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CABINET

THE NATIONAL HEALTH SERVICE

MEMORANDUM BY THE SECRETARY OF STATE FOR SCOTLAND

1. I find myself in the same position as the Minister of Health, obliged to report that the money provided in the 1949-50 estimates for the National Health Service in Scotland is almost certainly inadequate to enable the service to be carried on without restriction of facilities to the public. These estimates provide for gross expenditure of £39.6 million, which is £2.3 million less than the figures quoted in my earlier paper (CP (48) 308), the difference being accounted for mainly by cuts relating to the hospital and specialist service and to the dental service, which were suggested by the Treasury.

2. There are two main reasons for the inadequacy of the estimates. The first, which chiefly affects the general practitioner services and especially the dental service, is that demand has not receded as far as I had anticipated from the high level of the late autumn. In the dental service, cases involving dentures (and these are the most expensive) are now coming in at the rate of half a million a year: this is only two-thirds of the rate last October, and I feel sure that it must fall further still. On the other hand, cases of conservative treatment are still running nearly at the 750,000 a year level, and I do not think much decrease, if any, is to be looked for. In cutting the original estimate, I relied partly on a more rapid reduction of demand, and partly on the further reduction in the scale of fees, which cannot now be effective for much more than half the cases coming for payment this year. It is thus clear that the final estimate is well short of the mark, although at this early stage I cannot put a figure on the deficit.

3. As regards the other general practitioner services, I think that, while the present claim by the doctors is seriously overstated, we shall be obliged to concede something to them: the family doctor, who is after all the foundation of the whole service, has in my opinion fared less well than almost any other worker in the service. The cut in fees for oculists and opticians will, I hope, make it possible to keep very close to the estimated figure for the eye service: especially as the current demand (which is running at the rate of almost one million sight tests a year, 20 per cent. below the October peak) surely cannot be maintained for another twelve months. For the chemists, I am afraid my estimated provision is inadequate, even allowing for minor savings and precautions against abuse. The volume of prescribing now seems to have been abnormally low at the start, and delays in making payments last year mean that arrears have to be met in the current year.

4. The difficulty in estimating the cost of the hospital and specialist services is not related so much to speculative assessments of demand as is the cost of the general practitioner services, but reliable figures of past experience in the hospital field have, as the Minister of Health points out, been very hard to obtain. I would like to emphasise that as the new hospital organisation settles

down and the accounts come forward in a standard form for all hospitals, the hospital authorities and my Department will, for the first time, have precise and detailed information on hospital expenditure. It will be possible to frame next year's estimates on the basis of firm figures; and—equally important—from the costing returns to detect and inquire into all exceptional rates of expenditure.

5. Even so, the main items for which shortages are likely to appear in this year's estimates are the items for salaries and wages of staff whose remuneration has been improved by recent decisions. For nursing staff alone, the improvements about to be effected will cost in Scotland nearly £1 million in the current year. For student nurses, the recent increases granted after the estimates had been framed will cost £ $\frac{1}{4}$ million, and domestic staff increases associated with these improvements will cost another £ $\frac{1}{4}$ million. We have had particular difficulty in assessing the cost of the specialist services, for the doctors concerned are only now being graded: but having regard especially to the need for retrospective payments in these cases right back to 5th July, I am afraid that the provision for this item is about £ $\frac{1}{2}$ million short.

6. While it is not yet possible to frame really accurate forecasts of the total expenditure for the year, it is clear that increased charges of this order cannot be met out of the original estimate without very substantial savings in other directions. These would involve not only suspension of maintenance and development work, but in all probability the closing of wards and dismissal of staff as well. It is my firm view that we should not be afraid of capital expenditure on such items as redesign of working space and improved equipment in hospitals, which by saving labour can pay their own way as well as provide better services for the patients. Similarly, capital expenditure on improved out-patient departments would be an economy in the long run, for, given proper amenities at these places, the needs of many patients could be met without admitting them to much more costly in-patient care. Apart from these special cases, I think we shall have to increase the volume of capital expenditure: we have taken over very large capital assets, and already there has been practically no replacement for ten years. The present rate of expenditure is short of net replacement to say nothing of expansion.

7. I therefore associate myself with the Minister's hope that our colleagues will agree to the provision of additional money, failing which we shall need guidance as to the services to be selected for curtailment.

A. W.

*Scottish Office,
10th May, 1949.*



