



file VC458  
16  
bc: John  
O'Sullivan

10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

15 December 1987

THE FINANCIAL POSITION OF HEALTH AUTHORITIES

The Prime Minister this morning held a meeting with the Minister for Health and the Chief Secretary to discuss the financial position of the health authorities on the basis of Mr. Newton's minute of 14 December. Mr. John O'Sullivan, No. 10 Policy Unit, was also present.

The Prime Minister agreed after a brief discussion that the proposals for increased expenditure set out in paragraph 8 of the minute should go ahead. Territorial Ministers might well seek consequential increases for their programmes. Any such increases should be met so far as possible from within the territorial blocks. The increases should be announced tomorrow. The manner of the announcement should be discussed with the business managers. But it would be preferable if possible to avoid an oral statement because this would set a precedent, it would stimulate pressure from the territorial Ministers and it would raise questions about the carry-through into expenditure next year. In making the announcement it would be important to stress the way in which the monitoring of the health authorities' spending and services was being improved. The results of the monitoring of the value being achieved by health authorities should be published and the areas achieving the best value for money should receive the greatest share of resources. This would give an incentive to achieve improvements in performance. Your Minister noted that clinicians had to be brought to accept responsibility for controlling their levels of activity out of the resources available.

The Prime Minister said finally that the terms of the debate about the future of the health service seemed now to be shifting. It would be important to take advantage of this. She was not inclined to set up a public inquiry. But work on possible reforms of the health service would need to begin in the New Year, possibly with a view to publication of a Green Paper by the summer.

I am copying this letter to Jill Rutter (Chief Secretary's Office).

David Norgrove

Miss Jenny Harper  
Department of Health and Social Security.