

P 03682

PRIME MINISTER

COMMUNITY CARE: IMPLEMENTATION

[Minute of 17 May
from the Secretary of State for Health]

DECISIONS

1. You need to decide, in the light of the further material provided by Mr Clarke, whether to go ahead with implementation of the "Caring for People" initiatives on residential care and nursing homes in April 1991, or to defer implementation until April 1993.

2. At the last discussion, you concluded that it seemed right to defer these main reforms for two years, though other related reforms such as the proposed specific grant for services for people with serious mental illnesses might go ahead in April 1991. Before a final decision on deferral was taken, however, you asked to see

- figures showing the total public expenditure costs of the proposals with or without deferral;

- proposals for measures to ensure that expenditure on community care was kept within the amounts provided for in the Public Expenditure Survey.

These are in the paper attached to Mr Clarke's minute.

3. Mr Clarke argues that deferral has no advantages on spending grounds over a four or five year period, and that delay would

postpone the value-for-money benefits of the new arrangements and have presentational disadvantages.

4. The paper estimates that implementation in 1991 rather than 1993 will give rise to extra public expenditure of £165m in 1991/92 and £148m in 1992/93. The effect on the community charge would depend on how much of this increased spending was funded by grant, and on the level of any additional local authority spending above provision. Once the new arrangements are introduced, local authorities will control a significantly higher proportion of social services spending. You need to decide whether the presentational and value-for-money disadvantages of deferral outweigh the addition to public expenditure and the risk of increased community charges in these two years.

5. Mr Clarke considers that there is little scope for achieving significant savings through the introduction of controls, and feels that in any event it would be damaging to single out community care for special treatment. You might consider that the inability to control local authority spending levels reinforces arguments in favour of deferring the transfer of responsibility to them. But you are still examining the case for wider controls on spending, or more far-reaching deferral of new initiatives, in your group on the community charge. You may wish to consider postponing a final decision on deferral of the community care reforms until those wider discussions are completed.

6. Mr Clarke reports that he is considering with the Business Managers action on recent Lords amendments to the Community Care Bill, in the light of Parliamentary Counsel's advice that Commons' privilege could be invoked against them. You will wish to note.

MAIN ISSUES

7. Part I of the paper attached to Mr Clarke's minute deals

with public expenditure; Part II with arrangements to limit spending.

Part I: Public Expenditure

8. The tables in Annex A and the graph in Annex B show the relative costs of introduction of the new community care arrangements in 1991 or 1993. They include assumptions, not agreed with Treasury since they will need to be settled in the PES round, about additional costs of meeting political pressures arising from deferral and local authority costs for meeting new requirements. The figures include spending by local authorities, DSS and the health service. But they exclude the additional £30m a year (starting in 1991) for specific grant for services for the mentally ill, which is assumed to go ahead in both cases.

9. The overall additions to public expenditure are as follows (a minus indicates a saving if the start is deferred).

	(£M)				
	91/92	92/93	93/94	94/95	95/96
(a) 1991 start	295	318	319	280	259
(b) 1993 start	130	170	444	465	472
Difference (b-a)	-165	-148	125	185	213
Cumulative	-165	-313	-188	-3	210

10. Introduction in 1991 costs more in the first two years, but then the balance swings the other way. The trends in the graph seem to suggest that, with deferred introduction, costs will settle down at a permanently raised level. This may be due to assumptions about the need for concessions on income support levels for residential and nursing care if the reforms are delayed.

11. Although over a four-year period the total costs are roughly the same, introduction in 1991 costs about £150m more than deferral in each of the first two years. But deferral to 1993 could mean a higher level of public expenditure in the medium term.

12. Table 1 in Annex A shows that with introduction in 1991 local authorities would become responsible for additional spending of £497m in 1991/92 and £881m in 1992/93. If these sums were fully reflected in the AEF, there need be no increase in community charges. If authorities chose to spend above them, both public expenditure and community charges would rise. A 10% overspend, say £50m in 1991/92 and £90m in 1992/93, would increase average community charges in these years by about £1.50 and £2.50.

Part II: setting limits on spending

13. Part II of the paper describes the sort of arrangements that would be necessary to set limits on local authorities' community care spending through some sort of ring-fence. It concludes that there are severe practical and political difficulties in the way.

14. The problems are summarised in paragraph 18. Briefly, they are:

- there is no statutory or accounting definition of social services spending, still less of community care spending, to which controls could be applied;
- limits would have to be set centrally for spending in 108 authorities; they would be vulnerable to "creative accounting" and legal challenge;
- any reining back would have to start from present

spending levels and allow for future needs, so there would be no early savings;

- Ministers would become politically answerable for service levels in individual authorities.

15. These are similar to the arguments advanced against overall limits on authorities' spending, and the practical problems of isolating a single element of spending add an extra layer of complexity. Major legislation would be required. It seems clear that satisfactory measures to control community care spending could not be in place by April 1991.

HANDLING

16. You will wish to invite the Secretary of State for Health to introduce the paper. The Environment Secretary will wish to comment on the consequences of deferral for relations with local government, but also on the risks for the community charge of implementation next year. The Secretary of State for Social Security will wish to comment on the implications for the benefits system. At the last discussion the Chief Secretary argued in favour of going ahead in 1991/92 if savings in social services expenditure could be found elsewhere.



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