Funding the Future

Making public services accountable

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As the FT reports this morning:

Half of voters feel that no one takes responsibility when outsourced public services go wrong, according to a leading think-tank, which is urging the government to focus on fixing "broken" public service markets.

The finding, in a poll commissioned by the Institute for Government, came as it called on politicians to increase transparency in the way such markets worked and ensure there was clear accountability for failure.

My only surprise is that only half of people surveyed thought this because this issue is of enormous, and I suspect, growing concern.

It simply is not possible to live in, and believe in, a mixed economy and say that the private sector will have no involvement in the supply of public services. That would be impossible. The question is where to draw the line and to ask how accountability is to be created since accountability is much more the hallmark of the public than the private sector.

This blog us not about where to draw the line, although I have clear opinion on the issue. It is instead about accountability when a public sector contract is awarded.

One has to be realistic here: the supply of goods and services generally available to others (anything from loo rolls to vehicles) is not the concern and rules must also reflect value, so that a de minimis limit for application of rules would seem to be appropriate (although this must not be too low). I am, therefore, talking about the outsourcing of responsibility for service supply when considering this issue and it seems logical that a number of quite specific requirements exist apply in these cases.

The first must be that whatever information might be available if the service was supplied in the public sector must be available if it is supplied using public funds by the private sector. There would appear to be no logic at all to differentiation and it only serves to provide private sector advantage if it does. That's wholly inappropriate.

Second, the criteria used for selecting a private sector contractor, the proposed advantages and, as importantly, post implementation contract reviews to ensure supposed advantages are delivered, have to be available for inspection. This is at the core of accountability.

And in that case the private sector supplier must also be accountable for the contract it delivers. That means, quite explicitly, that it must account for that contract and its profit or loss in supplying it. How else can the public authority learn from the exercise unless that is done, and how too is an effective market for outsourcing created without that information? As, for example, is all too apparent in the health sector at present, there is a loss leader model in use that means that right now the vast majority of companies are making substantial losses from engagement with this sector. Unless the reasons for this are known effective decision making on the viability of the model is not known and serious misallocation of resources could result, at cost to us all.

And, of course, the governance of the outsourcing corporation as a whole has to be considered, including with regard to tax. This is, again, vital if an overall view of the suitability of the company to engage with the provision of public services is to be appraised.

Why does all this matter? Simply because these are services on which the public depend and so we need to be sure we can rely upon these companies. Only accountability to this degree can create the culture of responsibility that must be implicit in these contracts. The public do not think that culture exists. And that's why it has to be created.