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PRIME MINISTER

18 May 1990

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COMMUNITY CARE

There is nothing in Kenneth Clarke's latest note to assuage your concern about the dangers for the level of the community charge if implementation of community care goes ahead next year as planned.

It is quite evident that implementing it next year will hand to local authorities on a plate just the excuse they need to justify pushing-up spending above assumed Government levels. The risk of this happening is just too high to be taken.

The risks are even greater if it proves impossible to have legislation on overall cash limits for all local authority spending. Worst of all worlds could be an announcement that such legislation would not be introduced for 91/2, but might be brought in next year for 92/3. That would simply encourage authorities to build up their reserves by high budgets next year, making subsequent restrictions even harder to impose. Community care responsibilities would intensify these pressures.

Moreover, to clinch the argument, it is clear from Kenneth Clarke's data that delaying implementation for two years will yield significant public expenditure savings in 91/2 and 92/3. Although higher PE is then forecast for 93/4 to 95/6 the assumptions on which that are based are obviously open to argument. In any case the short term desiderata are what matter.

These compelling arguments have to be weighed against the disadvantages of delay outlined by Kenneth Clarke. These are essentially political. Delay will certainly require careful presentation. But if hard choices have to be made about next year's expenditure anyway, community care looks like a relatively easy area to cut. This is because no services as such are at stake, but rather the way existing services are financed.

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The need to give local and health authorities more time to prepare could also be stressed, while the Government's continuing commitment to the Griffiths package would be demonstrated by proceeding with the new specific grant for community care of the mentally ill.

This is not a perfect solution. But it is the most realistic given the overriding need to contain public expenditure next year and do everything possible to keep down the community charge.

Recommendation

We therefore strongly recommend that you maintain the position you took at your earlier meeting with Kenneth Clarke that the balance of argument is strongly in favour of delay.

*John Mills*

JOHN MILLS

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