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The Rt Hon Sir Geoffrey Howe, QC, MP
 Chancellor of the Exchequer
 HM Treasury
 Parliament Street
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Prime Minister (2)

Ms 9/11

Sean Gertner

PRIVATISATION AND CONTRACTING OUT

I have considered the scope for privatisation and contracting out in MPO.

The nature of MPO's functions provides very little scope for contracting out to the private sector. Recruitment, Civil Service training and MPO central policy responsibilities do need to be led, managed and primarily staffed by civil servants. However we have for many years made use of outside people for training and recruitment purposes and I am anxious that we should extend this practice when it makes sense to do so.

The Civil Service College uses many outside lecturers and is likely to do so more widely as College staff numbers are cut to meet the 1 April 1984 target. The College is also alert to the possibility of "farming out" courses to other bodies when good courses are available at acceptable cost. More generally, the department is in touch with other departments about the scope for contracting out their training work when the key considerations of quality, relevance and cost point that way. Some 20% of all Civil Service training was bought outside last year and this does not include the considerable outside input to departmentally run courses.

The Civil Service Commission has also for many years used outsiders on its selection boards as the most economical way of providing Chairmen and because the use of outside "experts" as members of boards ensures that successful candidates measure up to outside standards in the professional field. The Commission also uses outside people in examination work.

The Medical Advisory Service uses doctors on a fee paid basis to help in its responsibility for monitoring and maintaining the health standards of civil servants. It is in the process of establishing a network of Assistant Divisional Medical Officers paid on a sessional basis as a more efficient and effective way of coping with this task.

We also have a number of consultancy assignments to supplement the work of staff in the central policy area of the department - for example in connection with the Financial Management Initiative (2 full-time and 2 part-time consultants in the joint MPO/Treasury Financial Management Unit) and the forms review (a 3 year contract with Reading University and a 2 year contract with the Plain English Campaign).

Total expenditure on the use of outside people and consultancy assignments is currently about 7½% of the MPO's total budget. This expenditure will rise to nearly 8½% on a comparable basis by 1985-86.

On the domestic front the major expense of cleaning was contracted out in the early days of CSD. Earlier this year we stopped using PSA's car service for official visits by our senior staff (except, for practical reasons, for myself and the Second Permanent Secretary) and contracted out the work to a private hire service. The outlay and therefore savings are small but the arrangement has met MPO's needs more effectively.

For the future, next year after MPO's move to GOGGS has been completed, we shall review our departmental van services (provided in fact by PSA) on need and cost grounds following the move to repayment from 1 April 1983. There may be scope for contracting out but it is too early to say one way or the other.

After the move to GOGGS the need for security guards will reduce; but it is intended to review the patrol arrangements at the Civil Service College, Sunningdale. The catering arrangements there will also be looked at in the light of a current comparative study of outside practice.

In summary you will have gathered that MPO's contribution to future privatisation or contracting out must of necessity be fairly small - partly because so much work is already handled on a contract basis. Our domestic plans are still tentative and therefore expenditure and savings in 1982/83 and 1983/84 cannot be firmly stated. In any event however the amounts involved would be small.

I am copying this letter to the Prime Minister, Cabinet colleagues and Sir Robert Armstrong.

Yours ever

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