

PRIME MINISTERTHE FINANCIAL POSITION OF HEALTH AUTHORITIES

The Chief Secretary and Mr. Newton have reached agreement on extra expenditure on the NHS, as set out in paragraph 8 of Mr. Newton's minute. The three main questions for discussion at your meeting are:

- (i) is it right that the NHS should be given more money;
- (ii) if so, should the announcement be made now or later; and
- (iii) whenever an announcement is made, how can the impression be avoided that it is a defeat for the Government?

I suggest that you leave for another meeting questions about the longer term reform of the health service.

District health authorities overspent in the first half of the year and are now having to cut back. The question is whether the Government should bail them out. Bernard believes not. But this is very much a matter for political judgement. Without extra money, will the Government be able to withstand the pressures until the end of the financial year when new money will become available?

Whatever else, the Government must not be seen to dish out money without strings. There is not much time to develop conditions involving fundamental changes. One suggestion - favoured implicitly by the Chief Secretary - would be to make it clear in giving any extra money that the new arrangements for monitoring spending described in paragraph 2 of Mr. Newton's note will be brought in quickly and firmly, and will enable the DHSS to take a much tighter grip.

Mr. Newton also raises the possibility that some of the extra money might go to territorial colleagues (paragraph 8). You felt earlier that Scotland at least should not be given extra funding.

*D. Green* .

*p.p.* David Norgrove

14 December 1987