



CONFIDENTIAL

Prime Minister (2)

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QUEEN ANNE'S GATE LONDON SW1H 9AT

27 October 1982

Dear Geoffrey

THE CONTRACTING OUT OF PUBLIC SECTOR FUNCTIONS

You asked in your letter of 11 August for a report by the end of October on progress to date with contracting out and the further measures that might be taken. The information that follows was assembled on the basis of your original request and does not, therefore, cover all the ground suggested in your Private Secretary's letter of 18 October. I have asked for such additional material as is readily available to be assembled quickly and I shall send that to you as soon as I can. In the meantime I hope you will find the following helpful.

As you know, our principal efforts in this area have been directed towards the privatisation of domestic services at the thirteen residential training establishments for which the Home Office is responsible. The exercise is being conducted in three phases and is planned to be completed by September 1983. It has to date been found feasible and profitable, to contract out catering, housekeeping and security services, but the privatisation of other services such as transport and gardening has so far proved to be impracticable on either financial or management grounds.

In the first phase contracts were awarded for the provision of services at three establishments - the Police Training Centres at Bruche and Chantmarle and the Prison Service College, Wakefield (Love Lane). The contracts, each for three years have been in operation since 1 April 1982, and performance so far has been satisfactory. The three contracts should cost about £986,000 in 1982/83. This represents an estimated financial saving of over £300,000 and a staff saving of over 160.

In the second phase contracts have been awarded for catering, housekeeping and security services at four establishments - Ryton Police Training Centre, the Police Staff College, Bramshill, the Central Planning Unit, Pannal Ash, and the Prison Officers Training School at Leyhill. In addition contracts have been let for catering and housekeeping services at Ashford Police Training Centre where the company to which the contract was originally given withdrew. The contracts will operate from January 1983 and discussions with successful contractors are in progress about arrangements for handover and recruitment of staff. The annual cost of the contracts at the five establishments is estimated at £1,590,000 and financial savings at about £650,000. There is a probably saving of about 250 staff.

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We are now embarked upon the third phase. Privatisation studies are already in progress at the Fire Service College, Moreton; the Police Training Centres at Dishforth and Cwmbran, the Prison Service College, Wakefield (Aberford Road) and the Home Defence College, Easingwold. The aim is to invite tenders in November and to take decisions in February/March 1983 for the introduction of the contracts in September 1983. We would hope to achieve annual financial savings on these contracts in excess of £650,000 and there are potential staff savings of about 290.

Contracts have been awarded to Grandmet Catering Services Ltd. for services at Bruche, Chantmarle and Ryton Police Training Centres, the Prison Service College (Love Lane) and the Prison Officers Training School, Leyhill. The Sutcliffe Catering Company (North) has obtained the contract for Pannal Ash and ARA Food Services Ltd., from Bramshill. At Ashford the contracts are being let to Pennine Catering Services for catering and County Cleaning Contractors for housekeeping.

The cost of redundancy compensation (and payments in lieu of notice) is estimated as:

First phase (actual)	£300,000
Second phase (estimated)	£450,000
Third phase (estimated)	£500,000
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	£1,250,000

The cost of redundancy payments in the first phase at each establishment has been more than covered by savings in the first year.

The trade unions - industrial and non-industrial - have been consulted and kept informed at all stages. They have stated their objection to the principle of privatisation but have so far taken no action to impede progress. All other interested parties have been kept fully informed. Most now seem reluctantly to accept the financial case for privatisation, but there is still strong opposition from the Association of Metropolitan Authorities and particularly from some AMA-dominated local authorities' committees for the Police Training Centres.

The staff savings achieved and in prospect are, of course, essential to offset demand-led growth in Home Office central and administrative services, particularly in the immigration, police support and radio regulatory areas.

Aside from the residential training establishments, there is extensive contracting out of work on prison design, construction and maintenance. Over 90% of the new design work is undertaken by professional nominated firms and expenditure on professional fees in 1981-82 amounted to some £7 million. Prison building is mainly undertaken by contractors, although to a limited extent direct labour (prison works staff supervising inmates) is employed. An increasing proportion of work on the maintenance of staff quarters is also being done by outside term contracts and 100 prison establishments have planned maintenance schemes for mechanical and

engineering installations, the documentation for which is provided by private firms. Sales of property are also handled by appointed agents.

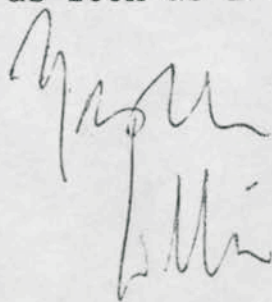
In the field of transfer services we are at present operating 228 contracts for the conveyance of prisoners and escorts by taxi, mini-bus and coach and the number of contracts placed is likely to remain around this figure in future years. The annual value is around £3.5 million. Freight transport is also widely contracted out to a value of around £1.2 million a year; the bulk of this relates to the activities of prison industries and farms and gardens. We are currently engaged on a detailed examination of the transport arrangements for the main distribution networks for prison farm produce with a view to contracting out all the delivery work if there is a cost advantage.

As for fleet maintenance, the 1,040 vehicles in the Home Office fleet are operated from 200 different locations spread around England and Wales. Almost all local units already use commercial garages for the maintenance and repair of their vehicles. The exceptions are those major repairs, usually to heavy vehicles, for which there is a cost advantage in putting the work to our vehicle repair depot at Swindon, having regard to such considerations as urgency and the distance involved. The role and effectiveness of the Swindon Depot are, however, under review.

Our Directorate of Telecommunications has for some time used contractors for the installation of large control systems and radio link assemblies. We expect to spend about £0.3 million on contract labour this year and about £1 million in 1983/84. This increased use of private contractors stems from decisions at the World Administrative Radio Conference 1979, which require all police and fire VHF systems to be converted to new frequencies. On present plans we shall be using contractors for radio surveys; the technical evaluation of some new equipment; the provision of foundations for temporary masts; and the erection, dismantling and transportation of temporary equipment cabins and masts at hill-top sites.

Contract cleaning now operates in all our London headquarters buildings with the exception of the Ministerial suite on the 6th and 7th floors at Queen Anne's Gate which, for security reasons, must continue to be serviced by directly employed cleaners. 68 contracts, three apportioned costs and sixteen agreements covering office and window cleaning plus an additional agreement for pest control have been negotiated.

I hope this information goes some way to meeting your propose. I shall, as I say, let you have the additional factual information requested by your Private Secretary as soon as I can.



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