



Prime Minister (2) Econ PM
Mus 5/11
CC/JL

HOUSE OF LORDS,
SW1A 0PW

5 November 1982

Confidential

[Handwritten signature]
LPP

Dear Margaret,

THE CONTRACTING-OUT OF PUBLIC SECTOR FUNCTIONS

In your letter of 18 October, you asked departments for more detailed information about contracting-out public sector functions.

The Lord Chancellor's letter of 11 October to the Chancellor of the Exchequer explained that although it was not appropriate to consider his principal function as being suitable for privatisation (nor, presumably, for contracting-out), there were three areas which would be investigated. At this stage it is simply not possible to give more than a very broad indication of the likely timing of any action which would result from these studies or of the savings which might be expected

Investment activity

There is to be a review, probably in the form of a Rayner Scrutiny, of the arrangements governing the investment of privately owned funds by the various courts and offices under the Lord Chancellor's control. The scrutiny will also consider the possibility of transferring to a private sector agency the management of some or all of the investment portfolios currently managed by the Department. The scrutiny will take place during 1983; implementation of any recommendations is expected during 1984/85. Savings in cost terms cannot be anticipated because much of the present operation is self-financing. Nevertheless, staff savings of the order of 15 posts are indicated in the Public Trustee Office. There could also be consequential savings elsewhere, for example in the Court Funds Office.

.../2

Miss O'Mara
Private Secretary to the
Chancellor of the Exchequer

Official Solicitor's Department

The receivership work of the Official Solicitor's Department is currently being reorganised. This provides an opportunity to consider whether some of the other functions of the Department, particularly conveyancing on sales of estates of Mental Health Act patients, could be carried out more effectively by local solicitors. Solicitors would be invited to compete for contracts on an agency basis which might produce public expenditure savings. (The current cost of conveyancing is £115,000 per annum.) It is hoped to conduct the review early in the New Year and to implement any recommendations as soon as practicable thereafter, probably during 1983/84.

Suitors' funds in county courts

At present, suitors' funds in county courts are handled by the Paymaster General. If the clearing banks were able to provide a more economical and more efficient service, this Department would undoubtedly benefit by way of lower bank charges and better administrative arrangements. The main staff savings would fall to the Paymaster General's Office. However, the financial disadvantages might outweigh the manpower benefits; the overnight balance is currently estimated to be about £20m. I understand that the Accounts and Purchasing Division of the Treasury intend to include the banking of suitors' funds in their service-wide review of banking arrangements. I am therefore not in a position to provide details of the timing and possible savings.

Enforcement of debts

Your letter also asked for details about those functions which have been contracted out since the Government took office. We have none to report. But steps have been taken to enable the enforcement of certain judgments to be contracted-out during the course of 1983/84. The Administration of Justice Bill provides for county court judgment debts of between £2,000 and £5,000 to be enforced, if the creditor so chooses, by the Under-Sheriff's Office (private sector) instead of the county court bailiffs (public sector) as the law presently requires.

After the Bill has completed its passage, further work on subordinate legislation and administrative arrangements will be necessary to give effect to this change. Savings will depend upon the extent to which judgment creditors avail themselves of the new arrangements. These cannot be predicted, but are unlikely to be significant. However,

the Lord Chancellor will hold the matter under review in order to decide, whether in the light of experience, it is in the public interest further to broaden the area of choice.

Yours sincerely,

D. E. Staff

D E STAFF
Private Secretary

P.S. I am sending a copy of this letter to the recipients of yours.