



# Director's Annual Lecture 2020

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Richard, thanks. And thanks to you all for coming. A year has proved a very long time in UK government. Last January, we were talking about the paralysis of politics. Now, we have a clear election result and a declaration by Boris Johnson that he intends to bring about real change although there's a lot we still don't know about what he intends to do.

Some of the sense of clarity may prove misplaced. This has the potential to be a bumpy year for the government – on Brexit, where the UK leaves the European Union (EU) in just over 48 hours, and on Northern Ireland and Scotland. The greatest danger, though, is that the high ambitions that the prime minister has set for “levelling up” the regions of the UK prove impossible to achieve. And that could leave voters already sceptical of government even more disillusioned.

The Johnson government has thrown itself – if just rhetorically, so far – at some of the country's most entrenched problems. The lack of productivity growth, inequalities in access to education and health, and a glittering capital city that draws in the world but leaves much of the UK feeling out in the cold.

The government will have to tackle new challenges, too. Ones that were all but unthinkable a decade ago – such as whether the country remains a united kingdom. As well as huge global problems where the UK wants to play a part. It has pledged to be carbon neutral by 2050 but doesn't yet have a plan of how to do that – something we will look at.

You might say that's the nature of government. It aims to do a lot; with luck and a lot of effort, it gets a bit of that done. But whether government works – and is seen to work – really matters.

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I've said to colleagues here that I took this job after years of going to Iraq, Afghanistan and post-conflict zones and seeing how without good government, there was no chance of improvement in people's lives. You can't, generally, do the economics without the politics – as Tony Blair and others found in the Palestinian territories, trying to improve their fortunes while sidestepping the political impasse.

I have to say, the UK has hardly seemed like a model of good government in the past three years, to the world's fascination. But the UK still represents principles of democracy and good government to many people worldwide.

The point of this talk is to look ahead at the government's main challenges this year, and then to say what we're doing at the IfG to help it – or convince it – to handle those better.

I'm going to talk about three main questions

1. Civil service reform
2. "Levelling up" the UK
3. Brexit, the Union and the constitution

## **1. Civil service reform**

Here at the Institute we did not expect the Christmas present that Dominic Cummings sent our way when he made the usually arcane question of civil service reform the talk of the town. After the election, when the rest of politics had gone quiet, Cummings published his latest blog, calling for deep reform of the civil service. As well as calling for "misfits and weirdos" to apply to join it, a verbal garnish which got all the attention presumably intended (and 35,000 applications, he's said).

Cummings may have won more attention than normally because ahead of an expected reshuffle, ministers have been quiet. They will soon give advisers more competition. Advisers are, after all, just advisers. It is ministers who will be held to account for decisions.

All the same, we really welcome Cummings's intervention. He is making many of the arguments for change that we've made since we started out 11 years ago. We also welcome his sense of urgency. Even if his prescriptions, as is often the case, are more debateable.

Having said we're very supportive, I think it's a pity there has been so much discussion of one proposition: shuffling around the structure of departments. That can be useful, to make a point about priorities. But often it's an expensive distraction. We have found that it has cost a minimum of £15 million to set a department up. In one case – the creation of the Department of Work and Pensions – it cost more than £170m because of the equalising of salaries that had to take place.

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If there are changes, it needs to be clear why. There's been a lot of talk about bringing together the Foreign and Commonwealth Office (FCO) and the Department for International Development (DfID), and for folding the Department for International Trade into another department. But although officials have started looking at how this might work, the aim is not obvious. And yet different goals point to very different answers.

If the point is to tie aid into foreign policy and the national interest, you might indeed merge DfID and the FCO. But for two decades, a great deal of effort has gone into keeping those goals separate; to merge them is more than a bureaucratic exercise, it's a big change of direction, and the government should then say so. If the point is to claim more of DfID's budget for the FCO and other departments, it would be simpler just to reallocate the cash. If the aim is just to have fewer people sitting around the cabinet table, there are also simple, if brutal, ways to achieve that.

The same with trade and foreign policy: are they distinct, or not? The government has chosen to disagree with the US over Huawei and 5G – consequences as yet unknown. Is it prepared to disagree with them over Israel, Iran and diplomatic immunity if a trade deal is at stake, or will it make those decisions subservient to trade?

What matters though is the decisions, more than which department takes them. I'd make just one exception to this – we have argued it would be better to move migration policy out of the Home Office. It would stop it being treated as a branch of law enforcement, of who's overstayed their visa. Embedded in the business department, say – it would put the focus on the skills the country needs.

Cummings makes several much stronger points, in our view. One is about the poor policy advice the civil service sometimes gives ministers. We agree, although he should have acknowledged too the ways in which ministers may reject good advice even when it's given.

As things stand in the civil service, knowledge, experience and expertise are often undervalued. There's a lot of talk about evidence-based policy, but that overlooks how much expertise is needed to inform the use of evidence. How to set up an immigration system, decide where to build a road, work out whether to subsidise renewables, design a new educational qualification or assess the cyber threat to the UK – these all take time to master.

One of the causes of the problem is the rapid turnover of civil service officials between jobs – a point on which we've done a lot of work. It's prompted by pay and promotion rules meaning they can't advance without moving job as well as a culture that encourages ambitious officials to get a lot of different experience. The slide shows the rate of officials leaving departments – and that doesn't capture the high rate at which they switch jobs within them. Not to leave politicians out, here is a slide on how many secretaries of state each department has had since the start of the coalition in 2010.

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This hypermobility pretends that someone can just walk into a brief and be expert overnight. This is nonsense. It treats all government as the same. People in a job for longer have a better sense of what's worked before, including overseas. They will understand more of what's failed – repetition is a big problem.

And when civil servants move around so often, they undermine part of the case for the value of an impartial civil service – that it offers expert advice.

The lifting of the 1% public sector pay cap has helped. But it would be good to see more ways of promoting officials while they stay within one speciality. There is a strong case too for more ways of helping people go in and out of the civil service – for the civil service to credit experience in the outside world, for example, rather than treating those who venture there as if they'd been off on a long cruise.

That isn't a prescription for misfits and weirdos. But it is one for shaking up a culture that is of its nature hierarchical and can be resistant to change.

Finally, we agree wholeheartedly with Dominic Cummings on the need for more accountability. Parliamentary committees should recall ministers and civil servants to give evidence more often after they have left their jobs.

At this point I'll give our regular call for more reliable government data. The flood of press releases, at which ministers have got increasingly skilled, is no substitute for consistent data that let everyone judge how they are doing – including in the devolved governments, something that we are going to look at. Here's a chart of the increasing proportion of Freedom of Information requests turned down in recent years. Departments down the left axis, years along the top, and the pinker and darker the boxes get, the fewer were granted. The dark pink is less than 20%.

## 2. “Levelling up” the UK

More than Brexit, this is what the government says it wants to be judged on. I'm happy with that. I can't think of much that matters more for the future of this country. The fact that this has been a quest to which many governments have devoted much effort doesn't make it less important. The policies are at the top, in purple. Programmes in red. Organisations in grey, departments in a line across the middle, and ministers and people in charge at the bottom. But for all this effort, there is still fierce controversy over the techniques.

We are firmly in favour of the government's pledge to devolve more powers to local areas. There is a democratic case for it. There may often be an economic case for it, in that judgements about what is needed may be better made locally. But there are – or should be – important concerns. Without enough scrutiny, devolving more powers can foster corruption, lack of competition, the favouring of vested interests. We are missing the Audit Commission, that kept a close eye on local government finances.

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We're certainly not against moving the House of Lords to York if the government really means that and it wasn't just a warning shot around the Withdrawal Agreement Bill. It would be a symbolic move, but symbols matter. But the idea rather misses the point of devolution. Which is not to slice up central government and paste it around the country, but to devolve real powers to regions.

When it comes to deciding what to invest in, there is even more controversy. The Green Book, the Treasury's set of rules for investment, is enjoying more limelight than you might expect for a bureaucratic bible. As many have pointed out, it tends to favour repeated investment in the richer parts of the country, because according to its formulas, that often seems to yield the greatest benefit for the country overall.

So, there is a lot of interest in how those rules might be changed, which we welcome. But for a start that risks overstating the constraint the Green Book has had on past investment decisions, many of which have been immensely political and wrapped up afterwards in a Green Book justification, as our research has found. If now, with a change to the rules, there's not to be a political free-for-all, with investment mysteriously gravitating towards constituencies the government is most anxious to retain, what should the rules be? How should ministers choose between an investment in Sunderland and one in Merthyr Tydfil? We are wary of anything that becomes a licence to pour money in without consistent principles. And we are also concerned that there has been huge attention on big infrastructure, and less on education and skills.

To take the most controversial infrastructure project, our view is that HS2 is probably just still worth it. But the argument that "no one really knows" what it will cost has some force. It is possible too, though, that its benefits have been underestimated. It has after all done the hardest bit – securing the property to punch a badly needed new north-south route through a densely built country. The problem is that government models of costs and particularly of benefits don't work well for huge projects even if they're not bad at calculating the value of a bypass.

The government's plans are riddled with these kinds of questions. Officials tell us that the government is thinking of three kinds of intervention to help boost growth once we've left the EU. For businesses that might go under during the disruption, but which would survive if given temporary help. For "sunrise" industries that it thinks will be Britain's future. And for communities where an industry is beyond doubt expiring.

But these judgements are very hard – not just in picking winners, at which governments have been famously bad. We published a recent paper suggesting how the government should decide which businesses actually had good claim to support – for instance, during Brexit turbulence. It is very hard for governments to admit that some industries are not going to survive. And they often don't want to admit that public spending alone will not bring back jobs. This government needs to be straight with some towns about whether it is reasonable to hope that jobs are coming back. Or whether the aim is just to make them better places to live in than they are now, from where to travel and work elsewhere.

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I don't want to sound discouraging about this. The astonishing Docklands revival wouldn't have happened if Michael Heseltine, passionately committed to this cause, hadn't plugged away all those years on creating the conditions for revival. But it is a genuinely difficult area – and one that has been hampered by government coyness that Brexit might bring any economic damage, let alone that it could hit manufacturing areas worst.

### **3. Brexit, the Union and constitution**

That brings me to the government's most immediate challenge in 2020. First, Brexit, and then, holding the Union together in the face of the strains which Brexit has created.

On Brexit itself, the government has said that it is committed to ending the transition period on 31 December with no extension. Senior officials say that they are working to the brief that a trade deal with the EU is a bonus but not a goal. We should take this seriously. There are a lot of milestones to tick off to get to a trade deal, even a minimal one.

The nature of the clash the government is going to have with Brussels over a trade deal is clear. The EU is going to push hard for alignment. The UK asserts the right to diverge, although ministers have produced an astonishing array of recent statements about whether it actually will, many essentially contradictory – even from the same person.

Even if a deal is agreed, there will be “friction”, the chancellor, Sajid Javid, has acknowledged. Businesses have the problem of preparing for a new world on 1 January next year when the details of any deal might not be clear until shortly before. The same goes for the civil service, still trying to plan for the parallel worlds of a trade deal and no deal.

And there remains the question of Northern Ireland. The prime minister's deal requires there to be checks on some trade between Northern Ireland and the rest of the UK. That has tilted views just a bit more towards reunification. One Belfast man I was talking to recently, who called himself a unionist, said of the deal: “the Brits don't want us, and the Irish don't either.” But actually, while there has been understandable caution in the Republic about reunification, polls suggest a majority in support.

I and my Institute colleagues have spent quite a bit of time in Northern Ireland in the past year, feeling that the questions were undercovered and their urgency was rising. Our report in September on the consequences of three years without government was immensely well received and is reflected in some of the things the reborn Assembly is doing now.

The resumption of the Assembly shows that DUP and Sinn Féin politicians heard the message of the general election when both lost support – voters were fed up that the sectarian rift was depriving them of government. There are other healthy signs too of

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the decline of sectarianism – you hear fewer references to the “two communities”, there are more “shared spaces”, and non-sectarian political groups are growing.

On the other hand, parts of Belfast look stuck in the Troubles. Sectarian divisions there are still palpable and sectarian violence continues, far more than is reported here. The Police Service of Northern Ireland has just reported 85 paramilitary style shootings and assaults in 2019, up from 68 the year before. Brexit – and Johnson’s version – have burst into this as a sudden test that many people really didn’t want: of where their greater sense of identity lies, south or east.

One of the prime minister’s hardest tasks may be keeping support for the Union in Northern Ireland, as he says he wants to do. It may prove even harder to handle than the calls for Scottish independence, which he can stall, although next year’s Scottish parliament elections could ratchet up the pressure. His challenge is to make the case for the Union – why the component nations of the UK should stay together.

An economic argument alone won’t do it – we saw that in Brexit. But the very nationalistic terms of the debate have shut off alternatives such as more devolution or federalism. How the prime minister handles this, in the end, may have more impact on his reputation and on the UK than Brexit.

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I’ve talked about the government’s main priorities this year. What are we doing at the IfG?

In the past year, we’re glad to have celebrated our 10th anniversary with an international conference. We held 82 public events and published 38 reports and a host of comment pieces and explainers. Our web traffic is up – not numbers we’re chasing in themselves. But our research is strengthened when more people talk to us, and people pay us more attention when they know that awareness of our work is rising.

Our work in 2020 is inevitably shaped by the government’s priorities – plus the things we think should be a priority. So, we will do a lot on civil service reform, particularly on encouraging civil servants to become more specialist and expert.

We will do a lot on public investment and devolution. We’re continuing our Brexit work – on the choices in the negotiations and readiness for 31 December.

We’re looking forward to the constitutional commission supposed to start this spring although we hope that it is not simply a way of revising constraints on the government’s role from the judiciary, parliament or the House of Lords.

We’ll continue to work on public finances and public services through the spending review expected this summer.

It’s going to be an extraordinary year. A work of construction in many ways. The government has the opportunity of a big Commons majority to do a great deal.

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We hope that it now does not use that majority to hit back at critics or to avoid scrutiny – the value of which is to produce better government.

It's important to look at the future funding of the BBC but to boycott its main inquisitors suggests intolerance of scrutiny – and it would make a nonsense of talking about Global Britain to undermine the UK's best-known global brand. There may be good reasons why John Bercow should not end up in the Lords – but for the government to break with tradition by not nominating the former Speaker again suggests intolerance of challenge. What the government does on constitutional questions, as I said, will be a key test of whether it respects the powers of other institutions.

All that said, this government is indisputably ambitious for developing further and more equally a country that has historically been respected for its pursuit of good government. It has made promises of real change and has the majority to make that possible. That's where we'll focus much of our effort.

Thank you.



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