



Prime Minister (2)

r/c JV

ms 4/11  
Northern Ireland Office  
Stormont Castle  
Belfast BT4 3ST

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

3 November 1982

CONTRACTING OUT

I am writing in response to your letter of 11 August to Willie Whitelaw as the second part of the exercise initiated by the Prime Minister in July. I wrote to you on 23 September about Privatisation.

My Departments have now reported to me on progress made and possible new initiatives for contracting out. As the Report enclosed with this letter indicates, progress is continuing and further likely candidates have emerged.

We regard progress in this area as being particularly important in Northern Ireland where the public sector occupies an even more dominant position than in the rest of the UK. There are some distinctive factors constraining contracting out in Northern Ireland, including some lack of capacity, expertise and competition in the local private sector and security considerations, but our different arrangements for many traditional local authority functions can to a limited extent increase the opportunities where these functions are directly carried out by Northern Ireland Departments.

As the Report shows we will be continuing to seek to promote the involvement of the private sector whenever it is helpful to do so including in such areas as the Health Service and Departments will continue to monitor all the initiatives in Great Britain for possible





application here.

I am copying this letter and the Report to the Prime Minister, members of E Committee and to Sir Robert Armstrong.

*Yours  
T*

AGRICULTURE

Present Position

Three targets have been achieved:

- Over 90% of routine tuberculosis testing is now undertaken by private practitioners;
- 80% of minor watercourse maintenance is contracted out;
- Virtually all urban main drainage is done by contractors.

Additionally, appropriate work on other arterial drainage schemes is contracted out from time to time.

Further Development

Certain functions which had previously been considered for privatisation, eg milk recording, pig classification, artificial insemination and quarantine may provide suitable candidates for contracting out if privatisation is not successful.

INDUSTRY AND EMPLOYMENT

Present Position

Custodial services at Enterprise Ulster (a Government sponsored direct labour organisation) have been transferred to outside contractors with estimated savings of £75,000 in a full year.

A review of the Northern Ireland Electricity Service has revealed a potential for contracting out electrical appliance work. Much such work



is already contracted out but changes of policy have been introduced which now present further opportunities. Tender documents have been prepared for contracting out canteen services at Government Training Centres.

#### Further Development

Contracting out and privatisation are of considerable interest to the new Industrial Development Board established in September this year. The IDB already uses private agencies in certain fields such as direct mailing, advertising and promotional activities, but wishes to consider the matter further as it develops its work.

#### ROADS, WATER AND TRANSPORT

##### Present Position

The Department of the Environment (NI) is the Roads and Water Authority for NI, and the scope for contracting out design and construction work has been examined. Consultants are employed for certain categories of work. At present some 60-70% of water and sewage design work is done outside and operational work is shared between water service staff and contractors. In the Roads Service all major new works are contracted out but on maintenance and minor works the private sector has been shown to be not necessarily more efficient than in-house operation. The Department will continue to monitor the balance between in-house and contract work and adjust accordingly. A major review of the arrangements for the maintenance of the plant and vehicle fleet, principally used by the Roads and Water Service, is in progress with the possible outcome that at least some of the work could be contracted out.



Further Development

The DOE(NI) is the recipient of a large number of public liability claims. Arrangements are in hand to review the handling of these claims and to consider the possibility of using insurance brokers for their processing.

All vehicle testing in NI takes place at Government centres. The activity had previously been considered

as a candidate for contracting out but rejected on security grounds. At the request of Ministers, the position is being reviewed again and a report is expected from the RUC/NIO shortly.

HOUSING

Present Position

Considerable privatisation has taken place - sale of houses, provision of mortgages by building societies and development of the Co-ownership Housing Association. Extensive use has been made of private solicitors in the implementation of the Housing Executive house sales programme and in certain cases private estate agents have also been employed.

Further Development

The prime candidate is the landscape and grounds maintenance function of the NI Housing Executive.

ENVIRONMENTAL SERVICES

Present Position

Collection and disposal of refuse has been discussed with the local authorities



and the Department is keeping in touch with action in GB. As this service, is one of the major functions of NI District Councils they are rather more reluctant to transfer it than some of their GB counterparts.

#### Further Development

The DOE(NI) Lands Service which has been mentioned in a previous report on privatisation has been the subject of a recently completed Rayner Study. Future action in this area awaits the outcome of that exercise.

DOE(NI) are presently examining means of comparing the cost of in-house Graphic Services with the cost of obtaining a similar service from a private firm.

#### EDUCATION

##### Present Position

Most school building, sport and recreation capital work is already contracted out. In addition to the actual construction work, a considerable proportion of the planning work involved is also contracted out by Education and Library Boards, voluntary authorities and District Councils. The Department and the Boards employ some professional staff to ensure that correct building standards are maintained.

Roughly one-third of school transport is provided by the Education and Library Boards where the public transport authorities are unable to make satisfactory arrangements. There is a lack of suitable private sector operators. However, before putting buses on new routes Boards advertise school transport contracts and both public transport companies and private operators are invited to tender.



Future Development

The contracting out of school meals was considered by a working party in 1979. It concluded that caterers were only interested in large schools where substantial profits might be made and would be unwilling to provide a general service which would incorporate small rural schools. However, one of the five Education and Library Boards has agreed to institute more detailed studies to determine the precise costings of contracting out and consequent effects on public expenditure.

The Department is also examining the possibility of contracting out the running of leisure centres or individual services within existing sports complexes such as cleaning, cafeteria, caretaking etc. These facilities are managed by the District Councils.

HEALTH SERVICES

Present Postion

Previous investigations on contracting out had indicated that cleaning, laundry and catering services could be considered as suitable candidates but the apparent lack of capacity in the private sector in Northern Ireland was a major drawback. The Department has been following closely developments in contracting out these services in the NHS in England where Regional Health Authorities have been requested to test the commercial market in a positive way during 1983. This approach may not prove very productive in NI where the market is smaller and few, if any, outside firms may be interested. However, DHSS(NI) have asked DHSS(L) for an approved list of catering and domestic cleaning firms in England and will be contacting them, and also the Association of British Launderers and Cleaners, about possible interest in work in NI.



Given a reasonably favourable response the Department proposes to suggest that the NI Health and Social Services Boards should test the market in the rest of the UK as well as in NI.

Additionally, it is now Department policy to ask Boards to consider the merits of contracting out laundry services in situations where new investment is being contemplated. DHSS(NI) has asked one of its HPSS Boards to consider contracting out laundry services rather than to proceed with substantial capital investments. A full investment appraisal will be required before any proposal for capital investment will be approved.

DHSS(NI) currently undertake in the region of 10-15% of architectural and building design services in-house and this is considered to be the minimum necessary to retain professional staff and specialist knowledge.

#### Further Development

A discussion document prepared by DHSS(L) relating to potential areas for the use of outside contractors in the context of building maintenance is awaited. A report (following a local review) suggested more extended use of outside contractors on estate management. This report is presently the subject of consideration by the Health Boards in consultation with Departments.

DHSS(NI) also propose to draw the new Industrial Development Board into the debate about what can be done to stimulate commercial interest in the delivery of health support services.



LAW, ORDER AND POLICE SERVICES

Present Position

All catering in the Police Authority to the value of £2.25m in the current financial year is now contracted out as is virtually all building and maintenance work to a value of around £10m in this financial year. Some 30% of design and planning work is undertaken by consultants while an estimated £1.2m will be spent in this financial year on maintenance work undertaken by private garages on police vehicles as against £2.1m in the Police Authority's own workshops. The cleaning of the Visitors Centre at HMP Maze formerly undertaken by Prison Officer Staff, has now been contracted out and a contract has been let to a private security firm to carry cash to two of our prison establishments. We are currently examining the extension of the service to other prisons.

Some work on the telecommunications side, eg CCTV and Public Address/Bomb Alarms Installations has been contracted out but experience here has not been satisfactory. The systems require excessive maintenance and the NIO has concluded that the scope for contracting out is limited.

Further Developments

Subject to the overriding security constraints the NIO is considering contracting out cleaning services for the Police Authority. This work costs around £1m per annum and there should be a possibility of using outside staff in at least some areas



OTHER PUBLIC SERVICES

Present Position

Northern Ireland Departments, in general, still use in-house cleaning services but where possible do employ contract cleaners. A major exercise to improve the efficiency and effectiveness of the cleaning services is well under way and when this is completed we propose to further examine the cost and effectiveness of our cleaning services against those of outside contractors. We estimate potential savings of £1.3m in in-house services by means of this exercise. NI Departments are alert to the possibility of using private security firms where appropriate and do so in many instances. Considerable savings are being effected by the installation of intruder detection systems as an alternative to security guards.

Further Development

An increase in contracting out computer services is envisaged. A balance will need to be struck between essential Government requirements, probable increase in cost and the need to develop the use of the new and advanced technologies so as to improve the performance and efficiency of the Government service. The most profitable areas are likely to be accounting, engineering and agriculture.