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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Leon Brittan QC MP
Secretary of State
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1

19 December 1985

Dear Leon,

USING PRIVATE ENTERPRISE IN GOVERNMENT DEPARTMENTS

We have a strong commitment to increasing the range and volume of services which government departments open up to the private sector by competitive tendering.

We know that the introduction of competition into the provision of services makes good management sense and improves value for money by reducing costs.

This policy has already produced savings of over £20 million per annum and 21,000 posts since 1979. This is good but we need to do more.

Peter Rees mentioned in his last progress report that it would be helpful to mount a multi-departmental review of competitive tendering in government departments. I believe that this would be timely. After the policy has been operating for over 5 years, we need to see how it is working on the ground, and help departments to learn from the experience of others.

This matter has been discussed with Sir Robin Ibbs, and we intend to commission such a review, to be led by the Efficiency Unit. I am concerned not to add unnecessary burdens onto departments, so we have in mind a practically orientated study aimed directly at finding out how departments have applied our policy, the benefits they have gained, and to learn lessons for the future. A specification setting out more detailed objectives, terms of reference, key issues and timetable for the review is attached. It will be conducted under the scrutiny procedure set out in the Efficiency Unit's guidance notes; and the trade unions will be consulted in accordance with that procedure.

MANAGEMENT IN CONFIDENCE

The review will take place in the early part of 1986 and the central team will report to Sir Robin Ibbs and myself by 31 May, in time for my annual report on contracting out to the Prime Minister.

I hope that you and other colleagues will feel able to support me in this by putting forward your departments as participants. A suggested list of participants is set out in the attached Annex but is not intended to preclude other colleagues from joining in. I hope that in addition to relying upon the experiences of the participating departments the central team will also be able to draw upon wider experience in local authorities and the National Health Service.

I am copying this to all Ministers in charge of departments and, for information, to the Prime Minister and Sir Robin Ibbs.

Yes ev,
JH

JOHN MacGREGOR



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With the Compliments

of the

Chief Secretary to the Treasury

*These annexes should have been
attached to the Chief Secretary's
letter to Leon Brittan dated
Treasury Chambers, 19th December '85.
Parliament Street,
SW1P 3AG*

ANNEX

List of suggested participating departments in the Multi-Departmental Review on introducing competition in the provision of services to government departments.

Ministry of Defence
Department of Environment
Property Services Agency
Department of Health and Social Security
Home Office
Department of Trade and Industry
Department of Energy
HMSO

JB2:SPEC7/11

INTRODUCING COMPETITION IN THE PROVISION OF SERVICES TO
GOVERNMENT DEPARTMENTS - SPECIFICATION FOR A MULTI-DEPARTMENTAL
REVIEW

Objective

The government has a policy to ensure that as much departmental work as possible is open to competition and contracted out where it is cost-effective to do so.

Mr John McGregor the Chief Secretary to the Treasury and Sir Robin Ibbes, the Prime Minister's Adviser on Efficiency have jointly commissioned a review with the objective of:

extending the application of the government's policy on the use of competition in the provision of departmental services and improving the ways in which the policy is delivered in practice.

Terms of Reference

In the context of the Government's policy on competitive tendering and the contracting out of services to review and assess:

- (1) the ways in which departments identify services which might be contracted out;
- (2) how departments test and evaluate the possibilities;
- (3) how departments control the delivery of services and ensure that value for money is obtained.

Scope

The study will be carried out as a multi-departmental review by a central team and departmental examining officers. It will use the techniques and procedures set out in the Efficiency Unit Scrutiny 'Notes of Guidance' of October 1985.

The central team will supplement departmental findings with information about experience in local authorities, the national health service and elsewhere.

Key Issues

The key issues which will be addressed by the review will include:

- the type of services used by departments;
- the frequency with which departments review service provision and need;
- the extent to which departments include contracting out as an option within their reviews and the ways in which they evaluate the various options;

- the ways in which departments control service delivery and ensure that the right service is provided to the specified standard at the agreed cost;
- the ways in which departmental experience could be shared.

Timetable

The review will begin in the early part of 1986 and will report by 31 May 1986. Action plans will be due by 31 August 1986 and implementation reports will be delivered by the end of 1987. Departments should appoint action managers at the outset. The central action manager will be David Butler (HM Treasury).

Review Team

The central team will be led by Kit Chivers of the Efficiency Unit. The Treasury, Cabinet Office (MPO), and the Central Unit on Purchasing will each contribute a member. The team will further be supplemented by the addition of a departmental line manager.

EFFICIENCY UNIT

09/12/85

