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DEPARTMENT OF HEALTH AND SOCIAL SECURITY

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From the Secretary of State for Social Services

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
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6 July 1987

Dear Nicholas.

THE NEW GRANT SYSTEM

I have now seen your proposals for a different new grant system to that proposed in the Green Paper "Paying for Local Government" and Peter Walker's paper giving his response. It may be helpful if I too set out my reactions before our meeting tomorrow.

Firstly, I support the proposal to combine the needs and standard grants into a single grant. This seems a sensible simplification - and a necessary one in view of the difficulties identified by your officials.

Like Peter, I am less happy with the proposals to pay the grant notionally to charge-payers. I too have my doubts about how far this will be understood by charge-payers thus enhancing accountability. Particularly if funding for specific grants is also included - as it would clearly need to be to present a full picture. And I too would have difficulty with the blurring of the grant distribution to different tiers that would result and which is important to me in relation to PSS services. I need to be able to be clear about what support there has been at Shire County level for these services. I would, therefore, agree with Peter that grant should be paid at local authority level as previously proposed.

I also have some difficulty with some of your proposals for simplifying the system - though of course I quite appreciate your reasons for wishing to achieve this. At the root of my main concern lies my unease about the high profile which the needs assessments will have under the new system. Indeed, I am concerned that they are given too much weight already under the existing arrangements. Personal social services (PSS) is a complex service and the factors which give rise to increased need are both complex

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and insufficiently understood. Even where the general reasons for higher levels of need are recognised there is considerable difficulty in quantifying this at the individual authority level. I therefore await your paper setting out proposals for needs assessments with great interest. In the meantime, I must express my unease that we should agree to exclude decisions on actual expenditure in the new system, focusing instead on 'need to spend'. Total expenditure is, of course, the most difficult area to decide at the moment and much flows from that decision - including the setting of service totals. But how will these be set under the new arrangements? Will I simply be able to feed in my assessment of the total PSS need to spend? I rather doubt it. I think that Service Departments need to have a better knowledge of how these decisions will affect their services in the future and how decisions on the various parts of the system will fit together. Until we have a more comprehensive picture of the new arrangements, we will be unable to give you more than provisional decisions on some of these matters.

However, I can, if I have interpreted it correctly, welcome the separation of the general rate support grant system and specific grants. As I understand it, decisions will be taken at the outset as to the appropriate levels for each but thereafter changes in specific grants will not affect the level of Revenue Support Grant. That I support.

I also agree that needs assessments could be made by a separate order and that annual changes should not be necessary. However, I must make it clear that I would wish to assure myself that PSS needs assessments provide a reasonable level of accuracy in determining different spending needs in different authorities. I therefore think it quite likely there will be a need to make changes at fairly regular intervals after the introduction of the new system.

I have sympathy with the desire to remove nets and caps from the system but think we will need to study carefully the likely effects of doing this - particularly on those Boroughs which are particularly vulnerable to financial collapse and which would currently suffer substantial grant losses of nets were removed.

I agree that it is sensible to allow for some in-year grant changes though I think we should be careful to limit this to exceptional circumstances or much of the old uncertainty will be reintroduced.

On consultation, I have rather mixed feelings. There is certainly too much consultation at the moment that is little more than ritual. We should prune that out. But I feel that less but more genuine consultation should be the aim and I fear that your proposals may be too minimal to convince local authorities that they are genuine. Perhaps we should come back to this again once the major decisions on the new system - including the needs assessments - have been taken.

I am copying this letter to members of E(LF) and to Sir Robert Armstrong

JOHN MOORE