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Prime Minister (2)

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*From the Secretary of State for Social Services*

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Treasury Chambers  
Great George Street  
LONDON  
SW1

29 October 1982

*Dear Chancellor*

#### PRIVATISATION

In her minute of 28 July, the Prime Minister asked Departmental Ministers to report to you on their plans for further measures of privatisation.

#### Health Services

The private health sector is a mixture of voluntary, charitable and commercial enterprises, ranging from small nursing homes to modern hospitals, capable of undertaking major surgery. A number of the hospitals and nursing homes are run by religious foundations. Health Authorities use some of the facilities on a contractual basis. Many beds in longstay private nursing homes are for example occupied by patients paid for by the National Health Service. Substantial numbers of doctors work in both the National Health Service and private hospitals.

The size of the independent sector is comparatively small, but the benefits to the National Health Service of there being a partnership between the State and the private sector are out of all proportion. The development of private facilities draws on other sources of finance and increases total health care provision in the country and, therefore, helps to bridge the gap between the supply of health care and demand. The private sector can relieve pressure on hard-pressed NHS services either directly or by allowing the NHS to direct resources to other areas.

Our strategy therefore is to build a proper partnership between the public sector and private and voluntary services. I am aiming to break down artificial barriers to co-operation between different agencies and to use the contribution of private health care to best effect.

E.R.

To this end I have asked Arnold Elton to chair a small Party working group to look at co-operation between the NHS and the private health care sector.

#### Contracting Out

I shall be sending you very shortly a fuller account of progress and prospects for contracting out in response to your letter of 11 August to Willie Whitelaw.

I shall shortly require authorities to seek tenders for all maintenance contracts in excess of £15,000 (which should lead to an increase in private work - already substantial) and the amount of in-house building and engineering design is now on average less than 40 per cent. Another area is the use of independent accountants to audit the accounts of health authorities; I have decided on a trial to test their value.

#### Land

A review of possibilities for disposing of surplus NHS land and property is well advanced. [REDACTED]

#### Manufacture of products by the NHS

Many health authorities make products for use in hospitals. I shall shortly be advising authorities that they should manufacture products only when it is clearly more economical to do so than to buy them, or when no suitable product is otherwise available. The new policy will in general apply to medical equipment and supplies for diagnostic, therapeutic and rehabilitation purposes and to most pharmaceutical products for medical use.

#### NHS Supplies

Following a Rayner scrutiny last year, we have already transferred most of the health care industry export promotion work previously undertaken by the Department to the independent British Health Care Export Council and are discussing with industry how far the rest of the work can be transferred to the private sector.

Responsibility for NHS supplies is vested in the Supplies Council, a statutorily independent health authority. The Council is reviewing, with the help of consultants, the possibility of making more use of the private sector in storing and distributing NHS supplies. My officials are in touch with this work, though results are not expected until next year.

The Department undertakes important and necessary work in evaluating NHS equipment and testing prostheses. We shall be considering whether some of this work can be undertaken by independent test houses such as that run by the British Standards Institute. We shall also review the possibility of manufacturers being assessed against our guide to good manufacturing practice by an independent body. Those aspects will, however, need to be discussed with industry (who may well resist), the Supply Council and other bodies concerned. I would not expect results before next year.

Personal Social Services

Most of the services provided by local authority social services departments are aimed at needs which in the bulk of cases are already met privately - by families, by friends and neighbours, and by formally organised voluntary effort. The social services exist as a safety net for those with no other source of care and I do not think it would be possible to redefine local authorities' responsibilities by leaving some of them entirely to private agencies. Local authorities can, however, be encouraged to discharge their responsibilities by purchasing private and voluntary services on behalf of clients.

I am copying this letter to other Cabinet colleagues and to Sir Robert Armstrong.

*Yours sincerely,*

*David Clark*

NORMAN FOWLER

*(Approved by the Secretary of State  
and signed in his absence)*