C 10(a-c)

PRIME MINISTER

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COMMUNITY CARE: IMPLEMENTATION

Kenneth Clarke still wants to press ahead with the implementation of all the community care reforms next April. He believes the political risk of not doing so exceeds the danger of higher community charges and increased public expenditure. This note challenges this viewpoint and presents the case for a phased introduction of the reforms.

The risk of higher community charges

(1) This morning I spoke to Roger Hampson, the Chief of Social Services in Bexley. The department seems to be well managed in a relatively unpressurised area of outer London. Mr Hampson believes he can cope reasonably with an April 1991 implementation. But he made two telling points:

- Lambeth, Southwark and Tower Hamlets have barely moved an inch in response to next year's changes. He believes it is a combination of ideological opposition and poor quality management;

- Community care is not the only change to be introduced next year in social services departments. Apparently, Bexley is budgeting for increased running costs of £600,000 to cover the implementation of the Children's Act as well as the £300-400,000 estimate for administering community care.

It is highly likely that profligate local authorities will take advantage of these changes and increase their expenditure well beyond the levels estimated by Central Government.

(2) Paragraph 2.4 of the Department of Health Paper highlights the difference between (i) the local authorities' estimates (Estimate C) of the cost of running the new system over and above the DSS transfer (ie a £540 million increase) and (ii) the DH estimate (£232 million increase). History suggests the difference is more likely to go up than down.

The £16 community charge mentioned in paragraph 2.6 could easily increase to the £20-25 range. If a separate decision is taken to introduce other controls on local authority spending, the risk of a higher community charge may be minimised to a certain extent. But there are other dangers. If resources are not managed efficiently by local authorities, stories will abound of the frail elderly incarcerated in hospital geriatric wards, unable to find a place in residential homes.

(3) Estimate C by the local authorities could also add £160 million to community charge benefit costs on the basis that £10 (on average) on the community charge would cost DSS £100 million in community charge benefit.

Impact on Public Expenditure

The net public expenditure savings in paragraph 3.1 depend crucially on the assumption in paragraph 3.2 that under the new system, local authorities will, through budgetary restrictions, divert people from residential care, to care at home which may be cheaper.

But these savings would not bite for 2 to 3 years. Perhaps more importantly, I doubt whether the high spending local authorities would be prepared to make tough decisions and direct their resources towards the neediest rather than spreading their resources across a wide spectrum of need.

The Way Forward

Kenneth Clarke is right to say there is "no advantage 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", just before a possible general election. But full implementation in April 1991 is too risky. In the light of these risks, there is a strong argument for phasing in the reforms.

Two of the reforms could be implemented next April.

- First, the new specific grant to promote the development of social care for seriously mentally ill people (£30-50 million per annum).

- Second, inspection and registration units could be set up at arm's length from the management of social services' departments. The units will be responsible for checking on standards in both their own homes and in independent sector residential care homes.

The risk of higher community charges are minimal.

Two years later in April 1993, local authorities would become responsible for assessing need and then arranging appropriate care services in a domestic or residential setting, whichever is appropriate.

This is a substantial delay which would be criticised heavily by social workers and local authorities. But the rumpus would soon die down. And many people (including health authorities) would be relieved to see the income support safety net remaining in place for the time being until local authorities are better prepared.

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