

MEETING RECORD
cc MASTER,

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SPW



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

22 May 1990

Dear Anely,

COMMUNITY CARE: IMPLEMENTATION

The Prime Minister held a meeting at 4.00 pm on Monday, 21 May to discuss the implementation of the Government's community care initiatives. Those present were the Chancellor of the Duchy of Lancaster, your Secretary of State, the Secretaries of State for Social Security, the Environment and Wales, the Chief Secretary, Treasury, the Minister for Health, the Parliamentary Under-Secretaries of State at the Northern Ireland Office (Lord Skelmersdale) and the Scottish Office (Mr Michael Forsyth), 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 17 May.

Your Secretary of State said that at their previous meeting the group had considered the implications of delaying implementation of the community care reforms by two years, from April 1991 to April 1993. The paper by officials which was attached to his minute fulfilled two remits from that meeting. First, it set out as fully as possible the public expenditure implications of a delay, for both local and central Government. The figures suggested that deferring implementation would result in public expenditure savings of £165 million and £148 million in 1991-92 and 1992-93 respectively. But there would be public expenditure costs from 1993-94 onwards. In his view, the public expenditure savings in the first two years would need to be much greater to justify postponing these popular reforms.

Second, the paper by officials looked at possible measures to control local authority expenditure on community care. In his view, the disadvantages of such action were overwhelming. The Government would have to assess local needs and service requirements in great detail, and would be forced to accept a much greater measure of political responsibility and accountability for local services. This would be very controversial. There would also be substantial practical problems in defining the precise expenditure to be controlled and preventing evasion through creative accounting. The alternative of introducing a specific grant would do nothing in itself to

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control expenditure. Indeed this option was favoured by some Peers and Members of Parliament because they wished to set a minimum level of expenditure, rather than a maximum. He would want to deploy the arguments about the difficulty of definition in countering proposals for amendment of the Bill which was currently going through Parliament.

The group now had more information about the implications of deferring the community care initiatives. But the basic nature of the decisions to be taken had not changed. His advice was that the Government should go ahead with implementation in April 1991.

In discussion the following main points were made -

a. The community care proposals were a very popular initiative. The local authorities were keen to go ahead, and few if any were saying that they could not implement the proposals in April 1991. Voluntary bodies active in the field were also supportive. In this context, the Government would lose a great deal of goodwill and attract a lot of adverse publicity if they decided to defer implementation. The costs were not high, equivalent to only about £6 on the community charge, and it was difficult to see that the benefits of deferral outweighed the disadvantages.

b. Although early implementation would impose additional public expenditure costs in the first two years there would be savings from year three. The new system would have more appropriate incentives towards value for money which should hold down public expenditure in the long term. In contrast, if implementation were delayed there would be a substantial risk of much higher expenditure on income support. Local authorities and health authorities could abuse the present system by transferring residential and nursing homes for which they were currently responsible to the private sector. The perverse incentive for people to enter residential care rather than remain in their own homes would continue. And the Government would come under substantial pressure to raise the income support limit for the homes' charges. The Government would also have to consider the future of the Independent Living Fund, where there would be a substantial risk of a rapid increase in expenditure. These were all reasons for going ahead in April 1991.

c. On the other hand the Government already faced a very difficult public expenditure round for 1991-92, and the prospect of low growth in the economy in the short-term. This was not the time to be adding to public expenditure by implementing a new system of community care. There was also a risk that local authorities would spend substantially more than the estimate in the papers. The imposition of new duties on local authorities would provide an excuse for further increases in community charges which would push up the RPI. The level of community charges and of inflation were the paramount problems facing the Government, and there was therefore an exceptionally strong case for freezing all new burdens on local authorities.

d. The only circumstance in which it might be possible to go ahead with implementation of the community care reforms in April 1991 would be if local authority expenditure could be constrained within the Government's plans. The paper by officials suggested that it would be impracticable to control expenditure on community care itself within the proposed new framework of duties and responsibilities. Another possibility might be an interim arrangement under which local authorities would discharge community care responsibilities as the agents of central Government for an interim period from April 1991. This option should be explored further.

e. Any decision to defer the implementation of the community care proposals would need very careful presentation. It was doubtful whether the amendments which had been passed in the House of Lords provided a good reason for delay. Equally it would be unattractive to argue that the introduction of the community charge system was a reason for deferral. The best approach might be to argue that local authorities had too many changes to contend with in 1991-92. But it had to be recognised that this rationale was likely to be attacked by the local authorities who would all say that they were ready and willing to go ahead.

The Prime Minister, summing up the discussion, said that the group were not yet in a position to reach a final decision on whether to delay the implementation of the main community care reforms. Colleagues had put forward arguments against postponement, particularly the presentational disadvantages for the Government and the risks of higher expenditure on income support. But there remained strong arguments in favour of delaying the implementation of the main reforms until April 1993. The paramount problems facing the Government at present were the risk of unacceptable community charges in 1991-92 and the level of inflation and interest rates. In this context it was essential to maintain the strictest possible control on public expenditure, and particularly to avoid imposing new burdens on local authorities. The paper by officials suggested that implementing the community care initiatives in 1991-92 would add £165 million to public expenditure. In practice this was likely to be a minimum figure: local authorities would almost certainly use their new responsibilities as an excuse for a much larger increase in spending, which would have to be funded through the community charge, adding to the RPI. For these reasons, she was still inclined to the view that it would be right to defer the main reforms for two years, although it would be right to go ahead with the proposed new specific grant for services for people with serious mental illnesses, the effects of which would be more constrained.

The only circumstances in which it might be acceptable to implement the main reforms in 1991 would be if the resulting local authority expenditure could be controlled to the level set in the Government's plans. The paper suggested that it would not be possible to control community care expenditure within the

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proposed new framework of duties and responsibilities. But a further possibility had been identified, namely that local authorities might be required to discharge community care responsibilities as agents of the Government for an interim period from April 1991. The Secretary of State for Health should give this option urgent consideration and circulate his conclusions to the group as soon as possible.

Another possibility was that the Government's wider discussions about action to tackle the problems of the community charge might result in an effective system to control overall local authority expenditure, including that on community care. It was clear that no final decision on implementation could be taken in isolation from those wider discussions, and Ministers would need to return to this issue once the outcome was clear.

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.

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DRAFT LETTER FOR BARRY POTTER TO SEND TO ANDY MCKEON, PRIVATE SECRETARY, SECRETARY OF STATE FOR HEALTH

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Prime Minister

Is it worth considering a one year
delay?

- a) protects 1991-92 which is crucial
- b) can more easily be presented as being
because more time is needed rather
than because Govt fears C Charge
consequences.

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