cc Press Office

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Prime Minister
A summary of Mr Jenkin's proposals following the consultation period based on "Patients First"
1 July 1980 MAP 2/VII

DEPARTMENT OF HEALTH & SOCIAL SECURITY
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Telephone 01-407 5522
From the Secretary of State for Social Services

The Rt Hon William Whitelaw CH MP
Secretary of State for the Home Department
50 Queen Anne's Gate
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MT

Dear Willie,

NATIONAL HEALTH SERVICE: CHANGES IN STRUCTURE AND MANAGEMENT ARRANGEMENTS

The consultation period on "Patients First" (the discussion document we issued last December) ended on 30 April. In general the comments we have received have supported the main thrust of the Government's proposals, and following discussions with Regional Health Authority Chairmen I am now in a position to make firm proposals for action.

See pt. 1

Structure

I propose in effect to remove a tier of administration, the one at Area level. In general, the new operational authorities would be created from the districts into which the two-tier Area Health Authorities are already divided. (Single-district Areas would normally be translated into new style district health authorities). We would thus produce smaller statutory authorities, less remote from the populations they serve and generally more effective. Forming the new authorities from the existing district will ensure that one or more district health authorities will together make up a complete county, thus minimising the effects of the change on collaboration with social service authorities.

Arrangements for implementation

The Regional Health Authorities will be given the job of initiating the review and making proposals for the new structure. They will be required to carry out formal consultation with local authorities, universities, staff organisations and other bodies in the Region, and will then make proposals to me by the end of next February. I shall no doubt feel it necessary to receive deputations from dissenting bodies, but I would nevertheless hope to reach decisions by the end of May at the latest. The new structure should be completely established by the end of 1983, but I share the general view of health service managers and staff that the process should be completed as soon as possible and I expect April 1982 to be a common date for change. When appointed the new authorities will be required to simplify their management arrangements and to get decision-making down to a local level. Management at that

E.R.

level will require some strengthening, but posts at intermediate levels will disappear. I propose to issue the very minimum of guidance: for example, as regards the appointment of officers, the only requirement will be to establish a district management team and an administrator and a nurse manager for each operational unit.

Arrangements with local authorities

The statutory Joint Consultative Committees will be retained, but how the arrangements for collaboration between health and local authorities are best made can only be settled locally. I shall however be asking district health authorities to discuss with local authorities how they should provide adequate advice and services for environmental health, child (and school) health and personal social services.

Membership of District Health Authorities

The proposal in "Patients First" to reduce local authority representation on DHAs from one third to four has been generally well received by health authorities but opposed by the local authority associations. It was the previous Government which raised the proportion to its present level. There has been much dissatisfaction with this proportion, and we have decided that authorities should generally have fewer members. Gerry Vaughan has seen each of the main local authority associations, so that they have had adequate opportunity to express their views. Nothing they have said has altered our intention, and we now propose to confirm that the local authority representation on a DHA will normally comprise four members. In metropolitan areas these would be drawn from the metropolitan districts or London Boroughs, in other parts of the country from the county councils (though we intend to introduce legislation later that would give two of the latter's places to district councils).

Community Health Councils

"Patients First" raised the question whether these should continue. Most health authorities favour keeping them in existence (possibly as a safeguard against inappropriate advice and action by their officers). I agree that on balance they should be retained, at least until we have seen what effect the creation of smaller, more local, authorities has had on the responsiveness of the NHS to local needs. However, I propose in the meantime to review the membership and powers of CHCs.

Family Practitioner Committees

There has been opposition from health authorities to the proposal that the present arrangements for FPCs should be unaltered, but I believe that what really lies behind this is the view that family practitioner services should be more closely integrated within the NHS. There is no prospect of changing the independent contractor status of the general practitioner, but I shall be considering further the relationship between the FPCs and the new authorities in the planning of services.

Consultant contracts

"Patients First" said that I would discuss with the medical profession the proposition that the contracts of consultants should be held by the DHAs and not the RHAs as at present (thus bringing England into line with Scotland and Wales). The profession are strongly opposed to this (as I had expected) but I am still discussing the matter with them with a view to making this change.

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Regional Health Authorities

We need the RHAs to initiate the changes and to see them through. But I propose to review their functions later.

Management Costs

The NHS is reluctant to accept that the new authorities will be cheaper. But I intend to insist on a 10 per cent cut in management costs (after the transitional costs of redundancy payments etc). We will use the existing control machinery to ensure that this target is achieved once the new structure has been installed and the new authorities have slimmed down the management arrangements they inherited.

I believe that our proposals will produce a slimmer and more effective health service, with authorities that are more responsive to local needs and quicker on their feet. And I am encouraged by the general welcome given to the proposals by the NHS and the professions who work in it. My officials have just sent to the Departments concerned a draft of the circular which will set out these issues in more detail, but I wanted colleagues to have the outlines of the package I propose to announce next month. If any have comments on it I should be grateful to receive them by 7 July.

I am copying this letter to the Prime Minister and all members of the Cabinet and Sir Robert Armstrong.

Yours ever

Patrick

PRIME MINISTER

You might like to glance at Mr Biffen's comments on Mr Jenkin's NHS proposals

MAP 9/VII

Treasury Chambers, Parliament Street, SW1P 3AG

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Department of Health
and Social Security
Alexander Fleming House
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8 July 1980

Dear Patrick,

NHS: CHANGES IN STRUCTURE AND MANAGEMENT ARRANGEMENTS

Thank you for sending me a copy of your letter of 1 July to Willie Whitelaw outlining your proposals for changes in the structure and management of the NHS. Bearing in mind the criticism of the present system which accompanied preparation and publication of Sir Alex Merrison's report on the NHS and the constructive responses you have had to "Patients First", we are now in a good position to put into effect our plans to the running of our health services and build up a sound basis for a viable relationship between the NHS and private medicine.

I welcome your proposals to reduce bureaucracy by removing one tier and for giving greater scope for local decision taking. I am particularly concerned that the new system should not lead to any weakening of financial control or in any way add to the risks of a breach in your health cash limit. Nor would we want to impede the development of a system of monitoring which ensures the taxpayer gets value for his money. I should therefore be grateful, if as until now, my officials could be kept closely in touch with the way in which the financial aspects of your proposals are put into practice.

With the removal of the "area" and concentration on the "district" there may in certain cases be less scope for redeployment of resources between districts to cope with such matters as changing priorities and the larger building projects, for overseeing audit arrangements or, say, for ensuring the benefits of large scale purchasing. Given the necessarily wide gap between the Department and any district, I therefore see a continuing and important role for regions in ensuring effective financial management of public funds.

The maintenance of financial discipline will be vital not simply when the new structure comes fully into operation, but also in the difficult interim period. While I appreciate the burden that the changes will impose on NHS staff, I am sure you would agree that it is important not to relax the other important initiatives which you have in hand to provide improved value for money, such as the supplies council, in the drug area, on improved financial appraisal of capital projects, on medical manpower, information systems and of course streamlining the health department's own organization.

While I appreciate that any document on the structure of the NHS tends to devote most of its attention to the hospital service, we ignore the close links with the Family Practitioner Service and the Personal Social Services at our peril. In any given local area, deficiences in these two services can put an added strain on the cash-limited hospital services. Effective collaboration between the NHS and the various Local Authorities is crucial. And, given the family doctor's fundamental influence over his patients' access to the hospital service, joint planning of the FPS and Hospital and Community Health Services HCHS must be pushed ahead. One of the short-comings of the 1974 re-organisation was that it did not adequately bridge the divide between the two sides of NHS. While there is growing interest and willingness among GPs to keep their medical knowledge and practice up-to-date by using the local hospital, encouragement of these links can only be to the patients and our financial advantage. I should therefore like my officials to explore further with yours the Royal Commission proposal for joint-budgetting of the FPS and HCHS and I would hope that our range of options there are not unnecessarily curtailed by the current restructuring.

As your proposals aim to make the system more responsive to local needs, I doubt whether the case for continuation of Community Health Councils is proven. I accept however they should be retained for the time being. But I would hope in any announcement that in making this clear, you will point to the need to review their usefulness once the new health authorities are in operation.

I welcome your intention to insist on a 10% reduction in management costs once the transitional costs of redundancy payments etc are out of the way. You have I am sure been pressed to go for a higher figure. But we need a target which is plausible, achievable and has a degree of support both within the NHS and outside. We need to ensure highly trained medical and nursing personnel do not have their time wasted on unnecessary administrative chores: and we require personnel throughout the service who can continue to look for ways of improving the service's efficiency (e.g. on stock control, on records, financial system etc). Too large and too arbitrary a cut could well, I fear, lead to loss of cost effectiveness and you will no doubt have weighed the comments of the medical and other personnel in the NHS. There is clearly nothing magic about 10%, but after the sharp rise in administrative posts since 1973, some further pruning, over and beyond the efforts already made in recent years, could usefully release further resources for

patient care (and provide suitable justification for your title "Patients First").

I am sending copies of my reply to the Prime Minister, other Cabinet colleagues and Sir Robert Armstrong.

Yours

John Biffen

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Nat Health

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V/MS

The Rt Hon Patrick Jenkin MP
Secretary of State for Social Services
Department of Health & Social Security
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4 July 1980

Dear Patrick

TPMd

NATIONAL HEALTH SERVICE: CHANGES IN STRUCTURE AND MANAGEMENT ARRANGEMENTS

Many thanks for sending me a copy of your letter of 1 July to Willie Whitelaw.

I also have in mind before the end of this month to make a statement about the policy I propose to pursue in relation to NHS structure and management. I shall, of course, let you know what line I am proposing to follow and shall, like you, circulate these proposals to colleagues.

Our present structure in Scotland is of course different from yours and our proposals for change differ accordingly. I therefore have only one comment on your proposals. I note that you agree "on balance" that community health councils should be retained. It is in relation to the comparable Scottish bodies - local health councils - that I find most difficulty in deciding how we should proceed. The arguments are indeed finely balanced, and I have not yet made up my mind. The fact that you propose to retain community health councils is a factor of which I shall have to take account.

I shall write to you again very soon about my proposals.

I am copying this letter to the Prime Minister, to all members of Cabinet and to Sir Robert Armstrong.

Yours ever,

George