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Prime Minister 2
To note that legislation
to compel competitive
tendering in local authorities

Treasury Chambers, Parliament Street, SW1P 3AG has been ruled

The Rt Hon Kenneth Baker MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London
SW1P 3EB

out for this year, but
not next.

mt

DBN
6/12

29th November 1985

Dear Kenneth

LOCAL AUTHORITY CONTRACTING OUT

with DNV or will request
if required

As suggested in my letter of 25 October, our officials have now discussed the possibility of limited interim measures. No. 10 Policy Unit have also been involved, so I am copying this letter to the Prime Minister.

A couple of half-baked clauses could queer the pitch for a proper scheme; and I accept that pressure of time makes it difficult to do anything more satisfactory in this year's Local Government Bill. This is disappointing when such a measure would be popular with our backbenchers, and would help us over a period of time secure some of the efficiency savings which we know can be made in local government. There is a lot at stake; John Banham of the Audit Commission suggested in his presentation to Cabinet last July that efficiency savings in the range £2-3 billion are possible, without reducing service standards. As you know, some authorities which have used competitive tendering on a voluntary basis have proved its worth - Lambeth ratepayers pay twice as much per head for refuse collection as Wandsworth ratepayers. Well prepared legislation to widen compulsory competitive tendering would help district auditors to highlight poor value for money in authorities reluctant to tackle inefficiency in their own workforce. I understand John Banham would welcome legislation for that reason. Legislation should also have some restraining effect on any excessive demands for pay increases by the trade unions representing the local authority manuals.

So I agree with Michael Ancram that we should certainly aim to have a Bill in 1986-87, and press on with detailed work with that in mind. We can use the time to work up the detail of how the legislation would work in practice (draft model contracts etc) so that legislation can be implemented quickly, with shorter transitional periods than would have been necessary if we had legislated in 1985-86.

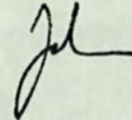
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It will be important not to lose the public momentum of this policy. In addition to work on the legislation, I would see value in a report to H Committee, as the Lord President suggests, on any non-legislative measures which might be taken, and also on how we should make clear our continuing interest in this field.

I am sending copies of this to the Prime Minister, to the Lord President and other members of H Committee, to First Parliamentary Counsel and Sir Robert Armstrong.

Yours ever,



JOHN MacGREGOR

