PRIME MINISTER 25 July 1986

NHS MANAGEMENT

Any practical reforms in NHS management at the centre have to recognise two crucial constraints:

i. The present legal framework. The NHS is not a legally independent corporation but a body under Ministerial and Parliamentary control.

ii. The political realities. Ministers can't escape being answerable to Parliament for a service more dependent on the taxpayer than even the most bankrupt nationalised industry.

The real question for your meeting on Tuesday is how to breathe new life into NHS top management within these constraints.

The analysis in the DHSS note is more pessimistic than Norman Fowler's covering minute. The crucial statements are in paragraphs 7 and 8 on page 3: "There is very little room between Parliament, Secretary of State and the Health Authorities in which to fit a National Health Service Management Board . . . the RHA Chairmen and their Authorities will not yield to the Management Board their accountability to the Secretary of State and their power of direction over District Health Authorities".

If that is the DHSS analysis, one wonders why the Department accepted the recommendation in the Griffiths Report that, without legislation, we go ahead and appoint a "General Manager, Chief Office, or Director General who would act on behalf of, and be seen to be vested with executive authority derived from the Secretary of State".

Norman Fowler's recommendation is for carrying on as we are (Option 2). He would appoint a successor to Victor Paige, who would be within the Whitehall machine and not have any real executive authority. Does Norman Fowler believe that this is compatible with the Griffiths Report recommendation above, which he has endorsed in Parliament?

I believe there are two ways forward which would do much more to keep top management of the NHS alive. They are not necessarily incompatible. Legislation would probably not be necessary in either case.

First, appoint a politically accountable Minister who also has the time and competence to give a managerial lead. District and Regional Managers would look to him as the natural head of their hierarchy, and yet he would personally embody the principle of accountability to Parliament as well. He would be subordinate to the Secretary of State. There are obviously sensitive political considerations here, which are not for me to comment on.

Secondly, appoint a Chairman of a Management Board who is big enough to carry respect and authority in the Service as a whole. Provided we put our minds to it, I believe we can avoid the pitfalls encountered with Victor Paige. There are three reasons for believing that this prize is still within our grasp:

i. In the past 2 years we have succeeded in introducing General Managers and giving them real power at District and Regional level, despite political and legal difficulties as great as those we face at the centre. Indeed increasingly, the criticism one hears in the Health Service is that the centre seems incapable of reforming itself in the way that it demands of others.

ii. Regional Chairmen have jealously guarded their traditional right of dealing with the Secretary of State in person because they have not felt there was anybody else it was worth dealing with. But the failure of Victor Paige has left Chairmen chastened, and my understanding is that they would work to a new man provided he was not swallowed by the Department and was clearly working with the Secretary of State's authority.

iii. There is a practical management job at the centre which is not a normal Civil Service advisory function, nor the purely political task of a Minister. Initiatives such as cutting waiting lists, selling off surplus NHS property, eliminating waste in the purchase of supplies, making more use of the private sector and disentangling the nightmarish Whitley agreements can sensibly fall to top management. Whitehall officials are trained to give lucid policy advice: they are not in general very good at managing large organisations. Ministers can do it (Peter Morrison did it with the MSC, Ken Clarke and John Patten tried with the NHS) but normally do not have the time.

Norman Fowler's option 3 comes closest to a realistic strengthening of NHS management at the centre. But we might not necessarily have to set up a special health authority to achieve what we want. We can't know until we have properly worked out what functions and powers should rest with any new management authority. I recommend you invite Norman Fowler to provide such an account.

That exercise should also oblige the DHSS to confront the uncomfortable question of the rôle of civil servants at the centre. Norman Fowler's full ministerial authority should rest on two pillars. One would be an executive pillar

culminating in a Management Board. The other would be a normal Whitehall Department covering public health policy, funding of the NHS and the general statutory duties of health authorities. The Griffiths Report covered the rôle of the DHSS and stated that "as a coherent management process is developed .... the DHSS should rigorously prune many of its existing activities".

The recent report from the Social Services Committee, attached as an annex to the DHSS paper, makes a very similar point. It states that:

> "We believe that some of the tensions between Ministers and a management board could be lessoned if the responsibilities of the management board and its Chairman were more closely defined. We recommend that before seeking a successor to Mr Paige, Ministers .... define the responsibilities of the NHS Management Board and of its Chairman and of the relationships and responsibilities within the Department."

Conclusion

We still need dynamic management at the top of the Health Service. Norman Fowler's option 2 - carrying on with the current arrangements - won't deliver it. Before we get trapped in tricky legal questions about whether a special new health authority could do it (option 3) we need to get down to brass tacks. Norman Fowler (maybe consulting Roy Griffiths) should distinguish the management tasks for the Board and the health policy jobs for the Department. Then when we are clear what a Management Board has to do, we can decide whether option 3 is the best way to do it.

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