



DEPARTMENT OF HEALTH AND SOCIAL SECURITY
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1.5.81

Dear Tim,

DDRB: MEETING WITH SIR ROBERT CLARK

I attach a brief for this meeting prepared by officials here but not yet seen by the Secretary of State who will attend the Prime Minister's meeting with Sir Robert Clark at 4.30pm Tuesday 5 May. If the Secretary of State has any further comments on the brief I will let you have them on Tuesday morning.

As I reported to you earlier today informal soundings of the Review Body Secretariat indicate a real danger that Sir Robert Clark will resign despite the helpful response he gave to the Prime Minister at his earlier meeting. We understand his attitude to be that the Review Body conscientiously honoured his undertaking to the Prime Minister that they would give full weight to the national economic considerations. Accordingly he is disturbed at the suggestion that the report may be rejected as he regards it as fulfilling the Government's objectives and rejection implies therefore that no area of discretion is being left to the Review Body.

I mentioned also that we have arranged for the Secretary of State to see the Chairmen and General Secretaries of the BMA and the BDA next Wednesday. This was in response to their expressions of concern about reports in the Press that the Review Body report will be unacceptable to government. The object of the meeting is to allow Ministers to hear their views; they understand that the Secretary of State is unable to talk about the content of the Report or the Government's response. One point we expect them to emphasise is that if the Government do not accept the Report in full the decision should provide maximum scope for considering the professions' views on how the decision should be implemented. The intention is to follow the structure of the

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DDRB report, see 4(iii) of the brief. But after the meeting with the professions the Secretary of State may want to suggest that this is not spelt out in detail in an announcement but put to the professions in discussion.

I am copying this letter and the brief to John Wiggins (Treasury) and David Wright (Cabinet Office)

*Yours
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PRIME MINISTER'S MEETING WITH SIR ROBERT CLARK, CHAIRMAN OF DOCTORS' AND
DENTISTS' REVIEW BODY (DDRB)

Purpose of meeting

1. The Prime Minister wishes to advise Sir Robert Clark, in advance of the formal pronouncement, that the Government are unable to implement this year's Review Body award as it stands. The report recommends increases of 9 per cent overall in doctors' and dentists' net pay (an 8.3 per cent increase in this year's pay bill because overpayments in previous years of dentists' practice expenses would be recovered).

2. Successive Governments have committed themselves to accepting DDRB reports except when "clear and compelling reasons" point to the contrary. The effect, both direct and indirect, of the recommended order of increase on NHS cash limits provides such a reason. Accepting the report would exceed the 'pay factor' provision in NHS cash limits by £26 million (Great Britain), with a further £19 million as the increase in net remuneration for family doctors and dentists - whose services are not cash-limited - over what a 6 per cent settlement would cost. It is moreover quite certain that other groups of NHS staff, with nurses in the lead, will be unwilling to settle this year for less than the doctors. The indirect squeeze on cash limits if the report were accepted could then be of the order of £200 million. Such sums could not be found without very substantial cuts in patient services.

3. The Government have therefore concluded that they have no alternative but to offer the professions a settlement consistent with the NHS cash limits. This means reducing the recommended rates so as to produce overall a 6 per cent increase in the pay bill.

4. In explaining the Government's decision to Sir Robert, the Prime Minister may want to make these points:

- (i) The Government are well aware of the heavy demands on time and energy which DDRB membership exacts and are grateful for all the hard and careful work which has been put in on the report:
- (ii) the Government also accept that the DDRB took account of the national economic situation in reaching their conclusions, that its members believe their recommendations to have been framed with full regard to that situation, and that the increases recommended are in fact moderate. In deciding not to implement the award as it stands, Ministers are not expressing disagreement with the view taken by the Review Body on what are proper rates of pay for doctors and dentists. And if the pay of these groups could be considered in isolation, the Government might have been able to take a different decision. But Ministers cannot easily separate a settlement for the doctors and dentists from settlements for all the other groups of NHS staff waiting in the wings. There was widespread ill-feeling in the NHS about the high level of award to doctors and dentists last year. The Government saw the justice of that award, but one of its effects was that other NHS staff - and public sector workers elsewhere - are this time closely watching the DDRB and are unlikely to settle for anything less than the professions get. The potential effect on NHS cash limits (and on patient services) is very damaging.
- (iii) the Government will respect the spirit of the award by proposing to the professions that the rates in the report should be scaled down so as to preserve as far as practicable the relativities between groups which the DDRB have recommended. The Government are also willing to implement the structural and other changes in payments which are recommended; to conduct or to take part in the various surveys which the DDRB want to see launched during the next year; to pay to hospital doctors a 'miscellaneous expenses grant' (See Annex II,

paragraph 4) without offsetting its cost against remuneration, as recommended in the report, and to pay in full recommended practice expenses of family doctors.

Sir Robert Clark's attitude

5. It is by no means impossible that Sir Robert will react to the Government's decision by announcing his intention to resign the Chairmanship, on the basis that so demanding a job is no longer worthwhile if his judgment is to be overturned. He might also take the view that it will be impossible for the DDRB system to retain the confidence of the professions unless reports are accepted and implemented. If Sir Robert were to resign, some or all of the eight members might follow suit. This would be a very serious matter. The hostility of the professions to the Government's decision would be much strengthened, and the survival of the review body system would be put in doubt.

6. He might also justify a decision to resign on the ground that outright rejection of a DDRB report is unprecedented. The nearest parallels are a Government decision in the 1960s to defer the operative date of an award; and in 1970, a decision to seek the Prices and Incomes Board's view on the DDRB report. The latter decision brought about the resignation of the Chairman and the entire membership.

7. Sir Robert might also ask:

- (i) how the other two Review Body reports are to be treated;
- (ii) what guarantee there can be - given a continuing cash limits system - that the same fate would not befall the 1982 report, should the Review Body members remain in office.

8. On (i), as regards the AFPRB, the Prime Minister will no doubt want to remind Sir Robert of the Government's long-standing commitment on armed forces pay. The TSRB were held back last year and any difference in treatment between them and the doctors and dentists will in part derive from the fact and will not be to the professions' disadvantage over the period as a whole.

On (ii), the Prime Minister might say that she fully understands the anxiety of the Review Body (and the professions) that a second report might prove similarly difficult for the Government to accept. Ministers value the Review Body system and want it to continue. They have already begun to give serious thought to the problems which cash limits pose for it - and for other groups - and will be studying them closely over the next few months. Although she cannot as yet go further, she can assure Sir Robert that the Review Body will be fully consulted as proposals develop.

Government announcement

9. No doubt Sir Robert would agree that the way in which the Government's decision is announced will be of great importance in its effect on the professions and on the standing of the Review Body and the attitude of its members. He might be invited to say whether there are particular points which he would like the Prime Minister to stress or to omit in the announcement.

Other matters

General medical practitioners' expenses

10. The Review Body sets gross fees and allowances for GMPs so as to produce the intended net average remuneration they recommend plus practice expenses. The complexity of the fee structure for GMPs means that it is not all straightforward to translate decisions of principle on average net pay and on reimbursement of expenses into a detailed scale of fees; and impracticable to do so with accuracy without knowing the basis on which the DDRB has done its calculations. The Prime Minister might like to ask Sir Robert if he will agree to the Office of Manpower Economics (the DDRB's Secretariat) doing revised calculations (to produce a 6 per cent increase in net pay) on the basis already approved by the Review Body. We believe that he will go along with this.

Dentists

11. The Prime Minister is advised to make no firm proposal to Sir Robert on

the question of 'clawback' of past overpayments of expenses to dentists.)
The Secretary of State for Social Services is minuting her about this.

May 1981

ANNEX I

TERMS OF REFERENCE AND MEMBERSHIP OF THE REVIEW BODY ON DOCTORS' AND DENTISTS' REMUNERATION

The Review Body was appointed in July 1971 to advise the Prime Minister on the remuneration of doctors and dentists taking any part in the National Health Service.

MEMBERS ARE:

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| Sir Robert Clark DSC (Chairman): | Chairman of Hill Samuel and a Director of the Bank of England. Appointed 1979. |
| Professor R H Graveson OBE QC*: | Professor of Law and Head of Department of Law, Kings College, London. First appointed 1971. |
| Sir Peter Menzies*: | Former Chairman of Electricity Council and Deputy Chairman of ICI. First appointed 1971. |
| Professor P G Moore T.D.: | Professor of Statistics, London Business School. First appointed 1971. |
| Mrs A C R Rumbold CBE*: | Deputy Leader, Kingston Borough Council and Chairman of the Association of Metropolitan Authorities' Education Committee. First appointed 1979. |
| Sir William Slimmings: | Partner, Thompson McClintock (accountants). First appointed 1976. |
| Professor G F Thomason*: | Professor of Industrial Relations, Cardiff. First appointed 1979. |
| Mr G J Wilkins: | Chairman of Beechams Group. First appointed 1979. |

* Present term of office ends December 1981.

Secretariat is provided by the Office of Manpower Economics

ANNEX II - CONTENT OF THE REPORT

1. The recommended increases in net remuneration in the Report are all fairly close to 9 per cent - slightly less for the best-paid consultants (8.1 per cent) and slightly more for junior doctors (up to 9.4 per cent). Though well in excess of the provision in cash limits, these are moderate compared to the professions' claim of from 18 to 20 per cent, based on comparability. The Review Body have obviously gone a very long way to meet the Government on the size of the award; they have also followed the Government's evidence rather than the professions on a number of minor points.
2. Despite this, the Report does not give the impression the Review Body believe it might be rejected. It does not, for example, contain any explicit acknowledgement that the final decision is for the Government. On the contrary, they have accepted the professions' request that they should state explicitly that economic factors have been taken fully into account - presumably to dissuade the Government from arguing that these justify rejection - and they mention this several times.
3. The Report recommends a substantial increase in the payments to general medical practitioners to cover expenses - this will be accepted. In the case of dentists, they recommend deferring any increase in net remuneration until 1 October to recover part of an overpayment of expenses in previous years. (This arises because fees are set to cover estimated expenses, and in 1977/78 and 1978/79 dentists kept actual expenses well below the rate of inflation, and hence below the estimates).
4. The Departments asked that the cost of a planned improvement in doctors' Terms of Service (the so-called "Miscellaneous Expenses Grant") should be offset against increases in salaries. The Review Body have not done this, and have argued forcibly that the improvement should be made nonetheless. It would seem unnecessarily provocative to reject this as well, and this recommendation will be accepted - the cost will make a small inroad into NHS development money.
5. The Review Body accepted the Departments argument that the professions have a high degree of job security, and have allowed for this (though no details are given of how this was done). They have also taken account of the value of NHS pensions (by offsetting this against the value of other fringe benefits available outside the public sector) though no new calculation of the benefit of index linking has been made pending the Government's response to the Scott Report.