

Policy in Confidence

To: Ms Ing PS/M(H)

From: J M Brownlee F1

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cc: Mr Creighton PPS/SofS
Ms Smith PS/PS(H)
Ms White PS/PS(C)
Miss Burnett PS/PS(L)
Ms Wilkinson PS/PS
Mr Heppell HSSG
Dr Metters DCMO
Ms Stuart FD
Mr Gardner F1
Mr Canavan CA-OPU

GRO-C

CENTRALLY FINANCED SERVICES : UTILISATION OF 1992-93 UNDERSPENDS**Introduction**

1. This submission seeks M(H)'s agreement to proposals for the utilisation of 1992-93 underspends for Centrally Financed Services budgets that will help meet pressures for resources in 1993-94 and the two subsequent years.

Background and Argument

2. M(H) will recall that my submission of 4 December 1992 on the allocation of the PES 92 settlement for CFS budgets proposed that where justified 1992-93 underspends should be used to help meet 1993-94 pressures. The expenditure concerned included the procurement of the PACT computer for PPA (cost £4 million) and payments to the MacFarlane Trust (£1 million) and the Family Fund (£1 million). The procurement of the PACT computer is in hand. Minister will also wish to be aware of additional pressures for 1993-94 of some £0.5 million to meet Citizens Charter commitments for Social Services Inspection (the introduction of lay inspectors and making SSI reports more widely available) and demand led work for the Mental Health Act Commission.

3. Finance Division with the assistance of policy divisions with CFS budgets have now undertaken a review of the likely CFS outturn for 1992-93. We estimate that after the cost of the PACT computer has been met, there is a potential underspend of £6 million across all CFS cash-limited services which is available for reallocation within CFS. In addition there may be an underspend on Departmental administration that can also be reallocated to CFS budgets.

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4. Officials have also examined CFS services for areas where money can be justifiably employed this year to meet firm or unavoidable commitments for expenditure that will otherwise need to be met in 1993-94. In addition to the MacFarlane Trust officials consider that it would also be possible to pay part of the UK subscription to the World Health Organisation (£12 million) for 1993 before the end of this financial year. At the same time Finance have concluded that it will not be possible to make an additional payment to the Family Fund of £1 million this year within the requirements of Government Accounting which stipulate that payments should not be made in advance of need. The Fund has changed the timing of some of its payments to claimants and consequently this sum will not now be required until 1993-94.

5. Background to the requirements of the MacFarlane Trust and the WHO subscription are as follows:

i. MacFarlane Trust

As Minister knows, the Macfarlane Trust was set up in 1987 with a Government grant of £10 million to meet the special needs of HIV infected haemophiliacs and their families. Following the offer of the litigation settlement, the Prime Minister and then Secretary of State, William Waldegrave, assured the Haemophilia Society and the Trust that the need for additional funds for the Trust would be kept under review. There is a continuing need for the Trust to meet special needs as more of the infected group become unfit for work; medical advances may have prolonged life but they have done little to alleviate the effects of the advanced stages of illness. The Trust is also committed to supporting children of deceased haemophiliacs and it sees this commitment stretching well into the future because of the considerable number of young children registered with it. The Trust estimates that its reserve will have fallen to £4 million by the end of 1992/93. Falling interest rates and diminishing capital have reduced the extent to which interest can offset the annual expenditure of around £2 million. The Trust says that it will have to cut expenditure drastically in 1993/94 if funds are not topped up. It considers it necessary to keep a reserve to meet the needs of the terminally ill and the immediate needs of the bereaved; and this reserve needs to be able to meet a crisis downturn as there is no reliable prognosis for the health of those with HIV and haemophilia. In view of past assurances, Ministers will wish to avoid a cutback in the Trust's expenditure. A lump sum payment of £5 million now rather than £1 million proposed in my submission of 4 December, will provide the Trust with sufficient resources to meet its commitments for the next 3 to 4 years and could be made on the expectation that no further claims would be received from the Trust for that period. A one off payment of this size is worth more to the Trust than annual payments as they receive interest and can maximise their income and would deal with a significant pressure at the start of the fundamental review of government expenditure.

ii. World Health Organisation

As a member of the WHO, the UK is required to pay an annual contribution towards its budget. Although payment is due on the January 1 each year, the UK, by arrangement, has paid its subscription in early April although payment of some of this amount could be made earlier. Payment of part of the UK 1993 subscription

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before the end of March would release funds for reallocation in 1993-94.

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Conclusion

6. M(H) is invited to agree that:
- i. a lump sum payment to the MacFarlane Trust of £5 million be made before the end of March in the expectation that this sum will meet the Trust's commitments for the next 3 to 4 years.
 - ii. part of the 1993 UK subscription be paid to the WHO from the balance of CFS underspends, after i. above has been met, and underspends on the department's administration budget.

J M BROWNLEE
ROOM 610 FRH

TEL
FAX

GRO-C