



CONFIDENTIAL

Prime Minister

### COMMUNITY CARE

The note circulated by Ken Clarke for tomorrow's meeting is helpful in identifying the key issues we must address. I do not underestimate the difficulty of finding any acceptable way forward, but since Ken has put forward two new proposals, I feel that I must record my very strong reservations about any option that involves continued reliance on Income Support as the main vehicle for funding residential care.

It seems to me impossible to exercise any proper financial control so long as one type of care is funded through a demand led system, while the costs of alternative provision fall on cash limited budgets which are the responsibility of other agencies. Such a system must inevitably encourage these other agencies to transfer as much of their responsibilities as possible to the social security budget. Precisely this is happening at present, as local authorities fail to provide adequate domiciliary care, knowing social security will pick up the slack, and as both they and Health Authorities are endlessly inventive in finding ways to reclassify their services to make their clients eligible for Income Support. Moreover, once we make a formal acknowledgement that we regard Income Support as the appropriate vehicle for funding residential care in the longer term, we will inevitably face strong pressure to increase benefit levels in line with the fees charged by private homes. Indeed, such pressure is coming from a number of our supporters at present. For these reasons, I cannot see continued reliance on the benefit system as anything other than a recipe for unchecked growth in expenditure.



Even if a way round these problems could be found, I would still regard it as inappropriate to fund the costs of care through the benefit system. This has certainly been the conclusion of all the many studies in this area. By their very nature, benefit payments go to individuals, who have an absolute right to them if they meet the qualifying conditions. Funding care in this way gives little scope for deciding priorities for the use of funds in anything other than the crudest way, or for ensuring that the services purchased by the money are adequate or suitable.

I am therefore persuaded that an essential part of any way forward must be a cash limited budget for residential care, entirely outside the benefit system and preferably held by the same body as holds the budget for alternative provision. One of the variants of Option E in Ken's paper could be developed along these lines. Option D could not. This latter option would be a totally negative response to Griffiths doing nothing to improve services or to address the very real problems of responsibility. For the reasons given above, I believe the savings from this option suggested in Ken's paper are largely illusory.

Copies of this minute go to Kenneth Clarke, Nicholas Ridley, Peter Walker, Malcolm Rifkind, John Major, David Mellor and Sir Robin Butler and Professor Brian Griffiths.

Go March 1989

JM



