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From the Private Secretary

30 December, 1980

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NHS Cash Limit

When Cabinet discussed the Pay and Price Factors for 1981-82 Cash Limits on 6 November, they decided to postpone decisions about the pay element in cash limits to be applied to the NHS and the Civil Service until these were operationally necessary. One consideration in the minds of Ministers was that the outcome of the then awaited negotiations on the pay of local authority manual workers could have a direct bearing on the negotiations on the pay of NHS ancillary workers - who are, of course, the first major NHS/Civil Service group whose pay needs to be settled in 1981.

Although it is still subject to ratification, the local authority manuals' pay settlement has now been agreed. This seems to open the way for decisions on the other outstanding cash limit issues and in particular on that for the NHS. I have spoken to the Prime Minister about this, and she considers that it would now be appropriate for your Secretary of State - after consultation as necessary with the Chancellor of the Exchequer and the Lord President of the Council - to circulate a paper to his colleagues seeking a decision on the pay cash limit for the NHS. Although the RSG settlement was agreed in Cabinet the Prime Minister considers that there is no need for Cabinet as a whole to agree the NHS pay cash limit. Its discussions on 6 November laid down the broad lines of policy on cash limits and it should not be necessary for individual cash limit decisions to be taken by Cabinet at this stage. The Prime Minister therefore thinks that, although your Secretary of State is not a member of the Economic Strategy Committee, this would be the right forum for a discussion on the NHS Cash Limit. I should therefore be grateful if you could arrange for him to circulate a paper to the Economic Strategy Committee so that this subject can be discussed in the second week of January.

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I am sending copies of this letter to the Private Secretaries to all members of the Cabinet and to Sir Robert Armstrong.

I. P. LANKESTER

D Brereton, Esq
Department of Health and Social Security

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