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12 May 1989

COMMUNITY CARE

1. The next meeting of Ministers on community care is due to take place on Thursday next, 18 May.
2. I attach a note prepared by the Cabinet Office in consultation with Departments which draws together the work done so far and sets out a number of issues on which Ministers may wish to take decisions. The paper is supported by annexes contributed by Departments.
3. I am copying this letter and the attachment to the private secretaries to the Secretary of State for Wales, the Secretary of State for the Environment, the Secretary of State for Health, the Secretary of State for Scotland, the Secretary of State for Social Security, the Chief Secretary, Treasury, the Minister of State, Department of Health, and Sir Roy Griffiths, and to Trevor Woolley (Cabinet Office) and Ian Whitehead and John Mills (Policy Unit).

A handwritten signature in blue ink, appearing to be 'RTJ' with a flourish.

R T J WILSON

## COMMUNITY CARE

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Note by the Cabinet Office

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At the Prime Minister's meeting on 20 April Ministers decided that any new system for community care would need to bring together in the hands of a single local body both the responsibility for deciding what care (including residential care) should be provided to claimants and the responsibility within a budget for the expenditure implications of those decisions. To give this expanded role to the local authorities seemed the least bad of the alternatives, although it was recognised that there were disadvantages. Further work was commissioned to identify ways in which the problems could be overcome.

2. The Secretary of State for the Environment's paper of 28 April and the three Annexes to this note report the outcome of that work. This paper summarises the main work done so far and the issues on which decisions are needed.

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Social Security benefits for people entering private residential care (Annex 1)

3. At present people in a private residential home receive a single payment of income support on a means tested basis to allow them to pay the home's charges, which covers accommodation, basic living costs and the care element. In contrast, people living in their own homes receive help with these three elements separately, through housing benefit, living cost or maintenance benefits (the retirement pension, income support) and care benefits (disability benefits and direct services like home helps).

4. Under the new regime there would be a strong case for treating people in residential care in the same way as people in their own homes. That would mean making them eligible for normal living cost benefits, and also meeting their accommodation costs on a means-tested basis. The local social services authority would bear only the extra amount attributable to care. This would allow local authorities to take unbiased decisions between domiciliary and residential care. It would have the further advantage that the quantum of expenditure transferred to local authorities would be relatively small.

5. Making residents of homes eligible for living cost benefits would be straightforward. But there are three options for meeting accommodation costs:

i. a fixed residential allowance within income support to meet the average accommodation costs of people in residential care, as recommended by Sir Roy Griffiths, leaving local authorities to bear any additional accommodation costs at the margin;

ii. a requirement on local housing authorities to pay normal housing benefit, with the usual reimbursement by DSS. This would involve the local authority in determining an "accommodation element" in each home's charges, though it might be possible to do this in some notional way;

iii. a third possible option would be to require local authority social services departments to make a single payment covering care and accommodation costs, with the latter element subject to reimbursement by the Exchequer (again perhaps at the 97% rate which applies to housing benefit). This option is however tentative at this stage and would require a great deal more work.

6. The main factors which will need to be taken into account in reaching a decision are:

i. the extent to which each option removes all perverse incentives. Option (ii) is best from this point of view, because it applies exactly the same system to those in and out of residential care;

ii. simplicity for claimants. Options (i) and (iii) are probably best here, because they reduce the number of agencies with which each claimant has to deal from three to two (DSS and the social services authority but not the local housing authority). Option (iii) would however be more complicated for those whom the social services authority decided not to support;

iii. implications for the Government. Option (i) would allow the most direct control of Exchequer expenditure (through the right to fix the residential allowance), but would also open the Government to direct lobbying and criticism. Option (ii) would have the advantage of using existing administrative systems.

7. Ministers are invited to decide which option should form the basis for further work.

Treatment of local authority residential homes (Annex 1)

8. At present income support claimants living in local authority homes are entitled only to a reduced living costs sum equivalent to the basic retirement pension. Local authorities charge each resident part of this amount, but meet the remaining costs (covering accommodation and care) themselves.

9. Under the new regime there would be a case for treating residents in local authority homes in the same way as those in private homes. They would get full living cost benefits

and help with accommodation costs. The local authorities would be required to fund only the care element. This would involve a PES transfer from local authorities to DSS, which would further reduce the net addition to local authority expenditure. On the other hand there might be a case for not applying the new regime if Ministers decided that they wanted a powerful incentive for local authorities to withdraw from provision of homes altogether. That could be achieved by requiring authorities to continue to meet most of the costs as long as they themselves owned a home. But this might be difficult to defend, particularly where local authorities were providing an economical and acceptable service, and might lead them to divert money away from domiciliary care.

10. Ministers will want to decide whether the new benefit regime for people in private residential homes should also apply to those in local authority homes.

#### Treatment of existing claimants (Annex 2)

11. Decisions will be needed on the treatment of people who are already in private residential homes, with their fees paid by income support, when the new regime is introduced. Officials have assumed that they would need to be given some assurance of continued support as long as they remained in residential care. Two broad approaches are possible:

i. they could continue to be funded entirely through income support as at present. This approach would probably be favoured by claimants and involve least turbulence. But the Government would still face difficult and controversial decisions about uprating the income support limits each year;

ii. they could be required to transfer into the new system. They would claim living cost benefits and help with accommodation costs, but look to the local authorities for help with care costs. The local

authorities would be required to support them, probably with reimbursement by a transitional specific grant. This would be the neatest approach, but is likely to be controversial with claimants, who might argue that the new system of support was untried and uncertain.

12. Ministers will wish to consider in principle whether existing claimants should stay in income support or transfer to the new system. This may be an area where further work is needed. One option would be to retain income support for a transitional period (perhaps 2-5 years) until the new system is tried and tested, and then to transfer the diminished number of existing claimants. But it would be important to avoid any rush to get into private residential care before the new regime was introduced.

Financing the local authorities' new responsibilities (Annex 3)

13. Decisions are needed on the grant regime to support local authorities' expanded role in community care. There are three main options:

i. a specific grant of perhaps 40-50% of total local authority expenditure on community care, as recommended by Sir Roy Griffiths, made up from money which would otherwise be paid through Revenue Support Grant (RSG) plus PES transfers from DSS. This would give central Government substantial control over local authority programmes. But it might blunt local accountability, perhaps leading to higher expenditure;

ii. support entirely through RSG, on the basis of enhanced needs assessments. Two-thirds of social existing services spending is on community care and is supported by RSG. This option would allow the financial discipline of local accountability under the community charge to operate, but might be less

sensitive to real needs and reduce the Government's scope to influence the development of services;

iii. support through RSG plus targeted specific grants. This would apply the normal financial regime to the bulk of spending, but allow the Government to influence particular areas, such as service development and management.

14. Ministers will wish to decide which option should form the basis for further work on the grant regime for local authorities' expanded role.

Promoting diversity of provision (Secretary of State for the Environment's paper of 28 April)

15. The Secretary of State for the Environment's paper contained proposals designed to reinforce the pressures on local authorities to develop a mixed economy of care. In particular he proposed that where authorities are now the direct providers the Government should:

i. require the separation within local authorities of providers and care managers;

ii. require providers to operate as budget centres, with competitive tendering for increasing proportions of services;

iii. where competitive tendering operated, require authorities to prepare accounts and meet financial targets, with fallback powers to direct contracting out where appropriate;

iv. operate capital expenditure controls to discourage the provision of new local authority homes and encourage disposals.

16. Ministers will wish to decide whether to endorse these proposals.

Timetable

17. The Secretary of State for Health has suggested the following timetable:

i. decisions taken and announced by July 1989, perhaps followed by a White Paper in the autumn;

ii. necessary legislation in the 1989/90 session of Parliament, in Bills which already have a place in the programme (the Social Security Bill and the NHS Reform Bill);

iii. implementation by April 1991.

18. Ministers will wish to consider whether to endorse this timetable, subject to further consideration of the legislative implications.

Further decisions

19. The Ministerial Group may wish to meet twice more during June, to consider the further work and to take decisions on the following issues:

i. details of the benefit regime, particularly the operation of controls and limits for new and existing claimants, and the controls to prevent abuse of the existing system between the announcement and implementation of the new system;

ii. the basis on which social services departments would calculate the level of their financial help for those in



residential care;

iii. details of the financial transfers to local authorities, particularly the treatment of Joint Finance, Social Fund community care grants and the Independent Living Fund;

iv. planning and monitoring of local authorities' new responsibilities;

v. the regulation of residential homes;

vi. the arrangements for nursing homes;

vii. the treatment of the mentally ill;

viii. remaining recommendations of the Griffiths report, not covered by the above.

Cabinet Office

12 May 1989

THE FUTURE BENEFIT REGIME: PAPER BY THE DEPARTMENT OF SOCIAL SECURITY

Introduction

1 At present social security provides a financial input into community care in a wide variety of ways. Those in their own homes can receive:-

- (a) Financial help with the normal costs of everyday living from a range of social security benefits (retirement pension, invalidity benefit etc), with income support as the means-tested benefit of last resort.
- (b) Help towards housing costs via housing benefit or, for owner-occupiers on income support, via that benefit.
- (c) Help with 'care' - the additional needs consequent upon age or disability. This can be given via the disability benefits, via the special premiums in income support, or in the form of services provided by the health or local authority.

2 At present, income support paid to people in private and voluntary residential homes covers all three of these elements. Under the principles agreed by Ministers, the 'care' element for people in homes should no longer be met by special payments of income support but should be a call on the new budget to be held by the local authority social services department. This paper addresses the question of the help to be given via social security payments for the other elements above. The objective must be a benefit regime which is defensible as fair for all types of claimant, and which does not contain perverse incentives which would encourage the provision of inappropriate types of accommodation or care.

Normal Living Costs

3 The most effective way of achieving this objective and of producing the 'level playing field' would be to give claimants in homes precisely the same benefit entitlement as any other claimant. Only in this way could we guarantee that the benefit system did not distort choices about types of care or accommodation. This approach has already been adopted for claimants in ordinary board and lodging and in hostels, for precisely these reasons. This argues strongly for giving those in homes the same help with the cost of everyday living as those not in homes: in particular, for making them eligible for the normal rates of income support and for the appropriate premiums.

### Accommodation Costs - a Residential Allowance in Income Support

4 Building on earlier proposals, the Griffiths Report argued that help with accommodation costs for people in homes should be given by a new "residential allowance" of a fixed amount paid as an addition to income support. This could either be set at a single national rate, or at a special rate for each local authority area. Though conceptually simple, this proposal has a number of clear disadvantages:-

- \* It would perpetuate a separate benefit system for a particular type of accommodation, with all the risks that this would provide undesired incentives and lead to distortions in the pattern of provision.
- \* The level of allowance would have to be determined by central Government and set out in regulations. However this was done, there would be constant pressure from the home-owners for an increase. And, even if the levels were fine-tuned to local circumstances, centrally determined figures would tend to lead the market in some places.
- \* There would be a built-in disincentive for people to provide for their own old age: because other income is taken into account fully for income support, those with small occupational pensions would be no better off as a result and would simply have the amount deducted from their benefit.

### Accommodation Costs - Housing Benefit

5 The alternative approach, which would avoid these problems, would be to give residents of homes precisely the same benefit entitlement as anyone else - income support for living costs and housing benefit, paid by the local authority housing department, for accommodation costs. This approach would avoid perverse incentives, would not involve any central determination of appropriate rent levels, and would 'claw back' only a proportion of any private income.

6 One possible disadvantage with this approach is that it would involve the local authority housing department in deciding precisely what proportion of the fee charged by the home should be attributed to rent rather than care. This is not impossible, but can be a comparatively major task with room for a good deal of disagreement and controversy. There might be scope for basing benefit on some notional rent derived, for example, from average deregulated rents in the area for comparable accommodation. This possibility would have to be explored in detail, but at first sight there do not seem to be insuperable obstacles to finding an approach which was comparatively simple to operate while still

ensuring adequate financial control.

7 If claimants in homes were to be given precisely the same benefit entitlement as everyone else, careful presentation would be necessary to avoid the system appearing too bureaucratic, with three separate authorities involved: DSS, the local authority housing department and the local authority social services department. (Though precisely these three authorities will be involved for someone still in their own home.) At the very least, it would be essential to ensure continued close liaison between the three authorities. There should also be scope for making the system simpler from the point of view of the claimant: for example, the social services department might be able to take the housing benefit claim and pass it on to the housing department.

#### Accommodation Costs - a Combined Accommodation/Care Allowance

8 There are other possible models which could reduce the number of players in the game. For example, the LA social services department could make a single payment (which would not be social security) covering both the accommodation and care elements in the charge levied by the home. This has the merit of simplicity and of avoiding the need to apportion the fee as between accommodation and care, but it also has clear disadvantages:-

- \* The payments made by the social services department to people in residential care would be very substantially larger on average than those for domiciliary care. If both had to come out of the same budget, the playing field would be very sharply tilted away from residential care. The incentive would work in the desired direction, but to too great an extent to be defensible. To get around this, it would be necessary to give the authority a direct subsidy for the accommodation element at a level comparable with the central Government subsidy for housing benefit (currently 97 per cent). Such a system would be possible, though it is not clear how far it could be operated in a way that provided adequate controls on expenditure while avoiding all inappropriate incentives.
- \* The system would only handle those people who the authority agreed to help out of its new 'Griffiths' budget. There would always be residents of homes who were not receiving such help (because the authority considered they did not merit sufficient priority, or could look to relatives); unless they were to have less entitlement to benefit than anyone else, a separate system would be necessary to handle them.

### Financial Consequences

9 Though the detailed working of these three options for meeting accommodation costs would be rather different, the overall financial effect would be much the same for all. The first option would involve more direct expenditure by central Government and less by local authorities than the other two, but the difference would be very largely made up by additional grants from central to local government. The size of the care budget transferred to local authorities would be essentially the same in all three cases as would the overall planning total (the only differences in the latter stemming from the small proportion of housing benefit expenditure not covered by direct subsidy). More work would be necessary to establish the actual figures involved in any of the three cases.

### Local Authority Homes

10 The discussion so far has been about residents of private homes. At present, there are separate benefit rules for income support claimants in local authority residential accommodation. Most of them receive IS payments of £43.60 per week (the "Part III" rate), a sum fixed at the rate of the basic state retirement pension. A minority of claimants, who live in local authority accommodation where no meals are provided, receive ordinary IS and housing benefit.

11 Sir Roy Griffiths argued that the social security system should not distinguish between residential accommodation provided by the independent sector and that provided by local authorities. If any of the three options for replacing the IS residential care/nursing homes limits were extended to encompass claimants in local authority accommodation currently eligible for only the Part III rate, there would be a significant increase in social security expenditure, to the benefit of local authorities. This would arise because most residents' ordinary IS entitlements would exceed the Part III rate, and there would also be accommodation costs. It would, however, achieve a 'level playing field' between the two sectors.

12 It is an important question of principle whether Ministers want these sectors to be treated the same. If there were different arrangements, maintaining differential benefit rates, it would be a good deal cheaper for local authorities to place people needing residential care in independent homes rather than in Part III accommodation; and this in turn would be a powerful incentive for authorities to become facilitators rather than providers of care. On the other hand, continuation of local authority provision - at least for the time being - serves as a form of competition, and restraint on fees levied by the private sector.

13 A more detailed options paper on this issue will be available for the next meeting.

Department of Social Security

May 1989

Entitlements of Existing Claimants in Homes: Note by DSS

1. This note considers the future entitlement to support from public funds of those people currently in residential care or nursing homes and receiving income support (IS).

Background

2. There are currently some 180,000 people receiving income support in private residential care or nursing homes, at a total annual cost of £1.2 billion. On current projections, the number will rise to some 230,000 by April 1991 with a projected cost of £2 bn in 1991-92.

3. There is only limited information on how long the average IS recipient remains in residential care. What is available suggests an average of perhaps 4 years on benefit, though within this average there will be some claimants - particularly the younger physically disabled - who will be "on the books" for very much longer periods.

Future Entitlement

4. There does not seem to be any realistic alternative to continued state help for these claimants so long as they wish or need to remain in residential care, at a level that will allow them to remain in such care. Such help could be provided either through continued payments of income support or by payments from the relevant local authority. Whichever method is adopted, there will need to be sufficiently firm public assurances about the adequacy of continued support to reassure the claimants concerned and to avoid the issue becoming a political football. The problem will be how to give such assurances without also giving the proprietors of the homes concerned an open invitation to put up their fees to whatever level they think fit.

Continued Payment of Income Support

5. The first option would be to continue with very much the present system of income support for existing claimants. In essence, this would entitle them to reimbursement of the actual fees charged, up to a limit laid down in regulations each year. It is these limits which offer the only real control against exploitation. Current practice is to uprate them roughly in line with the main IS rates - that is, by the RPI less housing costs - which means that they have not kept pace with the general increase in fees. The system does have some slack at present, simply because a number of homes charge fees which are still below the limits, but there is increased pressure on the limits each year. Even upratings in line with the RPI would not avoid this. On the other hand, regular upratings by more than prices would be a clear invitation to the proprietors to

increase their fees accordingly. It might be possible to manage the system for two or three years without any explicit uprating rule and with ad hoc increases wherever the pressure was greatest. To some extent, this is what happens now, but the political difficulties do increase year by year.

#### Payment by Local Authorities

6. The alternative would be for local authorities to be given the responsibility - and an ear-marked budget - for protecting the position of existing claimants. Because the number of such claimants will decline steadily, there would be scope for realistic upratings within a budget which was fixed, or even declined in cash terms year by year. Local authorities would have some incentive to hold down the amounts in payment if they were allowed to transfer any surplus from this budget to their "Griffiths" budget for new cases. They might also have some scope for exerting pressure on homes by negotiating a single rate each year for old and new cases, with the sanction of taking new business elsewhere if the fee was too high. It is not clear, however, that this would provide adequate safeguards against proprietors making large profits at public expense.

7. It would be possible to combine these two options by maintaining the existing system of income support for a comparatively short period beyond April 1991, with cases transferred to local authorities only once the numbers involved, and the associated costs, had fallen significantly. A different composite option would be to continue with income support for a rather longer period, with comparatively tight limits, but to give local authorities an explicit responsibility - and the funds - for "topping up" income support payments in appropriate cases.

#### Other Transitional Problems

8. There will clearly be a gap between the announcement of the Government's intentions and implementation of the new arrangements in April 1991. During this period, there seems little alternative to maintaining entitlement to income support under present rules for those going into residential care. If any assurances of continued support were to apply to these cases as well, there would clearly be a tremendous incentive for the expansion of residential care in the short term, and for anyone who might foresee a need for such care in the comparatively near future to make sure of their place before the rules changed. On the other hand, there would be obvious hard cases if this group were excluded from the "guarantee". More work is clearly needed on this problem and DSS will prepare a further note for the next meeting of the Ministerial Group.



## ANNEX 3 : Note by Department of Health

### SPECIFIC GRANTS AND PLANNING AND MONITORING SYSTEMS

#### INTRODUCTION

1. This paper considers the case for two forms of specific grant : the general specific grant recommended by Sir Roy Griffiths, and targeted specific grants to strengthen the general grant mechanisms. It also sets out a number of options for the monitoring and control of local authority performance. These two issues are clearly interlinked. Decisions on both will depend on how much control Ministers wish central government to be able to exert over the performance and priorities of local authorities.

#### SPECIFIC GRANTS

2. The key issue to be resolved is whether there should be a general specific grant or whether the sums transferred from social security should be distributed to local authorities through the revenue support grant mechanisms in line with needs assessment. If the latter option is favoured, it is for consideration whether there should be a programme of targeted grants in order to enhance the ability of government to influence local authority plans in line with certain central policy objectives.

#### Option 1 : General Specific Grant

3. Sir Roy recommended a general grant of 40-50% of estimated total local authority expenditure on community care. Its main components would be that part of current rate support grant which is provided in respect of social services authorities' community care responsibilities, plus joint finance and the community care element of the social fund. In addition, he recommended a transfer from social security to cover the care element of the cost of residential care. A targeted element of the grant would then be required to smooth the transition of social security responsibilities. At 1991/92 prices and forecast levels of expenditure, a general specific grant along these lines would amount to between £1.7 and £2.1 billion.

4. Within a general grant, it would be open to Government to set a range of targets and objectives relating to specific service and management issues on which it sought to exert a particular influence and which in effect would constitute a programme of targeted specific grants. The grant could be managed in a way which either involved detailed scrutiny and intervention by the centre, or which could be less comprehensive. Options for planning and monitoring of performance are considered further below.

5. Sir Roy argued for a general specific grant for the following reasons :

- it recognises the interdependence of local and central government programmes. Central Government needs a direct stake in the delivery of its policies at local level, not just because of the importance of those policies, but because of the inter-relationship between local authorities and health authorities in this area;

- it would provide a greater degree of central government control over the direction of local authority activity so that the centre has the ability to influence local plans in the direction of government objectives and to hold local authorities to account for their management of resources;

- it would create a more stable basis for the planning and delivery of services - at present the level of block grant is determined on an annual basis which frustrates effective forward planning. (The transition to community charge will further complicate this issue);

- it would provide a means of ensuring that funds transferred reach their destination, the local social services authority, and do not end up in the general grant pool.

6. But specific grants are opposed by Treasury and DOE on the following grounds :

- in their view, specific grants result in higher overall expenditure by local authorities since they are designed to lever up spending in a particular area without introducing equivalent pressure for reductions elsewhere;

- specific grants reduce pressures on local authorities to deliver services economically and efficiently since LAs regard specific grants as "owned" by central government;

- specific grants result in direct pressure on central government for increased expenditure and create too much central responsibility for, and intervention in, service delivery;

- specific grants are not necessary in order for central government to influence local authority activities : Ministers can set objectives, targets etc in the context of revenue support grant and the Audit Commission have powers to check whether the delivery of services meets statutory requirements and departmental circulars;

- specific grants undermine the local discipline of the community charge.

In the view of DH, these arguments may be weakened if a fixed upper limit, and fixed time-scale, are applied to the specific grant.

## Option 2 : No Specific Grant

7. In their paper DOE make clear their view that a specific grant is both unnecessary and undesirable. They propose instead that the money to be transferred from social security should be distributed to local authorities in line with needs assessment. It would be for consideration whether any form of monitoring and control over local authority performance would be introduced, although DH take the view that its effectiveness in the absence of any financial incentives or disciplines must be open to question.

8. If this option is favoured, the adverse effects of specific grants set out in paragraph 6 above will clearly not apply. The local financial discipline of the community charge will be undisturbed. But the absence of any form of specific grant does give rise to a number of difficulties :

- the centre has little ability to respond to specific criticisms about its capacity to influence local authority priorities and performance, or to hold them to account;

- the general needs assessment may be insufficiently sensitive a mechanism to give the government the control it would need over the distribution of the social security transfer if it were to want to pursue certain policy objectives, for example moving more gradually over time to a more even geographical spread of resources;

- there would be no certain means of compensating those authorities who stand to be net losers, ie those who would receive too little to meet existing obligations because they have a high level of independent residential care but a low level of local authority provision (eg certain shire counties such as Devon);

- some authorities would receive a larger transfer than required to meet existing obligations, ie those with a high local authority but low independent residential care sector (eg some inner London boroughs).

9. Decisions on how social security benefits should be changed are also relevant here. Under either of the two options in the DSS paper (see Annex 1) in which the local authority would pay accommodation costs - whether through housing benefit or from a discretionary budget - the authority will require a high level of reimbursement if a major disincentive to residential care is to be avoided. Under the housing benefit option, subsidy arrangements as at present would overcome the difficulty; with the discretionary budget option, ring-fencing or a specific grant would be necessary. The amounts involved would be broadly the same in either case.

### Option 3 : Targeted Specific Grants

10. If Ministers decide against a general specific grant, there may be a case for targeted grants to enable government to exert some influence over local authorities in support of its own policy objectives. Such targeted grants might be funded out of the provision which would need to be made in PES to take account of the projected increase in income support expenditure on residential care. Most of the DSS provision for growth will need to go to local authorities in order to enable them to meet forecast demand. But in the longer term the removal of individual benefit entitlement, and hence the eradication of the perverse incentive in favour of residential care, should have the effect of reducing the average cost of care per person. Even after allowing for some increased cost to local authorities, this should generate savings over time which, it could be argued, should be transferred to local authorities to strengthen management capacity and support service development.

11. Targeted grants could be used to encourage particular directions of **service development**, or could provide the necessary assistance to enable local authorities to discharge the essential **management tasks** which will fall to them as a result of their new responsibilities.

12. The largest part of the projected saving should be allocated to a programmed of targeted grants for **service development** in order to :

- stimulate the development of domiciliary services (home care, day care, respite care etc) to provide people with a real alternative to residential care;
- provide more help for families and friends;
- support the wider application of case management techniques so that services are better tailored to individual needs;
- promote the development of community services for people to be discharged from long-stay hospital;
- promote diversity of service provision and stimulate activity by the independent sector. (The DOE paper considers how new competitive disciplines might be applied);
- encourage services planned jointly by health and local authorities and the voluntary and private sectors.

13. A smaller proportion should be made available for grants towards meeting the extra costs generated by new **management responsibilities**, including :

- assessment of need for residential care and other forms of domiciliary support;

- strengthening the management of community care services, in particular of home care;
- developing new skills in contract management and in purchasing services from a variety of providers;
- improving management information and budgetary control systems;
- strengthening management training.

14. Some grants would be available to all authorities who wished to apply for them, while others might be targeted on those authorities who require extra support in meeting particular local needs or could be directed at encouraging particular developments in line with central objectives. Payment would be subject to submission and approval of local authority plans.

#### PLANNING AND MONITORING SYSTEMS

15. The weakness of strategic planning by local authorities in the community care field has been widely noted. The need for better information at the centre on local authority plans and performance, and for clear mechanisms for holding authorities to account for their management of centrally-provided resources has also been remarked upon by a number of commentators, including the Audit Commission and the Public Accounts Committee. The Government's proposals will need to address such criticisms, and to respond to Sir Roy's recommendations for planning and monitoring of local authority performance.

16. If Ministers decide to take tackle current deficiencies directly, two basic approaches are possible - a "comprehensive" planning system and a more "exception-based" approach. Either could be applied to the management of a specific grant. Whichever approach is preferred, the Social Services Inspectorate will play a key role since their close knowledge of social services departments and professional expertise will be essential if planning and monitoring is to be undertaken successfully.

#### The "Comprehensive" Approach

17. Sir Roy proposed that, as a condition of payment of the specific grant, each social services authority would prepare plans with costed objectives and timetables for implementation which would be vetted by central government. Responsibility for the detailed content of each plan would rest with local authorities, but the centre would provide guidelines on what it expected the plans to cover eg joint planning with health authorities, involvement of the independent sector, support for carers etc. Following examination of the initial report, targets and objectives might be set for each authority against which their performance would be evaluated over the following year.

18. The detailed vetting of individual plans would be a major new task for the centre and would prove very resource and staff intensive. The Department of Health's Social Services Inspectorate and Community Services Division would need to work closely together in evaluating local authority plans and performance. In order to build up the close knowledge of each local authority which would be needed to do the job properly, it is estimated that a minimum of 4 administrative Grade 7s and 4 Inspectors would need to be employed full time on this work, plus some additional SSI resources in the regions and administrative support staff. Analytical support would also be required - perhaps of the order of 1 Grade 7, plus support.

19. Payment of the specific grant provides an incentive for authorities to make sure that their plans meet central requirements. In theory it would be possible to withhold payment of grant if plans were inadequate. But holding back large sums is unlikely to prove feasible - consumers would suffer and the very inadequacies of performance which government was seeking to penalise would be exacerbated. It may be easier to hold back part-payment (eg growth monies) or to provide positive incentives in the form of extra targeted elements of grant.

#### Management by Exception

20. In this model, the lead for monitoring overall levels of performance would rest clearly with SSI who already maintain close liaison with authorities. Drawing on existing statistical data and their knowledge of individual departments, it would be the responsibility of SSI to satisfy themselves that authorities' plans were broadly in line with Government objectives and that they had adequate management systems in place. This enhancement of the present SSI role would have some resource implications, but much of the new work should be able to be accommodated with some reordering of priorities within their work programme.

20. Local authorities would be required to submit regular reports to the centre if SSI judged that their performance was inadequate. The reports would be closely scrutinized by the Department and targets for improvement imposed against which the authority's subsequent performance would be evaluated through regular reports. Some extra administrative input would be needed here.

#### Monitoring of Targeted Grants

23. Targeted grants would need to be monitored closely. It would be for the centre to set clear objectives for each grant against which the performance of individual authorities would then be monitored, through regular contacts by SSI and more formally through the submission of regular reports to the Department. Some additional staff resources would be required - perhaps of the order of 2 Grade 7s and 3 Inspectors, plus support staff, depending on the size of the programme.