

Prime Minister

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Mr. Fowler wants to start with two minutes strictly tete a tete. Please will you pick up the phone and ask the operator to summon me when you are ready.

PRIME MINISTER

MEETING WITH MR. FOWLER

FERB  
28.6.

Mr. Fowler is coming to see you on Friday to report on progress on his social security reviews. You will also want to talk to him about the implementation of the Griffiths Report. You might like to divide the time more or less equally.

Benefit Reviews

The pensions review is more advanced than the other three - a good deal of work has been done on private provision leading to the consultation document on personal pensions. The other three reviews - supplementary benefit, housing benefit and benefits for children and young people - have now been established and will be holding public meetings to take evidence during July. The aim is that they should be completed by the end of the year. The attached Policy Unit note (Flag A) sets out some principles and identifies some options.

In the limited time for discussion you may wish to raise:

- (i) How far does Mr. Fowler subscribe to these general principles?
- (ii) How radical is he prepared to be on the future of SERPS?
- (iii) What is the scope for savings through ending abuses in young people's benefit?

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/ (iv)

- (iv) Can HB be made simpler and cheaper?
- (v) How can the poverty and unemployment traps be mitigated?
- (vi) Can sufficient progress be made to identify options for the public expenditure round?

You could suggest to Mr. Fowler that the reviews could be discussed at a half-day seminar in September when the evidence has been collected and the conclusions are being considered.

On Griffiths, Mr. Fowler has responded to the points we made to his letters on the circular and on the appointment of the personnel director. (Flag B)

Griffiths: New appointments

On the open structure posts, his reply seems satisfactory; the creation of two Griffiths' jobs is being offset by six savings elsewhere. He seeks your approval to three Deputy Secretary appointments.

- (i) Do you accept his proposals for the open structure?
- (ii) Do you accept his recommendations for specific appointments? (You have already agreed Mr. Fraser).

The key appointment is the Chairman of the NHS Management Board. We need a good man in post as soon as possible. Are we in sight of this? The official shortlist is now down to three candidates, who may not be up to the mark and want very large salaries (please see letter at Flag C). Does Mr. Fowler have any other candidates in mind? If so, whom?

The authority of the Chairman and the Management Board

This is the key question. The Griffiths reforms aim at changing 'custom and practice' within the Health Service without the time-consuming upheaval of legislation. The General Manager has to have the maximum possible freedom (using the Secretary of State's authority) to reform the running of the Health Service. Regional Health Authorities should see him and his Management Board as the Secretary of State's agent, and not as a strange peripheral body to which they are not accountable.

But DHSS argue that this change in 'custom and practice' breaks the law. This is how they defend the extraordinary diagram of managerial responsibilities in the attached leaflet (Flag D). And Mr. Fowler says in his note:

"Because of the statutory position of health authorities, the Management Board cannot have a line management relationship with them".

There are two replies to this. First, it is bad law. Acts of Parliament refer to Ministers and not to Departments, but officials can act with the authority of the Secretary of State. RHAs should not be encouraged to think they are legally responsible only to one individual, the Secretary of State. This is just current practice and it can be changed. The RHAs are also, under existing law, responsible to those who act with the authority of the Secretary of State.

The second reply is that if the DHSS really believe this is the law, why not change the law?

Central DHSS administration

There are 2,200 officials in the DHSS advising on and administering the Health Service. The new Managers should

not just supplement all these civil servants, but should displace them. Mr. Fowler (using Mr. Clarke to implement the policy) should recommend a radical reduction in central DHSS administration. Could it be one-tenth its present size? The Ibbs Unit should be associated with this work.

Mr. Fowler may argue that as he remains answerable to Parliament for the NHS, he inevitably has to 'second guess' the activities of the NHS and needs staff, not least to answer PQs and letters. But whilst these enquiries cannot be rejected out of count, they can often be answered in a different way after Griffiths, emphasising that line management responsibility lies elsewhere and referring the questioner to the managers. The problem at the moment is that there is no management which the DHSS can point to, - that and this must be changed.

#### Conclusions

You might like to seek Mr. Fowler's agreement to the following conclusions:-

- that social benefits should be discussed at a seminar in September
- that the senior staff appointments proposed by Mr. Fowler should be agreed
- that Mr. Fowler should look again at the relationship between the health authorities and the NHS management board
- that it is important to get a first class Chairman of the Management Board (and not to pay him a higher salary than he is worth)
- that Mr. Fowler should investigate, with the Ibbs

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Unit, whether he can make substantial savings in  
DHSS HQ staff.

AT

Andrew Turnbull

28 June 1984

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