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PRIME MINISTER

STEERING BRIEF: MEETING OF NHS REVIEW GROUP ON 23 NOVEMBER

AGENDA FOR THE MEETING

1. Once again there is a full agenda. You may wish to take the papers in the following order:

FOLDER A

i. Decisions So Far (HC57): note by the Cabinet Office.

FOLDER B

-TO FOLLOW

ii. Funding (HC 58): note by the Chief Secretary and the Secretary of State for Health (not yet circulated).

FOLDER C

iii. Managing the Family Practitioner Services (HC51): note by the ~~Secretary of State for Health~~ (discussed in part at the last meeting).

FOLDER D

iv. Better Service to Patients (HC53): note by the Secretary of State for Health.

FOLDER E

v. Management of Capital (HC56): note by the Secretary of State for Health and the Chief Secretary.

2. In addition, if there is time at the end of the meeting you may want to spend a few minutes on the timetable for the remaining stages of the Review, including the date of publication of the White Paper, and for its implementation thereafter. This is an important aspect which needs some thought. I understand that the Department of Health have begun planning how to tackle the reforms. You might invite Mr Clarke to put in a short note, if only of a preliminary kind, for the next meeting.

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3. There are two other short papers which Mr Clarke has circulated but which the Group seems unlikely to have time to discuss at this meeting:

FOLDER F

- vi. Public and Private Sectors (HC54)
- and vii. Professional and Employment Practices (HC55).

The best course might be to invite written comments on them to be sent to Mr Clarke, and to leave them to be discussed in the context of drafting the White Paper.

FOLDER A

DECISIONS SO FAR

4. We have prepared this note in an attempt to draw together and consolidate in one document all the main decisions which the Group has taken so far. The note does not attempt to anticipate the drafting of the White Paper nor does it address issues of presentation. Its wording sticks closely to the minutes of the Group's meetings and to papers which it has endorsed. The aim is to give you and other members of the Group a chance to see how the outcome of the exercise looks so far, and to check that you are generally content.

5. Inevitably there are loose ends. Some points are in square brackets, to indicate that the Secretary of State for Health has been invited to consider them further. In addition, you might want to raise the following:

End year
June

- i. timetable for self-governing hospitals. At the meeting on 21 October you suggested that Special Health Authorities might provide a useful vehicle for making early progress with self-governing hospitals. You might ask whether this is likely to be so.

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ii. Audit Commission. The Group has agreed that the Audit Commission should take over the external audit of the NHS. It has now been suggested that the necessary legal provisions should be included in Mr Ridley's forthcoming Housing and Local Government Bill, due to be introduced by the end of January. This may have attractions but it may also run the risk of announcing part of the outcome of the Review ahead of the main package, and also of importing the debate about the NHS into Mr Ridley's Bill. You may wish to ask for a short note so that you can take a considered decision.

iii. NHS Management Board. The note is silent on the question of Ministerial chairmanship of the NHS Management Board in view of the doubts you expressed at the last meeting. You may wish to consider whether to return to this issue, especially if you wish to resolve it before reaching a decision on the appointment of the new chief executive for the NHS.

iv. Budgets for large GP practices. The Group concluded on 17 October that it was in favour of allowing large GP practices to opt to hold their own budgets and invited Mr Clarke to develop his proposals in the light of the discussion. We understand the Chancellor may minute you before the meeting expressing some reservations about the idea: we will brief you as necessary.

FUNDING

6. The Chief Secretary and the Secretary of State for Health are still discussing the draft paper which you commissioned at the last meeting. We will brief you separately when it is circulated.

FOLDER C MANAGING THE FAMILY PRACTITIONER SERVICE

7. This is the paper which was discussed in part, but not finished, at the last meeting. See separate brief.

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NB You have a separate paper in the box on the possible Chief Executive appointment.

see the Treasury letter of 18 November

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BETTER SERVICE TO PATIENTS

Folder D

8. The Group has repeatedly stressed the importance of having a package of specific benefits for patients as part of the outcome of the Review, but has not yet discussed what this might be. See separate brief.

MANAGEMENT OF CAPITAL

Folder E

9. This paper is a very brief summary of the outcome so far of the discussions between the Chief Secretary and the Secretary of State for Health. They believe that the issues do not now need to be discussed within the Group.

10. They have reached agreement on the introduction of capital charges in the NHS. A system of charges will be introduced so that the users of capital costs will be required to meet the cost of these assets, as reflected in the current valuation (subject to normal depreciation). This regime will apply to all hospitals, whether or not self-governing. It will be introduced in three stages: first, valuation on an agreed basis; second, the introduction of 'notional' management accounts, to familiarise the NHS with such a system; and third, a move towards a fully effective system of real charges "as soon as reasonably practicable".

11. The principle that public sector hospitals, just like anyone else, should have to pay for the use of capital is important in order to enable there to be fair competition between the NHS and hospitals in the private sector. But there are two points you may wish to raise:

i. approval by the Regional Health Authority. The paper proposes that a self-governing hospital would need to obtain Regional approval before disposing of more than 5% of its total capital stock. This is an improvement on earlier proposals that all disposals by self-governing hospitals should require Regional approval. But you may nonetheless wish to ask why in principle there needs to be this sort of

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control over self-governing hospitals. Perhaps it would only apply to disposal of 5% in any one year? or would it be cumulative?

ii. length of transition. Experience with other management systems in the NHS suggests that they can take a long time to implement. It would be a pity if this initiative got bogged down in the second phase of notional management charges, before the third phase of real charges was reached. You may wish to ask what length of transition they have in mind.

TWO OTHER PAPERS

Folder F
12. In addition Mr Clarke has invited written comments on two other papers.

The public and private sectors (HC54)

13. This paper rightly stresses the importance of blurring the distinction between the two sectors. But you may wish to consider whether more could be done to achieve this.

i. One possibility would be to make more optional extras available at a charge to NHS patients. Amenity beds are the most obvious example.

ii. Another possibility would be for the NHS to contract out more clinical as well as non-clinical services where the private sector can provide them more cheaply. This ought to be achieved by the new arrangements whereby DHAs act as buyers, but that will require a major cultural change. Mr Clarke's paper suggests the need for special initiatives on contracting out of pathology and radiology, but it is not clear that his proposal need be limited to those two services.

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Professional and employment practices (HC55)

14. The Group earlier asked for a paper on restrictive practices in the health professions. This is the outcome. Its main proposal is that there should be a major inquiry into the role of the professions and boundaries between them. The Group will want to consider whether it would be right to set up another inquiry after the main review has lasted a year, and when it would prolong uncertainty until the end of 1989.

15. For the rest, Mr Clarke mentions a number of exercises which he has in hand, in particular on the terms and conditions of NHS staff (paragraph 18) and on the deployment of nursing staff (paragraph 21), without giving very much detail. You may wish to ask him to include any positive proposals emerging from this work in the forthcoming draft of his White Paper, where it can be seen in context.

TIMETABLE

16. Finally, you may wish to spend a few minutes on the timetable for the remaining stages of the Review, and for its implementation thereafter.

17. On the remaining stages, it seems clear that it will not now be possible to put the results of the Review to E(A) and then to Cabinet before Christmas, as envisaged at the meeting on 17 October; nor would it necessarily be wise given the long gap which would then ensue before publication of the White Paper. There is one further 2-hour meeting of the Group before Christmas, on Friday 16 December, and depending on the outcome of this discussion you may wish to use it to tie up outstanding issues and consider a first draft of at least part of the White Paper (see below). The aim thereafter might be to consider drafts of the White Paper for discussion at, say, two further meetings in January with a view to going to E(A) and the Cabinet around the end of that month. In discussing this, there are three particular points which you may wish to bear in mind:

This is as much as we can fit into the diary given the Gorbals visit.
PRLG.

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and your
Panorama
interview
was earlier
in January.

PRG.

i. anniversary of the Group. The first meeting of the Group took place on 27 January 1988. Its first anniversary may attract comment;

ii. Review Body Report. The handling of the White Paper will need some care in relation to the Review Body Reports. The Chief Secretary told Parliament last February that the Government hoped "that Review Bodies will be able to submit their reports in time for decisions on them by the end of January or, at the latest, by mid-February". The Treasury's current advice is that we should plan on the basis of receiving the reports at the end of January. If you wanted to get the reports (for instance, on nurses) out of the way before launching the NHS reforms, this might point towards mid-February - or later - for Mr Clarke's White Paper;

iii. Budget. As the Budget draws closer, the Treasury may begin rightly or wrongly to argue that it would be undesirable (or even improper) to announce particular tax concessions ahead of the Chancellor's Budget statement.

18. It may be sensible to see how the next two meetings go before deciding finally on the timing. If all goes extremely well, one option might still be to try for a quick dash to publication towards the end of January; but if there is a lot more work to be done, a slower timetable may be unavoidable.

19. As to implementation, it will be important fairly soon to start thinking about the timetable for implementing the Review's proposals including:

- the establishment of self-governing hospitals;
- legislation;
- the transition to new funding arrangements;
- the introduction of GP budgets;
- the implementation of legislation.

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