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PRIME MINISTER

21 July 1989

CENTRAL MANAGEMENT OF THE NHS

Kenneth Clarke, Roy Griffiths, the Permanent Secretary and the Chief Executive are content with the new management arrangements. But I am still left with a sense of uneasiness. I am not at all convinced that our main objective - namely the more effective management of the NHS - will be realised. Having reviewed the paper in detail, it has a strong feel of sponginess. In addition the paper is rather sketchy and leaves some significant questions unanswered.

The Department of Health should be asked to prepare a more detailed paper for September, addressing three key questions.

1. What are the specific differences between the new powers of the Chief Executive and his previous powers, in relation to (i) hiring and firing of staff (ii) budgets and (iii) health authorities?

The main change seems to be highlighted in the table in Annex A of the paper. Duncan Nichol will now take responsibility for overseeing part of the Family Practitioner Service. But it is not at all clear to me what the other main changes will be.

If we fail to make a real impact in this area, the status quo will prevail.

2. How will the 'agency' mechanism work in practice (paragraph 4 of the main paper)?

One option available to the Chief Executive will be 'an agency of a kind appropriate to provide NHS appointments'. This statement is far too vague.

Duncan Nichol views such an agency as a critical management

CONFIDENTIAL

CONFIDENTIAL

tool. He sees it as a ring-fenced personnel budget, operating outside normal Department of Health guidelines. He believes that the agency mechanism could be used if there is a disagreement with the Permanent Secretary on staffing matters.

This is an interesting concept. But I am sure this is just a sop to Duncan Nichol. It will soon be forgotten.

The agency idea should be developed further in greater detail, in discussion with the Chief Secretary.

3. Why not consider making the following changes to the departmental structure?

(i) Give the responsibility for General Dental and Ophthalmic Services to the Chief Executive

I see little value in splitting up the Family Practitioner Service between the Permanent Secretary and the Chief Executive. Two arguments are presented for the split. First, it is argued that the burden will be shared between the two. This 'overload' argument should be discounted. Second, the department argues that the split would avoid duplication of effort between the Management Executive and the rest of the Department. Surely, confused reporting lines will far outweigh some element of duplication. There seems to be little merit in departing from our White Paper proposals.

(ii) Give the responsibility for managing the Statistics and Management Information (235 people) Division to the Chief Executive

This division mainly serves the Management Executive. Yet Annex B shows this division

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will probably remain as a common service to the Management Executive and the Permanent Secretary. If Duncan Nichol is able to take over management responsibility, he believes he will be able to reduce its size significantly and improve the quality of output.

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