



Building Internal Capability in Government & the Appropriate Use of Consultants

*Insights from an ANZSOG Roundtable with
Academic Fellow Professor Brian Head*

April 2026

Insights from an ANZSOG Roundtable Discussion

23 March 2026

Governments across Australia are increasingly examining whether reliance on external consultants has affected internal capability in core areas. This roundtable brought together a small group of practitioners with experience across Commonwealth, state and territory governments, specialist agencies, and academia, to explore what is being done about these issues — and what still needs to happen.

The conversation was frank, experience-based, and at times uncomfortably candid. The following summary attempts to capture the sharpest insights from the discussion. All contributions are anonymised in accordance with the Chatham House Rule.

Key Takeaways

- Reducing consultant expenses and rebuilding internal capability must happen simultaneously — cutting one without investing in the other simply shifts the problem.
- Internal expert capability teams are often treated as discretionary and may be vulnerable during fiscal contractions — even when governments are publicly committed to reducing reliance on consultants.
- No single organisational model works for all contexts. A mix of approaches — combining central capability hubs, agency-level teams, and networked expertise across government — is likely to be needed.
- Leadership and commissioning frameworks matter. Without active sponsorship from secretaries and ministers, in-house capability models are unlikely to become embedded.
- The political window for reform is real but may not stay open. High-profile integrity issues have shifted the fiscal sensitivities around consultant use, but sustaining momentum towards rebalancing will be critical.

What the Discussion Surfaced

The state of play and why this problem matters

The ‘hollowing out’ thesis — that decades of outsourcing have depleted professional skills in public agencies — was widely recognised as an important concern, though participants emphasised that the causes of decline in capacity are more complex than consultant use alone. The causes are multiple: a crowded

marketplace for policy advice, stronger ministerial control over agendas, and a persistent culture of reaching for familiar external providers rather than building internal muscle. Consultants are one part of a larger story.

To tackle these problems effectively we need a clearer picture of recent trends. There is rich data on contracted service delivery — health, employment, childcare — but surprisingly little publicly available analysis of the patterns, costs and outcomes of external consultancy use in core areas like strategy, policy and evaluation. Without that evidence base, it is difficult to set meaningful targets, track progress, or make the case for investment in internal capability.

“We know a lot about contracted service delivery. What we know much less about — at least in a publicly available sense — is the pattern of external consultancies in the areas that really matter: strategic policy, review, evaluation. That data gap is itself part of the problem.”

— Roundtable participant

Several participants had direct experience in building in-house consulting and evaluation functions — and sometimes also seeing them dismantled. The downside risk is that internal teams might be established in response to a political commitment to reduce consultant spend, but these teams might then be cut in the next budget round as ‘discretionary’.

A related problem is visibility or salience. Capability often exists somewhere in government — but agencies might not know it’s there. The further an agency sits from central agency flows of information, the worse this might become. Several participants described the experience of discovering, too late, that another part of government had exactly the expertise they had just paid a consultant to provide.

“One of the biggest challenges — especially the further you get from central government — is just knowing these services exist. It’s not until you move around and have a good network that you even find out. That’s a systemic problem.”

— Roundtable participant

The political economy of reliance of consultants has genuinely shifted. The PWC tax scandal and the Robodebt inquiry — where consultants were seen to have lent credibility to poor practice — have changed ministerial risk appetite. There was real optimism in the room: one participant suggested that the combination of political will, new institutional investments, and fiscal pressure could produce a genuine step change in internal capability at the Commonwealth level and in some States within the next two to five years — if the momentum holds.

Strategy was identified as a particular flashpoint. One participant made the point sharply: how an agency perceives and responds to its environment should not be something purchased periodically from an external firm. It should be something government agencies are alive to every day. The fact that strategy is often outsourced says something important about what has been lost.

“Strategy is a core skill set for government. How agencies perceive and respond to their environment — that’s something they should be alive to every day, not something they buy in when it feels urgent.”

— Roundtable participant

The importance of evaluation was also highlighted as a core skills set for government agencies.

“You could run a big department and not have anyone directly responsible for evaluation — just softly saying you expect everything will be evaluated appropriately, but regardless of whether or not it’s happening.”

— Roundtable participant

What Is Being Tried

Models and approaches from across Australian jurisdictions

The discussion identified three broad approaches currently in play across Australian jurisdictions. What was striking was not just the diversity of models, but the genuine enthusiasm of those running them — and the concrete early evidence that they are working.

1. Central in-house consulting units offering specialised ‘rare repeat’ work — the strategic and evaluative tasks every agency needs occasionally but not continuously. The value proposition hinges on being the ‘trusted insider’: operating within government using the same rules, culture and accountability frameworks as ‘client’ agencies, and accessing cabinet processes in ways external firms cannot. Participants described the importance of being able to have genuinely open and honest conversations with clients — including pointing out where the real issues lie — as something that is easier when you share the same values and accountability frameworks. These units are driven by a public value mandate rather than a profit motive.
2. Networked models that connect existing pockets of expertise across government — evaluation teams, business case specialists, design teams, community consultation practitioners — under a cost-recovery arrangement. After twelve months of successful operation in one jurisdiction, demand for these services is strong and growing, particularly for business cases, evaluations, and community consultation. A key design insight underpinning the model: framing this in terms of government self-sufficiency rather than agency self-sufficiency — not every agency needs every skill, but government as a whole should have it.
3. Specialist portfolio-based evidence and advisory agencies that function as in-house advisers to departments while operating on a commissioned basis more broadly. These offer deep subject matter expertise and a public sector relationship that enables a high degree of trust and proximity to decision-making that external providers cannot match.

“It’s not about the agency being self-sufficient — it’s about government being self-sufficient. That thinking was quite deliberate.”

— Roundtable participant

The discussion also surfaced an important parallel debate about where to locate ‘innovation’ teams — inside or outside government. The answer that has emerged from international experience was institutional hubs or centres of gravity. These entities need enough critical mass to attract talented people whom a generic public sector career cannot attract, develop new problem-oriented disciplines, and demonstrate what is possible. The same logic applies to in-house consulting and capability functions.

One concrete example was notable: a large agency-level evaluation team operating with a formal right of first refusal — every evaluation job must be offered to the internal unit before going external, with a strong justification required to go out. Participants were clear that without that kind of structural commitment, culture change does not follow. Strong organisational signals and decisions are needed.

“Going to external consultants because we just don’t feel we’ve got the confidence to ask the public service to do some of this work themselves — that’s the wrong answer. And building that confidence is exactly what these models are designed to do.”

— Roundtable participant

What Emerged

Shared views and honest uncertainties

The discussion converged on a number of shared conclusions, alongside some genuinely hard implementation questions that participants worked through rather than resolved.

1. There is a legitimate role for external consultants — for genuine surge capacity, occasional specialist expertise, and perceived arms-length independence. The goal is appropriate use, not elimination.
2. Mandatory or strongly incentivised ‘right of first refusal’ rules — requiring agencies to consider internal options before going external — are more effective than voluntary frameworks. Culture change follows structural change, not the other way around.
3. Leadership matters enormously. Without active sponsorship from secretaries and ministers, in-house models will always be treated as optional and internal capacities may be cut when budgets tighten.

On the question of what success looks like, participants pointed to a mix of indicators: measurable reductions in consultant spend in core areas, functioning internal capability teams with right of first refusal, and agencies being able to identify and prioritise their own core functions and demonstrate they have the in-house expertise to deliver them. There was mild scepticism about whether current targets are tough enough to drive real and lasting change.

On accountability — who is responsible for ensuring every agency has the capability it needs — the discussion was honest about the current gap. Questions were raised about whether all the Public Service Commissions are adequately focused on this challenge. The strong view was that agency CEOs and secretaries need to own the challenge, and with commissioning frameworks providing a mechanism to hold

them to account. But the incentives to seriously invest in capability, rather than simply commission externally, are not yet strong enough.

The skills challenge generated a rich discussion. Participants identified various disciplines that government currently tends to reach for externally, precisely because it hasn't built the internal pathways to develop and retain them: such as human-centred design, behavioural insights, futures and foresight, data analytics, experimentation and prototyping, and systems thinking. But the deeper point was that the problem is not just about acquiring these technical skills — it is about embedding the behaviours, client service mindset and delivery discipline that make people confident in internal teams. One participant shared a competency framework built around three clusters: accelerating learning; collaboration and facilitation; and leading change through advocacy and storytelling. The UK's model of multiple designated professional communities with career pathways built around them was also held up as a practical model worth further adaptation in Australia and New Zealand.

“It’s not just about technical skills. There’s also the behaviours, the client service mindset, the confidence that you’ll get the job done. That’s often the real reason people reach for an external consultant.”

— Roundtable participant

Substantial implementation challenges ran through the discussion: external consulting firms have already invested heavily in the systems, processes and cultures that enable their delivery work — pipeline management, client engagement, contracting. By contrast, in-house teams are often building those foundations from scratch while navigating procurement rules not designed for consulting-style work. Some agencies have historically tended to default to familiar and trusted external providers with whom they have had extended relationships. Until those structural and cultural defaults are actively disrupted, in-house models will always be swimming against the current.

A major uncertainty raised in the discussion was the balance between centralisation and distribution of skills. Central capability hubs can achieve critical mass and attract talent that a generic public sector career cannot; but they might often lack reach, and capabilities must ultimately be embedded where the work happens. Participants suggested that a combination of approaches — linking central entities, agency-level teams, and specialist bodies — is likely to be needed. However, building and sustaining that kind of connected capability landscape requires coordination and investment that are not yet fully in place.

What Comes Next

How this discussion feeds into the broader fellowship

This roundtable was convened as part of ANZSOG Fellow Professor Brian Head's work on public sector capability and the appropriate use of consultants. The insights from this discussion will feed directly into his fellowship report, contributing to a growing body of evidence about what works — and what doesn't — in rebuilding government capability after decades of outsourcing.

The discussion also sits within a live international conversation. A second UNESCO and European Commission workshop on models of in-government consulting was held in Paris in the same week as this ANZSOG roundtable, reflecting the fact that this is a shared challenge across many comparable countries.

Participants pointed to a need for training that goes beyond technical skills, and which highlights structured problem solving, client service, facilitation, systems thinking, and the kind of delivery challenges that currently lead agencies to reach for external consultants. These are areas where ANZSOG is well placed to make a meaningful contribution.

A second roundtable is being planned to explore future skills and capability questions in more depth — looking specifically at what the public sector workforce will need in the years ahead. For more information, get in touch at insights@anzsaog.edu.au

“Skills for the future overlaid with AI — and how quickly the public sector can move alongside the private sector — is going to significantly influence where we want to end up in five years. A big question mark at the moment.”

— Roundtable participant

This summary report was prepared following the ANZSOG Roundtable Discussion held on 23 March 2026. All contributions have been anonymised in accordance with the Chatham House Rule. For further information, contact ANZSOG.

Further Reading

- **Australian Public Service Commission (2023)** *Delivering for Australia: APS Reform Plan*
<https://www.apsc.gov.au/initiatives-and-programs/aps-reform>
- **Australian Senate Finance and Public Administration References Committee (2024)** *Management and assurance of integrity by consulting services*
https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Finance_and_Public_Administration/Consultingservices/Report
- **Head, B. (2022)** *Wicked Problems in Public Policy*
<https://doi.org/10.1007/978-3-030-94580-0>
- **Head, B. (2024)** *Reconsidering expertise for public policymaking*
<https://doi.org/10.1111/1467-8500.12613>
- **States of Change (2019)** *Competency Framework for Experimenting and Public Problem Solving*
<https://states-of-change.org/assets/downloads/05.2018-Competency-Framework-1.pdf>
- **OECD (2020)** *Building Capacity for Evidence-Informed Policy-Making*
<https://doi.org/10.1787/86331250-en>
- **States of Change Skills Platform**
<https://skills.states-of-change.org/>

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