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Treasury Chambers, Parliament Street, SWIP 3AG
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12 August 1980

The Rt. Hon. William Whitelaw, CH, MC, MP
Secretary of State for the Home Department

Dr. Williams

CONTRACTING OUT OF PUBLIC SECTOR FUNCTIONS

See Pt 5

I wrote to you and other colleagues on 11 February with a copy of the Central Policy Review Staff's report (prepared for the Ministerial Group on Government Strategy (MISC14)), on contracting out Central Government and National Health Service functions. I mentioned then that the Group had asked the CPRS to co-ordinate a short progress report for MISC14 before the summer recess. I now enclose (at Annex B) a copy of this. MISC14 considered it last week and generally endorsed its recommendations.

I very much hope that colleagues will continue to take a close personal interest in work on this issue. In particular, I hope they will consider carefully whether it might be possible to make faster progress on particular fronts, and whether there are any further opportunities for contracting out within their Departments, which have not been identified so far.

In order to help Departments pick up possibilities for contracting out which they may not have hitherto reviewed, I also attach to this letter a further short checklist (at Annex A) prepared since our meeting by the CPRS. This shows, on the basis of information made available to them, which Departments are known to the CPRS to be contracting out, intending to contract out or actively reviewing the possibilities of contracting out particular functions. (Departments should note, however, that the information on which this is based, particularly for some across the board functions, is not entirely comprehensive.)

As you will see from Annex A to the main report, work is currently in hand on a number of studies of the scope for contracting out particular public sector functions, and the

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Group has therefore asked the CPRS for a further progress report early next spring.

Finally, perhaps I could draw colleagues' attention to paragraphs 12 and 13 of the CPRS report. I should be grateful if you and the others to whom I am copying this letter could ensure that the Treasury advice to which those paragraphs refer is disseminated at all relevant levels within Departments and that cost comparisons between in-house and contracted-out work are being done on a basis which excludes VAT.

I am sending a copy of this letter and of the attachments to the Prime Minister, other Cabinet colleagues and Norman Fowler. A copy of the letter also goes (without Annex B) to Sir Robert Armstrong, Robin Ibbs and John Hoskyns.

Handwritten signature and initials, likely of Geoffrey Howe, consisting of a large 'G' and 'H' followed by a cursive signature.

GEOFFREY HOWE