



DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

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
SW1P 3AG

MBM
RAG
2/10

24 October 1988

Dear Chief Secretary *at HQ*

Thank you for your letter of 17 October which I agree accurately reflects the agreement we reached

I have already set in hand arrangements for the Government Actuary's report to be published on the same day as the Autumn Statement. The decision to implement the GA's recommendations will be announced to the House by means of a written reply. Our officials will be keeping in touch on timing and on the wording of the PQ reply and associated briefing.

I am content not to identify publicly a specific sum as having been included in the settlement in respect of the I&E position. I shall nonetheless need in due course to reach decisions on allocations to health authorities that will include an agreed amount for each Region that is overcommitted and I shall then need to make the purpose of the addition clear. A part of the allocation will ultimately become labelled as being used for the purpose of ending the I&E overcommitment, and no purpose would be served by seeking to keep that out of the public domain.

We have on the record agreements to return in next year's Survey to:

- Whitley pay settlements beyond 1989-90
- the future costs of AIDS treatment and the way in which provision should be made for these (ie on the basis of full or excess costs)

I also note your comments about preparing a better supported bid for equipment and maintenance expenditure. I remain concerned about both areas. I am therefore asking my officials to set this work in hand and to keep your officials closely informed. I hope also that before the next Survey our officials will be able to make progress in further developing and refining the work on relating expenditure to output (ie activity) measures, in line with the FMI, so as to better inform Survey decisions.

Your comments on Welfare foods and the possibility of cash limiting the CFS programme have been noted.

More recently our officials have discussed the further addition needed to carry through the Survey period our decision to make an extra £110 million

E.R.

available to health authorities in England for the extra costs of the clinical grading review. I understand that officials are agreed that, taking account of a small balance to full year effect and of forecast general inflation, additions of £118, 122 and 126 million are required for the Survey period. I am content with this.

Copies of this letter to go to the Prime Minister, Tom King, Malcolm Rifkind and Peter Walker.

Yours sincerely

A.J. McKean
PPS.

11. KENNETH CLARKE

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

Econ Pol: Public Expend. +
Pt 40