



MAKING POLICY BETTER

Improving Whitehall's core business

Michael Hallsworth and Jill Rutter

INSTITUTE
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Foreword

Policy making is Whitehall's core business and better policy making is a core theme for the Institute for Government.

The last government made repeated attempts to reform policy making. But, as our research shows, civil servants and ministers still felt that those attempts fell short. Our report, *Policy Making in the Real World* and working paper, *System Stewardship*, explore the problems with those past attempts and the future challenges policy makers face in a world of decentralised services and complex problems. This report, *Making Policy Better*, takes the findings from that work and makes a series of recommendations aimed at not just improving the approach to policy making, through a new set of policy fundamentals, but also crucially embedding it into a system for making policy, which gives ministers more control over departmental priorities, and makes the civil service more responsible for the quality of policy making. It therefore builds on the work currently being driven forward by the Head of Policy Profession.

At the heart of good policy is an effective relationship between ministers and civil servants. That has emerged as a strong theme in a number of the 'policy success reunions' we have been holding at the Institute over the last six months. This report calls for greater mutual understanding of and respect for the roles of both in policy making. It sets out proposals for improving the capacity of civil servants to help ministers. In a separate report, to be published later this year, we look at how we can increase the effectiveness of ministers themselves.

There is much good policy making and that is why we have been keen to explore many of the achievements of the last 30 years at our reunions. But we need to learn from what has worked while looking for ways of building a system which makes policy more likely to work in the future. That is what our report attempts to do.



Andrew Adonis
Director, Institute for Government

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About the authors

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Michael joined the Institute in May 2008. He has conducted cross-government research into organisational behaviour, machinery of government changes, and information technology. Most recently, his work has focused on behaviour change and public policy making. Previously, he was at RAND Europe (a not-for-profit public policy research institute), specialising in futures thinking and performance management. He holds undergraduate and postgraduate degrees from Cambridge University.

Jill Rutter – Programme Director, Institute for Government

Jill joined the Institute for Government as a Whitehall Fellow in September 2009 and was co-author of its report on arm's length bodies, *Read Before Burning* (July 2010). Before joining the Institute, Jill was Director of Strategy and Sustainable Development at Defra. Before that she worked for BP for six years, following a career in the Treasury, where she was Press Secretary, Private Secretary to the Chief Secretary and Chancellor, as well as working on areas such as tax, local government finance and debt and export finance. She spent two and a half years seconded to the No.10 Policy Unit (1992–94) where she oversaw health, local government and environment issues.

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Special thanks are due to Simon Parker who conceived and led the project in its early stages and continued to be involved after moving to the New Local Government Network; Tom Gash, who took time out from his sabbatical to quality assure the outputs; Ian Moss, Sue Richards and Julian Wood and other Institute for Government colleagues who contributed to the thinking as it developed; and to Lord Adonis and Lord Sainsbury, who have given us the benefits of their experience of policy making in Whitehall.

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The conclusions are entirely the responsibility of the Institute for Government.

Executive summary

Policy making is a core activity for Whitehall. Yet, despite improvements made under the last government, many ministers and civil servants are still dissatisfied with the way policy is made – and significant underlying weaknesses remain.

Our analysis suggests that earlier reform attempts delivered only limited improvements because they failed to take account of the real world of policy making: the pressures and incentives experienced by various players, including ministers. Moreover, many existing models of policy making are increasingly inappropriate in a world of decentralised services and complex policy problems.

In the face of these challenges, we need to give a more realistic account of what good policy making should look like – and then ensure the surrounding system increases its resilience to the inevitable pressures to depart from good practice. Our recommendations build on the intentions of the new government Policy Skills Framework, but aim to drive changes further and faster into the system.

The starting point is our analysis that there are certain fundamentals of good policy making which need to be observed at some point in the policy process:

- Clarity on **goals**
- Open and evidence-based **idea** generation
- Rigorous policy **design**
- Responsive **external engagement**
- Thorough **appraisal**
- Clarity on the **role** of central government and **accountabilities**
- Establishment of effective mechanisms for **feedback** and **evaluation**.

The fundamentals draw on elements of current policy making models, but place additional emphasis on policy design and clear roles and accountabilities. They need to be seen alongside the need to ensure long-term affordability and effective prioritisation of policy goals. Each department should set out how it plans to uphold the policy fundamentals in a statement of policy making practice, signed by the secretary of state and permanent secretary.

What is striking about the current system is that no one – in departments or at the centre of government – has responsibility for ensuring that policy making is high quality, and that the system responds effectively to ministers' priorities. We propose a series of measures to change this situation:

- The appointment within each department of a 'Policy Director', who would report directly to the permanent secretary, work closely with private offices, and act as the departmental Head of the Policy Profession. They would coordinate policy work in the department: in particular they would plan, commission and challenge internal policy work on behalf of ministers, review the current 'stock' of policy, and develop the department's policy capacity. Policy Directors would also ensure that ministers are adequately engaged in the policy process.
- An extension of existing Accounting Officer responsibilities to cover due policy process, based on the policy fundamentals outlined above.

- Streamlined 'policy assessments' to replace existing impact assessments and business cases. These assessments would be available for public scrutiny, and officials would be personally accountable to departmental select committees for their quality.
- A greater role for the centre in overseeing the quality of policy making (rather than just skills and capabilities) through the creation of a senior Head of Policy Effectiveness, who will also ensure rigorous and independent evaluation of government policies, and commission lessons learned exercises for major failures of policy process.

These changes give the civil service a clear public duty to ensure good policy process, while leaving political decisions in the hands of ministers.

Our next set of recommendations address concerns about the relationships between civil servants and ministers raised by both parties. They know they would both benefit from honest and open relationships based on trust, with space for constructive challenge, but felt that was too often absent. We propose:

- Greater clarity from ministers on their high-level policy goals; and greater clarity from ministers and civil service leaders on the value both parties can bring to the policy process.
- Engaging ministers early in the policy process, well before options are identified, and finding new ways to create space for challenging discussions through internal tactics and by opening out the policy process. Departments should work together to produce shared analysis to allow ministers to focus on political choices.

Upholding the policy fundamentals and meeting the challenges of operating in a decentralised world will require new skills and behaviours from the civil service. Our research also showed concerns about existing knowledge deficits in departments. Our report makes proposals to address these by:

- Better development of the skills of policy teams within departments, including more emphasis on policy design, innovation and influencing
- Changes to incentives to retain internal expertise and to make more use of external expertise in policy making. Departments should be able to access the necessary expertise at 'one degree of separation'.

Finally, the culture of the civil service needs to change to be effective in the future. Policy-makers should see their role more as one of 'system stewardship', rather than delivering outcomes through top down control:

- Whitehall policy makers need to reconceive their role increasingly as one of creating the conditions for others to deal with policy problems using innovative and adaptive approaches.
- Incentives need to reward those who energetically search out experience and ideas, network, facilitate and understand the systems within which they operate.

This is a significant agenda for change. The Institute for Government is keen to work with all interested parties to see how we can make policy better.

1. The need to improve policy making

Making policy has traditionally been seen as Whitehall's main function. Yet, despite the improvements brought by a decade of sustained attempts at reform, civil servants, politicians and academics continue to express concerns about the way policy is made. These concerns need to be taken seriously: good government depends on good policy making. When policies fail, the costs can be significant; repeated failure can erode confidence in government, and in the democratic process itself.

The Institute's Better Policy Making project investigates why such concerns still linger and how they can be addressed. Over the past year, we interviewed 50 senior civil servants and 20 former ministers (including seven Secretaries of State) to understand their experience of the policy making process. We also studied 60 evaluations of government policies, conducted soft systems mapping exercises, and analysed existing government data sources.¹ Finally, we held a series of 'Policy Reunions', which brought together the key players from some of the most successful policies of the past 30 years, in order to identify what worked and why.²

Our findings are set out in two accompanying reports. First, *Policy Making in the Real World* shows how earlier reform attempts had only limited success because those reform attempts failed to acknowledge the 'real world' of policy making. Second, *System Stewardship* sets out a new policy role for Whitehall in an era of decentralisation and budget cuts.

This final report brings together our findings from the past and future of policy making to show how policy could be made better. We set out what we have found, present a new vision of policy making, and make specific recommendations about how the vision can be realised in practice.

1.1 What the research tells us

There are two main conclusions arising from our research.

a. Successful reforms need to recognise the 'real world' of policy making

Any serious attempt to improve policy making needs to look at what has already been tried. The 1997–2010 Labour government is notable for making concerted efforts to improve policy making in ways not tried before. While those attempts led to definite improvements, both former ministers and civil servants still feel dissatisfied with the progress that has been made. Our research suggests the past reforms have tended to fall into one of four traps:

- Setting out an idealised process that is too distant from the realities of policy making (e.g. the Treasury's ROAMEF policy cycle)
- Offering realistic ambitions for policy making, but not specifying how they will be achieved in practice (e.g. the qualities of good policy making set out by the Cabinet Office)
- Reorganising structures to improve policy making without embedding them in a wider view of what good policy making looks like (e.g. the way in which flexible policy pools have been adopted by central government departments)
- Neglecting the role of politics (e.g. the lack of attempts to engage ministers in reforms to policy making, the omission of any discussion of the ministerial role).

Those earlier reform attempts failed to acknowledge the real world of policy making: the pressures, constraints and motivations experienced by those in the system. As a result, civil servants recognise

¹ For a full account of our research activity, see Michael Hallsworth, Simon Parker and Jill Rutter, *Policy Making in the Real World*, Institute for Government, 2011, Chapter 2.
² Details and summary reports of these reunions can be found at: www.instituteforgovernment.org.uk/content/160/better-policy-making

good policy making in theory, but experience difficulties putting it into practice. Successful policy makers end up finding ad hoc solutions to the problems that arise, but the system as a whole leaves too much to chance, personality and individual skill.

The new Policy Skills Framework, launched in 2010, emphasises that policy is about “*making change happen in the real world*”.³ This is clearly a move in the right direction, and our recommendations can be seen as a way of driving those changes further and faster into the system.

For these changes to happen there needs to be clear ownership within departments for the integrity and health of the policy-making system; our research found such ownership absent in too many cases. The doctrine of ministerial responsibility makes it too easy for the civil service to avoid taking responsibility for the quality of individual policy decisions. Some departments have failed to create a culture that consistently challenges policy making to ensure it is high quality. And policy making is still a relatively closed process, so the quality of policy advice is not subject to external scrutiny.

At the same time, no one at the centre of government has a general brief for the quality of the policy process. The Cabinet Office’s capability functions do not cover policy making; Number 10 tries to anticipate the political problems policies may generate, but mainly exists to further the Prime Minister’s agenda and put out fires. The (relatively) new position of Head of the Policy Profession considers skills but not outputs. The result is a lack of internal quality control, and limited systematic learning and improvement.

There is thus little counterweight to the day-to-day pressures on ministers and civil servants: pressure to maintain a steady flow of initiatives; pressure to respond rapidly to events; pressure to keep decisions closed until they can be announced fully formed; pressure to place short-term departmental advantage over long-term collective benefit. The ministers (and by extension the civil servants) who succeed in this system are those who make a splash or manage crises – not those who oversee long-term results.

We need a more resilient policy process that recognises these pressures and helps policy makers – both ministerial and civil service – navigate them. In particular, the political dimension of policy making needs to be accommodated rather than ignored. Past attempts at reform have failed to give an account of the role ministers are expected to play in the policy process. But good policies depend on a blend of the political and the technocratic, and have effective collaboration between ministers and civil servants at their core. The recent inclusion of ‘politics’ in the new Policy Skills Framework is a significant step forward and needs to be built on.

b. Policy making needs to adapt to new challenges

As our report *System Stewardship* shows, policy making faces major new challenges. Departmental administration budgets are being cut by a third on average over four years, and the Prime Minister has promised that decentralisation, the Big Society, and payment by results will create “*a total change in the way our country is run*”.⁴

Given these challenges, simply understanding the current system is not enough. It could lead to a limited vision of policy making that is based solely on the practices of the past. Rather, we need to ensure that any new policy process takes account of the emerging challenges faced by government, and is appropriate for a more complex, decentralised world.

³ Available at: www.civilservice.gov.uk/Assets/Policy-Skills-Framework_tcm6-37017.pdf

⁴ David Cameron’s speech to Civil Service Live, 8 July 2010, transcript available at: www.number10.gov.uk/news/speeches-and-transcripts/2010/07/pms-speech-at-civil-service-live-53064

Already we can see that these changes will require a major overhaul of the way Whitehall makes policy. The change will be biggest in the major public service departments which, under the previous government, were expected to achieve outcomes through clear top-down 'delivery chains'. Their policy role will change to focus more on setting frameworks through guidance, facilitation and commissioning, and less on 'delivering' outcomes themselves. But many policy makers still lack a clear sense of what this change would mean in practice, and fear that they lack the capabilities that will be required.

We need to address these questions urgently. The reduction in administrative budgets means that reforms to departments' policy functions are accelerating – without any clear understanding of what has worked in the past, and little thought about how the various reforms will cohere in the future. For example, departments are increasingly moving towards a more project-based way of making policy, with defined deliverables and clear end-dates, reasoning that this will create efficiency savings. But this trend could clash with the vision of a Whitehall that facilitates and oversees, rather than creating a stream of new initiatives and projects.

We argue that the most effective role for policy makers in central government is likely to be one of 'system stewardship'. Rather than seeing policy formulation and delivery as entirely separate and distinct activities, policy makers would acknowledge that the nature and outcomes of a policy are often adapted as it is realised in practice. This adaptation is created by many different actors working together in a 'system'. System stewardship would involve policy makers overseeing the ways in which the policy is being adapted, and attempting to steer the system towards certain outcomes, if appropriate.

1.2 Improving policy making

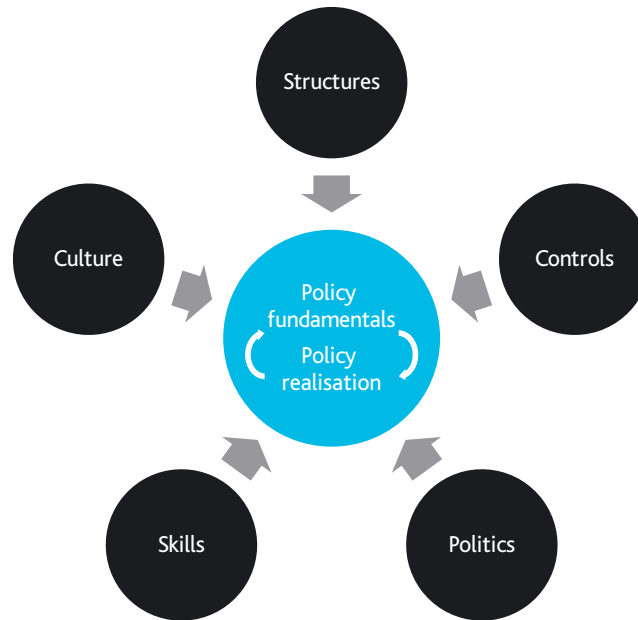
The challenge is clear: to develop a process that is both resilient to the realities of the policy making system and appropriate for meeting future challenges. This report sets out the Institute's proposals to meet that challenge.

First, we set a new approach for better policy making, which consists of two parts: a set of 'policy fundamentals' that together constitute good process for policy development; and a set of roles for central government to perform as the policy is put into practice. These are not discrete phases, but constantly inform each other.

Second, we set out the means of turning this vision into reality. These are the concrete proposals for ensuring the vision is put into practice. They fall under five categories: structures, controls, politics and the role of ministers, skills and culture.

These categories are not mutually exclusive. For example, our proposals for new controls involve the creation of new structures. But they can come together in a mutually reinforcing way to make policy better, as set out in Figure 1.

Figure 1: The policy making system



Source: Institute for Government

While we have gone into some detail to show how they could work in practice, our recommendations are not intended to be overly prescriptive. None of the proposals are entirely new: elements are already present in policy making activity across Whitehall. What is different is that these elements have not been brought together in a systematic (and systemic) way. We are keen to engage with all those involved in policy making – officials, ministers, advisers and those affected by policies – in order to test and develop specific solutions.

The next section sets out the details of policy fundamentals and policy realisation; we then explain how they can be put into practice.

2. A new approach to policy making

Good policy making can be seen as consisting of two parts: a set of 'policy fundamentals' that together constitute good policy development process; and a set of roles for central government to perform as the policy is put into practice. Whereas in the past focus and effort has been devoted to policy development, the move to system stewardship is likely to involve a greater focus on the task of realising policies in practice.

2.1 Policy fundamentals

Our analysis of policy making identified seven elements that are integral to a good policy development process:

- **Goals.** Has the issue been adequately defined and properly framed? How will the policy achieve the high-level policy goals of the department – and the government as a whole (with reference to the departmental 'vision', as stated in business plans)?⁵
- **Ideas.** Has the policy process been informed by evidence that is high quality and up to date? Has account been taken of evaluations of previous policies? Has there been an opportunity or licence for innovative thinking? Have policy makers sought out and analysed ideas and experience from the 'front line', overseas and the devolved administrations?
- **Design.** Have policy makers rigorously tested or assessed whether the policy design is realistic, involving implementers and/or end users? Have the policy makers addressed common implementation problems? Is the design resilient to adaptation by implementers?
- **External engagement.** Have those affected by the policy been engaged in the process? Have policy makers identified and responded reasonably to their views?
- **Appraisal.** Have the options been robustly assessed? Are they cost-effective over the appropriate time horizon? Are they resilient to changes in the external environment? Have the risks been identified and weighed fairly against potential benefits?
- **Roles and accountabilities.** Have policy makers judged the appropriate level of central government involvement? Is it clear who is responsible for what, who will hold them to account, and how?
- **Feedback and evaluation.** Is there a realistic plan for obtaining timely feedback on how the policy is being realised in practice? Does the policy allow for effective evaluation, even if central government is not doing it?

Overlaying these criteria has to be a decision on resources and resource availability. Individual policies have to be affordable over their life time and represent good long-term value for money. Resources are a critical part of the appraisal process, but they also contribute to the wider prioritisation that has to take place both at departmental and government level.

These policy fundamentals draw on material from existing frameworks like the Cabinet Office's characteristics of good policy making and the Treasury's ROAMEF cycle.⁶ However, they attempt to address the main deficiencies of both. Unlike the Cabinet Office characteristics, they are underpinned by recommendations to ensure they are embedded into practice. Unlike the ROAMEF cycle, they are not dependent on being carried out sequentially. In the real world policy making

⁵ Available at: <http://transparency.number10.gov.uk/transparency/srp/>

⁶ See Her Majesty's Treasury, *The Green Book*, 2003; and Cabinet Office, *Professional Policy Making for the Twenty-first Century*, 1999.

usually does not proceed in stages.⁷ Although we set them out as a list, the fundamentals represent a set of actions that need to have been observed at some point in the policy process; realistically, the timing and sequence will often vary from policy to policy.

Furthermore, the fundamentals include important aspects that these previous frameworks underplay:

Policy design. By policy design, we mean the stage in the process which turns policy ideas into implementable actions. Policy design is a fundamental yet under-developed part of the policy process.⁸ Design matters. Many ideas which look good on paper are not feasible to implement – and it is often too late to change course when the legislation is on the statute book and political capital has been expended. Those failures can come from multiple causes, but one recurrent theme is the failure to understand the likely behaviours of those whose actions the policy is designed to affect. Policy makers need to be able to use prototypes and stress-test policies to ensure they are implementable, which will require new partnerships and a greater involvement of service users in policy development.⁹ More radically, policy makers (and Parliament) will need to move on from the idea that central government creates fixed designs for policies, and start creating designs that are flexible enough so others can adapt them to changing circumstances. The potential for use of agile methods in government IT shows how design flexibility can bring major benefits.¹⁰

Roles and accountabilities. The coalition has signalled a major shift of power away from central government through decentralisation, payment by results and the Big Society. These changes are likely to mean that the systems through which policy is realised will become more complex. For some policy issues, this complexity may be beneficial: an effective solution may emerge from the way different actors adapt and react to each other, rather than from a central government plan. In such cases, the aim is to harness this evolutionary approach. On the other hand, some policy issues may require a more directive approach. Either way, policy makers need appropriate means of judging what level of central government intervention is most effective for the policy problem in question.

We suggest that there are four main criteria for making this judgement, as set out in Figure 2 below. In practice, they will all be applied within the overall context of the current government's beliefs about the role and responsibilities of the state, communities and individuals.

7 Hallsworth, Parker and Rutter, *Policy Making in the Real World*, Chapter 4.

8 *Ibid.*

9 For a practical guide to policy design, see Christian Bason, *Leading Public Sector Innovation: Co-Creating for a Better Society*, Policy Press, 2010, Chapter 7.

10 For further information on agile development, see Justine Stephen, et al. *System Error: Fixing the flaws in Government IT*, Institute for Government, 2011, available at: www.instituteforgovernment.org.uk/publications/23/

Figure 2: Criteria for judging the level of central government intervention

Risk. Does the government action need to be 'right first time'? Is the priority to achieve a specific goal as efficiently or efficiently as possible, or to explore new possibilities?

Uniformity. What is the appetite for variety and divergence in service provision?

Complexity. Is the issue so complex that it is better for the system of actors to address it through adaptation, rather than specifying a solution in advance? How likely is it that central direction will be able to control the actors responsible for realising the policy in practice?

Capacity. What is the capacity of the actors in the system to address the policy issue through their own agency? Is central government able to intervene to build such capacity? To what extent is guidance or direction being requested?

Source: Institute for Government

The flip side of this focus on appropriate roles is the need to think carefully about who is accountable to whom, for what, and the mechanisms to achieve that accountability. A key element of accountability will be ensuring there is a clear failure regime from the start to avoid ministers being forced to intervene in a crisis.¹¹ The Institute has been conducting a separate project on how accountabilities will need to change in a decentralised age.¹²

The fundamentals do not guarantee the success of a policy. However, observing them should help ensure that the policy making process is robust enough to give ministers sufficient support to make decisions which are frequently complex, wide-ranging and contested.

To help ensure they are observed, each department should develop a statement of policy making practice that sets out its approach to upholding the policy fundamentals, including any actions to strengthen their application. For example, this might explain:

- how the department has the capacity to search out high-quality evidence from other countries
- how interested parties can expect to be consulted, and by when
- how processes incorporate policy design practices
- the minimum standards of feedback and evaluation required.

These statements would be made public, and should be easily accessible online (perhaps from the same web page as departmental business plans).¹³ They would be sent to select committees to act as a common point of reference for subsequent inquiries. Furthermore, they would be signed by the permanent secretary, as well as each incoming secretary of state.

The statements would be living documents, which would be updated as departments developed ways of improving their policy function. In particular, they would also allow scrutiny of whether departments have the capability to deliver their business plans (including the departmental vision)

¹¹ For example, see Ian Magee, *Review of Legal Aid Delivery and Governance*, 2010, available at: www.justice.gov.uk/publications/docs/legal-aid-delivery.pdf

¹² Julian Wood and Bill Moyes, *Nothing to do with me?*, Institute for Government, 2011.

¹³ <http://transparency.number10.gov.uk/transparency/srp/>

and, fundamentally, they would give citizens and Parliament a clear understanding of the quality of policy process they should expect from Whitehall.

In other words, the policy making statement would not just be another piece of paper. It would be a public set of guaranteed standards, representing a commitment by the minister and head of department, for which they can be held responsible.

2.2 Policy realisation

Broadly speaking, central government still retains the underlying view that policy formulation and delivery are separate and distinct activities. But this separation can be misleading: it implies that 'policy makers' have control over creating the policy, which is then definitively fixed and transmitted for others to execute faithfully. Rather, our research shows that:

- Policy formulation and implementation are not separate, but intrinsically linked
- The potential outcomes of the policy itself may change significantly during implementation
- Complexity in public service systems often means central government cannot directly control how these changes happen
- The real world effects policies produce are often complex and unpredictable.

In other words, the goals and nature of a policy are often adapted as it is realised in practice. A policy is not just made and then executed; it is made and constantly remade by multiple players throughout the system. Central government policy makers have a continuing role in this remaking: rather than thinking in terms of policy formulation and implementation, central government is likely to find itself increasingly adopting the role of 'system stewardship'.¹⁴ System stewardship consists of four aspects: goals, rules, feedback and response. Table 1 gives a brief description of each aspect, illustrated by an analogy from football.

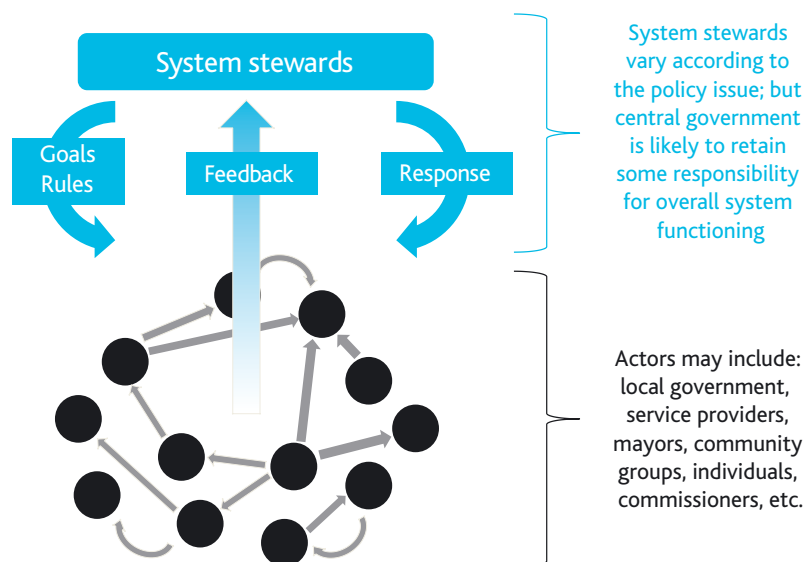
¹⁴ A 2000 World Health Organisation report introduced system stewardship as a new concept for governments involved in healthcare. The Director-General of WHO described system stewardship as a matter of "setting and enforcing the rules of the game and providing strategic direction for all the different actors involved". Cited in www.who.int/health-systems-performance/sprg/hspa06_stewardship.pdf

Table 1: The role of the system steward

Stewardship role	Description	Football analogy
Goals	<ul style="list-style-type: none"> • Owning the overall goals of the policy. Assessing whether the potential outcomes of the policy are effectively changing as it is realised in practice. • When dealing with a complex system, policy makers should set high-level policy goals that are resilient to the adaptation that is likely to occur. • If a more direct approach is needed, the goals should be specific and clearly communicated. 	<p>The football manager sets an overall goal for the team: win the game. The manager does not stand on the touchline trying to direct every player's movement.</p>
Rules	<ul style="list-style-type: none"> • Setting the framework and boundaries for the actors in the system. • For complex systems, the best tactic will usually be to create a set of basic 'rules of the game' to guide actors and specify boundaries that cannot be crossed. • The rules may be more formal and extensive where greater control is appropriate. 	<p>The game has a set of basic rules: do not use hands, do not take the ball outside a set area. Apart from these basic rules, the players have freedom. The manager does not tell them to do exactly the same thing each time they receive the ball.</p>
Feedback	<ul style="list-style-type: none"> • Understanding how the policy is emerging in practice. • Assessing progress towards the policy goals; identifying problems that central government could help resolve; judging the effects of the adaptation that may be occurring. • Greater awareness of complexity will encourage more informal, inquiring attempts to understand how the policy is being realised – rather than simple performance monitoring. • Even when it is not desired, the existence of adaptation should be fully recognised and its negative effects addressed. 	<p>The manager watches the game and sees how it is playing out in practice. The manager watches different parts of the game and tries to see how the team is working together overall.</p>
Response	<ul style="list-style-type: none"> • Reacting to feedback. The nature of the response will vary according to the role central government is assuming. • Policy makers may attempt to steer the system using advocacy, changing incentives or prices, nudging system users, or creating greater transparency. • If appropriate for the issue or system, policy makers may also use direct intervention to address problems. 	<p>In response to the game, the manager may change the team's tactics or formation; substitute one player for another; issue instructions to particular players; or give a motivational talk at half time.</p> <p>The manager tries different responses and watches for the effects that ensue.</p>

Figure 3 shows how these different roles come together.

Figure 3: System stewardship in practice



Source: Institute for Government

Of course, not all policies are realised through complex systems, and some policy problems may be simple to solve. The way policy makers perform these tasks will vary according to the role they have selected for central government to play. In the previous section we set out the criteria for determining this role: risk, uniformity, complexity and capacity.

Our analysis suggests that increasingly central government will be exerting indirect control, and our report *System Stewardship* outlines various ways this can be done. The crucial point is that when choosing an intervention (whatever it may be), policy makers should be thinking about how to manage an overall system, rather than how to launch another stand-alone initiative that tries to ignore or supplant all its predecessors.

Recommendation 1: Each department should develop a statement of policy making practice that sets out its approach to upholding the proposed fundamentals of policy making. These statements would be public, and the permanent secretary and secretary of state would be responsible for honouring them. They would be living documents, updated as departments developed ways of improving their policy function. In particular, they would allow scrutiny of whether departments have the capability to deliver their business plans. In addition, the policy fundamentals should be incorporated into civil service training and embedded into the Ministerial Code.

3. Making the vision a reality

To embed this new approach successfully, we need to address the fact that the current system makes it too easy to neglect the fundamentals of policy making. Accordingly, we propose a series of measures to change the incentives and capabilities of civil servants and ministers. These measures will not only place the fundamentals at the heart of the process, but also help policy makers deal with unprecedented reductions in administrative expenditure.

Focusing on policy fundamentals does not mean sidelining political will. Rather, it will help ministers to achieve their high-level policy goals more effectively, which will bring political benefit. As Tony Blair recently told the Institute, *“politics is actually in the end about policy; and the best long term politics is the best long term policy”*.¹⁵

The next sections set out the changes that address the problems we have identified. They fall into five categories: structures, controls, politics and the role of ministers, skills and culture.

3.1 Structures

Current structures within departments need to ensure that policy making resources are aligned with ministerial priorities more effectively, while also ensuring that proper processes have been followed. Structures are in flux as departments downsize; there is an opportunity to reorganise policy making resources and strengthen the way they are managed in the future.

3.1.1 A strong departmental base

The starting point is that departments need a stronger institutional base for their policy making. There is no single form that this base should take – but all departments need a focal point for:

- **Policy planning.** Ensuring that the department is working on the minister’s high-level goals, and has allocated resources to support them; making sure that the minister is engaged early on in the process to set direction and is kept in touch regularly with progress. Policy planning would involve keeping abreast of external developments, including horizon scanning. The planning function would also take over the commissioning of policy resources in the department and oversee the outputs of policy projects.
- **Policy challenge.** Ensuring that the fundamentals of good policy making have been observed, and acting as the quality control. Having an institutional base for such challenge would address the current reluctance for one policy team to challenge another.
- **Policy review.** Ensuring that there is regular scrutiny of existing and emergent policy. Checking that the ‘stock’ of policy is still aligned with departmental priorities and represents value for money. There should be a more sustained engagement with policy issues and policy systems, rather than seeing policies as discrete interventions.
- **Policy capacity.** Acting as a critical friend to standing or project policy teams, to improve their ability to incorporate best practice and the latest evidence.

Some departments are already incorporating elements of this model. For example, the Policy Support Unit in the Department of Health peer reviews submissions to ministers, and the Ministry of Justice is developing a policy planning function to support its move to more flexible policy structures. Given the pressure on resources, there is a strong case for brigading the planning,

¹⁵ Tony Blair’s speech to the Institute for Government, 28 June 2010, transcript available at: www.instituteforgovernment.org.uk/pdfs/tony_blair_addresses_institute_for_government_transcript.pdf

challenge, review and capacity functions together so they can interact closely with the ministerial team.¹⁶

Establishing a leader for the planning, challenge and review function is crucial. The permanent secretary used to be regarded as the minister's principal policy adviser. But in recent years, many permanent secretaries have retreated from an explicit policy role, concentrating instead on their role as de facto departmental chief executive. For these functions to work effectively they need to be led at senior level on behalf of the permanent secretary.

We suggest that the departmental Head of Policy Profession takes on this senior leadership role. The Head of Profession would become the **Policy Director**, who would be responsible for coordinating the department's policy work, in particular creating and maintaining the planning, challenge, review and capacity building functions.¹⁷ The Policy Director would also be the main commissioner of policy resources in the department. She or he would need to work closely alongside the finance director to ensure affordability and with the chief economist to ensure value for money. The Policy Director would be uniquely well-placed to take an overview of the policy capabilities and development needs of the department, which would give real traction to the Head of Profession role. The Policy Director would act on the behalf of, and directly report to, the permanent secretary.

Recommendation 2: The departmental Head of Policy Profession should become the Policy Director, who works alongside ministers to own the quality of policy in the department. The Policy Director would coordinate departmental policy work, in particular ensuring adequate planning, challenge and review of policy making, and build the department's policy capacity. The Policy Director would act on the behalf of, and directly report to, the permanent secretary.

3.1.2 Strengthened cross-Whitehall policy governance

These arrangements within departments need to be complemented by others at the centre of government. Despite policy making being at the heart of what Whitehall does, no one is accountable for the overall quality of government policy making. Policy making is a core capability for the civil service that needs to be owned by the Cabinet Office. We propose expanding the government's Head of Policy Profession, with its focus on skills, to a wider role as **Head of Policy Effectiveness**. The Head would have five main responsibilities:

- accounting for the pace of improvement and learning in government policy making, through a public annual report on policy capability, drawing on departments' success in fulfilling their statements of policy making practice (Recommendation 1)
- overseeing the quality of policy evaluations, and carrying out 'lessons learned' reviews in cases of exceptional policy failure (Recommendation 15)

¹⁶ Although we have presented these teams as linked to departments, they could evolve into issue-based Units that work with a thematic Minister to address cross-cutting challenges. Such a setup would build on the recommendations in our previous report: Simon Parker, et al. *Shaping Up: A Whitehall for the future*, Institute for Government, 2010.

¹⁷ The Policy (and/or Strategy) Director role already exists in some departments (for example, the Ministry of Justice).

- supporting departments' efforts to ensure that all policy makers have a base level of analytic skills and enhancing design, innovation and influencing skills (Recommendation 12)
- delivering a concerted programme to implement the Policy Skills Framework
- developing the policy making curriculum (Recommendation 11).

This new role unites oversight of policy standards and policy capability. That way, consistently poor policy performance within departments can be identified and addressed quickly.

The task of judging and improving the policy process is likely to require significant experience of government; the task of carrying out 'lessons learned' reviews is likely to be controversial. It will need someone with weight and personal credibility who is prepared, if necessary, to challenge their colleagues. Therefore, the post should be held by *"someone with experience of dealing with ministers in a very senior role, and who is demonstrably beyond influence, and thus probably in his [sic] last post"*.¹⁸

Recommendation 3: The government Head of Policy Profession role should be expanded to become the government's Head of Policy Effectiveness, responsible for improving policy capability across government and accounting for policy making standards. The Head should have considerable experience; this is expected to be a final posting. She or he should report to the Cabinet Secretary on civil service policy capability and standards.

3.2 Controls

The current system of policy making does not do enough to support and incentivise consistent good practice; it is too easy for ill-considered initiatives to be introduced in haste. In this section we propose new controls which can redress that balance, while streamlining the process. The key challenge is to introduce these new safeguards without undermining the relationship between ministers and civil servants (we address that challenge in a later section).

Our proposed controls take two forms: internal and external to the department.

3.2.1 Internal controls

At the moment, there are few means of upholding the public interest by ensuring that policy decisions are based on a reasonable process (unless a decision is taken to judicial review). If officials are dissatisfied with the way in which ministers have taken decisions, they either shrug their shoulders and get on with it, or murmur among colleagues and to the press. Neither serves the public interest. New controls could encourage the civil service to take professional responsibility for ensuring policy decisions are made on a sound basis.

First, we would build on the existing Accounting Officer arrangements. Currently, each central government organisation has an Accounting Officer (AO) – in Whitehall departments, usually the permanent secretary – who is personally responsible to Parliament for *"the stewardship of the resources within the organisation's control"*.¹⁹ The AO has to make the minister aware if instructions

¹⁸ Lord Butler of Brockwell, *Review of Intelligence on Weapons of Mass Destruction*, 2004, Para 597, available at: <http://image.guardian.co.uk/sys-files/Politics/documents/2004/07/14/butler.pdf>. This is the person specification for the Chair of the Joint Intelligence Committee.

¹⁹ Her Majesty's Treasury, *Managing Public Money*, 2007, p.17, available at: www.hm-treasury.gov.uk/d/mpm_whole.pdf

they issue conflict with the standards the AO has to uphold. If the minister decides to continue in the face of this advice, he or she must provide a written direction to the AO, which is sent to the Comptroller and Auditor General.

Currently, there are three main instances where the Treasury recommends that the Accounting Officer should seek a direction:

- Irregularity: if a proposal is outside the legal powers, Parliamentary consents, or Treasury delegations.
- Impropriety: if a proposal would breach Parliamentary control procedures.
- Poor value for money: if an alternative proposal, or doing nothing, would deliver better value, e.g. a cheaper or higher quality outcome.²⁰

There were 35 written instructions between 1997 and March 2010, of which 24 concerned for value for money.²¹

We propose adding a fourth instance: poor policy process, where the AO is not satisfied that the fundamentals of policy making have been adequately observed. This recommendation builds on current practice. The Treasury currently recommends that AOs should exercise judgement on when they need to “*take a principled decision*”.²² One of the standards they should use to make this judgement is whether “*clear, well reasoned timely and impartial advice*” has been provided, and whether the decision is in line with the aims and objectives of their organisation – both of which relate closely to our proposed fundamentals.²³

Furthermore, this new criterion could be seen as an extension of the current value for money criteria, since there is a good case that a poorly made policy will provide poor value for money.²⁴ The Treasury is already considering extending AOs’ responsibilities to ‘feasibility’, but our proposal would also embrace the wider way in which policy is made.²⁵ Where the minister wanted to override the objection, they could do so, but would need to give a ‘policy direction’.

Such a change would sharpen the incentives for both parties. AOs would act in the knowledge that they could be held to account by the departmental select committee for the quality of the policy process, whether or not a direction was issued.²⁶ Since the direction would be sent to the relevant select committee and published on the department’s website, the minister would be publicly accountable for taking action despite civil service concerns.

The point of extending the AO remit in this way is not to ensure more directions are issued, but to make clear to officials, and in particular the head of department, that they must take responsibility for good process. By extension, this will give ministers a stronger incentive to observe good policy process.

20 *Ibid*, Box 3.2, p. 20.

21 Taken from figures at: www.publications.parliament.uk/pa/ld200506/ldhansrd/vo060517/text/60517w02.htm#60517w02_spnew1; and www.publications.parliament.uk/pa/ld200910/ldhansrd/text/100308w0003.htm#10030843001053

22 *Managing Public Money*, 2007, Paragraph 3.9.1, p. 22.

23 *Ibid*, Box 3.1, p. 18.

24 National Audit Office, *Modern Policy Making*, 2001, available at: www.nao.org.uk/idoc.ashx?docId=7a2ae0e1-6d63-4af0-a080-acb2469f7a41&version=-1

25 Sir Nicholas Macpherson, evidence to the Committee of Public Accounts, 19 January 2010, available at: www.publications.parliament.uk/pa/cm201011/cmselect/cmpubacc/c740-i/c74001.htm

26 This would accord with the Institute’s accountabilities work, which recommends that the Osmotherly Rules are altered so where senior officials have certain responsibilities, they can be personally accountable to Parliament.

Recommendation 4: The Treasury should expand the remit of the Accounting Officer to include responsibility for the quality of the policy process, based on the fundamentals of policy making. In case of objection, the minister could issue an overriding 'policy direction'. Departments should make such directions available on their websites and notify their departmental select committee in addition to the normal process.

3.2.2 External controls

Currently, departments experience two main ex ante controls on their policy making. First, certain spending decisions require departments to submit a business case to the Treasury.²⁷ Second, policies that create significant effects through regulation require an impact assessment.²⁸ Some impact assessments require additional specific impact tests, intended to judge the policy's impact on issues including race, disability and gender; competition; small firms; greenhouse gases; health and wellbeing; human rights; and rural communities.²⁹

In practice, both these controls could work better. Business cases are produced sporadically and inconsistently.³⁰ The quality of impact assessments is frequently poor, while policy makers argue that the specific impact tests simply rationalise decisions already taken, creating a major bureaucratic burden in the process.³¹ These controls need to be simplified and exposed to greater scrutiny.

In terms of simplification, we propose that impact assessments and business cases are combined into a single streamlined 'policy assessment' that covers the key aspects of a policy.³² The policy assessment would state how the process for the policy in question meets the department's statement of policy making practice.

Policy assessments would be required for all major policies, not just those involving spending or regulation. There should be a clear, enforceable rules as to when a policy assessment is required (as there are for impact assessments), but this decision will often rest on the judgement of the department's Policy Director.³³ In order to ensure these assessments are a realistic proposition, policy makers would have to complete them in a manner proportionate to the cost, risk and profile of the policy.

The policy assessment would be based substantially on the Treasury's existing five business case model, which demands that policy makers present the strategic, economic, commercial, financial and management case for the policy.³⁴ This model would be adapted to incorporate the key aspects of regulatory and non-expenditure policies, while still keeping the model as simple as possible. In

27 A business case is required if the expenditure lies outside limits that have been delegated by the Treasury or if the proposal is novel or contentious, see www.hm-treasury.gov.uk/d/greenbook_businesscase_shortguide.pdf

28 The criteria which require an Impact Assessment are set out at: www.berr.gov.uk/assets/biscore/better-regulation/docs/10-898-impact-assessment-guidance.pdf

29 www.bis.gov.uk/assets/biscore/better-regulation/docs/10-901-impact-assessment-toolkit.pdf, p.34.

30 Centre for Social Justice, *Outcome-Based Government*, 2011, p.98.

31 See National Audit Office, *Assessing the Impact of Proposed New Policies*, 2010, p.5; and Regulatory Policy Committee, *Challenging Regulation*, 2011.

32 The NAO has already indicated that closer integration between Impact Assessments and business cases may be desirable, see NAO, *Assessing the Impact of Proposed New Policies*, 2010, p.7.

33 For example, an Impact Assessment is required when the proposed action will impose costs of £5m or more on the public sector. It seems reasonable to apply a similar criterion to spending decisions. See Impact Assessment Guidance, available at: www.bis.gov.uk/assets/BISCore/better-regulation/docs/11/10-1269-impact-assessment-guidance.pdf

34 The Treasury's guide to the business cases is available at: www.hm-treasury.gov.uk/d/greenbook_businesscase_shortguide.pdf

particular, the various specific impact tests would be streamlined and integrated into the main policy decision more effectively, rather than existing only as separate tick box exercises.³⁵

All policy assessments would be made public, and would be signed by both the Policy Director and the chief economist.³⁶ The departmental select committee should be able to call these officials to account for the quality of the policy assessment, regardless of whether they have subsequently moved post.³⁷ The main purpose of policy assessments is to act as a way of increasing the incentives for policy makers to observe good policy process. But in an era of tighter resources, the assessments will also enable policy makers to prioritise effectively those policies that have the best chance of success.

Recommendation 5: The existing impact assessments (and their specific impact tests) should be combined with Treasury business cases to create a single streamlined policy assessment that sets out how the policy met the policy fundamentals, in line with the statement of policy making practice. Clear, enforceable, rules should be developed to determine when a department is required to produce a policy assessment. All policy assessments should be made public. Select committees should be able to call the relevant officials to account for the quality of policy assessments – regardless of whether they have subsequently moved post.

3.3 Politics and the role of ministers

Policy making in government is inherently political; the role of ministers is crucial. Good policies successfully combine the political (mobilising support and managing opposition, presenting a vision, setting strategic objectives) and the technocratic (evidence of what works, robust policy design, realistic implementation plans). Achieving such a combination rests on good relationships between ministers and officials. Both parties see the ideal as 'directed exploration', where ministers are clear about their political and policy goals, and then are prepared to engage in an honest, iterative discussion about how best to achieve them.

Yet our research showed that both sides were concerned that too often this ideal was not realised in practice. If ministers do not recognise the value of challenge to their proposals, civil servants often lack institutional support to raise important objections. As a result, they often have to adopt a tactic of trying to judge which policies can be challenged without seeming to be obstructive. This can be risky. At the same time, current arrangements encourage civil servants to 'over-manage' ministers, anticipating political decisions and even making their own judgements about what is and is not acceptable. There can be a number of causes: wanting to please; assuming that ministerial reactions can be predicted; or eliminating what appears to be infeasible, in order not to appear to lack political judgement.

³⁵ Race, disability and gender Impact Assessments are currently on a statutory footing, so would have to continue unless the law is changed. The intention is not to deny the importance of these issues, but to address the fact that the current means of incorporating them often does not work.

³⁶ The policy assessment should be published at consultation stage (as recommended for impact assessments) if there is one; if not, it should be published at least by the time the government announces its position on a single policy option. See: www.bis.gov.uk/assets/biscore/better-regulation/docs/i/10-1269-impact-assessment-guidance.pdf

³⁷ Such a role would be similar to that performed by Australia's Productivity Commission, see: www.pc.gov.au/_data/assets/pdf_file/0005/64679/quick-guide-2009.pdf

Good relationships cannot be mandated; they will always depend on personalities and other contingencies. But institutions do have a role in creating the conditions that enable good relationships to flourish, and mitigate the consequences when they do not.³⁸ Our research suggests there is a set of changes that could support more productive collaboration.

3.3.1 Greater clarity over the government's high-level policy goals

Policy makers consistently stress the importance of clear goals for good policy making. However, many civil servants we interviewed said they had felt unclear about the overall objectives of their ministers, and the government in general. In particular, civil servants wished ministers could be more comfortable discussing their political objectives with officials.

The Coalition's *Programme for Government* sets out agreed current policy priorities but does not give a more general guide for making future policy. The new business plans do set out the vision for each department, which is a very welcome development.³⁹ Nevertheless, there is still a case for a 'whole of government strategy'.⁴⁰ Policy assessments would then be able to state how a policy relates to the government's broader, long-term agenda.

Recommendation 6: The government should make clear statements of its defining, high-level policy goals, to guide departmental policy making and inform policy assessments.

3.3.2 Clarifying the roles of ministers and civil servants

Ministers and civil servants need to recognise the need for a blend of technocracy and political values, and to value the role each party plays in achieving this blend. In addition to publicly adopting the policy fundamentals, leading ministers should stress their support for good policy process and their recognition of its importance. Ministerial development should focus on how to build constructive relationships with the civil service, since ministers often come into government with no prior training or experience of doing so. The Institute for Government will contribute to this goal through its learning and development agenda.⁴¹

From the civil service side, there is a need for greater acceptance of the value that politics brings to policy making. The new Policy Skills Framework is a major advance because it stresses the importance of politics, and shows that it should be seen as complementing (rather than opposing) the use of evidence. The policy profession should ensure civil service leaders are actively supporting this message; in particular, there is a need to signal that understanding of Parliament and the wider political process is vital for policy makers.

The need for a combination of evidence and politics in policy making could be set out as a formal 'bargain' that outlines the broad roles ministers and civil servants should play. Again, there is a precedent here. The official *Principles of Scientific Advice to Government* recognises the value of politics and technical expertise.⁴² The *Principles* states that ministers are expected to "respect

38 Stephen H. Linder and B. Guy Peters, 'An Institutional Approach to the Theory of Policy-Making: The Role of Guidance Mechanisms in Policy Formulation', *Journal of Theoretical Politics*, 2:1, 1990, pp. 59-83.

39 www.number10.gov.uk/news/latest-news/2010/11/business-plans-published-2-56688

40 The Institute for Government recommended a 'whole of government strategy' in Parker, et al. *Shaping Up*, 2010, available at: www.instituteforgovernment.org.uk/pdfs/shaping-up-a-whitehall-for-the-future.pdf

41 www.instituteforgovernment.org.uk/content/75/personalised-learning

42 www.bis.gov.uk/go-science/principles-of-scientific-advice-to-government

and value the academic freedom, professional status and expertise” of independent scientific advisers.⁴³ But, equally, advisers should “respect the democratic mandate of the Government to take decisions based on a wide range of factors and recognise that science is only part of the evidence that Government must consider in developing policy”.⁴⁴ We propose expanding these principles to cover the expected roles for both parties in policy making in general.

Effective working relationships between ministers and civil servants within departments are an important element in departmental success and a source of risk if they are dysfunctional. The new non-executive directors are well placed to test the quality of working relations within the department. Serious problems could be escalated to the Cabinet Secretary or the Prime Minister. The Institute’s separate report on ministerial effectiveness⁴⁵ will propose further changes to help ministers work more effectively within departments.

Recommendation 7: The government should set out the broad expected roles for ministers and civil servants in policy making, along the lines of the revised *Principles of Scientific Advice to Government*. Civil service leaders should actively support the message that politics brings value to policy making, and this message should be explicitly incorporated in civil service training. Any ministerial development should include the need to build constructive relations with the civil service. Departmental non-executive directors should regard dysfunctional relations as a source of risk and escalate them if necessary.

3.3.3 Improving the way ministers are involved in the policy process

Ministers had some specific complaints about the way they were engaged in the policy process. For example, they felt that they got involved too late, with most of the significant discussions complete, and were presented with a set of ‘pre-cooked’ options in a policy submission that required rapid turnaround.⁴⁶ The practice of policy submissions came in for particular criticism. As a result, ministers and civil servants felt that their discussions sometimes fell short of complete candour and clarity, leaving issues to go unexamined.

These difficulties emerge partly because of the way those discussions take place (if they do at all) – often with options set out in advance, in a tightly scheduled meeting against an external deadline, with the civil servants ranged ‘against’ a minister across a table, which creates an adversarial environment and can be inimical to creativity and constructive challenge.

The Policy Director would take the lead in ensuring that ministers are engaged in policy development early (and actively) enough to provide effective direction. To ensure such engagement, the Policy Director will need to fashion close relationships with private offices and special advisers, particularly over diary management. At a minimum there should be a standard monthly policy progress meeting between the minister, Policy Director and permanent secretary. But there are also some specific ways that the relationships could be improved.

⁴³ *Ibid.*

⁴⁴ *Ibid.*

⁴⁵ Forthcoming, May 2011.

⁴⁶ Hallsworth, Parker and Rutter, *Policy Making in the Real World*, 2011, Chapter 7.

First, there should be more experimentation with different ways of exploring options. There could be greater use of external facilitators; techniques such as red and blue teaming, where people deliberately advocate extreme views; and seminars with outsiders who might challenge departmental thinking. Second, there could be explicit allowance for internal challenge. Medical guidance, for example, increasingly mandates 'pause points' before surgery, which explicitly allow anyone in the room to raise difficult but important points that otherwise are suppressed by the social situation.⁴⁷

Recommendation 8: Ministers should be part of the process of idea generation as early as possible. Ministers and civil servants should also adopt tactics that can trigger greater debate and openness in their relationships, making a reality of co-developing policy.

3.3.4 Opening out the policy process

Too often policy is developed behind closed doors through an unproductively adversarial departmental process. Privacy may appear to have advantages for ministers and civil servants, since they can float radical ideas without the risk that they will be leaked in a damaging way. However, it also creates the risk that the public is at a different stage of understanding when policies finally emerge fully formed.

Our series of policy reunions, and the experience of Australia (where the government can commission independent reviews from its Productivity Commission),⁴⁸ suggest there can be considerable merit in depoliticising the analytic phase so it becomes less contested – allowing ministers to focus their attention on the political choices. The Pensions Commission, the Stern Review and the Low Pay Commission found that opening out the analysis can change the space for political decision making, which can be a helpful way of managing the UK's adversarial media environment.⁴⁹ The experience of the Office for Climate Change showed the benefits of presenting a shared evidence base, even where analysis is kept in-house: ministers in Cabinet committees could then focus on political options, rather than debating 'facts'.⁵⁰ At the very least, ministers should be presented with the best collective internal assessment, with uncertainties highlighted, as a starting point for decisions.

Recommendation 9: Policy making should be seen as a more open and transparent activity. Analysis and evidence should, where possible, be produced and discussed in advance of option decisions to enable better external engagement with the problem. Ministers should be asked to make decisions from a shared analytic base. Interdepartmental discussions should focus on producing best decisions, not seeking lowest common denominator agreement to reconcile conflicting positions.

47 Atul Gawande, *The Checklist Manifesto: How to Get Things Right*, Metropolitan Books, 2009.

48 http://pc.gov.au/_data/assets/pdf_file/0005/64679/quick-guide-2009.pdf

49 www.instituteforgovernment.org.uk/pdfs/policy_seminar_report_pensions_commission.pdf; www.instituteforgovernment.org.uk/pdfs/IfG_policymaking_casestudy_minimum_wage.pdf

50 www.instituteforgovernment.org.uk/pdfs/IfG_policymaking_casestudy_climate_change.pdf

3.4 Skills, learning and expertise

Good policy making depends on having access to the appropriate skills and expertise – whether inside or outside the civil service. Policy making has increasingly been treated as a professional skill in itself, and there are various means of improving how this skill is taught and applied. But the new environment will require new skills. Many civil servants we interviewed expressed concern about the civil service’s future capacity both in terms of skills and knowledge. If policy making is to be regarded on a par with other professions, it needs to professionalise its approach further.

A crucial part of that process will be to develop a willingness to learn from previous successes and failures. But the real world pressures of policy making continue to prevent government from learning in this way; in particular, the current way that policy evaluations are commissioned and conducted has serious flaws.

3.4.1 Training

Civil service policy making training suffers when compared to that provided in other ‘professions’.⁵¹ Lawyers, accountants and others have clear routes to recognised qualifications that are prerequisites of plying their trade, as well as enjoying a commitment to continuous professional development. When economists and scientists come into government with developed academic skills in relevant disciplines, they are brigaded into a separate professional class. In contrast, very few civil servants enter with qualifications in policy and administration, despite the growing number of relevant courses. As civil service posts are cut, managers need to take the opportunity to raise entry level standards.

As well as initial qualifications, policy makers need to receive ongoing training and development. We heard some dissatisfaction from ministers over the in-house analytical training policy makers receive; it is telling that analytic capacity is often supplied by specialists or bought in from consultancies. In this context, the recent development of a core training course, *Achieving Policy Outcomes*, provided by the National School of Government, is welcome.⁵² But the Head of Policy Effectiveness needs to ensure the curriculum is expanded to incorporate the fundamentals of policy making and relationships with ministers.

Furthermore, there needs to be an expectation that all civil servants entering the policy profession receive a level of policy skills training, as was supplied at the Prime Minister’s Strategy Unit. Such training should be part of the initial induction for all Fast Streamers and for all those moving to policy advice roles.

Recommendation 10: The Head of Policy Effectiveness should expand the curriculum of the course, *Achieving Policy Outcomes*, to cover the fundamentals of policy making and relationships with ministers. All civil servants assuming policy advice roles should receive initial training in policy analysis skills, similar to that previously provided at the Prime Minister’s Strategy Unit.

⁵¹ Hallsworth, Parker and Rutter, *Policy Making in the Real World*, 2011, Chapter Six.

⁵² See: www.nationalschool.gov.uk/csclp/policyoutcomes.asp

3.4.2 Continuous development of policy skills and knowledge

Training courses are only a partial solution; the development of policy skills also needs to be embedded into practice. The department's Policy Director needs to ensure that there are continual efforts to develop analytic skills so policy makers can be competent consumers of research, or are able to conduct an organisational analysis, or understand concepts from complexity science like emergence and feedback loops.⁵³ These efforts could take the form of workshops, regular informal meetings, and the use of case studies.

At the same time, Policy Directors need to ensure that policy makers keep up to date with latest external thinking and developments. Policy teams need a shift in attitude towards seeing themselves as internal consultants who need to maintain cutting-edge skills so they can perform well and keep themselves in business.

Increasingly, development activities will also need to embrace the less traditional skills of policy design, innovation and influence. Take innovation. Civil servants know they have to be innovative, but there is a lack of clarity over what this means in practice. The existing culture and incentives are likely to encourage the 'invention' aspect of innovation – coming up with ingenious solutions to pre-existing problems. In contrast, there is a need to present innovation as more practical, involving prototyping and experimentation, and more open, drawing on a wide range of ideas from academia and overseas. Finally, innovation in central government is likely to become more about creating the conditions for others to innovate, rather than producing solutions. Policy makers need to have the skills to create platforms for other actors to create 'open source policy'.⁵⁴

Good design and innovation will depend on policy makers' ability to influence and network other public sector workers and outside groups. Policy makers will increasingly be in a position of facilitating, persuading and building confidence in others, all of which are very different from more traditional policy making skills.

Recommendation 11: Policy Directors should be held responsible for developing the policy skills of their departments, overseeing continuous efforts to improve their analytic abilities and awareness of the latest ideas and developments. There should be a particular emphasis on strengthening traditionally weak areas such as policy design, innovation and influencing.

3.4.3 Valuing internal expertise

Both ministers and civil servants stressed the value of policy makers who have built up expertise in a particular area. But there were also concerns that current career structures did not allow such experts to progress unless they also took on management responsibilities. Often this can lead to careers stalling, morale dropping, and apathy taking hold. In response, the civil service should develop its expertise by creating greater recognition for civil servants who are experts in a particular policy subject, along the lines of the private sector 'high-level individual contributor' model.

⁵³ The Prime Minister's Strategy Unit's *Strategy Survival Guide* would provide a good starting guide for what should be covered, available at: <http://interactive.cabinetoffice.gov.uk/strategy/survivalguide/downloads/ssgv2.1.pdf>.

⁵⁴ This is different from an 'open source policy' model that simply uses the internet to widen policy suggestions for civil servants to consider, along the lines of an enhanced consultation.

Such subject experts could provide continuity, subject expertise, and good stakeholder contacts. They would also be responsible for maintaining a high quality, up-to-date body of evidence for their subject area, which should be easily accessed from within the department and easily integrated with other departmental evidence sources.

Recommendation 12: The civil service should create greater recognition for civil servants who are experts in a particular policy subject, along the lines of the private sector 'high-level individual contributor' model. These subject experts would be responsible for maintaining a body of high quality research evidence in their subject area and networks of key contacts.

3.4.4 Accessing external expertise

Many interviewees argued that the policy process does not gather or use outside thinking well. There are good reasons to think that policy making is improved by drawing on multiple sources of expertise, and by bringing in outsiders able to challenge departmental thinking.⁵⁵ Bringing in a wider range of expertise – whether from local government, delivery bodies, academia or civil society – on a short-term basis should be regarded as standard practice. Departments should, for example, have standing contracts with universities or research institutes to embed outsiders in project teams on a short-term basis. Policy makers will need to have ready access to a network of high-quality, current thinking, and one of the roles of the new departmental policy function would be to make sure policy teams build and nurture these networks.

Ministers also have a role in accessing external expertise – for example, they should easily be able to bring in outside experts to challenge civil service advice. Indeed, they have incentives to do so, since making the problem definition and analysis more porous and well informed is likely to build public and professional support. Ministers should also be able to take new approaches to developing policy options, such as challenging competing civil service teams to come up with ideas. However, the Policy Director would need to ensure that such moves did not lead to a loss of internal policy making capacity.

Recommendation 13: Departments should exercise a 'one degree of separation rule' so they either have the requisite knowledge in-house or can access it at one remove. Departments should make better use of external expertise to enhance and challenge in-house policy making. For example, standing contracts could enable experts to be embedded in policy teams quickly. Ministers should also be able to call on external experts to help challenge civil service advice.

⁵⁵ The flaws in tax policy making are plausibly explained by the relative lack of public debate and scrutiny surrounding the topic. See Hallsworth, Parker and Rutter, *Policy Making in the Real World*, 2011, Chapter 6.

3.4.5 Better knowledge management

Many of our respondents were concerned about the lack of effective internal knowledge management, which they felt was often underpinned by a culture that inhibits knowledge exchange between individuals. This problem risks being exacerbated as Whitehall loses people and moves to a more flexible, project-based approach to policy making. When project teams are disbanded after completing their 'project' (for example, authoring a white paper or overseeing the drafting of legislation), there are weak mechanisms for capturing what they have learned during the process.⁵⁶

This is a risk which needs to be managed. First, there is a need for more rigorous knowledge management processes, which are often standard practice in comparable organisations where people work on individual projects. For example, no one should be signed off from a policy project without having gone through a rigorous de-brief to ensure salient information is captured in an accessible form; in the case of anyone leaving the department, this should be a standard part of the exit process. The project manager should be held personally accountable for making sure this happens. Second, there need to be clear handover processes to standing teams, which may include continuity of personnel, and these need to be overseen by the Policy Directors and their team.

Recommendation 14: More rigorous knowledge management processes need to underpin any move to more flexible project working. The Policy Director should ensure effective handovers between those developing policy and those overseeing its implementation.

3.4.6 Evaluation

Evaluations aim to identify 'what works' in policy making, and the possibility of a poor evaluation can also stimulate good practices earlier in the process. In practice, while government often commissions evaluations, our evidence shows that most politicians and civil servants are extremely sceptical about whether Whitehall takes note of their results: lessons often do not feed back into policy design or problem formulation. In other words, although evaluations are often commissioned they are often ignored.

One of the main problems is that evaluations are usually commissioned and managed by the same department that carried out the policy. As a result, the department has the incentive and opportunity to tone down evaluation findings that are critical, but which could lead to significant learning. Since evaluators often depend on repeat business, they have the incentive to acquiesce in self-censorship. At same time, the evaluation often ends up focusing on a narrow departmental question, with few opportunities for cross-government learning.

To address these problems we propose that departments lose their monopoly on evaluations of their own policies' impacts. To achieve this we propose that the government's Head of Policy Effectiveness takes over a significant role in evaluations. She or he would receive a proportion of departments' current evaluation spending to establish an institutional base that carried out three main functions.

⁵⁶ *Ibid.*

First: overseeing the quality of evaluations commissioned by departments. This could be done by sitting on steering groups for individual evaluations, or by auditing evaluation performance (for example, assessing how evaluations are commissioned and subsequently used).

Second: running a process of open commissioning. Bids would be received from evaluators to assess policies. They would be assessed on the public interest or value for money case presented by the evaluator, and on the quality of the methodology proposed. This new setup should allow more innovative practices in evaluation. It would also create greater recognition that the effects of policies are intertwined with other government actions, rather than being achieved in isolation. It may also allow evaluations of 'framework' policies – where central government has attempted to create the conditions for others to solve problems (e.g. the use of payment by results). And the publication of policy assessments may help promote open evaluation of policies by academics and any other interested parties. The Head would need to work closely with departments to avoid the risk of disconnect sometimes associated with independent evaluation centres.⁵⁷

Third, in exceptional cases of policy failure, the Head of Policy Effectiveness would be able to commission their own 'lessons learned' exercises. These reviews would promote internal learning, as well as offering lessons for public dissemination along the lines of the International Monetary Fund's (IMF's) Independent Evaluation Office's recent report on the IMF's role in the run-up to the financial crisis.⁵⁸ In order to do this, they would need access to internal papers and civil servants and ministers would be required to cooperate.

Recommendation 15: The government's Head of Policy Effectiveness should take a significant role in evaluations. She or he would receive a proportion of departments' current evaluation spending to establish an institutional base that had three main functions: to oversee departmental commissioning; to run an open evaluation commissioning process; and to commission its own lessons learned reviews in cases of exceptional policy failure. The Head of Policy Effectiveness should ensure that general lessons emerging from evaluations are incorporated into policy making guidance.

3.5 Culture

The conventional view of policy making – of civil servants advising, ministers deciding, government legislating and others implementing – no longer holds up. The culture and conception of policy making in Whitehall needs to adapt in the future, which means reconsidering several core tenets.

The generation of policy ideas – the idea that Whitehall policy makers' main purpose is to generate policy solutions. There is still a feeling that, as one civil servant put it, "*if we don't have the good ideas then we don't think there's a value to us*".⁵⁹ There will need to be increasing recognition that central government may not be able to provide all the answers to complex problems. Good policy making will often be about creating the conditions for others (foundation trusts, teachers, businesses and citizens) to deal with problems using innovative and adaptive approaches.

⁵⁷ Kevin Williams, Bastiaan de Laat and Elliot Stern, *The Use of Evaluation in the Commission Services: Final Report*, Technopolis France and The Tavistock Institute, 2002.

⁵⁸ Independent Evaluation Office of the International Monetary Fund, *IMF Performance in the Run-Up to the Financial and Economic Crisis*, 2011, available at: www.ieo-imf.org/eval/complete/eval_01102011.html

⁵⁹ *Ibid.*

The outputs of policy making – civil servants often feel they are rewarded for producing tangible outputs – briefings, white papers, consultation documents. Rather than regarding these outputs, and proximity to ministers, as the badge of success and the route to promotion, the successful policy maker of the future needs to be able to search out experience and ideas, network, facilitate and understand complexity. Instead of being based solely around individual projects and initiatives, central government policy makers will need to take a more continuous, iterative, long-term approach to problems, keeping track of how the systems they oversee are evolving.

The practice of policy making – policy making needs to be seen as a more practical, adaptive activity, rather than one concerned primarily with the production of policy documents, speeches or legislation. The focal point of policy making has always been the ‘front end’ – determining the overall scope, purpose and presentation of the policy with ministers. In the new world, the locus of power and action shifts more to the ‘back end’ – how policies are realised in practice.

Our understanding of policy making will need to adapt accordingly. In the past, policy makers have been encouraged to get more practical experience through secondments, or ‘delivery experience’ has been made a condition for senior positions. The problem is that these tactics have not tackled the root of the issue: they have continued to present ‘delivery’ as fundamentally different from ‘policy’, and just exhorted policy makers to do more of the former, as if it were unpleasant medicine.

But if policy is increasingly seen as inseparable from delivery, there is likely to be a more limited role for Whitehall and a corresponding expansion in the degree to which the real impacts of policy are determined by the actions of multiple ‘deliverers’. Policy makers may increasingly perceive the real policy making to be taking place in localities or ‘delivery’ roles. At the same time, if the power and challenges are seen to reside outside Whitehall, Whitehall may need to start tempting people to move away from those roles to become central government policy makers – rather than assuming they will jump at the chance.

Reflection – If they are to adapt successfully, policy makers will need to get better at reflecting on how they do things. Currently, such reflection is rare – partly because our political system has little tolerance for admitting being wrong. A more realistic understanding that policy is a set of adaptive attempts to tackle a problem, rather than a fixed, perfect solution, should increase the ability of policy makers (official and ministerial) to admit they do not always get it right and to learn from their mistakes.

At the same time, there should be a growing recognition of the cognitive biases that often affect policy makers, and increasing attempts to anticipate and correct for them.⁶⁰ For example, it has been shown that we are vulnerable to ‘anchoring’ effects: the first piece of information we receive irrationally governs our subsequent decisions.⁶¹ We found clear evidence this happens in policy making; as one interviewee said, *“in that first visit for a new minister, and a new policy area, they can very easily be swayed by early impressions – and then other evidence that supports that is obviously going to get more attention... even within the civil service there is a bit of a tendency towards that”*.⁶² Other biases, such as over-optimism bias, have previously been noted in policy failures, and have led to new guidance being produced.⁶³

60 Many of these biases are set out in Michael Hallsworth, et al. *MINDSPACE: Influencing behaviour through public policy*, Institute for Government and Cabinet Office, 2010.

61 Dan Ariely, *Predictably Irrational: The Hidden Forces that Shape Our Decisions*, HarperCollins, 2008, Chapter 1.

62 See Hallsworth, Parker and Rutter, *Policy Making in the Real World*, 2011, Chapter 8.

63 Kenneth R. Hammond, *Human Judgement in Social Policy: Irreducible Uncertainty, Inevitable Error, Unavoidable Injustice*, Oxford University Press, 1996; National Audit Office, *The Delays in Administering the 2005 Single Payment Scheme in England*, 2006; and Her Majesty’s Treasury, *The Green Book*, available at www.hm-treasury.gov.uk/green_book_guidance_optimism_bias.htm

The role of ministers – Any move to accept that policy is increasingly made from outside Whitehall needs to be reinforced by changed practices from ministers, Parliament and the media. Much of the pressure for central control comes from ministers feeling they need to account to Parliament and the national media for decisions made outside Whitehall. If that pressure is not to lead to recentralisation, new accountability mechanisms need to be found to satisfy pressure for answers in case of failure. As the Institute says in a separate project, a clear ‘accountability map’ should be created as an integral part of the policy design process – rather than being left to resolution in the face of failure or challenge.⁶⁴

Changing perceptions of policy success – In a complex and decentralised environment, the perception of policy success needs to change. A more trial and error approach to policy is likely to yield better results than policies which require wholesale system change. However, one of the big barriers to experimentation is the perception that a failed experiment is a political failure, and a waste of public funds (rather than saving larger sums by preventing full-scale implementation of a flawed concept). Politicians and civil servants need to be more confident in defending such approaches, which also need to be reflected in the attitudes of bodies such as the National Audit Office.

Experimentation is only part of the story, however. We also need to reconsider the notion that there is always a ‘right’ policy to be discovered. Policy solutions often create their own problems, which gradually displace the original difficulty.⁶⁵ Rather than delivering outputs in a linear way, the policy process is often about adapting to the unanticipated effects that public decisions themselves have created.⁶⁶ In future, we may increasingly see a successful policy as one that can adapt in response to the effects it is creating, in order to keep sight of the overall outcome at stake.

Recommendation 16: Whitehall policy makers need to reconceive their role increasingly as one of creating the conditions for others to deal with policy problems using innovative and adaptive approaches. Incentives should be used to reward those who energetically search out experience and ideas, network, facilitate and understand the systems in which they operate. Policy making needs to be seen as a practical activity as well as an abstract one, and provide greater scope for policy makers to reflect on how they do things. Finally, in a complex and decentralised environment, expectations and perceptions of policy success need to change.

⁶⁴ Wood and Moyes, *Nothing to do with me?*, 2011.

⁶⁵ We explain this concept, with reference to school testing policies, in Michael Hallsworth, *System Stewardship*, Institute for Government, 2011. Regulation is an obvious example: a regulatory system fails if it does not adapt to the way actors are responding to the system it has set up, see Aaron Wildavsky, *Speaking Truth to Power: The Art and Craft of Policy Analysis*, Little Brown, 1979, p.62.

⁶⁶ Peter John, *Analysing Public Policy*, Continuum, 1998, pp.25-6.

4. Conclusion

Policy making is integral to good government. But it is important to note how difficult it can be to improve the process of policy making in the UK. Peter Hennessey argues that there has been a “*distinct trait*” in British ministers and civil servants to “*eschew the rational, the written, the planned or the strategic*”, in favour of “*understated, pragmatic, occasionally inspired ad hocery and last-minute improvisation*”.⁶⁷ Attempts at reforming policy making have tried to address this tendency by imposing an artificial rationality on the process, which has then fallen victim to the realities of operating in a political environment with many pressures and many actors. Policy makers must reflect the flexible, perhaps chaotic, nature of public decision making, rather than cling to a false ideal of rationality. But that does not mean they should not strive for a better, more resilient, policy process – for two important reasons.

First, although policy making is inherently complex and messy, there are good reasons to believe that a more ordered government underpinned by sound processes will be more effective and efficient.⁶⁸ Many of the complaints about the current state of policy making focused on its ad hoc and rushed nature. Ensuring the systematic application of the policy fundamentals will help mitigate this tendency.

Second, the process of democratic government is based on the electorate voting for policies in the expectation that they will have the promised effects when put into practice, and holds the government to account accordingly.⁶⁹ The more this process is illusory, the more faith in democracy and the political process is undermined. We need the notion of “*intentional choice through politics*”.⁷⁰ A more effective policy process is needed to ensure that the reality of government comes as close to the principle of ‘intentional choice’ as possible.

The attempts at reforming policy making over the past 14 years have made some progress towards a better process; the Policy Skills Framework, with its acknowledgement of the role of politics, marks another step forward. But our research suggests a need to go further and faster, especially in the light of current pressures.

Whitehall does not face a stable future; it faces a period of unprecedented change: radical downsizing of civil service numbers, deep cuts in programme spending, and a government with a mission to decentralise decision taking and replace top down accountability with bottom-up mechanisms. Those changes will only succeed if the policy making process can adapt to enable ministers and civil servants to make policy better.

The answer is not to abandon any attempt at process, but to develop a more realistic process that will be more resilient to the pressures on ministers and civil servants, and which enables them to achieve the right blend of politics and technocracy in making policy. This means looking at policy making in a more systemic way than we have before.

The proposals we set out in this report chart a possible way forward, which would address many of those challenges. But, as we show elsewhere, plans alone are not enough: they need to be embedded into the realities of the policy making system to ensure improvements take root. We now want to work with those who can make change happen to test and develop these ideas further.

⁶⁷ Peter Hennessey, *Muddling Through: Power, Politics and the Quality of Government in Postwar Britain*, Gollancz, 1996, p.14. Hennessey goes on to criticise ‘the pretence that this [trait] is not only deliberate, but desirable and successful too.’

⁶⁸ See the World Bank’s Worldwide Governance Indicators, available at: <http://info.worldbank.org/governance/wgi/index.asp>

⁶⁹ See Amihai Glazer and Lawrence S. Rothenberg, *Why Government Succeeds and Why it Fails*, Harvard University Press, 2001.

⁷⁰ James G. March and Johan P. Olsen, *Rediscovering Institutions: The Organizational Basis of Politics*, The Free Press, 1989, p.52.

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