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PRIME MINISTER

P 03473

COMMUNITY CARE

[Cabinet Office Note of 16 June]

You may wish to begin the meeting by working through the issues for decision set out in the Cabinet Office paper. These are described below. We will provide separate briefs on the papers which Mr Clarke is circulating on treatment of the mentally ill and on finance.

TRANSITIONAL ARRANGEMENTS

2. The group agreed at its last meeting that existing claimants in residential care should continue to be funded through income support after April 1991. But you asked for more work on transitional arrangements. There are three main issues:

i. people in residential homes but not on income support at April 1991 (paragraphs 3 and 4). Mr Moore is likely to argue that they should be covered by the new system and therefore look to the local authorities for help with their care costs if they need financial support after April 1991, to avoid adding to the number of people wholly dependent on income support. The counter-argument is that this could alarm residents whose own resources are running out, and who now have no real alternative to remaining in residential care. You will wish to decide whether they should look to the old or the new system for support;

ii. new claimants between the announcement and implementation of the new system (paragraphs 5 and 6). The main concern is the risk that there might be a surge of applicants, seeking to secure income support before April 1991. Mr Moore is likely to discount this risk, and argue



that such claimants should have their income support entitlements preserved in the same way as existing claimants. The alternative would be to require them to transfer into the new system after April 1991. You will wish to consider which approach to adopt;

iii. privatisation of local authority homes before April 1991 (paragraphs 7-9). You have agreed to leave the present financial arrangements for local authority homes in place after 1991, to give authorities an incentive to privatise their homes. They may however seek to push privatisation through before April 1991, which would transfer the whole cost of supporting existing residents to the income support system, freeing them from meeting care costs. But Mr Moore is likely to argue that it would be inconsistent with the Government's general policy to seek to prevent privatisation during the transition. You will wish to decide whether this is the right line to take.

CONTROL OF HOUSING BENEFIT EXPENDITURE 9 (Paragraph 10)

3. You asked for further work to ensure that there were adequate controls over housing benefit payments towards the accommodation costs of people in residential care. Mr Moore is likely to argue for a system based on notional rents, calculated from the relevant average rents met through housing benefit in each local authority area. Further work is needed on the details, eg which categories of dwellings would be relevant for this purpose. But you will probably wish to endorse this proposal in principle. The alternative would be to use rent officers to assess actual rents for individual homes.

TARGETED SPECIFIC GRANTS (Paragraphs 11 & 12)

4. You have agreed that most of the Government support for community care should be directed through the general needs grant



to local authorities. But you accepted that a good case might be made out for minor, targeted specific grants. The Department of Health paper (Annex C) identifies three options for grants, to support:

- i. the development and targeting of Home Care Services. A grant of £60m per annum (in support of £120m of spending) is suggested for 5 years;
- ii. the development of services in the independent sector. A grant of £10m per annum (in support of £20m of spending) is suggested for 5 years;
- iii. the provision of services for the mentally ill. A grant of £30m per annum (in support of £60m of spending) is suggested, again for 5 years.

5. These proposals would amount to a programme of £100m of grant per annum, in support of £200m of spending. I understand that they have Mr Clarke's blessing and that Sir Roy Griffiths considers that grants of this order are needed to implement his proposals. But the Treasury will oppose them strongly, and you may feel that the Department of Health have gone beyond the concept of minor, targeted grants which Ministers were prepared to consider. You may wish to ask the Chief Secretary and Mr Ridley for their views and perhaps consider whether the best course would be to direct Government support for community care entirely through the general needs grant to local authorities.

OTHER ISSUES

6. The paper also seeks decisions on:

- i. local authority powers and duties (paragraph 13). The Department of Health paper (Annex D) suggests that detailed



decisions on legislation are not needed for a July statement. You will wish to check that the group is content for the statement simply to contain assurances that any necessary powers will be provided, and ask Mr Clarke and Mr Moore to liaise with the business managers.

ii. planning and monitoring arrangements (paragraph 14). Sir Roy Griffiths recommended a comprehensive system of planning by local authorities and monitoring of their performance. The Department of Health paper proposes a more modest system, with a requirement to draw up plans which would be open to inspection by the social services inspectorate, and a power for the Secretary of State to call for reports. You will wish to consider whether this is the right approach;

iii. registration and inspection arrangements (paragraphs 15 & 16). Sir Roy Griffiths recommended that local authorities should be responsible for the registration and inspection of both residential care and non-acute nursing homes. But the Department of Health paper proposes that the latter should remain the responsibility of district health authorities. It also suggests new arrangements for the inspection of the local authorities' own homes, by separate units set up within the authorities at arm's length from the management of services. Independent outsiders would also be involved. You will wish to consider whether to endorse these proposals.

NEXT STEPS

7. If you reach agreement on these issues, the next step will be for Mr Clarke and Mr Moore to put a joint paper to E(A). This might cover the text of an oral statement which Mr Clarke could make to the House of Commons. Further details could then be given in written answers to Parliamentary Questions by Mr Moore,

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Mr Walker, Mr Rifkind and Mr King, together with whatever speeches and press conferences they think necessary.

R.T.J.

R T J WILSON

16 June 1989

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COMMUNITY CARE

Note by the Cabinet Office

At the Prime Minister's meeting on 18 May Ministers commissioned further work on a number of aspects of the new system for community care. The four Annexes to this note, prepared by the Department of Social Security (DSS) (Annexes A and B) and the Department of Health (DH) (Annexes C and D) report the outcome of that work. This note summarises the main issues on which decisions are needed.

TRANSITIONAL ARRANGEMENTS (Annex A)

2. Ministers have agreed that existing income support claimants in residential care on a defined date should continue to be funded through income support, and not be required to transfer into the new system. But they commissioned further work on transitional arrangements. There are a number of distinct issues.

People in residential care but not on income support at April 1991

3. The first issue concerns people who are in residential care homes but are not dependent on income support at April 1991 when the new system is introduced (about 40% of all residents). If they subsequently need financial assistance (for example because

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their savings are exhausted) they could be treated in one of two ways:

i. they could remain eligible for income support to meet the homes' charges, in the same way as residents who already receive it. This would avoid creating uncertainty for existing residents, who may have entered homes in the expectation that they would receive income support after a period. On the other hand, it would be cumbersome in administrative terms, and increase the number of people funded wholly through income support; or

ii. they could be treated like other claimants under the new system looking to local authorities to meet their care costs. This would speed the transition to the new system, and allow local authorities to assess the support needed by each new claimant. But it could alarm existing residents, for whom there might be no practical alternative to remaining in residential care.

4. The paper by DSS recommends option ii, under which existing residents not on income support at April 1991 would be required to look to the new system for assistance. Ministers will wish to consider whether to endorse that recommendation.

Potential new claimants between the announcement and implementation of the new system

5. The second issue concerns people who enter residential care between the announcement of the new system and its implementation. Until April 1991 they will be eligible under the existing system for income support to meet the homes' charges. The question is what should happen to them after that. There are two options.

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i. they could continue in the existing system after April 1991, on the same basis as claimants in residential care before the announcement. This would be the simplest option and would provide complete reassurance to all claimants. Taken together with the recommendation in paragraph 4 above, it would produce a policy which would be relatively easy to explain: those receiving income support at April 1991 would continue to do so; everyone else would come under the new system. But concern has been expressed that this might lead to a surge of new applicants before April 1991, seeking to secure permanent income support for their residential care. Local authorities could also move residents in their own homes into the private sector to give them this security. On the other hand it can be argued that the decision to move into permanent residential care is a major one, which people do not take lightly just to manipulate benefit entitlements, and that even if they did there might not be the places to accommodate substantially higher numbers; or

ii. they could be required to transfer into the new system after a transitional period. This would remove any incentive to move into residential care in order to obtain permanent funding through income support, and would thus minimise the risk of a surge of applications before 1991. But it would impose a substantial administrative burden on local authorities at the start of the new system, and could alarm claimants who genuinely need to move to residential care during the transition.

6. The DSS paper recommends the first option. Ministers will wish to consider whether to endorse this recommendation.

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Privatisation of local authority homes before April 1991

7. The third issue concerns local authority residential care homes. Ministers have agreed that the present arrangements under which the authorities bear all the costs of residents in these homes, net of any charges, should continue. This is intended to give authorities a strong incentive to reduce their role as providers.

8. Authorities will however face an even stronger incentive to transfer their homes to private ownership before 1991. The existing residents would then benefit from preserved income support entitlements, freeing the authorities from the need to make any financial contribution under the new system. This would transfer costs from local authority budgets to the income support system. The DSS paper therefore raises the question whether action should be taken to prevent privatisations between the date of the announcement and 1 April 1991. On the other hand that could give authorities conflicting signals about the Government's intentions.

9. The DSS paper recommends against any special measures to prevent privatisation before April 1991. Ministers will wish to consider whether to endorse this recommendation.

CONTROL OF HOUSING BENEFIT EXPENDITURE (Annex B)

10. Ministers commissioned further work to ensure that there were adequate controls over housing benefit payments to people in residential care. A system based on apportioning actual residential care charges between accommodation and other costs would leave scope for distortion and abuse. One alternative would be to use rent officers to assess actual rents for individual homes. A more attractive option would be a system

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based on notional rents. Ministers have already ruled out an approach based on amounts prescribed by the Government. The paper by DSS recommends that further work should be based on notional amounts calculated locally from the relevant average rents met through housing benefit in each local authority area. Ministers will wish to consider whether to endorse this recommendation.

TARGETED SPECIFIC GRANTS (Annex C)

11. Ministers have agreed that most of the Government support for community care expenditure by local authorities should be directed through the general needs grant. But they agreed that there might be a case for minor, targeted specific grants designed to influence local authority decisions in particular areas where a good case could be made out.

12. The DH paper sets out options for specific grants designed to promote the development and targeting of Home Care Services, the growth of provision by the independent sector and the improvement of services for the mentally ill. The proposal is that grant would be paid at 50% in support of expenditure totalling around £200m. Ministers will wish to consider whether to approve specific grants for these purposes.

OTHER ISSUES (Annex D)

Local authority powers and duties

13. The paper by the Department of Health sets out the existing powers and duties of local authorities, and discusses how far legislation will be needed to give effect to the new system. It concludes that although some primary legislation will be necessary, detailed decisions are not needed for a statement in

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July. That statement might simply say that the Government will ensure that local authorities have the necessary powers to carry out their new responsibilities. Ministers will wish to consider whether they would be content to take that line.

Planning and monitoring arrangements

14. Sir Roy Griffiths' Report recommended a specific and comprehensive system for planning by local authorities and for monitoring their performance, linked to his proposal for a substantial specific grant towards the costs of community care. The DH paper sets out a more modest proposal which would require local authorities to have community care plans, made in collaboration with health authorities and others; ensure that they were open to inspection by the social services inspectorate; and enable the Secretary of State to call for reports. Ministers will wish to consider whether to endorse these conclusions.

Registration and inspection of residential care and nursing homes

15. The registration and inspection of private residential care homes are currently the responsibility of local authorities, and of nursing homes the responsibility of district health authorities. Sir Roy Griffiths' Report recommended that local authorities should in future be responsible for both private residential homes and non-acute nursing homes. However the paper by DH sets out the case for leaving responsibility for nursing homes with the NHS, a course which is likely to be favoured by the medical and nursing professions, and by nursing home proprietors. Ministers will wish to consider whether to endorse the conclusion that the registration and inspection arrangements for nursing homes should stay as they are, at least in the short term.

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16. There has also been pressure for independent inspection of local authority homes. The DH paper describes proposals that local authorities should establish separate inspection and registration units, at arm's length from the management of their services, which should be responsible for standards in their own homes as well as private homes; and that they should involve independent outsiders in these arrangements. Ministers will wish to consider whether to endorse these proposals.

NEXT STEPS

17. If Ministers can reach agreement on these issues, the remaining details could probably be resolved without the need for a further meeting of the Prime Minister's Group. The Secretaries of State for Health and for Social Security might however wish to put a joint paper to E(A), covering a draft statement, for formal clearance with other colleagues.

18. Ministers will wish to consider how the July announcement should be handled. One approach would be for the Secretary of State for Health to make an oral statement in general terms to the House of Commons. The Secretaries of State for Social Security and for Wales, Scotland and Northern Ireland could give further details separately to Parliament, possibly in written answers to Parliamentary Questions, backed by Press briefing as appropriate.

CABINET OFFICE

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