



DEPARTMENT OF HEALTH AND SOCIAL SECURITY

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From the Secretary of State for ~~Social Services~~ Health

CONFIDENTIAL

The Rt Hon John Major MP  
Chief Secretary to the Treasury  
HM Treasury  
Parliament Street  
LONDON SW1

Price Minister?  
You will wish to be aware.

29 November 1988

REC6  
29/11

Note  
Spoke Andy Meehan (Dott) and  
said PM had no comment.

REC6  
2/12

Dear Chief Secretary

GPFC: PRIVATISATION AND THE NHS REVIEW

As you know we plan to privatise the General Practice Finance Corporation during the current financial year. The Health and Medicines Act is now on the Statute Book and we are on course to issue the Information Memorandum for the sale next week.

During the process of verification of the Memorandum I have had to consider the implications for privatisation of the Review of the NHS. The point here is that any plans which we may have to alter the arrangements for financing family practitioner services in a way material to the business and prospects of the successor company to the GPFC, when it is sold, should be disclosed to prospective purchasers.

Section 10 of the Memorandum contains in the third paragraph a reference to the Review in the terms in which the Prime Minister announced it in January of this year. A copy is enclosed. It seems to me to be sufficient at this time. Nothing which we have so far agreed in the Review could be said to affect adversely either the need for or the ability of family doctors to acquire and pay for practice premises, the financing of which is the present business of the Corporation. Indeed the idea of practice budgets could be seen as enhancing the attractiveness of GPs as clients to a prospective purchaser.

I believe that the same applies to matters currently under consideration, and I cannot imagine that anything likely to be raised in our discussions in the time remaining to us before publication of the White Paper is likely to diminish the need for doctors to acquire and improve practice premises or their ability to pay for them.



E.R.

In view of this, and of the fact that a January publication date means that short-listed purchasers will have an opportunity to read the White Paper for themselves before a deal is concluded, it is my intention to issue the Information Memorandum during the week beginning 5 December. We have, as you know, a PES obligation to find £80 million from this source by 31 March and are hoping for receipts of some £150 million. There is a great deal of interest from the Press and from prospective purchasers and it is important that uncertainties over the Review should not mar what promises to be a very successful privatisation.

A copy of this letter goes to the Prime Minister.

Yours sincerely

A.J. McKean

P.L. KENNETH CLARKE

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



## 9. Future prospects

The high quality of GPFC's assets and customer base, and the long experience of its executive management represent a firm foundation on which to build a business with good prospects for growth. The proposed sale will remove the statutory constraints impeding the business. The future prospects of the Company should be considered in the light of the opportunities arising from these changes.

Opportunities for growth are also provided by the continuing increase in the number of family doctors in Great Britain, and the expected increase in demand for finance for surgery premises.

The removal of the constraints which now apply to the GPFC will allow the Company to expand the core businesses, to begin lending in Northern Ireland (where the GPFC is prohibited from lending) and to offer services to doctors operating outside the NHS and to others such as dentists, opticians and pharmacists.

Whilst maintaining the core business, and the GPFC's contacts with family doctors, the Company will also be in a position to lend money for a wider variety of purposes, such as to finance working capital and for purchases of equipment.

Finally, the Company's business need not be restricted to lending or leasing and could expand into the provision of other financial services to the medical profession.

## 10. Relationship with H.M. Government

Following the sale of the Secretary of State's shares in the Company, H.M. Government will cease to have any direct interest, financial or otherwise in the running of the Company. In particular, the terms of sale will include the repayment of the GPFC's indebtedness to NILO, and the withdrawal of the HM Treasury guarantee which will not be extended to the Company. There will, however, be an obligation on the purchaser to deliver the audited statutory accounts of the Company for each year to the Secretary of State so that they may be laid before Parliament.

In terms of the Company's future dealings with other bodies or organisations connected with HM Government, such as the DH or the FPCs, the intention of HM Government is that the Company should not receive any advantage which is not available to other organisations involved with lending to family doctors.

The Government are undertaking an internal and wide ranging review of the National Health Service, with special emphasis on the hospital service. The conclusions of this review will be announced in due course.

Where, to satisfy local needs for the availability of family doctors, it is necessary for the Secretary of State to provide a special financial incentive for the funding of a particular project, the Health and Medicines Act contains a section allowing the Secretary of State, with the consent of HM Treasury, to make provisions for guaranteeing loans made to family doctors. Such arrangements would apply equally to loans made by the Company and other lenders.

