CONFIDENTIAL

Prime Minister

IMPLEMENTATION OF NHS WHITE PAPER IN SCOTLAND

This report on the implementation of the NHS review in Scotland covers the same ground as Kenneth Clarke's minute to you of July, and his Private Secretary's letter of 20 July with a paper on the central management of the NHS. It also responds to your Private Secretary's letter of 26 June which asked for a progress report in 3 months' time on the management arrangements for the NHS in Scotland.

Consultation on "Working for Patients"

The White Paper, and the subsequent Scottish Working Papers, have met much the same reception in Scotland as Kenneth Clarke describes in relation to England. We have received around 2,000 representations (proportionately somewhat more than in England) many of which responded to the New GP Contract as well as the White Paper. Their general tone is hostile. Many respondents have clearly not read our proposals, but have relied on highly partial material in the media or prepared by the medical and other professions. There has, however, been support for particular proposals (notably medical audit and a number of the financial and management changes) and we have received many constructive comments on details.

We have been taking every opportunity to correct misconceptions and give reassurances on points which were not explicitly covered in the White Paper (such as the notion that the carefully-considered priorities for the Scottish Health Service, which we published last year, were in some way overturned - rather than strengthened - by the White Paper). We have been concentrating our efforts recently on the medical and nursing professions and on health boards. Michael Forsyth met representatives of the professions on 5 September and he and I met the Presidents of the three Scottish Royal Colleges on 6 September. We found that, although the professions continue to have serious concerns about some aspects of

the proposals (and the nursing professions are still unconstructively hostile), there is more moderation in the tone of the medical profession including the Scottish Council of the BMA, (though still some uncertainty about how that will be translated into action which will help us carry forward our proposals). During the recess, Michael Forsyth is visiting health boards and taking the opportunity to meet chairmen, board members and senior staff (who have been largely, but not universally, supportive). I see some evidence of these efforts succeeding - and we must continue them over the next few months.

We must also resolve as soon as possible the key issues of practical implementation which are still, understandably, concerning the professions. Some of these can only be tackled through demonstration projects, which is why Michael Forsyth and I have encouraged volunteers to come forward to try out GP practice budgets and to explore the practicalities of self governing hospital status (within the confines of present legislation). We have had some success in that 9 practices in Grampian and Tayside have publicly agreed to cooperate in developing the budgeting concept. This will necessarily be a paper exercise to begin with but it should enable us to develop our information systems and demonstrate how the scheme will apply in the circumstances of real practices. There are other issues where we must do further work on details and give public assurances: chief among these is the effect of our proposals on GPs' referral practices. Progress on such issues will reduce the impact of current criticism.

Legislation

We have been working closely with the Department of Health on the preparation of legislation. The bulk of the necessary Instructions are now with the Scottish draftsmen. Michael Forsyth will be ready to play a full part in handling next Session's GB Bill.

Managing Implementation

As the Annex shows, progress is being made across a broad front, in consultation with the Department of Health and with Scottish health boards. Although a great deal remains to be done, I am confident that

we should achieve the timescale set out in the White Paper. I should highlight the following points:-

a. I believe that (despite the general public hostility of the medical profession) there is enough individual enthusiasm to ensure that willing candidates will come forward for "shadow" self governing hospitals. (We already have volunteers from two health board areas to test the GP practice budget proposals).

b. Medical audit has been widely welcomed and our key Circular launching the arrangements was issued last month. We expect every health board to have an Audit Advisory Committee set up by 30 September, four or five projects in hand by January 1990, and a full audit framework covering their hospitals and general practices operational by April 1991. Progress on this is an important earnest of good faith with the medical profession - and they will expect us to provide the necessary resources to make medical audit a success.

c. Progress has also been made on the employment arrangements for hospital consultants (contracts, job descriptions, appointments and disciplinary procedures, and distinction awards). Most of the changes will be in place between January and April next year. This, again, is a token to the medical profession of our determination to proceed rapidly.

d. Work is also proceeding on the financial details - the setting up of asset registers (target completion date March 1990), the introduction of capital charging (to be introduced on a shadow basis for 1990/91) and the simplification of the SHARE allocation formula by the removal of central adjustments for cross-boundary flows (where transitional arrangements will start in April 1990).

e. The availability of information, and information technology, is obviously a key requirement for the full implementation of the White Paper. Consultants have therefore been engaged to look at the impact of the White Paper on the information needs of the Scottish health service: their report is expected next month. Meantime, steps are being taken to meet already-identified information needs by the further development and linkage of current information systems

(notably G-PASS, which is the system used for the management of GP practices).

Management Arrangements

Since my last report in May, we have taken several key steps and have worked out future changes in more detail. Our main advance has been in the appointment of the Chief Executive for the NHS in Scotland. Mr Don Cruickshank, whose appointment was announced on 4 August, is ideally qualified for the job because of his experience both in industry at senior level and as a district health authority chairman in England. His experience is such that he will be able to speak with authority on my behalf on management matters. He takes up post on 1 October (as envisaged in my last report), but has already had preliminary discussions with us and has been introduced to Health Board General Managers.

We will need to continue these discussions before finalising details of our new management arrangements. Subject to these, however, I envisage that Don Cruickshank will become Accounting Officer for the bulk of the present Health programme including the whole of Hospital and Community Health Services (£1992m in 1989/90).

I am copying this minute to Kenneth Clarke, Peter Walker, Tom King, Nigel Lawson, Sir Robin Butler and Ian Whitehead (Policy Unit). I will circulate a further paper once I am ready to take final decisions on the management issues mentioned above.

pp J Neville

MR

Approved by the Secretary of State and signed in his absence.

Scottish Office
29 September 1989

ANNEX

IMPLEMENTATION OF NHS WHITE PAPER IN SCOTLAND
PROGRESS REPORT AT 29 SEPTEMBER 1989

Self Governing Hospitals

1. "Self Governing Hospitals: An Initial Guide", published by SHHD on 25 July in the "Working for Patients" series, contains a great deal of detail about how self governing hospitals will work. The Guide sets out the powers (and the responsibilities) of self governing hospitals; describes in considerable detail the arrangements for contracts for their services and the financial framework within which they will operate; gives clear assurances about staffing, education and training; and describes the application process.

2. Michael Forsyth wrote to Health Board Chairmen on 25 July inviting expressions of interest from any groups who wish to pursue the possibility of forming a self governing trust. The objective is to identify some early candidates for self governing status, in order to help work out the detailed practical implications and make as much progress as possible within the current legislation. Discussions have already been held about some proposals.

3. The legislation which is necessary before the hospital trusts can be set up is already being drafted. More work is in hand on the preparation and handling of contracts (with the aim of producing model contracts in December) and aspects of the financial regime for self governing hospitals. A guide to applicants has been issued.

Financial Aspects

4. The simplification of the SHARE formula, (Scottish equivalent of RAWP) by the removal of central adjustments for cross boundary flows, is being worked out and it is intended that transitional arrangements should start in April 1990.

5. Health boards have been invited to put in hand the preparation of asset registers (of land, other property and equipment), in preparation for the introduction of capital charging on a shadow basis for the financial year 1990/91. Scottish Working Paper 7, giving more detail

about funding of capital charges was issued on 11 August. Joint SHHD/Health Board Working Groups have been set up to do further work on the implementation of service contracts and of capital charges.

GP Practice Budgets

6. Some groundwork can be done under current legislation, in order to test how some of the detailed procedures will work. Discussions have already been held with a number of GP practices (and representatives of their respective health boards) who are willing to participate in this way and this has been publicly announced. Preparations are being made to get the necessary information about prescribing expenditure etc for these practices.

7. We are also aiming to produce a prospectus for potential budget holders by 1 January 1990.

Indicative Prescribing Budgets

8. It is planned to run trial schemes in 1991/92, within existing legislation. Meantime, close attention is being given to the information systems required (eg developments of Scottish Prescribing Analysis and G-PASS), the development of local prescribing formularies for GP use and the employment of pharmacist facilitators by health boards.

9. It is planned to issue a circular informing health boards of developments, in the early Autumn; and a further working paper setting out in more detail the proposed working of the budgeting arrangements may follow.

Medical Audit

10. A circular to health boards was issued on 18 August, dealing mainly with local organisational structure and timetable. The intention is that advisory committees (at national and health board level) should be set up by 30 September 1989, to oversee audit arrangements in hospitals and general practice. All health boards should have four or five audit projects in hand by January 1990. Extra finance for health board implementation costs in 1989/90 was announced on 30 June and has now

been apportioned among the boards. A further £59,000 has been earmarked for distribution through the Scottish Council for Postgraduate Medical Education for funding audit development and allied activity. Arrangements are in hand for a second medical audit workshop, in November.

NHS Consultants

11. The White Paper outlines proposals to ensure consultants and managers work together to ensure the best possible service to patients. Consultation between the health departments and the profession is already in hand about **contracts and job descriptions**. These will define the scope of consultants' responsibilities and improve accountability, and the target is for a job description to have been agreed with every consultant by April 1991. Consultation has also started about the introduction of a managerial as well as a professional input into **appointments procedures** - without infringing the important principle that only professionally-suitable candidates are appointed to consultant posts. On the proposed changes to the system of **distinction awards**, a Scottish consultation paper has been issued as the basis for discussions with the profession. Comments were invited by 31 August, with a view to introducing the changes in February 1990. Improved and expedited **disciplinary procedures** are also the subject of negotiations between health departments and the profession. Fresh guidance to health boards will be issued shortly, with a target implementation date of end 1989.

Education, Training and Research

12. Proposals for revisions in the arrangements for training staff other than nurses (which are covered by the separate Project 2000 proposals) have been discussed with General Managers and a working paper (in the "Working for Patients" series) will be issued shortly. In the field of medical and dental education, health boards and medical deans have recently been informed of the decision to continue the allowance (ACT) covering the additional service costs of teaching. Work is continuing towards the implementation of the staffing recommendations in the Report "Achieving a Balance".

13. In response to concerns which were expressed during consultation, we have made it clear that legislation establishing self governing hospitals will give the Secretary of State reserve powers to ensure, for instance, that training and education - for doctors and other health care professions - and research are provided in self governing hospitals; and that training posts will be provided in self governing hospitals in accordance with national objectives set in "Achieving a Balance".

14. A Scottish Working Party is looking at how the ACT arrangements should be adjusted to ensure that teaching hospitals are funded for the service costs of research, as well as medical education.

Information Requirements and Information Technology

15. Consultants have been engaged to look at the impact of the White Paper on the information needs of the Scottish health service: their report is expected next month.

16. Steps have already been taken to meet identified information needs. Because of the importance of **G-PASS**, its project management has been restructured and plans are being prepared for the development of further modules. A senior **resource management** specialist has been recruited to the Directorate of Health Service Information Systems. The **view data drug information system (VADIS)**, which provides up to date clinical use information on new and commonly-used drugs, together with their costs and the costs of alternative preparations, is now available to all boards for use by their professionals including GPs. Approval has been given to instal a **data communications network** linking all health boards (and their computer consortia). DHSIS are also employing consultants to identify the requirements of **Community Health Departments** (mainly for resource management purposes).

Health Service Management

17. Several key steps have already been taken. The size and composition of health boards (including the appointment of General Managers to their boards) was altered in April. The Health Service Policy Board and the Planning Council have been abolished - and the new Advisory Council will meet for the first time in October. Large increases

have been made in health boards' delegated authority on land transactions and building and engineering projects. The appointment of the Chief Executive for the Scottish NHS was announced on 4 August and he takes up post on 1 October.

18. Next steps include the first annual round of accountability reviews and a decision on the future of local health councils.

SHHD
September 1989

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