

PRIME MINISTER19 January 1989CENTRAL MANAGEMENT OF THE NHS

Department of Health officials are keen to maintain the status quo of the current management structure. If Ken Clarke's new draft is included in the White Paper, there is still a high probability they will succeed.

The statement that we are introducing 'for the first time a clear and effective chain of management command running from Districts through Regions to the Chief Executive and from there to the Secretary of State' (Para 2.7) is clearly arguable.

- The proposed organisation is muddled and is bound to be criticised as such. I have attempted to reproduce the structure in chart form. (Appendix 1).
- In particular, the reporting line of the Chief Executive will be very unclear. In paragraph 7 of Ken Clarke's covering note he states 'the Chief Executive will report directly to the Secretary of State on all operational and management matters'. Yet in Para 2.5 of the White Paper, 'the Management Board will be accountable to the Policy Board for the management of the NHS within the strategy and objectives set by the Policy Board'. Who does the Chief Executive report to? Confusion will reign - as before - in this environment.
- It appears that the Chief Executive will hold the purse strings for hospitals and community health services (Para 7 of Ken Clarke's note). Does this mean that the Permanent Secretary will continue to be the accounting officer for the family practitioner service?

- In Ken Clarke's note, he states that for 'administrative purposes the Management Board will be located within the Department of Health'. This is bound to be seen as compromising the independence of the Management Board. People will say 'what is different from today'. Surely at the very least, it should be housed separately.
- One of the main objectives of the Review is to devolve responsibility and accountability. Most 'hands-on' management will take place at local level. The role of the centre is to set policy, drive through the changes and monitor the impact. Fine-tuning of policy is also essential to the running of the health service. Artificial distinctions between policy and management will create new layers of bureaucracy at the centre.

ANOTHER OPTION

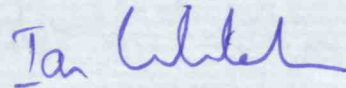
During the ministerial meeting, you questioned the need for a Policy Board. A streamlined management structure along the lines of Appendix 2 - leaving out the Policy Board - would be far more effective.

The Secretary of State would receive policy advice from his officials as now. But this advice would not form part of the main chain of command. The Management Board would be expanded to include non-executive directors. Perhaps Roy Griffiths could chair the Board. An Executive Committee of the Board would take the day-to-day decisions (similar to companies in the private sector).

In summary, this structure would have a number of benefits:

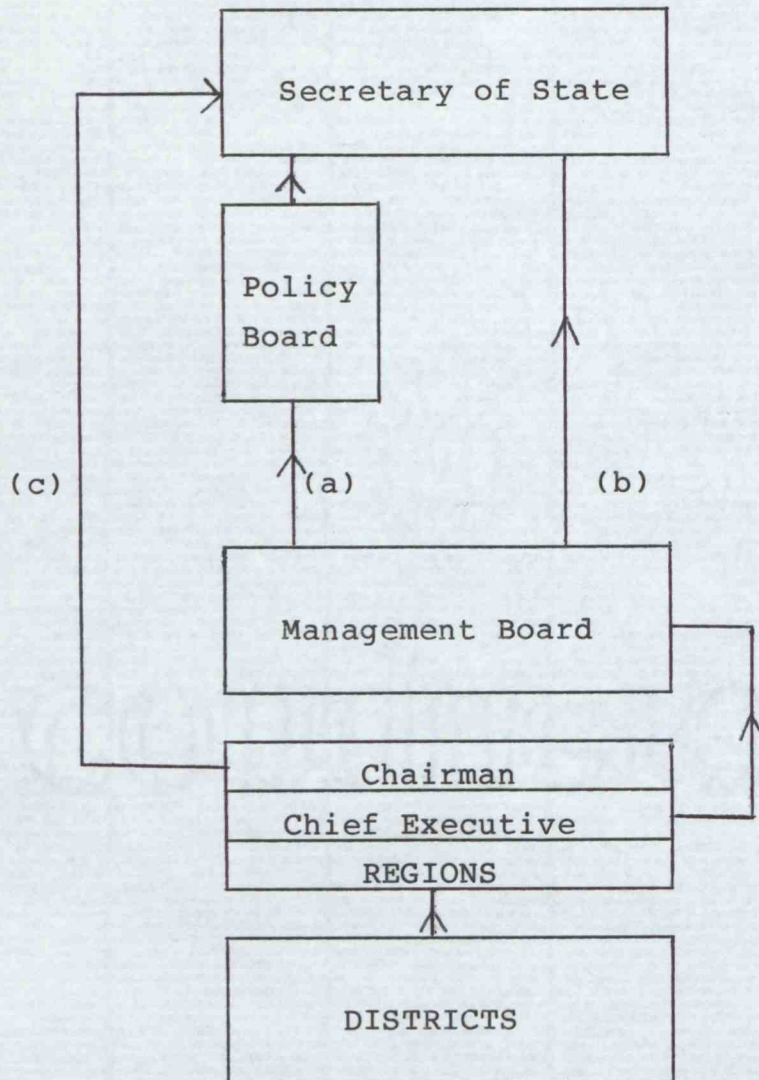
- clear reporting lines;
- clearer separation from department officials giving independent policy advice to Ken Clarke;
- the NHS Management Board would be seen as running the health service with 'real teeth'.

A suggested new draft is enclosed (Appendix 3)



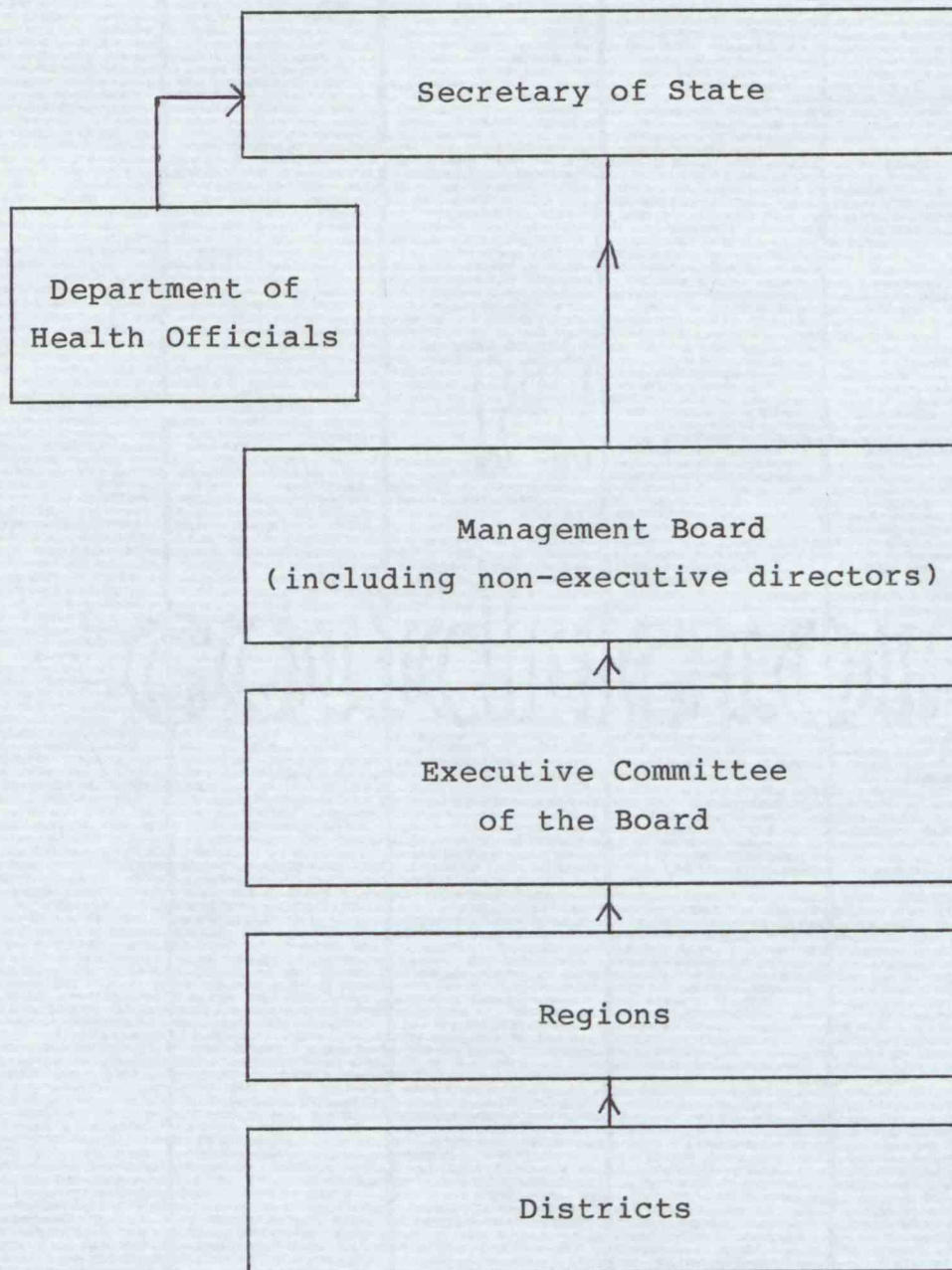
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KEN CLARKE'S
PROPOSED CHAIN OF COMMAND



- (a) Accountable to the Policy Board for the Management of the NHS within the strategy and objectives set by the Policy Board (Para 2.5)
- (b) Chief Executive will report directly to the Secretary of State on all operational and management matters. (Para 7 of Ken Clarke's covering note).
- (c) Ken Clarke wants direct consultation because Regional Chairmen 'regard themselves as charged with the delivery of Government Policy in their Regions' (Para 10 of Ken Clarke's note).

ANOTHER OPTION FOR THE CHAIN OF COMMAND



PROPOSED NEW DRAFT
DELEGATING RESPONSIBILITY

Central Management of the NHS

2.4 The NHS will continue to be funded by the Government mainly from tax revenues. Ministers must be accountable to Parliament and to the public for the spending of these huge sums of money. But Ministers cannot, and in future will not, be directly involved in the decisions taken locally by operational units. On the contrary, the oversight of those decisions ought to be the responsibility of the Chief Executive of the NHS Management Board. Ministers must however remain responsible for policy and strategy, with input from the Management Board.

2.5 The specific proposals are:

- A Management Board reporting directly to the Secretary of State will manage the day-to-day operations of the health service. The Secretary of State will appoint the Chairman and Chief Executive. The Management Board, incorporating non-executive directors, will be appointed by the Secretary of State in consultation with the Chairman and Chief Executive. The Board members will be drawn from inside and outside the NHS.

- The Health Service Supervisory Board will be abolished.

Responsibility for the management of family practitioner services will be brought under the Management Board. The better integration of primary care and hospital services is an important objective.

2.7 The overall effect of these changes will be to introduce for the first time a clear and effective chain of management command running from Districts through Regions to the NHS Management Board and from there to the Secretary of State.

(Note: New wording is underlined. Para 2.5 and the first two indents of Para 2.6 have been taken out.)