



SUBJECT CC MASTER

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From the Private Secretary

18 May 1989

Dear Andy,

## COMMUNITY CARE

The Prime Minister held a further meeting on Thursday 18 May to discuss policy on community care. Those present were the Secretaries of State for Wales, the Environment, Scotland, Health and Social Security, the Chief Secretary, Treasury, Sir Roy Griffiths, Sir Robin Butler, Richard Wilson, George Monger and Andrew Wells (Cabinet Office) and Ian Whitehead (Policy Unit).

The meeting considered a note by the Cabinet Office dated 12 May. They also had before them the Secretary of State for the Environment's paper of 28 April.

I should be grateful if you and other recipients of this letter would ensure that it is copied only to those with a clear need to know.

The Prime Minister said that the previous meeting of the Group had 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 should be provided to claimants and the responsibility within a budget for the expenditure implications of those decisions. They had decided that this expanded role should be given to the local authorities, as the least bad of the alternatives. They now needed to decide how the new system should operate in detail, and how the various problems could be overcome.

Social Security benefits for people entering residential care

The Secretary of State for Social Security said that the new system needed to incorporate arrangements for social security benefits which avoided perverse incentives and allowed local authorities to take unbiased decisions between domiciliary and residential care. People living in their own homes were eligible for benefits such as income support to meet basic living costs, and for housing benefit to meet their accommodation costs. Under the new regime there would be a strong case for treating people in residential care in the same way, making them eligible for living costs benefits and for help with accommodation costs. That would leave the local authorities to meet only the care element. They could then



take unbiased decisions in creating a care package which best met the needs of each client, whether in his or her own home or in residential care. A further benefit of this approach would be that families would be free to top up the level of support from the local authority, or even to meet the care element themselves where an authority declined support.

The Cabinet Office paper set out three options for achieving this result. He strongly supported the second option in paragraph 5 of the paper, under which people in residential care would be eligible for normal housing benefit rather than some equivalent payment through income support or from the social services authority. This removed all perverse incentives by applying exactly the same system to claimants in residential care and those in their own home. It did have disadvantages, such as the slightly more complex position for claimants who would have to deal with three agencies; but social workers would continue to be available to help such claimants find their way through the system. It would also be necessary to ensure that the system could not be abused, for example by attributing an excessive proportion of residential care costs to accommodation. But he was convinced that these problems could be overcome, and that the benefits of this approach outweighed the disadvantages.

There was a subsidiary issue about the treatment of people who entered local authority residential homes. One approach would be to put them in exactly the same position as people in private homes, making them eligible for income support and housing benefit, and requiring the local authorities to meet only their care costs. But this would provide local authorities with no incentive to divest themselves of their existing homes, and might even encourage them towards more direct provision, contrary to the Government's aims. He therefore strongly favoured leaving the financing of local authority homes on the present basis, which would give authorities a strong incentive to move out of direct provision, becoming enablers rather than providers in this area.

In discussion the following main points were made:

- a. There was no doubt that the second option in the Cabinet Office paper, under which people in residential care would be eligible for normal housing benefits, was to be preferred. This would allow truly unbiased local decisions. Local authorities would have the right incentives to keep people in their own homes, supported by domiciliary care, which was in most cases the best solution for the individuals themselves. It would end the present perverse incentive in favour of residential care.
- b. On the other hand it would involve local authorities in refusing some people access to residential care, and such decisions would be unpopular. In such cases the local authorities might well claim that they were constrained by lack of money, and seek to blame the



Government. To minimise these problems it would be important to ensure that there were proper local assessments of an individual's need for residential care. Such assessments would need to draw on the expertise of doctors and other health professionals, and further work was needed to ensure that there was proper co-operation between those concerned.

c. Effective control over housing benefit support for people in residential care would be essential. Without such controls the system might be abused, with a disproportionate share of residential care charges allocated to housing benefit and therefore falling almost entirely on the Exchequer. Further work was needed on this: one promising approach would be to specify notional amounts of accommodation costs which would be supported through housing benefits.

d. It would be wrong to apply the new system of benefits to residents of local authority homes. The arrangements for financing these homes were working well, and should continue. That would provide local authorities with a strong incentive to reduce their direct provision of residential care, and become enablers rather than providers. This proposal might however be controversial, particularly with the local authorities themselves, and would need careful presentation.

The Prime Minister, summing up this part of the discussion, said that the Group endorsed the proposals put forward by the Secretary of State for Social Security. People entering private residential homes under the new regime should be eligible for normal living cost benefits and housing benefits, on the basis of the second option in the Cabinet Office paper. It would be important to ensure that doctors and other health professionals were involved in the assessment of an individual's need for residential care and further work might be needed in this area. It would also be essential to ensure that there were adequate controls over housing benefit payments to people in residential care, and further work should be carried out on this, including the possibility of specifying notional amounts which would be supported. However the new system should not apply to residents in local authority homes, where the existing financial arrangements were working well. This would provide authorities with a strong incentive to reduce their role as providers of residential care, moving into an enabling role in line with Government policies.

#### Treatment of existing claimants

The Secretary of State for Social Services said that there were three main options for the treatment of people who were already being supported in residential care when the new regime came into force. They could continue to be funded entirely through income support as at present; they could be required to transfer into the new system, probably with some assurance that local authorities would meet the costs of their



residential care; or they could be funded through income support for a transitional period, and then required to transfer into the new system when it was tried and tested. Whichever option colleagues preferred there was a risk that there would be a surge of people seeking to enter residential care between the announcement of the Government's proposals and the introduction of the new system. Further work was needed to seek a solution to this problem.

The Prime Minister, summing up a brief discussion, said that any attempt to require existing income support claimants in residential care to transfer into the new system would create great alarm among the individuals concerned and stir up opposition to the Government's proposals. The only acceptable solution would be to continue to fund through income support existing claimants in residential care on a defined date, perhaps the date of the announcement of the new policy. Further work would be needed on when the defined date should be and on the position of people who sought to enter residential care between the defined date and implementation of the new regime. There was a risk that there might be a surge of applicants, but against that it was not clear that there would be large numbers of people who wished to move into residential care prematurely, or that there would be the places to accommodate them.

#### Financing the local authorities' new responsibilities

The Secretary of State for the Environment said that it would be important to devise a grant regime for community care which ensured that the implementation of the Government's proposals did not push up the community charge. Subject to that point, he strongly favoured the use of the general needs grant as the vehicle for Exchequer support, rather than the alternative of a substantial specific grant. This approach would ensure that local authorities had to finance community care from their general revenues, and could not argue that they had received insufficient finance from the Government. It would also achieve the maximum possible level of local accountability and encourage value for money. He did not however rule out the possibility of small specific grants for specific purposes, where a case could be made for them.

In discussion, it was suggested that the case for a major new specific grant to cover perhaps 40-50% of the relevant local authority expenditure was that community care was an important function in which central Government had a major interest, and that this should be reflected in the grant arrangements. On the other hand, the same was true of many other local authority functions, such as education, where Exchequer support was directed mostly through the general needs grant, with small specific grants designed to achieve particular priorities. A similar approach would be appropriate in relation to community care.

The Prime Minister, summing up this part of the discussion, said that the Group agreed that most of the Government support for the community care expenditure by local



authorities should be directed through the general needs grant. There might however be a case for minor, targeted specific grants designed to influence local authority decisions in particular areas where a good case could be made out. This possibility should be further considered. More generally, the public expenditure implications of the new regime should be discussed between the three Departments and the Treasury in the context of the Public Expenditure Survey.

Promoting diversity of provision

The Secretary of State for the Environment said that he had put forward proposals in his paper of 28 April designed to ensure a mixed economy of care and to encourage local authorities to become enablers rather than providers. But the Group's decision not to change the financial regime for local authority residential homes might have much the same effect, and make some of his proposals unnecessary. He therefore proposed to reconsider his recommendations in the light of that decision.

In discussion it was suggested that, even if the Government decided to introduce new competitive tendering requirements in relation to local authority residential homes, this should not be announced as part of the response to Sir Roy Griffiths' report on community care. Linking the two issues would provoke unnecessary opposition from people who would present the Government's desire to achieve better value for money as an attack on the existing level of provision. It would be better to announce any proposals on competitive tendering separately, as an extension of the Government's wider local government policies.

The Prime Minister, summing up this part of the discussion, said that the Secretary of State for the Environment should give further consideration to his proposals for promoting diversity of provision, in the light of the Group's decision not to change the financial regime for local authority residential homes. If the Government did decide to go ahead with further measures in this area it would be better to announce them separately, as an extension of their wider policies for achieving value for money in local authorities, rather than as part of the response to Sir Roy Griffiths' report on community care.

Timetable and further work

The Prime Minister, summing up a brief discussion, said that the Group endorsed the timetable set out in the Cabinet Office paper. That would involve an announcement of the Government's conclusions by July, to be followed by a White Paper in the autumn. The White Paper should include separate chapters covering the position in Wales and Scotland. The intention would be to legislate for the new system in the 1989/90 Session of Parliament, and to implement it by April 1991.

A considerable amount of further detailed work would need to be carried out urgently if this timetable were to be achieved. This work should be co-ordinated in the official group chaired by the Cabinet Office, and should cover the areas set out at the end of the present paper as well as the specific issues identified at the present meeting. One substantial issue which had not yet been addressed by the Group was the treatment of the mentally ill, where there was a case for arguing that the present policy had gone too far in the direction of moving people out of mental hospitals into the community. The Secretary of State for Health should bring forward a paper on this issue. The Secretary of State for Wales should also bring forward a paper on the approach which had been adopted in Wales in recent years, with a considerable degree of success. The Group would need to meet again in about a month's time to consider these papers and the outcome of the further work by officials.

I am copying this letter to the Private Secretaries to the other Ministers present, to Stephen Leach (Northern Ireland Office) and to the others who attended the meeting.

*Yours,  
Paul*

PAUL GRAY

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Department of Health.