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SECRET

PRIME MINISTER

COMMUNITY CARE: IMPLEMENTATION

We are to meet on 2 May to discuss the timetable for implementing our community care policies. A joint paper by officials from all the Departments concerned on the community charge and public expenditure implications, and preparedness is attached.

2. On the community charge and public expenditure the officials' paper argues that:

- the effects of delay on the community charge itself are likely to be insignificant, subject to any effects on the public expenditure requirement;

- the size of the effect of implementation on the community charge, whenever it happens, will depend on the total public expenditure provision we make for implementation, the extent to which that provision is made through grant, and local authorities' spending decisions in relation to that provision;

- the effects of delay on public expenditure could be a slight increase in local authority spending during the period of the delay, a possible more substantial increase in DSS expenditure, and deferral of the prospective net savings;

- any increase in public expenditure is likely to increase the effect on the community charge.

On preparedness, the paper concludes that, although extra time has some advantages, they are to be set against loss of momentum, creation of uncertainty etc.

3. The paper only analyses the effects of delay for a year. Clearly that could be presented as enabling local authorities to plan against an unchanging community care background next year, but I see no advantage at all in simply deferring the issues so that the public expenditure decisions have to be taken and announced in 1991, with the community charge effects becoming apparent in March 1992. I believe that we should consider either delaying for two years or not at all.

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4. Delay on this scale would amount to a dramatic reversal of policy, clearly attributable to community charge and public expenditure difficulties. Our community care policy has been popular and well supported so far and we have succeeded in building up a substantial commitment to their implementation. Delay now would create enormous disappointment and disillusion, which would stimulate attacks in Parliament and elsewhere alleging indecision, incompetence, and a refusal to fund the policies. Doubts about our funding intentions would lead many to conclude that we had abandoned our intention to go ahead.

5. We could try to offset these disadvantages by saying that we wanted to give LAs more time to make ready, but in my opinion this would not cut any ice.

6. My own conclusion is that we are obliged to press ahead as planned. If the benefit changes were to be postponed for two years I believe we should consider urgently which other parts of "Caring for People" could be implemented as planned next April. Our mental illness initiatives are not in any way tied to the benefit issues and in my view should certainly not be delayed. There is also a case for pressing ahead with other parts of the Bill, such as inspection and planning, which would help to give an impression of continuing commitment, and might sustain some momentum. I should wish to submit a further paper on this. We should also need to provide for LA spending during the intervening period on preparations for delayed implementation.

7. I am copying this minute to John Major, Chris Patten, Tony Newton, Malcolm Rifkind, Peter Walker, Peter Brooke and Sir Robin Butler.

30 April 1990
Secretary of State for Health

KC

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

SECRET

COMMUNITY CARE: DEFERRAL OF IMPLEMENTATION

Note by the Department of Health

1. AIMS

1.1 This note analyses the effects of deferring for twelve months from 1 April 1991 implementation of the community care provisions of the NHS and Community Care Bill, and the associated changes in income support (IS) and housing benefit (HB) for people in residential and nursing home care. It does so from three points of view:

- the community charge
- public expenditure
- local authority (LA) preparedness.

1.2 The note does not analyse options other than complete deferral, but others could be appraised if necessary.

1.3 The note has been prepared in consultation with the Departments of Social Security, Environment, Scotland, Wales, Northern Ireland, and with HM Treasury. All the figures given are illustrative and the Treasury's and other Departments' positions on how much expenditure is necessary.

2. COMMUNITY CHARGE

2.1 The effects of the current proposals on community charge levels depend on three main factors:

- the Government's estimate of need for LA spending;
- the extent to which that estimate is provided for through Government grant;
- the extent to which LAs, in their budgets, exceed the provision made by Government.

2.2 Insofar as the Government's community care proposals mean a transfer of responsibilities from DSS to LAs, there is to be a corresponding 100% transfer from DSS expenditure provision to AEF, so that no burden falls on the community charge (and there is no change in the planning total or GGE). Insofar as the LAs incur (net) extra expenditure, that expenditure will be treated like any other LA expenditure eligible for RSG: it will increase GGE, and the extent to which it puts pressure on either the planning total or the community charge will depend on the global AEF settlement. Every £100m on LA spending, with no corresponding addition to AEF, would add about £2.90 to the average annual English community charge.

Estimates

2.3 The Government's estimate of LA needs is currently being discussed between Departments. Final figures will depend not only on the outcome of those discussions but also on decisions still to be taken on the calculation of HB for people in homes. To illustrate possible community charge effects this paper takes three hypothetical estimates of need:

Estimate A - the sums which DSS would otherwise have spent on the current IS system for people in homes and are to be transferred instead to LAs, on an assumed eligible rent for HB purposes for people in homes of £26.60 per week.

Estimate B - the above sums, plus the additional amounts estimated by DH to cover part of their estimated shortfall between IS limits for people in homes and proprietors' charges, other technical adjustments, estimated other LA costs including those to meet new requirements such as inspection, assessment, case management and complaints.

Estimate C - the above sums plus LAs own provisional estimates, recently put to Government departments for discussion with an acknowledgement that they may need a lot of refinement (they should not be taken to indicate actual spending intentions).

2.4 The illustrative figures for these illustrative estimates, in 1991-92 prices, for England only, are as follows:

ESTIMATE A (DSS TRANSFER ONLY)

	91/92	92/93	93/94	94/95
1991/92 Start	303	670	938	938
1992/93 Start		330	728	1011

[This must mean extra cost on top of estimate A.]

ESTIMATE B (LOWER ADDITION TO DSS TRANSFER)

1991/92 Start	232	278	279	508
1992/93 Start		242	293	294

Footnote: As the automatic transfer covers three years only, there will be a need to bid for more resources in the fourth year to cover further increases in transferred responsibilities.

ESTIMATE C (HIGHER ADDITION TO DSS TRANSFER)

1991/92 Start	540	719	913	?
1992/93 Start	[30]	567	755	959

Footnote: The square bracketted figure represents a possible level of continuing LA spending on preparations for implementation eg IT systems, training etc.

2.5 To illustrate the possible effects of deferral for 12 months we have assumed that the number of new long-term clients for LAs who would otherwise have received IS under the present arrangements will be 10% higher in 1992-93 (95,000) than is estimated for 1991-92 (85,000).

Illustrative community charge effects

2.6 The following three illustrations demonstrate possible effects on community charge in 1991-92 prices. The square-bracketted figure represents the 1991-92 charge, with implementation next April; the other figure represents the 1992-93 charge with implementation in April 1992.

ILLUSTRATION A

DSS transfer sums feed directly into grant (AEF) and personal social services (PSS) standard spending assessment (SSA) (as already agreed at official level), but no provision made for any additional spending by LAs.

If LAs budget at Estimate B levels the average increase in community charge would be [£6.50] - £6.80.

If LAs budget at Estimate C levels the increases would be [£15.10] - £15.90.

ILLUSTRATION B

DSS transfer sums feed directly into government grant (AEF) and PSS SSA, and additional provision made for LA spending as at Estimate B feeding into grant at, say, 64% of provision.

If LAs budget in line with transfer plus additional provision made, average increase in community charge would be [£2.30] - £2.40.

If LAs budget at Estimate C levels increase would be [£11.00] - £11.50.

ILLUSTRATION C

DSS transfer sums, and provision for Estimate B, both feed directly through into grant and PSS SSA.

If LAs budget at Estimate B levels, no increase in community charge.

If LAs budget at Estimate C levels, average increase in community charge [£8.60] - £9.10.

2.7 The community charge illustrations are average and for the first year of implementation only. Uneven effects locally would be inevitable. In later years, as the number of transferred clients increased, the effect would be to increase community charge levels on all hypotheses, especially at Estimate C levels of expenditure.

2.8 DSS officials note that, roughly speaking, £10 on average on the community charge costs DSS £100m in Community Charge Benefit.

Conclusions

2.9 The following conclusions can be drawn:

- the charge effects are much more sensitive to the provision made through government grant, and LA spending plans than to the timing of the changes;

- if anything, charge effects are likely to be higher as a result of deferral by about 5% in real terms.

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3. PUBLIC EXPENDITURE

3.1 Estimates prepared in DH show that, with spending at the levels of Estimate B in part 2 of this paper, and with implementation in April 1991, year on year public expenditure reductions should be achieved in 1992-93, and net savings from 1995-96 onwards.

3.2 The key determining factor in these calculations is LAs' ability quickly to reduce the growth in numbers of publicly funded residents from historic levels to levels that reflect demographic and other socio-economic factors, and hospital discharges.

3.3 All other things being equal deferral of implementation will inevitably defer public expenditure savings and reduce their real value. Some additional LA expenditure in 1991-92, notwithstanding deferral, also seems inevitable. These effects are shown below:

England (1991/92 Prices)	91/92	92/93	93/94	94/95	95/96	96/97
Implementation April 1991						
Net Effect on PE	+179	178	143	34	-75	-184
Marginal Effect	+179	-1	-35	-109	-109	-109
Implementation April 1992						
Net Effect on PE	+ 30	148	153	117	30	-57
Marginal Effect	+ 30	+118	+5	-36	-87	-87

N.B. Estimated PE cost over next 3 years = £500m (start 1/4/91) = £331m (start 1/4/92) Thus delay saves £170m.

[DH working table figures]

As in section 2, the deferred option assumes 95,000 new LA clients in 1992-93.

3.4 In DH's and DSS' view the other likely effect of deferral would be further pressure on DSS for expenditure over and above planned provision for income support, since delay in implementation of the new scheme will add to the pressure for increases in those income support limits to bridge the current shortfalls which those Departments believe exist between the limits and the charges levied by home-owners. Roughly half of those on benefit currently receive amounts which are less than the fees they have to pay. The DSS view is that the current shortfalls between charges levied and the limits for those on benefit will increase unless there is an increase in DSS expenditure above PES provision for the uprating in 1991. Charges have been rising by some 2% over general inflation (which is forecast at 8.5%) whereas PES provision would currently allow for an increase of the limits of less than 5%. An increase in limits enough to rectify this could cost over £150m above current provision in 1991-92.

3.5 Apart from these real effects on actual spending, the public expenditure planning total will be affected by the provision made for local government spending. Section 2 of the paper illustrated the differing degrees to which provision might be made through government grant (AEF). Broadly speaking, the more provision made through grant, the higher the planning total and the lower the community charge.

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Conclusion

3.6 The main effects of deferral would be to postpone the prospect of controlling the currently open-ended spending on IS, and achieving net public expenditure savings, while also postponing any additional spending in the early years. Some spending by LAs in 1991-92 would still be likely, whether provided for or not, and the pressure to increase IS limits would be sustained.

4. PREPAREDNESS

4.1 To be ready for implementation in April 1991 LA social services departments (SSDs) need to have in place:

- assessment and case management procedures
- purchasing and budgeting systems
- basic planning agreements with health authorities (HAs) etc.

It is also desirable that they should have inspection units and complaints systems. The priority is to be capable of dealing effectively with the estimated 85,000 new clients who would otherwise have been supported through IS in homes. The tasks themselves are not new, although new ways of carrying them out need to be developed before and after the planned implementation date. There is considerable scope for evolutionary development, building on experience of working the new systems.

4.2 LA representatives have expressed concern about being able to meet these basic requirements. The AMA in particular has complained about inadequate resources in 1990-91 for system development, and expressed fears that if resources next year are inadequate implementation will be unsuccessful.

4.3 Directors of social services, generally speaking, share the concern about resources and the tightness of the timetable, but believe that the programme is achievable and want to achieve it successfully.

4.4 The DH view of LA preparedness is that the more far-sighted authorities are well advanced in their planning, having identified the key needs and earmarked resources to help meet them. Others have made a reasonable start - and the majority probably come into this category - while a few lag behind. Some unevenness in the quality and effectiveness of implementation by LAs is to be expected whenever it takes place, and there will always be a certain amount that has to be learned through experience of working the new arrangements eg a reordering of priorities towards those with the greatest needs. The powers in the Bill will enable the Government to intervene when the local response has been inadequate. Given the phasing of implementation, DH believe the April '91 remains an achievable date for LAs as a whole.

4.5 DSS do not believe there would be any operational or practical difficulty in continuing with the current benefit system for a further year, although there would be obvious presentational problems in maintaining a system whose weaknesses have been exposed and acknowledged.

4.6 To facilitate implementation the Government needs to

- finalise the DSS transfer (including decisions on HB for people in homes);

- make suitable provision for local and health authority expenditure;

- implement the relevant parts of the NHS and Community Care Bill;

- make necessary regulations under the Bill;

- make necessary regulations for the new IS/HB systems for people in homes;

- issue policy circulars and guidance on good practice;

- publicise the new arrangements.

This programme, too, remains achievable, although the timetable is tight and there is almost no room for slippage.

4.7 The effects of deferral are likely to be negative as well as positive:

Positive

more time for LAs

- to plan

- to train

- to restructure

- to develop and test new systems

more time for Government

- to resolve issues

- prepare guidance

- make regulations.

Negative

- loss of motivation in the field

- further solidification of existing attitudes and patterns of service

- difficulty of sustaining any momentum towards implementation of change

- acute uncertainty about future intentions

- perceived reluctance to make adequate financial provision

- appearance of panic

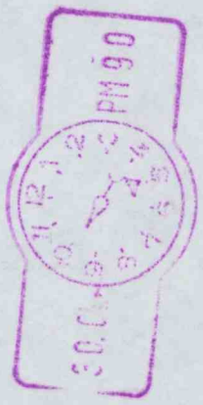
- extra time to exploit availability of IS benefits.

Conclusion

4.8 Implementation of current plans will not be risk-free whenever it takes place. Although, on the face of it, deferral might appear to offer a better prospect of "being ready" and of successful implementation, in practice that apparent advantage is likely to be cancelled out by the effects of demotivation, uncertainty, and the difficulty of regaining lost momentum.

Department of Health

27 April 1990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