



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

Prime Minister 3

PRIME MINISTER

No. I think one  
minute at this time  
is enough

If you agree to launch a further  
initiative on "contracting out", a  
personal minute to the Chancellor  
is attached.

hm  
10/8

THE CONTRACTING OUT OF PUBLIC SECTOR FUNCTIONS

The Ministerial Group on Government Strategy at its meeting on 29 July (MISC 14(82)3rd Meeting, Item 2) considered briefly the progress that had been achieved so far with contracting out public sector functions and whether more could be done. The Group agreed that although progress had been made following the various reports which the CPRS produced for MISC 14, much more could and should be done; and that if real progress were to be made the Government would need to launch a new initiative covering not just central government but also the NHS and local authorities. I know from your reaction when I mentioned the topic last week that you take the same view of its urgency. I have been considering what can best be done to stimulate early and effective action.

2. As the progress report circulated with Robin Ibbs' letter to me of 13 July 1981 illustrated, the work undertaken previously by the CPRS identified a wide range of functions that might in principle be contracted out to the private sector. But much too little has been done to turn principle into practice. The main task, at this stage, is to ensure that Departments, the NHS and local authorities realise that the Government remains committed to contracting out as much as possible; and that sufficient political priority is attached to this work. In my view, the right first step is



for Departmental Ministers personally to review the progress that their Departments have made and the opportunities for new initiatives; the Secretaries of State for Social Services and the Environment might be invited to co-ordinate similar reviews for the NHS and local government respectively. In the light of these reviews, which might be completed by, at the latest, the end of October, and of further bilateral discussions which I might need to have with individual Ministers, I would intend to put a report to E Committee for discussion before the turn of the year, setting out a detailed programme of the further measures that might be taken during the remainder of the Government's term of office and also identifying the main prospects in the longer term.

3. To ensure that Departmental Ministers take a personal interest in this work I think it would be helpful if you were to initiate the exercise by a personal minute to me along the lines of your minute of 28 July (M6/82) on privatisation. I attach the draft of such a minute.

4. I am sending a copy of this minute to Sir Robert Armstrong.

(G.H.)  
10 August 1982

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10 DOWNING STREET

*From the Private Secretary*

13 August, 1982

The Contracting Out of Public Sector Functions

The Prime Minister was grateful for the Chancellor of the Exchequer's minute of 10 August. She agrees that Departmental Ministers should personally review the progress that their Departments have made, and the opportunities for new initiatives on the contracting out of public sector functions, and she agrees that this review should cover the NHS and local government. But she does not feel that it would be right to initiate the exercise by a personal minute from her to the Chancellor. As I told you on the telephone, she would prefer the Chancellor to write to the Home Secretary suggesting that this review should be set in hand, and to say that he is doing so with her agreement.

I am copying this to Richard Hatfield (Cabinet Office).

W. F. S. RICKETT

Peter Jenkins, Esq.,  
H.M. Treasury

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FILE Econ Pol SW  
cc: Mr. Walters  
Mr. Verker

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Draft minute  
not sent

10 DOWNING STREET

THE PRIME MINISTER

Personal Minute

No.

THE CHANCELLOR OF THE EXCHEQUER

The Contracting Out of Public Sector Functions

During the course of the last two years the Ministerial Group on Government strategy (MISC 14) has considered on a number of occasions, on the basis of reports by the CPRS, the scope for contracting out to the private sector some of the functions performed by central government, and the progress being made in doing so. The most recent CPRS progress report was circulated with the letter to you of 13 July 1981 from the then Head of the CPRS.

The need to redress the balance between the public and private sectors through privatisation and contracting out remains an essential part of the Government's strategy. It is, therefore, important to improve on the impetus of MISC 14's earlier work on this subject, if we are to make more progress on this than we have so far.

My minute to you of 28 July (M6/82) invited you in your capacity as Chairman of E(DL) to co-ordinate a thorough review of the prospects for further privatisation. We need with equal urgency to review the progress being made with contracting out and to identify where new opportunities exist. The aims of these two exercises are, of course, similar; the distinction is that privatisation involves transferring responsibility for a function to the private sector, whereas contracting out means that the public sector retains responsibility but employs a private sector agent to carry it out.

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Ministers should report to you by the end of October on progress to date with contracting out and the further measures that might be taken. The Secretaries of State for Social Services and the Environment should also report on the situation in the National Health Service and local government respectively. I should be grateful if you would then prepare, in the light of these reports and of further bilateral discussions between you and individual Ministers, a report to the Ministerial Committee on Economic Strategy in time for a discussion before the end of this year. This should set out a detailed programme of the further measures that might be taken during the remainder of the Government's term of office and should summarise the main prospects in the longer term.

In preparing their reports to you colleagues should consider personally what more can be done to improve on the relatively limited progress that has been made to date and suggest areas for new initiatives.

I am sending a copy of this minute to all members of the Cabinet, the Attorney General, the Lord Advocate, Sir Robert Armstrong and Mr. Sparrow.

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