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Mr A McKeon PS/S of S

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From: Ms M E Stuart (FB)

Date: 17 November 1989

C.C.	Mrs Kirk	PS/PS(H) ✓
	Mrs Keswick	Sp Adv
	Miss Gwynn	PS/Perm
		Sec
	Mr Mayne	PEFO
	Mr Heppell	HPSS ✓
	Mr Rayner	FPS/M
	Mr Hart	OPS ✓
	Mr James	FA ✓
	Mr Kendall	FA2 ✓
	<del>Mr Dobson</del>	<del>HSI</del>
	Mr Canavan	HS1A ✓

Mr. C. Wilson MCA

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## FUNDING OF ADDITIONAL GRANT TO MACFARLANE TRUST

### Introduction

1. This submission sets out the consequences for CFS and HCHS of additional grants of up to £20 million over the next 3 years to the Macfarlane Trust to enable it to give financial help to haemophiliacs and their families who are HIV positive or have contracted AIDS. The two possible options for providing this assistance would be for the Trust to:-

#### Option 1. Amending Trust Deed to

Pay a lump sum to each affected family in 1990-91 and thereafter advance money in cases of need. The cost of a lump sum payment of £10,000 to 1200 haemophiliacs affected would be £12 million. The funding required from HCHS and CFS after taking account of the Trust's present reserves and commitments would be £7 million. Thereafter it is estimated that the cost of "topping-up" the fund to meet claims from needy cases would be £3-4 million per year in 1991-92 and 1992-93. This would cost £13-15m over 3 years leaving £5-7m for more generous arrangements for the needy.

#### Option 2

Amend the trust deed of the Trust to increase the scope of payments to affected haemophiliacs. The cost of this option would depend upon the extent of the changes to the trust deed, but on the basis of the payments made since November 1987 it is probable that this could be met by grants of £20 million over the next 3 years with up to £5 million being available in the first year.

## **Funding**

2. The possible sources of funding for additional grants to the Trust are HCCHS, CFS and money allocated to AIDS services.

The alternatives are:-

- all CFS
- all HCCHS
- a mixture of the two.
- all or part from money allocated to AIDS services.

Option 1 would involve £7m extra funds in year 1 rather than the £5m previously discussed. This, together with other pressure on the CFS budget could not be accommodated in full. In view of Secretary of State's comments on funding at the meeting on 16 November the consequences of funding up to £20 million over 3 years for Options 1 and 2 have been examined for 1990-91. The source of funds for years 2 and 3 can be considered later.

a. Option 1 Total cost £7: 6: 7 million financed by a mixture of funding from CFS & HCCHS. The table attached illustrates how £5 and £3 million for 1990-91 could be found from CFS.

b. Option (2) - Total cost £5: 7: 8 million financed wholly by CFS or a mixture of CFS/HCCHS (see table attached).

## **Centrally Financed Services**

3. The CFS contribution to the Macfarlane Trust grant will be a substantial additional commitment for CFS to absorb amongst its many budgets. The 1989 PES settlement for cash limited CFS was £89:80:77 million and the proposed allocation of this money was set out in Mrs Grimshaw's submission of 31 October 1989. Of the settlement, £38:39:37 million relates to bids for the NHS Review and £22:26:30 million for pay and prices, mainly for FPCs, NDPBs and SHAs funded from CFS. The net sum available from the PES settlement for other CFS programmes will be £29:15:10 million. A £5 million CFS contribution to the Trust's grant in 1990-91 would represent 17 per cent of the additional allocation available from the PES settlement net of NHS Review bids and provisions for pay and prices.

4. In addition to Macfarlane there are two other recent bids that were not provided for in the 1989 PES settlement or initial allocation set out in Mrs Grimshaw's submission of 31 October. £0.5 million will be required to fund the Department's share of the UK contribution to expand the PETO Institute in Budapest and up to £1 million will be needed to fund bids for Community Care implementation and development. The funding from CFS of the three additional bids will place considerable strain on the CFS budget and require cuts to baselines as well as substantial reductions to provisional allocations set out in Mrs Grimshaw's submission.



5. Treasury felt that the provision agreed for CFS was over-generous. Such a major reduction in CFS bid areas at this stage of the year will confirm this impression and make next year's negotiations more difficult.

6. The reductions necessary to other CFS programmes to fund grants to the Macfarlane Trust under Options 1 and 2 are set out in the attached table. The more significant reductions are as follows:-

	f million
FPCs - Reduced allocation for FPC administration and unallocated reduction to baseline	1.5
DSA - Withdrawal of allocation for indoor/outdoor wheelchairs	1.0
DSA - Withdrawal of allocation for new Disablement Service Centres	1.0
Voluntary Sector - Deferred introduction of services in DHA's for alcohol abusers	0.5

#### Funding from HCHS

7. The issues on top-slicing of HCHS funds are set out in Mr James' submission of 14 November. Whatever decisions are taken on this, any decision to transfer resources to the CFS programme to fund payments for haemophiliacs will have the effect of directly reducing the amounts available for general allocation to health authorities. Each £1 million taken from these allocations represents on average over £70,000 to each region. The issues relevant to such a change are covered in Mr James' submission.

#### Money for AIDS Services

8. An alternative option mentioned at the meeting on 16 November might be to take any funding required from money earmarked for AIDS services. This has no obvious attraction however as:-

- total allocated to health authorities would nevertheless be reduced (although not their "general allocations");
- Treasury would see any division of this money as confirming their doubts on the longer term need for funds for AIDS services; and
- MS(H) referred to the existing figure for AIDS monies at the press conference following the Autumn Statement.

*by end of financial year*

**Incidence of Payments to the Macfarlane Trust under Option 2**

9. The Trust received a grant of £10 million in November 1987 funded from the Reserve. The balance remaining, including interest earned ~~currently~~ *will by year end* stands at £9 million. If option 2 is chosen and the trust deed of the Trust is amended to widen the scope of allowable claims the level of payments is likely to increase over the next few years. However, after taking account of its reserves the Trust may not need the full grant of £5 million in 1990-91 to meet its commitments. An announcement of a grant of £20 million over the next three years of which up to £5 million could be drawn in 1990-91 would provide the level of grant that Ministers may consider desirable and also enable the initial reductions to other CFS and HCHS programmes to be limited to £2-3 million in the first year. If the full £5m is, in the event, required underspends on any of the cash limited programmes could be used. Thereafter bids could be included in PES to provide the balance of the grant in years 2 and 3.

**Conclusion**

10. The Secretary of State is asked to consider:-

- (i) Options 1 and 2 for providing additional resources to the Macfarlane Trust
- (ii) the funding options
- (iii) the proposed reductions to CFS allocations set out in the attached.

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