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*Mr Willets
for my connects.
OK
4/6.*

DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522 ext 6981
From the Permanent Secretary
Sir Kenneth Stowe KCB CVO

*MEA bold DHSS
No comment 23/8*

Sir Peter Middleton KCB
H M Treasury
Whitehall
LONDON
SW1

19 August 1985

Dear Peter.

NHS DIRECTOR OF PROCUREMENT AND DISTRIBUTION
File with TF

You will no doubt have heard about the meeting which the Prime Minister had with my Secretary of State, the Minister of Health, Victor Paige and myself on 22 July about the NHS. I enclose a copy of Andrew Turnbull's account of the meeting. At the meeting the Prime Minister was very supportive of the idea of the appointment of somebody to lead the procurement function in the NHS preferably on short-term loan from industry or commerce.

My Secretary of State would now like to make rapid progress on the appointment and couple it with an announcement on the winding up of the Supply Council since the Chairman of the Council has tendered his resignation in the last few days and we do not want to let things slide. The Health Service Supply Council was set up in 1980 with a Chairman and 14 members as a Special Health Authority to be responsible for policy in the health service supply field on which we spend about £1.7 billion a year. It took this function over from the Department so we were able to shed some of our headquarters manpower. Although the Council has done some good work in raising the profile of supplies activities in the NHS, its effectiveness has always been limited by the advisory nature of its powers. Supplies activities are the responsibility of District and Regional Health Authorities. The present arrangements under which the Supply Council is expected to exercise leadership without executive powers are basically unsatisfactory and do not fit well with the sharper management arrangements which we have established under the NHS Management Board.

My Secretary of State, therefore proposes to abolish the Council and assign its leadership functions in the supply field to a newly established post of Director of Procurement and Distribution. The Director will be a civil servant, but it is doubtful that we shall find anybody with sufficiently wide experience of modern procurement and distribution practices within the Service so we propose with the assistance of the Civil Service Commission to go out to open competition

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to fill the post. I understand that this proved very successful in recruiting the Director of the Central Unit on Purchasing (CUP) recently. The appointment would initially be on a three year basis but could be reviewed. I attach the draft of a job description and advert. We shall be discussing the recruitment process with Dennis Trevelyan but we would like to place the advertisement in the next couple of weeks or so.

The experience of Treasury and MPO in recruiting the Director of the CUP suggests that Under Secretary is the right grade for the post which we have in mind. I hope you will agree that we might have tolerance of up to 15 per cent of the Under Secretary salary to attract the right candidate if necessary. This post will not increase the number of senior open structure posts within the Department since it will effectively replace another Grade 3 post.

We shall have to make arrangements for the small Supply Council staff (about 15) when the Council is abolished. They are not civil servants and most of what they do will need to be continued under the Director of Procurement and Distribution. I believe we should be able to find a way of accommodating them and their functions without increasing the number of civil servants.

Victor Paige has been scouting among a number of people for advice about suitable candidates for such a post. He is satisfied that we will get good applicants from outside the Service and, of course, it will be open to Civil Servants to apply. It so happens that since the meeting with the Prime Minister somebody very suitable has emerged in the course of these soundings who would probably be available on secondment. It is intended that this post will not be an NHS Board member and the post-holder will be directly accountable to the Director of Operations on the Board. This was as the post was originally envisaged when my Secretary of State minuted the Prime Minister on the composition of the Board in March and that is how the job description and draft advert are framed. But Victor Paige's soundings suggest that this (but not the proposed salary scale) may be an obstacle to getting the right person. If this proves to be the case (and I am not prejudging the outcome) I hope we can come back to the question of full Board membership at a later stage.

I would be grateful to know as soon as possible whether you - and other recipients - are content with these proposals.

I am sending a copy of this letter to Andrew Turnball at No 10 and Robert Armstrong.

Yours sincerely,
Ken

JOB DESCRIPTION

DIRECTOR OF PROCUREMENT AND DISTRIBUTION

Content

1. The appointment will be to a new post in the DHSS, at Under Secretary level, as the Director of NHS Procurement and Distribution. The Director of Procurement and Distribution will be accountable to the Director of Operations on the NHS Management Board.

2. The NHS Management Board is accountable to the Secretary of State for the implementation within health authorities in England of the Government's policies for their management. It gives leadership and monitors performance with the aim of securing improvements in services to patients and more effective use of resources. The Secretary of State, and the NHS Management Board acting on his behalf, discharges his statutory responsibilities for the provision of health services in England mainly through statutory health authorities who employ NHS staff on contracts with independent practitioners for the provision of services.

3. The Director of NHS Procurement and Distribution will be responsible to the Board for ensuring that the NHS implements an efficient, effective and economical purchasing and supply service which embraces purchases, quality control, contracts, storage and distribution, inventory management and stock control. He will establish and be Chairman of a Procurement and Distribution Executive Committee which will initially be comprised of Regional Supplies Officers and the Director of Supply and Technical Services. This will advise the Director and NHS Management Board on the development and implementation of procurement, supply and distribution policies and particularly on key issues with national implications.

Responsibilities

4. The main responsibilities of the Director of Procurement and Distribution will be:-

- (a) providing leadership to the supplies function in the NHS;
- (b) to advise Regional Health Authority Chairmen and General Managers on the staffing of the supplies function;
- (c) to develop and improve purchasing procedures that will enable the NHS to obtain the products and services it needs (currently costing some £1.7 billion per annum) at the lowest cost consistent with acceptable quality;
- (d) working through the Procurement and Distribution Executive Committee he will oversee the work carried out by 14 Regional Health Authorities as national "centres of responsibility" for particular products, and the operation of national contracts arranged by those Regions;
- (e) he will promote improvements in NHS inventory management and stock control;

- (f) to provide advice to Health Authorities on storage and distribution methods that will improve the efficiency and reduce the cost of supplies distribution;
- (g) to promote measures to improve the safety and quality of supplies used in the NHS at acceptable cost;
- (h) at a date to be agreed he will assume responsibility for the NHS Management Board activities that relate to competitive tendering;
- (i) to promote the further development and use of the management information systems to provide accurate and timely information on which local purchasing decisions and national policy decisions can be based;
- (j) "discharging such responsibilities for the provision of rehabilitation aids as may remain with the Department following the McColl review of ALAC services" or "arranging for the procurement and distribution of rehabilitation aids supplied by the ALAC service".
- (k) developing methods for the costing and assessment of supplies performance at Regional and District level;
- (l) setting performance targets, monitoring costs and other aspects of performance of the NHS supplies function, providing appropriate information to assist in carrying out accountability reviews of Health Authorities, and otherwise ensuring that where necessary remedial action is taken;
- (m) assisting Health Authorities to plan the development of services by arranging for the comprehensive assessment of new medical technologies;
- (n) advising the Department and Health Authorities on organisational arrangements that will enable these objectives to be met;
- (o) representing the Department on the Inter-Departmental Public Purchasing Committee;
- (p) ensuring that NHS purchasing is carried out in accordance with the Public Purchasing Initiative and the Memorandum of Understanding with the British Standards Institution;
- (q) discharging the Department's responsibilities for sponsorship of the UK medical products industry and ensuring that NHS procurement is carried out with due regard to the welfare of UK industry.

Terms of Employment

5. The post will be graded Under Secretary and the postholder will be a Civil Servant for the period of his appointment. He or she will not be able

to retain any outside appointments requiring a significant amount of time or which might cause a conflict of interest to arise.

6. The period of the contract will be limited in the first instance but will be subject to extension for the successful postholder. Arrangements for the secondment of a suitable candidate from his existing employer would be considered.

7. Remuneration and other conditions of service will be based on those of an Under Secretary, but a higher salary might be considered if necessary for a candidate with exceptional qualifications or experience. The salary will be reviewed periodically and adjusted to reflect any percentage change in the pay of an Under Secretary.

8. The post will be pensionable. Normally, the postholder will be covered by the Principal Civil Service Pension Scheme but alternative arrangements (eg continued membership of a previous employer's pension scheme or a personal annuity contract) might be possible, depending on the circumstances and the terms of appointment of the successful candidate. Secondment will normally involve continuation of existing superannuation arrangements, with DHSS paying the seconding employer's share of superannuation contributions.

9. The post will be located in London. Assistance with relocation expenses may be available.

DRAFT ADVERT

Director of Procurement and Distribution

National Health Service Management Board

The NHS Management Board has recently been established under Victor Paige as Chairman. Major changes are being implemented in the management of the NHS. Within this context a Director of Procurement and Distribution is being appointed. The NHS spends about £1.7 billion annually on the purchase of supplies.

The post demands an imaginative and innovative approach to the management of the supplies function in the NHS which it is expected should lead to large savings in costs and improvements in efficiency and the standards of service to patients.

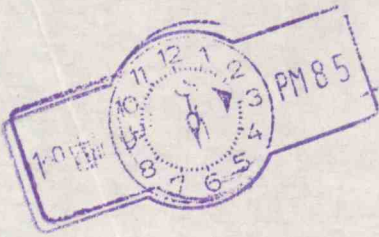
The Director of Procurement and Distribution will rank as an Under Secretary in the Civil Service. The post is initially for a limited period, although it is renewable.

Remuneration and other conditions of service will be based on those of an Under Secretary, but a higher salary might be considered if necessary for a candidate with exceptional qualifications or experience.

Those wishing to apply for the position should write first, enclosing a CV, to the Chairman, NHS Management Board, Alexander Fleming House, Elephant and Castle, London SE1 6BY. Those wishing for further information before committing themselves to an application should also write to the Chairman, preferably giving a brief career outline.

The Civil Service is an equal opportunity employer.

NAT. HEALTH : Expenditure : Pt S.





H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000
Direct Dialling 01-233 3620

Sir Peter Middleton KCB
Permanent Secretary

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Sir Kenneth Stowe KCB CVO
Department of Health and Social Security
Alexander Fleming House
Elephant and Castle
LONDON
SE1 6BY

5 September 1985

Dear Ken,

NHS DIRECTOR OF PROCUREMENT AND DISTRIBUTION

Thank you for your letter of 19 August about the appointment of a NHS Director of Procurement and Distribution. I am content with what you propose subject to the following points.

Our experience in recruiting a head for the Central Unit of Purchasing suggests that you may get a good candidate at the Under Secretary rate of pay. We would normally expect you to appoint a new Under Secretary at the first incremental point. But since by definition you are seeking an experienced candidate from outside the service I should in this case be content for you to appoint at the full Under Secretary rate (£32,433 at present rising to £34,000 next March) but in this case I do not believe any further premium would be justified. To retain some flexibility however I have no objection to your keeping the reference to a higher salary for a candidate with exceptional qualifications, but could your people consult the Pay Division about the precise terms you intend to offer before you are committed?

My other point arises on the job description. As you say the Supply Council has not been a success, largely because of its advisory nature. But I am not clear from the job description why the new Director will be any more successful. There is a lack of clarity between the executive and advisory responsibilities set out in the job description. Paragraph 3 for example talks about an executive committee which will advise. I know this is a complex area but this makes it all the more important that an outsider is told clearly what he is responsible for and what powers he has to achieve results. I am not clear for example how wide his responsibilities are intended to be; will he cover NHS purchasing outside HCHS, and what links will he have with the other parts of DHSS to enable him to represent you effectively on the Interdepartmental Public Purchasing Committee? I believe it would be helpful if you could have another look at the long list of

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responsibilities in paragraph 4 with points of this kind in mind. At the same time the list could be shortened and sharpened up. This is an area in which Mike Willacy has a lot of relevant experience and ideas and I suggest your people discuss it with him.

I am copying this letter to Robert Armstrong, David Norgrove at No 10 and to Mike Willacy.

John W. M.,
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P E MIDDLETON



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DW

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A085/2294

9 September 1985

My dear Ken,

You sent me a copy of your letter of 19 August to Peter Middleton about the appointment of a NHS Director of Procurement and Distribution.

I am content with your proposals, subject to the points made in Peter Middleton's letter of 5 September.

I am sending copies of this letter to Peter Middleton and Nigel Wicks.

*Yours ever
Robert*

Sir Kenneth Stowe KCB CVO

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Expenditure: Nat Health

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