

PRIME MINISTER

K 4

THE NHS

The following emerged from a long "non-conversation" with Ken Stowe this afternoon. Throughout Ken Stowe asked me to emphasise that he hoped you would treat what he said with great discretion. He hopes Norman Fowler will explain the issues to you tonight and would not want you to divulge this pre-briefing.

The concept of the NHS Management Board

Ken Stowe believes that the concept of the Management Board, working inside the Department, is a useful and workable one; and he says that Roy Griffiths agrees. Before the establishment of the Board there were, said Ken, 9 different functions exercised by DHSS over the NHS (eg finance, distribution of resources, personnel, pay, capital development, procurement, estate management). These 9 functions had been distributed over 22 locations. But no official above an Assistant Secretary was responsible for any one. Responsibility had been diffuse and management vague. It was only at Permanent Secretary level where responsibilities were brought together. It was clearly impossible for the Permanent Secretary to coordinate each of the 9 functions, particularly as he had many other jobs to do. Hence the concept of the Management Board.

Since the Board was within the Department and the existing statutory framework, it could be presented as offering no threat to the role of Ministers, the Treasury, the Regional Health Authorities and other powerful interests within the NHS. But it enabled the responsibility for each of the 9 functions to be brought together under one of the 9 members of the Board.

Roy Griffiths had recommended that the Board should be drawn from three sources:

- Whitehall, where there was expertise in public finance etc,
- the Health Service, where there was expertise in hospital management,
- the private sector with expertise on efficiency management purchasing etc.

What has gone wrong?

Ken Stowe emphasised that the Management Board has considerable achievement to its credit over the last 18 months or so. But there have been increasing tensions between Victor Paige and Norman Fowler (who had in fact nominated him for the job). It was now clear that Victor Paige had not the faintest idea how a Government Department worked nor of the role and responsibility of Ministers. He wanted to pursue his own ideas, as his own ideas, in his own right rather than as an agent for his Ministers. He wanted to "decide" important policy issues himself rather than recommend them to Ministers who would "decide" them for Paige to implement. This misunderstanding about respective roles was evidenced in the following incidents:

1. There had been a row about membership of the Management Board: Paige had wanted 13 members but there were jobs for only 9.
2. Paige wanted to exert direct authority over the Regional Health Authority Chairmen on his own account, not as agent for the Secretary of State. This had led to tensions between them and the Management Board.
3. Paige had, without authority, given commitments about General Managers pay which would, in some cases, have led to a 40 per cent pay rise for former NHS administrators. Norman Fowler had told him that that was politically impossible and had, with great skill, negotiated the package of increases agreed, along with the Review Body increases, at the last Cabinet. The package had been

successfully welcomed by the General Managers without political fuss.

4. Paige had wanted to invite journalists to attend a Management Board meeting. Norman Fowler had vetoed this on the grounds that it was his job, not Paige's, to present publicly the NHS.

Ken Stowe said that underlying these conflicts was the basic issue "Who is in charge - the Chairman of the Management Board or the Secretary of State?" Ken believes that someone more sensitive to the ways of Government (like Robin Ibbs or John Sparrow) could have avoided the tensions and have worked through the existing machinery. Victor Paige did not have the capacity for that. With a Secretary of State behind them, the Management Board had a lot of power:

- it could distribute cash between the Regional Health Authorities;
- it could appoint a Regional or Area Authority Chairman;
- and it had a statutory power of direction over the authorities which though never used was a useful weapon of influence.

Crucial, however, was trust and confidence between the Chairman and Secretary of State.

Personalities

Ken Stowe held Norman Fowler in high esteem. His very considerable political skills had successfully piloted the Government in the last three years through the NHS minefield. But Norman was not good at getting through the business. There were inordinate delays in taking decisions. He could only deal with one thing at a time. Something which Victor Paige had found enormously frustrating.

As for Paige, Ken doubted whether, at 61, he was physically up to the strenuous job of stumping up and down the country

energising NHS management. Ken believed that he was now utterly played out and on the edge of a breakdown. There had been utter astonishment when a day or so ago he had (again) presented his resignation. This was particularly strange after the Department's "victory" at Cabinet when they had achieved, virtually, full implementation of the Review Body recommendations, extra money to pay for them and the General Managers' pay package.

Next Steps

Ken believes (hopes?) that Norman Fowler will seek your approval to approach Roy Griffiths to become Chairman of the Management Board. It was essential that the Department should not run into the same problems with Griffiths. That required a very careful definition of the role of the new Chairman of the Management Board. (Ken thought that some evolution of the Management Board on the lines of the Manpower Services Commission might be possible, so as to give the Board more discretion. But this could not be decided before an early appointment of the new Chairman.)

What does Norman Fowler hope from this evening's meeting?

Ken Stowe doesn't know what Mr. Fowler will seek tonight. But he hopes that the following may emerge:

1. There will be agreement that Victor Paige should go quickly and cleanly, without recrimination on either side, and with an announcement next Monday or Tuesday.
2. Norman Fowler should be given authority to approach Roy Griffiths. (NB, the Civil Service Commissioners need to be squared if we are to avoid the sort of problems encountered with Levene's appointment).
3. The Press presentation of Paige's departure should be kept as low key as possible. Paige has apparently promised that he will not criticise if he is not criticised. (He has apparently written Norman Fowler a letter with a lot of muddled criticisms which, Ken

thinks, are easily answerable.)

4. Len Peach, Management Board member for personnel (ex-IBM) should be made Acting Chairman until Griffiths (or someone else) is appointed.

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