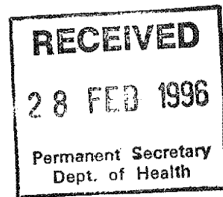


Perm Sec



Mrs Weatherseed PS/PS(H)

From: Mr Guinness CA OPU1-2
Date: 28 February 1996
Copies: Mr Dyson PS/Perm Sec
Dr Metters DCMO
Mr Brownlee F1
Dr Rejman CA OPU2
Mr Pudlo CA OPU2
Miss Towner CA OPU2



MACFARLANE TRUST - ADDITIONAL FUNDING FROM IN YEAR SAVINGS

1. Your minute of 22 February sought further information PS(H) had asked to have before reaching a decision on my submission of 13 February which sought his agreement to topping up the Macfarlane Trust's funds by £2.5 million available from in-year savings in 1995-96.
2. My submission followed the completion by Finance Division at the end of January of one of the twice yearly reviews of all 140 or so CFS budgets, including the voluntary sector. The other review is undertaken in October each year. In each review CFS budget holders are asked to estimate the forecast outturn for the year and deliver any potential savings that are likely to result or identify pressures in excess of an agreed budget.
3. Against a total cash limited budget of £268 million, the January review produced a total of £7.5 million available for reallocation within the CFS programme. This resulted mainly from higher receipts than originally forecast (£2.3 million) and lower expenditure than expected (£5.2 million) on a number of budgets including R & D (£1.1 million), the microbiological surveillance of food (£0.7 million), information services (£0.7 million) and the refurbishment of Tadworth Court (£1 million).
4. With the agreement of Ministers, the CFS budget for 1995-96 was overcommitted by £4 million to be met from in year underspends, and this now has to be met from the savings identified in the recent review. Of the balance £0.4 million has been used to meet a number of small pressures and £2.5 million is available to fund the payment to the MacFarlane Trust if PS(H) agrees that this should be made. An amount of £0.6 million remains unallocated.
5. I think that a distinction has to be drawn between the Macfarlane Trust and organisations receiving grants from DH. The Trust was set up as part of the out of court settlement of the legal action being taken against the Department by haemophiliacs infected with HIV. It is therefore "Government money" being administered by an independent Trust. The Trustees invest the money, and make use of both capital and income to make payments to people registered with it. The Trust started off with £10 million in 1987, and received a £5 million top up in 1993. The Trustees feel that, if the balance falls below £4 million, they would be unsure about their ability to fund ongoing payments. While at present their balance is over £5 million, given the current level of payments it would fall to £4 million well before the end of the next financial year. The

Trustees would undoubtedly then repeat their request for additional funds with added urgency, and there can be no guarantee that the necessary funds would be available at that time. Failing additional funding, the Trustees would have to consider reducing payment levels, and would no doubt make it clear that the reason was that the Government was failing, in their view, to provide adequate funding.

6. Given that in-year savings are at present available, now seems a suitable time to top up the Trust fund again.

7. I would of course be happy to discuss with PS(H) any further concerns he may have about the Trust, and Mr Brownlee would, I am sure, be happy to discuss any more general points on the CFS underspend.

K J GUINNESS

EH 303

ext **GRO-C**