

PRIME MINISTER  
COMMUNITY CARE

Earlier this month, you discussed with colleagues the proposed transfer of responsibility for community care to local authorities from April 1991. Mr. Clarke was asked to report back on:

- (i) the public expenditure implications of:
  - (a) proceeding with the transfer on 1 April 1991;
  - (b) delaying the transfer until 1 April 1993; and
- (ii) whether, if the transfer went ahead in April 1991, measures could be taken to exercise firm control over spending on community care - and hence the community charge implications.

At flag A is Mr. Clarke's minute to you covering two papers - the first on (i) above, the public expenditure costs, the second on (ii) measures to control local authority spending. At flag B is the Cabinet Office brief from Peter Owen. And at flag C is a Policy Unit note.

Public expenditure costs

Expenditure on community care is incurred under three programmes: Department of Health; Department of Social Security; and local authorities. The first Department of Health paper shows public expenditure costs on the three main programmes, if implementation goes ahead (a) on 1 April 1991 and (b) on 1 April 1993.

The figures are illustrative and not agreed with Treasury. They are based on the likely transfers between programmes (to reflect the changes in responsibilities) and the best estimates of any additional spending.

If the transfer is delayed till April 1993:

- it would cost £200 million less over the 3 year PES period in total public expenditure terms (GGE).



b

- it would cost £165 million less in 1991-92 and £150 million less in 1992-93 (again in GGE terms);

If the transfer goes ahead on 1 April 1991:

- no net public expenditure savings will arise until 1995-96;
- an extra £2 billion will be spent by local authorities over the PES period; (this will be partly funded by AEF and partly by the community charge).

Mr. Clarke will argue that a delay would break the Government's policy commitment. It would give longer for the elderly to go into private nursing homes: central government has inadequate controls over the cost for the Social Security programme. And those in private nursing homes, <sup>when</sup> the transfer takes place, are guaranteed their 'care' costs for the future: this reduces the potential savings from the transfer. Mr. Newton will add that there will be more pressure to increase income support payments to those in care.

The essential judgment is whether the above arguments make it worth investing in this transfer given that:

- the public expenditure benefits seem to be four or five years away;
- the public expenditure position now is very difficult;
- and - as the second paper shows - it would not be possible to put in place mechanisms, that would exercise firm control over LA community care spending in the short term and hence the community charge implications (their size is still unclear).

#### Limits to spending

The second paper covers familiar ground from the wider discussion on the community charge. The problems of limiting spending on community care apply to local authority expenditure in general: defining the expenditure to be covered; setting the expenditure limits; and deciding sanctions, where those limits are exceeded.

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The paper concludes that direct control of expenditure on community care is difficult in technical terms (which is why Richard Wilson's group opted for income limits); would require contentious legislation next session; and is therefore not an option if the transfer goes ahead on 1 April 1991.

An alternative method of ring-fencing is to provide 100 per cent specific grant (Mr. Rifkind's suggestion). That too flounders - because it is impossible to define and ring-fence this element of local authority expenditure; and because it would be difficult to defend ring-fencing that spending, rather than other local spending, (e.g. on the national curriculum) to which central government gives priority.

Mr. Clarke concludes that neither direct control of LA expenditure on community care, nor specific grants, are routes which Ministers should follow. That line is likely to be endorsed around the table.

#### Conclusion

The case for avoiding additional expenditure burdens on local authorities next year is being investigated by the community charge group. The conclusion might be that community care should be considered in that forum.

You may judge, however, that Mr. Clarke has not yet shown that transfer in April 1991 makes sense. The public expenditure situation is very difficult. If cash limits on overall local authority spending cannot be secured next year, LAs will be able to add to the community charge and attribute it to community care. That reinforces the case for delaying the transfer till April 1993.

BHP

BARRY H. POTTER

18 May 1990

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