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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Norman Fowler MP
Secretary of State
Department of Health and Social Security
Alexander Fleming House
Elephant and Castle
London
SE1 6BY

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6 November 1985

Dear Norman,

MISC 120: HEALTH AND PERSONAL SOCIAL SERVICES

My officials have informed me of your proposals for allocating the MISC 120 settlement of your programme between its components. I understand the figures are:

	<u>1986-87</u>	<u>1987-88</u>	<u>£M</u> <u>1988-89</u>
HCHS current	+ 157	+ 196	+ 374
CFS/FPS admin	+ 13	+ 14	+ 21
FPS	+ 80	+ 90	+ 205
Total	<u>+ 250</u>	<u>+ 300</u>	<u>+ 600</u>

You will no doubt be considering the best way to present these figures publicly. I hope that you will emphasise strongly the real growth (above the GDP deflator) in the HCHS: 2.2 per cent in 1986-87, and 1.1 per cent (more than sufficient to cover demographic provision) in each of 1987-88 and 1988-89. This should give you a good response to the pressure for more HCHS spending from the BMA, Royal College of Nursing and others. I hope that you will also be emphasising the important part to be played by efficiency savings.

I understand that, of the increases which MISC 120 was able to agree, the proportion allocated to HCHS current

SECRET

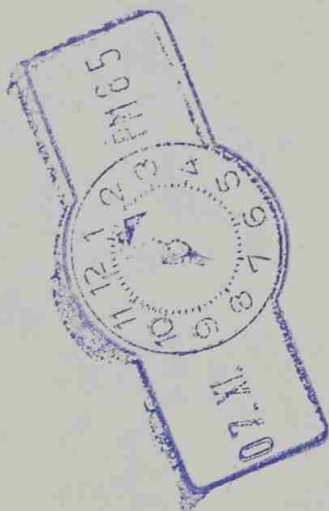
SECRET

is somewhat higher than might have been expected; since you expect to make a number of small savings, which we had not discussed, in respect of pharmacists' discounts, oxygen concentrators and sight test fees, in addition to the rather larger savings to which you were already committed. These are all welcome to me. But as we have found before, FPS savings can be difficult to secure in their originally intended form; although I know that you will take all possible steps to deliver all the savings which you have agreed to make. I think therefore, that I should make it clear that if any of these measures do not produce the expected savings I shall expect you to make other policy changes to contain FPS expenditure. If this does not prove possible I shall expect you to make equivalent savings in your cash-limited programmes rather than make a claim on the Reserve.

Copies of this letter go to Willie Whitelaw and other members of MISC 120.

Yours ever,
John

JOHN MacGREGOR



SECRET