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# Outsourcing and externalisation: current practice in UK libraries, museums and archives

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**A study, funded by Resource: The Council for Museums, Archives and Libraries, was undertaken in 2000-2001 to give an up-to-date view of the current experience of outsourcing and externalisation in libraries, museums and archives. Case studies of purchasers recognised as pioneers in the field, and of providers, were undertaken, and results validated by two focus groups. Outsourcing, particularly under the impetus of Best Value, was found to be relatively widespread and sophisticated in the public library and special library sectors. Thinking and practice in academic libraries lag behind. Museums and archives show some implementation, particularly under the influence of Best Value.**

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## INTRODUCTION

In recent years there has been increasing interest in the United Kingdom, on the part of both central and local government, in the concept of outsourcing public sector services. This has been manifested in the libraries, museums and archives (but primarily libraries) domains by the encouragement of public/private sector partnerships, through such schemes as the Private Finance Initiative (PFI) and Public Private Partnerships (PPP). These approaches are opening up new possibilities for funding public service provision and the operation of the resulting asset by the private sector.

Interest in future outsourcing in libraries also derives from continuing budget restrictions, both revenue and capital; a focus on the customer and on results; benchmarking of services; provision of services between local authorities; public/private sector partnerships; and a purchaser/provider culture. Museums and archives have some experience of outsourcing and lessons learnt by these institutions may be transferable to the libraries domain.

The environment is substantially different now from 1995, when KPMG and Capital Planning Information Ltd (CPI) reported to the Department of National Heritage (DNH) on contracting out in public libraries (*DNH study, 1995*). This study concluded that, although externalisation was feasible, there was little evidence that the market existed to provide services as an alternative to the public sector. Westminster City Libraries have recognised the changing environment by approaching the market three times in attempts to outsource services.

A study, funded by Resource: The Council for Museums, Archives and Libraries (Resource Research Project, LIC/RE/108) was therefore undertaken in 2000-2001 to provide an up-to-date view of the current experience of outsourcing and externalisation in the library and information domain and its potential. Particular attention was paid to higher education, public and special libraries, and an assessment was made of the effects of the external economic, political and technical pressures on service providers leading to change. Information was also gathered from, and parallels drawn with, the other domains within Resource's remit, museums and archives, giving some indication of the context of, and scope for, cross-domain working. The practical issues arising were documented through a series of case studies and focus groups, and a decision matrix, rec-

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ommended for judging the potential within an organisation for outsourcing, was produced. The study also undertook an assessment of potential suppliers and agents in the market place: their capabilities, readiness, interests and future plans to meet increasing demands for outsourcing.

The full study is to be published in late 2002 (Ball et al., 2002). The present paper conveys the results arising from the case studies and focus groups.

## DEFINITIONS AND CONVENTIONS

For the purposes of the study, we have adopted the following definitions and conventions:

- **outsourcing** is the contracting of activities to an outside individual or organisation (which may be another publicly funded body) in place of the use of in-house staff (Boss, 1999)
- **market testing** is a process used to test the efficiency and effectiveness of initial service providers against external providers (*DNH study, 1995*)
- **compulsory competitive tendering (CCT)** is a mechanism that requires local authorities to undergo key elements of the contracting process to test the efficiency and cost-effectiveness of their current in-house service providers (*DNH study, 1995*)
- **externalisation** is the process of providing all aspects of the current service through a trust or company established specifically for this purpose
- **domain** is used to refer to one of the three elements within Resource's remit: libraries, museums and archives
- **sector** is used to refer to a major element within a domain (e.g. public libraries).

## METHODOLOGY

The following methodology was used for the study:

- **case studies (purchasers)** - potential candidates were identified that were recognised pioneers in the field of outsourcing and externalisation in the following sectors: public libraries, academic libraries, commercial libraries, non-commercial special libraries, museums, and archives. A checklist was designed to assist researchers with the collection of information from case study organisations;
- **case studies (providers)** - the research team identified current and potential providers of outsourced services during the review of research and literature. These included library system vendors, book suppliers, IT providers, sector-specific suppliers. Researchers undertook structured interviews with actual and potential suppliers of outsourced services;
- **focus groups** - two focus group meetings of 8-10 invited participants, drawn from both sides of the supply equation and representing all stakeholders involved, were held. These groups were consulted about the validity of

the findings of the above activities;

- **seminar** - the findings of the above activities were presented at a seminar, organised by CPI, in 2001 (Brewer, 2001). Participants and speakers from the supply (booksellers, consultants, whole-service outsourcers) and customer sides commented.

## CASE STUDIES AND FOCUS GROUPS

The case studies and consultations with focus groups demonstrated clear differences between the domains and between sectors within the libraries domain. Outsourcing, particularly under the impetus of Best Value, is relatively widespread and sophisticated in the public library and special library sectors. Thinking and practice in academic libraries lag behind. Museums and archives show some implementation, again particularly under the influence of Best Value. However constraints in these areas have to do with size and responsibility to the materials in such organisations' care: allowing documents out of the custodianship of a record office for instance may affect their legal standing.

### Libraries

The broad picture, outside the special library sector, is one of piecemeal outsourcing of technical activities, e.g. acquisitions. The future offers the prospect of consolidation into the outsourcing of whole activities, if not services.

#### Public libraries

Materials supply and processing has long been an area of outsourcing. For many years public libraries have had arrangements with their book suppliers, and more recently for other materials as well, to process books so that they are equipped with all the necessary stationery and protection to go on the shelves. More recently libraries have outsourced the cataloguing and classification of the bulk of their materials to suppliers so that the items arrive fully shelf-ready.

Suppliers now also offer to do the selection for libraries against set criteria. This broadening of processes outsourced could lead eventually to the whole of stock management (including acquisition) being outsourced.

The savings from this outsourcing have long been recognised, as the routine processes are transferred to where economies of scale can operate. The ending of the Net Book Agreement (NBA) has tended to generate competition on both price and range of services offered by suppliers, encouraging an increase in operations outsourced.

Information and communications technology (ICT) is also a long-standing area for outsourcing. Most public libraries have bought in turn-key library housekeeping systems, rather than designed a system in-house. Those few in-house systems that exist are likely to be replaced by turn-key systems when they are due for replacement. The systems available have become increasingly sophisticated and able to offer a range of electronic data interchange (EDI), management and stock-management functions in

one system. Most recently they have offered Web access and opportunities to develop the People's Network agenda. Facilities management may be outsourced. This happens in a number of ways: to the system supplier, to an ICT contractor, or to another authority (e.g. following local government reorganisation (LGR)).

Given the complexity of developing such all-purpose systems it is unlikely that any in-house systems will be developed in the future, although one exception as we go to press is Dorset County, which has contracted to develop its own in-house system to replace an existing in-house system of several years' standing. The advantages of outsourcing lie in the areas of both cost and technical skills.

For many years, especially following the contracting-out legislation of the late 1980s, local authorities have contracted out support functions such as cleaning and maintenance. The library service has had these functions outsourced as part of an authority-wide process. There is also evidence of library-specific functions, particularly the recovery of library books from defaulters, being outsourced. This too may follow authority-wide practice.

A range of special services either has been or is being considered for outsourcing. Examples include the provision of mobile services by one authority for another (especially following LGR); the outsourcing of the supply and operation of transport, usually as part of an authority-wide process; micro-franchising, i.e. the operation and management of a branch library by a lesser authority (e.g. a parish council taking responsibility under a formal agreement for the operation of a small library). More recent proposals relate to the delivery of the house-bound service being undertaken as part of a contract for the delivery of home meals; the outsourcing of call centres, including a library telephone enquiry service, and the outsourcing of business information services.

Following LGR a number of part-service outsourcing arrangements were entered into, some temporary, but some continuing, where one authority provides a range of services to another. The best example of this is Essex, which provides a range of services, including provision of ordering and supply service (itself outsourced by Essex) and an ICT system for Thurrock and Southend Boroughs. Another example would be the operation by Dorset County of a schools library service in Bournemouth and Poole Boroughs as well as in the County, rather than three separate services being established.

This trend is also evident in the statistical database (CIPFA, 2000). In 1999-2000 total income for public libraries in the UK from the provision of library services to other authorities was £2,617,317. The bulk of this (£2.1m) went to the English counties, and seems to be a result of LGR: unitary authorities, split out of larger services, contracted for work to be done by the former parent authority. This seems to be borne out by the fact that expenditure on third-party payments is £3.479m for the English unitaries, but only £732k for the English counties. However the English uni-

ties themselves show a healthy income of £382k from outsourcing. This may well be from providing services to other unitaries under collaborative arrangements.

The only example of a whole service outsourced is Hounslow's outsourcing of its library service to a Trust. Research a few years ago indicated that this was a perfectly feasible structure for delivering a public library service (Coopers & Lybrand and Dorset County Council, 1994). Dorset decided not to proceed with this development, but Hounslow, in 1998, established a Trust to provide its leisure services, including library services, which were set up as one of the companies within the Trust. The service is now provided under contract to the library authority by the Trust.

The main benefits are claimed to be a greater freedom of action to respond quickly to new developments and changes, greater budgeting certainty over the period of the contract (10 years with a mid-point break and funding linked to the retail price index) and a Board, representing a cross-section of the community, which can fight for the service. It was significant that at Hounslow there was all-party support for this development; in many places there would be political objection to such a proposal, which could undermine the effectiveness of the initiative.

We have discovered no example of whole-service outsourcing to a commercial supplier. The KPMG/CPI study and the experience of Westminster are cited by libraries to indicate that there is no commercial provider. However, at least one commercial provider is starting to put itself forward, citing the experience of Riverside Public Libraries in the USA, and we may see the development of consortia of suppliers, similar to those formed for PFIs.

Cooperative schemes have been in operation for many years and are not particularly concerned with outsourcing, more with the sharing of scarce or special resources. Consortia in libraries have developed especially to take advantage of the demise of the NBA and secure best price by the use of scale for operations often already outsourced.

Some recent thinking, however, indicates that some of these organisations may be starting to offer an opportunity for outsourcing some services to them. For example Co-East is exploring the cooperative acquisition and use of specialist materials (such as music scores, drama sets) and the development of a regional enquiry service to operate for all its members. While on the borders of outsourcing, this opportunity to transfer and pool services can lead to economies of scale and exploitation of specialist skills in much the same way as outsourcing to the private sector can.

The aggregation of a number of relatively small-scale activities may also attract private sector provision: suppliers in other fields (e.g. publishers) are encouraging, or even helping to create, consortia to create viable markets for products or services. The consortia also have an important role to play in developing and extending the purchaser/provider culture.

Private Finance Initiatives are intended to introduce private capital into the public sector, essentially to fund

major capital projects, which cannot be financed by the public sector now. It is a form of deferred capital financing providing the asset immediately, but with long-term costs being incurred as the private sector partner recoups his costs and makes his profit on the asset before it is handed over at the end of the term of the agreement. The most obvious examples are the provision of the new Bournemouth Central Library together with the delivery of a new ICT system, subsuming the library management system, for the whole service. It is also hoped to provide a new central library in Brighton by the same method. PFI involves enormous inputs of senior local authority staff time, as well as the employment of expensive specialists, but, if the alternative is no new capital developments, the advantage to the service and users may be easy to identify.

The Bournemouth PFI provides some interesting echoes. Firstly, the size and complexity of this initiative are cited as problematic. This is so in terms of the overhead, represented by the staff costs just discussed. A lack of flexibility is also apparent: for instance, choice of the main building contractor determined the ICT contractor involved, which in turn determined the choice of supplier for the library management system. This is not to imply that an inappropriate system will be installed: the vendor in the successful consortium has a large share of the public library market. Rather, the freedom of choice of key IT contractors and systems by the library service was lost, together with the potential for joint arrangements with neighbouring libraries and other innovative approaches. Compare also the new IT outsourcing law formulated by Vail (1999): the benefits to the user of outsourcing are in inverse proportion to the size of the contract. Secondly there is a major cultural shift in moving from a relationship of trust to one where the specification is fundamental. This is inevitable in any customer-supplier relationship, but is perhaps intensified by the size of such a PFI.

#### *Academic and special libraries*

Academic libraries have for many years bought in ICT library systems and there is a well-developed market both in this country and abroad for such systems. In general universities have, however, been resistant to outsourcing the operation of their other ICT systems, claiming that these are integral to their teaching and business processes. One exception is Durham University, which has outsourced its management information systems. It will be interesting to see if the development of Best Value-type reviews in the academic sector can maintain the validity of this premise; public library colleagues point to successful outsourcing of such functions in their sector.

As regards materials supply and processing, some academic libraries have obtained their stock in shelf-ready form, but there is still a greater reluctance in the academic sector to outsource the cataloguing and processing operation than in the public library sector. The particular needs of the institution are often claimed to require a specialist

approach to the cataloguing and classification of materials. Classification schemes are often idiosyncratic, with frequent modifications, extensions and mixing of editions. Cataloguing and classification are still seen as core professional functions, and guarded as such. This militates against outsourcing, since economies are achieved through standardised processes. It would however be interesting to see how this area too would fare under a Best Value-type review, and what the result of increased reliance on electronic resources will be for perceptions of the cataloguing and classification process.

Libraries in the private and government/quango sector are where the outsourcing of the delivery of the whole service has taken place. A number of commercial companies offer the facility to outsource the complete operation of a library/information service. Using their economies of scale and range of skills across the organisation these companies can offer a more cost-effective service than a small in-house library/information service.

One commercial library has outsourced the holding of its materials to a storage and retrieval company and kept just a librarian and access to ICT information services in-house.

The British Library also uses specialist outsourcing where this is felt to be beneficial, and one example is the outsourcing of the provision of the production of bibliographic data to a private company (Nicholas et al., 2000).

Varying degrees of activity are reported between higher education (HE) and further education (FE) libraries, which tend unsurprisingly to reflect institutional attitudes and levels of collaboration. Some FE institutions have contracts with the local university (e.g. Middlesex) for the delivery of a library service. There are indications that this type of arrangement will become more common. At least one university library is considering externalisation in conjunction with a range of FE partner institutions. One university and its four associated colleges have a common library management system, which is run from and maintained by the university. The colleges pay a fee.

Another university has a well-developed network of associate colleges, and within that an inner core of colleges calling itself the Higher Education and Training Partnership (HETP). At the institutional level this negotiates as one body with the Higher Education Funding Council (HEFC) for the Partnership as a whole. The university now provides one college with library facilities seamlessly with its local campus library. Each year the college is invoiced for an agreed sum to cover stock and staff.

Mergers of HE and FE institutions have generally meant *de facto* that the university has taken responsibility for the college library.

Externalisation of HE library services to companies, which are generally wholly owned by the institution, is fairly common. Estimates of 10-15 examples across the UK have been given; we may therefore assume that as many as 10 per cent of HE institutions fall into this category. These companies are generally associated with new building pro-

jects, and are seen as tax-efficient. Library staff are generally seconded to the company; the HE institution leases premises to the company and charges for overheads and services; in return the library company invoices the HE institution for library services delivered. This practice is analogous in some ways to trust formation in the local authority sector, such as Hounslow's Community Initiative Partnership. Once externalised there is no evidence that these HE library companies seek to trade except with their HE institution. They remain, however, potential vehicles for providing commercial services to other libraries.

### *Future developments*

Drivers are:

- **Best Value** – currently in its formal sense this is having an impact on the public library sector. With the related inspection regime this is forcing library services to question the way services are delivered and the justification of what is delivered. Many services are starting to ask if traditional ways of operating are necessarily the most effective for delivering what the community needs or wants. It is possible that the Best Value concepts will also start to operate in the academic sector and the same fundamental questioning of existing systems and structures will have to take place there too. In the government sector the impact of Best Value will also result in a continuing questioning of the most cost-effective way to deliver services, which may well include outsourcing of the whole service;
- **public library standards** – public libraries are also now faced with delivering their services to specified standards and will have to show in their Annual Library Plans that they have clear strategies and actions to achieve the levels required. Given the continuing restrictions on expenditure, it will be necessary to devise new and imaginative strategies to deliver the standards; opportunities for benefiting from outsourcing either to the private sector or to other public sector partners will need to be examined;
- **commercial companies** – the development of companies willing and able to take over the provision of local authority services will ensure that public libraries are not left out of the frame for potential outsourcing of whole services. Indeed, as part of the outsourcing of its local education authority (LEA), Islington has included its school library service in the contract for the operation of the LEA by a private contractor. We may also see consortia of suppliers developing, which together could supply a complete library service. This strategy is already evident in responses to PFIs;
- **private sector pressure** – the pressure of finding least-cost solutions will provide a permanent drive to look at new ways of delivering services and there are already well-established companies able to offer a full contracting out facility;
- **trend to regionalism** – this is increasing in all publicly funded sectors. Initially this will be at the strategic level, mapping to the government regions. However the interests of partners (e.g. in cementing links between HE and FE institutions) and obvious economies of scale may drive towards common delivery of some elements of service.

### *New initiatives*

There are a number of new initiatives already being trailed or considered, which give some indication of the likely direction of new developments.

The logical extension of the supplier selection and supply of stock against set criteria would be to outsource the total management of the stock and set criteria for the performance of the stock. This would involve offering a contract to a supplier, tied to performance standards, to select, supply, maintain and promote the stock in the organisation's libraries. This would require a close partnership in delivering the service, but would bring on board a supplier's detailed knowledge of stock and possible access to retail marketing techniques. The supplier would use his economies of scale to offer the highest quality of skills, especially in the area of marketing, which would not be available to a single organisation. The contracts would have to be for a reasonable period of time (probably five years as a minimum) to justify the investment of resources by the supplier.

Brent provides a good example of facilities management of ICT (Readman, 2001). Their contract transfers full responsibility for the supply of ICT services to a private contractor against a clear specification. It also takes account of funding from the New Opportunities Fund (NOF) and other new initiatives and gives Brent access to specialist ICT skills in, for example, assisting it in developing its NOF2 bids. It also provides integration of archive and museum materials in a digitising project to be developed under the contract.

Islington's schools library service is a good example of a specialist service being outsourced, and this will be watched with interest to see what changes are made and how aggressively the service will be marketed by the private sector. Other areas being considered are for the outsourcing of a business information service by a major public library. Other specialist services could be 'shared' between library services, especially in a cooperative/consortium, where the skills of one partner are used to deliver a service to all (e.g. specialist music library service).

Some local authorities are handing over elements of their building stock to a private operator. Potentially many library buildings might be considered under-used and it could be that the private sector would find it attractive to operate those buildings not only to provide the library service to an agreed standard, but also to exploit the spare space/time commercially. This would take away the responsibility for maintenance and would provide regular upgrading of the buildings to make them attractive for private

sector use, resulting in more attractive and better used libraries. At least one public library service is giving consideration to this possibility.

A less dramatic alternative is a commercial/private building partnership offering the joint use of space with a commercial partner, where the land owned by a local authority is of interest to a developer. There are numerous examples of such developments.

However, there is no reason why a library should not be combined with, say, a supermarket, so that the supermarket handles the routines of loans, and the library, sited in a dedicated area, is managed by library staff to offer help, information and advice. The commercial partner maintains the building, regularly modernising it, and looks after the routines and is able to offer longer opening hours. The library service concentrates on the management of the resources and their exploitation. The major problem with this approach is the supermarket's need to bring in a high level of cash per square metre of retail space. What deals might be struck, involving payment of rent and a volume-related activity fee by the public library, set off by access to the library's user-base, remain the subject of debate.

PFI offers the opportunity of introducing private capital into a cash-strapped service. The examples of Bournemouth and Brighton Boroughs show that major capital projects can be secured that otherwise may never be built. Could PFI be used to update a library service's total building stock, leaving the contractor to secure the best use of buildings and improve the use of the library service? This would be an interesting possibility to explore, for although some library buildings may not be well sited commercially, many are and it may be possible to develop a package suitable for PFI, as an alternative to facilities management of the building stock.

It is likely that cooperatives and consortia will continue to explore new initiatives, which will help individual members deliver better services at less cost than when operating independently. For some services this may well be the best way to deliver Best Value and could be an alternative to outsourcing commercially. The development of Co-East, for example, will be very interesting to watch and may indicate that the move to achieve economies of scale will offer an alternative to commercial outsourcing.

### **Museums**

The main areas of outsourcing in museums tend to be the traditional ones of catering and retail sales, where these functions are provided under contract by commercial contractors. Even these functions have sometimes been brought back in-house, particularly where difficulties have arisen with a particular contractor. It is claimed, by some, that it is important to retain these services in-house, to ensure that they project the same ethos as the rest of the organisation. A counter-argument is that health and safety risks involved in catering are better resolved by experts.

The other main areas for contracting out have been in

the fields of conservation, design and marketing. This is particularly the case where specialist resources are not available in-house, and specific jobs are then contracted out. The smaller museums make more use of this facility, as they lack a range of staff. It also ensures that resources are applied to specific projects and that they can be clearly costed. Larger museums will outsource specific jobs only when resources or specialisms in-house will not meet the need. One such case in all museums may be the manufacture of interactive displays. These contribute greatly to the impact of exhibitions, but involve specialist techniques. They may also involve particular health and safety risks, best obviated by the expert.

Local authority museums will have some functions outsourced as part of the local authority outsourcing certain support services (initially as a result of CCT) such as cleaning, architectural services and building maintenance.

An option for a local authority is to contract out the whole operation of their museum service to a Trust. The Trust retains a close identity with the community and can exploit the links that the Trustees bring, as well as gaining some financial benefit in rating charges. It also makes it easy to attract external and corporate funding to support the museum and follows the pattern adopted by many non-profit independent museums. In at least one case the whole service was, in effect, transferred to a private contractor as part of a deal to promote and improve facilities to attract tourists, tourism being one of the key trades in the town.

Another area of outsourcing is the use of volunteers, not only for staffing exhibitions but also for carrying out fieldwork, such as environmental surveys. A recent survey shows the number of volunteers recorded as working in the sector is 25,206 in 1,188 institutions responding, compared with 12,590 permanent paid staff (Carter, 1998). Volunteers actually outnumber permanent FTE staff by 2:1! However, the figure is a raw count of bodies: it provides no indication of the frequency of volunteering or the number of hours provided. The authors do remark though that 15 per cent of all respondent museums (just over 200) were run by volunteers, with no paid staff, permanent, temporary or freelance. This domain offers an interesting combination therefore of outsourcing with community involvement.

### **Archives**

Although a small domain, archives offer some interesting outsourcing features. Areas such as cataloguing are not generally outsourced, as in libraries. There is much greater variation in house style and individual practice than with library materials.

The main outsourcing activities may be categorised (Kingsley, 2001) as follows:

- **joint arrangements** – these are relatively common following LGR. There are frequent examples of both whole-service outsourcing (e.g. in the South West) and the outsourcing of functions such as conservation and

preservation. By definition this outsourcing is to another authority;

- **commercial** – the storage of modern records (often the function of a record office together with archival preservation) may be outsourced to companies renting secure and environmentally controlled space. One danger cited is the loss of important records. Specialist conservation may be outsourced; a danger here is the creation of monopoly suppliers. Digitisation and data input are frequently outsourced. The impact of the NOF digitisation projects ([www.nof-digitise.org/](http://www.nof-digitise.org/)) will be interesting to observe: will the projects create additional centres of digitisation expertise in the public sector, or will the hold of commercial providers be strengthened?
- **PFI/PPP** – there is the general problem with PFI of identifying appropriate income streams. There is also the specific problem of mixed functions on a site jeopardising the security of the archive. One example of a partnership is the Public Record Office's plan to digitise census data and sell access over the Internet;
- **externalisation** – externalisation to a trust has been discussed in the domain, but to our knowledge the step has not been taken. Questions arise about the continuance and funding of support (e.g. legal advice, personnel) common to other local authority externalisation. Domain-specific concerns, about confidentiality and other issues concerning modern records, have been expressed;
- **collaboration** – the new Regional Archives Councils are producing strategy documents. These may well include pointers to the establishment of regional centres of excellence, and potentially aid the aggregation of functions necessary to interest the private sector. There is a parallel here with the work of Co-East.

In addition, local authority archive services have been subject to CCT as part of a local authority putting cleaning and maintenance out to contract. Clearly local authority services will be subject to Best Value reviews and this may well force services to address issues of options for delivering services.

### Cross-domain opportunities

There are fundamental differences of approach between the domains. Crudely summarised, libraries tend to view the user as primary; archives and museums the materials in their care. Libraries are about the exploitation of materials; museums and archives about their conservation and preservation. We do not wish to emphasise this difference too strongly: all three domains find their own balance between exploitation and conservation.

In one very real sense the difference offers rich possibilities of cross-fertilisation of expertise. The outsourcing of specialist services (e.g. conservation) seen within a domain is also of course possible across domains. Paper conservation expertise available within the archives domain may be of interest to the libraries domain. Museums and archives

may benefit from the book acquisitions and cataloguing experience of libraries and their suppliers.

One of the main opportunities for cross-domain operation probably lies in the ICT field and especially with the development of digitisation projects, which bring together the three domains, particularly in ensuring the widest exploitation of those resources digitised. The example of Brent's outsourced ICT system, which specifically includes a cross-domain digitisation project, points the way.

There may also be opportunities in the building field to link the development of better museum or archive buildings to development of library buildings, through PFI or facilities management. The opportunities may not always arise, but it is important to ensure that any needs in these two domains are considered along with public library needs.

Despite the differences in approach to preservation and exploitation mentioned above, there may be opportunities for cross-domain collaboration in the area of exploitation for education. Such exploitation of museum collections for instance is an important area of activity, ideally requiring a special blend of skills and experience. It may be difficult to recruit to such specialist posts, since they require a combination of skills and since there is little prospect of career progression. A combination of cross-domain collaboration and regional aggregation of service requirements could create teams of specialists impossible to justify in single-service working. The educational requirements of the three domains could then be outsourced to these teams. This trend may be fostered by the NOF-sponsored programme of digitisation of materials for lifelong learning, itself typically a cross-domain activity, which should incorporate strong elements of exploitation of the materials.

### Views of suppliers

Those suppliers consulted were providers of both whole-service outsourcing and services to which could be bolted significant elements of outsourcing (books, library management systems). Common themes are:

- **standardisation** – if libraries are able to move away from complex requirements, for instance in ordering and processing books, consortia and cooperatives especially could gain substantial savings by outsourcing to the private sector. In some cases (e.g. classification) software might be developed to cater for local variations;
- **scale** – full facilities management of stock against specified criteria was seen to be both feasible and in prospect. With stable contracts over a period of say five years, suppliers could provide financial and other benefits through application of their specialist skills and economies of scale. Length of contract is important to suppliers - from the point of view of set-up costs, continuity and staffing stability;
- **new ways of working** – companies jointly owned by a supplier and a library authority have been proposed. The political climate of public/private partnerships favoured this option;

- **stock management** – book suppliers are keen to investigate whether they can take on the role of total stock management (selection, processing, supply, management, and marketing), although not on a leased basis. This approach offers coherence and scale, taking over a whole process, without broaching the politically potentially sensitive area of whole-service outsourcing;
- **regionalisation** – this is seen as providing an opportunity for externalisation and joint arrangements between libraries;
- **technology** – teleworking was mentioned as a possibility by a major supplier of bibliographic services, to enable their employees to work at library sites rather than at the company's offices. Regional and joint arrangements obviously support this distributed way of working, creating nodes of greater activity;
- **cross-domain working** – library suppliers are willing, in many cases keen, to discuss how their services, e.g. cataloguing, might be applied to other domains;
- **whole-service versus partial outsourcing** – whole-service outsourcing is generally confined to the commercial sector and to the relatively small library (i.e. not public or academic) in the public sector. Instant Library offers wide-ranging expertise from over 150 specialist staff. This results not only in whole-service outsourcing but also in consultancy and other work (e.g. library design) for larger services where Instant Library has developed particular expertise. Best Value brings closer the prospect of whole-service outsourcing in the public library sector;
- **facilities management** – particularly with the advent of PFI and Best Value, there is seen to be increasing scope for IT-related companies to win facilities management contracts. Often they will work as part of a consortium, not alone. Benefits to the outsourcer are: transfer of risk to the contractor; economies of scale (e.g. servers, systems management); cheaper services than in-house IT departments;
- **partnership** – it is stressed that outsourcing does not bring only cost savings, flexibility and efficiencies. It also adds value by making available a high level of professional expertise. Suppliers are more and more stressing that the outsourcing relationship, whether whole- or part-service, is a partnership that can deliver the highest value by operating at the strategic level in the customer organisation. Obviously there is a level of self-interest here: all suppliers seek to make themselves as indispensable as possible. There is however a very valid point, familiar to all involved in procurement: good suppliers are expert in their own business. This expertise is best exploited by the customer when the supplier is given the freedom to offer solutions and development, rather than being strait-jacketed into client-specified legacy routines and practices.

### Issues that may arise

There is the risk of a conflict between the traditional cooperation of libraries and commercial pressures introduced by outsourcing. For example, will Islington's schools library ser-

vice cooperate with neighbouring schools library services or will they wish to compete? A similar issue could well develop with outsourced business information services.

The development of arm's-length delivery of service has potential for causing problems, although the private sector organisations that have outsourced whole-service delivery and Hounslow with its public library trust claim that they have avoided problems. The importance of pitching the contract right is the key to overcoming some of the potential problems, but in the public library sector the political objection to such contracting out cannot be ignored. Some politicians would see this as losing control, given that many feel they control the day-to-day operation, rather than overall policy and resources, of the services. Much education of politicians, which the modernising local government agenda should assist, may well be necessary to ensure that they understand that they control policy, but not delivery of the service, and that the key is getting the contract right, to ensure that policies are carried through to delivery.

In the HE library sector, similar objections may arise: learning resources, particularly libraries, have received close scrutiny in subject reviews, a process of quality assurance by external academic peers. Demonstrating the integration of the provision of appropriate resources into academic process and strategy is fundamental to a successful review, and may affect a university's position in the unloved league tables. There may well be resistance to what may be seen as a surrender of control.

In the FE sector, by contrast, outsourcing to an HE partner may be seen and portrayed as an enhancement to both level and quality of service. There has been considerable growth in the provision of HE courses by universities in FE colleges. With the advent of foundation degrees, this trend will continue. Quality, and equality, of access to resources for HE students in the FE environment will continue to be closely scrutinised by the quality agencies. Outsourcing library provision in FE colleges to an HE partner may well bring not only economies of scale but also comfort as to quality of provision.

Concern has also been voiced that, as the whole-service outsourcing market matures, service to individual institutions may diminish. The feared dynamic is that while an authority, for instance, is a single and leading customer for a service, great attention will be paid to the customisation and delivery of the service to that authority. However, when there are many customers of equal value, the customisation may disappear and a lowest-common-denominator or cloned service become the norm. We are not convinced that these fears are justified: firstly as with all procurement of goods and services, specification of requirements and management of contracts delivering those requirements are fundamental to the quality of service procured; secondly, we would assume that elements of a service that create its particular identity and relationship with its clientele would tend to remain in-house (see for instance the decision matrix in Ball (2002)). The importance of apply-

ing procurement expertise to tenders, specifications and contract management will grow.

Volatility in the commercial sector may also be of concern. Brent, for instance, cites implementation problems as their supplier was taken over at a crucial time. There has been considerable turbulence in the book and serials supply markets (Dawson's serials business being sold to RoweCom, then to divine [sic], and Blackwell's serials division and Swets merging are just two examples). Instant Library has recently been taken over by the Tribal Group. Librarians are well aware of the problems that can arise as suppliers of a single discrete service (e.g. books or serials) change ownership. There is a danger that such turbulence will be magnified if whole services are outsourced to the private sector. This danger is exacerbated by the fact that the marketplace for outsourced services is relatively immature.

## CONCLUSION

In the course of this study it has become apparent that outsourcing and externalisation is a significant feature of all three domains. This is both because it is recognised, when properly managed and applied, as a valuable tool for decreasing costs and improving quality of service, and because of the climate of Best Value, particularly in the local authority sectors.

The culture of tendering and contract management, a pre-requisite for successful outsourcing, is becoming more and more embedded in the domains. The increasing incidence of grant funding (particularly through the NOF programmes for digitisation and IT) will reinforce this trend and foster cross-domain working.

There are inhibitors for the process of outsourcing, particularly the granularity of the marketplace and concerns in many sectors about the effects of arm's-length delivery of service. Granularity is evident across all three domains, but most marked in museums and archives, where institutional budgets tend to be much smaller on average than in the libraries domain.

There is significant inter-authority outsourcing, particularly between unitary and county public libraries.

As many as 10 per cent of universities have externalised their library services to companies. Others are providing library services to further education colleges. There is however no evidence of the externalised companies actively seeking business outside their parent institutions; other imperatives (e.g. inter-institutional collaboration) have driven the provision of service to further education.

### Conclusions of the KPMG/CPI DNH Study

Although it was undertaken several years ago and under a different government, it is worth checking the conclusions of the *DNH study* (1995) against the conclusions of the present study. We restrict ourselves to the issues still relevant today, ignoring those such as CCT rendered irrelevant by the changes in political and regulatory climates.

The conclusions of the *DNH study* are given in italics.

- *Degree to which the [public library] service relies on [inter-organisational] networking ... for its effectiveness*  
This concern about potential diminution of service is echoed today in comments about competition between commercial service-providers replacing cooperation between public sector bodies.
- *The application of the contracting process is feasible*  
Today we see that contracting is commonplace, partly through procurement arrangements, common or individual.
- *Contracting out should be seen in the context of its ability to help the service achieve its aims*  
This is echoed by comments seeing quality improvement as a central driver.
- *The prospect of significant reduction in cost is limited*  
This is borne out by a market review, which portrays a low-cost environment (Ball, 2002).
- *There is no natural marketplace for the provision of the range of services ...; there is however a market for elements of the service*  
This continued to be the case for some years. However there is now evidence of the private sector showing greater interest and capability (compare Westminster City's experience). Moreover initiatives are evident within the public sector itself: e.g. regional and local provision; development of consortia and cooperatives; externalisation.
- *The low level of activity in acquisitions-related outsourcing suggests benefits are doubtful*  
There has been gradual de facto outsourcing over the years, fostered by the demise of the NBA and by the operation of consortia, suggesting that there are major benefits.
- *The imperative of partnerships for funding future development*  
This is borne out in comments today about Private Finance Initiatives and Public-Private Partnerships.

We therefore find that some of the conclusions are still valid, for instance in the limited potential for cost-savings, and in the concerns about diminution of service and an erosion of the culture of cooperation.

However, there has been significant movement in important areas: there is much greater experience of contracting, which is becoming second nature in many sectors; there is widespread de facto outsourcing of some activities (e.g. library acquisitions); the market-place for large-scale and whole-service outsourcing is starting to appear.

We therefore conclude that there has been a significant trend towards outsourcing and externalisation since the publication in 1995 of the KPMG/CPI report.

### Activities for outsourcing

The study identified the following activities as particular

candidates for outsourcing:

**cross-domain**

- the aggregation of functions into specialist externalised services (e.g. educational exploitation of collections)
- outsourcing between domains of specialist services (e.g. conservation for libraries by archives)

**regional**

- the aggregation of functions within domains for outsourcing to commercial suppliers or 'expert' institutions within the domain (e.g. business information service)
- cross-sectoral outsourcing of functions/services (e.g. to HE libraries by FE colleges)

**individual**

- the application of 'microfranchising', i.e. the operation and management of a service by a lesser authority
- the use of volunteers.

### Creating the environment

The following mechanisms would help foster a climate more favourable to outsourcing and externalisation:

**development of models**

- regional/sub-regional 'common services agency'
- whole-service outsourcing outside the commercial/special library sector
- new ways of working with suppliers, such as companies owned jointly by supplier and purchaser or group of purchasers

**facilitators**

- championing of outsourcing and externalisation by emerging strategic regional bodies
- production and promulgation of a tool-kit or manual
- promulgation and use of the decision matrix (Ball, 2002)
- involvement of purchasing consortia with professional procurement expertise to embed purchaser/provider culture
- the consideration by purchasing consortia (particularly public library consortia) of cross-domain working
- mapping purchasing consortia on to emerging regional structures.

We are clearly on the brink of some major changes and developments, particularly in the public library sector, and we need to consider now how best to deliver an effective service in the 21<sup>st</sup> century, unbound by tradition and habit.

### ACRONYMS

CCT	Compulsory competitive tendering
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Capital Planning Information
DNH	Department of National Heritage
EDI	Electronic data interchange
FE	Further education

HE	Higher education
HEFC	Higher Education Funding Council
HETP	Higher Education and Training Partnership
ICT	Information and communications technology
IT	Information technology
LEA	Local education authority
LGR	Local government reorganisation
NBA	Net Book Agreement
NOF	New Opportunities Fund
PFI	Private Finance Initiative
PPP	Public-Private Partnership

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