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6/11

Treasury Chambers, Parliament Street SW1P 3AG

The Rt Hon Kenneth Clarke QC MP  
Secretary of State for Health  
Department of Health  
Richmond House  
79 Whitehall  
London  
SW1

Prime Minister<sup>2</sup>

To note X below, which  
means we are likely to have a  
bid on the reserve in January

6 November 1989 we get the  
Review Body reports.

R26  
6/11

1989 PUBLIC EXPENDITURE SURVEY: HEALTH AND PERSONAL SOCIAL SERVICES

I am writing to confirm the outcome of our third bilateral on 5 October.

2. We agreed the changes to the baseline set out in the attached table. You said you might wish to consider some reallocation of provision between the different cash-limited programmes. I should be content for you to do this. Your officials should inform mine of your decisions.

X | 3. The settlement makes no explicit provision for next year's Review Body awards above the GDP deflator, but you will continue to maintain the line with the Review Bodies and elsewhere that full funding of any excess cannot be assumed. That will be a matter for later decision.

4. The provision in years 2 and 3 for AIDS treatment, Whitley pay and GP practice budgets simply rolls forward that for 1990-91. Any further provision for these items in 1991-92 and 1992-93 would be a matter for the 1990 Survey.

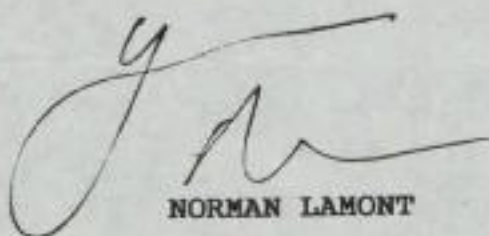
5. You agreed to withdraw your bid in respect of new funding arrangements for PAM students, but said you would wish to return to this in the 1990 survey. I should be grateful if you could ensure that the policy underlying any bids next year for this and any other major new proposal has been fully discussed with the Treasury at the earliest possible stage.

CONFIDENTIAL


6. We have reached a settlement on cash-limited FPS expenditure which is based on the latest estimates of likely commitments under the cost rent scheme. But I recognise that it is particularly difficult to get this right in the last year before cash limits are introduced. We have therefore expressed ourselves willing to look at the provision again at Main Estimates time if further information shows that the cost of meeting existing cost rent scheme commitments will be greater than the £86 million assumed at present.

... 7. On departmental administration, I understand that officials have reached agreement on the figures shown in the table. I am content with this.

8. I am sending copies of this letter to the Prime Minister, Peter Brooke, Malcolm Rifkind and Peter Walker.



NORMAN LAMONT


 PES 1989: HPSS OUTCOME

BID	SETTLEMENT
A1 Review Body	120/124/128
A2 Whitley pay	81/81/81
A3 VAT	0/0/0
A4/6/7/11 HCHS activity	290/435/858
A5, B1&C1 CIPs	0/0/-200
A8/C2 AIDS	0/0/0
A9 NHS Rev HCHS Cur	140/215/250
A10 Mngmnt & training	20/37/55
A12 Health education	0/0/0
A13/C3 Constn/land sales}	
A14 Addnl investment }	90/100/110
A15 Capital Loan Fund}	
A16 NHS Review Capital	46/40/10
A17 FPS DDRB	48/51/53
A18 FPS demand	137/277/662
A19 NHS Review FPS	30/19/10
A20 FPS serv devpmnt	42/47/52
A21/B2 CFS non-cash ltd	-1/1/13
A22 CFS NHS Review	41/42/41
A23/B3/C5 Other CFS	48/38/36
A24/B4/C6 Dept admin	
- running costs	23/19/19
- other	-4/-5/-5
A25 LA specific grants	29/11/10
A26 LA PSS Capital	15/20/25
C4 FPS Charges	-4/-9/-32
<b>TOTAL</b>	<b>1191/1543/2176</b>
<b>NEW PROGRAMME TOTAL</b>	<b>22133/23399/24578</b>

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