MEETING RECORD

SUBJECT cc MASTER

14(a-d)

c: Community

SECRET

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

2 May 1990

Dear Andy,

COMMUNITY CARE: IMPLEMENTATION

The Prime Minister held a meeting at 9.00 am on Wednesday 2 May to discuss the timing of the implementation of the Government's community care initiative. Those present were your Secretary of State, the Secretaries of State for Scotland, Social Security and the Environment, the Chief Secretary, Treasury, the Minister for Health, Sir Robin Butler, Peter Owen and Andrew Wells (Cabinet Office) and Ian Whitehead (Policy Unit).

I would be grateful if you would ensure that this letter is not copied without your authority and is seen only by those with a strict need to know.

The meeting considered your Secretary of State's minute to the Prime Minister of 30 April.

Your Secretary of State said that he had produced his minute in response to a request from the Prime Minister to consider whether the implementation of the proposed changes to community care policy should be deferred from the present date of April 1991. He understood the concerns which had given rise to this request, particularly the concern about placing additional burdens on local authorities and the impact which this might have on community charges in 1991/92. He had therefore considered carefully whether to recommend a delay of one or more years. But he had concluded that the reforms should go ahead as planned. Community care was the most popular policy which he had announced in the health field. Any decision to delay would clearly be attributable to the Government's community charge and public expenditure difficulties, rather than to any problems over implementation, and would be politically damaging. He believed that he could reach agreement with the Chief Secretary, Treasury on an acceptable level of provision for local authority expenditure to cover the new responsibilities. He accepted that local authorities would denounce whatever figure was set as inadequate. But he was confident that the Government could get across the argument that local authority community care services would have to be expanded gradually within what could be afforded. His advice was therefore that the Government should go ahead with implementation in April 1991.

In discussion the following main points were made -

a. There were strong arguments for a delay of at least two years in the implementation of the main elements of the community care reforms. First, there was the risk that local authorities would spend substantially more on community care than was provided by the Government by way of extra Aggregate External Finance (AEF). That would lead to yet another unacceptable burden on community charge payers. The level of community charges was the paramount problem facing the Government at present, and it would be wrong in these circumstances to put substantial new burdens on local authorities. Second, the Government was facing an exceptionally difficult public expenditure round. The remaining Budget surplus was attributable entirely to privatisation receipts. Any further burdens on public expenditure would effectively mean a return to a Public Sector Borrowing Requirement (PSBR). There was no money to fund additional expenditure on local authority community care services in the way proposed by the Secretary of State for Health, unless offsetting savings could be found in other programmes.

b. If the arguments for delay were accepted, it might nevertheless be right to go forward with some of the minor elements, perhaps including the new initiative to ensure that proper services were provided for people with serious mental illness.

c. Against delay, it could be argued that the community care proposals had proved a popular initiative, both with local authorities and with the public. Postponement at this stage would carry heavy political and presentational costs. It would be seen as an admission that local authorities needed greater resources to implement the reforms than the Government was prepared to make available. It would also be seen as another indication of Government problems over the community charge and public expenditure.

d. One option might be to present postponement as a response to a lack of preparedness by local authorities, but this would be unconvincing. It was true that some of the authorities with the weakest record in providing personal social services would have difficulties, whenever the reforms were implemented. But the majority of authorities were believed to be making effective arrangements to take on their new responsibilities. They were keen to do so, and could be expected to complain vociferously if the Government now announced a delay.

e. Postponement could involve risks to public expenditure which might prove as great as those attached to early implementation. Substantial pressure could be expected to make further real increases in the limits for income support c

payments for residential and nursing home care. More clients could also be expected to enter homes because of the perverse incentives in the existing system, although high interest rates might reduce the incentive for people to set up new homes. Finally, there was a risk of abuse of the present system, particularly by authorities who might seek to transfer their own homes into the private sector so that residents benefited from preserved income support entitlements when the reforms were implemented.

f. If the reforms were to proceed in April 1991 there would be strong arguments for direct action by the Government to constrain the consequential local authority expenditure to what could be afforded. One option would be to introduce a new cash-limited specific grant, and to legislate so that authorities were not empowered to spend more than they received through the grant. Though specific grants involved some political risks, this could be treated as a transitional measure, since local authorities were to be given new functions. Another option would be to ringfence the whole of each authority's spending on personal social services, which would control their existing expenditure as well as the addition attributed to community care.

g. Proposals for constraining expenditure on community care could not be considered in isolation from any wider measures which the Government might introduce to deal with community charge problems. If effective measures were developed to control overall spending by the major authorities then specific action on community care expenditure might be unnecessary.

The Prime Minister, summing up the discussion, said that there were strong arguments in favour of delaying the implementation of the main community care reforms. The paramount problem facing the Government at present was the unacceptable level of community charges in 1990/91, and it would be essential to take action to deal with this before April 1991. In that context, there should be a strong presumption against imposing any new burdens on local authorities, which would give them an excuse to increase their expenditure and blame the Government. The public expenditure position was also very difficult, and there was no question of providing substantial additional resources to implement the community care proposals unless offsetting savings could be found elsewhere. For these reasons, she was inclined to the view that it would be right to defer the main reforms for two years, although it might be right to go ahead in April 1991 with some elements, such as the proposed specific grant for services for people with serious mental illnesses.

However colleagues had put forward strong arguments against postponement, particularly because of the presentational disadvantages for the Government and the risks of higher expenditure on income support. Further consideration should therefore be given to whether it would be possible to proceed with the reforms without unacceptable consequences for community charges or public expenditure.

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The first need was for proper figures showing the likely effects of implementation on public expenditure as a whole: the figures in the present paper were inadequate in this respect. Comprehensive figures were needed, showing the implications for all public expenditure programmes which would be affected, including local authority expenditure and expenditure by the Departments of Health and Social Security. Such figures would need to be agreed between the Departments concerned and the Treasury.

The second need was for further work on measures to control local authority expenditure on community care. The Government could not go ahead unless they could ensure that authorities would spend no more than was provided for in the public expenditure Survey. Two options had been suggested to achieve this. First, a cash limited specific grant for community care, and new legislation to ensure that authorities were not empowered to spend more than they received through this grant. Second, ring-fencing of the whole of each authority's personal social services expenditure, which would have the advantage of extending control beyond the narrow area of community care. But there might be other options which would be equally effective.

These issues could not be considered in isolation from wider discussions about action to tackle the problems of the community charge. The Secretary of State for Health should therefore commission the further work urgently, and bring forward a paper, in consultation with the Secretaries of State for Social Services and the Environment and the Chief Secretary, Treasury, for discussion in parallel with wider community charge issues.

I am copying this letter to the Private Secretaries to the Ministers who attended and to the others present.

Yours

Barry

Barry H. Potter

Andy McKeon Esq
Department of Health