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P 03425

PRIME MINISTER

CENTRAL MANAGEMENT OF THE NHS
(Paper circulated by Mr Clarke's private office on 20 April 1989)

DECISIONS

1. The purpose of this meeting is to review progress with the new arrangements for the central management of the NHS. The paper has been circulated under the names of Sir Roy Griffiths and Sir Christopher France who have supervised much of the work; but the Secretary of State and Mr Duncan Nichol have been closely involved throughout and are content with the approach set out. All will be present.

2. You may wish to test out what has been done - and what still needs to be done - by selecting key aspects, such as the following, and asking to be taken through them:

i. how far the Management Executive is to be separate from the Department;

ii. what powers and responsibilities are to be delegated to the Chief Executive of the NHS (eg appointment, dismissal, pay, giving directions);

iii. how the Chief Executive plans to achieve maximum delegation down the line through the NHS;

iv. how far the Department is to be slimmed down;

v. Ministerial accountability to Parliament for operational matters in the NHS.

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3. In concluding the meeting, you may wish to commission further work in the light of the discussion and make arrangements to continue to monitor what is done. One possibility would be to ask for regular three-monthly progress reports, and perhaps also to ask to see occasional minutes of the Policy Board.

BACKGROUND

4. At the meeting on 24 January, the Group accepted the case against far-reaching structural changes such as the establishment of a separate statutory Health Service Corporation. They agreed that there should be a Management Executive, located in the Department but with a separate and defined status under the Secretary of State for Health. All central operational and management work on the NHS carried out in the Department should be brought under the Management Executive; but it should be kept small in accordance with the White Paper objective of maximum devolution. Concluding the discussion you said that a lot more work was needed on the detail of the new arrangements and how they would work in practice. You asked for a written statement to be prepared for the purpose, drawing on what had been done in 1983, to be reported back to you within three months.

5. The White Paper subsequently reflected this approach. It announced that a new NHS Policy Board, chaired and appointed by the Secretary of State, would determine the strategy, objectives and finances of the NHS in the light of Government policy, and would set objectives for the NHS Management Executive and monitor whether they were satisfactorily achieved. The NHS Management Executive would be chaired by the Chief Executive and appointed by the Secretary of State in consultation with the Chief Executive; and it would be responsible for all operational matters within the strategy and objectives set out by the Policy Board.

6. I understand that the Secretary of State will be minuting you separately about the membership of the Policy Board.

SIR ROY GRIFFITHS

PRIVATE & CONFIDENTIAL

N.B.

7. [NOT TO BE READ OUT] I talked to Sir Roy Griffiths today about the proposals. He said he believed that they provided a workable structure. He made the point however that they would only succeed if they were backed with the will to make them work; and he said a lot more needed to be done on the detail. He suggested that you might ask for three-monthly progress reports. He also thought that you might ask to see occasional minutes of Policy Board meetings, not so that you could intervene but to show that you were keeping an interest in how the new structure was being used.

POINTS FOR EXPLORATION

Separating the Management Executive from the Department

8. The covering paper refers to "a more clear-cut" division of staff and responsibilities as between the Management Executive and the rest of the Department, and proposes a holding company approach (paragraph 5 iii). The options are discussed in Annex C. **You may wish to explore how separate the Management Executive will be in practice**.

i. the merits of the options. The idea of making the Management Executive a 'Next Steps' agency is rejected rather briefly in Annex C, paragraph 7, in favour of the holding company approach which enables 'good formal and informal channels of communications' and enables managers 'to remain sensitive to policy and political realities' (Annex C, paragraph 9). Given the proposals which Mr Moore has put forward for executive agencies in the Department of Social Security, you may wish to explore whether that would be a more clear cut approach here.

ii. dual reporting. How many staff, taking all levels together, will work for both the Management Executive and the Department? For instance, the covering paper says that "a few senior officials" will need to do so (paragraph 5 iii); and it also seems that there will be common services between them which will total 585 staff (Annex C, paragraphs 9 and 16). You may wish to ask what the total number will be.

iii. membership of the Management Executive. How many members of the Department will be on the Management Executive? It appears that of the total membership of 9, at least the Director of Health Authority Finance, the Medical Director and the Nursing Director may be members of the Department (Annex D);

iv. Budgets. There is to be a common Administrative Vote for the whole of the Department of Health including the Management Executive. The precise allocation of funds is "under discussion" (Annex C, paragraph 12). You might ask whether it would be better for the Executive to have a separate Vote. The paper also says that "it will need to be decided whether the Chief Executive should have a separate budget for accommodation, support services and so on"; and that the precise division of Accounting Officer responsibilities needs to be settled (Annex C, paragraphs 12 and 13).

Powers and responsibilities of the Chief Executive

9. If the Chief Executive and his Management Executive are to have responsibility for all operational matters in the NHS, he will need to have the necessary powers to do so. It is therefore important to be clear what powers are delegated to him on such matters as appointment, promotion, dismissal, pay, instructions

to line mangers and monitoring of performance. You may wish to ask what powers the Chief Executive is to have: for instance:

i. relationship with Regional and District Health Authorities. The paper says that "we need to create an understanding between all the parties that the Chief Executive speaks with the authority of the Secretary of State who has explicitly delegated management issues to him" (Annex B, paragraph 3). You will wish to explore what this understanding will be, and what precise powers the Chief Executive will have.

ii. role of Regional Chairman. The paper says that Regional Chairmen will continue to have access to Ministers and to have regular meetings with them - focusing mainly on policy and strategic issues - but that Ministers will need to refrain from issuing executive instructions to Chairmen (Annex B, paragraph 3). What happens if a Regional Chairman disagrees with an instruction which the Chief Executive has given to a Regional Manager? You may wish to ask whether there is a danger that the Chief Executive could be undermined.

iii. Family Practitioner Committees. The White Paper says that the responsibility for the management of family practitioner services will be brought under the Management Executive. The table in Appendix C1 shows that the Management Executive will have 91 staff for these services, but that the Department will retain another 82 staff for them as well. You may wish to ask whether the relative responsibilities have been worked out, and what they are.

Devolution within the NHS

10. One important theme of the White Paper was the need to achieve maximum delegation down the line within the NHS, with

the minimum of bureaucracy at the centre. Some proposals for achieving this are outlined in Annex B, covering such matters as pay, building schemes and cutting down on "guidance". You might like to invite Mr Nichol to expand on this Annex and say how he intends to operate his relationship with Regional and District Authorities.

Slimming down the Department.

11. The covering paper refers to a slimming down of the central organisation as a consequence of achieving the White Paper objectives (paragraph 6 ii). This would be part of the second phase, when the NHS reforms are implemented. You might like to invite Sir Christopher France to expand on this. Figures are in Appendix C1.

Parliamentary accountability.

12. The covering paper envisages less Ministerial - and Parliamentary - involvement in operational matters once the NHS reforms are implemented (paragraph 6 i). The options for achieving this are discussed in Annex E which concludes by referring to "the need for a more devolved and mangerially-mature English NHS before embarking on radical changes in Parliamentary accountability" (paragraph 10). You may wish to ask Mr Clarke to expand on his plans for achieving less Ministerial accountability in Parliament for detailed operational matters.

RTJW.

R T J WILSON
Cabinet Office
21 April 1989