

PREM 19/3690

Confidential Filing

Remuneration of Retail Pharmacists : A Proposal for  
a Review Body.

ECONOMIC  
POLICY

February 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>22-2-80</del>							
<del>27-2-80</del>							
3-3-80							
<del>5-3-80</del>							
<del>11-3-80</del>							
<del>17-3-80</del>							
<del>25-3-80</del>							
<del>29-5-80</del>							
<del>10-6-80</del>							
<del>3-5-85</del>							
<del>5-3-91</del>							
<del>8-3-91</del>							
<del>14-3-91</del>							
<del>24-91</del>							
<del>3-3-91</del>							
<del>5-3-92</del>							
<del>12-3-92</del>							
<del>13-3-92</del>							
4.11.92							
PREM 19/3690							
LLOYD							

PART February 1980 ends:-

SS/DOH to CST

4.11.92

PART \_\_\_\_\_ begins:-

\_\_\_\_\_

File (PA)

Prime Minister  
To see  
MA  
4/2



**POLICY IN CONFIDENCE**

Rt Hon Michael Portillo MP  
Chief Secretary  
HM Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

Richmond House  
79 Whitehall  
London SW1A 2NS  
Telephone 071 210 3000  
*From the Secretary of  
State for Health*

4 November 1992

*Dear Michael,*

**PHARMACISTS' REMUNERATION**

Cabinet discussed the consequences of precipitate action on pharmacists' remuneration. It should be helpful to set out the position in law.

The inclusion of a pharmacy on an FHSA's list is currently dependent upon a test of whether the pharmacy is necessary or desirable in a particular area at the time of inclusion. There is no procedure for removing a pharmacy from the list because it is deemed no longer to be desirable or necessary. The relevant provisions of the NHS Act 1977 do not contain any express power to make such provision. We would need primary legislation to introduce such a power. To act without having done so would clearly mean that we were operating ultra vires.

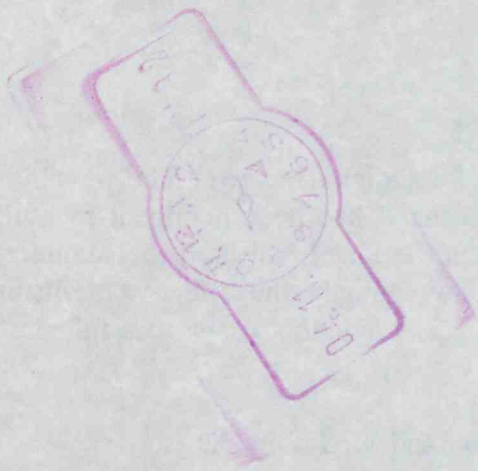
The alternative approach of trying to achieve the same effect through the remuneration system by imposing a settlement on the pharmacists would in practice force the smallest pharmacies out of the service. There is a risk, possibly substantial, that the pharmacists would be successful if they challenged this in the courts. The legislative position here is complicated. The law makes me responsible for determining pharmacists' remuneration after consulting an organisation representing the pharmacists. There is a presumption in law that I shall arrive at my determination reasonably. If I were to impose a settlement that was clearly seen to be disadvantaging certain groups of pharmacies and which was in fact designed to achieve this result, then it could be argued in the courts that I was using my powers in an improper

way. My decision could be set aside in an action for judicial review. The possibility of compensation might also arise if it could be shown that I had been negligent or guilty of misfeasance in a public office. The complaint would be that I had used the remuneration system to achieve a result not provided for by law, namely the effective de-listing of pharmacies that were deemed to be undesirable. If such an action was successful, the level of compensatory payments could be high.

I am copying this letter to other members of Cabinet and Sir Robin Butler.

*yours are*  
*Virginia*

VIRGINIA BOTTOMLEY



PAY IN CONFIDENCE

*CEP*



*n5PM  
BTP  
13/3*

Treasury Chambers, Parliament Street SW1P 3AG  
071-270 3000  
Fax 071-270 5456

The Rt Hon William Waldegrave MP  
Secretary of State for Health  
Department of Health  
Richmond House  
79 Whitehall  
London  
SW1A 2NS

13 March 1992

*Dear Secretary of State,*

**PHARMACISTS PAY**

Thank you for your letter of 12 March. This letter confirms the response that my office passed to yours earlier.

2. It clearly must be for you to determine the tactics of your negotiations with the pharmacists. My interest is in ensuring that any offer that is made is affordable.

3. That said, the package that we agreed earlier in the week is a perfectly respectable one: 4½ per cent - with the prospect of increasing to 4¾ per cent with proper progress on abolishing on-cost - is quite in line with, or above, what others in the economy are receiving. I was, frankly, surprised, therefore, that you had decided not to put this offer to the pharmacists. My own instincts are that there would still be advantage in doing so even at this late stage. But it must be for you to decide.

4. I am copying this letter, like yours, to the Prime Minister, Chris Patten, Richard Ryder and Sir Robin Butler.

*Yours sincerely  
David Mellor*

DAVID MELLOR

*[Approved by the Chief Secretary  
and signed in his absence]*





n5PM  
BHP  
B/3

CCPU



**CONFIDENTIAL**

The Rt Hon David Mellor QC MP  
Chief Secretary  
HM Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

Richmond House  
79 Whitehall  
London SW1A 2NS  
Telephone 071 210 3000  
From the Secretary of  
State for Health

12 March 1992

*Dear Chief Secretary,*

**PHARMACISTS PAY**

I am writing to let you know the position we have reached over pharmacists pay, following your letter to me of 5 March.

As I said in my letter of 3 March I do not believe we have yet arrived at a figure that is high enough to guarantee a settlement and avoid a row. I do not believe it will secure a settlement. In the circumstances I feel I must refrain at this stage from making an offer that will only make matters worse and hope I can use the election to postpone the issue. I must caution colleagues that even then I may not succeed. I attach a copy of the latest letter from their negotiator which reflects their mood.

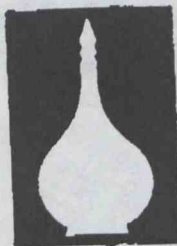
Nonetheless, unless I hear from colleagues by noon tomorrow I propose asking my officials to tell the pharmacists that we are unable to add to our initial offer without further discussion - the implication being that we would not make a further offer until after the election. I have to warn colleagues that this may start an open campaign by the pharmacists who have many friends amongst our colleagues.

I am copying this to the Prime Minister, Chris Patten, Richard Ryder and Sir Robin Butler.

*Yours sincerely,  
Colin Phillips*

WILLIAM WALDEGRAVE

*(approved by the Secretary of State & signed by the private secretary)*



PSNC

PHARMACEUTICAL SERVICES NEGOTIATING COMMITTEE

88 Buckingham Street Aylesbury Bucks HP20 2PJ  
Telephone: 01-348 1081 Fax: 01-348 1082

Chairmen: David N Sharpe OBE FRPharmS

DNS/EK

11 March 1992

Brian Bridges Esq  
Department of Health  
Portland Court  
158-176 Great Portland Street  
London W1N 5TB

*Dear Brian*

NHS REMUNERATION 1992/93

YOUR LETTER - 11 MARCH

I received your letter by telefax while the PSNC was in session. I was thus able to put it before the Committee and I have been instructed to reply to you immediately in the following unequivocal terms.

The PSNC regards the account stated in your letter to be incomplete and misleading.

The PSNC lodged its claim with the Department on 18 November 1991. At the first meeting between the PSNC and the Department on 16 December, you refused to consider our claim and, instead, tabled a wide-ranging discussion paper. You made it clear that any progress in discussions on remuneration for 1992/93 would be dependent on the PSNC reacting positively to that paper. This we did in our letter of 31 January. You appear to have taken no account of these facts in your letter.

The PSNC does not find it credible that Ministers have not had time to reconsider their offer of 18 February, which the PSNC rejected as being derisory.

The PSNC regards remuneration for next year as a matter that should be dealt with urgently, and before the dissolution of Parliament, as an important and outstanding part of the Government's business. It would be utterly wrong and unacceptable to NHS community pharmacists if the matter drifted unresolved through the General Election campaign and beyond.

Brian Bridges Esq

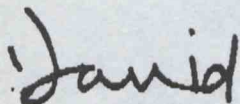
11 March 1992

The PSNC regards your letter as nothing more than an attempt to prevaricate. It is completely unacceptable.

The PSNC therefore insists that it receives, within the next 24 hours, a revised offer from the Department to which the Committee undertakes to respond similarly within 24 hours.

We anticipate hearing from you by return. If we do not hear from you with an improved offer, we shall take it that the Department's offer of 18 February, which we have already rejected, is indeed the Department's final offer.

Yours sincerely



D N SHARPE  
Chairman, PSNC

cc: Secretary of State

PAY IN CONFIDENCE



*copy*  
*15PM*  
*BHP*  
*13*

Treasury Chambers, Parliament Street SW1P 3AG

071-270 3000

Fax 071-270 5456

The Rt Hon William Waldegrave MP  
Secretary of State for Health  
Department of Health  
Richmond House  
79 Whitehall  
London  
SW1A 2NS

5 March 1992

**PHARMACISTS' REMUNERATION**

Thank you for your letter of ~~3~~ <sup>has</sup> March. We also discussed this briefly on 5 March.

2. As I said, it cannot be sound political judgement to give in to every group who threaten to make a noise, regardless of whether their claims are justified or not. The terms that I must insist upon amount to a perfectly reasonable settlement, quite in line with or above what many others in the economy are receiving. It would be grotesque to suppose that the pharmacists could enlist public sympathy against such a background. They know that as well as we do.

3. I note that you now feel that you could perhaps settle at 5 per cent rather than the 5.5 per cent you have previously proposed. 5 per cent is still not realistic but the ranges that I have indicated I could accept are not a huge distances away.

4. I am copying this to the Prime Minister, to Chris Patten and to Sir Robin Butler.

DAVID MELLOR

ECON POL: Pharmacists, Feb 80



CONFIDENTIAL



The Rt Hon David Mellor QC MP  
Chief Secretary  
HM Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

Richmond House  
79 Whitehall  
London SW1A 2NS  
Telephone 071 210 3000  
From the Secretary of  
State for Health

3<sup>rd</sup> March 1992

D. David,

**PHARMACISTS' REMUNERATION**

Thank you for your letter. This is a sheer matter of political judgement about the number of fronts we wish to fight on. I am sure I can keep the pharmacists quiet for 5.5 per cent; I have a good chance of doing so for 5 per cent. You are saying 4.75 per cent at most, with proper progress on oncosts (where we can make no progress at all if we have to impose a settlement). That in my judgement is just too low and runs the risk of a row over peanuts.

I need to be free to go up to 5.5 per cent, with action on oncosts, though I shall try to settle at 5 per cent.

I would be grateful if you could let me know if you are able to agree by close of play tomorrow.

Copies go to the Prime Minister, Chris Patten and Sir Robin Butler.

*W. Waldegrave*

WILLIAM WALDEGRAVE

NI HEALTH : NHS Part 14.



PAY IN CONFIDENCE



Prime Minister

Best to leave CST to Health

Sec. to advise Separately.

BP

2/3

Yes

Treasury Chambers, Parliament Street SW1P 3AG

071-270 3000

Fax 071-270 5456

The Rt Hon William Waldegrave MP  
Secretary of State for Health  
Department of Health  
Richmond House  
79 Whitehall  
London  
SW1A 2NS

29 February 1992

*D. J. M.*

*BP / will request  
if required.*

**PHARMACISTS' REMUNERATION**

Thank you for your letter of 21 February.

2. I note that you are no longer arguing the case for a 5½ per cent settlement on its merits but, rather, in order to avoid a repeat of the row with the dentists. I am afraid, however, that I am no more persuaded of the political analogy with the dentists than I am of the merits of the pharmacists' arguments.

3. In the case of the dentists, you were proposing a cut in the cash value of their fees averaging nearly 14 per cent. However logical that may have been, there would clearly have been difficulties in getting across the justification for such a reduction. The dentists were able to exploit that. But there is no question of any cut in fees for the pharmacists. A settlement in the ranges that I have proposed would represent a bigger rise than many private sector settlements. It would also leave the pharmacists faring better than many of their fellow traders in the High Streets. I entirely fail to see how they could realistically mount a campaign of "up-and-down-the country agitation" such as you fear.

4. I fear that I can place no more weight on the argument that a 5½ per cent increase would be well within your PES provision. Notwithstanding the small "saving" that you imply you would be making here, your officials have already informed mine that the family health services Vote on which pharmacists' remuneration is borne is expected to be overspent compared to your PES provision by

PAY: IN CONFIDENCE



**PAY IN CONFIDENCE**

around £100 million in 1992-93. This projection, before the year has even begun, assumes that it will be possible to prevent any further overpayments to dentists. If, in the event, that should not be possible, there would be extra costs as well. In these circumstances, we must look for savings wherever they are to be found.

5. I am afraid that I must insist, therefore on a settlement within the bounds that I have previously indicated: at the lower end of a 4-4½ per cent range or, with proper progress on abolishing on-cost, up to 4¾ per cent. This would represent a wholly reasonable settlement. To go beyond that, and offer the pharmacists a higher increase than can be justified on merit by their case would be no less harmful politically than it would be from the standpoint of sound management.

6. I am copying this letter, like yours, to the Prime Minister, Chris Patten and to Sir Robin Butler.



**DAVID MELLOR**

n SPH  
RHP

cc:lu

26/2



Y SWYDDFA GYMREIG  
GWYDYR HOUSE  
WHITEHALL LONDON SW1A 2ER  
Tel. 071-270 3000 (Switsfwrdd)  
071-270 0538 (Llinell Union)  
Fax: 071-270 0561

WELSH OFFICE  
GWYDYR HOUSE  
WHITEHALL LONDON SW1A 2ER  
Tel. 071-270 3000 (Switchboard)  
071-270 0538 (Direct Line)  
Fax: 071-270 0561

Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon David Hunt MBE MP

From the Secretary of State for Wales

CONFIDENTIAL

CT/5188/92

26/2 February 1992

*Dear David*

*at foot*

Thank you for copying to me your letter of 5 February to William Waldegrave about settling the pharmacists' pay claim. I have also seen his reply of 13 February.

Given, as you say, that there are no reported difficulties with recruiting or retaining pharmacists - and that is certainly the case in Wales - I agree that it would be difficult to justify what might be perceived as being a "generous" settlement.

Like William, however, I am concerned that we should do nothing which would hinder agreement on the longer term restructuring of pharmacists' pay. Imposing a settlement significantly below that so recently agreed for others would not create a climate which would be conducive to implementing the proposed Report on "The Future Role of Community Pharmaceutical Services".

While we wait to see what emerges from the presentation of an offer within the limits set out in your letter, therefore, I hope that you will not close your mind to the need to improve them should this prove necessary to smooth the way to securing the anticipated benefits of longer term pay restructuring.

/ Copies of this letter go to the recipients of yours.

*Yours ever*

The Rt Hon David Mellor QC MP  
Chief Secretary  
HM Treasury  
Treasury Chambers  
Parliament Street  
LONDON SW1P 3AG

*David*

CE PU



CONFIDENTIAL

The Rt Hon David Mellor QC MP  
Chief Secretary  
HM Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

Richmond House  
79 Whitehall  
London SW1A 2NS  
Telephone 071 210 3000  
From the Secretary of  
State for Health

21 February 1992

Dear Chief Secretary,

**PHARMACISTS' REMUNERATION**

One of the conclusions of the meeting the Prime Minister chaired after last Thursday's Cabinet was that we needed to settle pharmacists' remuneration quickly so as to avoid risking the sort of up-and-down-the country agitation which the dentists have just mounted so effectively. I am not seeking to persuade you of the merits of the pharmacists' arguments; I am warning of the certainty of a repeat of the row we have had with the dentists and with our own backbenchers. This is not the time to be reforming pharamcists' pay and sitting out a row: we need a quick settlement.

We can be sure that a 5.5 per cent increase in remuneration plus £2 million for disposal of unwanted medicines and pre-registration training would secure agreement. It would, incidentally, secure the considerable changes we want (including getting rid of one of the five percentage points of on-cost) and an amicable settlement. This is well within the PES allocation (6.4% plus £2 million) and costs only £4.5 million more than the 4.75 per cent settlement you have proposed.

So far we have offered 4 per cent (3.7 per cent plus £2 million) so that I would be free to impose that figure (with the loss of any possibility of re-structuring pharmacists' remuneration) though in practice I should no doubt want to be a half percentage point more generous. (There is no dispute between us over a £2.3 million allocation for pilot studies to examine new roles of pharmacists which is in addition to the 6.4 per cent and £2 million for which we have PES cover.) In view of the conversation with the Prime Minister, I am intending to proceed to settle on this basis (or, of course, lower if I can) unless I hear from you.



Copies of this letter go to the Prime Minister, Chris Patten and Sir Robin Butler.

Yours —

Colin Phillips

WILLIAM WALDEGRAVE

(approved by the Secretary of State  
signed by the private secretary)



n 501  
STP  
13/2



**PERSONAL AND CONFIDENTIAL**

The Rt Hon David Mellor MP  
Chief Secretary  
HM Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

Richmond House  
79 Whitehall  
London SW1A 2NS  
Telephone 071 210 3000  
*From the Secretary of  
State for Health*

13<sup>th</sup> February 1992

*D. David,*

**PHARMACISTS' PAY**

Thank you for your letter of 5 February.

I think it is important not to under-estimate the progress on restructuring that we have been making in our negotiations with the pharmacists. In return for a settlement of 5.5 per cent, we would secure the introduction of a new professional allowance which opens the way for further performance-based payments in future years. We do not intend to pay the allowance to pharmacists who do a small amount of NHS work - which means we are able to target more money at some of the larger, more efficient pharmacists - and we intend to tighten the qualifying conditions in future years to encourage pharmacists to raise the quality and extend the range of their professional services to that of the best. The allowance would be paid for by the phasing out of on-cost payments which, as you say, are obsolete. Our proposal incidentally goes rather further than the Scots who used the money from the abolition of on-cost to boost the existing fee structure which, inter alia, gives proportionately more money to pharmacists who dispense fewer NHS prescriptions.

As it is, we are left with the prospect of making little, if any, progress on the restructuring of pay. Indeed, I should not be surprised if we do not end up imposing a settlement on the pharmacists which not only leaves the existing pay structure intact but makes the prospect of securing improvements in future years more difficult. As you know, part of our wider strategy is to make fuller and cost-effective use of pharmacists' skills in health promotion and in helping to relieve the burden on the other primary care services. An imposed settlement at well below the increases we have agreed for the other contractor professions is not the best starting point from which to negotiate these changes.



In order to try and move things forward, I have nevertheless asked my officials to make an offer to the pharmacists within the range that you have indicated. For the reasons I have explained, I am not sanguine about the outcome and I have asked my officials to let your's know where we have got to following our next negotiating session with the PSNC which is scheduled for 19 February.

I am copying this letter to the recipients of yours.

*W  
Waldegrave*

WILLIAM WALDEGRAVE



25 PM

BAP

6/2

Treasury Chambers, Parliament Street SW1P 3AG

071-270 3000

Fax 071-270 5456

The Rt Hon William Waldegrave MP  
Secretary of State for Health  
Department of Health  
Richmond House  
79 Whitehall  
London  
SW1A 2NS

5 February 1992

A handwritten signature in dark ink, appearing to read 'W. Waldegrave'.

**PHARMACISTS PAY**

Your officials had asked mine, at the end of last week, for my agreement to your proposals for settling the pharmacists' pay claim. I was therefore surprised to see them canvassed in your minute to the Prime Minister dealing with Review Body awards: as you say, pharmacists are not covered by a Review Body.

2. There are no recruitment or retention difficulties in respect of pharmacists and in such circumstances a settlement of 5½ per cent would be exceptionally generous, at a time when inflation is running well below this. The factors that you put forward do not, frankly, add up to the exceptional justification which would be needed for such a settlement, especially after the very large real increase pharmacists received last year:

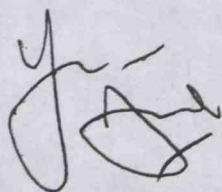
- a) pharmacists may like to compare themselves with doctors. But they are not doctors; their function and circumstances are quite different. It would cost us a great deal of money, to no purpose, if we allowed pay claims by reference to the false comparisons that the various groups make;
- b) I cannot accept the implication that a saving of £6 or 9 million a year can be regarded as de minimis. Nor is it relevant that the money is in your PES provision. The GP and dentists overpayments have placed very heavy demands on the Reserve which were not apparent when the Survey was concluded. We must look for savings wherever possible to provide some offset to this;



- c) I am all in favour of action to render pharmacists more productive and improve their contribution towards the nation's health. That must be our aim with every part of the NHS, the pharmacists no less than other professions. But that is no reason to grant this group a pay bonus quite unwarranted by the underlying circumstances.

3. On the basis of the more detailed information that your officials have put forward, I can see no case for a settlement above the lower end of a 4-4½ per cent range. If the pharmacists were to be helpful in making real progress towards abolishing the obsolete on-cost element of their pay - as the Scots have already done - I would be content for a settlement nearer to 4½ per cent. In no circumstances should we allow a more generous settlement than that.

4. I am copying this letter, like your minute, to the Prime Minister, James MacKay, Chris Patten, Tom King, John MacGregor, Peter Brooke, Michael Howard, David Hunt, Kenneth Clarke, Ian Lang, Tim Renton and to Sir Robin Butler.



DAVID MELLOR

PAY IN CONFIDENCE



*WLO*  
n. b. P.M.  
tell Health Sec.  
response.  
JHP  
11/4

Treasury Chambers, Parliament Street SW1P 3AG

071-270 3000

Fax 071-270 5456

The Rt Hon William Waldegrave MP  
Secretary of State for Health  
Department of Health  
Richmond House  
79 Whitehall  
London  
SW1A 2NS

9 April 1991

*Dear William,*

**PHARMACISTS PAY**

Thank you for your letter of 21 March.

2. I have considered with great care what you say about the political implications of a row with the pharmacists at this juncture. But I remain unconvinced that it would be right to concede to them an increase in remuneration with a full year cost of 9.5 per cent.

3. As you know, I take this view not because of concern about the effects of such a settlement on negotiations elsewhere, but because I frankly do not see that it could be justified on its own merits. I understand that your officials agree that there are no recruitment and retention problems for pharmacists.

4. I am not at all persuaded by your argument about comparability with the review body groups. If this is the underlying issue, there seems to me to be every point (to use your own words) in having a battle about it. I do not see how we can reasonably expect to get pay and other costs down unless we are prepared to be robust about areas within our own control, particularly where claims are based on comparability.

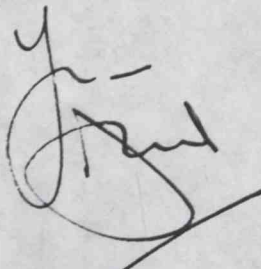
5. If that means imposition - and a row - I would myself regard that as a battle well worth fighting. This must be particularly so in a year during which we expect such a rapid fall in inflation.

PAY IN CONFIDENCE

6. I understand that, even with imposition, your officials see great difficulty in going back to the pharmacists after all this time without any increase in their original offer. We would not, of course, be in this position if they had not anticipated the Treasury's agreement to their negotiating mandate. But I accept that you have to deal with the situation as it now is, rather than as we would like it to be. I would therefore reluctantly be prepared to agree to some small increase in the original 8.0 per cent offer if you felt that that would be helpful to credibility. But it would have to be a very small one, and it would have to be agreed in advance that that was as far as we would go, whatever the pharmacists' reaction.

7. On a number of recent occasions concerned with your department's expenditure - on the Gulf, on haemophiliacs and on the effect of the Budget increase on VAT on health authorities - I have tried to be as helpful as I can where I am persuaded where the case is a good one. I regret to say that I do not think that this issue falls into that category.

8. I am copying this letter to the Prime Minister.

A handwritten signature in black ink, appearing to be 'David Mellor', written in a cursive style.

DAVID MELLOR

ECON POL : Pharmacists,  
Feb 80



n.b.P.M.  
until CST  
replies.  
BHO  
2/3



PAY IN CONFIDENCE

The Rt Hon David Mellor QC MP  
Chief Secretary  
HM Treasury  
Parliament Street  
London  
SW1

Richmond House  
79 Whitehall  
London SW1A 2NS  
Telephone 071 210 3000  
From the Secretary of  
State for Health

*In David,*

21 March 1991

PHARMACISTS' REMUNERATION

Thank you for your letter of 14 March. *flap*

We are agreed that the proposals I have put to you, at a cost of £605.5 million, are well within the PES allocation of £611.1 million. You also agree that my proposals are at the bottom of the range of Review Body awards, all of which provided for at least a full 9.5% increase by the end of 1991-92. It is this last fact which convinces me that your objection to a 1992-93 cost of 9.5% could not reasonably be sustained in a public dispute.

If I cannot persuade the pharmacists' leaders to accept a settlement and a public dispute breaks out they will obviously draw a comparison with the 11.47% increase in the prescription charge which they will be collecting from 1 April. (It is worth recalling that this is a Government charge collected wholly at the pharmacists' expense). To provide the charge collectors with the motive to grumble to the charge payers about the size of the prescription cost increase would be imprudent. Nor could we rule out an upshot where pharmacists or some of them cut up rough and started to indicate the medicines - 54% of those dispensed - which cost less than the prescription charge. We cannot risk this sort of flare-up on NHS charges at present.

Where we again agree is that it ought not to present a problem (using your word) to obfuscate any increase in pharmaceutical remuneration. That is of course particularly true of the £4.5 million back payment for 1989-90 which, if it ever attracted attention, I should say was irrelevant to 1991-92. So we



should certainly not be talking, as you suggest, of a 9% remuneration increase in 1991-92.

I am quite ready to fight my corner in public where there is some point in having a battle. There is none here because nobody would take any notice of, or detect a connection with, public sector pay policy in a harsh settlement for pharmacists. Rather we would be seen to have provoked an unnecessary row over a minute issue, a row moreover which the Party would see as directed against our own supporters. I should therefore be grateful if you would think about this matter again.

A copy of this letter goes to the Prime Minister.

*W*  
*Waldegrave*

WILLIAM WALDEGRAVE

ECON POL  
Pharmacists  
Feb '80



CONFIDENTIAL

cc P/M



Treasury Chambers, Parliament Street SW1P 3AG

071-270 3000

Fax 071-270 5456

The Rt Hon William Waldegrave MP  
Secretary of State for Health  
Department of Health  
Richmond House  
79 Whitehall  
London  
SW1A 2NS

14 March 1991

*David Mellor*

**PHARMACISTS' PAY**

Thank you for your letter of ~~8~~ March.

2. The proposal you are now making about pharmacists' fees appears to be exactly the same as that you made earlier. I agree that there is plenty of scope for obfuscation of what it implies. But however it was presented it would amount to an increase in fees of 9½ per cent in a full year. Even in 1991-92 the increase in payments, after taking account of the one-off payment you are proposing, would be 9 per cent. I continue to regard increases of this order at the present time as being completely unacceptable and I cannot therefore agree to them.

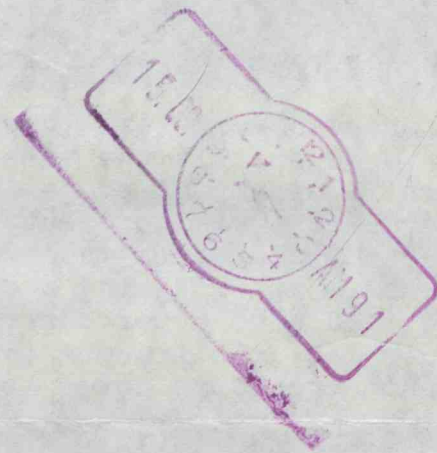
3. I am copying this letter to the Prime Minister.

*David Mellor*

DAVID MELLOR



ECON Pd : Pharmacists , Feb 90



Prime Minister

To note.

BHP

11/3

②



POLICY IN CONFIDENCE

The Rt Hon David Mellor QC MP  
Chief Secretary to the Treasury  
HM Treasury  
Parliament Street  
London SW1P 3AG

Richmond House  
79 Whitehall  
London SW1A 2NS  
Telephone 071 210 3000  
From the Secretary of  
State for Health

8 March 1991

Dear Chief Secretary,

#### PHARMACISTS' PAY

At our recent meeting I agreed to have a further look at the settlement for pharmacists.

It would be possible to restructure the 8 per cent offered to the Pharmaceutical Services Negotiating Committee (PSNC) on 10 January. The approach would be to increase fees by 6.5 per cent from 1 April and then to 9.2 per cent on 1 December. The cost would be £600 million compared with the PES allocation of £611.1 million. In addition the PSNC could be given an undertaking that, for 1992-93, we would expect to determine the global sum due in relation to the fee levels applying at the end of 1991-92 and the business volume forecast for the forthcoming year. I regard this last provision as an essential ingredient of any settlement because otherwise the pharmacists would lose what every other group gets out of staging - that they start the next year at the rate recommended for the current one.

The approach I have described would mean treatment of the pharmacists provokingly worse for them than that for the Review Body groups. I have concluded that the extra £1 million needed to give rough parity with those groups is value for money for the following reason. I do not think there is much doubt that a settlement on the lines I have outlined above would have to be imposed on the pharmacists. That would be the second imposition in a row, which in itself looks bad. Undoubtedly it would engender a great deal of hostility. We would raise the profile of the settlement with the pharmacists; discover that they had many friends on our side of the House; and then find it quite difficult to explain why we had provoked a row involving such a small sum of money. We would, paradoxically, probably provoke



a campaign about comparability which might end up costing us more.

It is worth something too that we have a discount recovery system. We impute a level of discount which we expect pharmacists to have received from their wholesalers. Last year this imputed rate was raised from 8.29 per cent to 9.67 per cent, clawing back an extra £32 million a year. Since 9.67 per cent is the average level of discount, it is a carrot rewarding greater efficiency as well as a spur to the inefficient. (I have considered the possibility of increasing the discount further but (a) the level of discount is determined after an inquiry the results of which the PSNC have so far largely accepted as a fact which cannot be baulked, and (b) I am satisfied that it is right on efficiency grounds to set the discount at the average rate to secure the balance I have described.) We did achieve large savings in public expenditure by ending the pharmacists' cost-plus contract in 1989-90 followed by the imposed settlement of 1990-91. I am attaching to this letter the table I gave you earlier which shows that on an 8 per cent settlement, pharmacists' remuneration will decline in real terms by £32.1 million compared with 1989-90, and that after account is taken of discount recovery their actual cash flow will go down by £21.7 million. The settlement I propose will scarcely alter this reflection of my Department's pursuit of economy in bringing pharmacists' remuneration under control. Indeed, it was a deliberate strategy to go for a reasonable settlement this year so as to avoid provoking an explosion which might jeopardise the gains made. This is why our predecessors settled a PES allocation which would have allowed, if really necessary, a 10 per cent increase in remuneration.

Turning back to this year's settlement, it is sensible to separate out the effects of increases in fees paid to pharmacists from the increasing volume of prescriptions dispensed. What I am proposing is an increase in professional fees of 6.7 per cent from 1 April, with a further 2.5 per cent, giving 9.2 per cent in total, from 1 December. Over the year as a whole this amounts to an increase in professional fees of 7.5 per cent. Payments to pharmacists are determined not just by the level of fees, but also by the volume and ingredient cost of prescriptions dispensed. Our best forecast for 1991-92 is that the volume of prescriptions dispensed will increase by 3.1 per cent and the cost of each prescription - the net ingredient cost - by 6.8 per cent. Overall the effect of these increases, coupled with the fee increases I propose, would mean that the remuneration of pharmacists would increase by 8.2 per cent. Of this, however, 2.2 per cent reflects the change in volume and price of prescriptions dispensed without any changes in the level of fees. So the increase in payments attributable to the revised fee levels I propose will be just 6.0 per cent. And the cost will be £601 million compared with the PES allocation of £611.1 million.



I am also proposing to pay a lump sum to community pharmacists of £4.5 million in respect of underpayments in 1989-90 for which I believe they have a strong case. This would be a one-off lump sum payment, not affecting the fee scale and with no implications for future years. It is still comfortably within our PES provision - £605.5 million compared with the allocation of £611.1 million - but would be presented as entirely separate from our 1991-92 settlement. This additional lump sum is the sugar coating necessary to secure agreement to the 1991 settlement I propose.

I know your major concern is about the publicity which so often attends pay settlements in the public sector. Any material that we make available will of course focus on the fee increase rather than the remuneration increase. I cannot of course guarantee how the PSNC will present any agreement. I believe, however, that if we are able to reach agreement with them, they will cooperate in presenting the settlement in a reasonably responsible manner. In any case the remuneration of community pharmacists never receives any publicity, and I see no reason why it should do so this year.

I am copying this letter to the Prime Minister and Norman Lamont.

Yours sincerely,

for

WILLIAM WALDEGRAVE

(approved by the Secretary  
of State and signed  
in his absence)

SUMS PAID TO PHARMACISTS - CASH AND REAL TERMS 1991-92

£M	1989/90		1990/91		1991/92			
	CASH	REAL	CASH	REAL	CASH	REAL		
<b>Paid to Pharmacists</b>								
- In year	496.5		546.7		600.0			
- Lump sums	63.4		-		8.9			
	<b>Total</b>		559.9	641.0	546.7	579.5	608.9	608.9
Discount recovered	171.5	196.3	220.0	233.2	242.2	242.2		
Net payment (cash flow)	388.4	444.7	326.7	346.3	366.7	366.7		

Real prices at 1991/92 levels using GDP deflator

89/90 x 1.1448

90/91 x 1.06

CONFIDENTIAL



*CEFO*  
n.b.P.M.  
BHP  
6/3

Treasury Chambers, Parliament Street SW1P 3AG

071-270 3000

Fax 071-270 5456

Stephen Allcock Esq  
Private Secretary to the  
Secretary of State for Health  
Department of Health  
Richmond House  
79 Whitehall  
London  
SW1

March 1991

*Dear Stephen,*

**PHARMACISTS, OPTOMETRISTS AND NON-REVIEW BODY PAY**

*will request if required*  
Your Secretary of State came to see the Chief Secretary yesterday to discuss issues arising out of your Secretary of State's two letters of 27 February. No officials were present.

2. The Chief Secretary began by sketching the recent background to the relations between the Treasury and the Department of Health. He felt that they had achieved some good things; he understood the problems that your Secretary of State had faced on the Gulf and on Haemophiliacs, and he had tried to be helpful. He was keen to continue the sensible climate of discussions.

3. However, despite this background, the Chief Secretary was concerned about the current situation on pay. It was becoming apparent that the private sector was at last beginning to get a grip on pay settlements, even though this was occurring later than it probably should have done. This presented the prospect, being flagged up in the press, of a gap opening up between public sector and private sector settlements, with the public sector up to 2 per cent above the private sector. This was not good for public expenditure control. Nor was it politically welcome, given the much greater degree of job security within the public sector.

## CONFIDENTIAL

4. This developing trend was against the background of an EA(PSP) remit to bear down on public sector pay, and clear indications that the Government's inflation forecast of 5½ per cent by the end of the year would be met, if not exceeded. Chief Secretary said that both he and the Chancellor, with whom he had discussed this matter in depth, were concerned at the prospect of public sector settlements considerably above the prevailing rate of inflation.
5. The Chief Secretary felt that for a number of groups, among which he would include the health service ancillaries, the optometrists and the pharmacists, the opening offers in the current pay and remuneration negotiations were being set at unjustifiably high levels, and in some cases at the limits of PES provision. Surely it was right, he argued, that the Government should be more ambitious in its dealings with non-review body groups than with the review bodies. Part of the reason for these groups not having review bodies was that their claims were politically less significant. Both he and the Chancellor were of the view that a non-review body settlement at or above the level of the review bodies would be too much to stomach.
6. Your Secretary of State began by considering the Optometrists. He noted that the money involved was tiny, but recognised that he could not pretend that there was any commitment to any particular level of increase this year. He said that he would be willing for officials to discuss this negotiation further, looking both at the size of the offer and its presentation.
7. Turning to Pharmacists, your Secretary of State pointed out that they had had a huge cut in real remuneration in the previous year. He believed that there had been a clear understanding that they should obtain some recompense this year. Theirs was a formidable lobby, if they decided to make a fuss, and given PES provision that allowed for a 10 per cent increase, he could not deploy arguments based on affordability.
8. The Chief Secretary agreed that they had an effective lobby, but pointed out that while the pharmacists tended to be small shopkeepers, who should be encouraged by the Government, it had to be said that they were rather inefficient, and the sort of settlement being proposed hardly smacked of firm government. On affordability, the specific PES provision was not the most important factor. The key arguments should be over recruitment and retention. Here there was no case for a generous settlement. In the previous year they had taken a firm grip, and it would send the wrong signals if they were to slacken off. He did not agree that there had been any clear commitment given during the Survey to a generous settlement, and the current proposals, which were in part based on comparability, were clearly too high.
9. Your Secretary of State agreed that comparability was not a sound basis for any settlement. He would take another look at the situation. He hoped that he could find a settlement in the "noise" around 8 per cent. However his real concern was with the ancillaries. Here the recruitment and retention situation was

CONFIDENTIAL

acutely worrying. While he felt that a strike was not on the cards - playing negotiations long when inflation was falling was not a good strategy for the unions - it was possible for the unions to disrupt the introduction of the health service reforms through selective action by compute operators and junior management.

10. The Chief Secretary wondered whether this situation was best recognised in the level of the overall settlement, or whether the economic conditions favoured a firm push towards greater local flexibility. The unions might well be opposed to local pay, but their members often saw the arguments for it. Having succeeded in taking a tough line previously, he did not want to see flexibility being bought at a price which signalled a return to easier times. The Chief Secretary was concerned with the full year cost of the proposed settlements, but also with the cost in the first year, and the similarity of the package to the review body settlements. He pointed out that the government's policy would be most closely judged on the settlements that it controlled directly. He added that while he did not want to see a dispute, neither did he want the Government to appear to be avoiding one. And if there was a dispute, it was vital that the Government did not lose.

11. Your Secretary of State recognised this, but commented that it would be intolerable if the health service ancillaries, with their major recruitment and retention problems, received a lower settlement than the Civil Service, whose pay was also under direct Government control, and whose problems were much less clear.

12. The Chief Secretary asked your Secretary of State to reflect on their discussions, and come back with a new set of proposals. Your Secretary of State agreed to do so.

13. I am copying this letter to Barry Potter (No.10).

Yours sincerely  
Stephen Bowden

STEPHEN BOWDEN  
Assistant Private Secretary





NB PM

AF  
28/6

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

*From the Minister for Health*

The Rt Hon Peter Rees QC MP  
Chief Secretary  
Treasury  
Parliament Street  
LONDON  
SW1P 3AG

3 May 1985

*Dr Peter,*

RENEGOTIATION OF CONTRACT FOR COMMUNITY PHARMACISTS

We corresponded in August and September last year and agreed on a strategy for using the pharmacists' remuneration system to change the structure of the community pharmaceutical services and reduce overall costs without damaging patient services. Among the particular measures we agreed was the funding of payments to induce small, high cost pharmacies in over-provided urban areas to relinquish the NHS contract. The costs of these incentives would be recouped from subsequent savings. Some part of those savings would then be used to finance development in the pharmacists' contract and the remainder would become available for other FPC purposes. (My letters of 30 August and 20 September; your replies of 6 and 21 September).

I am now writing to let you know how negotiations have progressed. We believe we are now very close to a settlement which will satisfactorily fulfil our original objectives and produce savings rather earlier than we originally calculated.

In brief we expect to agree that:

(a) pharmacists' costs should be subject to regular sample inquiries. The significant costs (labour, overheads, drug costs) would be subject to annual inquiry. This should reduce retrospective adjustments to the maximum possible extent and improve forecasting. I hope this will avoid the damaging disputes with pharmacists over back-payments that have caused so much trouble in recent years.

(b) the Pharmacists Review Panel would remain to give non-binding advice to the parties. We have agreed that its remit extends only to the measurement of costs and the calculation of payments which already form part of the contract. It would have no locus to advise on the inclusion of new services, new systems of payment or the measurement of additional costs unless these had previously been agreed between the parties. Any extension of the contract is therefore firmly in the hands of the negotiators.

(c) the calculation of sums due would be revised by inputting to Group I

pharmacies (the very smallest with the highest unit costs) the costs of Group II pharmacies. This proposal, which originated with PSNC, would release resources in the region of £4m p.a. a proportion of which would be used in ways I set out below.

(d) the remuneration structure would be simplified by the abolition of Basic Practice Allowance and the payment of a low, flat rate oncost (probably 5 per cent) in place of the variable oncost currently averaging 10.8 per cent. This would be simpler to administer, easier to forecast and removes the front loading which protects the small, high cost pharmacies we wish to deter.

(e) with the exception of essential small pharmacies (see (f) below) Group I pharmacies would receive payments which did not fully reimburse average costs. This is a further deterrent to the establishment of such unnecessary pharmacies.

(f) essential small pharmacies, which are mainly in rural areas, would receive enhanced payments to ensure their continued viability. The additional costs would be met from the balance sheet.

(g) there would be a two-year programme of incentives to leave the contract aimed particularly at those pharmacies disadvantaged by the measures at (e), Individual payments of a full year's income (approx £15,000) if the departure is in year one and half a year's income for a departure in year two would be financed in equal shares by Government and the profession. Although the individual payments are larger than we originally envisaged, the Exchequer contribution would not be greater than that set out in my letter of 20 September. We would agree that repayment of any Exchequer contribution would be a first charge on all savings achieved by the new contract. As a quid pro quo repayment of the profession's contribution would be a second charge. We believe the payback period would be much shorter than that calculated in my letter of 20 September. These measures will end our payment for an excessive number of outlets in urban areas and produce additional continuing savings.

(h) we would agree that once the cost of the incentive payments at (g) had been covered, the remainder of the savings would be split equally between Government and the profession. The half recycled to the contract would be used to finance the "wider role" development to which, as you know, I attach great importance. Some developments in patient services could be made which would be self-financing.

(i) as I anticipated in my letter of 20 September, we would take powers to control entry to the pharmaceutical list by enabling Family Practitioner Committees to refuse applications where there was no NHS service need. I am convinced that some measures to restrict numbers are necessary and incur few penalties. No pure competition for NHS pharmaceutical services exists or ever could. The price to the consumer is fixed (the prescription charge or, if exempt, no charge) and the Exchequer reimburses the NHS proportion of the costs of all outlets. A multiplicity of outlets does not produce any price advantages to the consumer and by increasing overhead costs drives up the price the Exchequer must reimburse.

We do not aim to eliminate competition. We aim to maintain sufficient outlets to provide a reasonable level of service and reasonable access. In all except the small centres of population (where there is no competition now) there will still be several outlets and consumers will continue to have choice.

We will combine these measures with a simultaneous introduction of a definition of

levels of service that we require and measures to enforce those standards. I believe that the NHS and the taxpayer, as customers, should be able to determine the number and standards of NHS pharmaceutical outlets we require. This arrangement is also attractive to the profession. It is important to remember that we are dealing only with the right to an NHS contract not the right to practice (non-NHS) pharmacy.

We expect that this combination of measures could produce a reduction of up to 500 pharmacies among the 10,000 currently participating in the NHS contract. This is not to be equated with the loss of 500 businesses. Although these would all be small in terms of the volume of their NHS business they are by no means all small businesses. Some such contractors provide NHS pharmaceutical services as a small part of a large, diverse and profitable business. The loss of the NHS pharmaceutical contract is highly unlikely to have an impact on the viability of the total business. Nor obviously are we taking any action to prevent their continued operation as a pharmacy if they decide to continue with over the counter and private work. Some other small contractors are small businesses who are "locked in" - ie, the sale of the pharmacy business as a going concern was intended to provide retirement benefits for the owner but the movement of some traditional pharmacy sales to supermarkets has diminished the value of the asset. The inducement proposals will be particularly attractive to contractors in this position.

The changes and savings are likely to be concentrated on London and some other large conurbations where the NHS demand is currently over-supplied. I believe that these proposals do not represent any dilution of competition policy in its true sense. I understand there has been contact at official level with DTI who appreciate that our agreed objectives in securing a more cost-effective NHS service have to be reconciled with our commitment to competition.

The advantages of this package to Government are:

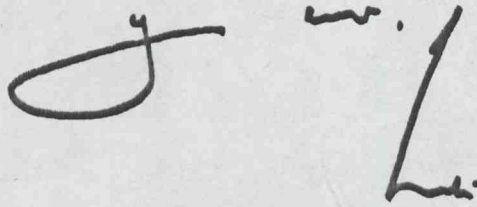
- recurrent public expenditure savings accrue.
- we produce a more rational distribution of NHS pharmaceutical services.
- essential small pharmacies are protected.
- there is no reduction in patient services.
- it is negotiable. As you know relations with the pharmaceutical profession have been fraught in recent years and I would prefer to achieve a new contract the profession can agree and endorse.
- we provide a good foundation for the extension of the pharmacist's role and therefore extension of patient services and generate some funds for its implementation.

The advantages to the profession are:

- simplicity and the reduction of the risk of disputes and demands for repayment measures.
- protection against a glut of small businesses attracted to some areas by the loading of the old contract.
- essential small pharmacies are protected.
- the commitment to the wider role and the undertaking to recycle the balance sheet half of the savings to the purpose is proof of Government goodwill and should restore good relations.

E.R.

The crucial negotiating meeting is on 13 May. I shall authorise my officials to proceed on this basis unless colleagues have views to express before 10 May. Copies go to John MacKay, Wyn Roberts, Chris Patten, Alex Fletcher and David Young.

A handwritten signature in black ink, consisting of a large, stylized 'K' followed by a vertical line and a small flourish at the bottom.

KENNETH CLARKE

Evan Pd.



Treasury Chambers, Parliament Street, SW1P 3AG

Dr Gerard Vaughan MP  
Minister of State  
Department of Health  
and Social Security  
Alexander Fleming House  
Elephant and Castle  
London SE1 6BY

VMS  
6/6

6 June 1980

*Dear Gerard,*

Thank you for your letter of 29 May.

I am glad to hear that the dispute with the retail pharmacists may now be nearing a conclusion. The outcome of the discussions on the machinery for dealing with future disputes seems reasonably satisfactory. It is very important to maintain the position that the new Panel's recommendations would not be binding.

The proposal simply to apply the Franks recommendations from a current date differs mainly in terms of presentation than in substance from the nil cost arrangements for retrospection which we were seeking. However, we had originally hoped that the net savings from the total Franks package would begin to accrue from the beginning of 1980. Application of the recommendations from a current date would result in some loss of potential savings.

Clearly it is a matter of negotiation as to how far you can press this. We would not want to draw out the dispute any longer in our efforts to secure an earlier implementation date, unless we were reasonably confident of success. Ideally, we should aim for 1 January 1980, but 1 April would not be unreasonable as a fallback. I would hope that you could avoid conceding much beyond this. It has only taken as long as it has to reach agreement because of the chemists' obstinacy in negotiations.

Subject to this point I am content for you to conclude an agreement with the retail pharmacists along the lines you propose.

I am sending copies of this letter to the recipients of yours.

*Yours*  
*John Biffen*  
JOHN BIFFEN



6 JUN 1980



Economic Policy

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Minister for Health

The Rt Hon John Biffen MP  
Chief Secretary to the Treasury  
Treasury Chambers  
Parliament Street  
LONDON SW1

2916 May 1980

R

225

*Dear John*

In the light of the recent correspondence about arrangements for dealing with disputes about the pay of retail pharmacists, I think you will wish to know that a satisfactory agreement now seems to be in sight.

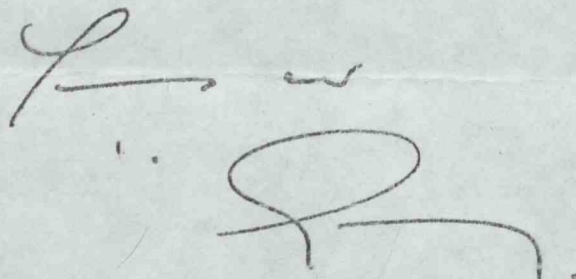
First, I think that the pharmacists will accept that on pay we cannot move from our basic position that, if pure profit is to be adjusted retrospectively, the same must be done in relation to discounts. They are likely to agree that, against this background, the best course is for the recommendations of the Franks Panel to be applied from a current date - ie there would be no retrospection in relation to profit or discounts. This seems a very satisfactory outcome.

Secondly, on the proposed machinery for dealing with disputes, they are likely again to accept our basic position - ie they are prepared to abandon their preference for a Review Body proper, and instead to accept something which would deal only with disputes. They want it to be able to concern itself not only with these items of remuneration which are settled by negotiation, but also with matters relating to the ascertainment and allocation of costs which - and they think this will be very exceptional - have not been settled by agreement within the Technical Sub-Committee with the independent Chairmen who we have suggested should be brought in. Contractual matters would not be within the terms of reference. All this is in accordance with the general approach you envisaged in your letter of 6 May. You there made the point that, since we were concerned with a panel which would be advising on disputes about overall remuneration, of which pay as such is only a small element, it would be important that recommendations made by the new Panel should not be binding. The pharmacists are unlikely to make any difficulty over accepting this important point.

E. R.

I have written this letter following detailed informal discussions with the leaders of the retail pharmacists' negotiating body. I shall be having a formal meeting with their representatives shortly and expect then to be reaching formal agreement with them on the lines I have described.

I am sending copies of this letter to other members of E Committee and to Sir Robert Armstrong.

A handwritten signature in dark ink, consisting of a large, stylized initial 'G' followed by a series of loops and a horizontal line extending to the right.

DR GERARD VAUGHAN

\* ie 9 June



7  
6  
5  
4  
3  
2  
1  
12  
11  
10  
9  
8  
7  
6  
5  
4  
3  
2  
1

31 MAY 1980



*20/5 E.C. Pol.*

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

*From the Secretary of State for Social Services*

The Rt Hon John Biffen MP  
 Chief Secretary to the Treasury  
 Treasury Chambers  
 Great George Street  
 London SW1

2 May 1980

*Dear John*

*R 2/5*

I wrote to you on 30 April to give you advance warning that I was very doubtful whether it would be possible to persuade Sir Robert Clark that it would be right for the Doctors and Dentists Review Body to accept responsibility for making recommendations on certain aspects of the pay of retail pharmacists.

As you know, I wrote to Sir Robert Clark only a couple of days ago urging him to undertake this work despite his initial reluctance. Gerard Vaughan met him on Thursday afternoon and strongly reinforced the appeal I had made. Despite his best efforts, Sir Robert maintained his position that this was not a task which the Review Body should take on. He rested his view partly on workload - neither he nor any of his colleagues are in a position to accept any addition to what they already find to be a very heavy commitment - and partly on certain more general considerations, in particular that our proposals would assign to the Review Body what would be akin to an arbitral role, which in their view would not be a proper function for them. He also argued that pharmacists are so different from doctors and dentists that it would not be appropriate for a body concerned with doctors' and dentists' pay to deal with that of pharmacists also.

It was clear to Gerard Vaughan that Sir Robert Clark's views were absolutely firm and that there was no prospect of his being persuaded to have second thoughts. I am afraid, therefore, that we are now faced with the situation envisaged in my letter of 30 April. I believe that we must now think in terms of a separate panel, serviced by the Office of Manpower Economics, which would carry out the tasks we had hoped would be performed by the Doctors and Dentists Review Body. We need not, however, commit ourselves to the precise arrangements to be made so long as I can tell the pharmacists' negotiating body in time for their meeting\* on 7 May that the Government agree

\* i.e. in the morning of 7 May: it will finish by lunch time.

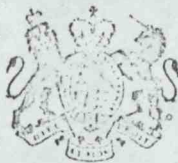
in principle that there should be an independent body to perform the functions which we defined at our meeting on 7 March. Would you be content for me to proceed accordingly? If at all possible, we should let them know before their meeting on Wednesday - I am sorry that the time is so short.

I am sending copies of this letter to the other members of E Committee and to Sir Robert Armstrong.

Your ever  
Patel

1961 MAY 2  
4 12 4  
1961 MAY 2

2 MAY 1961



DEPARTMENT OF HEALTH & SOCIAL SECURITY  
Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

*From the Secretary of State for Social Services*

The Rt Hon John Biffen MP  
Chief Secretary to the Treasury  
Treasury Chambers  
Great George Street  
London SW1

R  
2/5

30 April 1980

DISPUTE WITH RETAIL PHARMACISTS PROPOSALS FOR A REVIEW BODY

You will remember that at our meeting on 7 March it was agreed that some form of machinery was required to provide an independent element to resolve disputes on those items of the remuneration of retail pharmacists which were subject to negotiation as distinct from those determined by ascertained costs. We agreed that, subject to the Prime Minister's approval, I should seek to persuade the Doctors and Dentists Review Body to undertake this role, working through a panel or sub-committee which would include additional members appointed for this purpose.

This proposal was discussed informally and in confidence with Mr Sharpe, the Chairman of the Pharmacists' negotiating body, and Mr Smith, their Chief Executive, and they said they would be prepared to accept and to recommend the arrangement to their colleagues. The proposition was then put to Sir Robert Clark, the Chairman of the Review Body. I have now received a reply from him which expresses serious reservations both in principle and in practice. Gerard Vaughan is seeing him on 1 May in an attempt to persuade him to change his mind and I have myself written again to him urging as strongly as I can the desirability of their taking on this additional task. Even so, I think we must be ready for the possibility that he will not be open to persuasion.

Unfortunately matters have been complicated by the fact that the Pharmaceutical Journal last Friday carried a report that the Doctors and Dentists Review Body were being asked to extend their remit to cover disputes between the Department and retail pharmacists. I have been assured by Mr Sharpe that they did not get this information from him or Mr Smith and I accept this assurance. Indeed the situation has been made extremely awkward for him when he meets his Committee on 7 May. He has then virtually no option but to confirm that this was the solution he had discussed with us - at an earlier meeting he declined to say precisely what had been proposed; and should the Review Body have declined to take on this additional remit, there will be insistent demands for an alternative and anger if one cannot be offered. I may therefore need at the end of this week to seek urgent agreement to giving the pharmacists a commitment in principle to providing some independent

E R  
machinery as a means of resolving disputes. Since, failing the DDRB, there is no other existing body as to which this work can be grafted, I think the simplest arrangements would be to set up a special panel serviced by the Office of Manpower Economics and thus linked at least to that extent with the DDRB.

I am afraid there is also danger of anger from the medical and dental professions at learning from the Pharmaceutical Journal of what is proposed and I think this may make Sir Robert Clark even more reluctant to take on this new work. In the event of my misgivings proving well founded, it will be crucial in avoiding a major row with the pharmacists - perhaps also with the doctors and dentists - that we are able to offer, an alternative in time for the meeting of the pharmacists' negotiating body on 7 May - hence this advanced warning. I will if necessary write to you again urgently after the meeting with Sir Robert Clark.

7 5 9 6  
4 3 2 1  
MAY 11 1980

-1 MAY 1980

CONFIDENTIAL  
CONFIDENTIAL

Econ  
Psl



Civil Service Department  
Whitehall London SW1A 2AZ  
Telephone 01-273 3000

Minister of State

D Brereton Esq  
Principal Private Secretary to the  
Secretary of State for Social Services  
Department of Health & Social Security  
Alexander Fleming House  
Elephant and Castle  
LONDON SE1 6BY

21873

17 March 1980

Dear Sir

DISPUTE WITH RETAIL PHARMACISTS: PROPOSAL FOR A REVIEW BODY

My Minister of State has seen a copy of your Secretary of State's minute of 7 March to the Prime Minister. Mr Channon has also seen Tim Lankester's letter to you of 11 March, saying that the Prime Minister agrees that the DDRB should be asked to take on additional work in relation to retail pharmacists.

In Mr Jenkin's minute to the Prime Minister, he wondered whether it might be worth considering whether the proposed sub-committee might report to the Health Ministers. Mr Channon has some doubts about this suggestion, which was not, he thinks, discussed at Mr Jenkin's meeting on 6 March. Mr Channon feels it would be hard to maintain that the new body really was a sub-committee of the DDRB if it reported direct to Ministers.

Surely the sub-committee should report to its parent, the DDRB? Then it would be for the DDRB to give the advice to Ministers, even if that amounted to no more than endorsement of the sub-committee's recommendations. Secondly, should the DDRB continue to report to the Prime Minister on all aspects of its work, or should it report to Health Ministers on pharmacists' remuneration? The latter possibility seems to be confusing and might be difficult to explain publicly.

I am copying this letter to Tim Lankester, and to the Private Secretaries of members of E(EA) and of Sir Robert Armstrong.

Yours sincerely  
G E T Green

G E T GREEN  
Private Secretary

CONFIDENTIAL  
CONFIDENTIAL



CONFIDENTIAL



18 MAR 1960

CONFIDENTIAL

Mr Duguid

CONFIDENTIAL

Minute



PRIME MINISTER

*Handwritten initials*

You have already agreed  
Mr Jenkin's proposal:  
we were told that the Treasury  
Chief Secretary, amongst others,  
was content with it.  
This minute from Mr Bitten  
puts a slight gloss on the proposal,  
it doesn't require a response

DISPUTE WITH RETAIL PHARMACISTS: PROPOSAL FOR A REVIEW BODY from us.

I have seen a copy of Patrick Jenkin's minute to you of  
✓ 7 March, in which he sets out proposals for a review machinery  
to settle disputes between his department and the retail  
pharmacists.

*Handwritten notes:*  
D.  
"13

2. As Patrick Jenkin has indicated, we have discussed various possible ways of resolving the current dispute, and I have accepted that some formal review body mechanism is necessary if the pharmacists are to be convinced of our good intentions. The arrangements set out in his minute seem to offer the least unsatisfactory solution available to us, since they do not involve a new Review Body wholly for the pharmacists, and yet they offer the possibility of referring disputes to a stable group with some specialist expertise, capable of making recommendations which will command respect from both sides.

3. I think, however, that Patrick Jenkin has gone a little further than we agreed last Thursday in suggesting that the recommendations of the subcommittee of the DDRB ought to be on the basis that the Government undertakes to accept them unless there are "clear and compelling" reasons not to do so. I accept that it is difficult to find a formula which will satisfy the chemists' negotiators as representing an adequate commitment on the part of the Government, without completely tying our hands. We must, however, retain a degree of manoeuvre as in the last resort it must be the Secretary of State for Social Services, in consultation with his colleagues, who decides what the NHS is willing to pay for the services of chemist contractors.

4. It is clearly difficult to suggest a satisfactory formulation now. What I therefore suggest Patrick Jenkin might do, as a matter of negotiating, is to start from the proposition that the recommendations would command no binding authority beyond that which the status of the DDRB alone would give them. If, as they may well do, the pharmacists demand some greater commitment, then the initiative to propose a formula should be left to them: but it should be made clear that the Government, in considering any formulation, would expect an equal degree of commitment from the pharmacists as they expect from the Government, and that the PSNC would need to consider whether they were on sure ground in thinking that they could carry their members along with them.

---

5. I am sending copies of this minute to Patrick Jenkin, to members of E(EA) Committee, to Paul Channon and to Sir Robert Armstrong.

W. J. B.

JOHN BIFFEN  
11 March 1980



11 MAR 1950

Faint, mostly illegible text, possibly a letter or report, with some words like "organization" and "committee" visible.

Faint text at the bottom of the page, possibly a signature or address.

11 MAR 1950

c. D/IND  
D/M  
DOE  
SO  
WO  
D/TRADE  
D/N  
CS, HMT  
& Below

Econ 901



10 DOWNING STREET

*From the Private Secretary*

11 March 1980

Dispute with Retail Pharmacists:  
Proposal for a Review Body

The Prime Minister has read your Secretary of State's minute of 7 March on the above subject, and agrees with his proposal that the Doctors and Dentists Review Body should be asked to take on some additional work in relation to retail pharmacists.

I am sending copies of this letter to members of E(EA), Geoffrey Green (Civil Service Department) and David Wright (Cabinet Office).

I. P. LANKESTER

Don Brereton, Esq.,  
Department of Health and Social Security

578

AB  
PRIME MINISTER

DISPUTE WITH RETAIL PHARMACISTS: PROPOSAL FOR A REVIEW BODY

*Yes no*

*Prime Minister*

The proposal here is that the Doctors and Dentists Review Body should take on some additional work. So it is not for a new Quango (fortunately). Other key Ministers are content. *Agree?*

I am being pressed strongly by the Pharmaceutical Services Negotiating Committee (PSNC), who represent the 9800 retail pharmacies in England and Wales, to agree to establish a review body to settle disputes between the PSNC and my Department. Remuneration of retail pharmacists is based on a contract which provides for reimbursement of pharmacists' total estimated operating and drug costs, together with a notional salary for proprietors who work as pharmacists, a notional rent in respect of owned premises and a profit margin. The amount and basis of calculation of this last element has been in dispute since March 1976: an Independent Panel established by our predecessors under the chairmanship of Mr John Franks recently recommended that it should consist of a "pure" profit plus a payment in respect of interest costs on capital employed for NHS purposes. The Panel also recommended establishment of an independent review body whose task would be to make annual reviews of the remuneration formula; and this recommendation has strengthened the PSNC's demands for machinery of this nature. *10/13*

After consultation with the Chief Secretary, I told the PSNC that I am prepared to accept the Panel's recommendations on profit with retrospective effect, despite some reservations about the actual figures in the report, if the PSNC would accept, also with retrospective effect, the implications of the Panel's conclusions that the Department's payments to pharmacists in respect of drug costs have not sufficiently taken into account the increased discounts which pharmacists have been able to secure in the past two years. The PSNC have hitherto been unwilling to accept this package but, after further consultation with the Chief Secretary, I think that we must stand firm on it.

I can, however, see considerable merit in the PSNC's request for an independent body to resolve disputes. Retail pharmacists are one of the very few groups of NHS staff without access to such machinery, and



there have in consequence been a number of long-standing and intractable disputes which have been very damaging to relations between my Department and the pharmacists. What concerns me just as much is that the pharmacists - who are essentially "local" people (like sub-postmasters!) - command much sympathy amongst the public and in the House of Commons. Already there are signs which suggest that a campaign by the chemists is developing, and I am convinced that we must act quickly if we are to avoid serious political embarrassment. Early action on the request for a review body is the most useful step which is open to us.

What I have in mind is that there should be a body to which disputes can be referred for resolution when agreement by negotiation proved impossible. I prefer this to the regular annual review envisaged by Franks. The proposed scope of such machinery would be those items of remuneration which are negotiated as distinct from those determined by reference to ascertained costs. (They represent about £80 million of the total annual expenditure of £800 million for pharmaceutical services in England and Wales.) The principal items concerned would be the rate of net profit, interest on capital employed, notional rent of owned premises and the element in the notional salary of working proprietors which corresponds to head office expenses in the multiple chemists.

Since the conventions for the ascertainment of costs (which has of necessity to be done on a sampling basis) can themselves be the subject of dispute, I think it might be helpful for the Technical Subcommittee of the two parties that considers these matters to be reinforced by an independent Chairman, who would ideally also be a member of the review body.

To avoid creating a totally new body, I would hope that the Doctors and Dentists Review Body might be able to take on this additional work, probably through a small sub-committee consisting of one or two members of the Review Body reinforced by a few other members added especially for this work. You might not want to be troubled with the reports of



such a body, and in that event it might be worth considering whether it should instead report to the Health Ministers. We could not bind ourselves absolutely to accept their findings; but the chemists would inevitably feel the need for an assurance that acceptance could normally be expected. It might be best to use the formula which applies to the present work of the DDRB - that recommendations will be accepted unless there are clear and compelling reasons for not doing so - and which I think would strike a reasonable balance.

I have discussed these ideas with John Biffen, Paul Channon and James Lester, who agree that they offer the most promising way out of this potentially serious dispute.

I seek your approval to my pursuing these proposals with the DDRB and with the pharmacists' representatives.

I am sending copies of this minute to members of E(EA), Paul Channon and Sir Robert Armstrong.

PJ

7 March 1980

P.J.





17 MAR 1960

12 11 10 9 8 7 6 5 4 3 2 1

CONFIDENTIAL

*Ewan P01*

Y SŵDFA GYMREIG  
GWYDYR HOUSE  
WHITEHALL LONDON SW1A 2ER  
Tel. 01-233 3000 (Switsfwrdd)  
01-233 6106 (Llinell Union)



WELSH OFFICE  
GWYDYR HOUSE  
WHITEHALL LONDON SW1A 2ER  
Tel. 01-233 3000 (Switchboard)  
01-233 6106 (Direct Line)

*Oddi wrth Ysgrifennydd Gwladol Cymru*      The Rt Hon Nicholas Edwards MP      *From The Secretary of State for Wales*

5 March 1980

*John MA*

*De Keith*

*2*  
*73*

I have seen a copy of Patrick Jenkin's letter to you of 22 February 1980 about proposals for the establishment of a Review Body to consider remuneration for the retail pharmacists in England and Wales.

I should perhaps put on record that for the reasons set out in his letter of 22 February I fully share Patrick Jenkin's views about the advantages of establishing standing review body machinery for the remuneration of retail pharmacists in England and Wales.

/ I am copying this to recipients of Patrick's letter of 22 February.

*J → evr*  
*Nich*

The Rt Hon Sir Keith Joseph Bt MP  
Secretary of State for Industry  
Department of Industry  
Ashdown House  
123 Victoria Street  
LONDON  
SW1

7654  
8  
9  
11 12 11  
5 MAR 1961



**with compliments.**

MINISTER OF STATE

---

CIVIL SERVICE DEPARTMENT  
Whitehall London SW1A 2AZ

Telephone 01-273 5563/4086



Civil Service Department  
Whitehall London SW1A 2AZ  
Telephone 01-273 3000

Minister of State

The Rt Hon Patrick Jenkin MP  
Secretary of State  
Department of Health and  
Social Security  
Alexander Fleming House  
Elephant and Castle  
LONDON SE1 6BY

*M. Jenkin MP*  
*M. Jenkin?*

5 March 1980

*Dear Patrick*

*273*

DISPUTE WITH RETAIL PHARMACISTS: PROPOSAL FOR A "REVIEW BODY"

Thank you for sending me a copy of your letter of 22 February to Keith Joseph. I have also seen John Biffen's letter to you of 29 February.

I understand that we are to discuss this tomorrow. In advance of that, I thought I ought to write to you with some views. I quite see that some kind of disputes machinery might be needed through which advice can be offered to you on these difficult remuneration issues. But I do hope that we can avoid creating another Quango. Apart from the general objections to Quangos unless essential, would there not be pressure for similar arrangements in other groups in the health field? In particular, I would be very reluctant to see another Review Body. That could give us a lot of trouble, especially if you ever wanted to reject its advice.

I agree with John Biffen that it would be helpful if your officials could prepare a note setting out in rather more detail how disputes with pharmacists might be settled in future. My officials are ready to help. I would have hoped a slightly different kind of solution could be found.

I am copying this letter to the Prime Minister, to members of E(EA) Committee and H Committee, and to Sir Robert Armstrong.

PAUL CHANNON

*Y*  
*Jrd*

15 MAR 1980

12 1 2 3 4 5 6 7 8 9 10 11



NEW ST. ANDREWS HOUSE  
ST. JAMES CENTRE  
EDINBURGH EH1 3SX

3 March 1980

The Rt Hon Patrick Jenkin MP  
Secretary of State for Social Services  
Alexander Fleming House  
Elephant and Castle  
LONDON  
SE1 6BY

Thank you for sending me a copy of your letter of 22 February to Keith Joseph about bringing certain elements of chemists' remuneration in England and Wales within the scope of a Review Body. Although it is not in general desirable to create new Quangos I can understand why you think it necessary to do so in this instance in order to achieve reasonable progress.

As you know, the remuneration of Scottish retail chemists is negotiated separately between my Department and the Pharmaceutical General Council (Scotland), under Whitley Committee arrangements which provide for points of dispute to be referred to arbitration. These have worked well, but if Review Body procedures are agreed for England and Wales we shall need to consider with the Council whether Scottish chemists should also be covered in the same way. The Scottish chemists are of course aware of the Franks recommendations and have made us aware of their interest in what will happen in England and Wales.

A point which you no doubt have in mind is that if a Review Body is set up for chemists, retail opticians would then be the only general practice contractors whose remuneration was still negotiated directly with the Health Departments. It is possible that they would ask to be brought in line and, if they did so, it is difficult to see how they could be refused.

I am copying this reply to the other recipients of your letter.

GEORGE YOUNGER

4 MAR 1980







Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

Rt Hon Patrick Jenkin MP  
Secretary of State for Health  
and Social Security  
Department of Health and Social  
Security  
Alexander Fleming House  
Elephant and Castle  
LONDON SE1

*12 9/3*

*29* February 1980

*Dear Patrick*

RETAIL PHARMACISTS: PROPOSAL FOR A REVIEW BODY

I have seen your letter of 22 February to Keith Joseph in which you sought approval in principle for the establishment of a standing review body concerned with the negotiable elements of pharmacists' remuneration.

We should, I believe, be sceptical of the case for a review body for pharmacists. There are dangers that a review body would take some of the responsibility for negotiations about pharmacists' remuneration out of the hands of the parties directly concerned and given the nature of pharmacists' demands, it must be doubtful whether we could establish a body which was both genuinely objective and which satisfied the pharmacists.

I am not sure, in any case, that a review body is really what is needed to sort out your problems with pharmacists. A standing disputes procedure which can be activated when negotiations fail but which does not remove negotiations from the hands of the parties seems a more obvious solution.

I am copying this to the recipients of your letter.

*Yours faithfully*  
*Patrick Jenkin*

3 - MAR 1960

11 12 1 2 3 4  
5 6 7 8 9 10



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Patrick Jenkin MP  
Secretary of State  
Department of Health and  
Social Security  
Alexander Fleming House,  
Elephant and Castle  
London SE1 6BY

R 29/2

29 February 1980

*Dear Secretary of State,*

DISPUTE WITH RETAIL PHARMACISTS

I have seen a copy of your letter of 22 February to Keith Joseph, in which you are seeking approval to your establishing a permanent review machinery for the retail pharmacists.

As I indicated in my letter of 8 January, I am not averse to the possibility of some machinery to settle disputes, but I do not find your present proposals very attractive. To begin with, I am suspicious at the way the PSNC are trying to extract further concessions out of the Government one by one, when we were willing to go along with a package deal based on the generous recommendations of the Franks Committee, particularly as they could well add to public spending. Will this further concession really clinch the deal? We need to be quite sure it does, given the drawbacks.

Secondly, I am not clear what precisely you intend to be the terms of reference of the proposed body. You indicate that this is something which can be discussed later, but I would have thought that this was a fundamental issue, on which we ought to be agreed before we embark on the proposal at all. In particular, you suggest that the body would only be concerned with pay, whereas I would have thought that this was just the area where we would not want to be appointing any more Review Bodies (in the formal sense, like the DDRB) or extending existing ones, to take pay negotiations out of our hands. Such a move would undoubtedly be seen as an extension of comparability, at a time when we have yet to reach decisions on the future of the Clegg Commission. Further, it could precipitate demands from other groups (eg nurses) for Review Body treatment. Perhaps we are at cross-purposes on our definitions, but I would have thought that a review mechanism, if we agree to one, should be primarily directed to the non-pay

elements of the remunerative package, viz. notional rent, pure profit, and reimbursement of costs of borrowing. I see no objection in principle to some kind of independent review (other than a formal Review Body) to help deal with pay disputes, but you will no doubt wish to consider whether this might best be dealt with by the body looking at non-pay elements, or separately.

The third question which we need to answer is why we actually need to set up a permanent new disputes body in this case. In view of our general stance on quangos a move of this sort will be difficult to justify.

I wonder, therefore, whether your officials might not prepare, urgently if time is short, a note to be discussed with my own officials and CSD, setting out in greater detail what is proposed. We could then consider this in H Committee or by correspondence, depending upon the measure of agreement.

I am sending copies of this letter to the Prime Minister, Paul Channon, members of E(EA) and Sir Robert Armstrong and, with copies of your letter, to members of H Committee.

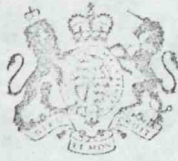
Yours sincerely  
Arlene

P.F. JOHN BIFFEN

[Approved by the Chief Secretary  
and signed in his absence]

28 FEB 1960

12 11 23 4  
9 7 6 9



ECON POW

BSF

29/2

DEPARTMENT OF HEALTH & SOCIAL SECURITY  
Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Sir Keith Joseph Bt MP  
Secretary of State for Industry  
Department of Industry  
Ashdown House  
123 Victoria Street  
London SW1

OK MBPM R 29/2 22 February 1980

Dear Keith,

DISPUTE WITH RETAIL PHARMACISTS: PROPOSAL FOR A "REVIEW BODY"

The Pharmaceutical Services Negotiating Committee (PSNC), representing some 9500 retail pharmacies in England and Wales which dispense National Health Service prescriptions, are pressing very strongly for the establishment of review body machinery to settle disputes between the PSNC and my Department about remuneration. At a recent National Conference the Committee were empowered, if this demand were not met by 1 March, to conduct a ballot to ascertain whether contractors would submit undated resignations from the NHS.

Individual retail remuneration of pharmacists is based on a "cost plus" arrangement which provides for reimbursement of pharmacists' total estimated operating and drug costs, together with payment of a notional salary for proprietors who work as pharmacists, a notional rent in respect of owned premises and a profit margin. The amount and basis of calculation of this last element has been in dispute since March 1976: an Independent Panel under the Chairmanship of Mr John Franks recently recommended that it should consist of a "pure" profit plus a payment in respect of interest costs on capital employed for NHS purposes. The Panel also recommended establishment of an independent review body whose task would be to make annual reviews of the remuneration formula; and this recommendation has strengthened the PSNC's demands for machinery of this nature.

After consultation with the Chief Secretary to the Treasury I told the PSNC that I am prepared to accept the Panel's recommendations on profit with retrospective effect, despite my reservations about the actual figures in the report, if the PSNC would accept, also with retrospective effect, the implications of the Panel's conclusions that the Department's payments to pharmacists in respect of drug costs have not sufficiently taken into account the increased rate of discount which pharmacists have received in the past two years. The PSNC have hitherto been unwilling to accept this

package but, after further consultation with the Chief Secretary, I see no prospect of improving our offer.

However, I can see a good deal of merit in the PSNC's request for access to an independent body to resolve disputes, since retail pharmacists are one of the very few groups of NHS staff without recourse to such machinery; in consequence there have been a number of long-standing and intractable disputes which have been destructive of relations between my Department and the pharmacists, not least because claims rejected by the Department are regarded by the PSNC as still outstanding. Without such machinery, I see no means of avoiding a long series of disputes which, although (as noted below) the amount of net remuneration at stake is relatively small, are disproportionately damaging to the Government (because the pharmacists command a good deal of sympathy with the public and in the House of Commons) and to the National Health Service. It would be necessary to define precisely the matters which could be referred to a review body: the PSNC would apparently like it to concern itself with every aspect of pharmacists' terms and conditions of service, but that would be going far beyond the scope of existing review bodies. In my view such a body should be concerned only with pay and, within pay, only with the quantum of those elements of remuneration that are negotiable as distinct from being determined by reference to ascertained costs. (These negotiable elements represent only about £80 million out of an annual total expenditure of £800 million on pharmaceutical services in England and Wales). Since the conventions for the ascertainment of costs (which has of necessity to be done on a sampling basis) can themselves be the subject of dispute, and the costs are essential elements in the annual balance sheets which a review body would probably need to have before it, I have in mind additionally that the Technical Sub-Committee of the two parties that considers such questions should be reinforced by an independent Chairman, who would ideally also be a member of the review body.

I think that it would be greatly preferable to establish a standing review body rather than appoint panels ad hoc to deal with disputes as they arise. Experience suggests that the members of a standing body, and its secretariat, would have a greater opportunity of becoming familiar with the remuneration arrangement as a whole and are less likely to assume that the solution to each dispute lies in "splitting the difference". Moreover, the frequency of disputes with the PSNC in the past has been such as to suggest that recourse to ad hoc procedures would not result in any saving of effort. The exact nature of the machinery to be established should be a matter for further study; but there would clearly be attraction in exploring the possibility of entrusting the proposed functions to an existing review body (such as the Doctors' and Dentists' Review Body) rather than setting up a new one.

I seek the approval of colleagues to my agreeing in principle to the establishment of a review machinery for the purposes outlined in paragraph 4 above and to my exploring the practical arrangements for this as envisaged in paragraph 5. I would be grateful for replies by the end of the month.

I am copying this letter to the Prime Minister, Paul Channon, members of E(EA) and Sir Robert Armstrong.

Your a  
Patel

22 FEB 1980





Grey Scale #13



**A**

1

2

3

4

5

6

**M**

8

9

10

11

12

13

14

15

**B**

17

18

19

