



already copied to Policy  
Prime Minister 2.  
Content to hold a seminar  
on performance standards in  
the health service, in late  
November?

SR9:VFM/HS

MR NORGROVE

VALUE FOR MONEY IN THE HEALTH SERVICE

Following the meeting the Prime Minister had on 22 July with Mr Fowler and others about Health Policy Mr Willetts and I have followed up with DHSS officials how to take forward the Prime Minister's suggestion that the NHS might benefit from external efficiency audit along the lines of that provided by the Audit Commission for local authorities.

DHSS  
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mr

We have had demonstrated to us a system of performance standards for regions, districts and "units" in the Health Service which is capable of use by general managers to identify trouble spots, to select areas where they should probe for waste and inefficiency, and to show up activities which are particularly well done in a particular locality. It is surprising to us that neither ministers nor officials from DHSS who were present at the meeting of 22 July drew the Prime Minister's attention to this recent development. We think she would be interested in it and would want to probe how in practice general managers will make use of it to improve performance against budgets.

I have consulted Sir Robin Ibbs and we suggest that the next value for money seminar should be turned over to a demonstration and discussion of these performance standards. If the Prime Minister agrees, we suggest that she invites Mr Paige and Mr Fairey (a senior administrator plucked out of the NHS who is responsible for this project) to make such a presentation. I enclose a draft letter of invitation along these lines.

I am copying this to Sir Robert Armstrong and to David Willetts and Mark Addison.

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B

IAN B BEESLEY  
29 August 1985

Please type f.m.v.

SR4:VFM/HS

AMT

DRAFT LETTER FROM THE PRIVATE SECRETARY TO:

*— he's gone I think.*  
S A Godber Esq  
Private Secretary to the Secretary of  
State for Social Services

VALUE FOR MONEY IN THE HEALTH SERVICE

The Secretary of State will recall that when Sir Robin Ibbs gave a presentation to Cabinet Ministers on 10 May 1984 the Prime Minister said that she had it in mind to hold a series of small "value for money" seminars. A number of these seminars have so far been held and the Prime Minister intends to continue the series with a further session, to be held at *3.30 pm* on *1. Wednesday*

*20 November*

On this occasion the Prime Minister thinks that it would be helpful to have a presentation by Mr Paige and Mr Fairey of the NHS management board about the performance standards and indicators recently issued for widespread use by general managers. She understands that, in response to her suggestion (at the discussion of health policy on 22 July) that the NHS could benefit from the Audit Commission approach, DHSS officials have discussed with members of her staff the NHS alternative approach through performance standards.

The Prime Minister is keen to keep this session small, but in addition to Mr Paige and Mr Fairey your Secretary of State might want to be accompanied by the Minister for Health and by his Permanent Secretary. The discussions are not to be seen as part of the round of public expenditure negotiations and apart from the Prime Minister, the only others present will be Sir Robin Ibbs, Sir Robert Armstrong and *Nigel Wicks. a private secretary.*

The Prime Minister hopes for a demonstration of the system for up to 30 minutes, concentrating on how a general manager can use it to identify areas for improvement. This would be followed by a further 45 minutes of discussion and evaluation.

I am copying this letter to Sir Robin Ibbs and to Sir Robert Armstrong.

Nat. Health : Expenditure & Efficiency A5

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ELZAMT



10 DOWNING STREET

*From the Private Secretary*

3 September 1985

VALUE FOR MONEY IN THE HEALTH SERVICE

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I am copying this letter to Sir Robin Ibbs and to Sir Robert Armstrong.

(David Norgrove)

Tony Laurance, Esq.,  
Department of Health and Social Security.

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## DEPARTMENT OF HEALTH &amp; SOCIAL SECURITY

Alexander Fleming House, Elephant &amp; Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

Pare Marks

F E R Butler Esq  
Principal Private Secretary  
10 Downing Street  
LONDON SW1

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19 August 1985

19/8

Dear Robin

You wrote to me on 25 July about the Prime Minister's suggestion for a scrutiny of comparative operations in the health service on the lines of the technique used by the Audit Commission in local government, and for the involvement of a particular member of the Commission.

We will obviously give very serious consideration to both aspects of the suggestion and, as a first step, Mr Paige is arranging to meet Sir Kenneth Bond to discuss what might be achieved. Any proposals for such a scrutiny would, however, need to take account of a number of important features which distinguish the situation in the NHS from that in local government. We do in fact already have a fully established audit service (headed by a professionally qualified Director of Audit) which already carries out value for money as well as propriety audit. In addition, after three years of development, we have published comparative data in the new performance indicator format which enables all specialties and all health authorities to be compared (as distinct from the Audit Commission's comparative approach for some services in a sample of authorities).

Finally, but most importantly, we have the direct management capability (which the Audit Commission does not have) to require health authorities to deliver cost improvements of 1½ per cent of turnover this year. As we understand it the Audit Commission target for VFM savings in local government is five per cent eventually. We already have firm plans to deliver a similar saving in the NHS over three years. We envisage therefore that the question is not so much whether a scrutiny is practicable but whether it could be mounted in a way which complemented rather than duplicated what is already being achieved.

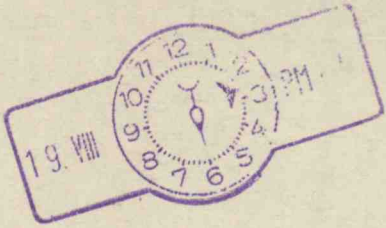
I will write again when the matter has been taken further.

Yours sincerely

Elizabeth Meehan

for A J LAURANCE  
Private Secretary

NAT. HEALTH : Expenditure & Efficiency: Pt 5.



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10 DOWNING STREET

25 July, 1985.

*From the Principal Private Secretary*

The Prime Minister mentioned at her meeting with your Secretary of State, Mr. Clarke, and Mr. Paige on Monday the idea of launching a scrutiny of comparative operations in the health service on the lines of the technique used by the Audit Commission in local government. The Prime Minister mentioned a particular name of someone who is at present a member of the Audit Commission who might be invited to supervise its activity if a viable project could be established.

The Prime Minister would be grateful for your Secretary of State's thoughts, as soon as they can be reasonably provided, on whether he and Mr. Paige think that a viable project of this sort could be mounted. If so, soundings could be made of the person whom the Prime Minister mentioned to your Secretary of State to establish whether he would be interested in taking it on. Since that person has not yet been sounded, and his attitude is unknown, it is not necessary at this stage to spend a large amount of effort in specifying the project; all that is necessary is to establish in principle whether such a project is practicable and desirable.

F.E.R. Butler

Tony Laurance, Esq.,  
Department of Health and Social Security.

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