



PRIME MINISTER

"Contracting Out" is
generating plenty of paper and
little action. NAF 12/2.

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

11 February, 1980

Dear Willie

Contracting Out Public Sector Functions

The Ministerial Steering Group on Government Strategy (MISC 14) has recently been considering the scope for contracting out public sector functions to the private sector. We asked the CPRS to co-ordinate work on central government functions (including the NHS) and the enclosed report* is the result. (Work on local authorities and nationalised industries is in hand separately.)

I am writing to you and others now because I and my colleagues on MISC 14 felt that Ministers in charge of Departments would wish to take note of the results of the study so far, and to satisfy themselves that opportunities for more contracting out are not being overlooked. The initial survey suggests, as was to be expected, that the scope for contracting out differs widely between Departments. But there can be few, if any, Departments where there is no scope, bearing in mind functions common to a number of Departments as well as those specific to a particular Department.

We felt that colleagues would also wish to consider critically, so far as their own Departments are concerned, the categorisation of functions (as summarised in the table on page 7 of the report). These categorisations are based on assessments made by departmental officials, but we felt that there might well be scope for moving some functions from Category B, or even from Category C, to Category A. Generally, further consideration in the light of the wider interdepartmental experience as set out in the report may lead to some re-assessment of the possibilities.

The Rt.Hon. William Whitelaw, M.P.

* The annexes to the report are not enclosed. But they are either already available in Departments or can be obtained from CPRS, if required.



We feel that it is important to maintain impetus in the area, and that it would be helpful if MISC 14 could be given an opportunity to review progress before the summer break. I would, therefore, be grateful if colleagues could ask their officials to make a short progress report to the CPRS by Friday, 11th July, so that the CPRS can circulate a report to MISC 14 by the end of that month. These progress reports should set out progress made, or in prospect, towards more contracting out of departmental functions (including not only those assigned to Category A in the CPRS report, but also those assigned to Categories B or C, or other functions not covered in the report, where it is found that progress can, in fact, be made).

In the case of those general functions which concern all or most Departments, where the Civil Service Department has an overall interest (these are the functions listed in the table on page 7 which are not assigned to a specific Department), I think it would be best if CSD were initially responsible for co-ordinating a composite progress report from Departments on a similar timetable.

I am sending a copy of this letter and its enclosure to the Prime Minister, to other Cabinet colleagues, and to Paul Channon and Norman Fowler. I am also sending a copy to Sir Robert Armstrong.

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A handwritten signature in dark ink, appearing to read 'Geoffrey Howe', written over a horizontal line.

GEOFFREY HOWE