to policy churn?

**Rachel Wolf**, former adviser to Prime Minister David Cameron (2015–16)

Most people, in the abstract, think policy churn is undesirable. They recognise that change takes time, and that those most affected need to adapt. So why does it happen in some areas more than others, and particularly in the UK?

#### Why does policy churn happen?

There are several utterly predictable moments in any policy discussion – whether a dinner, seminar, the launch of a think tank report or a meeting with officials in government.

1. Someone experienced and sensible says: 'And of course, the problem is, we never implement things for long enough. We keep changing policy all the time.' Everyone will nod their heads and agree – and then immediately carry on advocating the change they want. It is the Westminster equivalent of Augustine's plea: 'Lord, grant me policy stability – but not yet!'
2. 'Of course, I wouldn't start from here.' Again, everyone nods. This is interesting, because 'here' is usually the result of proposals from people very like those sitting in the room.
3. 'What we need is to change the culture' (as if culture were a free-floating entity that lands on unsuspecting heads and sticks). This is another way of saying: 'People aren't behaving as we'd like them to. What is wrong with them?' The conversation is never really about stability. Even those who would wholeheartedly agree with the message in this report, actively undermine it in conversation.

That is not wholly surprising – the people in the 'Westminster' conversation are paid to talk about policy. It is hard to make your mark in a think tank if your published papers do not suggest change. It is difficult to prove your worth as a trade body, if your demand from the Autumn Statement is to keep things as they are. It is impossible to be an effective opposition party if you say the government is doing the right thing. Of course, the disadvantages of the current situation are more obvious than alternatives, and the critics more vocal than the proponents.



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Imagine you are a junior minister. You spend your life attending these seminars, dinners and launches. Your job in large part is to engage with the people who attend them, and the consistent message you get is: 'Do something.'

In some ways, it is remarkable anything sticks.

## **Why do some areas change more than others?**

What gets you promoted as a minister? How do you move up the ranks from parliamentary undersecretary to minister of state, up to the Cabinet? There are three obvious ingredients that most politicians understand as essential to promotion:

1. be loyal
2. publicly demonstrate that you are able
3. do not cause a disaster.

The interplay between the second and third can determine the level and speed of policy change. Every junior minister wants eye-catching initiatives that will generate positive media coverage – how else will No. 10 know what they're doing? However, you do not want to cause the government severe embarrassment, particularly with its own constituent voters. If you do not have your own power base, it is insane to risk this. That is why, in my view, areas such as further education (FE) are particularly prone to policy churn.

These are areas with relatively weak stakeholders and low media interest. Journalists did not usually go to FE colleges, and neither do their children. Politicians – even Labour ones – are more and more likely to have gone through traditional, elite education routes; therefore their understanding and instinctive desire to protect FE is low. They also have a vague sense that manufacturing is important and has been lost, that 'education' is the route to productivity growth.

This means that the risk of offending 'important people' is low, and the need for action seems consistently high. We are also unlikely to notice if things are going wrong – because the elite will not have friends who are experiencing disaster.

Contrast this with science funding or higher education, where there have been relatively few Acts of Parliament. The terror of taking on the vice-chancellors, the Nobel Prizewinners and the research councils prevents frequent change (as the current higher education minister is discovering). It is a reliable way of getting an irritated call from No. 10, alienating members of your own party and losing the opportunity for promotion.

## **Why is the UK particularly prone?**

We frequently hosted groups from other countries in No. 10 – including, in my case, on FE. They would often note, with puzzlement, the frequency of policy change. It is certainly true that the German technical and apprenticeship system or the Scandinavian ones are much more stable than our own. Why? Their political systems are much more suited to policy stability.

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One of the differences is explored in this paper: the relative weakness of regional and local government makes large-scale, national change easy.

When I worked for a New York education technology firm, the USA was riven by disagreement over the implementation of the Common Core State Standards – a major attempt to create national standards of education. That attempt was failing: the strength of districts and states, and a fervent belief in their autonomy, made it almost impossible to change things across the country. That has enormous disadvantages, but it protects against widespread rapid change.

The German and Scandinavian system are stronger locally. For example, in Sweden, national pay bargaining has been abolished and replaced with local bargaining. That would be far more difficult here, in a country used to national policy. Moreover, countries such as Germany and Sweden have many parties in coalitions. They are used to compromise, and move relatively slowly. When only one party is in power, it is easier to make new policy. This is obvious when you look at the Liberal–Conservative Coalition Government – any Conservative adviser from that period will complain about the policies they could not enact because of the Liberal Democrats (and vice versa). The cumulative effect is to slow down change.

This is not, in my view, always desirable. The ability to change policy, dramatically and swiftly, can be an enormous advantage. No one should desire the sclerosis of the American system; but it is a problem in areas with weak stakeholders and countervailing pressures.

### **What about ideology?**

FE, industrial strategy and local government have been picked out in this report as particularly prone to policy churn. Interestingly, these are areas with fewer major party political divides than many others (e.g. the privatisation of railways, school selection and reform or welfare policy). This makes them more prone to churn, not less. This is partly because there is no clear philosophical model for a junior minister to follow; it makes it easier to randomly tinker because it is not obvious what the 'Conservative' or 'Labour' approach is (in FE, for example, both parties talk about employers in a very similar way).

Instead, there are often debates and disagreements within a party. Industrial strategy is an obvious example: there is strong debate between different wings of the Conservative Party (in old parlance, 'Thatcherites' and 'wets'). That can mean individual ministers switch according to their personal bent, you do not need to wait for a general election. Very different approaches to industrial strategy were taken under former Prime Minister David Cameron by different ministers – and not because of the coalition. Areas with huge philosophical disagreements are harder to shift in the first place, but once they are reformed, they stick. It is hard to imagine academies being undone and redone every few years. It took decades before there was a serious prospect of more grammar schools. Privatisation of railways and utilities remains. If you want to avoid policy churn, choose something difficult.

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## The battle of ideas shows that churn begets churn

**Philip Collins**, political columnist, *The Times* and former speechwriter for Prime Minister Tony Blair (2005–07)

Policy in Britain can suffer from either too much attention, or too little. When, as in the case of industrial strategy, policy answers an ideological need, the upshot is inconsistency between successive governments of different complexions. When, as in the case of FE, nobody cares enough, the absence of scrutiny creates the condition for tinkering. There is then a third case, which is that of power devolved away from the centre: the classic instance of the campaign promise that no politician ever wishes to redeem.

The case of neglect is, in British public policy, the most distressing. The argument about grammar schools is back again, under the May administration. When education minister Rab Butler announced a tripartite system in the Education Act 1944, he established a split between grammar schools and secondary moderns which has been the subject of constant attention ever since. The most important part of the structure – the mooted technical schools – never really happened. In an era in which low-skilled work was readily available in the manufacturing industry, the failure in policy did not matter excessively. It has never been rectified, and it does matter now.

Technical education has never been valued as highly as the academic education offered in schools or universities. It has been a land left free for the politician to roam over – and roam they have. There is no better index of the fact that nobody cares enough than that FE has been shunted between six different departments and 48 secretaries of state. The only one who regarded the topic as career-defining, Kenneth Baker, only did so after he ceased to be the secretary of state. As a consequence, the vocational sector is an 'alphabet soup' of providers, with acronyms that change every year. Students are horribly confused about which programmes are valued by employers, and nobody has any confidence that a qualification will lead to work or pay progression, or even exist in a few years' time. It is the worst failure of domestic British public policy since the Second World War.

Industrial strategy has been subject to the equal and opposite force, which is that successive governments have cared rather too much. The role and scope of government, in its active intervention in the economy, has been the site of the ideological contest of British politics since the formation of the Labour Party in the early 20th century. The best account of the labyrinth of policy has been written by the former ICI businessman and Labour trade minister, Edmund Dell. His *A Strange, Eventful History*<sup>45</sup> is the story of the gradual unravelling of the intellectual assumptions behind successive iterations of industrial strategy. Labour's Herbert Morrison nationalised heavy industry between 1945 and 1951 on the assumption that public industry was more efficient than wasteful markets.

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Those reforms were somewhat unwound by the Conservative governments of the 1950s. A revisionist Labour Party, no longer fixated on nationalisation as its method, then opened the era of the corporate conversation and power-sharing. This was more than a policy, it was an intellectual identity. It was also the central divide of a tempestuous period as, in 1978, industrial relations descended into chaos and took Jim Callaghan's government along with them. The Thatcher government came to power on the promise that it would shift policy in a more economically liberal direction which, albeit in its second term, it did in a series of industry privatisations. Once again, this was a position that defined a political way of life. Policy went from one extreme to the other.

Perhaps the heat has now gone out of this argument. Notwithstanding its current leadership, the Labour Party became more enthusiastic about regulated market capitalism during the 1990s. When Peter Mandelson returned to industrial strategy in the last days of the Brown administration, it was a far cry from the 1960s, and even further from the nationalisation of his grandfather, Herbert Morrison. Modern industrial strategy is still rather underdefined, but it tends to mean support for vibrant sectors of the economy such as the aerospace, life sciences and construction championed by Vince Cable between 2010 and 2015. Something of that order seems to be the approach of Prime Minister Theresa May too, now that the department has the term 'industrial strategy' on the plaque on the door.

FE policy has too few advocates; industrial strategy has too many. There is a third instance which leads to volatile policy, and that is when politicians like to pledge change, then run away when the time comes. The perfect case is the devolution of power. This is invariably a policy that oppositions advocate, but governments strangely forget to implement. The reluctance to turn campaign rhetoric into practice is not just a desire to hoard power, although that motivation cannot be discounted. It is more that in British politics, responsibility is centralised, even if power is not. A secretary of state is aware that the criticism for a mess will land on his or her head, no matter where the power lies. Therefore, the temptation to hoard that power is great.

Although they do not like to admit it, Labour ministers also prefer central control because it is easier to keep an eye on equal provision that way. They are rarely, in truth, comfortable with provision that differs from region to region, even if that is a chosen inequality. That reluctance was in clear evidence in Labour's response to George Osborne's 'Northern Powerhouse' reform in 2014.<sup>46</sup> When it came to genuine reductions in power, Andy Burnham, spokesperson for Labour on Health, was not certain it was a good idea. In a lovely irony, Burnham is now likely to be the mayor of Manchester who inherits the powers Osborne kindly gave away.

It is also the case that centralisation creates its own logic: talent seeks out power. Many of the best people come to the political centre rather than remain in the nations and regions. There is a sense in Whitehall, which is more than a few decades out of date, that local government is staffed by inferior functionaries who cannot really be trusted with power. This is why the perennial response to the

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demand for devolved power is a panoply of initiatives with strings attached to the funding – endless government offices, Regional Development Agencies and currently Local Enterprise Partnerships and so on.

This all has an inescapable political logic. The first central grant to local government occurred in 1834. Since then, the turnout in local elections has fallen at a trend that correlates exactly with the growth in the proportion of funding that derives from Whitehall. The electorate's rationality is remarkable, and it is telling politicians that real politics takes place in London.

I state this as an observation rather than an endorsement. Shifting power away from the central state should be one of the priorities of public policy. So should vocational education and its country cousin, an industrial strategy. Here we arrive at the paradox of policy churn: precisely because churn creates such a mess, it requires some more change to put it right. Nobody wants a stable mess, although that is preferable to an unstable mess; just the one more round of churn to get it right this time.

*// Shifting power away from the central state should be one of the priorities of public policy //*

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# 5 Conclusions

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The central message of this report is that in three critical policy areas – and indeed in others not directly covered here – change happens far too often and too casually. New legislation replaces old; organisations are founded and abolished; policies are launched and relaunched; programmes are created and abandoned – all at an alarming rate. This is not merely a facet of ideological change. In fact, as Rachel Wolf highlights, in many of the examples in this report there is a certain degree of agreement between parties. Instead, this churn is a feature of some other persistent weaknesses in our system of government:

- poor institutional memory
- the tendency to abolish and recreate organisations as a proxy for demonstrating progress
- a centre of government that remains too weak at long-term planning
- a policy development process that is not as resilient as it could be.

The consequences of churn are all too apparent. The human cost in the FE sector is, as Philip Collins says, tens of thousands of students who must grapple with a confusing set of qualifications that hold varying and different values in the labour market. There is little confidence for them or their prospective employers that a qualification will exist five years down the line. The failure to develop adequately a stable FE system contributes to skills shortages – a major factor in the UK's productivity problem.

The economic cost of organisational change in government is also worth emphasising. It is often made at short notice and poorly planned: we have estimated that creating a new department costs at least £15m in the first year alone. Departmental changes, such as the creation of the Department of Energy & Climate Change (in 2008, only to be dissolved in 2016) would have incurred costs of at least £15m in the first year alone, covering extra staff and building expenditure. The longer-term costs are substantially higher.

We have estimated the cost of creating the Department for Environment, Food & Rural Affairs, for example, to be more than £30m, and the price of creating the Department for Work and Pensions at almost £175m.<sup>47</sup> None of this takes account of the temporary disruption to business, as people grapple with the logistics of creating a new department from the constituent parts, as well as the potential loss of institutional memory. The same considerations will apply to the frequent reorganisations that central government inflicts on the rest of the public sector.

For all the reasons set out in our analysis, being more disciplined about avoiding policy and organisational churn – or at least only undertaking it when really necessary – is easier said than done. However, there are a number of things that would aid stability. We outline some recommendations below.

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## Strengthening institutional memory

One of the most obvious problems in our analysis is that past initiatives are recycled, or new organisations with remarkably similar remits to existing ones are created. In short, institutional memory and knowledge management in Whitehall are weak and need urgent improvement. This is exacerbated by the tendency towards generalism in the civil service, which can come at the expense of specialist knowledge. This problem was identified in *Twelve Actions to Professionalise Policy Making*, which acknowledges the tension between generalism and the development of a strong, specialist corporate memory.<sup>48</sup> To ensure that this issue is finally resolved, and departments are able to build up and maintain a deep base of policy knowledge, we propose the following.

- In each department, the head of policy profession – the senior civil servant responsible for the quality of policymaking in the department – should be held accountable for ensuring that the knowledge management system is adequate, and that major reforms are proceeding on a full understanding of past and existing policies and organisations.
- In Whitehall, moving up often means moving on – but as the Institute has written before,<sup>49</sup> some of the most successful policies and projects have benefited from keeping key officials in post over the longer term, allowing them to accumulate knowledge and networks. However, personnel practices in Whitehall are not always supportive of this model. Revisiting how career incentives can be aligned with the need for stable – and in some cases specialist – teams would be worthwhile.
- As commentators have noted recently,<sup>50</sup> departments struggle to access past research to inform policymaking processes, resulting in waste and reinvention. This must change – all policymakers should be able to access a repository of work already undertaken in their policy area, in order to inform their own recommendations.

## Strategy and challenge from the centre

It is striking in our analysis that policy churn happens not just at points when governments change – when one party loses power and another gains it – but within single governments. The problem is not just with changing ideological preferences (indeed, there is remarkable ideological consistency in some of the areas we examine), but also with a failure to set out and monitor long-term strategy and plans adequately, leaving some policy areas vulnerable to piecemeal change. If – for example – Theresa May wants her industrial strategy policy to stick, this needs to change. The following would help.

- There needs to be strengthened capacity for long-term strategic planning in No. 10, the Cabinet Office and the Treasury – often referred to as the 'centre of government' – as the Institute for Government<sup>51</sup> and others, including the National Audit Office,<sup>52</sup> have long argued. In addition, No. 10 should explore what mechanisms can be used to set firm and enduring priorities clearly for top officials and ministers. Other jurisdictions use more formal processes to set priorities and link these both to ministerial and top official objectives. In Australia and Canada these include charter and mandate letters respectively, which are sent by the prime minister to an incoming secretary of state.<sup>53</sup>
- The Cabinet Office and relevant secretariats should play a greater role in interrogating policy proposals: relevant central secretariats should provide active challenge to any proposal that includes a significant policy or organisational change without sufficient explanation of what lessons have been learned from previous reforms.

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## Making organisational change harder

We capture above how high the costs of institutional change can be. Yet it remains far too easy in Whitehall to abolish old organisations and create new ones.<sup>54</sup> The degree of churn set out suggests that the costs of organisational change are systematically underestimated and the benefits overestimated – a case of the sort of optimism bias which, the National Audit Office notes, is a repeated feature of major government projects and procurements. This suggests that Whitehall lacks the methodology and understanding to advise ministers properly on whether an organisational change is likely to be justified – and means that accounting officers may not have a strong enough basis to challenge proposals.

- The Treasury, in conjunction with the National Audit Office, should analyse the costs and benefits of past organisational changes, both to help departments better assess proposals, and give them the capability to challenge changes that may have doubtful value for money.
- Parliament also has a critical role, as we have argued before.<sup>55</sup> It should ensure that no new arm’s-length bodies can be established without a written business case, which must be approved by the Cabinet Office and subjected to scrutiny by the relevant select committee, and by the Public Administration and Constitutional Affairs Select Committee.
- Given the costs and disruption involved, committees should scrutinise business cases for any proposed reorganisations of existing bodies, and no reorganisation should be permitted without a clear business case.

## Strengthening the policy development process

A final conclusion is that these changes fail to endure because they are rooted in shallow prior analysis and have been developed in a process that remains too closed. Our studies of changes which have lasted<sup>56</sup> point to the importance of establishing both a clear evidence base and a wider coalition for change before embarking on reform, in order to provide resilience. In addition, policy development should draw on existing departmental knowledge. Three things in particular would help here.

- Policy announcements should be accompanied by the evidence base that underpins them. We suggest that the key questions that should be included in this – including what has been tried before – are captured in our own evidence transparency framework.<sup>57</sup> We have long argued that select committees should play an important role in encouraging departments to disclose the evidence base behind policy decisions. Both the Science and Technology Select Committee and the Education Select Committee have begun undertaking ‘evidence checks’ – asking government to provide a statement on the evidence behind a number of policy decisions. These exercises should be a routine part of committee enquiries.
- We have noted already that departments should develop and maintain deep policy knowledge that is accessible during the policy development process. To ensure that this base of expertise is being used, departments should be required to acknowledge previous policy and organisational approaches in all new policy proposals – including White and Green Papers – explaining what lessons they have learned from previous reforms.
- Outsiders – including external experts and citizens – should be involved in the policy development process, to strengthen the basis of the policy and to generate a broad coalition for change that will increase the possibility of the policy enduring, even when political interest wanes.<sup>58</sup>



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**March 2017**

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