



Relating to Local Govt
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GLH *file 51*

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

6 November 1984

Dear Nigel,

CONTRACTING OUT OF LOCAL GOVERNMENT SERVICES

When E(A) decided that we should proceed with legislation to extend to other local authority activities a compulsory tendering regime on the lines of that which presently applies to construction and maintenance work, it was agreed that I would clear with colleagues the terms of an early announcement of our intentions.

In her reply to Christopher Chope on 30 October the Prime Minister said that we would be announcing our intentions shortly and colleagues will have seen yesterday's piece in the Financial Times foreshadowing what we have in mind.

The attached draft was originally prepared as a Written Reply, but I would now like to make the announcement in the course of tomorrow's local government debate on the Address. I would therefore be grateful if colleagues would let me know by 10.00am tomorrow whether they are content with the general terms of the announcement.

Copies of this letter to go to the Prime Minister and to members of E(A).

You are
Pat

PATRICK JENKIN

CONTRACTING OUT - ANNOUNCEMENT OF GOVERNMENT INTENTIONS

Draft Question To ask the Secretary of State for the Environment whether he has now completed his consideration of possible measures to secure increased contracting out of local government services and if he will make a statement.

Draft Reply Yes. Three years' experience of the operation of the DLO legislation in the Local Government Planning and Land Act 1980 has shown the substantial benefits of competition for local authority construction and maintenance work. [Figures to be advised] In other services notably refuse collection, significant savings have been achieved either through using private firms or through improved efficiency of councils' own staff faced with competition from outside contractors.

In spite of this evidence of savings to be won, most local authorities still fight shy of seeking competitive tenders for their services. The Government therefore proposes to take action to secure more competition in further areas of local government activity. I shall be consulting local authority associations and the relevant sectors of private industry on extending arrangements similar to those already applied to construction and maintenance work, to this further range of activities. Our precise proposals will be set out in the consultation paper but I can tell the House now that they will include such areas

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as refuse collection, vehicle maintenance and cleaning, where the private sector has already shown the savings that can be achieved. Initially, my proposals will embrace refuse collection, the cleaning of buildings (including schools), catering in schools and in certain other establishments, ground maintenance and vehicle maintenance.

This is not all. The Government is convinced that there is scope for greater involvement of the private sector in a wide range of other activities. I shall, therefore, be consulting also on taking power to require authorities periodically to assess the costs of some other specific activities and to report publicly on how their own in-house costs compare with the costs of using private sector companies to do the work instead. By this means authorities will become more cost-conscious, and their ratepayers will see where savings could be made. The private sector for its part will be better able to identify opportunities to tender for work for local authorities.

There are worthwhile savings to be made, of that we are convinced. What is needed now is more effective pressure to go out and get them.

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DEPARTMENT OF EDUCATION AND SCIENCE

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FROM THE SECRETARY OF STATE

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
2 Marsham Street
LONDON SW1P 3EB

7 November 1984

Dear Patrick,

I have doubts about the wisdom of proceeding to-day with your statement (which I have only just seen) on contracting out of local authority services.

There is a dilemma. On the one hand, I am not happy about proceeding with the announcement of definitive proposals until we have considered the central and local government manpower implications, as we agreed in E(A). On the other, the lack of precise proposals (which would arise if the final sentence of the third paragraph of the statement were deleted, as I understand you have now suggested) would surely be attacked by all sides as evidence that the Government has not given adequate consideration to this important policy development: you would have to stall on questions about services to be covered and I could be criticised for concealing things if it were finally decided later on to specify the inclusion of significant local education authority services such as school meals. Hence I should much prefer the announcement to be delayed until we have been able to settle the outstanding manpower questions. This need not take long and officials here stand ready to explore matters with yours.

Copies of this letter go to the Prime Minister and to members of E(A).

Ken - Ken





NDPM
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Telephone 01-233 8610

From the Minister for the Arts

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
2 Marsham Street
LONDON SW1P 3EB

12 October 1984

Dear Patrick,

As I shall be unable to attend the meeting of E(A) on 16 October, when your paper E(A)(84)52 is to be discussed, I am writing to let you know that I am content with the general conclusions of the report by officials and agree with your suggestion that there should be an early announcement couched in general terms of our intentions to bring forward legislation in 1985-86. I consider it particularly important to concentrate on a few good candidates for a compulsory tendering regime rather than to try and tackle too many.

I am copying this letter to other members of E(A) and to Sir Robert Armstrong.

*James,
e/ry*

GOWRIE

Econ Pol: Privatisation Part 11.

16 OCT 1984

