

PO-CH/NL/0866

PART A

Box A -

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SENIOR APPOINTMENTS IN CONFIDENCE

Begins: 22/11/88.
Ends: 1/12/88.

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0866

PART A

Chancellor's (Lawson) Papers:

CHIEF EXECUTIVE OF THE
NATIONAL HEALTH SERVICE
MANAGEMENT BOARD

Disposal Directions: 25 Year

Phelan

23/8/95.

PO -CH /NL/OA/B&
0866

PART A

SECRET
SENIOR APPOINTMENTS IN CONFIDENCE

FROM: H PHILLIPS

DATE: 22 November 1988

CHANCELLOR

cc Chief Secretary
Sir P Middleton
Mr Anson

CHIEF EXECUTIVE OF THE NHS MANAGEMENT BOARD

As you know Mr Len Peach leaves his post (Grade 1A) as Chief Executive of the NHS Management Board at the end of the year. Mr Clarke is anxious to appoint a successor now, and a recommendation has gone to the Prime Minister. She has declined to make the appointment, not, I understand, because of objection to the chosen candidate, but because she would prefer not to appoint until the future shape of the NHS is clearer. She has agreed however to discuss the future top management structure of the NHS in a small group after tomorrow's meeting. In addition to the Prime Minister and Mr Clarke, you and the Chief Secretary will be invited to stay on for this discussion.

2. Mr Clarke will be minuting the Prime Minister today (copied to you and to the Chief Secretary) setting out his case for a decision to be made now. As we do not know when this minute will arrive, this note sets out what I have been able to discover, from Mr France and from Sir Robin Butler's office, of the background, and offers you some points to bear in mind.

3. The Prime Minister is recommended to appoint Mr Duncan Nichol, at present the Regional General Manager of Mersey Regional Health Authority. He is a career health administrator, aged 47 and has been a member of the NHS Management Board since 1985. According to Mr France he is the best of the Regional General Managers, and was one of two internal candidates of a short list of 6 overall. All the candidates were interviewed by a Board and the recommendation was made to the Prime Minister on 11 November.

4. The Prime Minister's response was to question whether it was right to make the decision before the future shape of the NHS had

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been determined and the precise role of the NHS Management Board settled. It was then put to her that if an appointment was not made speculation about the future of the post and the results of the Review would grow; that whatever top structure emerged there would be a need for a Chief Executive; and therefore even if structure, and reporting arrangements were not settled for a time, there was very little risk in making the appointment. The Prime Minister has not so far been persuaded by these arguments, but has agreed to the discussion tomorrow. Mr Clarke obviously hopes that his minute and the discussion will persuade her to unblock the appointment.

5. The most recent proposals we have seen from Mr Clarke on the role of the NHS Management Board are in paragraphs 15-17 of the paper HC52 on Reconstituting Health Authorities (a copy of these paragraphs is annexed for ease of reference). We have no strong reasons to object to most of these proposals. It makes sense to bring the FPS under the Board, to reduce it in size; and to bring in more non-executive members from commerce and industry. It is a matter of judgement whether you need a Chief Executive to take charge of day to day operations and management. It sounds right but it is questionable whether his executive committee will really manage the Service or be more of a group to coordinate the activities of others at a lower tier. It is also arguable whether it makes sense for a Minister, especially the Secretary of State as now, to chair the Management Board. As we have seen over the nurses pay and regrading row there is no effective management line presented publicly short of the Secretary of State. Mr Clarke argues that this is inevitable because management issues of this sort immediately become political in the NHS; but if that is so then the job of Chief Executive does not carry with it the public representational role which would be expected in a major company.

6. It is for Mr Clarke to make his case but in considering the future top management structure of the NHS you might like to bear in mind the following questions:

- (a) how is the strategic role of the Management Board (if that is its principal role) distinguished from the day to day

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management of operational matters when any such operational matters are argued to be intrinsically political;

(b) if a powerful Chief Executive at Grade 1A is needed to implement change in the NHS, what is his role and remit compared to

- (i) the Management Board; and
 - (ii) the role of regions (which have so far been thought of as making the change happen);
- and

(c) the reconstituted single Department of Health will have one preponderant responsibility, the NHS. In that situation, how will they avoid some duplication of role between the Chief Executive of the NHS and the Permanent Secretary? Will the Chief Executive report to the Management Board, and hence direct to the Secretary of State, or to the Permanent Secretary? (The Chief Executive's post, as now constituted, has much more onerous Accounting Officer responsibilities than those which fall to the Permanent Secretary on the health side.)

7. It would obviously be better to sort out such issues before an appointment was made but it is difficult to judge from the Treasury how unsettling it would be in the NHS if no announcement were made about a successor.

HP.

HAYDEN PHILLIPS

SECRET

14. The scope for savings in RHAs' "head office" functions will be modest, if they are going to manage districts effectively and spearhead the introduction of many of the reforms which will emerge from the Review. But I am convinced that scrutiny of the remaining RHA functions will produce many blocks of work which can be streamlined, delegated to districts, or contracted out altogether. Indeed many Regions have already begun the process, so the scope for action varies from Region to Region. The work which can be streamlined or disposed of includes management services, design of hospitals, storage and distribution of supplies, computer services, and legal services. The effect of these proposals on the size of RHAs will vary from region to region but I would expect to see a significant reduction. My aim is that, after taking account of the additional work Regions take on in implementing our proposals, there should be a net reduction in their staffing and costs.

The role of the NHS Management Board

15. There are many people and bodies within the NHS who demand that the NHS Management Board should be divorced from my Department, under independent chairmanship. Although the distancing of NHS management from Ministers clearly has some attractions, the disadvantages are even greater. I do not think so large and politically sensitive a public service, which is going to continue to be overwhelmingly vote financed, can in practice be separated from the political process. A separate Board would resemble nothing so much as the Board of a nationalised industry. Parliament would not tolerate Ministers trying to hide behind the Board to avoid responsibility for key issues. An independent Board would quickly become an extra tier in the management chain between Ministers and the real health services and, almost certainly, a new lobby for more public money. I believe therefore that we should use the opportunity of the White Paper to refute the case for separating the NHS Management Board from Ministers and the Department of Health.

16. We would however streamline management arrangements within the Department by giving the Board a clear role in major NHS strategic issues.

17. I propose four main changes:

✓ first, responsibility for the family practitioner services will be brought under the Board. The better integration of primary care with hospital services is an important objective.

second, the Board, - as now under Ministerial chairmanship - would deal with strategic and policy issues, as well as the more critical operational matters. The Board would be reduced in size and reconstituted to contain a higher proportion of non-executive members appointed from the commercial and industrial worlds.

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third, as in most companies, much of the day to day work would be handled by an executive committee of the Board chaired by the Chief Executive.

fourth, the Health Services Supervisory Board would no longer have a role to play and would go.

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CH/EXCHEQUER	
REC.	22 NOV 1988
ACTION	MR PHILLIPS
COPIES TO	CST
	SIR P MIDDLETON
	MR ANSON

22/11/88

PRIME MINISTERNATIONAL HEALTH SERVICE MANAGEMENT BOARD AND THE CHIEF EXECUTIVE

At our meeting on 8 November about the NHS review we discussed briefly the future of the NHS Management Board. It might be helpful if I were to let you have a fuller note of my thinking, because the issues are relevant to my concern that we should move quickly to announce a successor to Len Peach as Chief Executive to the Board.

2. We all share the objective of devolving decision-making in the NHS as far down the line as possible. But this will not remove the need for a top management structure for the service. Indeed, the role of top management will be more important over the next year or two, while we are introducing the sort of radical and demanding changes that we are intending to announce.

3. The NHS is a very large and complex organisation. Radical change will not come naturally to many parts of it. The very ambitious agenda that we are drawing up will require strong leadership and drive to see that it is carried through into reality. This will involve a combination of political will and technical grasp. We have to motivate what is probably the largest management team in the country, and we cannot afford any impression of lack of grip.

4. Because the NHS is wholly funded by the taxpayer, Ministers are inevitably and rightly held accountable both for policy and for implementation. This will be especially the case during a time of great change following the White Paper. I therefore firmly believe that I should chair the Management Board while we launch the Review changes. Only thus can we ensure that the Board does not become just an additional link in the management chain between the NHS and Ministers, or alternatively a new and powerful lobby.

5. But to make the system work and to handle day to day issues firmly we shall require a strong and highly competent Chief Executive. We have gone through a careful selection process using a short list of candidates which included people from inside and outside the NHS. The clear front runner, Duncan Nichol, has a formidable track record for delivering change and managing resources in his Mersey Region. I believe we could use his talents and experience in the top management of the NHS whether or not he is formally designated Chief Executive.

6. I am in fact in no doubt that we should so designate him. I should not wish to have Peach leave us without being able to announce a successor. The fact that we have been looking for one is known, and failure to clinch the arrangement would be open to all



kinds of misinterpretation about the course of the Review and our intentions with respect to the management of the Service. On the other hand, the appointment of someone with the track record of Nichol would send the right signals to the NHS and beyond - that having set our hand to firm management we have no intention of being diverted. I hope therefore that we can announce Nichol's appointment as soon as possible.

7. I am copying this only to the Chancellor and Sir Robin Butler.

22 November 1988
Department of Health

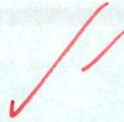
KC



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

24 November 1988



Dear Andy,

NATIONAL HEALTH MANAGEMENT BOARD
AND THE CHIEF EXECUTIVE

The Prime Minister was grateful for your Secretary of State's minute of 22 November, which they discussed this morning.

The Prime Minister recognised the arguments advanced in favour of appointing Mr Duncan Nichol as Chief Executive to the Board (which she feels should be called the NHS Supervisory Board). But she asked your Secretary of State also to look at the alternative possibility of appointing Mr Chris West, who she felt should, in any event, be considered for a more senior NHS appointment. In analysing the respective merits of the two candidates, the Prime Minister said it was important to consider their presentational abilities through the media. Against that background, the Prime Minister indicated that she was content for your Secretary of State to take the final decision between Messrs Nichol and West.

I am copying this letter to Alex Allan (HM Treasury) and Trevor Woolley (Cabinet Office).

Yours
Paul

PAUL GRAY

CH/EXCHEQUER	
REC.	25 NOV 1988 ✓ 25/11
ACTION	MR PHILLIPS
COPIES TO	CST
	SIR P MIDDLETON
	MR ANSON

Andy McKeon, Esq.
Department of Health

BF
29/11
30/11

Handwritten notes in red ink:
I had v. much
like for X. than
the 5/11/88
you m?

CHANCELLOR

FROM: H PHILLIPS

DATE: 25 November 1988

cc Chief Secretary
Sir P Middleton
Mr Anson

NATIONAL HEALTH MANAGEMENT BOARD AND THE CHIEF EXECUTIVE

I should comment briefly on No 10's letter of 24 November about Messrs Nichol and West, candidates for Chief Executive of the NHS Supervisory Board.

2. Mr West, whom the Prime Minister favoured (and who was not shortlisted) is the District General Manager at Portsmouth. He was also on a Top Management Programme when I was its Director. He is a very able, articulate man, who has proved himself a very effective manager in a District. I had earlier this year suggested to Mr France and Mr Peach that he be brought in towards the top of NHS central management. Earlier this week Mr France and the Cabinet Office asked for my views. I told them that in my judgement he would make a very good Deputy Chief Executive, but I was not sure he was ready for the top job yet and particularly uncertain about his making a decisive impact presentationally.

XI

3. If the Secretary of State chooses Mr Nichol but takes Mr West in on promotion to oversee the implementation of the NHS Review, I would think this a good result from the Treasury view point.

HP.

H PHILLIPS

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**CONFIDENTIAL
APPOINTMENTS IN CONFIDENCE**

Mp



FROM: MISS M P WALLACE

DATE: 1 December 1988

MR H PHILLIPS

cc PS/Chief Secretary
Sir P Middleton
Mr Anson

NATIONAL HEALTH MANAGEMENT BOARD AND THE CHIEF EXECUTIVE

The Chancellor was grateful for your minute of 25 November. He very much agrees with you that it would be a good result if Mr West's promotion put him in charge of implementing the Review.

Mpw.

MOIRA WALLACE