

Prime Minister ①

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Agree a letter on these lines?

MR TURNBULL

AT

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No.

I think it needs further discussion

27 July 1984

CONTRACTING-OUT OF LOCAL GOVERNMENT SERVICES

Patrick Jenkin's officials have been working slowly but steadily on new proposals for contracting-out local government services. They now envisage a Bill in two parts:

- i. Part 1 would compel local authorities to establish fair competitive tendering for certain services such as refuse collection, where the value of contracting-out has already been established by authorities like Wandsworth and Birmingham.
- ii. Part 2 will instruct each local authority to report on the true costs of other in-house services which have not yet been contracted-out anywhere, and on the comparison between those costs and local private sector charges.

This would not be for the next session when DoE has bigger fish to fry.

The Bill would give the Secretary of State power to inspect the reports made under Part 2, and to use that information as grounds for putting a given service or function on the list for compulsory tendering.

This plan seems perfectly sensible. It will immediately achieve the desired effect in the easy services, and will give government sufficient information and power to extend the principle of competition further in due course.

But at meetings of the interdepartmental group considering the proposals, officials from several departments have expressed strong reservations, and there is still a danger that the plans will be neutered before they reach Ministers. There is also a danger that the whole project will be ruined by vain efforts to produce watertight controls on tendering practices. It would therefore be helpful for the Prime Minister to express her strong support for the principle of competition, and her wish to see rapid, effective action.

We recommend that you should write to John Ballard in the following terms:

"The Prime Minister has seen a copy of your Secretary of State's letter to the Chancellor of the Exchequer about contracting-out in local government. She is glad to hear that work on draft proposals is under way.

She recognises that it will not be possible to introduce compulsory tendering for all local authority



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functions immediately; but she hopes that a regime of this sort will be applied to as many functions as possible. Like your Secretary of State, she attaches great importance to increasing the efficiency of local government, and she regards competitive tendering as much the most promising means of achieving this result.

She doubts whether it will ever be possible to produce a watertight Bill; but she is keen to see something reasonably effective, straightforward and wide-ranging on the statute book as soon as possible."

*O. Letwin.*

OLIVER LETWIN

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