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SUBJECT cc MASTER.

Ple EAM
a Policy Unit

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LONDON SW1A 2AA

From the Private Secretary

20 June 1989

Dear Andy.

COMMUNITY CARE

The Prime Minister held a further meeting on Tuesday 20 June to discuss policy on community care. Those present were the Secretaries of State for the Environment, Scotland, Health and Social Security, the Chief Secretary, Treasury, the Parliamentary Under-Secretary of State, Welsh Office, Sir Roy Griffiths, Sir Robin Butler, Richard Wilson and Andrew Wells (Cabinet Office) and Ian Whitehead (Policy Unit).

I should be grateful if you and other recipients of this letter would ensure that it is seen only by those with a clear need to know and that no unauthorised copies are taken.

COMMUNITY CARE: FURTHER ISSUES FOR DECISION

The meeting considered a Note by the Cabinet Office dated 16 June, attached to which were Annexes prepared by the Department of Social Security (Annexes A and B), and the Department of Health (Annexes C and D).

Transitional Arrangements

The Secretary of State for Social Security said that the Group had already agreed that existing income support claimants in residential care on a defined date should continue to be funded through income support, and not be required to transfer into the new system. But the Group had commissioned further work on transitional arrangements. The papers identified three main issues. First, there was the position of people who were in residential care homes at April 1991, but were not dependent on income support at that date. He proposed that they should be treated in the same way as other new claimants for income support after April 1991: that is, they should be required to look to the local authorities to meet their care costs, rather than to income support. This would avoid the need for administrative arrangements to keep track of this group. Second, decisions were needed on the treatment of people who entered residential care and sought income support between the announcement of the new system and its implementation from April 1991. Concern had been

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expressed that a preserved right to income support for this group might lead to a surge of new applicants before April 1991. He had considered this issue carefully. While it was not possible to rule out some increase in applications during the transitional period, he had reached the conclusion that the risk of a substantial surge was small. It seemed unlikely that large numbers of people would want to enter residential care prematurely, and even if they did there was unlikely to be a major expansion in the number of places available to accommodate them. He therefore proposed that all people who entered residential care and claimed income support before April 1991 should have their entitlements preserved and remain within the existing system. The third issue which needed to be considered was the prospect of privatisations of local authority homes before April 1991. The Group had agreed that there should be an incentive within the new system for authorities to withdraw from direct provision. But it was clear that councils would face an even stronger incentive to transfer their homes to private ownership before April 1991, so that existing residents benefited from preserved income support entitlements. This would transfer costs from local authority budgets to the income support system. But he was not convinced that a large number of authorities would choose the privatisation route before April 1991, and it would in any case be difficult for the Government to seek to prevent this given their general policy that authorities should become enablers rather than providers. He therefore proposed no special action to prevent privatisation in the transitional period.

In discussion the following main points were made:

a. There would be substantial risks in requiring existing residents who were not on income support at April 1991 to look to the new system for assistance. Such residents might have entered homes in the expectation that they would get income support when their savings were exhausted, and might be alarmed if this entitlement were withdrawn. This could prejudice the success of the policy at the time of implementation, with criticism from many other quarters. These were strong arguments in favour of giving all existing residents a preserved entitlement to income support.

b. As far as people entering residential care between the announcement of the new system and its implementation were concerned, it seemed unlikely that there would be a major surge. The number of places available would be a constraint. While it would be possible for new homes to be set up, this would take time, and it was not clear that prospective home owners would take the risk of setting up homes to accommodate people with preserved income support entitlements, given that these people were unlikely to remain in residential care for more than four years on average.

c. As far as local authority homes were concerned, it would be inconsistent with the Government's general

policy to seek to prevent privatisation before April 1991. But the scale of privatisation should be monitored: if it appeared to be large it might be necessary to consider alternative options, such as a requirement on local authorities to meet all or part of the costs of existing residents in privatised homes after April 1991. Another option would be to change the proportion of capital receipts which authorities could use to finance new spending to provide a disincentive to privatisation before April 1991. But this would draw attention to the attractions of early privatisation. On balance it would be better to take no action unless and until it was clear that there was a problem.

The Prime Minister, summing up this part of the discussion, said that the Group had reached clear decisions on transitional arrangements. People who were in residential care but not claiming income support at April 1991 should nevertheless have their entitlement to income support under the existing system preserved. They would not therefore be required to look to the local authorities for financial assistance under the new system. People who entered residential care and claimed income support between the announcement of the new system and April 1991 should also have their income support entitlements preserved. As far as local authority homes were concerned, no speical measures should be taken at this stage to prevent privatisation before April 1991. But the scope of such transfers should be monitored closely; if it proved that there was a substantial problem in practice, further consideration might need to be given to options for corrective action.

Control of Housing Benefit Expenditure

The Secretary of State for Social Security said that the Group had commissioned further work to ensure that there were adequate controls over housing benefit payments to people in residential care. It was necessary to counteract the incentive for local authorities and the owners of homes to set the rent element unreasonably high, so that the Exchequer bore a disproportionate share of costs. The papers proposed that housing benefit payments should be based on notional rents calculated at local level. This could be done in a number of ways. For example, the notional amounts could be calculated from the relevant average rents met through housing benefit in each area. Further work was needed to produce an agreed option. But he sought colleagues' agreement to the broad principle of his proposal.

In discussion it was agreed that further work was needed, and that the option of using rent officers to assess rents for each residential care home should not be ruled out at this stage. In the course of this work, further consideration should also be given to the administrative arrangements for the payment of housing benefit. One option which would make the system simpler for claimants would be to require the local social services authority to take on this administrative responsibility in the case of people in residential care.

The Prime Minister, summing up this part of the discussion, said that the Group approved the principle of the new arrangements recommended by the Department of Social Security, under which housing benefit payments to people in residential care would be based on notional amounts of rent calculated at local level. But further work was needed on the details of such a scheme, taking account of the points made in discussion. The Secretary of State for Social Security should commission this work, and seek to resolve these issues, in consultation with the Secretary of State for the Environment and the Chief Secretary, Treasury.

Targeted Specific Grants

The Secretary of State for Health said that the Group had agreed that most of the Government support for community care expenditure by local authorities under the new system should be directed through the general needs grant. But they had accepted that there might be a case for minor targeted specific grants. His Department's paper set out three areas where specific grants might be valuable to persuade local authorities to tackle their new responsibilities in the way which the Government would wish. The first proposal was for a grant for home care services, to encourage authorities to target care on those with the greatest needs, who could then remain in their own homes rather than going into residential care. The second proposal was for a grant to encourage the growth of provision by the independent sector rather than by local authorities themselves. The third proposal was a grant to encourage the improvement of services for the mentally ill in the community. In his view there was a case for new specific grants in all three areas. The Government were removing the popular entitlement to income support for residential care, and it would be essential to persuade the public that the new system would provide a better overall solution to the problems of community care. To do that it would be necessary to show not just that local authority services would be expanded, but also that they would be targeted on the right people. The new arrangements provided for a substantial transfer of expenditure from the income support budgets to local authorities, and the real question was how much of this should be provided by way of targeted specific grants.

In discussion the following main points were made:

a. A substantial level of specific grant would be necessary if local authorities were to have a real incentive to plan their provision to meet the needs of the new system, and ensure that the policy was effective. From this point of view a programme of grants of around £100 million per annum, as proposed in the Department of Health paper, would be appropriate. Specific grants had been used successfully in Wales to encourage co-operation between local authorities and health authorities, and this showed what could be achieved in England.

b. On the other hand, the Group had agreed that most of the Government support for community care expenditure should be directed through the general needs grant, supplemented only by minor specific grants. The grants proposed in the Department of Health paper were not sufficiently specific or targeted. Paying grant at these levels would cut the amount of general grant available, and could be expected to cause problems in the annual revenue support grant settlement. It could also be expected to push up expenditure in those areas supported by specific grants, without encouraging offsetting savings elsewhere. Furthermore it was unclear that specific grants would bring substantial benefits to offset these disadvantages. The evidence was that local authorities were keen to take on the new role proposed for them in Sir Roy Griffiths' Report, without the added incentive of specific grants.

c. Of the detailed proposals in the Department of Health paper, the case for the home care services grant seemed weakest. The new system would provide a strong incentive for authorities to make available the domiciliary services necessary for people to stay in their own home, because that would be cheaper than supporting them in residential care. So far as the second proposal was concerned, it was unclear that it would be necessary to pay specific grant to help local authorities to develop new skills in purchasing and contract management: these skills were already being developed as a result of the Government's policies on contracting out. There might be more of a case for a specific grant to stimulate improved services for the mentally ill, but that was bound up with the Secretary of State for Health's separate paper on this issue.

The Prime Minister, summing up this part of the discussion, said that the Group were not yet in a position to reach firm decisions on specific grants for community care. The Secretary of State for Health and the Chief Secretary, Treasury should consider this issue further in the light of the points made in discussion.

Other Issues

The Secretary of State for Health said that there were three other issues covered by the Cabinet Office note. The first issue was whether local authorities would need new powers to give effect to the new system. He was not attracted to providing all-embracing new powers, which would add to the pressure for increased expenditure. Further consideration would have to be given to the precise legislative provisions required for the new system. But for the July announcement all that need be said was that local authorities would have necessary powers to carry out their new responsibilities. The second issue was planning and monitoring arrangements for local authority services. He did not favour a requirement that plans should be approved centrally by his Department. But the paper set out a more modest proposal which would

require local authorities to have community care plans, made in collaboration with health authorities and others; ensure that these plans were open to inspection by the social services inspectorate; and enable him to call for reports. The third issue was the arrangements for registration and inspection of residential care and nursing homes. For private homes, he proposed the retention of the existing arrangements, under which the district health authorities were responsible for non-acute nursing homes and the local authorities for residential care homes. It was also necessary to take action on local authority homes. He proposed to ask local authorities to establish inspection and registration units at arm's length from the management of their own services which should be responsible for standards in their homes, and to involve independent outsiders in these arrangements.

In discussion the following main points were made:

a. The issue of the inspection of local authorities' own homes was controversial, particularly with the owners of private homes, and it was right to make new arrangements in this area, and to involve independent outsiders. The costs of these arrangements would need to be considered in the relevant Public Expenditure Survey in the normal way.

b. There were further issues about the new system which would need to be clarified before an announcement could be made. One was how much choice an applicant for local authority support would have about the home in which he or she was accommodated. Some applicants might seek to move to a home outside their present local authority's area, and it would need to be clear whether this would be permitted. The most that could be conceded was a requirement on the local authority to have regard to the views of each claimant. But it would be up to the authority to decide what cost they were prepared to meet. They might be prepared to give the applicant a choice of two or three suitable homes, and even in some cases to support the claimant in another area subject to suitable financial arrangements. But the applicant should not be able to enforce a particular choice.

The Prime Minister, summing up this part of the discussion, said that the Group approved the proposals put forward by the Secretary of State for Health on local authority powers and duties, planning and monitoring arrangements, and the registration and inspection of residential care and nursing homes. The financial implications of his proposals on the inspection of local authorities own homes would need to be handled in the relevant Public Expenditure Survey in the normal way. There were further detailed issues on which a clear line would be needed before a statement was made. The Secretary of State for Health should ensure that these issues were identified and resolved in agreement with colleagues. On the question of giving applicants a choice as to the home in which they were accommodated, the answer might well be to place a duty on the

local authority to have regard to the wishes of the applicant, without giving the applicant an enforceable right to insist on a particular home or location.

SERVICES FOR THE MENTALLY ILL

The Group considered minutes to the Prime Minister from the Secretaries of State for Health (dated 16 June), Wales (dated 13 June) and Scotland (dated 19 June).

The Secretary of State for Health said that his minute set out his proposals for improving services for the mentally ill in England. He proposed to give a new assurance that severely mentally ill people would not be discharged from hospital until and unless satisfactory medical and social care was available for them in the community. He also proposed to announce a package of measures to underpin this, set out in Annex 1 to his minute. But he believed that it was necessary to go further in the case of those patients with the most acute mental illness. He proposed that mentally ill patients who had been in hospital for three months or more should after discharge continue to be the responsibility of the district health authority for their social care as well as their medical care. This would last as long as they remained under the supervision of a consultant psychiatrist. This would help to meet concern about the discharge of such people into the community irrespective of the availability of the necessary services. He would expect the district health authorities to buy in the services they needed from local authorities as far as possible. But the crucial thing would be that the district health authorities would have clear accountability for all services for this group. Responsibility for social services for patients outside the most acutely ill group would remain with the local authorities, and he had put forward a proposal for a new specific grant to ensure that local authorities improved their services for these clients.

In discussion the following main points were made:

a. There was no doubt that in the past some people with severe mental illness had been released into the community when they should have remained in hospital. The Secretary of State for Health's proposal could be expected to reduce the risk of this happening in future, since the district health authority would be responsible for deciding whether the person could be supported in the community. There might also be advantages in having medical staff involved in decisions about the relevant social care for these individuals.

b. But there were also disadvantages. Responsibility for providing social services would be split between the district health authority and the local authority in each area. This might well add to costs, particularly if highly paid medical staff were involved in the health authorities. If the Group decided to accept the proposal, it would be necessary to reach an agreement on the financial implications before an announcement was

made.

c. However a better option might be to look to the local authorities to provide social services even for the most acutely mentally ill patients. That might require new administrative arrangements to ensure that health authorities and local authorities co-operated in each area. One way to ensure that might be to introduce a new, targeted specific grant for social services for the mentally ill, paid against effective plans for these services. This approach had been adopted successfully in Wales. Local authorities were also responsible for all social services in Scotland, where the arrangements also worked well.

d. The future of Section 7 of the Disabled Persons (Services, Consultation and Representation) Act 1986 would also need to be resolved. This section, which had not been implemented, would place a statutory duty on local authorities to assess and meet the needs of mentally ill patients discharged after 6 months or more in hospital. But if it were implemented it was likely that there would be a very substantial increase in expenditure by local authorities.

The Prime Minister, summing up this part of the discussion, said that the Group were not yet in a position to reach final decisions on arrangements for the mentally ill. However, they saw substantial attractions in leaving responsibility for the provision of social services to all mentally ill people in the community with the local authorities. This arrangement appeared to be working well in Wales and Scotland. The Secretary of State for Health should consider further, in consultation with the Chief Secretary, Treasury, whether this approach could offer a solution to the problems of the mentally ill in England, bearing in mind also the possibility which had been discussed earlier of providing a targeted specific grant to encourage local authorities to develop the proper services.

RESOURCES FOR COMMUNITY CARE

The Group considered a minute of 16 June from the Secretary of State for Health to the Prime Minister.

The Secretary of State for Health said that there was no doubt that at the time of the announcement of the new policy on community care he would be pressed on the financial implications. His minute suggested a way of handling these issues. He suggested that the statement should set out how the financial transfers would work, and provide illustrative figures, perhaps based on 1988/89. He would also need to acknowledge that the trend of expenditure was upwards, and that this would imply increases in local authority spending as the new system progressed. It would also be necessary to provide extra money in the first years of the new system to ensure that local authorities could develop their domiciliary services, and undertake the role of assessing applicants for

residential care.

In discussion it was suggested that all that was necessary for the July announcement was a statement about the way in which the financial issues were to be handled, developed on the lines of paragraph 2 of the Secretary of State's minute. There were strong arguments against providing illustrative figures, since these were certain to be very different from the eventual amounts involved, and would simply provide ammunition for the opponents of the Government's policy. Any proposal to provide additional resources would need to be considered in the Public Expenditure Survey in the normal way.

The Prime Minister, summing up this part of the discussion, said that it would be necessary to cover the financial implications of the new policy in general terms in the July statement, developing the line in paragraph 2 of the Secretary of State's minute as suggested in discussion. The Secretary of State for Health should discuss this further with the Chief Secretary and other colleagues concerned.

Concluding the discussion, the Prime Minister said that the next step would be for the Secretaries of State for Health and Social Security to prepare a joint paper for E(A), for formal clearance with other colleagues. A full draft of the July statement should be attached to that paper, and should contain a passage about the financial implications, which should be cleared with the Chief Secretary, Treasury. The paper should be circulated to E(A) by the end of the first week in July.

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

Andy McKeon, Esq.,
Department of Health

1. Mr Wilson PJ 16
2. Mr Gray.
Andrew Wells 20/6/89

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DRAFT LETTER FOR PAUL GRAY TO SEND TO ANDY MCKEON, PRIVATE SECRETARY, SECRETARY OF STATE FOR HEALTH

COMMUNITY CARE

The Prime Minister held a further meeting on Tuesday 20 June to discuss policy on community care. Those present were the Secretaries of State for the Environment, Scotland, Health and Social Security, the Chief Secretary, Treasury, the Parliamentary Under-Secretary of State, Welsh Office, Sir Roy Griffiths, Sir Robin Butler, Richard Wilson and Andrew Wells (Cabinet Office) and Ian Whitehead (Policy Unit).

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income support at that date. He proposed that they should be treated in the same way as other new claimants for income support after April 1991: that is, they should be required to look to the local authorities to meet their care costs, rather than to income support. This would avoid the need for ~~cumbersome~~ administrative arrangements to keep track of this group. Second, decisions were needed on the treatment of people who entered residential care and sought income support between the announcement of the new system and its implementation from April 1991. Concern had been expressed that a preserved right to income support for this group might lead to a surge of new applicants before April 1991. He had considered this issue carefully. While it was not possible to rule out some increase in applications during the transitional period, he had reached the conclusion that the risk of a substantial surge was small. It seemed unlikely that large numbers of people would want to enter residential care prematurely, and even if they did there was unlikely to be a major expansion in the number of places available to accommodate them. He therefore proposed that all people who entered residential care and claimed income support before April 1991 should have their entitlements preserved and remain within the existing system. The third issue which needed to be considered was the prospect of privatisations of local authority homes before April 1991. The Group had agreed that there should be an incentive within the new system for authorities to withdraw from direct provision. But it was clear that councils would face an even stronger incentive to transfer their homes to private ownership before April 1991, so that existing residents benefitted from preserved income support entitlements. This would transfer costs from local authority budgets to the income support system. But he was not convinced that a large number of authorities would choose the privatisation route before April 1991, and it would in any case be ~~very~~ difficult for the Government to seek to prevent this given their general policy that authorities should become

enablers rather than providers. He therefore proposed no special action to prevent privatisation in the transitional period.

In discussion the following main points were made -

a. There would be substantial risks in requiring existing residents who were not on income support at April 1991 to look to the new system for assistance. Such residents might have entered homes in the expectation that they would get income support when their savings were exhausted, and might be alarmed if this entitlement were withdrawn. This could prejudice the success of the policy at the time of implementation, ~~when it would no doubt be under~~ with criticism from many other quarters. These were strong arguments in favour of giving all existing residents a preserved entitlement to income support.

b. As far as people entering residential care between the announcement of the new system and its implementation were concerned, it seemed unlikely that there would be a major surge. The number of places available would be a constraint. While it would be possible for new homes to be set up, this would take time, and it was not clear that prospective home owners would take the risk of setting up homes to accommodate people with preserved income support entitlements, given that these people were unlikely to remain in residential care for more than four years on average.

c. As far as local authority homes were concerned, it would be inconsistent with the Government's general policy to seek to prevent privatisation before April 1991. But the scale of privatisation should be monitored: if it appeared to be large it might be necessary to consider alternative

options, such as a requirement on local authorities to meet all or part of the costs of existing residents in privatised homes after April 1991. Another option would be to change the proportion of capital receipts which authorities could use to finance new spending to provide a disincentive to privatisation before April 1991. But this would draw attention to the attractions of early privatisation. On balance it would be better to take no action unless and until it was clear that there was a problem.

The Prime Minister, summing up this part of the discussion, said that the Group had reached clear decisions on transitional arrangements. People who were in residential care but not claiming income support at April 1991 should nevertheless have their entitlement to income support under the existing system preserved. They would not therefore be required to look to the local authorities for financial assistance under the new system. People who entered residential care and claimed income support between the announcement of the new system and April 1991 ~~its implementation~~ should also have their income support entitlements preserved. As far as local authority homes were concerned, no special measures should be taken at this stage to prevent privatisation before April 1991. But the scope of such transfers should be monitored closely; if it proved that there was a substantial problem in practice, further consideration might need to be given to options for corrective action.

Control of Housing Benefit Expenditure

The Secretary of State for Social Security said that the Group had commissioned further work to ensure that there were adequate controls over housing benefit payments to people in residential care. It was necessary to counteract the incentive for local authorities and the owners of homes to set the rent element

unreasonably high, so that the Exchequer bore a disproportionate share of costs. The papers proposed that housing benefit payments should be based on notional rents calculated at local level. This could be done in a number of ways. For example, rent officers could be asked to assess rent for individual homes; or the notional amounts could be calculated from the relevant average rents met through housing benefit in each area. Further work was needed to produce an agreed option. But he sought colleagues' agreement to the broad principle of his proposal.

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In discussion it was agreed that further work was needed, and that the option of using rent officers to assess rents for each residential care home should not be ruled out at this stage. In the course of this work, further consideration should also be given to the administrative arrangements for the payment of housing benefit. One option which would make the system simpler for claimants would be to require the local social services authority to take on this administrative responsibility in the case of people in residential care.

The Prime Minister, summing up this part of the discussion, said that the Group approved the principle of the new arrangements recommended by the Department of Social Security, under which housing benefit payments to people in residential care would be based on notional amounts of rent calculated at local level. But further work was needed on the details of such a scheme, taking account of the points made in discussion. The Secretary of State for Social Security should commission this work, and seek to resolve these issues, in consultation with the Secretary of State for the Environment and the Chief Secretary, Treasury.

Targeted Specific Grants

The Secretary of State for Health said that the Group had agreed

that most of the Government support for community care expenditure by local authorities under the new system should be directed through the general needs grant. But they had accepted that there might be a case for minor targeted specific grants. His Department's paper set out three areas where specific grants might be valuable to persuade local authorities to tackle their new responsibilities in the way which the Government would wish. The first proposal was for a grant for home care services, to encourage authorities to target care on those with the greatest needs, who could then remain in their own homes rather than going into residential care. The second proposal was for a grant to encourage the growth of provision by the independent sector rather than by local authorities themselves. The third proposal was a grant to encourage the improvement of services for the mentally ill in the community. In his view there was a case for new specific grants in all three areas. The Government were removing the popular entitlement to income support for residential care, and it would be essential to persuade the public that the new system would provide a better overall solution to the problems of community care. To do that it would be necessary to show not just that local authority services would be expanded, but also that they would be targeted on the right people. The new arrangements provided for a substantial transfer of expenditure from the income support budgets to local authorities, and the real question was how much of this should be provided by way of targeted specific grants.

In discussion the following main points were made -

a. A substantial level of specific grant would be necessary if local authorities were to have a real incentive to plan their provision to meet the needs of the new system, and ensure that the policy was effective. From this point of view a programme of grants of around £100 million per

annum, as proposed in the Department of Health paper, would be appropriate. Specific grants had been used successfully in Wales to encourage cooperation between local authorities and health authorities, and this showed what could be achieved in England.

b. On the other hand, the Group had agreed that most of the Government support for community care expenditure should be directed through the general needs grant, supplemented only by minor specific grants. The grants proposed in the Department of Health paper were not sufficiently specific or targeted. Paying grant at these levels would cut the amount of general grant available, and could be expected to cause problems in the annual revenue support grant settlement. It could also be expected to push up expenditure in those areas supported by specific grants, without encouraging offsetting savings elsewhere. Furthermore it was unclear that specific grants would bring substantial benefits to offset these disadvantages. The evidence was that local authorities were keen to take on the new role proposed for them in Sir Roy Griffiths' Report, without the added incentive of specific grants.

c. Of the detailed proposals in the Department of Health paper, ~~there seemed to be least~~ the case for the home care services grant seemed weakest. The new system would provide a strong incentive for authorities to make available the domiciliary services necessary for people to stay in their own home, because that would be cheaper than supporting them in residential care. ~~As~~ So far as the second proposal was concerned, it was unclear that it would be necessary to pay specific grant to help local authorities to develop new skills in purchasing and contract management: these skills were already being developed as a result of the

Government's policies on contracting out. There might be more of a case for a specific grant to stimulate improved services for the mentally ill, but that was bound up with the Secretary of State for Health's separate paper on this issue.

The Prime Minister, summing up this part of the discussion, said that the Group were not yet in a position to reach firm decisions on specific grants for community care. The Secretary of State for Health and the Chief Secretary, Treasury should consider this issue further, ~~with a view to reaching agreement on detailed proposals about the scope and size of specific grants which might be introduced in this area.~~ in the light of the points made in discussion.

Other Issues

The Secretary of State for Health said that there were three other issues covered by the Cabinet Office Note. The first issue was whether local authorities would need new powers to give effect to the new system. He was not attracted to providing all-embracing new powers, which would add to the pressure for increased expenditure. Further consideration ~~was needed of~~ would have to be given to the precise legislative provisions ~~necessary to give effect to~~ required for the new system. But for the July announcement ~~it was unnecessary to say more than~~ all that need be said was that local authorities would have necessary powers to carry out their new responsibilities. The second issue was planning and monitoring arrangements for local authority services. He did not favour a requirement that plans should be approved centrally by his Department. But the paper set out a more modest proposal which would require local authorities to have community care plans, made in collaboration with health authorities and others; ensure that these plans were open to inspection by the social services inspectorate; and enable him to call for reports. The third issue was the arrangements for

registration and inspection of residential care and nursing homes. For private homes, he proposed the retention of the existing arrangements, under which the district health authorities were responsible for non-acute nursing homes and the local authorities for residential care homes. It was also necessary to take action on local authority homes. He proposed to ask local authorities to establish inspection and registration units at arm's length from the management of their own services which should be responsible for standards in their homes, and to involve independent outsiders in these arrangements.

In discussion the following main points were made -

a. The issue of the inspection of local authority's own homes was controversial, particularly with the owners of private homes, and it was right to make new arrangements in this area, and to involve independent outsiders. ~~But~~ the costs of these arrangements would need to be considered in the relevant Public Expenditure Survey in the normal way.

b. There were further issues about the new system which would need to be clarified before an announcement could be made. One ~~such issue~~ was ~~the question of~~ how much choice an applicant for local authority support would have about the home in which he or she was accommodated. Some applicants might seek to move to a home outside their present local authority's area, and it would need to be clear whether this would be permitted. The ~~present proposal was that the legislation should require~~ requirement on the local authority to have regard to the views of each claimant. But it would be up to the authority to decide what cost they were prepared to meet, ~~that might mean giving~~ the applicant a choice of two or three suitable homes, ~~It would be open to the local authority~~ to support the claimant in another area, ~~but the~~

financial arrangements. ~~in this case remained to be clarified.~~

The Prime Minister, summing up this part of the discussion, said that the Group approved the proposals put forward by the Secretary of State for Health on local authority powers and duties, planning and monitoring arrangements, and the registration and inspection of residential care and nursing homes. ~~But~~ The financial implications of his proposals on the inspection of local authority's own homes would need to be handled in the relevant Public Expenditure Survey in the normal way. There were further detailed issues on which a clear line would be needed before a statement was made. The Secretary of State for Health should ensure that these issues were identified and resolved ~~and reflected in a draft statement which would need to be cleared~~ with colleagues.

SERVICES FOR THE MENTALLY ILL

The Group considered minutes to the Prime Minister from the Secretaries of State for Health (dated 16 June), Wales (dated 13 June) and Scotland (dated 19 June).

The Secretary of State for Health said that his minute set out his proposals for improving services for the mentally ill in England. He proposed to give a new assurance that severely mentally ill people would not be discharged from hospital until and unless satisfactory medical and social care was available for them in the community. He also proposed to announce a package of measures to underpin this, set out in Annex 1 to his minute. But he believed that it was necessary to go further in the case of those patients with the most acute mental illness. He proposed that mentally ill patients who had been in hospital for three months or more should after discharge continue to be the

responsibility of the district health authority for their social care as well as their medical care. This would last as long as they remained under the supervision of a consultant psychiatrist. This would help to meet concern about the discharge of such people into the community irrespective of the availability of the necessary services. He would expect the district health authorities to buy in the services they needed from local authorities as far as possible. But the crucial thing would be that the district health authorities would have clear accountability for all services for this group. Responsibility for social services for patients outside the most acutely ill group would remain with the local authorities, and he had put forward a proposal for a new specific grant to ensure that local authorities improved their services for these clients.

In discussion the following main points were made -

a. There was no doubt that in the past some people with severe mental illness had been released into the community when they should have remained in hospital. The Secretary of State for Health's proposal could be expected to reduce the risk of this happening in future, since the district health authority would be responsible for deciding whether the person could be supported in the community. There might also be advantages in having medical staff involved in decisions about the relevant social care for these individuals.

b. But there were also disadvantages. Responsibility for providing social services would be split between the district health authority and the local authority in each area. This might well add to costs, particularly if highly paid medical staff were involved in the health authorities. If the Group ~~did~~ decided to accept the proposal, it would be

necessary to reach an agreement on the financial implications before an announcement was made.

c. However a better option might be to look to the local authorities to provide social services even for the most acutely mentally ill patients. That might require new administrative arrangements to ensure that health authorities and local authorities cooperated in each area. One way to ensure that might be to introduce a new, targeted specific grant for social services for the mentally ill, paid against effective plans for these services. This approach had been adopted successfully in Wales. Local authorities were also responsible for all social services in Scotland, where the arrangements also worked well.

d. The future of Section 7 of the Disabled Persons (Services, Consultation and Representation) Act 1986 would also need to be resolved. This section, which had not been implemented, would place a statutory duty on local authorities to assess and meet the needs of mentally ill patients discharged after 6 months or more in hospital. But if it were implemented it was likely that there would be a very substantial increase in expenditure by local authorities.

The Prime Minister, summing up this part of the discussion, said that the Group were not yet in a position to reach final decisions on arrangements for the mentally ill. However they saw substantial attractions in leaving responsibility for the provision of social services to all mentally ill people in the community with the local authorities. This arrangement appeared to be working well in Wales and Scotland. ~~The Group recognised that it might need to be backed by a new~~ specific grant to

~~encourage local authorities to develop the proper services.~~ The Secretary of State for Health should consider further, in consultation with the Chief Secretary, Treasury, whether this approach could offer a solution to the problems of the mentally ill in England, bearing in mind also the possibility which had been discussed earlier of providing a targetted specific grant to encourage local authorities to develop the proper services.

RESOURCES FOR COMMUNITY CARE

The Group considered a minute of 16 June from the Secretary of State for Health to the Prime Minister.

The Secretary of State for Health said that there was no doubt that at the time of the announcement of the new policy on community care he would be pressed on the financial implications. His minute suggested a way of handling these issues. He suggested that the statement should set out how the financial transfers would work, and provide illustrative figures, perhaps based on 1988/89. He would also need to acknowledge that the trend of expenditure was upwards, and that this would imply increases in local authority spending as the new system progressed. It would also be necessary to provide extra money in the first years of the new system to ensure that local authorities could develop their domiciliary services, and undertake the role of assessing applicants for residential care.

In discussion it was suggested that all that was necessary for the July announcement was a statement about the way in which the financial issues were to be handled, developed on the lines of ~~from~~ paragraph 2 of the Secretary of State's minute. There were strong arguments against providing illustrative figures, since these were certain to be very different from the eventual amounts involved, and would simply provide ammunition for the opponents of the Government's policy. Any proposal to provide additional

The Secretary of State for Health should discuss this further with the Chief Secretary and other colleagues concerned.

resources would need to be considered in the Public Expenditure Survey in the normal way.

The Prime Minister, summing up this part of the discussion, said that it would be necessary to cover the financial implications of the new policy in general terms in the July statement, ~~perhaps~~ developing ~~along~~ the lines suggested in discussion. ~~But the Group could not consider this further in the absence of a draft statement. The~~ NEW PARAGRAPH The next step would be for the Secretaries of State for Health and Social Security to prepare a joint paper for E(A), for formal clearance with other colleagues. A full draft of the July statement should be attached to that paper, and should contain a passage about the financial implications, which should be cleared with the Chief Secretary, Treasury. The paper should be circulated ~~in time to be discussed at a meeting of E(A) in early July, and preferably towards~~ to E(A) by the end of the first week in ~~that month~~ July.

in paragraph 2 of the Secretary of State's minute as

~~from~~ to

Concluding the discussion, the Prime Minister said that the

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.