



DEPARTMENT OF HEALTH AND SOCIAL SECURITY

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From the Permanent Secretary

Sir Kenneth Stowe GCB CVO

Personal

N Wicks Esq
10 Downing Street

25 June 1986

Dear Mr Wicks

...

When you were speaking with Sir Kenneth this afternoon, he said he would send over the attached extract of the transcript from Mr Hayhoe's appearance before the Social Services Committee on 11 June.

Yours,

Michael Kerin

M. KERIN
Private Secretary

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are possibly the Pte Secs.

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indefinitely. I think the Government's evidence to the Megaw Commission showed very clearly that whereas looked at over a relatively short period of time it may be possible for pay in the public service to be lower than what is happening outside, over a longer period of time these things have to adjust. As I have indicated, it is perfectly clear that this year the Whitley groups will have settlements which are above the level of inflation, since the opening offers in the negotiations have been above the current level. However, where they will end I do not know. You had one additional point as to the effect on morale and on recruitment. Recruitment and retention is extremely important. I think that we have not encountered particular difficulties on this front, but certainly looking forward it is necessary to reach settlements, in pay negotiations, which do retain and do take account of the need to recruit and retain and to motivate existing staff.

Mr Lewis

275. Can we turn now to current issues in the National Health Service, with particular reference to management arrangements? The recent resignation of Mr Victor Paige as Chairman of the NHS Management Board highlights concern about the implementation of the Griffiths Report. This has focussed attention on the possible conflict between Ministerial accountability to Parliament and their need to guide strategic decision-making on the one hand, and the desirability of delegating sufficient independence to senior managers to allow them to function most effectively. In his letter of resignation Mr Paige referred to the "different perspectives, priorities, objectives and restraints" of Minister and the Chairman of the Management Board. We would like to hear from you, and we would be interested to hear, your views about the extent to

which a conflict is inevitable between Ministers' accountability to Parliament and their need to guide strategic decision-making on the one hand, and then the desirability of delegating sufficient independence to senior managers on the other; and, if so, how can that best be dealt with?

(Mr Hayhoe) Mr Lewis, you raise a very, very important question which I think goes wider even than just purely the relationship between Ministers and the National Health Service. First of all, Mr Paige - whose resignation I regret, and who has made an important contribution to the development of management within the service (and that concept of general management, I can assure you, will be continued and has absolutely the full support of the Secretary of State and myself) - did say: "Ministers and the Chairman of the Management Board can approach the same issue with different perspectives, priorities, objectives and restraints". My comment would be that it would be a wondrous state if they did not. It is absolute normality that that be so. That I think would be recognised by all of us. In so far as Ministers having a responsibility to Parliament is concerned, our colleagues in the House would be concerned in changes were proposed which significantly changed that relationship. To some extent that is why the Secretary of State, when he asked Sir Roy Griffiths to look at the possibility of managerial changes, asked him to do it in the context that no primary legislation, no change of that kind, would be required; he sought from Roy Griffiths recommendations which could be implemented by administrative action. I believe that therefore it has meant that the Management Board and its appointment did not interfere in any way with the accountability of the Secretary of State and my predecessor and

myself to Parliament. I suspect that that is what Parliament would probably have wished. Any suggestion that there ought to be a change, that there ought to be an independence in the management of the Health Service and a reduction of that accountability to Parliament by the Ministers, would be a matter first of all requiring legislation and then, I am sure, requiring the most careful consideration by the House, because it would be a very major change in a very crucial service where I believe - and this is my experience both as a Member of Parliament and not as a Minister - that Members of Parliament place very considerable importance upon their ability to raise, with the Minister of the day issues affecting the health care of their constituents both in groups or as individuals.

Chairman

276. That is not in question, is it, Minister? Nobody is suggesting that our responsibilities in future should be curtailed. Mr Paige did not last very long. Are you going to replace him?

(Mr Hayhoe) Yes. He has already been replaced by an acting Chairman - Len Peach - and he will obviously carry on the day-to-day functions. This was done immediately. Certainly I think that Len Peach brings very great skills and experience to this matter.

277. So you are going to replace Mr Paige?

(Mr Hayhoe) Yes. As to the arrangements for replacing Mr Paige, I shall put in a note to the Committee, if I may.

Chairman: Thank you.

Sir David Price

278. On your previous reply to Mr Lewis, do I understand that Mr Paige did not understand what he was taking on? What you stated was what we understood when your predecessor was giving

I have
said that this
must be routed
through you
even if you
are not a
Sir Humphrey
(see §282 below)

NML/CHA
Drafting

evidence to us at the time of the Griffiths Inquiry, and what you have said was a restatement of what I have always understood the position to be. It is clear to me - or maybe I got it wrong - that Mr Paige did not understand it, that he thought he was taking on the chairmanship of a nationalised industry, and in no way was there going to be that relationship. The most fundamental one of a chairman of a nationalised industry was the lack of accountability to this House of day-to-day management decisions, and I think he just misunderstood.

(Mr Hayhoe) I would not seek to interpret the second paragraph of Mr Paige's letter. I think it must stand that that is the view he has expressed. Certainly it would be wholly inappropriate for me to seek to put some gloss or interpretation on it. I merely commented, since the point had been picked up by Mr Lewis, who had read out part of that sentence, that that was a statement of fact.

279. So that there can be no misunderstanding for anyone who may apply for his job, this is not the same as the chairmanship of a nationalised industry, and in the proper sense of the word, whoever does that job is the creature of the Secretary of State who is answerable to Parliament - and the creature is not.

(Mr Hayhoe) "Creature" is a somewhat emotive word.

280. It is meant to be. I am making the relationship absolutely clear.

(Mr Hayhoe) I think the person who does that job must be for the future a person with much managerial skill and experience.

Chairman

281. Mr Paige had that.

(Mr Hayhoe) Of course he had, and I paid tribute to the work he has done and I indicated I was sorry he had left his position, but it is not for me to interpret, as I say, the somewhat delphic sentences which appear in paragraph 2 of his letter. This must be a matter for Mr Paige if there is further interpretation to come.

Mr Galley

282. Is it the case, Minister, that the entrenched Civil Service have outmanoeuvred the attempt at management of the Health Service and that perhaps the resignation suggests managing this enormous organisation of 1 million people and £18 billion is just too much for anyone to cope with?

(Mr Hayhoe) As you know, our Permanent Secretary is Sir Kenneth - not Sir Humphrey! - so it clearly would not be proper to extend the conspiracy theory that the civil servants are always able to move ministers and others to their whim. No, I do not think that is so. Again I believe that one must rest upon what Mr Paige

has said in his letter. The successful management, the successful accountability for the Health Service - all these matters are ones for which the Secretary of State has the primary responsibility. Obviously there is a role to be played by the Permanent Secretary, by the Chairman of the Management Board, by the members of the Management Board - and very, very good members we have indeed of that Management Board - together with all the other people involved in this issue. I hope we will get a replacement for Victor Paige soon in place who will be able to carry on the very significant reforms in management of the Health Service in which Victor Paige made a significant and important contribution.

Mr Lewis:

/ Of course, I accept - we must accept - what Mr Paige has said, but I think I would be correct in feeling - and I believe people outside would feel - that there is something that has gone off in the Department about which we know nothing.

Chairman

283. I think the only way to find out what Mr Paige's views are would be for the Committee to call Mr Paige.

(Mr Hayhoe) That must be a matter for you. Certainly I know of nothing which would meet that and I looked at the press on the day following the announcement of his resignation: if you look at all the cuttings together, as I did, you will find every possible explanation of why he left. I prefer to remain on the basis of his letter.

Mr Lewis

284. In our report on the Griffiths Inquiry in 1984, this Committee recommended that there should be formal instruments of delegation defining the degree of independence of the NHS Management Board. Now, at the time the Government declared this

to be quite unnecessary. Do you think there would now be merit in defining formally the powers of the Management Board and of its Chairman?

(Mr Hayhoe) I think that the relationship of the Management Board and its Chairman to the Secretary of State is defined and it lies within the administrative and constitutional arrangements which have been determined by legislation of Parliament. What I indicated - really in response to your earlier question, Mr Lewis - was that at the time that Roy Griffiths was asked to report it was to bring forward proposals which could be implemented without legislation and by administrative action. I think what was suggested by the Committee in its report two years ago would have required legislation and, of course, knowing the time it takes legislation to go through, we might not even have had Mr Paige, or whoever it would have been, in post by this time because legislation of this sort, changing fundamentally the relationship and responsibilities - which it would do - of the Minister to Parliament - and it was suggested that it should be made somewhat analogous to a nationalised industry where the day-to-day issues are quite separate ---

As a Minister, I can see attractions; it would reduce my postbag considerably and, indeed, the number of questions, the delegations and others I meet. But, as I indicated earlier, I think a change of that character for this Service, which is of such fundamental importance for the nation, is not one that could have been lightly entered into and would have required very, very careful attention. I am sure, even if the Government of the day had brought forward proposals quickly, Parliament would have wanted to give them very careful and detailed consideration.

Chairman: We all agree.