



4 Gen Prime Minister ② a NO

There are clearly problems of forecasting and control here. Social security and the FPS are on the Treasury's list of priority subjects, about which I have minutes separately.

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Norman Fowler MP
Secretary of State for Health
Department of Health & Social Security
Alexander Fleming House
Elephant & Castle
LONDON
SE1 6BY

22 December 1983

AT
23/12

Dear Secretary of State,

I have to say that I am extremely put out by the latest news from your officials that there is yet another increase in your forecast of expenditure for social security. I gather that you now expect expenditure to be £580m higher in 1984-85 (with similar increases in later years) than the programme total following our bilateral agreement on 18 October.

You will recall that, in the course of our bilateral discussions, I put to you forecasts of increased expenditure of which I had just become aware and as a consequence my officials in the interests of realism persuaded yours, to increase the programme by a net £223m, which was reflected in the Cabinet decisions and the Autumn Statement. Now, only a month later, I am told that a further £357m will be needed, and must be reflected in the White Paper. This makes a nonsense of our bilateral discussions and our decision to hold to the planning totals. Had I known of this increase at an earlier stage, I would have been compelled to look for further savings from you (or other colleagues) to offset it. As it is I now have no choice in the time available but to reduce the contingency reserve before the year has even begun. You will therefore understand, I am sure, that I must ask you to look thoroughly for any ways in which this latest large increase can be offset by economies in your social security programme; I was for example surprised to hear that Tony Newton was speaking on the "Today" programme recently about the considerable effort you are making to encourage the maximum possible take-up of benefits.

These increases (apparently unforeseen by your officials until the last few days) suggest very strongly that your systems for forecasting and monitoring expenditure are inadequate. This is supported by a study (in which my officials have participated)

which has drawn attention to the absence in some areas of modern or consistent methods and a wide diffusion of responsibility for forecasts. I am sure that you will want to take a close personal interest in ensuring that these shortcomings are remedied urgently, so that we do not have a recurrence of this outcome next year. I am sure you will accept that at the time when the Cabinet takes its public expenditure decisions, we must have a forecast on which we can rely for the White Paper, Estimates and Budgetary purposes and a presumption that any increases of the kind we have been faced with this year will be offset so far as humanly possible by savings elsewhere in the social security programme. I would be grateful if you would let me know of the action taken and progress made by next May, as I hope that a new and more effective system will be in operation before the PES round next year.

There is a similar, but less severe, forecasting problem with the FPS Vote where your latest estimate shows an increase for £66m for 1984-85 over the figure in the Autumn Statement. I have agreed in this case that the White Paper should reflect the extra provision needed to honour our agreement during the bilaterals that the White Paper should show the same programme total, £13,130m for 1984-85, for the National Health Service in England as in last year's White Paper. Any expenditure beyond this would be a claim on the contingency reserve, but, as in the case of social security, I should then expect you to take every step to find offsetting savings. It must be common ground between us that we should avoid the forecasting problems on FPS which occurred this year and which accentuated an existing problem of underprovision.

I am copying this letter to the Prime Minister.

Yours sincerely

PR

PR PETER REES

(Approved by ACST

& signed in his absence)

23 DEC 1963

