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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Kenneth Clarke QC MP  
 Secretary of State for Health  
 Department of Health  
 Richmond House  
 79 Whitehall  
 London  
 SW1A 2NS

16 July 1990

*Dear Ken*

**1990 SURVEY: PERSONAL SOCIAL SERVICES: SPECIFIC GRANTS**

Thank you for your letter of 24 May.

2. I have considered carefully the case you have made for continuing and new specific grants for personal social services. It is obviously desirable that we should settle this in time for your forthcoming statement and the Opposition debate on community care. I have therefore tried to construct an offer which I hope you will be able to accept as the basis for agreement.

**AIDS Support Grant**

3. I am prepared to agree to the continuation of the AIDS grant into the third year of the Survey, as you propose, subject only to one point. I accept that this scheme has proved effective in stimulating local authorities facing the greatest demand to provide suitable care for people with AIDS/HIV. However, it will have been in operation for 4 years by 1993-94, and the relevant authorities should by then be fully committed to it. I propose therefore that the grant should from that year be payable at 50% of relevant expenditure, rather than 70%. This would mean increases of £m 0.4/0.8/7.8 over the Survey period.

**Mental illness specific grant**

4. We are agreed in principle that a new specific grant for services to people with mental illness should be introduced in April 1991, and I am content with the coverage and payment arrangements for the grant outlined in your letter. However, I do not believe that a convincing case has yet been made in support of your bid for continuing step increases in the level of the grant in the later years. For example, no specific evidence has been

offered about the inadequacy of the current levels of expenditure by local authorities on services for the mentally ill, of the numbers or distribution of the people who need help, or in what way the additional funds proposed would be targeted in order to bring about an improvement in the current situation.

5. Therefore, while I am prepared now to accept your proposal for a grant in 1991-92 of £21 million (covering total expenditure of £30 million), I could not agree at this stage to a target of increasing the estimated current level of expenditure by LAs of £200 million by a further £60 million by the end of the Survey period. Instead I suggest that, at this stage, we simply uprate the agreed 1991-92 provision; we can then reconsider the position for 1992-93 and beyond in the 1991 Survey, when more and better information will be available.

6. I am therefore proposing provision for this new grant of £m 21.0/22.4/23.1, covering total expenditure of £m 30/32/33.

#### Drug/alcohol misuse

7. Since your letter, we agreed an amendment to the NHS and Community Care Bill which would allow a specific grant for local authorities to make payments to voluntary organisations providing services for drug and alcohol misusers. You have now proposed that the grant should be introduced, at a rate of 70 per cent on expenditure of £2 million from next April. Although I said when agreeing the proposed amendment that I would expect you not to submit a new bid in 1991-92, I am prepared to reconsider this in the interest of early agreement to a package, and to offer the full £1.4m in each survey year.

#### Training Support Grant

8. I am content for the existing programmes for the elderly, child care and post-qualifying training to continue for the duration of the current Survey period. I am also prepared to agree to your small bids in 1991-92 and 1992-93 for training in connection with the Children Act.

9. You are proposing two further extensions to the scope of the existing training grants to cover certain other community care client groups and for further post-qualifying training in management.

10. I have some sympathy with both objectives, though not with the extent of the proposed increases in provision. For example, your bid for post-qualifying training would more than double the existing level of provision for a grant which was introduced only in April; I am not convinced that this can be justified until evidence is available which demonstrates the effectiveness of the existing provision. As for the proposed extension of the elderly training grant to cover other community care groups, the immediate need for extra provision for this purpose is clearly reduced by the decision to defer implementation of the new arrangements until 1993. As part of an overall settlement, I am however prepared to agree to half of your bids for these items, ie increases of £4 million a year. I am therefore proposing overall increases in

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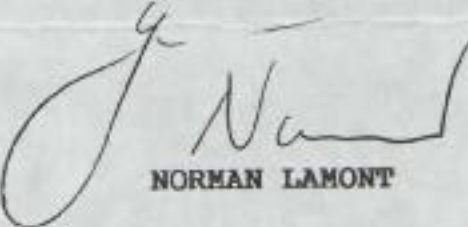
provision for the training grants of £m 23.3/25.0/24.2, which would mean a 28% increase in the 1991-92 provision compared with 1990-91.

11. Against your total bids of £m 50.1/64.0/85.6, I am therefore prepared to offer increases on baseline of £m 46.1/49.6/56.5, giving total provision of £m 57.4/59.4/56.5. I am moreover content that you should treat this as an envelope within which you can adjust the allocations between different grants without reference back to the Treasury. This is by any standards a very reasonable offer which I believe should be acceptable to you. In return, I would ask for your agreement to two further proposals.

12. First, while I am happy to give an undertaking that the AIDS, TSP, mental illness and drug/alcohol misuse grants should all continue for a further 3 year period (ie until March 1994), in order to help LA SSDs' forward planning processes, I am not at this stage prepared to give a commitment to their continuation beyond then. I will instead be looking to you to make a case in future Surveys for any further extensions of these grants beyond the agreed initial 3-year period. My strong preference would be for these pump-priming specific grants to be replaced by RSG after the initial period.

13. Second, I must ask you to relinquish your baseline provision for the PSS element of the Urban Programme which falls within AEF (£m 22.8/23.4/24.0). You will have seen my letter of 21 May to Chris Patten pressing for savings in urban spending and the Prime Minister's positive response. I understand that little, if any, reliable information is available about what this grant is spent on, and what value for money is achieved from it. Since, therefore, this expenditure clearly has a far lower priority from your point of view than your proposals for new and extended specific grants for the PSS, I must ask you in this very difficult Survey year to allow this provision to go at least some way towards meeting the cost of your bids. That would leave net increases in your baseline provision of £m 23.3/26.2/32.5.

14. I am copying this letter to the Prime Minister, members of E(LG), and to Sir Robin Butler.



NORMAN LAMONT