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PRIME MINISTER

COMMUNITY CARE: IMPLEMENTATION

I attach Mr. Clarke's paper on community care for the discussion on Wednesday. Full briefing will be provided by Peter Owen (Cabinet Office) and the Policy Unit tomorrow evening. In the meantime I thought it might be helpful to give some preliminary thoughts.

The Government has announced that responsibility for community care will be transferred to local authorities from 1 April, 1991. Mr. Clarke's conclusion is that the Government should proceed on this timetable in order to sustain the political and policy commitment. He also argues that slowing down implementation of the transfer would defer the expected net savings in public spending.

The paper does not make the case well. There are three key issues.

- (i) What are the public expenditure implications of going ahead as planned in April 1991 as against delaying until April 1992?
- (ii) What are the community charge implications for next year if implementation does go ahead in April 1991?
- (iii) Are local authorities sufficiently well prepared to take over their new responsibilities?

Public Expenditure

On (i), Mr. Clarke argues that postponement would defer the public expenditure savings in prospect. Those savings are expected to arise mainly on income support - as more community care is handled in the home, and new regulations limit the commitments to meet housing benefit and income support for those in care.

That is the long term prospect. But the paper appears to show that over the next three years, delay leads to public expenditure savings. Paragraph 3.3 of the paper indicates that the cost of proceeding with implementation in April 1991 would be £500 m over the next three years: if implementation is delayed until April 1992, the costs would be £330 m., a saving of £170 m. Given the overall public expenditure position, this must be an important factor in deciding whether to implement next year or to delay.

Community Charge

On (ii), the paper identifies in paragraph 26 possible community charge implications under different assumptions about local authority spending on community care. But these are mechanically driven rather than representing a real appreciation of what might happen. There is clearly a risk of ambitious (or politically motivated) council committees boosting spending and hence community charges.

But the new community care responsibilities would fall upon the county councils, metropolitan districts and London boroughs. That is the group of local authorities for which the new target and capping proposals are being developed. To the extent that a satisfactory target/capping regime was achieved, that should much reduce the risk of the transfer of community care leading to higher community charges. It would also be a useful discipline in keeping down public expenditure on community care.

Local Authority Preparedness

On (iii) - preparedness of the local authorities - the picture presented is a little bland. The key political issue is the danger of gaps emerging under the new regime with pensioners, for example, failing to get adequate support from either health authorities or local authorities. And tighter spending controls on LAS under the new target/capping regime might increase the risk of such gaps emerging. The limited evidence seems to indicate some risk that LAS will not be able to take it all on successfully - and that risks higher expenditure in health authorities and/or inadequate service.