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Treasury Chambers, Parliament Street, SW1P 3AG

Geoffrey Podger Esq
 Private Secretary
 to the Secretary of State for Social Services
 Department of Health and Social Security
 Richmond House
 79 Whitehall
 London
 SW1A 2NS

18 January 1988

Dear Geoffrey,

... I attach a letter which I sent today to the House of Commons Librarian explaining the figures which the Chief Secretary used in last week's debate. This was in response to a direct query which the library raised on Friday. The small table was attached to that letter.

... For your information I also attach a table drawn up by Treasury officials showing the various real terms percentage increases that can be derived on different measures of health service expenditure.*

I am copying this letter and attachments to Paul Gray at No.10.

Yours,

Jin

JILL RUTTER
 Private Secretary

* Your officials are checking these figures.



Treasury Chambers, Parliament Street, SW1P 3AG

Andrew Lyall Esq
Statistical Section
House of Commons Library
London
SW1A 0AA

18 January 1988

Dear Mr Lyall,

HEALTH SERVICE GROWTH RATES IN 1988-89

I said I would write to explain the basis of the figures used by the Chief Secretary in the debate on Thursday.

As he made plain he was drawing on the figures which are to be published in the Public Expenditure White Paper later this week rather than the Autumn Statement. The two sets of figures are consistent but the White Paper distinguishes gross from net expenditure and also health service expenditure from expenditure on personal social services.

... I attach the figures which will appear in the White Paper for the NHS in England. As you will see the gross total for the NHS will show growth of 6.6 per cent in cash terms and 2.1 per cent in real terms in 1988-89 over 1987-88. If account is taken also of the extra resources which should be released by cost improvement programmes, the overall real increase for the NHS will be about 3 per cent. The increases for current spending will be even higher.

These figures do not reflect the recent additions to the provision for England health authorities in the current year - £75 million current and £13.3 million capital. Taking these additions into account reduces the percentage growth rates a little, but for current spending the real increase in resources is still about 3 per cent.

I hope this makes the position clear. If you have further questions we would be happy to answer them.

Yours sincerely,

Jill Rutter

JILL RUTTER

Private Secretary

NHS expenditure in England

	1987-88 £m	1988-89 £m	1989-89 % increase	
			cash	real
Total - gross	17208	18352	6.6	2.1
- net	16513	17535	6.2	1.6
Current - gross	16174	17306	7.0	2.4
- net	15680	16681	6.4	1.8

HEALTH SERVICE GROWTH IN 1988-89 OVER 1987-88

Real terms percentage increase

	cash provision only		cash and cost improvements ⁺	
	inc £100m	exc £100m	inc £100m	exc £100m
<u>England</u>				
NHS - gross	1.5	2.1 [†]	2.4	2.9 [†]
- net	1.1	1.6		
NHS current - gross	1.9	2.4	2.8	3.3
- net	1.3	1.8		
HCHS				
current - gross	1.0	1.7	2.2	2.9
- net	1.0	1.7		
HCHS - gross	0.5	1.3	1.7	2.4
- net	0.7	1.4		
HPSS - gross	1.1	1.5	1.8	2.2
- net	0.7	1.2		
<u>UK</u>				
NHS - net	1.0	1.5	n.a	n.a
HCHS - net	0.7	1.4		
HPSS - net	0.7	1.1		

* Allowing for 4.5% increase in GDP deflator.

+ Assuming £150m new cash savings in 1988-89 (all HCHS current)