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**Public service outsourcing: the implications of 'known unknowns' and
'unknown unknowns' for accountability and policymaking**

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Abstract

Outsourcing is difficult to define and trickier to measure. Despite transparency and procurement requirements, there are no comprehensive datasets detailing the extent to which English councils have contracted-out service provision. This lack of information, coupled with austerity pressures, has probably increased the number of 'known unknowns' and 'unknown unknowns' about the efficacy of this service delivery model. Such developments have significant implications for accountability, risk management and policymaking.

Keywords: outsourcing; accountability; evidence-based policy; local government; England

Practitioner 'box':

We do not know enough about the extent of public service outsourcing: it is difficult to define and measure, and the datasets that exist are quite limited. Austerity cuts to back office functions probably mean that we know even less about it than before, at a time when major outsourcing companies are experiencing serious financial problems. Public bodies need to create a more detailed picture of their contractual relationships in order to inform future policymaking, hold suppliers to account effectively, and ensure that finances and services can be put on a sustainable footing in the event of collapse.

Introduction

Studies have shown that local authorities across the developed world are more likely to engage in outsourcing during times of fiscal constraint, as organizations adopt new delivery models in search of efficiency savings (Bel & Fageda, 2007; 2017). Therefore, we might expect austerity pressures since the 2008 financial crisis to have led to an increase in public service contracting. This is particularly the case in English local

government, which experienced central funding reductions of 49% between 2010 and 2018 (National Audit Office, 2018). In addition, policy documents such as the 2011 and 2013 *Open Public Services* White Papers encouraged public bodies to transfer responsibilities to social enterprises, non-profit organizations and private companies, ostensibly to increase 'choice' for citizens that would help to drive up service improvements and cost savings (Eckersley et al., 2014).

However, a number of factors may have led to public bodies becoming increasingly reluctant to embrace outsourcing; indeed, some studies have identified a recent trend towards *insourcing* (Wollmann, 2018). These factors include longstanding concerns about the degree of control that contracting authorities can exert over external providers, as well as the inflexibility built into long-term contracts that prevent councils from changing service models or 'recycling' efficiency savings into other areas (Glennon, 2017). There is also a possibility that austerity-induced resource constraints within public bodies could mean that managers know less about specific outsourcing arrangements, which would reduce their ability to manage and mitigate contractual risks (Ferry & Eckersley, 2019).

In the UK specifically, the collapse of high-profile contractors such as Southern Cross and Carillion, together with more recent concerns about the financial viability of Capita and Interserve, have contributed to outsourcing becoming an increasingly controversial and politicized issue (Public Administration and Constitutional Affairs Committee, 2018; Greasley, 2018; Plimmer, 2018). Underpinning these concerns are issues of risk transfer and accountability, which could lead to contracting authorities and the public suffering if suppliers perform poorly or experience financial difficulties.

With these factors in mind, this paper examines what we know about outsourcing in English councils, . and finds that only limited information is available about the nature and extent of local authority contracting. Indeed, comprehensive and robust datasets

simply do not exist – a finding that has significant implications for decision-making, evaluation and accountability in local public services.

The next section discusses what we mean by outsourcing and highlights how it is something of a contested concept. We follow this by discussing some of the literature on private sector involvement in public services, before setting out the context for English local government contracting and explain how we sought to gather data on recent trends in this area. This feeds into a discussion about how a growth in outsourcing, coupled with austerity pressures, is likely to mean that policymaking and scrutiny officers will have recourse to less information about the efficacy of potential service models, policy solutions and the activities of contractors. We then conclude by setting out the implications of our findings for practice and future research in the fields of accountability, outsourcing, local government and public policy.

Defining public services outsourcing

Despite being mentioned frequently in discussions around public management and policy, outsourcing is not easy to define or measure. Scholars who have sought to define the concept do not interpret it consistently – both in terms of *what* is being outsourced and *to whom* (Harland et al, 2005). For example, Walker et al. (2005, 96) view outsourcing as ‘the “contracting-out” of *services that were previously performed in-house* by an organization’. However, Gilley and Rasheed (2000, 765) extend the concept to include goods, as well as any *new* functions or commodities that an organization has the in-house capacity to produce or deliver but chooses to procure from an external supplier. Minicucci and Donahue (2004, 489) define it more simply as ‘the *private* delivery of government-funded services’, yet Cordella and Willcocks (2010, 83) argue that the term should apply to ‘the contracting out of... *services/activities to [any] third party management... on short or long term contracts*’, (our emphasis in each case). As this suggests, scholars are likely to disagree as to whether a particular case represents outsourcing, depending on the type of supplier, whether the state used to have

responsibility for the service or activity, the terms of the contract and the nature of what is being purchased.

Perhaps reflecting this lack of clarity, outsourcing is often lumped together with concepts such as privatization, commissioning, procurement, public-private partnerships and the private finance initiative in political and media debate. High-level assessments of the extent of public sector contracting do not always help to clarify the issue: they usually focus on figures such as the amount of money that government spends every year on external suppliers, and the percentage of total expenditure that this figure represents (see, for example, Davies et al., 2018). Yet public bodies have always paid suppliers for a range of goods (for example, weapons, stationery, vehicles, furniture, catering or ICTs) and contracted external companies to build roads or undertake other construction projects (Public Administration and Constitutional Affairs Committee, 2018). Such transactions would appear as external spending in the organization's accounts, but most people would not class them as 'outsourcing' – because they do not refer to the provision of *services*.

However, even if we exclude goods provision and construction from our definition, organizations will still rely on outside suppliers to some extent: examples from local government are likely to include postal services, taxis or bed and breakfast accommodation for homeless families. This reliance may not be codified in an official contract that specifies the terms and conditions of the relationship over a number of years, but rather take the form of the council relying on an external provider in an *ad hoc* fashion, as and when required. Some local authorities might also have a long history of engaging with external providers to deliver services such as local public transport, whereas others rely on in-house companies or resources to provide the same functions.

Furthermore, following the recent growth of 'shared services', public bodies are themselves often suppliers – either individually in concert with others. For example, one local authority might provide pension, payroll or legal services on behalf of another

council in return for payment, or multiple organizations might establish a new, special-purpose, agency to undertake such functions (Herbert & Seal 2009; Elston et al., 2018; Elston & Dixon 2019). In addition, an increasing number of English councils have established local authority companies or 'corporations' – arms-length organizations that deliver services on behalf of public authorities, sometimes with a view to generating revenue (Ferry et al., 2018; Andrews et al., 2019). Since the public body retains ownership of the corporation, most experts would agree that it differs from outsourcing to private companies – but the existence and growth of such bodies confuses matters further. Should we consider such public-public arrangements as outsourcing, when many of the principles of the contract may be similar to public-private arrangements? And do contracts with the voluntary sector fall into another, separate, category?

In a useful *Public Finance* article, John Tizard (2015) highlighted this confusion, and stressed how it could lead to misunderstandings and poorly-informed citizens. His own definition is worth repeating here:

Outsourcing involves contracting public services to the business, social or voluntary and communities sectors with providers being rewarded based on outputs (and sometimes outcomes) but where policy, charges and access criteria usually remain with the public sector client. Contracts are time limited and can be cancelled (Tizard 2015).

This suggests that shared services with other public bodies are excluded, but contracts with voluntary organizations do class as outsourcing. Crucially, Tizard points out that contracts are time-limited – and, therefore, once the contract comes to an end, the contracting authority can seek out another provider or bring the service back 'in house'. In contrast, privatization and academy schools are 'permanent', because unless there is legislative change or the provider goes bust or walks away, the contractor cannot re-take responsibility for the service. Outsourcing is also different from public private partnerships (PPPs) and the private finance initiative (PFI), because it relates primarily

to services: PPPs and PFI normally involve the public sector paying private companies to use their assets.

Nonetheless, even with this clarity, it may be difficult to identify the extent to which public bodies rely on outsourcing. One reason for this is that local authorities increasingly purchase through shared procurement arrangements that may involve other councils, police forces, fire and rescue services and other public bodies. Financial constraints and political pressure have encouraged public bodies to engage in such arrangements, in the hope that aggregated spending power will result in lower prices and reduce the administrative costs associated with processing transactions. However, it is very difficult to attribute spending to individual organizations in cases where multiple contracting authorities engage with multiple suppliers to undertake different types of work. Framework agreements, through which contracting bodies agree outline conditions with a group of suppliers and then 'call-off' specific packages of work or goods, are similarly problematic because the price of each individual call-off will vary and may not be itemized separately. As a result, it is extremely difficult to calculate how much each organization is spending on external providers for service provision.

Outsourcing, accountability and transparency

Initially, much of the academic literature on public service outsourcing argued that contracting external suppliers (usually private companies) to deliver public services was a cheaper option than delivering services in-house, arguing from a public choice perspective that state monopolies are inherently inefficient (Savas, 1974; Kemper & Quigley, 1976; Stein, 1990). In addition, contracting out 'peripheral' functions might help organizations to focus on their 'core' activities, and the process of preparing to outsource could give managers a better understanding of how their services operated, because it requires them to identify and codify costs, objectives, performance targets and interdependencies with other parts of the organization (Gilley & Rasheed, 2000).

This information could then help the public sector client to oversee outsourced functions and underpin democratic accountability.

However, more recent academic literature has questioned the validity of claims that outsourcing is a cheaper option (Bel & Fageda, 2007; 2017) – partly because the imperfect nature of public sector markets makes it very difficult to ensure fair competition between potential providers (Skelcher, 2005; Warner & Hefetz, 2012). Others have stressed that public bodies need to tailor their governance and risk management approach according to the function they are outsourcing, and caution that the more complex and dynamic the service context, the riskier any decision to contract out is likely to be (Farneti & Young, 2008). Some of this academic scepticism is echoed in the grey literature, along with concerns about whether public bodies devote sufficient resources to manage contracts effectively (Chartered Institute of Public Finance and Accountancy, 2015), and questions around whether public bodies can measure the value that external suppliers might add (Davies et al., 2018).

Outsourcing also has moral hazard implications, because governments will always need to assume ultimate responsibility for essential public services in the event of a private provider walking away or going bust (Walker & Tizard, 2018). These issues came to the fore in the UK with the high-profile collapse of major outsourcing companies such as Southern Cross (in 2011) and Carillion (in 2018), after which the state had to step in. Such examples highlighted how outsourcing can lead to the development of a mutually dependent, symbiotic relationship between the state and those companies that rely almost exclusively on public sector contracts – and therefore sudden changes on one side could have a substantial impact on the other (Greasley 2018).

Furthermore, the complexity of outsourcing arrangements can make them difficult to scrutinize (Shaoul, 1997; Broadbent & Laughlin, 2003), particularly where contracts are subject to commercial confidentiality (Funnell, 2000; Barton, 2006). Together with the fact that they often involve transferring responsibilities away from democratically-elected

bodies to private or voluntary organizations, this means that citizens have less oversight and control over how their taxes are spent and therefore has significant implications for public accountability. Although accountability is a contested concept (Sinclair, 1991; Murphy et al., 2019), a long-standing interpretation is based on principal-agent theory: the idea that 'agents' carry out activities on behalf of 'principals', and the latter then hold the former 'to account' for their actions (Mayston, 1993). Therefore, in order to do this effectively, principals need access to relevant information about how the agent is operating.

Reflecting its roots in accounting, accountability initially focused on financial management and combatting corruption (Bovens, 2005). However, the advent of New Public Management approaches in Western democracies, together with the recognition that accounting practices focused too much on organizational costs at the expense of operational performance (Hopwood, 1984), led governments to extend these principles of quantification and measurement to organizational strategy (Perrin, 1998). As such, officials developed target-based frameworks to try to assess the extent to which public bodies were achieving policy objectives (Boyne & Chen, 2006). These principles also apply to outsourcing arrangements, on the basis that performance management approaches can provide public bodies (the 'principals' in the accountability relationship) with some insights into how the contractor (the 'agent') operates – and hold them to account accordingly. More recent scholarship has also stressed the importance of the 'forward-looking' aspects of accountability – the potential to use performance and financial data to learn from experience and improve service delivery and governance in the future (Murphy et al., 2019).

As this suggests, the information that principals can access about the activities of agents shapes the effectiveness of accountability arrangements – whether this relates to external contracting or in-house provision. Within a UK local authority context, we might expect officers and elected members who are responsible for scrutiny to undertake the role of principals – and therefore they will need access to data that will help them to

judge the extent to which providers meet the required standards. Crucially, however, factors such as the type of data that are available, the way in which they are presented and the skills and resources of those who need to process and analyse them will influence whether principals can undertake their task effectively (O'Neill, 2006; Ferry et al., 2015). Some have also pointed out that the complex nature of public services makes it impossible to fully comprehend how individuals and organizations contribute towards achieving desired outcomes (Byrne & Callaghan, 2013; Lowe, 2013; Lowe & Wilson, 2015). Since tactics such as 'gaming' performance targets can also distort the picture of how public services are operating (Hood, 2006), these factors suggest that we should not rely too heavily on numerical data to hold officers, politicians and service providers to account.

Nonetheless, public bodies use this information to try to monitor service quality, regardless of the identity of the provider. In cases where services are delivered by external suppliers, they might have nothing else upon which to base their judgements about how a service operates – and, crucially, they may need to rely on the contractor to provide these data (Schwab et al., 2017). If relevant and comprehensive information is not forthcoming, or the principal lack the necessary legal powers to enforce sanctions for non-compliance, this would harm accountability. Furthermore, if a local authority has outsourced some services, and the contract straddles electoral cycles, voting becomes a less meaningful exercise, because a change in the political control of the council is unlikely to affect the outsourcing contract and therefore how services are delivered (Chakraborty, 2014).

Context for outsourcing in English local government

Outsourcing in English local government became more widespread after the introduction of Compulsory Competitive Tendering (Seal, 1999), which required councils "to assess whether their services could be delivered more cheaply by private providers and, if this proved to be the case, they had to be put out to tender" (Eckersley et al., 2014, 534).

This led many authorities to contract out provision of services such as waste collection, school meals provision, grounds maintenance and housing repairs – and these blue-collar functions were joined later by white-collar departments such as payroll, human resources, benefits administration and customer contact.

More recently, central government reduced its funding to councils by 49 per cent between 2010 and 2018 (National Audit Office, 2018), and ministers have expressed their preference for 'open public services' (to quote the title of the 2011 and 2013 White Papers) in which different providers compete more intensively for public contracts. These pressures have increased the likelihood that councils will rely more on external providers in order to try and save money, notwithstanding the apparent drawbacks of such a model (Tizard & Walker, 2018). At the same time, the UK Government's decisions to abolish the Audit Commission and performance management frameworks have reduced the level of public oversight into how councils are operating, along with the quantity and quality of reports into local policy initiatives and management approaches (Eckersley et al., 2014; National Audit Office 2014; 2018; Ferry & Eckersley, 2019). Although the Audit Commission's performance improvement function was replaced by a 'sector-led' approach facilitated through the Local Government Association (Murphy & Jones, 2016), these changes have reduced the visibility of the impact of austerity within local government and enabled ministers to avoid the blame for potentially unpopular decisions (Ferry & Eckersley, 2015).

Furthermore, the funding reductions may also have had a less obvious impact in terms of holding public service providers to account: local government cuts were implemented disproportionately in 'back-office' administrative functions such as policy development, performance monitoring and management – rather than those services that interact with citizens at the 'front-line' (Hastings et al., 2015). This is likely to reduce capacity within local authorities to (a) monitor service provision and hold agents to account and (b) develop detailed analyses of the efficacy of different policy options – including the choice of delivery model (Eckersley & Tobin, 2019).

In other words, we might expect the 'boundaries of rationality' (Simon, 1972) for both principals and policymakers to have diminished over this period, due to a decrease in the availability of relevant information. This increase in the number of 'known unknowns' and 'unknown unknowns' would mean that public bodies are less able to weigh up the potential benefits, risks and drawbacks of different options (Ferry and Eckersley, 2019), and less well-equipped to monitor providers and hold them to account subsequently. Although such developments would also apply to service delivery options other than outsourcing, the additional concerns associated with external contracting would increase concerns around accountability, transparency, value for money and public assurance over the medium and longer-term.

Method

With these factors mind, we sought to identify the scope and scale of English local government outsourcing, and then consider their implications for public accountability. We conducted a comprehensive internet search to try and gather some of this information, including visiting the websites of the Chartered Institute for Public Finance and Accountancy (CIPFA), the Ministry for Communities, Housing and Local Government (MHCLG), HM Treasury, the House of Commons, the Local Government Association (LGA), local authorities, voluntary organizations, think tanks, media sources, representatives of the outsourcing industry and independent consultants. We also held broader discussions on the subject of local service delivery models with a total of fifteen people in person. These individuals worked for CIPFA, MHCLG, the LGA, two different local authorities, a voluntary sector provider, the House of Commons, a think tank and two private companies that provide public bodies with outsourcing advice. After it became clear that numerous datasets existed related to government purchasing and contracting, but they were each limited in different ways, we approached two companies that harvest the details of public tenders and contracts and then re-purpose and sell these data to contractors for market intelligence purposes. We purchased a database from one company, which included details of every tender advertised by a public body on

the Tenders Electronic Daily (TED, the online version of the Official Journal of the European Union that features all EU procurement notices, <https://ted.europa.eu>) and UK Government Contracts Finder (www.gov.uk/contracts-finder) websites between January 2012 and August 2018. This comprised over 120 000 lines of data relating solely to local authorities in the UK, and we endeavoured to draw upon this for our analysis.

(Lack of) findings and discussion

However, our approach encountered various difficulties, largely because the data we were able to find were not tailored for our study, and trying to re-purpose them to support our investigation was extremely challenging. Many government datasets (such as that held by HM Treasury) relate to the entire public sector rather than specifically local government, and are also not sufficiently fine-grained to distinguish between different types of spending. Although every local authority has to submit its accounts to central government and auditors on an annual basis, these are organized according to relatively high-level budget headings that largely correspond to council directorates. They do not indicate how much money is spent on in-house operations – and, by extension, they also do not provide any information about contracting. Despite the fact that CIPFA collects numerous financial datasets, none of these relate to outsourcing – and the LGA does not hold this information either.

Furthermore, the datasets that do exist are not designed for the purposes of scrutinizing public expenditure. Instead, they are organized according to the needs of government departments and suppliers (who want to find contracts that fit their expertise) and usually only contain a short description about what the contract entails. As Davies et al. (2018, p.11) highlighted in their recent report into government-wide procurement, the nature of these data mean that “the best available method for identifying what government is buying is to use the identity of the supplier to take an educated guess”. Indeed, figures that attempt to convey the scale of the ‘public services industry’ that feature in official reports and the grey literature (such as Julius, 2008; National Audit

Office, 2017) are based on estimates rather than robust datasets, and may also relate to overall public spending (i.e. include the cost of supplies and works) rather than just services. We should therefore treat them with caution.

Another potential avenue for obtaining relevant data relates to the transparency requirements that came into effect in 2011 to replace performance auditing. These mean that public bodies have to publish the details of all spending valued above £500 online (a figure that was later reduced to £250). These requirements have led to a large increase in the availability of procurement information, but the sheer volume of spending now means that these data are difficult to collate and dissect, and each public body stores them on its own website: they are not aggregated in a single place. Similarly, public bodies are required to publish all tenders that are valued above the EU procurement thresholds (£221,000 for services) on the government's Contracts Finder system since 2015. Yet, although these data are publicly available, they are not designed for scrutiny or accountability purposes and the system does not match tenders with subsequent contract awards.

There are also limitations associated with the market intelligence dataset that we purchased, because it is not designed for the purposes of analysing which public services are more likely to be outsourced. A key reason for this is that the dataset is structured according to the EU's Common Procurement Vocabulary, which ensures that all procurement notices issued by public bodies in the EU that are valued above certain thresholds are grouped into a hierarchy of categories. Although this hierarchy does help to isolate and examine specific types of contracts, it is organized according to the tasks that need to be carried out (such as management consulting, software development, or vehicle maintenance services), rather than the departmental structures that shape local government budgets (for example, social care, waste collection, highways, or leisure services). The sheer size of the dataset means that it would be extremely difficult and time-consuming to isolate and analyse individual lines of data to identify which local authority service is seeking to contract out specific activities.

Furthermore, these datasets are often incomplete: according to Davies et al. (2018), only 30% of local government contracts were published on Contracts Finder. Although the missing lines of data are more likely to relate to small one-off purchases rather than longer-term outsourcing arrangements, many of those that do exist do not include basic information such as the value or length of the contract. This means we are unable to calculate the percentage of a council's budget that is devoted to external spending – unless we were to approach each authority individually and ask for this information directly for each separate contract. Given the enormous number of contracts detailed in the dataset, and the likelihood that the contents of many agreements could be subject to commercial confidentiality, we felt that this exercise would not have been worthwhile.

Although the LGA's LG Inform service (<https://lginform.local.gov.uk>) does bring together metrics and benchmarking data into a single repository, it focuses on the extent to which councils perform against high-level targets. This lack of detail or granularity could help researchers to undertake quantitative studies or a macro-level assessment of local public service performance. However, the datasets are insufficient for qualitative auditing or evaluation purposes – as well as for practitioners and scholars of accountancy, public policy or performance management who wish to understand *why* an organization might be achieving a particular score against any specific metric. Therefore, even if we take these quantitative data at face value, they are of limited assistance in helping local authorities to decide whether to outsource, scrutinise contractors or develop strategies for improvement.

Despite our attempts, therefore, we were unable to find comprehensive details about the contracts that councils agree with external providers. Together with uncertain definitions about what outsourcing actually entails, this meant that we could not paint a satisfactory picture of its prevalence and potential growth in English local government – nor the factors that might contribute towards some organizations relying more heavily on contractors than others. As a result, policymakers, principals and the wider public are largely in the dark about the extent to which councils undertake outsourcing, why they

opt for this particular service model, their exposure to systemic risks if contractors encounter difficulties, the degree to which suppliers are delivering value for money, and – ultimately – whether decisions are being made in the public interest. Given the financial difficulties that many contractors are currently experiencing in the UK (Plimmer, 2018), this lack of knowledge is concerning – particularly if public bodies are relying more and more on private companies to deliver services. Notably, a committee of MPs criticized central government departments for similar reasons following the collapse of Carillion (Public Administration and Constitutional Affairs Committee, 2018).

It is also worth considering that ‘hard’ financial data are generally seen as being easier to collect and more difficult to ‘game’ than ‘softer’ performance information (Hood, 2006). As such, we probably have even less understanding of how well contractors are achieving desirable outcomes than we do about how much money the public sector spends on external providers. Given these information constraints, neither the principals involved in accountability relationships nor local policymakers are in a position to conclude that outsourcing represents ‘value for money’. Scrutiny officers can only access limited information about the activities of external providers, and policymakers are highly likely to base decisions on rules of thumb, preconceived views about ‘what works’ and ideological preferences – rather than robust and reliable ‘evidence’ (Cairney, 2016).

Taking this further, recent funding cuts – particularly to ‘back-office’ administrative functions – are likely to mean that public bodies have even less capacity to decide which service model might be most appropriate, as well as to monitor performance, scrutinize contracting arrangements and identify their exposure to potential risks. Such a situation has significant implications for public accountability, because neither citizens nor their elected representatives have access to reliable information about how service providers are operating. Indeed, we can see how the boundaries of rationality – for both policymakers and scrutiny officers – have probably contracted over recent years. Due to the abolition of performance assessment and Audit Commission reports, these

individuals have fewer data sources upon which to draw to inform policymaking and accountability processes.

Conclusions

This study began as an attempt to identify in the scope and scale of English local government outsourcing, mindful of the fact that contracting-out is more common during periods of fiscal constraint. However, we found that outsourcing was difficult to define, the datasets related to public service contracting are limited and the analytical capability to make sense of this information is constrained. As such, we were unable to make a reliable assessment of developments in local government outsourcing in recent years.

Yet, these issues were revealing in and of themselves: they highlighted that public bodies will only be able to obtain a very limited picture of how local services are operating, particularly outside their own authorities. Previous research into policymaking in the 'real world' have pointed out that public servants are not normally able to take highly-informed decisions based on 'evidence', due to the complex nature of public services and the fast-moving environment within which they operate (Cairney, 2016). We concur with this view, but would also go further by emphasising that austerity cuts and commercial confidentiality considerations are likely to have exacerbated this situation, because the number of 'known unknowns' and 'unknown unknowns' are probably increasing. Public bodies now have fewer resources to evaluate and make sense of public service activity - something that applies not just to outsourcing as a service delivery model, but also other options, including corporatization, shared services and insourcing. As a result, we can see how the boundaries of rationality for both policymakers and scrutiny officers are shrinking, meaning that factors such as 'gut feeling', ideological preferences and the persuasiveness of influential actors are likely to play a bigger role in decision-making.

These findings have implications for policymaking and accountability within the UK and elsewhere, given the extent of austerity cuts in other countries (particularly in southern

Europe) over recent years. Where the level of resources such as time, staff and relevant information is falling, the quality of decision-making is likely to suffer – and therefore public bodies may select a service delivery option that is inappropriate for their purposes. Similarly, capacity constraints within the organization are likely to reduce its ability to monitor service delivery and hold providers (both external contractors and in-house teams) to account. Indeed, given that external factors such as austerity and central government policies may be encouraging English authorities to adopt a patchwork of different service models, we might even ask whether councils should be the sole principal within local accountability relationships: should ministers and central actors not bear some of this responsibility as well? If such duties are not allocated clearly, there is a significant chance that public bodies will not manage the associated contractual risks effectively.

In addition, the fact that there is no reliable estimate of the exact scale and scope of outsourcing in English councils raises concerns about the extent to which the public sector is exposed to the risk of systemic collapse. Several major contractors have experienced significant financial difficulties in recent years, and their symbiotic relationship with public bodies means that the state will probably have to step in to provide services if they follow the likes of Southern Cross and Carillion. Local authorities and other public bodies need to create a comprehensive picture of their contractual relationships with external organizations in order to monitor the situation and ensure that finances and services can be put on a sustainable footing in the event of collapse.

We would encourage further research into conceptualising and assessing the implications of different public service delivery models. In particular, scholars who are interested in taking a case study approach to examine outsourcing practices within individual authorities could shed significant light on the decision-making process. This research could also help to identify the extent to which officers and elected members are able to scrutinise activity and hold suppliers to account after a contract has been agreed.

Practitioners could draw on such studies to inform their own decision-making, and not rush into outsourcing as an 'easy solution' to save money – there is limited evidence to suggest that it is always a cheaper option, and it can involve substantial trade-offs in control and accountability. It may also be the case that greater focus on the qualitative aspects of service delivery that are difficult to measure, rather than concentrating on cost and performance metrics within a contract, could result in better outcomes. Such issues are not exclusive to the decision to outsource: they are also relevant for other models of service delivery, such as shared services, corporatization, joint ventures and insourcing – both in the UK and elsewhere.

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