

Hollowed-Out Government

A plan to rebuild Britain's state capacity

By Bruno Dent
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Executive summary and summary recommendations

It is a well-worn adage in Government that no one ever lost their job for buying IBM. That when faced with an unprecedented crisis, a new and complex challenge, or a coming wave of innovative practice or technological change, the default response of officials is to defer. It is an impulse symbolic of a civil service that has lost all confidence in itself.

Outsourcers and management consultancies have become embedded across so much of what modern Government does – from running everyday services like IT and waste collection to core state functions such as prisons and children’s homes.

Bringing in consultants for specialist advice can undoubtedly add real value. But this trend towards contracting out routine business-as-usual activity has, over decades, gradually eroded the state’s ability to learn by doing, leaving it hollowed out, lacking core capabilities and unable to cope with shocks.

Meanwhile, for decades, central government has failed to build up its own capacity. The capabilities of the civil service, along with the outdated tools and systems it relies on, have been slow to adapt to the demands of a changing world. Excessive top-down controls and cumbersome process stifle innovation and act as a drain on capacity. Officials work hard but achieve little public impact.

Politicians share much of the responsibility here, frustrating mandarins both in their day-to-day dealings and systemically, with political churn reaching new highs in recent years. But the fact remains, barring a significant shift, even the best organised, most stable government would struggle to deliver the mandate it was elected on.

This has come into sharp focus for the still fresh-faced Labour government, which has responded by doubling down on its commitment to “rewire the state” around its five long-term missions.¹

¹ GOV.UK, Prime Minister appoints Sir Chris Wormald as new Cabinet Secretary and Head of the Civil Service, 2 December 2024. Available at: <https://www.gov.uk/government/news/prime-minister-appoints-sir-chris-wormald-as-new-cabinet-secretary-and-head-of-the-civil-service>

But fulfilling these missions will require a break from the status quo. Rather than repeating past regimes' calls for arbitrary cuts in civil service numbers or allowing frustrations with the system to boil over in public, what we instead need to do is fix the problem: **reducing reliance on consultancies while rebuilding civil service capacity in parallel.**

On taking office last Summer, the new Chancellor Rachel Reeves recommitted to her pledge to cut consultancy spend in half by the end of the parliament, projecting initial savings of £1.2 billion by 2026.²

This is an encouraging step. But to fulfil this commitment, and equip the civil service with the capabilities it needs to advance mission delivery, it must go hand in hand with a meaningful strategy to rebuild central government capacity. That is what this report is designed to offer.

Rebuilding civil service capacity

Together, the government's missions represent the most ambitious agenda for a new administration in decades – and achieving them, as the Prime Minister has said, will require an entirely new approach to governing.³

These missions will only succeed if the state invests in its biggest asset: its people. Officials must be equipped with science, tech and commercial capabilities; hold deep expertise across sectors and policy fields; and be adept at leveraging cutting-edge tools and technologies. They must be free to innovate, take risks, confront new challenges, and learn and develop new skills as they do.⁴ And the system they operate in must have the capacity to manage ever more frequent crises and meet the demands of missions.

Making this shift will not be straightforward. Whitehall reforms attempted during former Prime Minister Boris Johnson's early period in office, driven principally by his Chief of Staff Dominic Cummings, showed that trying to short

² HM Treasury, Fixing the foundations: public spending audit 2024-25, 2 August 2024. Available at: <https://www.gov.uk/government/publications/fixing-the-foundations-public-spending-audit-2024-25>

³ Starmer, K, PM Speech on Plan for Change, 5 December 2024

⁴ Mazzucato, M et al, Mission Critical 01: Statecraft for the 21st century, The Future Governance Forum and the UCL Institute for Innovation and Public Purpose, 30 May 2024

cut the process by bypassing mandarins and bolstering executive control is a recipe for failure. Instead, a more strategic approach is required.

Drawing on insights from a series of interviews with former civil servants, public sector consultants, political advisers and experts, the report recommends a twin-track approach for making this transition.

On the first track, practical steps to be set in train quickly to a) meet the government's pledge to halve consultancy spend, b) bring in the talent needed to accelerate progress towards missions, and c) lay the groundwork for a broader shift towards a stronger, more capable civil service.

On the second track, a ten-year strategy to build central government capacity while phasing in new criteria for consultancy and outsourcing. To achieve this, longer-term changes to how the civil service recruits, trains and retains talent, alongside deeper structural reforms to how Whitehall operates.

A twin-track approach

Track 1: Meeting the Chancellor's consultancy spend target and equipping Whitehall to advance missions

1. **Introduce new entry routes for practitioners and experts**, expanding departmental secondment opportunities and reviving Extended Ministerial Offices
2. **Replicate key consultancy functions in house**, with augmented 'flexible resource teams' in every department
3. **Build greater flexibility into civil service HR**, easing the 'consultancy reflex' by making it easier to poach talent internally and externally
4. **Map resourcing, skills and consultancy use across Whitehall**, with insights underpinning a long-term civil service capacity-building strategy
5. **Set clear parameters for consultants' relationship with the state**, focusing consultancy use away from surge and delivery towards specialist advice, and embedding knowledge transfer into contracts
6. **Back capacity-building efforts with funding**, with June's Spending Review budgeting for productivity-enhancing invest-to-save initiatives and key measures to strengthen capacity and capability

Track 2: Rebuilding civil service capacity to fulfil ambitious missions

Over a ten-year time horizon, Government should:

- **Phase in new consultancy and outsourcing guidance**, insourcing services centrally, regionally or locally where contracting out has delivered poor outcomes
- **Build and develop mission-critical capabilities and deep expertise in Whitehall**, increasing STEM hires, adopting new technologies, and investing in long-term talent development
- **Prioritise attracting top talent to key roles**, offering more competitive pay for specialists and raising senior-level salaries in line with the wider public sector
- Enhance departmental institutional memory, curbing excessive churn
- **Unlock new capacity in the system** by aligning incentives with performance, rethinking the codes and frameworks that govern organisational behaviour, and swapping top-down controls for more empowered management
- **Create dedicated Strategy Units in every department**, strengthening institutional capacity to think and plan for the long term
- Establish new risk-specific emergency planning capabilities, strengthening the UK's preparedness for future crises
- **Build more 'absorptive capacity' into the system**, investing in data-gathering infrastructure and establishing AI and Data Science teams in every department
- **Free up the centre to steer more effectively**, sharpening its strategic focus and reviewing current structures, budgets, operational capacity and premises
- Develop long-term capacity-building strategies for, and with, local and strategic authorities, starting with a commitment to multi-year funding settlements
- Generate capacity through cross-sector, mission-driven partnerships

Introduction

Set the government's five missions against the growing impact of global demographic, environmental and geopolitical trends, and the upward pressure on the state's operational demand curve seems immense. Strengthening the capacity and capabilities of the state, its institutions and its workforce is a necessary shift therefore – but it will also take time.

As the Chancellor moves forward with deep in-year cuts to consultancy spend, there is a pressing need to ready the system to absorb the additional demands this creates. To that end, Part 1 will focus on the near-term, setting out where capacity building should be prioritised to achieve consultancy savings in line with Treasury projections. Measures here will serve as the starting point for a long-term capacity-building strategy and form the basis of the report's first track of recommendations.

Part 2 meanwhile will set a longer-term horizon, posing high-level questions and suggesting where efforts to enhance capacity might best be focused over the next ten years. Findings here will inform Track 2 proposals.

A note on scope

Although the government's consultancy spend target applies to the whole public sector, curbing management consultancy spend by Whitehall departments appears to be the government's focus, and so that is where the report's focus will lie. Outsourcing will also be discussed, but only at a high level and only where a Government department is the contracting authority.

The primary focus is on capacity and capabilities in Whitehall, however Part 2 also offers higher-level observations on the need to build capacity locally, regionally and through partnership, recognising the crucial role of councils, strategic authorities and non-state actors in mission delivery.

Part 1: Reducing reliance on consultancy

Few things expose the cracks in a system like a crisis. In 2020, confronted by a once-in-a-century pandemic, the resilience of our governing structures faced their biggest test in decades. They faltered. The Cabinet Office and Department of Health and Social Care, the two departments with responsibility for coordinating the response, were quickly overwhelmed, with the Johnson administration having to bypass both and set up centrally-housed task forces to manage the government's response.⁵

An absence of critical capabilities, poor scalability of crucial crisis response functions and unwieldy processes and systems left the government hopelessly exposed,⁶ laying bare the corrosive effects of decades of underinvestment in organisational capacity (exacerbated by deep cuts to departmental budgets in the 2010s) and an over-reliance on consultants.

Ultimately, Government's power as a procurer would come to define its pandemic response. Alongside vast contracts for PPE and other essential supplies, demand for the services of big consultancies reached historic highs, further entrenching a reliance that had taken root during Brexit.

This greater dependence came with a price tag. Total public sector consultancy spend has nearly quadrupled since pre-Brexit levels,⁷⁸ peaking at approximately £3.4 billion last financial year (see Figure 1). Of this sum, approximately £2 billion represents spend by Whitehall departments.⁹

⁵ Cummings, D, Statement of Evidence to Covid Inquiry, p.57, 11 October 2023

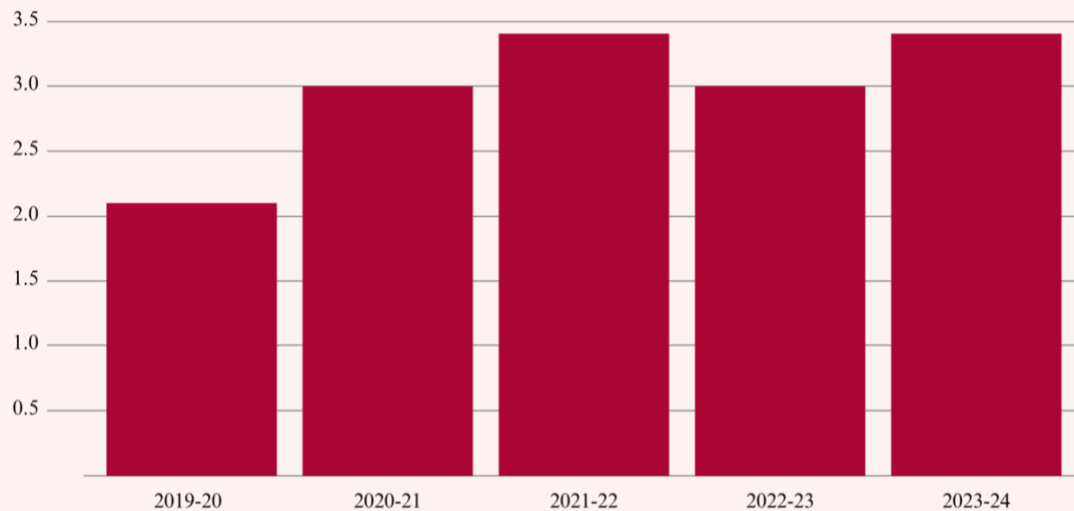
⁶ Ibid.

⁷ Tussel, The Public Sector Management Consultancy Market: Can Labour cut consultancy spending?, August 2024

⁸ National Audit Office, Departments' use of consultants to support preparations for EU Exit, 7 June 2019

⁹ Analysis of Tussel and NAO figures, with data drawn from Cabinet Office analysis of departmental invoices

Figure 1: Public sector expenditure on management consultancy (£bn), 2019-20 to 2023-24



Source: Tussel, August 2024

Between September 2018 and February 2020, the government awarded contracts worth £306 million for advice on EU exit.¹⁰ This was followed in March 2020 by the suspension of usual procurement processes as the government scrambled to respond to the pandemic at pace. The result was predictable: with officials and ministers free to award contracts without competitive tender, 401 contracts were awarded for Covid-related support, worth collectively over £600 million.¹¹

Years later however, far from returning to pre-pandemic or pre-Brexit levels, consultancy spend has remained at its peak. As explored later, this is not driven by ongoing crisis-level need, but by a set of incentives that favour off-the-book staff, while overlooking cost-effectiveness, institutional memory and workforce development.

Halving consultancy spend by the end of the parliament

¹⁰ Financial Times analysis of Tussel data, 18 February 2021. Available at:

<https://www.ft.com/content/8d15927b-53db-472b-b214-75fdc300ece6?shareType=nongift>

¹¹ Financial Times analysis of Tussel data, 4 May 2021. Available at:

<https://www.ft.com/content/a072d5fb-de43-45a5-a041-48edc7b999a6?accessToken>

Speaking at her Party Conference speech in 2023, then Shadow Chancellor Rachel Reeves announced that, if elected, Labour would bear down on this over-reliance, pledging to halve public sector consultancy spend within her party's first term in office.

On taking power last Summer, the new Chancellor signalled she would keep her word, instructing departments to end all “non-essential spend” on consultancy within the financial year. The Treasury published a public spending audit which set the timetable for delivery. The audit pencilled in savings of £550 million in 2024/25, £1.2 billion by 2025/26 and further reductions until reaching £1.7 billion by the end of the parliament.¹²¹³

To begin with, it is important to put these figures into context. Historically, this target is not especially low, still far exceeding levels seen pre-Brexit (public sector consultancy spend stood at £1.123 billion in 2015).¹⁴ But this does not mean meeting it will be without its challenges.

The government's hope is that there will be significant fat to cut from the Brexit/Covid-19 surge. However, a good share of additional workload created by EU exit has now become permanent demand, with a host of functions formerly carried out by the European Commission repatriated to Whitehall.¹⁵

There are also certain structural inhibitors limiting the government's room for manoeuvre. One is multi-year contracts, with billions still due to be spent honouring existing contracts in the years ahead. Of the £5.4 billion worth of contracts that are due to roll off between 2025-28 however,¹⁶ many will still effectively be out of scope. For certain services, particularly back-office IT and digital transformation contracts which often run into the hundreds of millions,¹⁷ the level of entrenchment is such that insourcing would be unworkable without substantial internal capacity building and system change. This is known as

¹² HM Treasury, Fixing the foundations

¹³ This assumes Tussel's consultancy spend figure as a benchmark. However, measures for public sector consultancy spend vary, and it is as yet unclear which definition the government is applying.

¹⁴ Management Consultancies Association (MCA), The definitive guide to UK Consulting Industry Statistics, 2016

¹⁵ Reland, J, Rutter, J, and Walker A, Brexit and the state, UK in a Changing Europe, 13 March 2024

¹⁶ Davies, N and Paxton, B, Improving accountability in government procurement, p.17, Institute for Government, September 2024

¹⁷ Tussel, UK Government's Strategic Suppliers, December 2024

‘vendor lock-in’. Ultimately, both factors greatly limit where the government can target cuts in the short run.

That said, over £3.4 billion in consultancy contracts are set to expire by the end of Q1 2026,¹⁸ with many, such as the roll-off of KPMG and EY’s civil service training contract, offering crucial strategic opportunities for the government.

Among those interviewed for this report, a common thread was that it would be a mistake to view consultancy spend through a narrow efficiencies lens rather than a workforce/capabilities lens. While ensuring value for money is important, such an approach risks forcing difficult trade-offs. Several interviewees cautioned that there will be circumstances in which it is very valuable to use consultancy, and that overreaching risks creating localised capacity pressures or becoming a false economy if applied unstrategically to meet a rigid target.

Indeed, a similar trade-off exists between external spend and civil service headcount. However, the government’s decision to drop the overall headcount cap introduced by the previous government is welcome, enabling it to make sensible decisions about resourcing.

Above all however, and as discussed in depth in Part 2, any attempt to reduce consultancy spend must be matched by meaningful capacity-building efforts. Ultimately, securing funding in upcoming departmental Spending Review bids for capacity and capability-enhancing measures will be the greatest challenge of all.

What’s behind Whitehall’s over-reliance on consultants?

The immediate challenge for the government will be separating out non-essential use from genuine need. But to identify where cuts should best fall, we first need an understanding of why officials and ministers reach for consultancy in the first place.

There are several ‘buyer’s motivations’ behind Whitehall’s dependence on consultants – some clear and widely cited, others more tacit and unspoken. Stated motives include:

¹⁸ Tussel, The Public Sector Management Consultancy Market: Can Labour cut consultancy spending?, August 2024

- **Expertise gaps** – Demand will typically betray a genuine internal skills or knowledge deficit, particularly in areas the civil service is less strong, such as science, commercial, project management, data, digital and technology.
- **Surge capacity** – Ministers and officials will also frequently reach for consultants for additional ‘bums on seats’ – even if the desired skills are available in house – typically when surging in response to a crisis, emerging priorities or increased workload.
- **Resourcing flexibility** – Whitehall HR procedures make it difficult to bring in expertise and personnel both from outside and within different parts of the civil service at pace. Consultancy, on the other hand, offers easily accessible flexible resourcing.

Underlying motives include:

- **An overemphasis on headcount rather than capabilities** – Surging on consultants is a useful workaround for governments looking to keep workforce headcount low, preserving capacity while keeping extra numbers off the books. One former civil servant linked record consultancy spend under recent UK governments to “an obsession with headcount” on the part of Conservative ministers.
- **Poor self-confidence and consultants’ ‘prestige value’** – Consultancy is often seen as an effective route to access high-paid talent the civil service may struggle to attract. The strong professional brand the industry has cultivated at times means officials and ministers are too quick to reach for their services – whether to address a (perceived) capability gap or as a form of external validation to justify decisions. This tends to reflect a deeper internal issue: an underlying anxiety around decision-making authority and the abilities of permanent staff, and not always genuine need.
- **A risk-averse culture** – In his Ditchley Lecture in 2020, then Chancellor of the Duchy of Lancaster Michael Gove discussed how big consultancies and outsourcers often serve as a convenient accountability sink for ministers and officials: “if you choose to have the service performed by an established supplier, choose to assess their performance by deferring to management consultants...then you are insulated from failure.”¹⁹
- **An institutional aversion to ‘private sector-branded’ work** – One former civil servant observed that the tasks most readily outsourced also

¹⁹ Gove, M, “The privilege of public service”, Speech, 27 June 2020

tend to be the most corporate-focused. Market and econometric analysis, drafting investable propositions and business cases, and procurement were cited as examples.

- **The revolving door** – There is undoubtedly a relational element to this as well. Interchange between senior government roles and the consulting industry is common, with large consultancies regularly loaning staff as secondees, and operating performance management policies explicitly designed to cultivate a strong network of alumni (known in the industry as 'Up or out'). While propriety and ethics are beyond the scope of this report, it is a subject that warrants further consideration.

While the underlying factors above generally underpin the clearest examples of non-essential consultancy use, they are also the most difficult to remedy, stemming from deeply ingrained incentive structures and organisational behaviours. Addressing them at source would involve deep structural reforms to the way Whitehall operates (discussed further in Part 2).

However, alleviating the effects of the first three 'structural' factors (capability gaps, no internal surge and rigid HR) does start to become more feasible in the near term, offering a logical starting point for a government looking to wean itself off a reliance on consultants.

Shifting consultancy use from surge and delivery towards specialist advice

Seeking advice from consultancy can undoubtedly enhance the quality of government decision-making and practice. With their global client networks and diverse, cross-sectoral experience, consultants play an important role in aiding the diffusion of knowledge and best practice into the notoriously non-porous, inward-facing civil service. They also bring much-needed independent thinking and provide an important challenge function.

Drawing on the insights of consultancy is of particular value when navigating new, complex challenges. One public sector consultant pointed to the development of the government's strategy to grow the AI economy as an example, explaining that "part of it is going out and understanding who are the people who are out there, and how we can engage them effectively." Unless or until the civil service can meaningfully open up and regularise greater cross-sectoral interchange, this will remain a vital function.

However, when it comes to consultancy's 'delivery' function, it is a different story. While buying in consultants with specialist skills for one-off, short-term projects can often be more efficient, poor oversight has seen their role spill over into more routine, operational work – often at a considerable premium.

This trend began to attract greater attention in the UK during the pandemic, when it emerged that consultants were paid rates over £6,000 a day to provide support on the government's faltering Covid-19 test and trace programme.²⁰

Following the revelation, Meg Hillier MP, Chair of the influential Public Accounts Select Committee, questioned why highly paid consultants were being brought in for what is largely a logistical job: "These are people who are developing systems, which by now I would have thought would be bread and butter for Government to deliver on its own."²¹

It is hard to settle this debate using data, as measuring the direct impact of consultants' work is notoriously challenging. It is simply too difficult to separate their influence from that of their civil service peers or other external variables.

When it comes to outsourcing however, we do have a clearer understanding of the conditions under which contracting out is most likely to deliver value.²² Provided an established market exists offering clear benchmarks on value for money and service quality, contracting out the delivery of a service can add real value, helping to promote efficiency, productivity and innovation. But too often these conditions are not met – no such benchmarks exist for immigration detention or adult social care services, for example. The effects of outsourcing in these cases, both in terms of service quality and cost effectiveness, can often be deeply damaging, creating perverse incentives and risking moral hazard.²³

This is evident in the wave of public scandals involving major outsourcers and consultancies in recent years. And yet despite this, many of these same firms are

²⁰ Jolly, J and Syal, R, Consultants' fees 'up to £6,250 a day' for work on Covid test system, The Guardian, 14 October 2020. Available at:

<https://www.theguardian.com/world/2020/oct/14/consultants-fees-up-to-6250-a-day-for-work-on-covid-test-system>

²¹ O'Dwyer, M, Consultants awarded over £600m of UK Covid contracts,' Financial Times, 4 May 2021. Available at: <https://www.ft.com/content/a072d5fb-de43-45a5-a041-48edc7b999a6>

²² Sasse, T et al, Government outsourcing: What has worked and what needs reform?, p.38, September 2019

²³ Freedman, S, Failed State: Why Nothing Works and How We Fix It, Pan Macmillan, 11 July 2024

still trusted to deliver a long list of critical functions, creating a worrying accountability gap and even worse incentives.

But putting these unresolved questions aside, the true ramifications of such practices only start to become apparent over time.

How consultants weakened the state

Research shows that organisational knowledge and capabilities are not static.²⁴ Rather they are dynamic, developing and accumulating over time as staff confront new challenges, gain experience, experiment, innovate, see what success looks like, even experience failure. The more an organisation does something, the more skilled and knowledgeable it becomes.

The problem with contracting out core state functionality is it consigns the role of the civil servant to paper-pusher, contract commissioner or relationship manager. At its worst, consultants can become another layer of bureaucracy, with officials spending their time supervising consultants who are doing work that could be better done themselves, or as one interviewee put it, “looking at our watches and telling us the time.”

One interviewee observed that contracts are often neither time-limited nor associated with a specific deliverable, creating the conditions for ongoing dependency – particularly in back-office functions, where vendor lock-in is a common feature.

Over time, this excessive reliance starts to have a hollowing-out effect, undermining institutional memory and eroding learning by doing. Former Government Efficiency minister Lord Agnew put it best when he labelled the practice “infantilising”, adding that it “depriv[es] our brightest people of opportunities to work on some of the most challenging, fulfilling and crunchy issues.”²⁵

²⁴ Collington, R and Mazzucato, M, *The Big Con: How the Consulting Industry Weakens our Businesses, Infantilizes our Governments and Warps our Economies*, Penguin, 23 February 2023

²⁵ Dunhill, L and Syal, R, Whitehall 'infantilised' by reliance on consultants, minister claims, 29 September 2020. Available at: <https://www.theguardian.com/politics/2020/sep/29/whitehall-infantilised-by-reliance-on-consultants-minister-claims>

This dynamic can be incredibly corrosive, denting workforce morale and contributing to a perception that the modern civil service delivers very little in the way of public impact. The result is the selective exit of a lot of our best public servants, often to higher-paid consultancy roles.

In the moment, it is easier to defer addressing capacity issues in favour of quick fixes. The longer this goes on however, the more state capacity decays, entrenching reliance on outsourcers and making it increasingly difficult to unwind. It becomes self-reinforcing. Though the effects are subtle, over time it leaves us with a weaker civil service and ultimately less effective government. It is crucial therefore that we address it, refocusing consultancy use away from operational delivery towards specialist advice.

Replicating consultancy activities inside government

The main reason consultants have become the system's go-to labour contingent is the resourcing flexibility they can offer, particularly with controls on consultancy spend today at their loosest since 2010. Whitehall HR processes meanwhile are wholly incompatible with a need to rapidly assemble or surge teams at pace – even in cases where internal talent is identified and available.

This was a point highlighted by several interviewees who had previously served in government. Amy Gandon, a former official who served in the Cabinet Office and Health Department during the pandemic, discussed the inadequacy of the business case process for internal resourcing in a crisis. Managed moves between departments, bidding for fast-streamers and sourcing talent from centrally housed specialist services “requires a really long-term view of what your needs are going to be,” Amy explained, adding: “It also just takes ages.”

If internal resource reallocation is slow and cumbersome, rapid external recruitment is next to impossible. Unlike many private sector organisations, Whitehall hiring managers are unable to ‘poach’ top external talent to permanent roles without navigating a lengthy process, hampering efforts to attract the best candidates. Bringing in staff on secondment meanwhile can be just as challenging.²⁶

²⁶ Urban, J and Thomas, A, Opening up: How to strengthen the civil service through external recruitment, Institute for Government, November 2022

Consequently, managers turn to consultants, despite the inflated price, as ‘a path of least resistance’.

This phenomenon speaks to a broader sense that despite the inherently uncertain and unpredictable nature of the civil service’s work, the current operating model is structurally inflexible and therefore unable to adapt to changing needs.

It is also not lost that HR processes designed to promote equitable recruitment in fact make equitable recruitment worse, pushing officials to subvert the system in order to get good people in. Reforming these procedures should therefore be a focus.

There is also a case to be made for building a dedicated ‘surge function’ into the civil service operating model.

Some argue this would be inefficient. One public sector consultant put it this way: “If you're running a florist, for example, you don't staff up at the highest possible capacity. You don't staff up for Valentine's Day.” Another interviewee however discussed the value of having some degree of slack in a large bureaucracy like the civil service – both for emergency staffing purposes, but also “to think broadly about things” and focus on oft-neglected tasks that are “important but non-urgent”.

The idea of a flexible pool of resource, deployable as needed, is not a new one in Whitehall. Under Lord Agnew in 2021, an attempt was made to set up a ‘Crown Consultancy’, also housed in the Cabinet Office, which aimed to “grow the civil service’s internal capability, including delivering work commonly undertaken by consultants.”²⁷ Ultimately however the idea did not have legs, closing in January 2023 after only a brief spell.

A public sector consultant offered this explanation for its limited success: “A hub-and-spoke model is great in concept, but Government operates in such a siloed way that getting the buy-in at the front line is really challenging.” But as well as being interpreted as a slight by some officials, the model of seconding a small

²⁷ Evans, A, What could a properly flexible model for the future civil service look like?, Civil Service World, 29 July 2024. Available at: <https://www.civilserviceworld.com/professions/article/civil-service-flexible-model-outsourcing-expensive>

pool of horizontally skilled experts across Whitehall also fell short because it could not meet the demands of the broad scope of activities Government undertakes.²⁸ Therefore, until calls for more “joined-up government” are answered, an intra-department approach would be the surest path for success.

One effective model is the former Department for Exiting the European Union (DExEU)’s ‘Priority Projects Unit’ – a flexible, roving policy and operations team able to rapidly upscale in response to high priority work. The unit was consistently in high demand and has been widely praised as a centre of excellence for the calibre of talent it attracted.²⁹

Raising the bar on contracting-out

Creating in-house resourcing alternatives will be key to limiting consultancy use to cases of genuine need. But the other side of the coin – introducing greater barriers in the tendering process – will be just as vital.

In January 2023, previous strict spend controls introduced by former Conservative Minister for Government Efficiency Francis Maude as part of the Coalition government’s austerity drive were lifted, freeing departments to award contracts up to £20 million without central approval.³⁰ This has likely been a key reason consultancy spending has remained elevated since the pandemic.

Since assuming power, the government has shed more light on its plans in this area. New controls will mandate ministerial signoff for contracts worth over £600,000 or lasting more than nine months, while contracts over £100,000 or that last over three months will need the green light from a permanent secretary.³¹ It is unclear whether plans to require departments to submit a full

²⁸ Dunton, J, Chisholm admits in-house Crown Consultancy project was 'too difficult', Civil Service World, 28 February 2024. Available at:

<https://www.civilserviceworld.com/professions/article/crown-consultancy-government-consulting-hub-project-too-difficult-chisholm-admits>

²⁹ Evans, Flexible model for the civil service

³⁰ Trendall, S, Cabinet Office ditches consultancy and professional services spend controls, Civil Service World, 7 February 2023. Available at:

<https://www.civilserviceworld.com/professions/article/cabinet-office-ditches-consultancy-professional-services-spend-controls>

³¹ GOV.UK, New controls across government to curb consultancy spend and save over £1.2 billion by 2026, 14 November 2024. Available at: <https://www.gov.uk/government/news/new-controls-across-government-to-curb-consultancy-spend-and-save-over-12-billion-by-2026>

business case justifying the decision – a policy trailed alongside Labour’s original announcement in 2023³² – will be taken forward.

This mirrors the approach taken by Francis Maude, under whose watch consultancy spend nosedived by around 80 per cent between 2010 and 2012.³³ However, Maude’s controls were stricter, acting as an effective moratorium on the use of consultants in central government (with a £20,000 spend limit) and forcing departments to obtain central approval.

Getting the best out of consultancy

Rising to the challenge of missions will require Government to work in close partnership with business, including consultancy.³⁴ However, getting this right, and ensuring the relationship is additive not extractive, will be key.

As such, alongside a broader rebalancing away from contracting out routine business-as-usual activity, a greater emphasis on *knowledge transfer* is needed if Government is to get the best out of its engagement with consultants.

Too often, contractually-obliged ‘deliverables’ are submitted, but the insights gained through their development – such as interview transcripts and statistical data – remain siloed in the minds of consultants or their systems.³⁵

Instead, consultants should equip officials with the skills, expertise, tools and data they need to handle future challenges independently. Meanwhile, as touched on in Part 2, Government should take steps to build up its ‘absorptive capacity’: the organisational ability to capture and integrate external insights.

Just as crucial as learning from consultants however is the ability to supervise them. A troubling lack of commercial expertise in the civil service has left it limited in its ability to write and oversee contracts and effectively manage relationships.

³² Gye, H and Wood, P, Reeves says she will cut waste to raise £4bn, but is warned she will need to spend more on NHS, the i, 9 October 2023, Available at: <https://inews.co.uk/news/politics/rachel-reeves-claims-she-will-cut-waste-to-raise-4bn-but-is-warned-she-will-have-to-spend-more-on-the-nhs-2675398>

³³ National Audit Office, Use of consultants and temporary staff, p.16, 13 January 2016

³⁴ Mazzucato, Mission Critical 01

³⁵ Collington and Mazzucato, The Big Con

While some progress has been made in recent years, uncompetitive pay remains a key barrier.³⁶ As one interviewee told me, “when you have a civil servant on £60,000 negotiating with a private sector contractor on £150,000 and there's ten of them ... that's where the imbalance feels particularly acute.”

³⁶ Sasse, T, Britchfield, C and Davies, N, Carillion: Two years on, Institute for Government, March 2020

Part 2: Building central government capacity

While reducing consultancy reliance is a logical starting point, there remains a broader need to build civil service capacity and equip officials to advance bold policy ambitions and confront the challenges of the future.

It is important to be clear about what is meant by ‘capacity building’. It would be a mistake to assume this means simply hiring more bureaucrats.

The report identifies two broad approaches to strengthening central government capacity:

- **Capacity building within the civil service** – improving workforce capability and performance (effectiveness); streamlining operations and reducing waste (efficiency); questions of funding and overall headcount (resourcing)
- **Non-Whitehall-driven, ‘capacity sharing’ approaches** – redeploying Whitehall functions across tiers of government (devolution) and to arms-length bodies; collaboration with non-state actors (partnership working)

Each of these areas will now be explored at a high level, covering the challenges and opportunities facing the government.

Challenge 1: Whitehall lacks core capabilities and overlooks the value of institutional memory

While the British civil service is renowned for its stability and professionalism, it has long been noted that Whitehall lacks some of the expertise and capabilities it needs to carry out several core functions. As studies going back decades consistently highlight, significant barriers to reform exist both on the demand and supply side of the talent equation:

- On the demand side, a prevailing closed culture upheld by and working for ‘Whitehall people’ at the exclusion of outsiders, who the system often perceive as challenging. Workforce homogeneity is a significant issue, with policymakers and decision-takers often under-exposed to different working practices and cultures, and lacking the crucial frontline and sectoral experience needed to tackle the major public policy and delivery challenges we face;

- While on the supply-side, many high-achieving, would-be public servants turned away by a combination of uncompetitive pay, stories of cumbersome bureaucracy and cynicism about the public impact the 21st century civil service can make.

But as well as attracting talent, Whitehall needs to get better at developing and retaining it too. Civil service learning offers little real value and often feels performative. Underperforming staff are shuffled around the system, while their more able colleagues are selected out.

The building of institutional memory, deep subject knowledge and dynamic capabilities is almost entirely overlooked, with both high levels of transfer within and attrition without.³⁷

These issues, which are by no means criticisms of dedicated, hardworking officials, but rather of the system at large, are well understood – as are many of the reforms needed to solve them. And yet little progress has been made.

Like many of his predecessors, the Prime Minister has signalled intent to shift the dial on civil service reform, and over recent weeks, has shed more light on the shape of this agenda:

- **No10 Innovation Fellowship** – Through the fellowship’s third round, technologists, innovators, and frontline public service practitioners will be seconded on six to twelve month “tours of duty” to help advance mission delivery. Two public sector consultants, one of whom was involved in designing the original fellowship, cautioned the government to learn the lessons of the first two rounds. Echoing the Crown Consultancy model discussed in Part 1, fellows were deployed across Whitehall departments to assist on priority work. However, they often “couldn’t to get traction in departments” because they either lacked domain-specific expertise or struggled to win frontline buy-in, instead being perceived as “stepping on toes.” While more can be done to help externals land and acclimatise in Whitehall, there is a strong case to be made for a department-level approach, better ensuring secondees’ work and skills align with business needs.

³⁷ Institute for Government, Whitehall Monitor, January 2025

- **Business Partnership Framework** – But secondments should work both ways, with civil servants also spending time outside of Whitehall. Buried inside the government's recently unveiled industrial strategy green paper was a scheme to do just this, aimed at increasing officials' "experience and understanding of the issues businesses face."³⁸
- **Overhauling recruitment** – Secondments, while valuable, are no substitute for good recruitment. To attract more external talent, the government has announced plans to overhaul civil service hiring, with a stronger focus on hard skills and fewer hoops to jump through.³⁹
- **Civil Service People Plan for 2024-2027** – While light on specifics, the plan commits to much-needed reforms to better link reward to performance; improve the development and retention of key skills; enhance the civil service's training offer; and expand entry routes and secondments.⁴⁰⁴¹ Notable omissions however include measures aimed at minimising internal rotation and dealing with underperformance.

Though not without their flaws, these reforms represent a real effort to enhance workforce capability. But as history shows, the true test will be in their implementation.

Challenge 2: The system does not use the capacity it has effectively

Bringing new skills and expertise into the civil service will be key to mission delivery. But it is not enough – even the most effective, multidisciplinary teams will struggle to deliver results operating inside a flawed system. Strengthening capacity therefore cannot only mean building in new capabilities or adding more bureaucrats. It must also be about unlocking unrealised capacity within the system.

Whitehall today was shaped by the principles of New Public Management (NPM), a management approach introduced under Thatcher then embraced by New Labour which aimed to drive better efficiency and performance through private sector management practices. While NPM saw some successes, notably in hitting

³⁸ UK Government, Invest 2035: The UK's Modern Industrial Strategy, p.53, October 2024

³⁹ McFadden, P, Reform of the state has to deliver for people, Speech, 9 December 2024

⁴⁰ Government People Group, Civil Service People Plan 2024-2027, 10 January 2024

⁴¹ Dedicated Senior Civil Service (SCS) and pay and reward strategies are expected to follow soon.

short-term targets like A&E waiting times, it also fuelled a growth of bureaucratic processes in Whitehall and across the wider public sector. In an organisation as large and as complex as the civil service, some level of bureaucracy is inevitable. However, it is widely acknowledged – not least among civil servants themselves – that the system today is being weighed down by excessive procedures, protocols and tick-box exercises, and that many officials' time could be put to better use doing something more productive.

Over-management also serves to suppress public sector innovation. This, combined with bureaucracy's natural caution and resistance to change, means the system lacks crucial efficiency-enhancing technology and digital tools across the piste, as well as the technical specialists needed to drive change from within. While it is positive to see the government embrace the transformative potential of AI as a key enabler of missions and public sector productivity gains, it should avoid falling into the trap of seeing it as a panacea.

Using AI in the civil service, for example to automate dogsbody work, holds significant potential – but it is not a substitute for more fundamental reforms needed to the culture and operating model. Rewarding good performance, incentivising delivery not just activity, and promoting mission-aligned competencies such as innovation and risk-taking are all essential for building a higher-output, more agile civil service. Without rewriting the codes, performance frameworks and rules that govern organisational behaviour and drive incentives, attempting this kind of shift will be impossible.

The headcount false economy

The civil service has never been larger than it is today, having ballooned by a third since 2016.⁴²

The previous government set its sight on bringing numbers down, announcing plans to cut 66,000 jobs – a pledge it framed as an “efficiencies driver”.⁴³ But headcount reductions do not drive efficiencies at all. In fact, they often have the reverse effect, creating a false economy whereby many good staff exit only to be replaced down the line, or even hired back as a consultant at several times their previous rate.⁴⁴ Time and money are wasted; valuable institutional memory and capacity are lost.

Before any attempt to reduce headcount, genuine productivity gains must be secured – through improving workforce performance and capabilities; new tools and working practices; and steps to reduce the burden of the administrative state. Decisions on headcount should flow from those efficiencies, rather than being made in isolation.

On taking office, the new Labour government quietly dropped the Conservatives’ headcount target. It then announced a fresh round of cuts – albeit a more restrained one of 10,000.⁴⁵ These cuts should fall where there is genuine fat to cut and must not undermine capacity just as the consultancy tap is turned off and operational demand begins to rise.

Challenge 3: Whitehall sometimes tries to do too much

Some would argue that the cause of Government’s capacity issues is that it simply tries to make too many decisions.

⁴² Institute for Government, Whitehall Monitor 2025

⁴³ GOV.UK, End to Civil Service expansion and review of equality and diversity spending announced in productivity drive, 2 October 2023. Available at: <https://www.gov.uk/government/news/end-to-civil-service-expansion-and-review-of-equality-and-diversity-spending-announced-in-productivity-drive>

⁴⁴ Freedman, Failed State

⁴⁵ Mason, R, Ministers planning to cut more than 10,000 civil service jobs, The Guardian, 11 December 2024. Available at: <https://www.theguardian.com/politics/2024/dec/11/ministers-planning-to-cut-more-than-10000-civil-service-jobs>

There is certainly a need for sharper prioritisation behind a set of core goals. But since savings in one area generally tend to resurface as costs elsewhere,⁴⁶ unthinkingly axing activities is unlikely to deliver the relief exponents might anticipate. Accompanying proposals for exactly what Government should stop doing, meanwhile, often remain elusive.

Redeploying Whitehall capacity into the regions

More persuasive arguments emphasise the role of devolution, and whether certain operational functions could be more effectively managed at the local or regional level.

The UK is one of the most centralised countries in the world, with government departments managing a host of hands-on operations that generally fall to regional or municipal authorities in other advanced economies.⁴⁷

But recognising and addressing the significant resourcing challenges faced by other tiers of government must be a prerequisite to greater devolution – particularly in local authorities, which still operate far below full capacity having shed almost a third of full-time jobs since 2012 following deep austerity cuts.⁴⁸

Moves to redistribute Whitehall capacity across the country, including through secondment and civil service relocation, have begun to pick up in recent years. Most recently, the government announced a new secondment scheme with strategic authorities as part of its devolution agenda.⁴⁹ Such efforts could be accelerated.

One emerging model of state capacity sees greater fluidity between layers of government, with intelligence, data and personnel flowing freely responding to need. Claire Spencer, former Inclusive Growth Lead at West Midlands Combined Authority, expressed support for this model. Pointing out that Combined Authorities are “less bounded than almost any other bit of government,” Claire

⁴⁶ Freedman, *Failed State*

⁴⁷ Ibid.

⁴⁸ Local Government Association, *Local Government Workforce Summary Data*, November 2023

⁴⁹ UK Government, *English Devolution White Paper*, 16 December 2024

underscored the opportunity to harness this “flexible capacity” through greater investment in interconnectivity.

One area for further consideration is how local or strategic authorities could support the rollout of stricter outsourcing criteria as explored in Part 1, with certain services that fail to meet expectations being insourced locally or regionally, rather than centrally.

Generating capacity through partnership

Building greater in-house expertise is crucial. But Government should be alive to the risk of becoming too insular – or as one interviewee put it, “a bit Ivory Tower”. It is crucial therefore the system remains outward facing, with officials and ministers seeking to work productively with actors across and beyond Government towards shared goals.

Partnership lies at the heart of a mission-driven approach. In a recent report from its series on how a mission-driven government can ‘govern in partnership,’ The Future Governance Forum argues that “by aligning government, businesses, unions and civil society towards a common economic direction ... the state [can] build muscle in innovation and partnership working, creating a system where expertise in and outside of the civil service is put to use.”⁵⁰

But as the report points out, to make this vision a reality, Government must first become a better partner, mainlining collaborative ways of working into Whitehall’s DNA, modernising engagement tools, and shifting consultation from a late-stage formality to a fundamental part of how ministers and civil servants make and deliver policy.⁵¹

Challenge 4: Chronic under-resourcing of critical functions threatens long-term effectiveness

Alleviating pressures in some areas however must go hand in hand with tackling chronic under-resourcing in others.

⁵⁰ Puvinathan, R and Wyld, G, Mission Critical 02: Governing in partnership with business and trade unions, p.11, The Future Governance Forum, 28 October 2024

⁵¹ Ibid.

Rather than being guided by Government priorities, resourcing generally seems unconnected to them. Upskilling efforts in disciplines vital for a modern workforce, such as data and technology, are being outpaced by increasing need.⁵² Add to that the demands of growing pressures like an ageing population and a warming planet, and the need to urgently adapt and strengthen resilience is clear.

Despite this, there remains no proper future-facing workforce strategy for the civil service, leaving long-standing capacity issues unaddressed and a 20th century skills base ill-equipped to meet today's challenges.

Research has identified areas that have been historically under-resourced and where capacity is failing to keep pace with future needs. The list below sets out key disciplines, specific areas of government, and overarching issues that span both.

Priority areas for capacity building

Disciplines:

- **Project delivery** – While recent years have seen some improvements, there remains a shortage of various capabilities essential for effective project delivery, such as automation and data analysis.⁵³
- **Digital, data and technology** – Recent efforts to invest in new skills pathways, grow the number of technical experts as a percentage of the workforce, and reduce consultancy reliance in this area are positive. Yet Government still lags far behind its peers, with less than half the technical talent of equivalent organisations.⁵⁴ Institute for Government research shows that below-market level pay and a lack of senior specialist roles that do not carry management responsibilities act as a chokehold on the potential talent pool.⁵⁵ However, a failure to modernise working practices, embed data and technology into the policy process, and grasp

⁵² Davies, G, Digital transformation in government: addressing the barriers to efficiency, National Audit Office, March 2023

⁵³ Smith, B, Chisholm pledges to curb use of consultants with plan to bolster in-house skills, Civil Service World, 3 November 2020. Available at: <https://www.civilserviceworld.com/professions/article/civil-service-likely-at-peak-use-of-consultants-chisholm-says-as-he-pledges-to-bolster-inhouse-skills>

⁵⁴ Davies, Digital transformation in government

⁵⁵ Thomas and Urban, Opening up

the potential of emerging technologies is perhaps the biggest barrier of all.

- **Science and engineering** – While there are pockets of excellence in Whitehall, science is too often seen as something that happens in isolation. As then Chief Scientific Officer Patrick Vallance wrote in 2019, the civil service is “relatively short of people trained in science” and “the reflex to call for science to help solve problems or give new insights is not well developed.”⁵⁶
- **Commercial** – One in three pounds the state spends is on procuring goods and services.⁵⁷ As one interviewee told us, and as discussed in Part 1, “[having] really good people overseeing it and deploying it in the right way is hugely important, and ultimately likely to be cost saving in the long run.”

Areas of government:

- **Centre of government** – The handful of political appointees at the top must be able to steer and coordinate the vast ranks of permanent staff across Whitehall. And yet, despite our system being unusually centralised, the office of the Prime Minister is outgunned even by that of a German city mayor.⁵⁸ While it is beyond the scope of this work to give a view on how the centre of government should be structured, studies suggest both the Cabinet Office and No.10 lack clear focus and are chronically overstretched – stalling decision-making through a mix of overcontrol and inaction.⁵⁹
- **Private offices** – Ministerial offices are similarly under-resourced by international standards. Staffing levels tend not to be proportional to departments’ differing workloads, legislative demands, and significance to the government’s agenda.⁶⁰ But beyond capacity constraints, the government should also be wise to the potential of private offices as a

⁵⁶ Vallance, P, ‘Over 10,000 problem solvers at your disposal’, Blog, Civil Service Quarterly, 13 February 2019. Available at: <https://quarterly.blog.gov.uk/2019/02/13/over-10000-problem-solvers-at-your-disposal>

⁵⁷ Booth, L, Procurement statistics: a short guide, House of Commons Library, August 2024

⁵⁸ Freedman, Failed State

⁵⁹ Thomas, A, Urban, J and Clyne, R, Power with purpose: Final report of the Commission on the Centre of Government, p.31, Institute for Government, 10 March 2024

⁶⁰ King, P and Pickles, C, Grown up government: Towards a comprehensive model of political support, p.24, Reform, November 2024

route to bring in outside expertise. The Coalition Government (2010-15) recognised the value in this, introducing Extended Ministerial Office (EMOs) which opened the door for more policy and technical specialists to work in concert with the traditional private office to support ministers' priorities. But EMOs were scrapped in 2017 following low uptake and criticism that they a) were too difficult to set up, and b) stipulated the appointment of an 'implementation lead' who would report directly to No.10.⁶¹ A good idea, poorly executed – and one deserving of a second look.

Overarching issues:

- **Long-term strategy and horizon-scanning** – Little capacity in Whitehall is reserved for what is important but not urgent. While the most pressing tasks naturally take priority, this tends to come at the expense of functions that are vital to effective, responsible government, but deemed less urgent – which quickly become prime targets when the Treasury calls on departments to identify 'non-essential spending' to be cut. Yet the effect of failing to safeguard and invest in horizon-scanning and long-term strategic capability is to entrench a short-termist mindset and push long-term thinking and planning to the margins.
- **Crisis preparedness** – Historic under-resourcing of contingency planning in Whitehall has left the UK alarmingly unprepared for major crises. A key learning of the Covid-19 pandemic was the importance of investing in risk-specific capabilities and scenario planning. Soon after the pandemic, former Chair of the government's Covid-19 Vaccine Taskforce Dame Kate Bingham recommended appointing a permanent pandemic security expert "with responsibility for building and maintaining a permanent UK pandemic preparedness capability."⁶² And yet, the latest Government Resilience Framework opted instead to deprioritise 'risk-specific capabilities' in favour of 'cross-cutting capabilities', blaming resourcing constraints.⁶³ With the frequency of major environmental, public health, and civil emergencies forecast to accelerate in the coming

⁶¹ Hughes, N, Is Scrapping Extended Ministerial Offices a Mistake?, Blog, Institute for Government, 6 January 2017. Available at: <https://www.instituteforgovernment.org.uk/article/comment/scrapping-extended-ministerial-offices-mistake>

⁶² Bingham, K, 'Another War Is Coming', Lecture, 23 November 2021

⁶³ Cabinet Office, The UK Government Resilience Framework, HM Government, 4 December 2023

years, Government must urgently invest in key risk assessment and emergency planning capabilities.

- **Absorptive capacity** – Whitehall has a knowledge management problem. As one interviewee put it, “There's intelligence inside these organisations that simply isn't being deployed back into them” – perhaps buried in the pages of audit reports and data sets or, as discussed in Part 1, held in the minds and systems of consultants and suppliers. Where intelligence *is* fed back, key individuals generally lack the capacity to properly engage with it. Learning is limited, institutional memory is undermined, and senior leaders and advisers often develop only a shallow understanding of the areas they are responsible for. This can create a disconnect with operational staff who are closer to the facts, which in turn can drive unnecessary consultancy spend. Unwittingly, senior management may project their own lack of intelligence in a specific area onto the organisation as a whole, and, with the best of intentions, believe it necessary to engage consultants (who may offer little insight beyond what frontline staff already know). Improving intelligence gathering and synthesis capability – by investing in analytical capability and utilising tools such as AI – will help better tap into the intelligence that already exists in silos across Whitehall, and ensure political leaders, advisers and SCSs have a stronger connection with the frontline, driving better decision-making.

This list is not trying to be definitive. Need varies greatly across departments, each of which operates in a unique way. For a comprehensive picture of where capacity and capabilities are lacking, a more granular-level systems mapping exercise is needed, with findings informing a long-term civil service capacity-building plan.

A meaningful strategy to rebuild Whitehall capacity

Turning mission-driven government from a novel idea to the default mode of the British state will mean investing in the capacity and capabilities of the institutions responsible for driving it. But since any system's capacity to manage change is finite, large-scale reforms of this kind should be phased gradually, working with the system while trying to reform it.

Reforms should therefore follow a two-track strategy: addressing the most immediate priorities (Track 1), while laying the groundwork for deeper, long-term change to the civil service operating model (Track 2).

Track 1: Meeting the government's consultancy spend target and equipping Whitehall to advance its missions

Introduce new entry routes for practitioners and experts

Disciplines among the most critical for mission delivery (science, commercial, project management, digital, data and technology) are also those where Government struggles most to compete with the external market; shortages are most severe; and consultancy is most entrenched. Unless the capabilities and expertise consultants provide are rapidly brought in house, new controls on hiring consultancy risks stalling fragile progress towards mission goals.

Plans have been unveiled to overhaul Whitehall recruitment processes and bring in new talent through the No.10 Innovation Fellowship programme. However, with the first two rounds indicating the success of the Innovation Fellowship pathway may be limited, and with reforms to recruitment likely to take time, there is a pressing need for alternative routes to allow for the swift onboarding of external talent.

Recommendation 1: Kickstart progress on mission delivery with new entry routes for experts, revising the ministerial code to reinstitute Extended Ministerial Offices and expanding two-way departmental secondment opportunities.

Executed well, EMOs would serve as a transparent channel for ministers to access specialist knowledge and capabilities from outside government. Meanwhile, under a new departmental secondments drive, high-value specialists

with frontline experience would be brought into government, while officials could gain new skills and firsthand exposure to different organisational cultures outside of government. As one expert explained, schemes could see departments form new partnerships across sectors and across tiers of government, with for instance The Department for Transport launching its own schemes with EuroStar, Highways England and BMW. Mission-owning departments should be prioritised, with schemes eventually evolving into cross-government ‘mission secondment schemes’ (as proposed by The Future Governance Forum)⁶⁴ – though only once government is sufficiently joined up, and tensions between a hub-and-spoke model and Whitehall’s department-centric structure can be avoided.

Build a dedicated surge function into the civil service operating model

Consultancies are too often used not just for the skills and expertise they offer, but for the additional bodies they can provide. Faced with a spike in workload, the knee-jerk response of many officials and ministers is to sign a contract with a large consulting firm – even when the desired skills are already available in house. This leads to redundancy, is often poor value for money and can have a damaging hollowing-out effect over time. To bear down on this practice, an alternative is needed in-house.

The infrastructure for such a function is to some extent already in place, with ‘flexible resource teams’ in operation across most departments providing on-demand surge capacity. However, teams generally only consist of around 10 to 15 people and have one part siphoned off into a ‘central strategy team’ responsible for horizon-scanning and longer-term policy planning.

Recommendation 2: Augment existing ‘flexible resource teams’ in every department, building in greater surge capacity for shocks and priority work.

Modelled on the success of DExEU’s Priority Projects Unit, teams should be multidisciplinary, staffed with high-calibre policy specialists, technical experts and practitioners, as well as those sourced from departmental secondment schemes (Recommendation 1). Job descriptions must be clearly defined, with

⁶⁴ Puvinathan and Wyld, Mission Critical 02

each unit's remit closely aligned to its department's business case, ensuring they add value rather than bureaucratic overhead. Units should also be decoupled from the 'central strategy team' they are currently housed alongside, creating a ring-fenced space for strategic planners and analysts away from crisis management. Given the limitations of the Crown Consultancy hub-and-spoke model, an intra-department approach would be the most effective in the short run, consolidating into cross-departmental 'mission teams' in time.

Build greater flexibility into civil service HR and recruitment

In Whitehall today, the barriers to poaching staff internally and externally are high, while the barriers to contracting out remain low. If it is to succeed in reducing consultancy reliance, Government must flip this equation on its head.

Recommendation 3: Greater flexibility should be introduced into civil service HR procedures, making it easier to poach talent both internally and externally.

The cumbersome business case process for internal resourcing should be scrapped in favour of a faster, more flexible approach, allowing managers to either draw from their department's flexible resource teams (Recommendation 2) or call on the Government People Group's dedicated 'head-hunting' service, which would not only facilitate inter-departmental managed moves but also be granted new powers to approve them. Meanwhile, as part of its plans to overhaul civil service recruitment, the Cabinet Office should update recruitment principles to allow managers to more easily poach outstanding external talent, particularly during crises.

Get the data

As well as readying the system to meet government's consultancy spend targets however, the first track must also lay the foundations for a longer-term strategy to rebuild Whitehall capacity (set out in Track 2).

The first priority is to get a clearer picture of where interventions should be targeted. However, according to the Public Accounts Committee, "inadequate data means that Government still does not know exactly what skills it has or

where gaps exist,” adding that “these gaps can lead to an increased reliance on external contractors.”⁶⁵

Recommendation 4: Map resourcing, skills and consultancy use across Whitehall, with insights underpinning a long-term strategy for strengthening civil service capacity.

The Cabinet Office should work with departments to ensure workforce data is accurate, comprehensive and standardised across Whitehall HR and finance systems, enabling interoperability. Patterns of consultancy spend over the previous Parliament should be analysed and mapped across the system, using this as a proxy to help to build a picture of where capabilities are lacking. Government should also invest in its analytical capability, enabling effective monitoring and oversight of the quality, risk and cost effectiveness of consultancy use and outsourced public services.

Develop new criteria for consultancy use across government

Consultants play a crucial role in Government, helping officials and ministers to navigate new challenges; develop niche, sector-specific policy; and bring in best practice from outside government. But Whitehall’s failure to articulate what constitutes its core competencies and where consultancy use is/is not appropriate has opened the door to the over-reliance we see today. The time has come to set out clear parameters for the state’s relationship with consultants.

Recommendation 5: Develop new criteria for consultancy use, focusing consultancy away from surge and operational delivery towards specialist advice, and embedding knowledge transfer into contracts.

Under new guidance:

- Routine, business-as-usual activities would be performed in house, except where a skill or knowledge gap is demonstrable and value for money is assured.
- Digital and organisational transformation contracts would be authorised only if time-limited or associated with a specific deliverable, guarding against vendor lock-in.

⁶⁵ Committee of Public Accounts, Specialist Skills in the civil service, House of Commons, 7 December 2020

- Outsourcing proposals would only be granted if certain conditions are met, including the presence of a competitive market, clear mechanisms to measure service quality, and an acceptable risk profile (covering both risk of failure and loss of in-house expertise).
- Bidders' track records would have a far stronger bearing on the Cabinet Office's vendor 'risk rating' for contract approvals.

On publication, guidance would apply to all new contacts effective immediately. It would be enforced through a rigorous business case process – a commitment the Chancellor made in opposition and should now reaffirm. Ongoing contracts would be reviewed against the guidance, with decisions around governance guided by data and coordinated closely with internal capacity-building efforts to ensure service quality is unaffected should changes be made.

Where contracts are retained – predominantly for advice and strategy – officials must be better equipped to get the best from consultants. Knowledge transfer, upskilling and data-sharing should be built into contracts and actively applied, empowering staff with the tools and know-how to handle future challenges independently.

Back capacity-building efforts with funding

To fulfil its ambitious missions, Government must invest in the people, tools and systems tasked with driving them forward. With a zero-based, line-by-line Spending Review concluding in June, the government has a real opportunity to turn the tide on the deterioration of state capacity.

The fiscal climate facing the government is well-known. But Treasury ministers and officials must not lose sight of a) the possible efficiency gains from targeted, data-led insourcing of poor value for money services; b) the potential of productivity-enhancing invest-to-save initiatives; and c) the far-reaching gains across state operations that a more skilled, better trained, higher-output workforce would bring.

Recommendation 6: The Spending Review should back capacity building with funding.

Savvy invest-to-save initiatives in areas such as digital transformation should be identified, while planned savings from staffing, consultancy and back-office cost

reductions should be earmarked for capacity and capability-enhancing measures. Provision for higher pay for specialists and SCSs (see Track 2); an improved training offer; and new entry routes and teams outlined in Recommendations 1 and 2 should be budgeted for. Though beyond scope, investment in strategic and local authority capacity building is equally essentially and cannot be ignored.

Track 2 – Rebuilding civil service capacity to fulfil ambitious missions

Over a ten-year time horizon, Government should:

Phase in new consultancy guidance across Whitehall, focusing consultancy use towards strategy and specialist advice in line with principles in Recommendation 5.

Insource services where contracting out has delivered poor outcomes:

- Many should be devolved to strategic and local authorities (contingent on local and regional capacity)
- A range of governance models should be considered case-by-case, from joint vehicles to full in-house provision
- The poorest performing services should be first in the queue

Build and develop mission-critical capabilities and deep expertise across Whitehall:

- Raise the proportion of STEM professionals in line with comparable organisations
- Modernise analogue working practices; automating mundane processes; and adopting efficiency-enhancing tools and technology, learning from private and wider public sector best practice
- Expand domain-specific talent pipelines
- Reorient civil service learning around a stronger emphasis on technical expertise, hard skills and deep subject knowledge

Prioritise attracting top talent to key senior and specialist roles:

- Introduce a new ‘specialist’ category outside the standard civil service grading system, allowing for more flexible, market-conscious pay offers for commercial professionals and technical experts
- Gradually bring SCS pay into line with the rest of the public sector

Enhance departmental institutional memory, curbing excessive churn by disincentivising lateral transfer, setting out clearer progression pathways and expanding in-role rewards.

Unlock new capacity in the system, by:

- Holding officials accountable for outcomes, not superficial indicators of ‘activity’;
- Incentivising excellence by linking reward and progression with performance and making it easier to exit under-performers; and
- Rewiring Whitehall’s incentive structure around mission-driven behaviours, including innovation, challenge and risk-taking.
- Once new incentives are properly aligned and begin to take effect, empower managers with greater autonomy, scaling back onerous compliance rules and minimising upward-reporting.

Establish dedicated departmental Strategy Units protected with ring-fenced funding and separate from the ‘flexible resource teams’ discussed in Recommendation 2, strengthening institutional capacity to think and plan for the long term.

Establish new risk-specific emergency planning capabilities, strengthening the UK’s preparedness for future crises:

- Appoint subject experts to build and maintain permanent preparedness capabilities tailored to specific risks, spanning environmental, public health, civil, economic, cyber and national security
- Create multidisciplinary crisis preparatory teams responsible for horizon-scanning, forecasting and scenario planning. Teams would leverage methods such as red teaming to test assumptions; identify data limitations; and assess the scalability of critical functions, advising departments on worthwhile investments and preparatory steps
- Consider the case for a dedicated national contingencies agency, distinct from COBR to maintain strategic focus, and with the resource it needs to strengthen the UK’s resilience to future risks

Enhance Whitehall's ability to absorb and learn from intelligence and data:

- Drive AI adoption for processing of large data inflows, gathering insights from audits, consultations, external literature and large datasets, and presenting them in accessible forms for SCSs, ministers and advisers
- Replicate No.10's AI Incubator and Data Science units in every department
- Invest in public sector data collection infrastructure and the creation of new high-value datasets in line with the government's AI Opportunities Action Plan

Free up the centre to drive more effective coordination and decision-making, sharpening strategic focus in No.10 and the Cabinet Office and reviewing their structure, budgets, operational capacity and premises.

Build capacity locally, regionally and through partnership:

- Develop long-term capacity-building strategies for, and with, local and strategic authorities – whether that capacity is new, redeployed from central government or generated through partnership. This should start with a clear commitment to future rounds of funding.
- Design and test models for deeper collaboration and interconnectivity between layers of government, including mission board participation; co-owned test and learn projects and networks; and jointly administered 'roving' mission delivery teams
- Unlock additional capacity through cross-sector, mission-driven partnerships, leveraging the government's five missions and active industrial policy to set a strategic direction and catalyse activity across the economy. To achieve this, Government must become a better partner, starting by embedding collaboration into Whitehall processes.
- Consider how arm's length bodies could provide additional project capacity and expertise

All capacity-building efforts should be aligned with the government's mission objectives and account for the transformative impact of automation and other

technological change, preparing the workforce to meet the demands of not just today, but 10, 15 and 20 years from now.

Track 2 proposals⁶⁶ should be integrated as part of the government's broader reforms of the state, alongside ongoing plans for a new governing architecture organised around missions; public service reforms including test and learn pilots; and its devolution agenda.

⁶⁶ Many Track 2 recommendations build upon and are informed by the work that came before, including from the Institute for Government, The Future Governance Forum, Public Digital, Reform and Francis Maude's 2021 civil service reform review.

Conclusion

The new government has set out a series of ambitious missions, each with the potential to transform the country and its economy. Realising these ambitions will require not a weaker civil service, but a stronger one – revitalised after decades of depletion and equipped to meet the challenges ahead.

The logo for Young Fabians, featuring the text "YOUNG FABIANs" in white on a dark red square background. The background of the entire page is a solid dark red color, with a large, light pink geometric shape on the right side.

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