

(a-b)

SECRET

IAN WHITEHEAD

1 May 1990

cc: Barry Potter

COMMUNITY CARE: IMPLEMENTATION

The risks for the level of Community Charge emerge very clearly from Kenneth Clarke's paper, despite its obscurity:

- Estimate C (1991/2 spending of £540 million over and above the DSS transfer) is put forward only as LAs provisional estimate. History suggests the figure is more likely to go up than down. £20-£30 on next year's charge looks all too plausible an outcome, or even something higher. The fact that LAs are already complaining about inadequate resources bodes ill.
- Estimate C also adds £160 million to CC benefit costs. This has to be offset against the conclusion in para 3.6 quite apart from the impact of lower community charge than otherwise.
- The net PE saving in para 3.1 depends crucially on the assumption in 3.2 that under the new system LAs will, through budgetary restrictions, divert people from residential care to care at home which is cheaper. Will this happen?
- As we discussed, any savings accruing to an LA's own account could easily be swallowed up by extra spending on eg existing domiciliary services. This cost pressure will exist regardless, but the new system will put added pressure on it.
- It would be easy option for a local authority simply to accept that someone should go into residential care, regardless of public cost, simply because it saved having to do assessments and because income support costs would still

SECRET

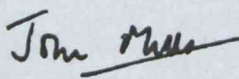
b

SECRET

fall on DSS, thus leaving the LA to spend on high profile activities like home helps. This argument is founded also on the belief that policies in the field of local government finance are easily prey to having the reverse effects to those intended!

- In short the assumptions underlying the net PE savings can all too easily be demolished, so that we have a scenario in which the pressures on DSS costs remain but we also have a quantum leap in LA requirements. Disaster!
- This will be a difficult area to cap, especially in 1991. There would be the Government with one hand asking the LAs to set up major new systems (with the avowed purpose of saving on PE overall) and with the other cutting back budgets before the market is even tested. That would be the worst of all worlds.

2. Clarke is surely right in my view that postponement, if done at all, must be for 2 years. Possibly the greatest danger of starting in 1991 measured against the main objective of keeping down the absolute level of community charge is the creation, through experience, of yet greater cost pressures for 1992 (following the trend of Estimate C). Modest extra costs to keep preparatory work, training etc going seem a price well worth paying (and a containable price) to avoid the downside risks.

  
JOHN MILLS

SECRET

06/10/2010  
01/10/2010