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PREM 19/1615

PART 5. MT

SECRET

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CONFIDENTIAL FILING

INNER CITIES POLICY AND PROBLEMS

REGENERATION OF LIVERPOOL AND LONDON DOCKLANDS

URBAN DEVELOPEMENT CORPORATIONS.

REGIONAL POLICY

Pt. 1 = July 79

Pt 5: May 84

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
3.5.84.		28.1.85					
~~8.5.84~~							
~~9.6.84~~							
~~11.5.84~~							
~~22.5.84~~		PART ENDS.					
~~13/6/84~~							
~~18.6.84~~							
~~22.6.84~~							
~~27.6.84~~							
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~~29.11.84~~							
~~31.12.84~~							
~~11.1.85~~							
~~15.1.85~~							

PREM 19/1615

PART 5 ends:-

AT to D. Emp. 28.1.85

PART 6 begins:-

S/S Em. to PM 4.2.85

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CC(84) 17th Meeting, item 3	03/05/1984
CC(84) 25th Meeting, item 1	05/07/1984
MISC 104(84) 3	04/10/1984
MISC 104(84) 4	09/10/1984
MISC 104(84) 5	09/10/1984
MISC 104(84) 6	10/10/1984
MISC 104(84) 8	21/11/1984
MISC 104(84) 9	21/11/1984
MISC 104(84) 10	21/11/1984

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed J. Gray Date 14/2/2014

PREM Records Team

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons HANSARD, 26 June 1984, columns 813 to 872: Rates Bill

Signed J. Gray Date 14/2/2014

PREM Records Team

MJ2 ABS

10 DOWNING STREET

From the Private Secretary

28 January 1985

Training Places on Merseyside

Having looked again at my notes I found that the Bishop of Liverpool did mention the adequacy of Mode B places on Merseyside. However, I must have missed his reference to adult training and, in consequence, did not ask you to cover this in the draft reply you prepared. Could you let me have a further draft letter covering the points the Bishop has raised in his latest letter, to reach me by close of play on Tuesday 5 February.

Andrew Turnbull

Miss Judith Rutherford
Department of Employment

Original in poor condition

MT2AB5.

10 DOWNING STREET

28 January 1985

From the Private Secretary

Thank you for your letter to the Prime Minister of 21 January. I have looked again at my notes of the meeting and discovered that while there was some mention in the discussion of the adequacy of Mode B places, I must have missed your reference to adult training places. As a result the Prime Minister's reply to you failed to cover this point. The Prime Minister will reply to your letter when she has received advice on the points you have raised.

Andrew Turnbull

The Right Reverend David Sheppard.

The Bishop of Liverpool

The Rt Rev David Sheppard

Church House 1 Hanover Street Liverpool L1 3DW

051 708 9480

CF pps

The Rt. Hon. Mrs. Margaret Thatcher,
10 Downing Street,
LONDON SW1.

21st January 1985.

25/1

Dear Prime Minister,

I very much appreciate the careful letter which you sent me following our meeting on the 15th November. I am somewhat embarrassed by it, as it is entirely about the Youth Training Scheme, which I did not mention in our discussion! I really don't expect you in your position to enter into the details of the different parts of the Manpower Services Commission operation, but I feel that you would prefer me to come back to you, rather than stay silent.

The point that I was trying to make was about the adult training strategy and the undoubted withdrawal of MSC resources from Merseyside in particular and the North West in general to areas where employment is stronger. The emphasis of the adult training strategy has been a deliberate shift from those in the greatest need to those who are either in employment already or who are most likely to obtain employment. I can see the value of "output measurement" being applied to many Government measures. I question very deeply its appropriateness, when applied to training measures for unemployed people. Whether they will obtain employment or not depends primarily on where they live.

The point was highlighted when I recently visited Sight and Sound at 50 Upper Parliament Street, Liverpool 8. That Sight and Sound branch was set up at the request of Michael Heseltine's Task Force and the MSC, and deliberately located where the Liverpool 8 black community would most likely make use of it. John Pardoe came up to show me round, and we had a long talk. He said that the present emphasis on TOPS would encourage him to do all his work in Bristol and London, where he can place 80% into jobs, rather than in Upper Parliament Street, where he places 20% in jobs.

Employers sometimes use the argument against investing in Merseyside, that there are not enough skills available. If the capacity to train is taken away from Merseyside, that really is finally pulling the rug from beneath us.

Just recently I discussed with the Merseyside MSC Managers what the effect of current policies in the adult training strategy is. I asked the relevant officers whether we would be continuing to support TOPS in Sight and Sound, Upper Parliament Street, if it was located somewhere else in Merseyside, where the needs were as great. Their answer was, "in all probability we would have to close it down".

They tell me that for five years the resources for such training have been whittled away. I understand that the resources given to adult training through the MSC nationally are 260 million pounds in the current year and will stand still at 260 million pounds in the next year. (By comparison with 1,000 million pounds for YTS). They say that about 5% of their money this year has moved away down South.

There are other examples of our anxieties about training resources being reduced. To take one example, it is proposed in the current review of Skill Centres to close the Liverpool Skill Centre. I made enquiries about whether the Task Force was consulted about this, and discovered that the answer was no. I have not made that information available to anybody else. I am concerned at the way in which the Department of Employment seems to act without consultation with other Government Departments, such as the Department of Environment.

You kindly said that you would talk to David Young about the matters we discussed. I have written to him recently, asking if he and I could meet again and discuss some of these matters.

Yours sincerely

Derek Hatton

Leader Liverpool.

Regional Pol: Liverpool: Pt 5.

10 DOWNING STREET

PRIME MINISTER

"My Lord Bishop"

12 1 85

Mode A - Employer led

Mode B - Public sector led of ~~which~~

Mode B1 is ~~in~~ training workshops and community projects

Mode B 2 is a miscellany of other schemes including colleges.

file LPO

cc DI Grmp ✓

10 DOWNING STREET

THE PRIME MINISTER

15 January 1985

My Lord Bishop,

When I met you and the Archbishop of Liverpool on 15 November you raised a number of questions regarding the Youth Training Scheme in Merseyside which I promised to look into. In particular you urged greater provision of Mode B places.

As you know, the Youth Training Scheme aims to provide all eligible youngsters with the type of course best suited to their needs. In the majority of cases this will mean a place on a Mode A, employer based, scheme which offers both experience of a realistic working environment and the best chance of employment after completion of the programme. This does not of course mean that there is no role for Mode B schemes. There will continue to be a need to cater for a number of youngsters through the provision of Mode B1 places in training workshops, community projects and of linked Mode B2 schemes, particularly in areas such as Merseyside. However, it is important to ensure that the provision of this type of training, which is far more expensive to provide than that offered on employer-led schemes, is closely matched to the local demand from youngsters.

I understand that during the first year of the Youth Training Scheme, from April 1983 to March 1984, 6,112 Mode B1 places and 2,327 Mode B2 places were approved in Merseyside

/but occupancy

but occupancy never exceeded 3,750 on Mode B1 or 1,500 on Mode B2. This level of unfilled provision represented a very considerable financial burden on the taxpayer. It costs around £2,000 per year to support an unfilled Mode B1 place and you can see that a very large sum of money was therefore being spent training nobody.

In 1984/85 the Manpower Services Commission are offering some 4,800 Mode B1 and 1,100 Mode B2 places in Merseyside and they are confident that this level of provision will adequately meet the demand from eligible youngsters without leading to the excessive number of empty places that resulted last year. At the end of October occupancy on Mode B schemes in Merseyside was around 85 per cent although this figure will include a number of 83/84 entrants to the Scheme who will shortly be finishing their training programmes.

During our discussion you expressed a concern that allocating Youth Training Scheme resources on the basis of "output measurements", such as a scheme's success in finding jobs for youngsters on completion of their training programme, could result in Liverpool losing out to more prosperous parts of the country. Obviously the success of a particular scheme in helping youngsters into jobs or further training cannot be ignored when considering where resources should be allocated. However, this is by no means the only factor that is taken into account. In Liverpool, as in other areas, the main concern has been to ensure that sufficient good quality provision is available to cater for the training needs of eligible young people in the area. This year a total of nearly 15,000 places is being made available in Liverpool and I think you will agree this is a significant figure.

/A considerable

A considerable amount of time has been spent deciding on the level of provision in Merseyside for 1984/85 and as you know earlier this year Peter Morrison, the Minister of State for Employment, personally reviewed not only the general situation in the area but also the planned provision for each Mode B1 scheme with the Manpower Services Commission's Regional Director for the North West and officials from the two Merseyside Area Offices. I know that Ministers at the Department of Employment have also had meetings with you to discuss the Youth Training Scheme in Liverpool and careful account was taken of all the points you made.

At present, therefore, I do not think an increase in Mode B provision can be justified. I do, of course, appreciate your concern that youngsters in Liverpool should not be denied the opportunity of taking part in the Scheme but I can assure you that the current level of provision is adequate to meet the needs of eligible youngsters. In this respect the Commission are confident that they will have effectively met the undertaking that has been given of an offer of a place on the Scheme before Christmas to every eligible minimum age school leaver who wants one.

Yours sincerely

Margaret Thatcher

The Right Reverend David Sheppard.

File

LIVERPOOL CITY COUNCIL

BACKGROUND

1. Yesterday, Liverpool City Council made statements about their budget which effectively began a process similar to last year's of opposition to the Government's financial constraints placed upon them. In particular they have:

a. Reiterated their commitment to defending jobs and services, and their refusal to set the rate necessary to meet their proposed spending.

b. Demanded the return of what they call "stolen" money - in RSG, education, and housing.

c. Accused Patrick Jenkin of going back on an alleged "promise", during last summer's negotiations, of a capital allocation for next year of £130m.

d. Demanded a meeting with Patrick Jenkin.

2. Options considered in a report by the City Treasurer include reversing decisions taken this year (to capitalise expenditure and to use reserves) which kept down spending in 1983/84 and 1984/85 and spending well above the Council's provisional target for 1985/86. The effects would be to build up a huge deficit in the current year, to reduce substantially grant entitlement for this year and next, and to require a rate increase of over 200% in 1985/86. As last year, the City Council are showing no inclination to cut or improve efficiency and are making 'worst case' assumptions throughout.

3. At 'A' is Question and Answer Brief, at 'B' a copy of the statement issued yesterday by the Minister for Local Government.

QUESTION AND ANSWER BRIEF

Q.1. Will the Secretary of State for the Environment meet the City Council?

A.1. The City Council must put their own financial house in order. They know what they have to do. There is no case for a meeting, especially given the peremptory terms of the demand.

Q.2. Will the Government return the money 'stolen' from Liverpool/ provide extra funds for the City?

A.2. The Government already spends huge sums of money on Merseyside - over £1000m in 1983-84. There have been and will be no special extra funds for Liverpool. We did not submit to the Council's blackmail this year. We will not do so next year. The rest of the country is fed up with raucous special pleading of the Militant Tendancy who run the Council.

Q.3. Are you seriously suggesting that the Council should cut 6,000 jobs?

A.3. Far more jobs will be at risk if the Council fail to act responsibly and balance their budget

Q.4. Why has Patrick Jenkin failed to keep his promise to provide the City with £130m in capital allocations for 1985/86?

A.4. That allegation is a flat lie. My rt hon Friend made no such promise. The Council must be living on a fantasy island if they ever thought such sums were possible.

Q.5. Will the Government simply allow the City Council to collapse.

A.5. It is the City Council which has the duty to run Liverpool. They must pull themselves together and act responsibly. If they fail to do so it is the people of Liverpool and the Council's own staff who will suffer.

19 1 of 2

4688

BY FAX

PS/Secretary of State - Rm N18/05

cc. Mr Bailey

PS/Mr Baker Room N15/05

NW 249/84 28 November 1984

STATEMENT BY KENNETH BAKER: 28 NOVEMBER 1984.

At the beginning of this month, Patrick Jenkin warned Liverpool City Council that they had to take urgent action to put their finances in order. Today, we have seen their reaction and it confirms our worst suspicions. The City Council have completely ignored the breathing space offered by the settlement of this year's budget in the Summer. They have done nothing to prevent a deficit building up. Instead, they are once again threatening to plunge their City into chaos by making a budget and rate for 1985/86 which do not balance. It is clearer than ever that responsibility is not a word which the Militant Tendency understand.

The Council are once again claiming that a strategy of high spending with no rent or rate increases is the only way to save jobs and maintain services. They were wrong about this in the summer. They are wrong now. It is a cruel deception. The consequences for Liverpool will be far worse if the Council fail to make a proper rate than if they accept their statutory responsibilities. In those circumstances, who will provide the services on which so many depend? Who will pay the Council's staff? Even if, as last year, the Council eventually see the folly of their threats, the people of Liverpool will have suffered further months of needless anxiety and the reputation of the City will have suffered a further knock just when the success of the International Garden Festival had provided so much to build on.

The Council have also today made a new and totally false claim. They say that the Secretary of State promised them a £130M capital allocation for 1985/86. No such promise has ever been made. Indeed, no council's allocation for next year has yet been settled. The figure mentioned by Liverpool - three times this year's allocation - belongs in any case in cloudcuckooland. No responsible Council could possibly base its plans on such a wild assumption. Capital allocatio for next year have to be fixed in the light of the Government's overa public expenditure plans, and resources must be distributed equitably between authorities.

No one denies the gravity of Liverpool's problems. We have said that we want to help the city deal with them as best we can. But the present attitudes of the City Council are making this nearly impossible. In his letter of 29 June to the Leader of the Council, Patrick Jenkin outlined the basis on which we still hope we can go forward.

We have repeatedly offered, not only in relation to housing but across the whole range of the problems facing the city, to work with the Council, in a spirit of partnership, on constructive proposals which would make the best use of the resources available to Liverpool whether public, private or voluntary. The City spurns that partnership, seeks to spend money it has not got and rejects the contributions which the private and voluntary sectors could make. That is not the way to make progress.

The Council should have learnt that this Government does not yield to blackmail. They threaton chaos and hope we will respond with extra money. They gained nothing by their antics in the Summer and they will gain nothing by a repeat performance. The Council should understand this now. They know what must be done to rein back spending, to reduce costs, and to improve the efficiency of their services. They must do it, and do it on their own.

Press enquiries: Eileen Jones or Philip Aylett
Telephone 01-832-9111 Exts: 358 or 365

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Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

CB AAT

Andrew Turnbull Esq
Private Secretary
10 Downing Street
LONDON SW1

11 January 1985

Dear Andrew,

... As you requested I now attach a draft reply which relates to the Prime Minister's meeting with the Archbishop and Bishop of Liverpool and your note of 16 November. Please let me know if you require anything further.

Yours sincerely,
Judith Rutherford

JUDITH RUTHERFORD
Private Secretary

KS

LPOA AFT

DRAFT FOR NO 10

When I met you and the Archbishop of Liverpool on 15 November you raised a number of questions regarding the Youth Training Scheme in Merseyside which I promised to look into. In particular you urged greater provision of Mode B places.

As you know, the Youth Training Scheme aims to provide all eligible youngsters with the type of course best suited to their needs. In the majority of cases this will mean a place on ~~an~~ a Mode A, employer based, scheme which offers both experience of a realistic working environment and the best chance of employment after completion of the programme. This does not of course mean that there is no role for Mode B schemes. There will continue to be a need to cater for a number of youngsters through the provision of Mode B1 places in training workshops, community projects and of linked Mode B2 schemes, particularly in areas such as Merseyside. However, it is important to ensure that the provision of this type of training, which is far more expensive to provide than that offered on employer-led ~~lead~~ schemes, is closely matched to the local demand from youngsters.

I understand that during the first year of the Youth Training Scheme, from April 1983 to March 1984, 6112 Mode B1 places and 2327 Mode B2 places were approved in Merseyside but ~~peak~~ occupancy never exceeded 3750 on Mode B1 or 1500 on Mode B2. This level of unfilled provision represented a very considerable financial burden on the taxpayer. It costs

around £2,000 per year to support an unfilled Mode B1 place and you can see that a very large sum of money was therefore being spent training nobody.

In 1984/85 the Manpower Services Commission are offering some 4800 Mode B1 and 1100 Mode B2 places in Merseyside and they are confident that this level of provision will adequately meet the demand from eligible youngsters without leading to the excessive number of empty places that resulted last year. At the end of October occupancy on Mode B schemes in Merseyside was around 85% although this figure will include a number of 83/84 entrants to the Scheme who will shortly be finishing their training programmes.

During our discussion you expressed a concern that allocating Youth Training Scheme resources on the basis of "output measurements", such as a scheme's success in finding jobs for youngsters on completion of their training programme, could result in Liverpool losing out to more prosperous parts of the Country. Obviously the success of a particular scheme in helping youngsters into jobs or further training cannot be ignored when considering where resources should be allocated. However, this is by no means the only factor that is taken into account. In Liverpool, as in other areas, the main concern has been to ensure that sufficient good quality provision is available to cater for the training needs of eligible young people in the area. This year a total of nearly 15,000 places ~~are~~ is being made available in Liverpool and I think you will agree this is a significant figure.

A considerable amount of time has been spent deciding on the level of provision in Merseyside for 1984/85 and as you know earlier this year Peter Morrison, the Minister of State for Employment, personally reviewed not only the general situation in the area but also the planned provision for each Mode B1 scheme with the Manpower Services Commission's Regional Director for the North West and officials from the two Merseyside Area Offices. I know that Ministers at the Department of Employment have also had meetings with you to discuss the Youth Training Scheme in Liverpool and careful account was taken of all the points you made.

At ~~the~~ present ~~moment~~, ~~I can see no realistic justification~~ therefore, I do not think an ~~for any~~ increase in Mode B provision can be justified. I do of course appreciate your concern that youngsters in Liverpool should not be denied the opportunity of taking part in the Scheme but I can assure you that the current level of provision is adequate to meet the needs of eligible youngsters. In this respect the Commission are confident that they will have effectively met the undertaking that has been given of an offer of a place on the Scheme before Christmas to every eligible minimum age school leaver who wants one.

REGIONAL POC.
Liverpool Pt. 5

MC/B72

B/F with D/Emp draft
AT 2/1

Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

Andrew Turnbull Esq
Private Secretary
10 Downing Street
LONDON SW1

31 December 1984

Mr Turnbull o/r

I think we probably need a draft letter to David Shepherd?

DMB 31/12

Dear Andrew,

Thank you for copying to us your note of 16 November on the meeting between the Prime Minister, the Archbishop and the Bishop of Liverpool. During the discussions the Bishop referred to the Youth Training Scheme and made a plea for more Mode B provision in Merseyside. The Prime Minister said she would look into the matter - hence this letter.

As you know, the Youth Training Scheme aims to provide all eligible youngsters with the type of course best suited to their needs. In the majority of cases we believe that this will mean a place on an employer based scheme which offers both experience of a realistic working environment and the best chance of employment after completion of the programme. This does not of course mean that there is no role for Mode B Schemes. We realise that there will continue to be a need to cater for a number of youngsters through the provision of training workshops, community projects and linked Mode B2 schemes particularly in areas such as Merseyside. However, we must ensure that the provision of this type of training, which is far more expensive to provide than that offered on employer led schemes, is closely matched to the local demand from youngsters.

During the first year of the Youth Training Scheme, from April 1983 to March 1984, 6112 Mode B1 places and 2327 Mode B2 places were approved in Merseyside but peak occupancy never exceeded 3750 on Mode B1 or 1500 on Mode B2. This level of unfilled provision represented a very considerable financial burden on the taxpayer. It costs around £2,000 per year to support an unfilled Mode B1 place and you can see that a very large sum of money was therefore being spent training nobody.

In 1984/85 the Manpower Services Commission are offering some 4800 Mode B1 and 1100 Mode B2 places in Merseyside and we are confident that this level of provision will adequately meet the demand from eligible youngsters without leading to the excessive number of empty places we had last year. At the end of October occupancy on Mode B schemes in Merseyside was around 85% although this figure will include a number of 83/84 entrants to the Scheme who will shortly be finishing their training programmes.

We have spent a considerable amount of time deciding on the level of provision in Merseyside for 1984/85 and earlier this year Mr Morrison, the Minister of State for Employment, personally reviewed not only the general situation in the area but also the planned provision for each Mode B1 scheme with the Manpower Services Commission's Regional Director for the North West and officials from the two Merseyside Area Offices. Ministers have also had meetings with the Bishop to discuss the Youth Training Scheme in Liverpool and careful account was taken of all the points made by the Bishop.

I think you will agree no realistic justification can be made at the present moment for an increase in Mode B provision. We do of course appreciate the Bishop's concern that youngsters in Liverpool should not be denied the opportunity of taking part in the Scheme and I can assure you that the current level of provision is adequate to meet the needs of eligible youngsters. In this respect the Commission are confident that they will have no difficulty in meeting the undertaking we have given of an offer of a place on the Scheme before Christmas to every eligible minimum age school leaver who wants one.

I am copying this letter to Leigh Lewis, Private Secretary to the Minister without Portfolio.

Yours sincerely,
Judith Rutherford

JUDITH RUTHERFORD
Private Secretary

REGIONAL POLICY: Liverpool: PES.

K01027

PRIME MINISTER

Liverpool City Council: Potential Budget Crisis
(MISC 109(84)3 and 4)

BACKGROUND

Recent developments are set out in Annex A of MISC 109(84)3. Our latest information is that the city's budget deficit for 1984/85 will probably be at least £18 million, and could be as high as £25-30 million. For 1985/86, the budget could be around £50 million above target, losing all the city's block grant. Deficit and budget together would require either a massive rate increase, in the range 150-220 per cent, or a substantial cut-back in services. Sizeable redundancies would be needed - about 70 per cent of costs are labour costs - although the financial effect would be lessened by the need to make substantial redundancy payments. The Council have already taken on capital commitments of £88 million, which is likely to be above their allocation, and Mr Jenkin is considering a moratorium. It is unlikely that either the present controlling group, or any other group, will be willing or able to take the necessary corrective action. The scope for the adoption of accounting devices of the type employed last year is now very limited. There is therefore a real prospect of financial collapse.

Proposals

FLAG A 2. MISC 109(84)3 deals with the handling of the situation prior to a collapse. Mr Jenkin proposes:

a. to keep up pressure on councillors to act responsibly, eg. by stressing the implications of illegality;

b. to make it clear that there will be no negotiations and no extra money;

c. to allow events to take their course if and when the Council fail to make a proper rate for 1985/86, making it clear that the responsibility for events rests with the Council.

FLAG B 3. MISC 109(84)4 deals with the post-collapse situation. Mr Jenkin proposes:

a. (assuming no group on the Council is prepared to restore the position,) the appointment of Commissioners;

b. further work to identify potential Commissioners on a contingency basis.

MAIN ISSUES

4. The Group will already have adopted a general stance towards capped authorities in discussion of item 1 of the agenda. Although Liverpool is not a rate-capped authority, and there are differences in the situation, the Group will probably consider it sensible to adopt an approach to Liverpool which is as consistent as possible to their approach to capped authorities. It would be difficult, for example, to adopt a different approach to Rate Support Grant (RSG) payments to capped authorities from that towards Liverpool.

5. The main issues for decision are:

i. what the Government's stance towards Liverpool should be prior to any collapse. The main alternatives are:

- to let events take their course;
- to seek to provoke a crisis;
- to compromise;

ii. whether the Government's response to any collapse should be either:

a. the introduction of Commissioners, as proposed by Mr Jenkin, or

b. some other response.

Pre-Collapse Strategy

6. Mr Jenkin's proposals are similar to the strategy adopted last year and to those he makes for capped authorities; namely that the Government should neither provoke or postpone a collapse, but let events take their course. In considering whether to adopt a strategy towards Liverpool consistent with the one adopted on capped authorities, the Group will need to take into account the fact that while Liverpool seems likely to collapse, it could be that very few or none of the capped authorities will push events that far. An early collapse by Liverpool could provoke a co-ordinated campaign of obstruction by authorities; on the other hand it might provide a salutory lesson.

Post-Collapse

7. Mr Jenkin identifies three possible options:

a. to provide the existing Council with extra money;

b. to alter the Abolition Bill so that either Merseyside City Council or other Merseyside lower tier authorities took over Liverpool.

c. to appoint Commissioners.

8. The Group is likely to agree with Mr Jenkin's view that providing extra money would be too much of a volte-face to contemplate; nor would it solve any of Liverpool's long-term problems. Retaining Merseyside City Council to run Liverpool would undermine abolition policy. Dividing Liverpool between other district councils is impracticable in the time available. This leaves Commissioners, the legislation for which has already been drafted.

9. Appointing Commissioners would obviously be a last resort. Ministers took the view last year that it could only be done after there was evidence both of a breakdown of services and a desire for action by the Government. Their task would be very difficult without the provision of extra money. But there is no need to decide on this, or on precise timing now.

10. An important practical difficulty is likely to be identifying a sufficient number of suitable Commissioners. It is obviously desirable to avoid the Government's plans becoming public at too early a stage - some members of the Council may favour Commissioners as a way out which takes the pressure off them - but not to do further in-house work on this now would risk being unprepared later. The work being done by Department of the Environmnent officials to see if Commissioners can be made more acceptable is also relevant to Liverpool.

HANDLING

11. It will probably be convenient to divide discussion between the pre-collapse situation (MISC 109(84)3) and the handling of any collapse itself (MISC 109(84)4). You will wish the Secretary of State for the Environment to introduce both sections of the discussion. All members of the Group

are likely to wish to contribute to both parts. In particular as regards the pre-collapse situation, the Chancellor of the Exchequer will probably wish to discuss the effect on financial markets (unless discussion on this has been exhausted under item 1). Individual service Ministers might be asked to report the situation on their services in the event of a collapse. The Attorney General can advise on the legal aspects.

CONCLUSIONS

12. You will wish the Group to reach conclusions on the following:

i. whether the Government's pre-collapse strategy should be either:

a. as proposed by Mr Jenkin, or
b. on some other basis;

ii. whether the Government's response to a collapse should be either:

a. the introduction, at an appropriate stage to be decided, of Commissioners, or
b. some other response;

iii. whether further work should be done to identify potential Commissioners.

C J S BREARLEY

11 December 1984

NBPM
AT
29/11

Minister for Local Government

Prime Minister

LIVERPOOL

As you have no doubt heard, Liverpool City Council gave a Press Conference yesterday morning at which they effectively began a similar process to last year's of opposition to the Government's financial constraints upon them. In particular they have:-

a. Reiterated their commitment to defending jobs and services, and their refusal to set the rate necessary to meet their proposed spending.

b. Demanded the return of what they call "stolen" money - in RSG, education, and housing.

c. Accused Patrick Jenkin of going back on an alleged "promise", during last summer's negotiations, of a capital allocation for next year of £130m.

d. Demanded a meeting with Patrick.

I was able to appear on the "Nine O'Clock News" on Tuesday and since then I have given other TV and radio interviews. My firm line has been that it is for Liverpool City Council to put their own house in order; that they were warned this summer but are taking no notice; that their allegation about Patrick's "promise" is a lie because no such commitment was given; and that they should remember the enormous sums of Government money in aggregate (over £1,000m last year) going into Merseyside. I have made absolutely clear that there will be no extra money for Liverpool, this year or next, as a result of highwayman tactics.

I attach a copy of a Press Notice I issued which sets out this line at greater length.

It is crucial to our presentation of our case on Liverpool that colleagues should hold firm to the strong line I have taken, and make clear that Liverpool's salvation lies in their own hands.

I should add that we hope soon to be putting forward a paper for MISC 109 on the handling of Liverpool, taking account of these developments. There are also issues to discuss in that forum on the rate limitation front.

I am copying this minute to members of MISC 109 and to Sir Robert Armstrong.

KB.

KENNETH BAKER

29 November 1984

Pg 1 of 2

4688

BY FAX

PS/S of S - Rm N16/05

cc. Mr Bailey

PS/Mr Baker Room N15/05

NW 249/84 28 November 1984

STATEMENT BY KENNETH BAKER: 28 NOVEMBER 1984.

At the beginning of this month, Patrick Jenkin warned Liverpool City Council that they had to take urgent action to put their finances in order. Today, we have seen their reaction and it confirms our worst suspicions. The City Council have completely ignored the breathing space offered by the settlement of this year's budget in the Summer. They have done nothing to prevent a deficit building up. Instead they are once again threatening to plunge their City into chaos by making a budget and rate for 1985/86 which do not balance. It is clearer than ever that responsibility is not a word which the Militant Tendency understand.

The Council are once again claiming that a strategy of high spending with no rent or rate increases is the only way to save jobs and maintain services. They were wrong about this in the summer. They are wrong now. It is a cruel deception. The consequences for Liverpool will be far worse if the Council fail to make a proper rate than if they accept their statutory responsibilities. In those circumstances, who will provide the services on which so many depend? Who will pay the Council's staff? Even if, as last year, the Council eventually see the folly of their threats, the people of Liverpool will have suffered further months of needless anxiety and the reputation of the City will have suffered a further knock just when the success of the International Garden Festival had provided so much to build on.

The Council have also today made a new and totally false claim. They say that the Secretary of State promised them a £130M capital allocation for 1985/86. No such promise has ever been made. Indeed, no council's allocation for next year has yet been settled. The figure mentioned by Liverpool - three times this year's allocation - belongs in any case in cloudcuckooland. No responsible Council could possibly base its plans on such a wild assumption. Capital allocations for next year have to be fixed in the light of the Government's overall public expenditure plans, and resources must be distributed equitably between authorities.

No one denies the gravity of Liverpool's problems. We have said that we want to help the city deal with them as best we can. But the present attitudes of the City Council are making this nearly impossible. In his letter of 29 June to the Leader of the Council, Patrick Jenkin outlined the basis on which we still hope we can go forward.

We have repeatedly offered, not only in relation to housing but across the whole range of the problems facing the city, to work with the Council, in a spirit of partnership, on constructive proposals which would make the best use of the resources available to Liverpool, whether public, private or voluntary. The City spurns that partnership, seeks to spend money it has not got and rejects the contributions which the private and voluntary sectors could make. That is not the way to make progress.

The Council should have learnt that this Government does not yield to blackmail. They threaton chaos and hope we will respond with extra money. They gained nothing by their antics in the Summer and they will gain nothing by a repeat performance. The Council should understand this now. They know what must be done to rein back spending, to reduce costs, and to improve the efficiency of their services. They must do it, and do it on their own.

Press enquiries: Eileen Jones or Philip Aylett
Telephone 01-832-9111 Exts: 358 or 365

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10 DOWNING STREET

Prime Minister (2)

To note that Liverpool Council have launched themselves on a bankruptcy budget. The terms of their resolution (page 3) make unpleasant reading.

Mr Baker has responded forcefully - see press cuttings

AT
28/1.

cc Mr Turnbull No 10

BY FAX
Mr Ballard
PS/SoS Rm N15/06

PS/Secretary of State

cc PS/Mr Baker
PS/Mr Gow
PS/Sir George Moseley
PS/Sir Peter Harrop
Mr Heiser
Mr Delafons
Mr McIndoe
Mr McDonald
Mr Owen
Mr Hobson
Mr Ramsay
Mrs Jones (COI Manchester)

LIVERPOOL: EVENTS OF 28 NOVEMBER

1. I should briefly summarise today's events.

2. At 10.30 a.m. we (myself, Roy Bunce and Eileen Jones) attended the special meeting of the City's Performance Review and Financial Control Sub-Committee. All the documents (annexed) were handed round at the meeting. Despite opposition protests at such serious matters being steamrollered through, Councillor Byrne secured the passage of his resolution, with the addition of an amendment by Councillor Hatton calling for meetings throughout the city to explain the situation to trade unionists and others. Both the resolution and the debate included considerable personal criticism of the Secretary of State.

3. The City followed with a news conference at which they repeated their case. We released Mr Baker's statement and gave further non-attributable briefing to the press. We stressed various points from Mr Baker's statement, especially the City's failure to accept their responsibilities, the facts behind the "£130M promise" claim and the Government's refusal to contemplate any meetings with the City.

4. The Echo first edition (attached) leads on Paul McCartney's freedom of the city, but has a good piece from our point of view. This is based on earlier briefing of Peter Phelps by MTF (the deadline for this edition is 10.30 a.m.). Local lunchtime radio news bulletins carried extensive interviews with Councillor Byrne and other councillors, and even with Paul McCartney (who did not support the city's method, though sympathising with their concerns). Extracts from Mr Baker's statement were used, but our case rather lacked impact without the down-the-line interviews we had hoped Mr Baker might have been able to give. (Due to pressure of other newsworthy events)

5. I will fax any new material from later editions of the Echo.

D.C. RENSHAW
Merseyside Task Force

28th November 1984

PS/Mr Baker

LIVERPOOL CITY COUNCIL
PERFORMANCE REVIEW AND FINANCIAL CONTROL SUB COMMITTEE 28 NOVEMBER 1

Attached is the Resolution the Chairman of the Sub Committee has put forward and the Report of the City Treasurer which was handed to members at the start of the meeting.

The essential points in the Treasurer's Report is that he is forecas a standstill budget for 1985/86 of £265.4M to which should be added £13M if the DLO is to maintain its present level, giving a possible budget of £278.4M. The forecast deficit for 1984/85 could be as hig as £96.1M if decisions about the capitalisation of repairs and fbaj of funds were reversed. At this rate of expenditure there would be no rate support grant to the City and the increase in rate to cover the budget would be over 220%.

R BUNCE
Merseyside Task Force
28 November 1984

cc PS/Secretary of State
PS/Mr Gow
PS/Sir George Moseley
PS/Sir Peter Harrop
Mr Heiser
Mr Delafons
Mr McIndoe
Mr Owen
Mr McDonald
Mr Hobson
Mr Ramsay

3 OF 7

PERFORMANCE REVIEW AND FINANCIAL
CONTROL SUB-COMMITTEE

28TH NOVEMBER, 1984

Motion by the Chairman -

1. That this Sub-Committee is appalled by -

   (a) the Secretary of State for the Environment breaking the financial agreement upon which the 1984/85 budget was based;

   (b) the Secretary of State informing the Council of the breaking of the agreement via a letter from the Merseyside Task Force; and

   (c) using officials of the Department of the Environment to mask his (the Secretary of States) deliberate and calculated lies;

2. (i) That this Sub-Committee re-endorses the policies upon which the people of Liverpool elected the Labour Party to power, viz:

   (a) to defend existing City Council jobs and services;

   (b) to create additional jobs and improve services;

   (c) to build houses for rent;

   (d) to end the threat of privatisation of City Council services;

   (e) to refuse to impose increases in Rates, Rents and Charges to compensate for Government cuts in Grants;

   (ii) this Sub-Committee continues to demand the return of the resourses stolen by the Tory Government, viz:-

   - (a) £170m in Rate Support Grant
   - (b) £18m from Further Education
   - (c) £69m in Housing Subsidy
   - (d) £59m in the Housing Investment Programme

3. This Sub-Committee demands an immediate meeting with the Secretary of State with a view to securing the removal of meaningless arbitrary and deliberately punitive targets of levels of expenditure, the withdrawal of the threat of penalties, a realistic level of Rate Support Grant and a level of Housing and Environmental Capital allocations commensurate with the needs of Liverpool.

4 of 7

4. That this Sub-Committee agrees that this meeting be now adjourned and that Mr. Sorenson, who was the DOE Official leading the Merseyside Task Force at the time of the agreement being made with the Secretary of State and who was present at the meeting in question be requested to attend the resumed meeting.

The Budget 1984/85 and 1985/86

Report of the City Treasurer

CT/174/84

In the light of the letter received from the Task Force concerning the discussions on the HIP allocation for 1985/86, the Chairman of the Sub Committee has asked the City Treasurer to report upon the implications for the 1984/85 and 1985/86 budgets of

(a) the various decisions taken at the time the 1984/85 budget was made,

(b) various possibilities that may have to be taken into account when formulating the budget for 1985/86,

(c) the effect of reversing decisions on the capitalisation of expenditure on repair and maintenance and on the utilisation of funds.

The Budget for 1984/85

The first budget presented in March 1984, which was used as a basis for the joint report by officials of DOE and the City Council, had identified a number of areas of possible or likely expenditure for which provision was then made. These covered areas such as the reinstatement of unallocated reductions, provision for payroll numbers not included within printed budgets, for the continued employment of CP scheme staff and against a shortfall in the order books of Direct Labour Organisations. These provisions amounted to £19.3 million. There was also a provision for inflation of £8 million.

These provisions were not specifically repeated in the budget of July which included a provision of £12 million to cover additional expenditure, including inflation, during the year, an amount fixed in the light of the continuing discussions with DOE.

It was clear at the time of the budget, and indeed had been spelled out in the joint report and accepted by the Secretary of State, that a number of the actions then taken served only to postpone the impact of the inherent problems, or depended for their realisation upon the outcome of the continuing discussions with central government and subsequent decisions favourable to the City.

One of the options discussed in the joint report was the capitalisation of certain repair and maintenance expenditure. In the event £5 million of such expenditure was capitalised in 1983/84 and the non-provision of a revenue sum to cover the possible DLO order book shortfall of up to £[illegible].6 million implied such capitalisation again in 1984/85 - a combined total of up to £13.6 million.

The July budget also made assumptions about urban programme support for schemes involving redeployment of £5 million of existing resources, giving a benefit both in terms of grant and exemption from penalty, and made use of all available funds to the extent of £4 million in 1983/84 and £7.8 million in 1984/85.

6 OF 7

A Provisional Budget Forecast for 1985/86

Budgetted net expenditure for 1984/85 was, before any contingency provision, £211.1 million at November 1983 prices. This figure was arrived at after incorporating unallocated reductions of £4.3 million, the use of funds and other one-off reductions in net expenditure amounting to £10.5 million, and crediting £3.8 million urban programme grant against the redeployment of existing resources. There was also a level of existing staffing (now identified as equivalent to £2 million per annum) not specifically provided for in the base budget. Adding back these items the underlying level of net expenditure was at a rate of £231.7 million (at November 1983 prices). This is equivalent to £243.5 million at November 1984 prices.

The presently committed growth for 1985/86 in respect of both the continuing capital and partnership programmes and of other schemes amount respectively to £3.9 million and £2.6 million. Present policies of the City Council in relation to the continuation of MSC funded schemes and the retention of individual employees on those schemes at the end of their 12 month service period would add a further £4.6 million to this expenditure (and a further £0.6 million in 1984/85).

Finally, there will be a reduction in housing subsidy of £2 million for an assumed increase in local contribution, this to come either from an average rent increase of 60p per week of an additional rate fund contribution of £2 million.

In all this could give expenditure in 1985/86 of £256.6 million (at November 1984 prices) or £265.4 million (at estimated 1985/86 outturn prices).

The Effect of Various Courses of Action

If decisions, both explicit and implicit, about the capitalisation of repairs and maintenance work and about the use of funds were reversed, the effects would be:

(a) for 1983/84 to add £5 million to net expenditure in respect of repair and maintenance and £4 million for the non-use of funds which, together with the RSG penalty, would increase the deficit for the year by £19.8 million;

(b) for 1984/85 to increase expenditure beyond the level forecast in the last financial review by a further £7 million in respect of the remaining DLO order book shortfall, and by £7.8 million for the non-utilisation of funds. These, together with penalty, would increase the 1984/85 deficit by £45.9 million.

If the assumed additional urban programme grant was not received and if the present policies on MSC schemes were continued, there would be additional net expenditure of £4.4 million in 1984/85 which, together with penalty, would add £16.2 million to the deficit.

Adding all these possibilities to the deficit of £14.2 million forecast in the most recent financial review would give a deficit in 1984/85 of £96.1 million.

If the principle concerning repair and maintenance work was carried through to 1985/86 and the present shortfall in DLO order books was to fall wholly on revenue account, this could amount to some £13 million if DLO's are maintained at present levels.

7 OF 7

Implications for the Rate Level in 1985/86

The items considered in this report could, at the maximum, lead to net expenditure of £278.4 million in 1985/86 with a deficit of £96.1 million on the operation of the current year.

At this level of expenditure in 1985/86, all entitlement to Rate Support Grant would be wiped out by the penalty provisions, and the increase in the rate for city services would be something over 220%.

However, there are factors which could reduce this burden, apart from any action which the City Council itself might take.

It was argued in the joint report that an appropriate level of target for Liverpool in 1984/85 - having regard to the performance and targets of all comparable authorities over the ten years from 1974/75 - was £243.8 million. The equivalent figure for 1985/86 would be £251 million. The provisional target is £222.1 million. The difference in targets could be worth up to £60.7 million in rate support grants.

For 1984/85 and previous years potential disregards were identified in the joint report. These would have exempted expenditure from the application of the RSG penalty provisions and could be worth up to £53.6 million in RSG.

If the urban programme support for redeployed expenditure, principally in housing management and in grants to voluntary organisations, were agreed as envisaged in the current years budget this could be worth, in additional grant and exemption from penalty, £28.8 million over the two years.

Finally, there remains the issue of the capitalisation of repair and maintenance expenditure. The argument against it, which was rehearsed in the joint report is that it does not reduce expenditure - merely postpones it. Furthermore, since the capitalisation counts against a restricted capital expenditure limit, it constrains the ability of the authority to incur expenditure on more substantial works of a capital nature. Whilst not minimising the former argument, an increased capital allocation means that a capitalisation decision does not prejudice needed capital expenditure of a more substantial nature. If such an increase in capital allocations enabled the authority to accept the deferred expenditure implications it could mean a reduction of £62 million in the 1985/86 rate call.

ECHO

14p

28, 1984

Outlook:
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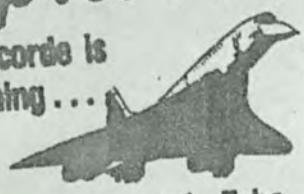

See tomorrow's Echo

MUM'S COURAGE
The cuddle that says everything
—See Page 3

14p
Best value around

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k

Twenty years ago . . . another time, another show, but the same queues — this time for a Beatle concert at the Empire.

TERDAY

Hatton branded as Dick Turpin

DEREK HATTON, was branded a highwayman today by a Government Minister.

The attack came as the city's Labour rulers announced plans for a new confrontation with the Government over demands for £300-million in cash aid.

Mr. Kenneth Clarke, Minister for Local Government, said Councillor Hatton, Liverpool Council's Deputy Leader, was acting like a highwayman.

"He is saying 'stand and deliver. Give me the money that I want.'"

Mr. Clarke made it clear that the Government have no intention of "delivering" any extra cash to Liverpool and that they were not prepared to be blackmailed.

See Page 3.

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Battle replay on cash aid

A MAJOR new battle with the Government opened today as Liverpool Labour chiefs demanded more than £300m cash aid.

On the eve of another budget crisis — which both Whitehall and Town Hall agree will be far more serious for the city than last year's — Labour claims the alternative would be a 240 per cent rates rise or 6,000 job losses.

By Peter Phelps
Local Government Editor

But council leader Councillor John Hamilton declared: "I will not lead a party which allows jobs to be threatened or services to be cut."

Labour want £140m in rate support grant, lost to the city since the Tories took power, plus £130m for capital programmes like house building which they claim Environment Secretary Patrick Jenkin "promised" to them earlier this year.

They are also demanding many millions more lost through other Government cuts.

"Blackmail"

The reaction from Whitehall was swift and angry.

With Mr. Jenkin still recovering from a road accident Local Government Minister Kenneth Baker accused Labour of blackmail. "No such promise has ever been made," he said.

"Indeed, no council's allocation for next year has yet been settled. The figure mentioned by Liverpool — three times this year's allocation — belongs in any case to cloud cuckoo land."

But Labour insist their record of a key meeting with Mr. Jenkin indicates that he agreed £130m would be forthcoming.

"We are heading for a budget crisis," said council finance chief Councillor Tony Byrne.

Deputy council leader Councillor Derek Hatton, who said there would be another city wide budget campaign to mobilise support at street level, added: "The future of the entire city depends on us winning this battle

But today Mr. Baker warned there will be no special help for Liverpool next time round.

Storms hit ferry services

WINDS approaching hurricane force caused problems with sea services in and out of Liverpool.

The B and I ferry Leinster was three hours late berthing in Liverpool today, after being penned in Dublin by the weather. But she was expected to leave on schedule for the return trip tonight.

The Belfast service suffe... delays but was back on time so was the service between ... and the Isle of Man.

Stormy seas are still keepi... mell Laird-built gas secon... rig trapped in the Mersey.

The rig is being towed to t... port of Brest for completion.

Stock Market

BUSINESS opened on a reasonably firm note with most top industrials registering sizeable gains.

Much better than expected half-time earnings and a raised dividend hoisted Cable & Wireless 12p to 395p (after 398p).

Ahead of today's half-timer, building materials concern, B. P. B. Industrials, shot up 3p to 298p. Analysts are looking for profits in the range of £40m to £42m.

St. Helens glass-maker Pilkington pushed up a similar amount to 318p

At 11 a.m. the F.T. Index was up 5.4 at 930.7.

...ckets
...Fri 5/8

a one-year driving ban on John Parry (24), of Cameron Road, Leasowe, ...

Pg 1 of 2

BY FAX

PS/GOES - Rm N16/05

cc. Mr Bailey

PS/Mr Baker Room N15/05

N 29th

NW 249/84 28 November 1984

STATEMENT BY KENNETH BAKER: 28 NOVEMBER 1984.

At the beginning of this month, Patrick Jenkin warned Liverpool City Council that they had to take urgent action to put their finances in order. Today, we have seen their reaction and it confirms our worst suspicions. The City Council have completely ignored the breathing space offered by the settlement of this year's budget in the Summer. They have done nothing to prevent a deficit building up. Instead they are once again threatening to plunge their City into chaos by making a budget and rate for 1985/86 which do not balance. It is clearer than ever that responsibility is not a word which the Militant Tendency understand.

The Council are once again claiming that a strategy of high spending with no rent or rate increases is the only way to save jobs and maintain services. They were wrong about this in the summer. They are wrong now. It is a cruel deception. The consequences for Liverpool will be far worse if the Council fail to make a proper rate than if they accept their statutory responsibilities. In those circumstances, who will provide the services on which so many depend? Who will pay the Council's staff? Even if, as last year, the Council eventually see the folly of their threats, the people of Liverpool will have suffered further months of needless anxiety and the reputation of the City will have suffered a further knock just when the success of the International Garden Festival had provided so much to build on.

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No one denies the gravity of Liverpool's problems. We have said that we want to help the city deal with them as best we can. But the present attitudes of the City Council are making this nearly impossible. In his letter of 29 June to the Leader of the Council, Patrick Jenkin outlined the basis on which we still hope we can go forward.

We have repeatedly offered, not only in relation to housing but across the whole range of the problems facing the city, to work with the Council, in a spirit of partnership, on constructive proposals which would make the best use of the resources available to Liverpool whether public, private or voluntary. The City spurns that partnership, seeks to spend money it has not got and rejects the contributions which the private and voluntary sectors could make. That is not the way to make progress.

The Council should have learnt that this Government does not yield to blackmail. They threaton chaos and hope we will respond with extra money. They gained nothing by their antics in the Summer and they will gain nothing by a repeat performance. The Council should understand this now. They know what must be done to rein back spending, to reduce costs, and to improve the efficiency of their services. They must do it, and do it on their own.

Press enquiries: Eileen Jones or Philip Aylett
Telephone 01-832-9111 Exts: 358 or 365

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ARCHBISHOP'S HOUSE,
87, GREEN LANE,
MOSSLEY HILL,
LIVERPOOL L18 2EP.

Telephone:
051 - 722 - 2379

28th November 1984.

My dear Prime Minister (4)

I write to offer you my thanks for the very kind way in which you received Bishop Sheppard and myself some days ago. You were most generous with your time and I appreciated greatly the informal manner in which we were able to discuss some of the developments and problems in Liverpool.

It was good to be able to present you with the current double picture of the hopes and efforts of those seeking to give fresh direction to the post-Festival Liverpool, and of the frustration which arises from the polarised party-politics which are at present part of the life of our city.

Above all, I welcomed the chance to discuss some of the effects of long-term unemployment on the family life of the area. Family life has always been at the heart of Liverpool's community spirit, no matter how difficult the social conditions. It accounts for local resilience and good humour. Unless the young people can be given greater hope of employment, their sense of insecurity will be an obstacle to the long-term commitment, which is vital for their future and the future of this changing and challenged part of the country.

Again, I thank you for your time and concern.

Yours very sincerely

+ Derek Worlock

The Rt. Hon. Mrs Margaret Thatcher, M.P.,
10 Downing Street,
London SW1.

CONFIDENTIAL

K01014

PRIME MINISTER

URBAN POLICY MACHINERY
(MISC 104(84)10)

BACKGROUND

1. At its first meeting, the Group instructed the Secretary of the Cabinet to bring forward proposals for a management structure which would enable the Government to get better value for its spending in the inner cities (MISC 104(84)1st Meeting). This requirement originated in the Urban Policy and Programme Review (UPPR) which suggested that the management of urban policy could be improved and put forward two main options for doing so (see Appendix 1 to this brief).

2. In discussion with the relevant Departments, the Secretary of the Cabinet has produced three basic options for improvements in the local management structure. They are explained in greater detail in the Memorandum by the Cabinet Office (Management and Personnel Office) attached to his note. They are:

Option 1 - A new purpose built Executive Agency. This is equivalent to option D of the UPPR. In form it might be modelled on the MSC and would be accountable to and funded by DoE. It would take over the relevant MSC, DTI and DoE programmes in selected inner city areas and run a new programme of inner city spending on the basis of a pooled budget with objectives and targets set by Ministers. It could begin its operations by having the same relationships with the local authorities as the existing urban programme, but would be capable of development into new delivery routes.

Otion 2- single management of DoE, DTI and MSC spending. This would bring relevant MSC, DTI and DoE programmes in

selected inner city areas under a single executive management. It would, however, leave Departmental responsibilities and Ministerial accountability unchanged. Each area would have a programme manager leading a taskforce of MSC, DTI and DoE. The taskforce would be responsible for the delivery of urban policy targets in that area and would liaise closely with the local authority. On urban policy, the programme manager would report to Ministers collectively through the new central arrangements. He would however report and answer to the individual Departments - DoE, DTI and MSC - as if he were an ordinary line manager in the Department concerned.

Option 3 - coordinated management of DoE, DTI and MSC Spending. This is essentially the translation into a formal structure of existing informal consultation and joint working arrangements at regional level. At its most basic level, it would require the regional directors of DoE, DTI and MSC to consult each other, exchange information on matters relevant to urban policy and submit joint reports to Ministers collectively. The concept could be developed so that the teams developed a more positive approach with a formal identity and title. The intention would be however always to maintain the line management of individual Departmental programmes. Whilst, therefore, the team would become the focus of attention for contacts with local Government and others requiring assistance in the inner urban areas, they would not, unlike the teams in Option 2, become collectively responsible for the management of the projects. The Annex to the memorandum indicates how an expanded Option 3 could operate in a particular local authority area.

Central arrangements

3. Whichever Option for delivery of the Government's programmes in inner city areas is chosen, some strengthening of the central machinery is also necessary. The Secretary of the Cabinet

recommends that the Minister for Local Government should be invited to take special responsibility for preparing proposals for urban policy targets, monitoring performance and reporting back to the Group each year. He could be supported by a small unit located within the DoE and assisted on employment aspects by the Minister without Portfolio. These arrangements would be capable of fitting in with any of the local options.

MAIN ISSUES

4. The main issues are

(i) The priority to be given to urban policy objectives

(ii) If it is a high priority do the Group prefer organisational option 1 or 2?

(iii) If it is a lower priority do the Group prefer options 2 or 3?

(iv) The arrangements for central co-ordination

(v) What should be the geographical coverage?

Where there is a conflict of objectives, do the Group consider that urban policy objectives should predominate?

5. The Secretary of the Cabinet has identified this point as the major determinant in the choice of local delivery options. There is a balance to be struck, within a given budget for any inner urban area, between taking decisions which most help that area, regardless of other criteria, and maintaining a balance of expenditure within each programme between that area and other parts of the country. Under Option 1, for example, it would be possible to approve MSC type projects in an inner city which created employment at a much higher cost that that prevalent in the remainder of the country. For the same amount of money, therefore, more jobs could have been created outside the urban area than inside it. Option 3 avoids this problem by keeping Departmental budgets separate and maintaining existing decision rules. Spending

in the inner urban areas could therefore only take place if the projects would have been suitable in any part of the country. Option 2 provides for some possibility of urban policy objectives overriding other objectives, although not necessarily so. The tenor of the Group's discussions so far has been that urban policy objectives are important but not more important than those of other programmes.

If the Group considers that urban policy objectives should have priority, do they prefer Option 1 or Option 2?

Hugh he favours an expanded Option 3.

6. Option 1 would be a high profile approach which would perhaps fit in best with the Minister without Portfolio's recommendations on publicity. It would enable managers to operate within a clear and simple framework. It would, however, require legislation and a series of transfers from other public expenditure survey programmes to the new agency. It would probably be regarded with great suspicion by the local authorities. It would be likely to offer the best approach to value for money in terms of effectiveness, but would run a high risk of pressure for more resources, since the total amounts being spent in inner urban areas would be clearly defined. A form of Option 2 which enabled projects to be run under rules specially adapted to the particular circumstances of inner cities and the use of a pool and budget to switch money between programmes would be an alternative way of achieving the same objectives. This would however place a tremendous strain on the team leaders, who would be required to operate as line managers in three separate Departments. Ministers might also find themselves in difficulty when defending decisions taken under one set of rules in an inner urban area as compared to decisions under the national rules in other areas.

If the Group does not want to give primacy to urban policy objectives, do they prefer Option 2 to Option 3?

7. In these circumstances Option 1 seems too high profile. Option 2 is probably also needlessly complicated (and would be more

expensive in civil service manpower). Option 3, with clear ministerial backing, could probably achieve as good results with cleaner management lines.

Arrangements at the centre

8. The Minister for Local Government is already responsible for the operation of DoE's urban programme; the proposition is therefore that this responsibility should be widened to cover urban policy as a whole, particularly target-setting, monitoring, and coordination with other Ministers with relevant policies. He would be supported by a unit in DoE (possibly with secondments from other Departments and the private sector). Should the Minister without Portfolio support him in employment matters; should the Efficiency Unit and the Enterprise Unit remain involved on a regular basis, as suggested by the Minister without Portfolio in MISC 104(84)9?

If the Group decides to set up a local delivery mechanism on the lines of one of the options, what geographical areas should it cover?

9. At present there are effectively 3 tiers of urban area for policy purposes: Those with the severest problems (Partnerships (7)) a larger group at the next degree of severity (Programme Authorities (23)) and a third group of 16 other designated districts (see Appendix 2). There is no need to make hard and fast decisions but the preferred option should probably be applied to at least the first, and possibly the second, group.

HANDLING

10. You will wish to ask the Secretary of the Cabinet to introduce his paper and you may wish to ask the Minister for Local Government to comment generally.

11. Discussion might then be divided into four:

a. the choice of one of the three options for local delivery;

b. discussion of central machinery;

c. geographical coverage

d. further action required.

The Employment and DTI Ministers, the Minister without Portfolio and Sir Robin Ibbs may in particular wish to express views.

CONCLUSION

12. You will wish the Group to reach conclusions:

a. the Option to be chosen for local delivery mechanism, and the geographical coverage;

b. the arrangements at the centre, including future involvement of the Enterprise and Efficiency Units;

c. who should take the lead in setting in train and coordinating work on targets for 1985/86, discussed under the previous item (the Minister for Local Government would be most appropriate if he is to be the lead minister at the centre in future).

d. Other next steps to set the new arrangements in train - this might best be DoE or the Secretary of the Cabinet, depending on the option chosen.

26 November 1984

C J S BREARLEY

Appendix 1

URBAN POLICY AND PROGRAMME REVIEW: ORGANISATIONAL OPTIONS

Option C. Building on the Partnership Approach. This was an evolutionary approach based on DoE regional offices. Secondees from DTI and MSC would be attached to run their Department's programme under the line management of DoE, but as the agents of their parent Departments. If successful, the amount of discretion given to these teams by their parent Departments could be effectively coordinated with the urban programme.

Option D. A new Agency. A more radical approach would be to hive off the management of the urban programme to a small new executive agency. The new executive would provide leadership for taskforce teams which would comprise secondees from DoE, DTI and the MSC and also from the local authority and the private sector. The executive would have a budget to cover urban programme grants, MSC type schemes, DTI type small firms services and the Home Office's section 11 grants. The taskforce could allocate these resources as it chose, in accordance with the objectives prescribed for the executive by Ministers.

CONFIDENTIAL

Appendix 2

Partnership Authorities

Birmingham
Hackney
Islington
Lambeth
Liverpool
Manchester/Salford
Newcastle/Gateshead

Programme Authorities

Blackburn
Bolton
Bradford
Brent
Coventry
Hammersmith
Hull
Knowsley
Leeds
Leicester
Middlesbrough
Nottingham
Oldham
Rochdale
Sandwell
Sheffield
Sunderland
Tower Hamlets
North Tyneside
South Tyneside
Wandsworth
Wirral
Wolverhampton

Other Designated Districts

Barnsley
Burnley
Doncaster
Ealing
Greenwich
Harringay
Hartlepool
Langbaurgh
Lewisham
Newham
Rotherham
St Helens
Sefton
Southwark
Walsall
Wigan

K01013

PRIME MINISTER

URBAN POLICY: TARGETS FOR 1985/86

MISC 104(84)9

BACKGROUND

1. This memorandum is the Minister without Portfolio's response to the second part of the remit given to him at the last meeting of the Group.

MAIN ISSUES

2. The Minister without Portfolio suggests the following points:

a. Publicity and Presentation.
More effort should be made to ensure that the Government takes full credit for all its achievements in urban policy. One element in meeting this target would be a new name and logo for Government funded projects in the inner cities. He plans to circulate some informal proposals put to him by Mr Tim Bell of Sachi and Sachi.

b. Operational targets.
The memorandum does not attempt to set targets for 1985/86, but suggests that quantifiable targets must be set on the basis of suggestions from those most closely concerned with day to day operations (in line with the FMI approach). The Minister without Portfolio suggests that the Efficiency Unit and the Enterprise Unit might participate in this work.

c. Objectives

i. Housing. The memorandum suggests that DoE might wish to compare the costs of providing or upgrading dwellings in the Partnership areas through the main housing programme with the same achievements through the urban programme. The implication is that they may be able to achieve the same targets at lower cost (Annex A of MISC 104(84)8 showed significant differences in cost per unit of output of the housing programme and the urban policy programme expenditure on housing). DoE are likely to respond that the units of output employed are not strictly comparable; very little urban programme funding is used to build houses from scratch.

ii. Derelict Land. The memorandum sees this objective as subsidiary to other objectives. It therefore suggests that targets for derelict land clearance should be set primarily in conjuction with targets for other objectives. This could best be done by channeling derelict land grant in England through English Estates rather than local authorities. It is not clear whether this would apply only to derelict land grant paid for the purpose of building industrial premises (English Estates' present concern) or whether it would apply also to land to be cleared for other purposes eg. housing, or simple environmental improvement.

iii. Employment. This is the most difficult area to coordinate because it involves most Departments and about 20 separate programmes or schemes. Targets will therefore be all the more important in this area. The difficulties of setting targets will be eased if they are divided into categories ie assistance to individuals, assistance to companies and provision of industrial infrastructure or premises.

These points will all help to clarify targets. Who should set work in hand etc. might best be left until after the next discussion on Organisation.

HANDLING

3. Before asking the Minister without Portfolio to introduce his memorandum, you may like to suggest that the organisational aspects of target setting would best be discussed under the final item on the agenda.

4. On publicity the Minister for Local Government will wish to express views on the proposals, since most of the identifiable projects falling into this category are likely to be the responsibility of the Department of the Environment. The Secretary of State for Employment and the Parliamentary Under Secretary of State, Department of Trade and Industry may also have views.

5. On the setting of operational targets do the Group agree that targets for 1985/86 come up from those concerned with day to day operations? Should the targets relate only to the (7) Partnership areas or should (the next 23) Programme authorities also be involved? To what extent should English Estates be used as a channel for derelict land grant?

CONCLUSION

6. You will wish the Group to reach conclusions on:

a. the approach to publicity;

b. the setting of targets for 1985/86, in particular the methodology to be applied (the bottom-up approach, Lord Young's suggestions on housing, derelict land and jobs) and the geographical scope of the operation (Partnership areas only or Partnership + Programme authorities).

C J S BREARLEY

26 November 1984

K01012

PRIME MINISTER

PARTNERSHIP AREAS: EXPENDITURE AND OUTPUT

MISC 104(84)8

BACKGROUND

1. At their meeting on 16 October (MISC 104(84) 2nd meeting) the Group invited the Minister without Portfolio to coordinate information on Departmental expenditure towards urban policy objectives in the seven Partnership areas in 1984/85, and the likely output of that expenditure, with a view to establishing targets for that expenditure in 1985/86. The information to meet the first part of the remit has been collected for the first three objectives of urban policy (the fourth objective being regarded more as an aim) and is presented in Annex A (housing) B (derelict land) and C (employment). The second part of the remit (targets) is covered in MISC 104(84)9.

2. Although there are a number of qualifications about the nature of the figures, the Minister without Portfolio concludes that, in 1984/85, expenditure in pursuit of the three urban policy objectives is expected to exceed £650 million (as compared with £348 million allocated to the urban programme). The identified target output is:-

over 100,000 dwellings built, renovated or given an improved environment

over 200 derelict sites reclaimed and over 700 improvement schemes carried through

over 30,000 training places provided

over 1,400 firms provided with premises on improved infrastructure

at least 5,500 permanent jobs created or retained and over 12,000 man years of employment provided.

MAIN ISSUES

3. The information provided is only a starting point. The Minister without Portfolio has identified three points for further attention.

a. Publicity for achievements. The scale of the Government's total existing commitment to the inner cities needs to be publicised so that the Government can take credit for it.

b. Targets for the future. The Minister without Portfolio wishes to press ahead with the concept of urban policy targets for the future.

Both these aspects are dealt with in MISC 104(84)9, which is the next paper for discussion at the meeting, and I suggest they should be left for that discussion.

c. Information base. The exercise has demonstrated that there are difficulties in providing the expenditure and output information necessary for consideration of the Government's effort as a whole. These arise mainly but not entirely because the geographical unit of data collection is not necessarily the inner area. Some redesign of systems is needed. The Minister without Portfolio concludes that it is necessary to move as rapidly as possible to having a comprehensive computerised information base between Departments which provides the information required. It is for consideration whether, in the meantime, Departments should adapt their existing systems to provide more certain information related to inner city areas. The present exercise was limited to the seven Partnership areas (ie. Islington, Hackney, Lambeth, Birmingham, Manchester/Salford, Liverpool, Newcastle/Gateshead). Should it be extended to the next

tier of (23) so-called Programme Authorities?

Although the Minister without Portfolio does not raise it, the Group might also wish to consider:

d. Value for money. The point of identifying the output must in the end be to help decide whether the input is worthwhile. Could the output have been achieved more efficiently? Would the input have been better directed to a different objective or through a different programme, or used for some different purpose altogether? The relative value of training and jobs, for example, is notoriously difficult to pin down, especially in a context like the inner cities. So is the relative value of different delivery systems (though the tables show that, eg. £3 million of Urban Programme and UDG money are expected to provide 450 new homes (Annex A, Item B) while £175 million of main programme housing money is expected to provide 6,500 new or converted dwellings (Annex A, Item A)). But the Group might like to be assured that such analysis is undertaken, with all its limitations, and the lessons put to use.

HANDLING

4. You will wish to begin by asking the Minister without Portfolio to introduce his memorandum. You will wish to suggest that, since his conclusions on publicity and forward targets are also dealt with in his second memorandum, this part of the discussion should concentrate on other issues. On the provision of an information base and on value for money work the Secretary of State for Employment, the Minister for Local Government, and the Minister for Industry will in particular wish to comment.

CONCLUSION

5. You will wish the Group to reach a conclusion on

a. whether an improved information base should be established and whether this should cover the Partnership areas only, or the other main inner city areas as well, and

b. whether the information should be used to analyse value for money and the lessons learnt put to use.

C J S BREARLEY

26 November 1984

CONFIDENTIAL

PRIME MINISTER

URBAN POLICY: MISC 104

1. You have invited me to attend the meeting tomorrow morning of MISC 104.

2. Three papers are to be considered and my views on these are as follows:

Expenditure and Output - MISC 104(84)8

The information assembled by David Young is encouraging and shows that a good basis exists for drawing up plans for a coherent attack on urban problems, as envisaged in the report of the scrutiny in which the Efficiency Unit participated earlier this year.

Targets for 1985/1986 - MISC 104(84)9

David Young is right to say that actual targets have to be developed by those involved in managing the programme. However, the Government machine has great reluctance to set clear targets and it will be very necessary to specify who should do what and by when.

Urban Policy Machinery - MISC 104(84)10

I am convinced that if effective impact on inner city problems is to be achieved with good value for money, only Option 1 (an executive agency) will deliver this. The situation is of a kind where good management means having a clear focus of accountability for achieving results. Interdepartmental co-ordination on its own is a poor way of delivering results, as the scrutiny earlier this year demonstrated. I appreciate the difficulties surrounding Option 1 which are fully described in the paper. I can well understand that departments dislike the idea and are fighting it. But if effective results and good value for money are to be achieved these difficulties should be faced.

3. I am copying this to Sir Robert Armstrong.

ROBIN IBBS
26th November 1984

23 November 1984

PRIME MINISTER

URBAN PROGRAMME

We are making slow progress.

Targets and output

I have had several meetings with David Young and his colleagues to explain the background to why we wanted to see output measures, targets and timetables set for urban programme achievements. You may remember we have been writing to you on this subject for almost a year.

David's papers take us much further than we have gone before in breaking down the expenditure into intelligible headings, and giving some indications of what we are getting for our money. But his task has been hampered by the imprecision of the figures and statistics kept by departments, and by the lack of taut management over the programme as a whole which has been uncovered by this exercise.

For the future, we need to take David's figures further. We don't only need to know how many houses have been renovated, but we need to be reminded how many houses are thought to be in need of such renovation, how many were renovated in

recent years, and the unit costs of doing so. Where the policies are said to bring jobs, we need an assessment of their cost-effectiveness and comparisons between the different ways of doing it. This still cannot be deduced from the current figures.

On targets, we still do not have any. They should relate to the three main objectives of the programme. We need to reinstate firmly as a clear, visible and important part of the policy for rehabilitating urban areas, a tough target for selling urban land and getting development and activity going on it. It is and should be a prime objective worth doing in itself.

Why not set a target of doubling the amount of land sold next year compared to this, of reducing the stock of empty houses by 10 per cent next year, and increasing the number of houses renovated by 10 per cent for no extra increase in cash? And on jobs, why not ask the steering group to cut out all those programmes that are delivering very expensive jobs, and concentrate their fire power on those schemes giving best value for money?

Setting "arbitrary" targets now will be opposed on the grounds that "we do not know if they are realistic" and "we do not know if there is enough cash to do it". Yet only by setting tough targets, especially for disposals, will you

get this ball rolling at all. And it is up to MISC 104 to set the targets.

Machinery of government

Robert Armstrong has produced yet another paper restating the obvious. He and his colleagues are against creating the executive agency, separate from Government, which Robin Ibbs is keen to see. Whilst I have sympathy for Robin, too much time has now passed, and too many people in departments will fight back to prevent such an agency coming into being quickly or easily. I therefore suggest you concede on this, and make all due speed to try and improve the existing Civil Service arrangements.

Of these, the best is a cross between the other two: have a team of Ministers able to recommend between different departmental programmes on the basis of achievement and value for money. This may be unpopular, as some departmental Ministers will be briefed to defend their own departmental autonomy.

MISC 104 could meet once a year to set the targets and review achievements; and a sub group - under the chairmanship of David Young, bringing in Ministers of State from all the relevant operational departments - could be charged with the task of monitoring outturn against targets during the year, and making an annual report to MISC 104 and

Cabinet on the best and worst value-for-money schemes put up by the different departments within the urban programme ambit.

Conclusion

The meeting will be most successful if the Armstrong paper is dealt with summarily, if a small working group is set up under David's chairmanship, and if David is given encouragement to go away and use his powers as a Cabinet Member to see that targets are carried out.

JOHN REDWOOD

DIC

REGIONAL POLICY STATEMENT

With permission, Mr Speaker, I should like to make a statement on the Government's review of Regional Policy. I have made four Orders to bring into force the new regional development grant scheme and the new map of assisted areas. The orders, including that specifying the new Assisted Areas, are available in the Vote Office.

Our decisions have been taken after very full consultation, including consideration of almost five hundred submissions. I have placed in the Library a list and a summary of the submissions received.

The submissions received show considerable support for the Government's proposals as outlined in the White Paper. Whilst the majority support the continuation of regional policy, many were critical of the waste inherent in the present system and consider it possible to make the policy more cost effective.

To achieve greater cost-effectiveness we have concluded that the new map should have two tiers instead of three, and that the inner tier, which will qualify for automatic grants as

well as regional selective assistance, will be restricted to 15% of the working population. This compares with 22% for the present development and special development areas. The outer tier of the map, which will qualify for regional selective assistance, will cover a further 20% of the working population. We have included in the new map several areas, most notably parts of the West Midlands, that have previously been denied regional assistance. Both tiers will be eligible for support from the European Regional Development Fund.

In redrawing the map, we considered the present and future employment patterns of each area, along with other factors, including the risk of distortions where non-assisted areas are adjacent to assisted areas. Some such effects are inevitable in any regional policy.

For the new RDG scheme we have set the rate of capital grant at 15%. In our view the new rate is high enough to ensure that grants are an effective incentive to investment.

For too long regional policy has unduly discriminated against service industries even when such industries offer the prospect of increased employment. We have therefore

decided to make some service activities eligible for regional development grant. These are listed in the relevant order.

Since unemployment is such an important concern today, it is also right that any policy as expensive as regional policy should be tied more closely to jobs.

We have already announced our intention to make two changes to give effect to that aim. Firstly, capital grant will be subject to a cost per job limit. Too much money has been spent in support of capital intensive projects that create few jobs and do little for the economies of the regions. The cost per job limit will be £10,000. However we wish to minimise the burdens placed on small firms and this limit will not normally be applied to firms employing less than 200.

Secondly we also announced that in future firms should be able to receive a job grant as an alternative to capital grant. The job grant will be set at a level of £3,000 for each new job created. Firms will not have to choose between job grant and capital grant: they will automatically receive whichever is greater.

The Government also intend to continue to give selective assistance to projects that protect existing employment but which otherwise would not go ahead. With the increase in the outer tier of the map, this will mean an increase in selective assistance. Overall the balance between automatic grants and selective assistance will shift considerably towards the latter.

After the working through of the transitional provisions, we expect the new regional policy to cost nearly £300 million per year less than if present policy were to be continued. This will be a considerable lightening of the public expenditure burden of the policy. Even so we will still be spending nearly £400 million on regional policy in 1987/8 to improve job prospects in the worst hit areas.

The most important feature of our policy is that that money will now spent in the areas with the worst problems and that, in terms of new jobs per pound of expenditure, the new policy will be far more effective than the old.

1MOAIO

10 DOWNING STREET

Prime Minister

David Young favours the enhanced version of Option 3 (see third para of page 5 of Annex) but sees no reason for waiting for a pilot version. *

AT
23/4

* MISC 104(84) 10 in CAB 133

SUBJECT
c. Master Set

SLHAFY

10 DOWNING STREET

From the Private Secretary

16 November 1984

MEETING WITH THE ARCHBISHOP AND BISHOP OF LIVERPOOL

The Prime Minister met the Archbishop and Bishop of Liverpool yesterday evening. Your Secretary of State was also present. The Prime Minister said her visit to Liverpool had left her with mixed feelings of both bope and depression. Much of what she had seen had been encouraging. The Cooperative Housing Development at Grafton Street, Barratts' redevelopment of Minster Court, the Cathedral Precinct Development had shown what could be done by a partnership of the public and private sectors and the voluntary movements. The restoration of the Albert Dock was a most impressive project and the Wavertree Technology Park showed what could be done if industrialists such as Sir John Clark at Plessey were prepared to demonstrate their faith in the region. Against this, the abandonment of the Netherley Estate years before the end of its economic life had been deeply depressing. She had been shocked at the state of disrepair of the council estate she had visited - she could not understand how it had ever been allowed to get into such a condition.

The meeting with the City Council had produced no meeting of minds whatsoever. They were determined to follow their policy of a 100 per cent municipal solution for the city's problems. She had detected no signs whatsoever that the council were prepared to come to grips with its financial crisis.

The Archbishop said the Garden Festival had given a boost of confidence to Liverpool and he added that the assurances given about the future of the site had been very well received. There were many in Liverpool who wished to capitalise on a new post-Festival spirit. He and the Bishop had got together a group of businessmen called the 'Michaelmas Group' to consider further initiatives. The group had shown a great deal of enthusiasm and would be reconvening soon. But at some point almost all initiatives ran into the problem of the city council. But they gave the

VC.

city a bad image but they were also antagonistic to cooperation with the private sector. In this respect the record of the Merseyside County Council had been very much better. The Prime Minister said that if it proved impossible to work with the council, efforts would have to be made to work round it, eg. through the Merseyside Development Corporation, though she recognised that this was not always easy. The Prime Minister praised the work of the Task Force.

The discussion then turned to race relations in Liverpool. The Bishop said that the black community was deeply alienated and in moving to Liverpool, he had been shocked to discover that expectations among blacks were even lower than he had encountered in inner London. The council had acted with great insensitivity in appointing as a race relations officer a Londoner who was a supporter of the Militant Tendency, rather than a local person. This had not only angered the black community but surprisingly had created divisions within the local authority unions. The danger of communal riots was always present.

The Bishop said that the council's insistence on municipal solutions was doing serious damage to the voluntary sector which would contract sharply. The Archbishop gave the example of a Mission run by Mother Theresa's nuns for homeless women which was being closed down and replaced by a council hostel. Both the Archbishop and the Bishop supported cooperative housing developments but these no longer received encouragement from the council. The Secretary of State said that the initiatives for improved housing management, for which additional UP money had been set aside, had made no progress.

The Prime Minister asked whether the universities and the polytechnics were involved in the wider community. The Secretary of State said that there were a number of research projects, though these were largely of a technical kind. There was little involvement in the city's social problems. The discussion then turned to the problem of unemployment. The Archbishop was disturbed by the impact longterm unemployment was having on family life. There had been a large rise in the number of children born out of wedlock as young girls sought motherhood as a way of securing accommodation. The growth in one-parent families would create problems for the future.

The Bishop asked the Prime Minister about the prospects for unemployment about which he was extremely gloomy. The Prime Minister said she could not promise any early relief for Liverpool - reducing unemployment would be a very long haul even for the country as a whole. Generating new jobs in Liverpool was extremely difficult as the area lacked

"self-starters" who would create new enterprises. Areas like Merseyside had a poor record in taking up the various Government schemes. The policy of industrial development certificates had originally been a great benefit to Liverpool as the area was frequently the next choice if certificates for the Midlands and the South East were refused. It was disappointing that so few of the enterprises created had taken root. She raised the question of whether young people should be encouraged to leave the area though she recognises that this could exacerbate the outflow of people with initiative.

The Bishop was worried that the emphasis on employer-led training schemes would disadvantage Liverpool. Use of "output measurement", ie. allocation of resources for training according to the record of success in finding jobs on the completion of training, would take resources away from Liverpool as its record was naturally very poor. For example, only 8 per cent of school leavers in Kirby succeeded in finding a job. He put in a plea for more Mode B places. The Prime Minister undertook to raise these questions with Lord Young. The Bishop was concerned that, with the rise of unemployment since the mid 1960s, a whole generation of people who had never worked was being created, and whose children were now about to enter longterm unemployment. The places allocated to Liverpool under the community programme were tiny in relation to the scale of the problems. Though he made no specific suggestion, he urged the Government to tackle the problem.

The Prime Minister thanked the Archbishop and Bishop for coming to talk to her about the problems of Liverpool. The Archbishop said that, despite the difficulties, there were many hopeful developments to be built upon.

I am copying this letter to David Normington (Department of Employment), Leigh Lewis (Office of the Minister without Portfolio) and Alex Galloway (Paymaster General's Office).

Andrew Turnbull

John Ballard, Esq.,
Department of the Environment

CONFIDENTIAL

Prime Minister

LIVERPOOL CITY COUNCIL

When I wrote to you in July about Liverpool's budget settlement I indicated that the making of a balanced budget for 1984/85 was not the end of the story. The City had to take early and positive steps to increase efficiency and reduce expenditure. Most of the accounting devices used to balance this year's budget are only available once and without the introduction of vigorous policies to improve service efficiency, sell assets and so on, the City's problems would only be postponed until next year. It is now becoming apparent that the City Council, far from heeding this advice, are continuing to increase expenditure.

The latest monthly report by the City Treasurer forecasts a current expenditure deficit of £14.2m by the end of the financial year, the forecast of net expenditure having increased by £7.1m between September and October. The report indicates that the City Council has failed to come to grips with the problems of efficiency and overmanning. It is very difficult to predict the final outturn figures; theoretically it is still possible for the Council to retrieve the situation. The signs are however that a minimum budget for 1985/86 will have to be about £240m on present trends; this takes no account of any deficit to be carried forward from this year. Liverpool's

provisional target for next year is £222m; spending above that figure will incur penalties. A budget of the order of £240m (plus inflation) next year would require a rates increase of 100%. It is too soon to take any specific action against the Council (although I understand the auditor is considering the position). I have however already fired clear warning shots across their bows; you may be interested to see the attached correspondence and press reports.

On the capital expenditure side, the City Council continue to increase spending. They have ignored my request for spending restraint this year, made to all local authorities in the summer. Of particular concern is the build-up of substantial commitments for next year and beyond. This year's capital programme is running at £101m (£66.8m on housing) and forecast commitments for 1985/86 already amount to £77m (£70m on housing) and are still rising. I have not yet set the capital allocations for 1985/86 but it is already clear that the City Council will have some difficulty in meeting these commitments.

At a recent routine meeting with my officials to discuss next year's housing investment programme leading City Councillors claimed they had been promised a capital allocation for next year of £130m, most of which they want to spend on new house building. There is no foundation whatever for this claim, and indeed the Councillors must know that there is no realistic hope of an allocation even approaching this amount. They have,

however refused to carry on normal housing business with the Task Force unless their claim is conceded.

I raised these issues briefly with the Bishops on Tuesday, and they may want to touch on them at their meeting with you.

AH Davis
for
P J

14 November 1984

(approved by the Secretary of State and signed in his absence)

LOCAL GOVT
RELS

M Rusby

JHG/ai

Merseyside Task Force
Graeme House Derby Square Liverpool L2 7SU
Telephone 051-227 4111 ext

From the Director

Your reference

A.J. Stocks Esq.,
Chief Executive
Liverpool City Council

Our reference MTF/9/15

Date 2nd November 1984

Dear Mr Stocks,

LIVERPOOL PARTNERSHIP PROGRAMME - NEW SPORTS CENTRES

1. I refer to our meetings and correspondence on this subject and particularly to your letters of 27th September and 3rd October.

2. The Secretary of State has now considered your application for Urban Programme assistance towards the cost of three new sports halls and I am able to convey his formal approval for Urban Programme grant purposes for capital expenditure on these projects as set out below:-

	1984/85 (£000)	1985/86 (£000)
Speke	530	276
Walton Hall Park	570	286
Long Lane Garston	500	247
	1,600	809

This approval is issued under the normal conditions of the Urban Programme.

3. Your Council also sought Urban Programme support for the revenue costs arising from the anticipated operating deficit of these three sports halls estimated at £411,000. The Secretary of State is prepared in principle to accept up to 100% of the deficit in 1985/86 and up to 50% of the deficit in 1986/87 as eligible for Urban Programme support. We will however expect to be provided with data on the actual levels of deficits incurred and on the usage made of the facilities before meeting any claims for such expenditure.

4. The Secretary of State has reached his decision on the merits of the specific proposals before him, but has expressed his concern about the lack of a consensus between us on the overall shape of the Liverpool Partnership Programme. In his letter of 29th June to the Leader of the Council he expressed the hope that "we can develop an effective and constructive partnership to tackle the needs of the people of

39/11

Liverpool". To date there has been little evidence on the part of your Council that they are prepared to proceed on that basis.

5. The Secretary of State has further noted the current expenditure implications of these and other schemes which the City propose to implement this year. These have implications for the City's overall financial position this year and in 1985/86.

6. In the course of the discussions earlier this year the Secretary of State emphasised the need for the Council to take action to reduce its current expenditure budget. A number of measures was canvassed - for example in the joint report prepared by officials - which would enable the City to achieve better value for money in service provision. The City's proposals to take on additional burdens make it even more important that these possibilities should be vigorously pursued. There has so far been no indication of the urgent positive action which the situation demands.

7. The Secretary of State will be grateful if you would draw this letter to the attention of your Council, making clear his concerns and ensuring that they consider the implications. Because of the importance of the issues raised, the Secretary of State has decided to make public the contents of this letter.

D.C. RENSHAW

Hidden copies to:

PS/Secretary of State
PS/Mr Baker
PS/Sir George Moseley
Mr Heiser
Mr Delafons
Mr Sorensen
Mr Owen
Mr McDonald
Mr Hobson
Mr Morrison
Mr Bunce
Mr Ramsay
Mrs E. Jones, COI

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ed

na Barfield

CASH WAR ROUND 2!

Exclusive

By Peter Phelps

ENVIRONMENT SECRETARY Patrick Jenkin today launched a savage attack on Labour-run Liverpool council.

He warned that a new budget crisis could mean rate rises of up to 100 per cent. next year.

A clearly furious Mr. Jenkin accused hard left Militant Tendency extremists of trying to smash the system and renewed his threat of bringing commissioners in to run the city.

He said in an exclusive interview with the Echo that Labour chiefs had made no effort to cut costs and were either gagging Town Hall officials or keeping them in the dark about vital spending plans.

Jenkin slams 'militant wreckers'

Mr. Jenkins said the city's direct labour organisation was a scandal.

He claimed a wall of silence had crippled the government's so-called "partnership" funding arrangement with Liverpool.

His onslaught came as a letter from the Department of the Environment's Liverpool-based Task Force was delivered to council chief executive Mr. Alfred Stocks this afternoon.

Smash

It gave the go-ahead for three city sports centres—and contained a veiled attack on the lack of co-operation between Whitehall and Town Hall.

"These are extreme Militant Tendency socialists who have no intention whatever of working the system," he said.

"They are out to smash the system and they have made it clear that is their objective.

Road to disaster—Page 4

Cakes firm on the brink

By Colin Wright, Industrial Correspondent

BAKERY group Cubbon Cakes of Liverpool sent out an S.O.S. to the business world today as it teetered on the brink of closure.

The high-class Old Swan confectionery firm, which employs around 100 staff, is appealing for cash backing after going into voluntary liquidation.

Accountants were at the bakery this morning and managing director Vernon Cubbon was due to address the workforce later today.

Refused

The company chief was refusing to talk about his firm's plight, but local Bakers' Union officials confirmed that only a cash injection could save the business, which runs a dozen shops.

"The company is in trouble, but the situation is not hopeless if a backer can be found," said union regional secretary Eddie Pritchard.

"A liquidator has not yet been appointed and the company can still be rescued by someone who is brave enough to assist it.

"We are telling our members to bend over backwards to assist the company in every way."

MS FOR SALE—35-37 HOME SERVICES—37-38 PROPERTY—38-39 CARS FOR SALE—39-46

BY FAX - Mr Jenkin S of S. Pg 1 of 3

Department of the Environment

Press Notice

FAX TO: MR. D. RENSHAW, c/o S/S Rm. N10/DS. MARSHAM ST. 01-212 4333

EMBARGO: NOT FOR PUBLICATION OR BROADCAST BEFORE 1400 HOURS, FRIDAY 2 NOVEMBER. NO APPROACHES SHOULD BE MADE BEFORE THAT TIME TO ANYONE OTHER THAN THE DEPARTMENT OF THE ENVIRONMENT

FROM: PHILIP AYLETT, COI, MANCHESTER

NW235/84

2 November 1984

STATEMENT BY ENVIRONMENT SECRETARY

Patrick Jenkin, Secretary of State for the Environment, today announced approval of the building of three sports halls in Liverpool under the Government's Urban Programme.

He said; "These will make a very valuable contribution to the life of the city and underline once again the Government's clear commitment to its regeneration.

"I could not let the occasion pass, however, without drawing the Council's attention to two major concerns.

"First, in my letter to the Council's Leader of 29th June, about the 1984/85 budget, I urged the council to enter into proper partnership with my Department in developing the Urban Programme. In my view this means the Council entering into a dialogue with my Department to agree the objectives and direction of the partnership and from that a detailed programme. It is only with such co-operation that we can make real progress with the City's problems.

"Second, these sports halls will place an additional revenue burden on the Council in 1985/86 and beyond. I made no secret in commenting on the council's budget for the current year that it gave the City no more than a breathing space. If the Council was to put its affairs on a sound financial footing it had to take firm action to improve the efficiency and economy of its service provision, along with wider measures such as the sale of City Centre freeholds. Without such action the financial problems would continue to pile up. I have yet to see any evidence that the Council has grasped this message and it is my clear duty in sanctioning further expenditure to draw it once again to their attention."

More . . . .

On the road to disaster

Minister's warning to city's militant rulers

Environment Secretary Patrick Jenkin talks exclusively to Peter Phelps, the Echo's Local Government Editor.

Patrick Jenkin . . . grim message

LIVERPOOL is heading for financial disaster next year and cannot be saved again by Government handouts or shuffling the cards.

That is the heart of the grim message today from Environment Secretary Patrick Jenkin.

Speaking exclusively to the Echo, the man who had a bruising [illegible] measures suggested in June's joint Town Hall-Whitehall report had been ignored.

He claimed the £20 million partnership programme for projects funded 75 per cent by Government under urban aid was being ill-used and in danger of [illegible] were announced by the council without proper consulation.

He said: "These are absolutely straight urban programme commitments which in the ordinary course of events we would wish to approve — although [illegible] they were. If we are going to continue to run an inner city partnership in Liverpool they have got to come in and play their part in a proper, decent way as every other partnership authority does.

"We have partnership arrangements with other left wing councils ... where the minister concerned is able to have a perfectly effective relationship and officials have a good relationship with the authority. In Liverpool this simply doesn't exist.

"We never seem to be able to get the information in the form we want. The officers aren't briefed or if they are they are not given the authority to disclose the information.

Behave

"Projects — as this one was — are announced prematurely in advance of any decision being taken. This isn't the way to behave.

"In many cases the officers simply don't know what's happening. They aren't told. The business of the council is being handled by a few of the leading councillors.

"The basis of a proper partnership is regular contact at official level. It's a process that hardly happens in Liverpool. Things come forward with a great lurch before absolutely any information has been given to us at all."

Mr. Jenkin added: 'The virtual breakdown of relationships between the voluntary bodies and the city council again makes it very difficult.

"Projects are put up by the voluntary bodies only to find that so bent are the council on the 'municipal solution' — [illegible] thing they demand is automatically to be given.

"Is that partnership in any meaningful sense at all?" asked Mr. Jenkin.

"I don't see how we can go on trying to run a normal partnership if the other partner goes on behaving like that."

Mr. Jenkin was also highly critical of the concentration of resources in Labour's 17 city crisis areas.

"I am very unhappy about what I call the total municipal solution," he said. "They are totally turning their backs on housing co-operatives. "Tony Byrne (council finance chief) keeps on saying he is not against bringing in the private sector.

"They point to one or two examples hanging over from the previous administration but when it comes to the question of doing a second Minister Court with the building next door to it — no way.

"They were asked by Wimpey a year ago to do a deal on Speke Hall Road flats. Minster Court was a derelict tenement block successfully refurbished by [illegible] ity areas when so much of the inner city regeneration has to be directed to other aspects like improvement of the environment, and facilities for small firms.

"They don't put anything forward for that at all. It's unbalanced and it simply doesn't fit in with the objectives we are able to agree with every other partnership authority."

But the most worrying question for Mr. Jenkin is next year's budget.

This year Labour claimed victory in their budget battle with Whitehall insisting it had won special aid from Mr. Jenkin worth £20 million when the environment chief said the total was no more than £2.5 million.

The threatened huge rate rise was reduced to 17 per cent. But Mr. Jenkin warned at the time that liverpool was storing up trouble for the future unless costs were pruned and suggested a package of economy measures including making the refuse collection, the direct labour organisation and other services more eff[illegible] ding is in the order of $25 million," said Mr. Jenkin.

"Therefore, they are going to go into next year — unless some very drastic steps are taken — with a substantial deficit.

"The law requires that deficit shall be added to the budget for next year and that the rate shall be sufficient to cover both. They have done nothing to seek to trim their spending to meet the requirements of a reasonable budget.

"If absolutely nothing is done the people of Liverpool may face 100 per cent rate rises simply to balance the books.

"One would have thought that a council of responsible men and women seeing this coming would have been doing something about it."

"These are extreme Militant Tendency socialists who have no intention whatever of working the system.

Mr. Jenkin repeated his earlier charges that street cleaning in Liverpool cost four times as much as in Sheffield, that environmental health cost two and a half times more per head than in the average metropolitan district — that the city spent 50 per cent more on waste collection and 30 per cent more on social services.

"Liverpool appears to have done nothing to deal with the longer term financial problems it faces.

E.R.

PRIME MINISTER

Meeting with Bishop and Archbishop of Liverpool

Mr. Jenkin will be attending this meeting, and can report on the discussions he had with the Bishops the previous evening on Liverpool.

In addition to Liverpool questions, the Bishops may raise the mining strike, and if they don't, perhaps you should. The two of them are trustees of a hardship fund for striking miners. In addition, Bishop Warlock is a signatory of the statement issued yesterday by the Catholic Bishops on the coal strike. This displays either astonishing ignorance or naivety, and you may feel the time has come for some straight talking on the real issues.

See Annex D

The Catholic Bishops refer to "the apparent unwillingness of either side to negotiate a settlement".

- what about NCB's offer on pay, investment, job guarantees and early retirement benefits?

- what about NCB's willingness to look again at the 6 March proposals, to put the 5 pits back through the review procedure, and after the strike, to work on an update of Plan for Coal?

- what about the NCB's willingness to negotiate and reach a settlement with NACODS on issues central to the dispute?

- what about Mr. Scargill's boast that he hasn't moved an inch since the start of the strike?

- is it not the case that the ending of negotiations has done more to break the deadlock than anything else?

/ - why

- why do the Bishops refer so disparagingly to "this creeping return, as it's called"? Are 6,000 new faces merely a drift back?

- is it not the NUM whose attitude is the total antithesis of his statement that "we've got to adjust to a new age"?

- haven't the Government and NCB done more than ever before through early retirement provisions and the establishment of NCB Enterprises to cushion the impact of pit closures?

AT

14 November, 1984.

CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

14 November 1984

Dear Andrew

PRIME MINISTER'S MEETING WITH THE BISHOP AND ARCHBISHOP OF LIVERPOOL 15 NOVEMBER

My Secretary of State met the Bishop and Archbishop of Liverpool yesterday evening, in preparation for the Prime Minister's meeting with them on 15 November. I enclose at Annex A a brief note of the main points that they raised and which they expect to touch on in their meeting with the Prime Minister.

My Secretary of State assumes that the Prime Minister will mainly want to listen to what the Bishop and Archbishop have to say, but at Annex B is a short note of the key points she might make. The first of those is the way the City Council is behaving, and my Secretary of State is minuting the Prime Minister separately about the latest position. Annex C.

Not enclosed.

I am also enclosing, in case the Prime Minister wants to scan through it, an update of the background briefing that we provided for previous meetings between the Prime Minister and the two Bishops.

Yours ever

Alan Davis

ALAN DAVIS
Private Secretary

Andrew Turnbull Esq

A

MEETING BETWEEN THE SECRETARY OF STATE FOR THE ENVIRONMENT AND THE BISHOP AND ARCHBISHOP OF LIVERPOOL, 13 NOVEMBER 1984

SUMMARY OF MAIN POINTS RAISED

Following up the Garden Festival

The Bishops referred to the encouraging atmosphere in Liverpool following the Garden Festival - what they referred to as 'post Festival Liverpool'. They expressed gratitude for the Secretary of State's announcement about the Festival site. The Festival had provided a major boost to hope and belief, although people still felt very frustrated. There was a strange contrast between these hopeful signs and the road to disaster that the City Council seemed determined to follow. People increasingly felt that the Council had to be bypassed.

One of the most hopeful signs was the 'Michaelmas Group' - a Group of leading businessmen brought together by the Bishops to build on the post-Festival spirit. They were developing ideas which would attract private investment. There was an encouraging level of involvement and commitment - the Group were looking forward from the old role of Liverpool to new development, tourism and ways of improving the City's image. The Group had no confidence in the City Council, and therefore needed guidance from Government about the way in which they should develop. The Secretary of State said that he would be willing to meet the Group to discuss this - they might like to consider the establishment of a development association as a promotional body for Merseyside, similar to bodies established in other parts of the country.

Liverpool's attitude to the voluntary sector

The Bishops expressed concern about Liverpool Council's attempts to take over the voluntary sector in Liverpool. Some voluntary sector leaders believed that the Council's attitude would lead to a halving of the voluntary sector over the next five years, with consequent loss of real community involvement and leadership. The leading Liverpool Councillors seemed unwilling - and in some cases unable - to recognise this.

Liverpool Housing

The Secretary of State explained the impasse that had been reached on Liverpool's housing expenditure allocation for 1985/6. The Council were refusing to speak to the Department until the Secretary of State confirmed his 'promise' to provide a £130m allocation. No such promise had been made. The Bishops said that they believed some new local authority housing for rent was needed as part of the strategy to tackle Liverpool's housing problems, but if the Council would not co-operate then clearly the Government would have to use other agencies.

Manpower Services Commission

The Bishop expressed concern about the future of MSC programmes,

particularly in the light of what had happed on Mode B schemes. Greater emphasis was being placed on 'output measurement', and if the measure was the proportion of trainees who went on to full time jobs this would pose major problems for areas like Liverpool. The effect would be a concentration of MSC resources in the areas where jobs were most available, rather than in areas where unemployment was highest. MSC programmes must be viewed in terms of providing useful opportunities for the unemployed as well as providing training for jobs.

Liverpool's Race Relations Unit

The Bishops expressed concern about the tensions that had been created by Liverpool's decision to appoint the local Labour Party's nominee to head the Race Relations Unit, rather than other candidates who were regarded as much better qualified by all impartial observers and the black community itself. The Government might welcome the split that this had caused within the Council and between the Council leadership and the unions. NALGO had blacked the post and the threat of an all-out strike remained. But Liverpool's action was very damaging to the efforts being made to encourage black leadership and involvement.

A H DAVIS
Private Secretary
14 November 1984

BY FAX
Mr Ballard, PS/SofS
Room N16/05

Prime Minister's meeting with the Bishop and Archbishop of Liverpool

Points to make

1. The Government remains deeply concerned about the actions and attitudes of Liverpool City Council. Blinkered and expensive municipal solutions wrong and impractical.

2. Government will continue to do all it can to help deal with problems.

3. Very conscious of the strains being imposed on local society (e.g. by the Council's unwillingness to consult community groups, its attitude to the voluntary sector, its recent handling of the appointment of Samson Bond as principal race relations officer etc). How do the Bishops see the picture?

4. Have the bishops views about developing the roles of other agencies in Liverpool - churches, community and voluntary groups, or public sector bodies such as the Housing Corporation and Merseyside Development Corporation?

5. Are any lessons beginning to emerge from the Archbishop of Canterbury's inner city commission, of which the Bishop is a member?

6. Have the Bishops any up-to-date feel about the risks and possible causes of disturbances?

MEETING WITH ARCHBISHOP AND BISHOP

ARCHBISHOP OF LIVERPOOL (RC)

Most Reverend Derek John Horford Warlock (64)

Archbishop of Liverpool since 1976. Educated St Edmunds College, Ware, Herts and ordained RC priest 1944. Private Secretary to Archbishop of Westminster 1945-64. Bishop of Portsmouth 1965-76. Member of the Synod Council 1976-77 and of the Holy See's Council and Committee for the Family from 1977-83. English delegate to the International Synod of Bishops 1974,77,80 and 83.

BISHOP OF LIVERPOOL

Rt Reverend David Stuart Sheppard (55) Bishop of Liverpool since 1975. Educated Sherborne; Cambridge (MA) Ridley Hall Theological College. County cricketer with Sussex 1947-62 (Captain 1953). Playe 22 times for England 1950-63 (Captain 1954). Warden Mayflower Family Centre Canning Town 1957-69 Bishop Suffragan of Woolwich 1969-75

MEETING WITH BISHOPS

The Prime Minister will recall meeting the Bishop and Archbishop of Liverpool on 1 February this year for a private discussion about Merseyside, and briefly during her visit to Liverpool on 2 October.

The Bishop on 1 February referred to people in the inner-city parishes who felt alienated, had little part in deciding their own destiny, and who felt also that unemployment was permanent and would not be eased by national efforts. The Bishop himself said that Government schemes such as YTS and the Community Programme were dwarfed by the scale of the problem.

The Archbishop expressed his dismay that the City Council were taking over housing plans being developed on a self help basis. He also praised the County Council as an able and unifying force which people did not wish to see abolished. Joint Boards involving district councils would find it hard to rise above sectarian interests.

In response the Prime Minister expressed concern:

about the doctrinaire nature of the City Council's decisions and said that support for the County was really a measure of the city's failure to take a proper lead in the area;

added that even if Merseyside had to live with unemployment for the foreseeable future much could and should be done to improve the physical environment.

The Bishop later wrote a personal letter to the Secretary of State and described movingly the plight of parishioners facing long term unemployment. He described also a week-end forum held in February when the Archbishop of Canterbury's Commission on Urban Priority Areas visited Merseyside. The forum stressed again:

the financial and social problems of unemployment;
the problems of funding voluntary bodies;
the effects on those left behind of the 'mobility of the self confident';
the need to press harder for industry to invest in Merseyside the need, (despite industry's reduced requirement for manpower) for people to be able to contribute to society and to receive a reasonable wage for it.

File Rb
cc Olive Letwin

7

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

MINISTERIAL GROUP ON LOCAL AUTHORITY RATE SETTING

The Prime Minister has seen your minute (Ref A084/3004) and has approved your recommendations for the terms of reference and membership of this Group, and for the arrangements for involving other Ministers as necessary. She has left open the question of whether the Secretary of State for Trade and Industry should be invited to join the Group on a personal basis. I suggest that we return to this question when Mr. Tebbit is back at his desk.

ANDREW TURNBULL

TMG

14 November 1984

'THE TIMES' WED 14/11/84

Hume and bishops deplore strike strife

By Our Religious Affairs Correspondent

The Roman Catholic bishops of England and Wales, led by Cardinal Basil Hume, yesterday deplored the atmosphere of instability and violence arising from the miners' strike, which they said was gravely damaging to the morale of the community.

In their first utterance of the issue, they said in a statement: "We believe it is our right and duty to urge all involved in this tragic dispute to seek a swift return to the negotiating table... A fight to the finish can only bring disaster to all concerned."

The statement came in the course of their half-yearly meeting in London after they discussed in private the evidence of growing violence

"In the mining areas themselves, the 'creeping return' to work seems to have increased the bitter divisions now experienced in traditionally close-knit communities."

The bishops said the industrial relations should not be viewed as a trial of strenght, but guided by fundamental moral principles. "No matter how deeply feelings may be aroused, in normal circumstances such as we know in this country no violence of any kind can have a place in this process."

The danger of violence, the statement said, was increased by the apparent unwillingness of either side to attempt to negotiate a settlement at the present time.

● The Bishop of Southwell, the Right Rev John Wakeling, told the Lords yesterday that Mr Arthur Scargill was right to fight for the miners' jobs, even if the union's tactics were wrong.

● Five miners from the Kent coalfield were committed to Chelmsford Crown Court yesterday by Colchester Magistrates, charged with causing criminal damage and with conspiracy to commit arson at a transport depot in Ardleigh, Essex, last July. They were released on bail. They were named as: Garry Newell, aged 28, James Waddell, aged 29, Mark Best, aged 26, Brian Day, aged 28, all of Deal, and Emlyn Davies, aged 33, of Broadstairs.

● Paul Hopson, aged 21, of Normanton, near Wakefield, was jailed for three months for hurling missiles at police during disturbances outside the Orgreave coking plant, near Sheffield, last May. He denied threatening behaviour but was found guilty at Sheffield Magistrates' Court.

UNCHECKED. D

REV DEREK WARLOCK - INTERVIEW ON CATHOLIC STATEMENT ON COAL STRIKE

Transcript from: BBC Radio 4, World Tonight, 13 November 1984

PRESENTER: ... . Today the Roam Catholic bishops of England and Wales issued a ten point statement abot the coal strike. They were deeply concerned , they said, about the apparent unwillingness of either side to negotiate a settlement. This , said the Bishops, increased the danger of violence. Larry Harris asked the Roan Catholic Archbishop of Liverpool, the Rt Rev Derek Warlock, whyhis colleagues had decided to issue a statement at this time?

WARLOCK: This is the first time the bishops have come together in recent months so there could be no question of a joint statement before, and this is a joint statement. And we're also speaking now because we feel it is a critical situation and possible even a worsening situation.

INTERVIEWER : Well what specifically are the anxietyies that prompted you to make it?

WARLOCK: I think we've seen the dangerof escalating violence. We've seen, especially in the coal mining communities, the divisions and the bitterness which is arising xx in those communities - not only between the miners but others who are indirectly effected. And I think also there is a great danger of increasing violence and a spirit of desperation in that n gotiations xxx appear to have stopped. And they've stopped to the extent that people are saying well let's wait now and see who collapses first. My experience of industrial disputes is that you never achieve a lasting solution after the total collapse and defeat of one party. I belie we there is the possibiliy for n gotiations and we have to try to encourage its resumption. .

INTERVIEWER : Dealing first of all with the violence; that of co;urse is there for all to see on our television screens nightly.

Are your priests in the mining communities themselves reporting anything else that gives you particular cause for alarm?

WARLOCK: Well, in the violence - and we refer to violence and counter violence - whic is a real difficulty within the community, which can be damging to police a d community relations in the future as well as at the present time. We hear that, for instance, with regard to the present drift back to work, this creeping return as it's xx called, that where that is happening the bitterness of the division is even more acute than it was.

INTERVIEWER : Why do you think that things have become as bad as serious as indeed they are?

WARLOCK: Well, it isn't just individuals who are concerned. This particul.ar dispute is really sumptomatic of a much wider issue which is what happens to communities when industries around which they have been built, and have had all their life in the past, are judged by others no longer to be viable. It's a problem which is going to arise even morexxxxxaactuely in other areas as technology takes root and there are more redundancies. We've got to adjust to a new age. I think that this - I would like to think - was a turning point in the realisation of this. I don t think that any one industry by itself can solve the problem. Axd And for that reason it really has become quite critical for the whole of the northxxxxx of England and, indirectly, the rest of the country as well.

CATHNEWS

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13 November 1984

PRESS RELEASE/AUTOMATIC

CATHOLIC BISHOPS SPEAK ON INDUSTRIAL VIOLENCE AND COAL-MINING DISPUTE

The Roman Catholic Bishops of England and Wales, meeting in Conference in London this week, today November 13 issued the following statement on "Industrial Violence and Coal-Mining Dispute".

TEXT FOLLOWS

MORE/

STATEMENT ON INDUSTRIAL VIOLENCE AND COAL-MINING DISPUTE.

1 All those who value freedom have been shocked by recent instances of violence in this country. We are deeply concerned at the effect this is having on the whole community. For violence leads to violence and creates a state of mind and an atmosphere in which the scale and the extent of that violence steadily increase.

by whom? A slur on the police.

2 For some months, there has been increasing evidence of violence and counter-violence in industrial disputes. No matter to what side this is attributed it has done grave damage to relationships which are essential for the well-being of the community. A cause of special concern to us is the frequency with which there is early and easy recourse to violence, to the neglect of available means of reconciliation and settlement.

3 Today established processes of consultation and negotiation, which lie at the heart of industrial relations, are under severe strain. True partnership in industry, with a genuine share in responsibility for the good of the enterprise, requires mutual trust and respect for the dignity and integrity of others, and a recognition of their rights and duties. These rights have over the years been protected by employer's associations and trade unions to which their members rightly give full and proper loyalty. Such loyalty requires opportunity for responsible membership, and genuine accountability by leadership.

120 hours + not enough? NACODS?

4 There are rightly established procedures to help resolve disputes without recourse to the law. Legal processes with penal sanctions can often be of only limited value. They can never be a substitute for the hard work of negotiation needed to achieve a just settlement to a dispute and to restore the mutual confidence needed for future industrial harmony. No matter how deeply feelings may be aroused, in normal circumstances such as we know in this country, no violence of any kind can have a place in this process.

5 The introduction of advanced technology in industry presents many challenges. Increased productivity and improved competitiveness are almost invariably accompanied by job-losses in the work-force. In many places this has increased the tension in already strained industrial relations, making those facing redundancy and long-term unemployment more than ever determined to protect their jobs. Many of the recent industrial disputes are related to this challenge which must be faced by the community as a whole. No one industry or part of the country can solve this problem on its own.

6 The frustrated anxiety, helplessness and hostility evident within industry affect the whole nation. The present atmosphere of instability and violence is gravely damaging to the morale of the community, with its need for a sense of

security. Family bonds are threatened, not only through financial hardship and widespread unemployment but also by a general weakening in commitment due to insecurity of various kinds. We feel especially at this time for the elderly and the disabled who are seriously disturbed and distressed by the effects of the prolonged industrial dispute in the National Health Service in the North-East. – a strike fomented by Militant Tendency

? DHSS

7 The socio-economic good of a country must have adequate regard for moral values. These have regard for the dignity of human labour, and must include good housing, education and social services. Their provision is a moral duty and not exclusively a matter of economics. The fashioning of industrial relations must be guided not by a trial of strength but by fundamental moral principles concerning the human person and the legitimate demands of the common good of society.

8 We are deeply concerned at the protracted nature of the present coal-mining dispute. The economic loss to the industry not only affects our national well-being but indirectly can damage our ability to provide adequate services throughout the country and to give aid to parts of the world where needs are still greater than our own. Equally disturbing are the long-term effects on police and community relations and the clear signs of hardship and division now evident in many aspects of life in the coal-mining communities.

True

NCB has offered (i) to review 6 March proposals (ii) to put 5 pits back through review procedure and (iii) has agreed with NACODS an enhancement of that procedure. Mr Scargill boasts that he has not moved an inch.

9 In face of this, the apparent unwillingness of either side at the present time to attempt to negotiate a settlement increases the danger of violence, and exacerbates the anxiety and antagonism felt in many parts of the country. This is especially true in the mining-areas themselves, where the "creeping return" to work seems to have increased the bitter divisions now experienced in traditionally close-knit communities. This adds urgency to the need for negotiation.

Is 7,000 in two weeks a "creeping return"?

10 As pastors charged with responsibility before God in the work of reconciliation, we believe that it is our right and duty to urge all involved in this tragic dispute to seek a swift return to the negotiating table. Not all problems can be resolved at once but a fight to the finish can only bring disaster to all concerned. For the rest, we call on all men and women of good will to pray earnestly that a just and lasting settlement may swiftly be found to this dispute and that a spirit of forgiveness may heal the divisions and distress that have been caused.

Absence of negotiations is helping to resolve strike

10 DOWNING STREET

Prime Minister (1)

Content with RTA's recommendations on terms of reference and membership?

(It is possible that ILEA, rather than Liverpool, might be the first candidate for discussion)

AT

13/11

Agreed MT

6

Ref. A084/3004

MR TURNBULL

Ministerial Group on Local Authority Rate Setting

Your minute of 8 November asks for proposals on terms of reference and membership for a Group to consider how the Government should handle a refusal by Liverpool City Council or other local authorities to fulfil their obligations.

2. I suggest that the terms of reference for such a Group might be:

"To keep under review any problems which may arise affecting individual local authorities, arising from failure to set a local rate for 1985-86 or to fulfil their legal obligations in other ways, and to consider and co-ordinate such Government action as may be necessary".

The Group might be called the Ministerial Group on Local Government Contingencies.

3. I suggest that the members of the Group, under the chairmanship of the Prime Minister, should be:

Lord President of the Council
Secretary of State for the Environment
Home Secretary
Secretary of State for Education and Science
Secretary of State for Social Services
Lord Privy Seal
Chief Secretary, Treasury
Attorney General
Minister for Local Government

The Secretary of State for Trade and Industry has no great departmental locus but the Prime Minister may like him to be a member on a personal basis when he has recovered. I suggest also that the Chancellor of the Exchequer should receive papers and attend meetings when he wishes to do so, and that the Secretaries of State for Scotland and for Wales and the Chief Whip should receive papers and be invited to attend when necessary. The Secretary of State for Defence, because of his earlier involvement in Merseyside, was invited to the meetings the Prime Minister held on Liverpool earlier this year but I doubt whether it is necessary to involve him in the Group this time.

4. If the Prime Minister is content I will arrange for the Ministers concerned to be informed. I believe the Secretary of State for the Environment intends to bring forward a paper on Liverpool later this month. This would be the subject of the Group's first meeting.

RTA

ROBERT ARMSTRONG

13 November 1984

CF pro

file

SBI

10 DOWNING STREET

From the Private Secretary

9 November 1984

Thank you for your letter of 6 November to Andrew Turnbull about the Liverpool City Council. The Prime Minister has accepted your Secretary of State's judgement that approval should not be witheld from the Sports Hall projects to which your letter refers.

Tim Flesher

John Ballard Esq
Department of the Environment

RM

SECRET

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

During the course of last summer, the Prime Minister held a number of meetings to consider how the Government should handle Liverpool City Council's refusal to fulfil its obligations. All the evidence points to a repeat of Liverpool's challenge over the coming year. Furthermore, it is likely that a number of other councils will adopt the same course.

The handling of this situation is likely to require a good deal of discussion and contingency planning. Last year the meetings were organised and recorded by the No. 10 Private Office. This year's exercise could be greater in scope and could continue to the point where Commissioners are appointed for some councils. The Prime Minister believes, therefore, that it would be better to establish a MISC group, with a Cabinet Office Secretariat. Please could you propose terms of reference and membership for such a group.

The Secretary of State for the Environment's minute to the Prime Minister of 31 October on Liverpool City Council mentions that he wishes to put forward a full paper on options for handling the Liverpool situation. I understand DoE would like this meeting before the end of the month. It would be helpful if the new arrangements could be in place for that meeting.

ANDREW TURNBULL

8 November, 1984

SECRET

DAILY POST

7 NOVEMBER 1984

Bishop back miners cash plea

LIVERPOOL'S bishops have backed a hardship fund for striking miners.

Bishop David Sheppard and Roman Catholic Archbishop Derek Worlock have agreed to become trustees of the national fund set up by the TUC yesterday. They said they were "very glad to be associated" with the operation.

"There is no doubt about the reality of hardship in coal mining communities at the present time," declared the bishops.

"To establish a miners hardship fund, distinct from the fighting fund of a union, is both realistic and desirable."

Backing fund — Bishop Sheppard and Archbishop Worlock.

10 DOWNING STREET

Prime Minister (2)

You expressed doubts about giving approval to 3 sports halls in Liverpool under the ~~[illegible]~~ Urban programme. Mr Jenkin felt, nevertheless, that he could not refuse agreement. The attached justifies his decision.

AT

6/11

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

6 November 1984

Dear Andrew

Thank you for your letter of 1 November about Liverpool City Council.

The position we are in now is that there is every indication that Liverpool are not taking the necessary steps to control their current expenditure to meet their 1984/85 budget or to provide for reasonable rate levels next year. But we are still some way from the end of the financial year and, in any case, it is not possible for us to obtain at this stage, precise information of their financial position. My Secretary of State judged it right, therefore to give a stern warning of the consequences of their apparent actions and to alert public opinion to the dangers. While it remains feasible for Liverpool to begin to put their house in order he is most reluctant to intervene directly. To have refused to approve these sports projects would, almost inevitably, have provoked a crisis which his present tactics leave room to avoid.

The Sports Hall projects are popular and meet a real inner city need. The City Councillors could have turned their rejection to political advantage and undermined the message on the overall budgetary problem the Secretary of State was trying to get across.

My Secretary of State believes that the Sports Hall projects are good UP projects which under normal circumstances there would have been no difficulty in approving. There will be other and more appropriate issues on which to make a firm stand, if necessary. The warning has now been made very clear. I enclose a cutting from Friday's Liverpool Echo. There was also extensive coverage on local radio, and on BBC TV in the North West.

Yours sincerely

John Ballard

JOHN BALLARD
Private Secretary

Andrew Turnbull Esq

nnie, and her
n.

na Barfield

CASH WAR ROUND 2!

Exclusive By Peter Phelps

ENVIRONMENT SECRETARY Patrick Jenkin today launched a savage attack on Labour-run Liverpool council.

He warned that a new budget crisis could mean rate rises of up to 100 per cent. next year.

A clearly furious Mr. Jenkin accused hard left Militant Tendency extremists of trying to smash the system and renewed his threat of bringing commissioners in to run the city.

He said in an exclusive interview with the Echo that Labour chiefs had made no effort to cut costs and were either gagging Town Hall officials or keeping them in the dark about vital spending plans.

Jenkin slams 'militant wreckers'

Mr. Jenkins said the city's direct labour organisation was a scandal.

He claimed a wall of silence had crippled the government's so-called "partnership" funding arrangement with Liverpool.

His onslaught came as a letter from the Department of the Environment's Liverpool based Task Force was delivered to council chief executive Mr. Alfred Stocks this afternoon.

Smash

It gave the go-ahead for three city sports centres—and contained a veiled attack on the lack of co-operation between Whitehall and Town Hall.

"These are extreme Militant Tendency socialists who have no intention whatever of working the system," he said.

"They are out to smash the system and they have made it clear that is their objective.

Road to disaster—Page 4

Cakes firm on the brink

By Colin Wright, Industrial Correspondent

BAKERY group Cubbon Cakes of Liverpool sent out an S.O.S. to the business world today as it teetered on the brink of closure.

The high-class Old Swan confectionery firm, which employs around 100 staff, is appealing for cash backing after going into voluntary liquidation.

Accountants were at the bakery this morning and managing director Vernon Cubbon was due to address the workforce later today.

Refused

The company chief was refusing to talk about his firm's plight, but local Bakers' Union officials confirmed that only a cash injection could save the business, which runs a dozen shops.

"The company is in trouble, but the situation is not hopeless if a backer can be found," said union regional secretary Eddie Pritchard.

"A liquidator has not yet been appointed and the company can still be rescued by someone who is brave enough to assist it.

"We are telling our members to bend over backwards to assist the company in every way."

General 'in plot to kill'

HONDURAS is to seek the extradition of its former military attache in Chile, accused of being involved in a plot to assassinate President Roberto Suazo Córdova.

Foreign Minister Edgardo Paz Barnica announced last night the government had already taken diplomatic steps to secure the arrest and extradition of General Jose Bueso-Rosa (47).

The F.D.I. said it had uncovered the plot to kill the President and take over power by a gang which planned to finance the coup through the sale of 10.3 million dollars' worth of cocaine.

Chums burned as can of fuel explodes

TOP school chums were recovering in hospital today after a can of fuel exploded over them.

The 10-year-old children suffered 45 per cent burns to their hurtles after they were set ablaze when a can of nitro-methane aircraft fuel exploded during a prank near their homes in Townhill, Southampton.

Glynn Morgan and Anthony Rolls ran screaming to Glynn's home, where his 16-year-old brother Andrew put out the flames and immersed both boys in a bath of water.

David's brother, Brian (17), said: "They were in the woods playing with matches. Glynn had taken the aircraft fuel from our garden shed.

Search for missing baby

POLICE in the Irish Republic were today searching for a nine months old baby girl, who was lying in the back seat of a car when it was stolen from outside a fish and chip shop.

The baby's parents and two friends returned with their meal from the chip shop in Maynooth, Co. Kildare, 20 miles from Dublin, to find both infant and car had gone.

Police believe thieves took the vehicle without realising the child was there.

On the road to disaster

Minister's warning to city's militant rulers

Environment Secretary Patrick Jenkin talks exclusively to Peter Phelps, the Echo's Local Government Editor.

LIVERPOOL is heading for financial disaster next year and cannot be saved again by Government handouts or shuffling the cards.

That is the heart of the grim message today from Environment Secretary Patrick Jenkin.

Speaking exclusively to the Echo, the man who had a bruising encounter with Liverpool Labour chiefs over this year's budget settlement fired a major broadside on the eve of the 1985-86 budget-making process.

He said economy measures suggested in June's joint Town Hall-Whitehall report had been ignored.

He claimed the £20 million partnership programme for projects funded 75 per cent by Government under urban aid was being ill-used and in danger of breaking down through lack of co-operation.

Centres

He was obviously incensed by the fact that three sports centres costing £2.25 million under the urban programmes were announced by the council without proper consultation.

He said: "These are absolutely straight urban programme commitments which in the ordinary course of events we would wish to approve — although Hatton did his best to drive us off them by his premature announcements before we'd had a single detail of them."

Mr. Jenkin said: "We did not know what they'd cost or where they were. If we are going to continue to run an inner city partnership in Liverpool they have got to come in and play their part in a proper, decent way as every other partnership authority does.

"We have partnership arrangements with other left wing councils ... where the minister concerned is able to have a perfectly effective relationship and officials have a good relationship with the authority. In Liverpool this simply doesn't exist.

"We never seem to be able to get the information in the form we want. The officers aren't briefed or if they are they are not given the authority to disclose the information.

Behave

"Projects — as this one was — are announced prematurely in advance of any decision being taken. This isn't the way to behave.

"In many cases the officers simply don't know what's happening. They aren't told. The business of the council is being handled by a few of the leading councillors.

"The basis of a proper partnership is regular contact at official level. It's a process that hardly happens in Liverpool. Things come forward with a great lurch before absolutely any information has been given to us at all."

Mr. Jenkin added: "The virtual breakdown of relationships between the voluntary bodies and the city council again makes it very difficult.

"Projects are put up by the voluntary bodies only to find that so bent are the council on the 'municipal solution' — they actually want to take over the voluntary bodies.

"The council gives the impression they think the money for urban projects not only is unlimited but that anything they demand is automatically to be given.

"Is that partnership in any meaningful sense at all?" asked Mr. Jenkin.

Patrick Jenkin . . . grim message

"I don't see how we can go on trying to run a normal partnership if the other partner goes on behaving like that."

Mr. Jenkin was also highly critical of the concentration of resources in Labour's 17 city crisis areas.

"I am very unhappy about what I call the total municipal solution," he said. "They are totally turning their backs on housing co-operatives. "Tony Byrne (council finance chief) keeps on saying he is not against bringing in the private sector.

"They point to one or two examples hanging over from the previous administration but when it comes to the question of doing a second Minister Court with the building next door to it — no way.

"They were asked by Wimpey a year ago to do a deal on Speke Hall Road flats. Minster Court was a derelict tenement block successfully refurbished by private guidelines.

"They are concentrating on the 17 priority areas to the exclusion of all else," said Mr. Jenkin.

"There is concentration solely on this aspect of housing in the priority areas when so much of the inner city regeneration has to be directed to other aspects like improvement of the environment, and facilities for small firms.

"They don't put anything forward for that at all. It's unbalanced and it simply doesn't fit in with the objectives we are able to agree with every other partnership authority."

But the most worrying question for Mr. Jenkin is next year's budget.

This year Labour claimed victory in their budget battle with Whitehall insisting it had won special aid from Mr. Jenkin worth £20 million when the environment chief said the total was no more than £2.5 million.

The threatened huge rate rise was reduced to 17 per cent. But Mr. Jenkin warned at the time that Liverpool was storing up trouble for the future unless costs were pruned and suggested a package of economy measures including making the refuse collection, the direct labour organisation and other services more efficient.

A joint Town Hall-Whitehall report also suggested early retirement schemes, voluntary redundancy and the disposal of valuable city centre freeholds.

"The true gap in spending is in the order of $35 million," said Mr. Jenkin.

"Therefore, they are going to go into next year — unless some very drastic steps are taken — with a substantial deficit.

"The law requires that deficit shall be added to the budget for next year and that the rate shall be sufficient to cover both. They have done nothing to seek to trim their spending to meet the requirements of a reasonable budget.

"If absolutely nothing is done the people of Liverpool may face 100 per cent rate rises simply to balance the books.

"One would have thought that a council of responsible men and women seeing this coming would have been doing something about it."

"These are extreme Militant Tendency socialists who have no intention whatever of working the system.

Mr. Jenkin repeated his earlier charges that street cleaning in Liverpool cost four times as much as in Sheffield, that environmental health cost two and a half times more per head than in the average metropolitan district — that the city spent 50 per cent more on waste collection and 30 per cent more on social services.

"Liverpool appears to have done nothing to deal with the longer term financial problems it faces.

Missiles contract

THE U.S. Navy awarded a one b

nuclear missiles, officials said.

The Navy is now building eight Trident

Not been dismissed

relations director Geoff Kirk, sent on

out about his "per agony", "that I have been dismissed

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Nine years on

JAMES KERR (59),

Switzerland

offence nine years

at Dublin's Special C

Death probe

THE Army was

a 13-year-old boy

Dorset. Two other

both 12, were trapped

the vehicle and injur

Falklands command

THE United Nati

general assembly,

approved by 88 vote

on Britain and Argen

to negotiate th

sovereignty dispute

the Falklands Islands

Butter mutter

THIRTY-NINE thous

tonnes of surplus C

mon Market butter

go on sale in the

of 42p a pack, the A

culture Ministry

announced. Dealers

it should be about 29

pack.

The fact finders

FOUR federal Germ

MPs toured Liverp

yesterday to see at

hand the effects of in

city decay and attem

at rejuvenation. The

is comparing and

tracking the results of

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Patrick Jenkin . . . grim message

private guidelines.

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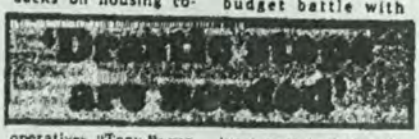
"Liverpool appears to [illegible] deal with the budget [illegible] financial problems [illegible]



Missiles contract

THE U.S. Navy [illegible] awarded a one bi[illegible] dollar contract to a L[illegible] head Corp subsidia[illegible] develop and build S[illegible] submarine-launc[illegible] nuclear missiles, [illegible] officials said.

The Navy is now b[illegible] ing eight Trident [illegible] marines and tentat[illegible] plans to build anothe[illegible]

Not been dismissed

COAL BOARD pu[illegible] relations director [illegible] Geoff Kirk, sent on in[illegible] nite leave, has spo[illegible] out about his "pers[illegible] agony". "But I have [illegible] been dismissed [illegible] neither have I b[illegible] asked," he added.

Nine years on

JAMES KERR (28), a[illegible] ufted to Ireland f[illegible] Switzerland in conn[illegible] tion with an explosi[illegible] offence nine years a[illegible] was expected to app[illegible] at Dublin's Special Cr[illegible] nal Court today.

Death probe

THE Army was in[illegible] investigating the death [illegible] a 13-year-old boy k[illegible] when an armoured v[illegible] cle overturned on a tr[illegible] ing ground at Bovingd[illegible] Dorset. Two other bo[illegible] both 12, were trapped [illegible] the vehicle and injure[illegible]

Falklands command

THE United Natio[illegible] general assembly, ov[illegible] riding British oppositi[illegible] approved by 89 votes [illegible] nine a resolution call[illegible] on Britain and Argenti[illegible] to negotiate the sovereignty dispute o[illegible] the Falklands islands.

Butter mutter

THIRTY-NINE thousa[illegible] tonnes of surplus Co[illegible] mon Market butter are [illegible] go on sale in the Ne[illegible] Year at a maximum pri[illegible] of 42p a pack, the Ag[illegible] culture Ministry h[illegible] announced. Dealers a[illegible] it should be about 28p [illegible] pack.

The fact finders

FOUR federal Germ[illegible] MPs [illegible] rejuvenation. The par[illegible] [illegible] rejuvenation the [illegible] [illegible] with their own arbo[illegible] [illegible]

File KM

10 DOWNING STREET

From the Private Secretary

1 November, 1984

Dear John,

LIVERPOOL CITY COUNCIL

The Prime Minister has seen your Secretary of State's minute of 31 October. She agrees that the time is right to start putting across the Government's case on Liverpool and to urge the Council to fulfil its statutory duties.

The Prime Minister has asked why, if the three sports halls are being financed under the Urban Programme, the Government cannot turn them down while the City Council is failing to put its house in order. She would welcome a further note on this.

I am sending a copy of this letter to Hugh Taylor (Home Office), David Peretz and Richard Broadbent (HM Treasury), Elizabeth Hodkinson (Department of Education and Science), Richard Mottram (Ministry of Defence), Steve Godber (Department of Health and Social Security), Callum McCarthy (Department of Trade and Industry), Henry Steel (Attorney General's Office), David Morris (Lord Privy Seal's Office), and to Richard Hatfield (Cabinet Office).

Yours sincerely

Andrew Turnbull

(Andrew Turnbull)

John Ballard, Esq.,
Department of the
Environment.

10 DOWNING STREET

From the Private Secretary

Prime Minister (1)

(i) Agree this opening shot in the forthcoming struggle with Liverpool?

(ii) Agree I ask Cabinet Office to set up a MISC (with RTA to make proposals on membership) to deal with Liverpool and other recalcitrant councils? I envisage this subject will require regular meetings over the next nine months.

Yes MT

AT
31/10

COPY 1 OF 13.

If they are under the Urban programme why can't we turn them down? MT

Prime Minister

LIVERPOOL CITY COUNCIL

The purpose of this letter is to let colleagues know that I propose shortly, in approving spending by Liverpool City Council on three sports halls under the urban programme, to take the opportunity to make warning noises in public about the consequent implications for Liverpool's financial position. This is likely once again to turn the spotlight on Liverpool.

As you will remember, the settlement of Liverpool's budget this year provided the Council with a breathing space. It did not solve the underlying problems of overmanning and inefficiency which need to be tackled if the Council is to move on to a sound financial footing. So far I have seen no evidence whatsoever that the Council are taking any advantage of the opportunity offered. Instead they seem to be building up a substantial deficit this year to carry forward to 1985/86. Such a course of action is bound to have a substantial effect on the likely rate level required. Given the extremist politics of the majority Labour Group, I am not at all suprised at this course of events.

I believe it is essential that we begin to put on the public record - both soon and often - our concern that the Council may be heading deliberately for a financial crisis next year, without taking any heed of this year's events. We must not appear to be taken by surprise, nor must we allow the Council to take the initiative and lay the blame at our door.

I intend to start this process, in a fairly low key way, this week. I have been asked to approve urban programme support for three sports halls in Liverpool. These are good schemes;

but they will add to the Council's revenue commitments next year. I have decided that, in the light of the undertakings on UP which we agreed last summer, I cannot turn them down, but in giving approval I intend to draw to the attention of the Council both their failure to enter into proper partnership discussion with us in this context, and the financial problems which appear to be building up for them and which will be increased by my approval. A copy of the decision letter, to be issued at official level, is annexed. I will be following this letter up immediately with local interviews this Thursday. We can expect a strong reaction from the Council.

Within a week or two, I hope to be able to put to colleagues a full paper on the options for handling the Liverpool situation over the coming months, in thelight of our best information on their current financial position.

I am copying this minute to Leon Brittan, Nigel Lawson, Keith Joseph, Michael Heseltine, Norman Fowler, Norman Tebbit, Peter Rees, Michael Havers, John Biffen, Sir Robert Armstrong and Mr Brearley (Cabinet Office).

P J 31 October 1986

for Approved by the Secretary of State and signed in his absence,

Annex A

LETTER FROM MERSEYSIDE TASK FORCE TO CITY OF LIVERPOOL

LIVERPOOL PARTNERSHIP PROGRAMME - NEW SPORTS CENTRES

1. I refer to our meetings and correspondence on this subject and particularly to your letters of 27 September and 3 October.

2. The Secretary of State has now considered your application for Urban Programme assistance towards the cost of three new sports halls and I am able to convey his formal approval for Urban Programme grant purposes for capital expenditure on these projects as set out below:-

	1984/85 (£000)	1985/86 (£000)
Speke	530	276
Walton Hall Park	570	286
Long Lane Garston	500	247
	1,600	809

This approval is issued under the normal conditions of the Urban Programme.

3. Your Council also sought Urban Programme support for the revenue costs arising from the anticipated operating deficit of these three sports halls estimated at £411,000. The Secretary of State is prepared in principle to accept up to 100% of

the deficit in 1985/86 and up to 50% of the deficit in 1986/87 as eligible for Urban Programme support. We will however expect to be provided with data on the actual levels of deficits incurred and on the usage made of the facilities before meeting any claims for such expenditure.

4. The Secretary of State has reached his decision on the merits of the specific proposals before him, but has expressed his concern about the lack of a consensus between us on the overall shape of the Liverpool Partnership Programme. In his letter of 29 June to the Leader of the Council he expressed the hope that "we can develop an effective and constructive partnership to tackle the needs of the people of Liverpool". To date there has been little evidence on the part of your Council that they are prepared to proceed on that basis.

5. The Secretary of State has further noted the current expenditure implications of these and other schemes which the City propose to implement this year. These have implications for the City's overall financial position this year and in 1985/86.

6. In the course of the discussions earlier this year the Secretary of State emphasised the need for the Council to take action to reduce its current expenditure budget. A number of measures were canvassed - for example in the joint report prepared by officials - which would enable the City to achieve better value for money in service provision. The City's proposals to take on additional burdens make it even more important that these possibilities should be vigorously pursued. I am bound to say that we have so far had no indication of the urgent positive action which the situation demands.

7. The Secretary of State would be grateful if you would draw this letter to the attention of your Council, making clear his concerns and ensuring that they consider the implications.

Cf Lahli

13/11

10 DOWNING STREET

From the Private Secretary

30 October, 1984.

Meeting with the Bishop and Archbishop of Liverpool

The Prime Minister has agreed to see the Bishop and Archbishop of Liverpool at 1830 on Thursday, 15 November. I would be grateful if you could commission some briefing on the points they are likely to raise with her and which she should make to them. Could this reach me by close of play on 13 November please?

Duty clerk says. Briefing coming tomorrow (14/11).

Andrew Turnbull

John Ballard, Esq.,
Department of the Environment.

GARDEN Rooms

MR BUTLER

cc Mr Catford
cc Mrs Ryder

The Bishop of Liverpool telephoned this afternoon, to say that when the Prime Minister was in Liverpool two or three weeks ago she talked to both himself and Archbishop Worlock, saying that she would like them to come and see her again. The Prime Minister has apparently written to the Bishop saying that she would like him to make arrangements to see her.

On behalf of Archbishop Worlock and himself, he telephoned to make this arrangement.

I put him on to Caroline or David.

The Bishop said he would also like to speak to you but said he would like to speak to Caroline first.

Angela

29.10.84

AT: fixed for 1830 to 1915 on 15 Nov. Would you like to commission briefing?

DMB 30/10

MR TURNBULL

I suspect Ministers devote too much time to Liverpool but there is no way out of this meeting as you encounter in Liverpool had to be very brief.

AT 29/10

PRIME MINISTER ①

MEETING WITH THE BISHOP AND ARCHBISHOP OF LIVERPOOL

David Sheppard telephoned this morning to take up your offer of a further meeting with him and the Archbishop of Liverpool. They will be in London during the week beginning 12 November, and would like to see you then if possible.

May we offer them three quarters of an hour on Thursday 15 November at 1830, or on Friday 16 November at 10 o'clock?

Yes MT

DMB

or the following week - (Fri) if Thursday not possible for them MT

David Barclay
29 October 1984

Le vsc

10 DOWNING STREET

From the Private Secretary

15 October1984

Future of Liverpool Garden Festival Centre

The Prime Minister has seen your Secretary of State's minute of 11 October. She was content with the terms of the Merseyside Development Corporation's Press Release. She has noted that your Secretary of State and the Chief Secretary have discussed how the £2 million which would be required can be found.

I am copying this letter to Richard Broadbent (Chief Secretary's Office) and Richard Hatfield (Cabinet Office).

Andrew Turnbull

John Ballard, Esq.,
Department of the Environment.

Bpc

003/105

010

CONFIDENTIAL

NBPM
AT
15/10

FROM: CHIEF SECRETARY
DATE: 15 October 1984

PRIME MINISTER

FUTURE OF THE LIVERPOOL GARDEN FESTIVAL SITE

with AT?

Patrick Jenkin copied to me his minute of 11 October about the Liverpool Garden Festival Garden Site.

2 I talked to Patrick briefly about this and raised no objection to his issuing the press notice attached in draft to his minute and allowing the MDC to issue the press release which was also attached.

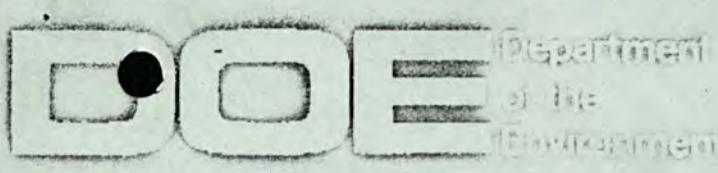
3 The extra cost of the MDC retaining some of the existing gardens and opening them to the public next year will be £2 million. I have already offered Patrick an extra £17 million for his Other Environmental Services programme, which includes the UDC's, and I am asking him to find the £2 million from within that sum. We will be discussing the programme as a whole in MISC 106 early next week.

4 I am copying this minute to Patrick Jenkin and to Sir Robert Armstrong.

for PETER REES

[Approved by the Chief Secretary]

CONFIDENTIAL



FAX Pg 1 of 2

Press Notice Parliamentary

EMBARGOED: NOT FOR USE BEFORE 1115 HOURS, THURSDAY 6 SEPTEMBER

NW 188/84

6 September 1984

FUTURE OF THE LIVERPOOL INTERNATIONAL GARDEN FESTIVAL SITE

Speaking in Liverpool today, Secretary of State for the Environment Patrick Jenkin made a statement on the future of the Garden Festival site. He said:-

"The Garden Festival has been a great success. Already there have been 2.8 million visitors, and it is clear that the final total will top 3 million. The Festival has captured the hearts of visitors, and particularly of local people, and I can understand why many people wish to see the Festival retained. But the plan has always been that the Festival should be for this one summer only; many of the gardens and exhibits, both British and international, must be returned to their owners; and MDC have entered into commitments for the future development of the site in accordance with the Riverside Development Programme which they published in November 1982 after extensive consultations.

It has always been the intention to retain a substantial part of the site for the public to enjoy, including the Promenade, the Britannia Inn, the Festival Hall, the Arena and some 45 acres of parkland and fine gardens at the southern end of the site. MDC have an agreement with Liverpool City Council for the Council to assume responsibility for much of this area on 1 January 1985. However, the City Council are understandably concerned that they might not be able to afford the expenditure required, in view of the other priorities which they have for spending in the city. In discussions with my officials this week the Council have made it clear that they could not take a decision on the Festival site until after they know their capital allocations and revenue targets for 1985/86.

This continuing uncertainty about the City Council's intentions is making it very difficult for MDC to make proper plans for the future of the site. However, MDC do not intend to take any precipitate action just yet. MDC will continue to make all the necessary preparations to ensure that it will be possible to open this part of the site to the public next year. However, if the City Council do not reach a firm decision to commit the necessary resources to the Festival site by the end of the year, when they are due to assume responsibility, MDC will clearly have to reconsider their position.

MDC are also considering whether it would be possible to retain and open to the public, for next summer at least, some of the gardens in the parts of the site which are scheduled for development, but which are not immediately required for this purpose.

Press Enquiries: Eileen Jones or Philip Aylett
Regional Information Officer
Central Office of Information
Sunley Building
Piccadilly Plaza
Manchester M1 4BD
Tel: 061-832 9111 ext 358 or 365

ISSUED BY THE CENTRAL OFFICE OF INFORMATION

B

PRESS RELEASE BY MDC

LIVERPOOL INTERNATIONAL GARDEN FESTIVAL: PLANS FOR NEXT YEAR

There is obviously a good deal of current speculation about the future of the site of the International Garden Festival and it is now considered appropriate to set out the Development Corporation's position.

The Festival is acknowledged as a success in terms of the enjoyment it has given to over three million visitors and the boost it has provided to the image and tourism potential of Liverpool and Merseyside. We will do everything within our power to ensure that the momentum thus gained is not lost.

It may help to summarise the background to the Festival:

Our development proposals, published in 1981, identified the Riverside site - after reclamation - to be used partly for permanent leisure and recreation and partly for housing and industry.

The Festival was superimposed upon this reclamation as an ideal way of upgrading the reclamation itself and providing wide-ranging short and long term benefits for Merseyside. Much of the Festival was designed for temporary use with specific features such as the Festival Hall designed and constructed on the basis of agreements we had reached on their permanent use.

Commitments were given by the Development Corporation on the long term provision of, for example, road access to the Britannia Inn and the Homes and Gardens area, amongst others.

An agreement was signed in 1982 with Liverpool City Council under which the Council will take over responsibility for maintaining and operating the Festival Hall, the Arena, the Arena Theatre and about 45 acres of parkland at the southern end of the site. This includes the lake and some International Gardens, amongst them those of China, India and Japan, since generously donated by these countries to the people of Liverpool.

The Development Corporation has received no notification that the City Council does not intend to honour this agreement, but in view of the Council's well known financial priorities, it would be unrealistic to assume that there was no uncertainty.

Therefore, as far as the area covered by this agreement is concerned, in case the City Couhncil finds itself unable to implement its agreement with us, we are now making our own contingency plans to open up the area, including the parkland and facilities, to the public next year.

Shortly after the close of the Festival, work will begin to fulfill our commitment to provide road access to both 'ends' of the site. The community theme gardens will be dismantled and the sponsors of many of the international gardens will remove their structures and plant material.

The area of domestic theme gardens is not, however, required for immediate redevelopment and will be retained as far as possible in their present form to be enjoyed by the public next year. This 'bonus' obviously depends upon the willingness of the individual sponsors to retain their gardens, but the initial response is extremely encouraging.

We appreciate and understand Liverpool City Council's position, but it cannot be stressed too strongly that the present uncertainty must be resolved without further delay. In the meantime the area must be

maintained and secured so as to continue to be available for the future leisure and recreational enjoyment of the people of Merseyside. As is already widely known the site will have to be closed to the public this winter, apart from access to the public house and river walkway.

One way or another, many of these superb facilities, which have been enjoyed by millions of people this summer, WILL be open to the public next year.

Prime Minister.

Why not ask for a paper setting out targets & who is responsible, deduced from objectives now agreed?

David Young to be responsible for producing the targets & the paper explaining how it will be done.

CONFIDENTIAL

K0963

PRIME MINISTER

URBAN PROGRAMME RESOURCES
(MISC 104(84)5)

BACKGROUND

1. The Urban Programme (UP) is at present the main direct instrument of the Government's urban policy. It operates through local authorities. Expenditure on the Urban Programme for 1984/85 will be £348m. The PES baseline for 1985/86 is £366m - no real increase. The Urban Policy and Programme Review (UPPR) makes no clear recommendation on the future size of the UP. It recommends that the first aim should be better value for money. The urban policy objectives supplemented by the Urban Programme Management Initiative which the Group will have discussed under the previous agenda item should help to secure this. The UPPR saw no scientific way of determining optimum future expenditure. Their Report illustrates how a 10% increase and 10% and 33% cuts might be distributed. These, together with the current position and the Chief Secretary's proposals, are tabulated in the Annex to this brief.

Doubled in real terms

2. In the joint memorandum the Chief Secretary is asking for cuts of £50m (14 per cent) in 1985/86 and £100m (27 per cent) in 1986/87. He argues that the programme has doubled in cost terms between 1978/79 and 1985/86. He proposes that cuts should be concentrated on the Traditional Urban Programme (Trad UP), which is largely social in character, and on Urban Development Grants (UDG) which were introduced by this Government to encourage private sector projects. He also proposes eliminating the "other designated district" status (the third tier). The cuts would fall less heavily on the Programme Authorities (the second tier), where there would be some downgrading and upgrading to refine priorities further.

3. The Secretary of State for the Environment argues that the baseline should be maintained. He considers that the level of cuts sought by the Chief Secretary would seriously diminish the programme's effectiveness in priority areas. It would reduce funds for new projects by nearly 60 per cent in 1986/87. It is quite possible that the problems of the inner cities will have worsened by then. A reduction of this magnitude in those circumstances would signal a major

change in the Government's attitude to the inner cities.

4. More specifically, the Secretary of State for the Environment does not agree with the Chief Secretary's proposed distribution of cuts. He believes that the £100m saving in 1986/87 could only be achieved either by breaking commitments or by cutting the allocation to Partnership areas (the most hard pressed inner city areas). Termination of Programme status for about 8 authorities would also be implied, with no new Trad UP designations. The UPG scheme would be severely curtailed, although it was highly rated in the recent Treasury-led review of expenditure programmes relevant to employment creation. UDG is particularly effective in producing private investment.

MAIN ISSUES

5. The memorandum asks the Group to "comment on the appropriate level of resources". You will wish to make it clear to the Group that they are not being asked to make a decision on the precise level of resources. That is a matter for MISC 106 and, if necessary, Cabinet as part of the normal course of the PES round. What would be useful would be a view on:

a. The general level of resources to be allocated to the Urban Programme in the light of the discussion about aims and objectives which has just taken place. By implication this means taking a view about the role and significance of the Urban Programme in urban policy.

b. More particularly does the Group's general view imply that the Urban Programme should remain much as it is, that more than marginal cuts (say up to 10%) can be accepted, or that substantial reductions would be acceptable.

How important is the Urban Programme

6. The Urban Programme (UP) is operated through local authorities since they are the local agencies that have the range of statutory powers and resources needed to tackle inner city problems. This has inevitably dangers and imperfections. The safeguard is that UP resources can only be used with specific Ministerial approval. Additionally, the UP has the merit of giving Government some leverage with local authorities in dealing with problems which would not otherwise reflect Government priorities. This may be particularly valuable over the next year or two as local authorities restructure their

programmes in response to rate capping and the abolition of the GLC and the Metropolitan County Councils.

7. Apart from the Urban Programme, the main channels by which central government can implement its urban policies are by exhortation and persuasion of local authorities, plus the mechanisms for control of local government expenditure and distribution of RSG, and by programmes which do not depend on local government for their implementation eg. regional industrial assistance and MSC programmes. Unless new programmes are developed or existing programmes given a more pronounced urban policy emphasis, the Urban Programme will have to continue to be the main direct instrument available to central government in this field.

Reductions in the Urban Programme

8. The reductions the Chief Secretary is seeking (14% in 1985/86 and 27% in 1986/87) are significant. For comparison the UPPR suggests that a 33% cut in 1985/86 would enable only existing commitments to be honoured and no new ones to be undertaken. The Secretary of State for the Environment appears to be seeking no change. He spells out the implications of the Chief Secretary's proposals in paragraph 10 of the memorandum. The Group should not get into detail but will help discussion in MISC 106 etc. if it at least indicates whether there is any (contemplated) level of reduction which it would not regard as consistent with its views on urban policy objectives and the priority to be attached to urban policy. Any guidance would have to be conditional on the Cabinet taking a different view when it sees the picture for public expenditure as a whole in due course.

HANDLING

9. You may wish to ask the Chief Secretary to speak first to explain the case for the reductions he seeks. The Secretary of State for the Environment will wish to reply. Most members of the Group will have views.

10. It may be suggested that reductions in the Urban Programme might be avoided by additional transfers from other Departments. At present DES, DHSS and DTp make PES contributions. Other Departments do not do so even though their policies (for law and order, employment, etc) benefit from Urban Programme activity. The Home Secretary and the Secretaries of State for Education and Science, Social Services, Employment, Transport and Trade and Industry may have views on this.

CONCLUSION

11. You will wish the Group to reach a view on:

a. The appropriate broad level of resources to be devoted to the Urban Programme in the light of the problems in the inner cities, the alternative ways of meeting them and the competing demands of other expenditure programmes.

b. If there is to be a reduction from the current baseline, should it be relatively moderate, say less than 10 per cent, or more swingeing (eg the Chief Secretary's proposals).

C J S BREARLEY

12 October 1984

ANNEX

URBAN PROGRAMME EXPENDITURE: OPTIONS

£m

	1984/5	1985/86 Baseline	1985/86 UPPR+10%	1985/86 ¢ UPPR-10% MK I	1985/86 * UPPR-10% MK II	1985/86 Chief Secy's proposals - 14%	1986/87 Chief Secy's proposals - 27%	1985/86 UPPR Standstill - 33%
Partnership Areas (inc. Docklands)	129 } 226	238	267	205	221	218	201	167
Programme Authorities	97 }							
Other Designated Districts	8	8	8	6	6	2	0	2
Traditional Urban Programme	44	47	47	47	41	38	20	31
Urban Development Grants	48	50	55	50	40	35	22	25
Merseyside Task Force	17	18	20	16	16	18	18	15
Other	5	5	5	5	5	5	5	5
TOTAL	348	366	402	329	329	316	266	245
SAVINGS ON BASELINE				37	37	50	100	121
INCREASE ON BASELINE			36					

¢ This option illustrates the protection of UDG, Traditional UP and existing commitments

* This option illustrates the run down of the Traditional UP and UDG, a concentration in deprived areas and the honouring of commitments

K0962

PRIME MINISTER

OBJECTIVES OF URBAN POLICY AND MANAGEMENT OF THE URBAN PROGRAMME (MISC 104(84)4)
(Also relevant: MISC 104(84) 3, 6 and 7)

BACKGROUND

1. An Urban Policy and Programme Review (UPPR) was commissioned early this year and reported in the summer on the objectives and effectiveness of urban policy and the Urban Programme. At their first meeting on 16 July (MISC 104(84) 1st) the Group considered a first paper by the Secretary of State for the Environment on objectives for Urban policy and the Urban Programme in the light of the reviews conclusions. At the end of the meeting, the Group asked him to further review the objectives with a view to making them more precise and capable of quantification and evaluation wherever possible. MISC 104(84)4 attempts this and raises some other issues. (Memoranda on progress in three English towns (MISC 104(84)3) and Inner City Regeneration in Wales (MISC 104(84)6 have also been circulated, and a further memorandum on Glasgow (MISC 104(84)7) may be circulated before the meeting. They respond to a request from the Group for more information on successful initiatives, particularly in Swansea and Glasgow, and might be treated as background information. They will also be relevant when the Group comes to discuss organisation at its next meeting.)

MAIN ISSUES

2. The main issues for discussion are

(i) the broad objectives of urban policy;

(ii) the role of Departments' main programmes in urban policy; and

(iii) a new initiative for the management of the urban programme.

The Secretary of State for the Environment also proposes to put more effort into publicising the impact of Government policies on the inner cities. His paper also raises implicitly the question as to whether the Urban Programme should continue to be the main direct instrument of Government policy in this field (operating, as now, through local authorities). I suggest, however, that this issue would be better discussed in the context of MISC 104(84)5 under the second item on the agenda.

Objectives of Urban Policy

3. The need for urban policy arises from the decline of the traditional economies and infrastructure of the inner cities, which has resulted in increased dereliction, housing stress, unemployment and unbalanced communities. Apart from these direct effects a further result is "social stress", with communities having too little ability to deal with their own problems. As a result they become a fertile breeding ground for extremist politics of both left and right. The Government needs a response to the situation which is often not met specifically by the operation of main Government expenditure programmes in the inner city areas. The Urban Programme has been the major specific instrument brought into play.

4. The UPPR report suggests (para 40) that the key objectives of urban policy might be:

a. to reduce the number of people in acute housing stress;

b. to reduce the number of derelict sites and void buildings;

c. to increase the job opportunities in certain areas and the employability of certain groups;

d. to strengthen the social fabric of the inner city and reduce individuals' dependence on the public services.

The Secretary of State for the Environment proposes that these objectives should be adopted though the emphasis given to each will need to vary from one urban area to another.

5. These objectives do meet the Group's wish to see objectives that are more precise than they were offered before, and that can largely be quantified and evaluated. The first three objectives are particularly susceptible to quantitative targets and the subsequent assessment of results. Objective d. is more difficult to quantify (and is to some extent a consequence of a. to c.). All of these objectives seem to address themselves to the perceived problems of inner cities.

Departmental Main Programmes

6. The Secretary of State for the Environment's memorandum (para 11) illustrates how the Urban Programme (UP) helps to adapt national programmes, eg. for regional industrial assistance, MSC programmes, for education and law and order, to the particular problems of inner city areas. There are potential

conflicts between urban policy and main programme objectives and organisational improvements will be the subject of a separate paper the Secretary of the Cabinet is preparing for the next meeting of the Group. That apart, the Secretary of State for the Environment suggests that colleagues might re-examine the objectives of their own main programmes so that the Group can consider subsequently whether there is scope to make them more supportive of urban policy. Precisely what he has in mind is not very clear. Possible examples are policies on school closures or the allocation of health service resources which may exacerbate urban problems disproportionately. However, once urban policy objectives have been agreed, it seems reasonable that colleagues should consider how their functional policies and expenditure measure up to them and whether any changes in those policies would be appropriate. However, review here is very unlikely to throw up anything useful unless colleagues participate willingly. Otherwise the Secretary of State for the Environment might be asked to discuss any particular possibilities for change that he can see with the ministers concerned.

Urban Programme: Management Initiative

7. Annex B of the memorandum sets out proposals for a new management initiative for the Urban Programme. In effect this means clearer management from the centre for each of the 32 Partnership and Programme authorities, with targets for each project being set as far as possible in quantitative or specific terms on an easily comparable basis. This will ensure better management of the Urban Programme, as well as a better system for evaluating its impact. The Secretary of State for the Environment intends to launch this initiative in good time for the preparation of programmes for 1986/87.

Publicity Arrangements

8. The Secretary of State for the Environment does not consider that current publicity arrangements are sufficiently effective. He considers that more effort should be put into publicising the impact of policies on the inner cities. Publicity should presumably cover Government activity as a whole and not simply Urban Programme activity.

HANDLING

9. You will wish to ask the Secretary of State for the Environment to introduce his memorandum. The Minister of State, Welsh Office and Parliamentary Under Secretary of State, Scottish Office (representing the other Departments with direct urban policy responsibilities) might be asked to comment first.

Departmental Ministers, the Chief Secretary, Treasury, and the Minister without Portfolio are all likely to wish to contribute.

CONCLUSION

10. You will wish the Group to reach conclusions on:

a. The objectives of urban policy; does the Group endorse the objectives set out in paragraphs 6 - 7 of MISC 104(84)4?

b. Other Departmental programmes; does the Group wish to commission further work on bringing other programmes to bear more effectively on the problems of the inner cities, or should the Secretary of State for the Environment pursue any issues directly with the Ministers concerned?

c. Management of the Urban Programme; are the Group content with the proposals at Annex B of MISC 104(84)4?

d. Publicity; should this cover only the Urban Programme or all Government activities in the inner cities?

C J S BREARLEY

12 October 1984

PRIME MINISTER 12 October 1984

THE URBAN PROGRAMME - MISC 104
16 OCTOBER

Three of the five departmental papers before MISC 104 are travelogues. These have only anecdotal value and ought not to preoccupy the meeting.

The other two papers attempt the crunchy questions of what the objectives of the Urban Programme should be, what resources it should have, and how it should be managed. Earlier this year, the UP Review revealed a need and created an opportunity to improve the effectiveness of the UP. What lead do DoE now take? A classic piece of Whitehall at its worst. On the surface, virile language conveying the impression of an earnest search for purpose fortified by consensus; down below, officials' agile minds putting Ministers up to defend departmental corners; valves wide open on the public expenditure pipeline; time rolling by.

First and foremost, MISC 104 must get into decision making mode.

1. Objectives and Priorities

Policy Unit stands by its earlier belief that the highest priorities in inner city improvement should be the rescue of bad housing, land assembly and the relief of dereliction. Work of that kind is quick acting and visible. It is susceptible to precise targets and progress checks. It draws in the private sector. In our view, it should command the lion's share of UP resources.

The UP review found that some voluntary sector social schemes obtained excellent value from very modest amounts of UP money. Subject to careful sifting of projects, we suggest that a small part - perhaps one fifth - of UP money should be earmarked to help demonstrably good voluntary sector activities.

What the UP does not need is the deadweight of 'economic' (ie largely industrial) expenditure, which accounts for a third of the total. At best, UP money is no more than a thin spread of jam on far larger main programmes: what on earth is the point of squandering some of it on competition with regional industrial aid?

2. Resources

The UP review team found no evidence in support of increasing or decreasing resources. This agnostic verdict is good reason for caution. But now that the difficulties facing Ministers over public expenditure appear so much more severe, the Chief Secretary has a strong case for cutting back. (Why are colleagues so reluctant to spend less? What were they elected to do?)

The underlying rationale for the UP is no stronger than for regional policy. Like regions, inner cities must adjust to market and demographic shifts. UP expenditure should ease the pains of change, not attempt to reverse the process. Patrick Jenkin's papers fail to grasp this point, with the result that the Treasury have much the better of the spending arguments.

If MISC 104 agrees to phase out the industrial component of UP expenditure, the Chief Secretary would achieve roughly the level of savings he seeks, and Patrick Jenkin could keep the rest of the Urban Programme intact. This would be entirely defensible on grounds of better value for money

through cutting out wasteful duplication while reinforcing the successful elements of the programme.

3. Management

Sir Robert Armstrong will want you to leave this until the next MISC 104 on 30 October. Meanwhile, DoE are quietly going firm on leaving present departmental and local authority machinery in place. (Paragraph 12 in paper (84) 4 is pure DoEse for playing the organisation issue long). But the present and proposed arrangements depend on cooperation, and departments are not good at cooperation when it involves the surrender of budgets; local authorities are often downright bad at delivering.

Like Robin Ibbs, we still see merit in exploring the Executive Agency proposal. MISC 104 on 16 October should not close that option off by default.

R.J.

ROBERT YOUNG

Mr Jenkin.

10 DOWNING STREET

From the Private Secretary

Prime Minister

Mr Jenkin advises that it is not possible for MDC to take over the Festival site immediately without putting themselves in the wrong vis à vis the City Council. MDC and Mr Jenkin propose an announcement indicating a readiness for MDC to take over if Liverpool Council do not take up the existing agreement.

Agree, subject to Mr Jenkin and Mr Rees reaching an understanding on how the £2 million will be found?

AT
11/10

PRIME MINISTER

FUTURE OF THE LIVERPOOL GARDEN FESTIVAL SITE

1. During your visit to the Garden Festival in Liverpool last week, you voiced concern (which I share) about the uncertain future of the site. There are two issues; how many of the formal gardens might be retained, and who should manage the whole site in future.

2. The Merseyside Development Corporation (MDC) in November 1982 published their plans, after widespread consultation, on the use of the site after the Festival itself ends this Sunday. These provide for the development of about half the site for housing and high quality industry, and the retention of the Festival Hall, the Arena and some 45 acres of parkland and gardens as permanent public open space. A legal agreement was signed with the then Liberal-run Liverpool City Council in December 1982, whereby the City Council would take over the retained parkland areas in January 1985 and convert the Festival Hall for sports use.

3. As you know, the outstanding success of the Festival has led to considerable pressure from Liverpudlians and visitors for the whole site to be retained intact. This is not possible, for a range of legal and practical reasons. The 45-acre parkland is, of course, secure. The only issue there is who should manage it (see paras 4 - 6 below). On the other issue, I discussed with Sir Leslie Young in July how far it might also be possible to retain many of the best gardens, national and international. We agreed that the first priority was to go ahead with planned development where a clear demand existed. It now appears that it will be possible, while meeting the immediate demand for housing sites, to retain most of the best gardens for next summer at least. With my encouragement, MDC have explored this possibility with the sponsors of those gardens, and I am pleased to say that they are

now ready to announce that, in addition to the 45 of acres parkland, large parts of the rest of the site will be open next year. I should add that this course of action is bound to involve MDC in up to £2m extra cost which, without extra resources, would mean cutting back on other high priority projects such as the Albert Dock development. I have a bid in for a small addition to the resources for the Urban Development Corporations next year and if this is accepted, MDC's proposal could be accommodated.

4. The other area of uncertainty has been caused by the attitude of the present administration of the Liverpool City Council. We have been trying for some time to find out whether they will honour their December 1982 agreement with the MDC. It became clear early last month that the Council intend to use the Garden Festival as a political bargaining counter; they say that if I meet in full the wildly unrealistic bids they have made for Rate Support Grant and capital allocations for 1985/86, then they will honour their agreement on the Garden Festival site, but that if I do not, their other and higher priorities would prevent them from taking on the Festival site. The City Council openly admit the difficulties which this stance is causing for MDC's efforts to plan the future of this part of the site, but have stated quite blatantly that they are not prepared to co-operate in any way to relieve those difficulties (having met the Council's leaders you will recognise their style!).

5. Faced with this attitude, I have considered carefully, with MDC, the options that are available. We would have dearly liked to end the uncertainty forthwith by removing the City Council from any involvement with the Festival site, but MDC advise me that they could not defend in court abrogating the legal agreement unilaterally, as the City Council have not yet defaulted on their obligations under it. Such action would also enable the City Council to claim that they

were being prevented from managing the site "on behalf of the people of Liverpool" (a phrase they are constantly parading). The only other way in which we could resolve the uncertainty now would be for me to accede to the City Council's budgetary demands; but these are clearly unacceptable. I therefore concluded that the best that could be done was to limit the damage being caused by the City Council, by setting a deadline at the end of December for them to decide whether or not they intend to honour their agreement with MDC. By that time the Council should know the 1985/86 RSG settlement and the bulk of their capital allocations, and will no longer be able to use that excuse to defer a decision on the Festival. Perhaps more importantly, that is also the time when the Council are due to take on their obligations, and MDC would therefore have a much stronger legal case if the Council continued to refuse to make a decision. I therefore issued a statement setting the end-December deadline when I visited Liverpool on 6 September (attached at A).

6. Liverpool City Council leaders publicly interpreted my statement as meaning that I was not going to meet their financial demands (which is of course quite correct). I think, and MDC agree, that this paves the way for MDC now to make a statement about what they would intend to do if the City Council withdrew from the agreement, while avoiding the impression of anticipating such a decision. As is already widely known the whole site has to be closed over the winter to enable some essential dismantling and conversion work to be carried out. Once this is completed, MDC would intend to open to the public the part of the site which the City Council were to take over, while at the same time marketing it for operation by a private sector firm, as a leisure and recreational facility for the longer term. This seems to me a very acceptable approach.

/ 7. I attach at B a draft of the statement which MDC intend to make,

covering both their intention to retain and open to the public next summer some of the gardens in areas scheduled for eventual development, and their intention to open to the public the permanent parkland areas if the City Council fail to honour their agreement. This statement will go a long way to reassure the people of Liverpool that they will continue to be able to enjoy the gardens that they have so taken to their hearts this year. That, I am certain, is the most important assurance that needs to be given if the respect of local people for this site, and the hope it has given them, is to be retained. It would be highly desirable for this statement to coincide with the closing of the Festival (The last day being Sunday, 14 October).

/ 8. I am copying this to Peter Rees and to Sir Robert Armstrong.

AH Davis
for
P J
11 October 1984

Approved by the SAS and signed in his absence

A

DOE Department of the Environment

FAX Pg 1 of 2

Press Notice Parliamentary

EMBARGOED: NOT FOR USE BEFORE 1115 HOURS, THURSDAY 6 SEPTEMBER

NW 188/84

6 September 1984

FUTURE OF THE LIVERPOOL INTERNATIONAL GARDEN FESTIVAL SITE

Speaking in Liverpool today, Secretary of State for the Environment Patrick Jenkin made a statement on the future of the Garden Festival site. He said:-

"The Garden Festival has been a great success. Already there have been 2.8 million visitors, and it is clear that the final total will top 3 million. The Festival has captured the hearts of visitors, and particularly of local people, and I can understand why many people wish to see the Festival retained. But the plan has always been that the Festival should be for this one summer only; many of the gardens and exhibits, both British and international, must be returned to their owners; and MDC have entered into commitments for the future development of the site in accordance with the Riverside Development Programme which they published in November 1982 after extensive consultations.

It has always been the intention to retain a substantial part of the site for the public to enjoy, including the Promenade, the Britannia Inn, the Festival Hall, the Arena and some 45 acres of parkland and fine gardens at the southern end of the site. MDC have an agreement with Liverpool City Council for the Council to assume responsibility for much of this area on 1 January 1985. However, the City Council are understandably concerned that they might not be able to afford the expenditure required, in view of the other priorities which they have for spending in the city. In discussions with my officials this week the Council have made it clear that they could not take a decision on the Festival site until after they know their capital allocations and revenue targets for 1985/86.

This continuing uncertainty about the City Council's intentions is making it very difficult for MDC to make proper plans for the future of the site. However, MDC do not intend to take any precipitate action just yet. MDC will continue to make all the necessary preparations to ensure that it will be possible to open this part of the site to the public next year. However, if the City Council do not reach a firm decision to commit the necessary resources to the Festival site by the end of the year, when they are due to assume responsibility, MDC will clearly have to reconsider their position.

more.....

MDC are also considering whether it would be possible to retain and open to the public, for next summer at least, some of the gardens in the parts of the site which are scheduled for development, but which are not immediately required for this purpose.

Press Enquiries: Eileen Jones or Philip Aylett
Regional Information Officer
Central Office of Information
Sunley Building
Piccadilly Plaza
Manchester M1 4BD
Tel: 061-832 9111 ext 358 or 365

ISSUED BY THE CENTRAL OFFICE OF INFORMATION

B

PRESS RELEASE BY MDC

LIVERPOOL INTERNATIONAL GARDEN FESTIVAL: PLANS FOR NEXT YEAR

There is obviously a good deal of current speculation about the future of the site of the International Garden Festival and it is now considered appropriate to set out the Development Corporation's position.

The Festival is acknowledged as a success in terms of the enjoyment it has given to over three million visitors and the boost it has provided to the image and tourism potential of Liverpool and Merseyside. We will do everything within our power to ensure that the momentum thus gained is not lost.

It may help to summarise the background to the Festival:

Our development proposals, published in 1981, identified the Riverside site - after reclamation - to be used partly for permanent leisure and recreation and partly for housing and industry.

The Festival was superimposed upon this reclamation as an ideal way of upgrading the reclamation itself and providing wide-ranging short and long term benefits for Merseyside. Much of the Festival was designed for temporary use with specific features such as the Festival Hall designed and constructed on the basis of agreements we had reached on their permanent use.

Commitments were given by the Development Corporation on the long term provision of, for example, road access to the Britannia Inn and the Homes and Gardens area, amongst others.

An agreement was signed in 1982 with Liverpool City Council under which the Council will take over responsibility for maintaining and operating the Festival Hall, the Arena, the Arena Theatre and about 45 acres of parkland at the southern end of the site. This includes the lake and some International Gardens, amongst them those of China, India and Japan, since generously donated by these countries to the people of Liverpool.

The Development Corporation has received no notification that the City Council does not intend to honour this agreement, but in view of the Council's well known financial priorities, it would be unrealistic to assume that there was no uncertainty.

Therefore, as far as the area covered by this agreement is concerned, in case the City Couhncil finds itself unable to implement its agreement with us, we are now making our own contingency plans to open up the area, including the parkland and facilities, to the public next year.

Shortly after the close of the Festival, work will begin to fulfill our commitment to provide road access to both 'ends' of the site. The community theme gardens will be dismantled and the sponsors of many of the international gardens will remove their structures and plant material.

The area of domestic theme gardens is not, however, required for immediate redevelopment and will be retained as far as possible in their present form to be enjoyed by the public next year. This 'bonus' obviously depends upon the willingness of the individual sponsors to retain their gardens, but the initial response is extremely encouraging.

We appreciate and understand Liverpool City Council's position, but it cannot be stressed too strongly that the present uncertainty must be resolved without further delay. In the meantime the area must be

maintained and secured so as to continue to be available for the future leisure and recreational enjoyment of the people of Merseyside. As is already widely known the site will have to be closed to the public this winter, apart from access to the public house and river walkway.

One way or another, many of these superb facilities, which have been enjoyed by millions of people this summer, WILL be open to the public next year.

CMO
CONFIDENTIAL

LPO

file

10 DOWNING STREET

From the Private Secretary

26 July 1984

Dear John.

LIVERPOOL CITY COUNCIL

The Prime Minister was grateful to your Secretary of State for his minute of 25 July reporting on the outcome of Liverpool City Council's attempt to confront the Government. She appreciates the efforts your Secretary of State made to secure a satisfactory outcome and to ensure that the record was put straight.

She has noted that further work is being undertaken on how to meet similar threats of confrontation next year. She looks forward to receiving a report on this shortly. She has asked that this work should consider whether or not there is merit in legislating to set a date by which local authorities are required to make a rate.

I am copying this letter to Hugh Taylor (Home Office), David Peretz (H.M. Treasury), Elizabeth Hodkinson (Department of Education and Science), Richard Mottram (Ministry of Defence), Steve Godber (Department of Health and Social Security), Callum McCarthy (Department of Trade and Industry), John Gieve (Chief Secretary's Office), Henry Steel (Law Officers' Department), David Morris (Lord Privy Seal's Office), Murdo Maclean (Chief Whip's Office), Richard Hatfield and Mr. Buckley (Cabinet Office).

Yours sincerely
Andrew Turnbull

ANDREW TURNBULL

John Ballard, Esq.,
Department of the Environment.

010

CONFIDENTIAL AND CMO

Prime Minister (2)
Agree to release this report and to look forward to paper on the lessons to be learned
AT
25/7

PRIME MINISTER

Yes ok

LIVERPOOL CITY COUNCIL

You and colleagues may like to have a final report on Liverpool's 1984/85 budget and an assessment of where this leaves us in relation to Liverpool itself and to those other authorities which have threatened to confront our policies for local government next year.

Most important, we achieved our overriding objective of persuading the City Council to make a lawful rate. We did this without compromising our policies for local government finance or local authority credit. We avoided taking any legal action against the Council and, of course, the use of Commissioners. Inevitably we had an uncomfortable time between my last meeting with Councillors on 9 July and the fixing of the City's budget on 11 July, but that ensured that the Councillors were able to deliver a lawful rate - if we had revealed just how little the Council got out of their policy of confrontation before 11 July, the Majority Group leaders might never have got their Members to vote for a legal rate on 11 July.

We have now put the record straight and our supporters are beginning to appreciate that we scored a victory. Certainly knowledgeable people in other local authorities realise that there would be nothing to gain by following Liverpool's example.

The City Council's final budget underlines what we have known all along: that the setting of a budget and rate this year by no means solves the problem of Liverpool and its militant-led Council. The Council have balanced their budget by devices which were always available to them and which, though legitimate, can only be used once. A standstill budget for next year, without taking account of inflation, would mean net expenditure of around £240M (compared with £223M in 1984/85). The Council's provisional spending target for 1985/86 - which of course has to be fixed on the basis of general principles applicable

to all local authorities - is £222M. They will therefore have to pursue vigorous policies to improve service efficiency, sell assets, end unnecessary municipalisation etc if they are to have any hope of achieving this.

Looking more widely at our experience with Liverpool and at the prospect of further trouble next year from authorities which are due to be rate limited, we have learned some important lessons. We face a new kind of radical urban politics where some councillors are not interested in working within the traditional consensus based on respect for the law. I am considering as a matter of urgency whether there is anything further we could and should do* to meet the threat of confrontation from one or more authorities next year in the light of the Liverpool episode, especially bearing in mind the disadvantages of being driven towards Commissioners. I will be reporting to colleagues on these matters in due course.

I am copying this to Leon Brittan, Nigel Lawson, Keith Joseph, Michael Heseltine, Norman Fowler, Norman Tebbit, Peter Rees, Michael Havers, John Biffen, John Wakeham, Sir Robert Armstrong and Mr Buckley (Cabinet Office).

PJ

P J

25 July 1984

eg. * should the Govt legislate to set a date by which rates have to be set, or would they constrain the Govt's ability to play matters long?

File

BRIEFING FOR PRIME MINISTER'S QUESTION

LIVERPOOL CITY COUNCIL

As background, a copy of the Secretary of State for the Environment's statement following yesterday's decision by Liverpool City Council to set a budget of £223m with a rate increase of 18%, is attached.

QUESTIONS AND ANSWERS

1. Q. Haven't Liverpool City Council won a magnificant victory over the Government?

   A. Certainly not. The City Council have suffered a humiliating climb down. Their policy of confrontation and the threats of illegal action have failed totally. They have made a budget and rate of the kind which they previously claimed was impossible, and have received no special concessions from Government to help them.

2. Q. But haven't the City Council received massive concessions.

   A. No. There have been no special concessions. They received nothing on rate support grant, on targets, on penalties or, on disregards, and nothing on their Housing Investment Programme. The City Council have been treated no differently from any other authority in England. They have gained nothing which might not have been available in the course of normal discussions about their programmes with Government.

3. Q. How then have the City Council balanced their budget?

A. The City Council have reduced their proposed expenditure from £261m to £223m mainly by cutting out growth and by financing changes. These were all things they could do without any special action by Government, and could have done months ago. There was absolutely no need for the sort of damaging uncertainly which the Councils political posturing has created.

Telephone
01-212 8001

DEPARTMENT OF THE
ENVIRONMENT
2 MARSHAM STREET
SW1P 3EB

With the Compliments of the
Private Secretary to the Secretary of
State for the Environment

File

PRESS STATEMENT: LIVERPOOL'S RATE FOR 1984/85

Following the decision taking this afternoon by Liverpool City Council, the Secretary of State for the Environment, Patrick Jenkin stated,

"For the past 2 days the Labour Group on the Liverpool City Council have tried to con the public into believing that they have won a great victory. In fact, they have had to eat their words. Let me show how their policy of confrontation and blackmail has failed.

In May they offered the electorate a fraudulent prospectus - a growth budget of £261m and a rate increase of only 9%. This would have left a huge gap of £164m which, they said, the Government would have to fill if services were not to crumble. They have now resolved to accept a budget of £223m with a district rate increase of 18%. None of this reduction of £38m is financed by special concessions from Government.

The Council demanded major concessions. They asked for special treatment on Rate Support Grant, they did not get it. They asked for favourable decisions on their target, on penalties and disregards. They got none. They sought an increase in their housing allocation for 1984/85. They did not get it. They are being treated no differently from any other council in England.

Under the system of penalties for overspending, any authority which had planned to overspend as much as Liverpool but which in the event reduced its net expenditure automatically has the penalties reduced, and so, equally automatically, gets more grant from Government. No special privilege in that! Liverpool has now cut its spending plans and the penalties will therefore be far less.

Liverpool City Council have reduced their expenditure

- (i) by cutting out a proposed £7m handout - a decoration allowance - to council tenants;

  (ii) by charging to capital account around £14m of expenditure previously charged to revenue;

  (iii) by making technical financing changes of around £20m

All these steps, which reduce net expenditure over 2 years by nearly about 41m could have been taken by the Council itself at any time. They did not require any special action or agreement by Government.

The Council have also taken account of the following items:

(i) Liverpool claim to have secured an extra £2.4m for schemes for which urban programme support might have ended in 1984/85. They assumed the worst case in their original budget proposal. They had already been told that there might be scope to accommodate these within their provisional Urban Programme allocation, and in the event this proved possible. In effect this item artificially inflated their original budget;

(ii) similarly the £0.5m they expect to receive in respect of environmental works in General Improvement Areas and Housing Action Areas represents money they failed to claim in the past. This is not extra money;

(iii) the £1.1m they expect to receive as a result of a relaxation of the housing subsidy arrangements for demolished dwellings and related demolition costs is not a special concession to Liverpool. The Department had been considering its policy for some time, and the change applies to all

authorities in receipt of subsidy;

(iv) this leaves the modest addition of £2.5m, from within my Department's total budget, to the City's Inner City Partnership Programme which had not been settled, and which the Council might have gained in the course of normal Partnership discussions in view of the genuine problems the City faces.

Liverpudlians may well ask why it was necessary for the Council to take the City to the brink of bankruptcy? Why did the Labour Concillors deliberately create such unnecessary anxiety among the many thousands who depend on the Council's services and among their own staff? Every reasonable person will be thankful that common-sense has finally prevailed. The months of political posturing over the budget, and the serious worries which this caused need never have happened. It has done nothing but harm to the City and its prospects for attracting and retaining investments and jobs.

The City's problems are certainly not over. They must now look to all the resources at their disposal to tackle them - the private sector, the local communities, the housing associations. They must look to the sale of assets, in particular City Centre freeholds, to boost their investment programmes. Most of all, they must get to grips with some of the staggering inefficiency in the services they provide. Liverpool is an authority which, in 1982/83, compared to the Metropolitan District average, spent 2½ times more per head on environmental health, 50% more per head on waste collection, 30% more per head on social services; an authority which in 1982 spent £2,547 to sweep a mile of its streets compared with £784 in Sheffield. The Council must stop wasting ratepayers' money on projects such as the wholly unnecessary municipalisation of a new private housing venture in Toxteth at a cost of £3m; and on propping up an uncompetitive Direct Labour Organisation. It cost the

Council £1m above the lowest tender to give their DLO a recent housing improvement contract which it could not gain competitively. The fact that Liverpool faces real problems is no excuse at all for inefficient and high cost council services.

Liverpool City Council have wasted many months in totally unnecessary confrontation. I hope we can now look forward to a period in which all concerned can devote their energies to solving Liverpool's genuine social and economic problems.

016

Telephone
01-212 80[illegible]

DEPARTMENT OF THE
ENVIRONMENT
2 MARSHAM STREET
SW1P 3EB

With the Compliments of the

Secretary of State for the Environment

STATEMENT BY PATRICK JENKIN, SECRETARY OF STATE FOR THE ENVIRONMENT

I have seen a number of conflicting statements by Liverpool Labour Councillors about our discussions yesterday. When I met the delegation yesterday, I was able to clarify certain points in the letter I wrote to the Leader of the Council following my previous meeting on 19 June. At the end of yesterday's meeting, I agreed with the Leader of the Council that it would be sensible for both sides to avoid detailed statements to the press before the Council meets to consider its budget and rate tomorrow (Wednesday).

In view of statements made in Liverpool however, I must make this absolutely clear: the Government is treating Liverpool's 1984/85 RSG and HIP (Housing Investment Programme) exactly like any other local authority.

There are no concessions to Liverpool on targets, on GRE, on block grant, on penalties or on disregards. The rules will apply to Liverpool just as they apply to every other local authority in England. Nor is the Government reopening this year's HIP allocations to give Liverpool extra.

Of course, like every other authority, if Liverpool reduces overspending, then it benefits automatically from reduced penalties and therefore higher rate support grant. It is misleading to count that as additional assistance from the Government.

Conditional on Liverpool making a legal rate, the Government has agreed to a very modest increase of £2½ million to supplement Liverpool's Inner City Partnership Programme; this comes out of an existing national Urban Programme provision.

Councillor Hatton has made some astonishing statements. The

plain fact is that Liverpool will have to live with all the constraints that apply to other authorities. All they have gained is a marginal addition to their urban programme - smething that could have been achieved through normal partnership discussions.

It remains to be seen what budget and rate they actually produce tomorrow.

I will issue a fuller statement when I know the outcome of tomorrow's Council meeting.

LIVERPOOL

1, Mr Tyndall Mr Jenkin is successfully regaining lost ground.

AT 19/7

2, Prime Minister:

Mr Jenkin has written to all Government MPs

Thankyou

MT 19/7

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

19 July 1984

Dear Margaret,

The reasons why Liverpool City Council were able last week to settle their budget and rate for 1984/85 continues to be widely misreported. I thought you might find it helpful if I wrote to you setting the record straight.

In May, the Labour Group, which are run by the Militant Tendency, offered the electorate a fraudulent prospectus - a growth budget of £261 million and a rate increase of only 9%. This would have left a huge gap of £164 million which, they said, the Government would have to fill if services were not to crumble. They have now voted to accept a budget of £223 million with a district rate increase of 18%. None of this reduction of £38 million is financed by special concessions from Government.

The Council demanded major concessions. They asked for special treatment on Rate Support Grant; they did not get it. They asked for special treatment on their target, on penalties and disregards. They got none. They sought an increase in their housing allocation for 1984/85. They did not get it. They are being treated no differently from any other council in England.

Under the system of penalties for overspending, any authority which had planned to overspend as much as Liverpool but which in the event reduced its net expenditure automatically has the penalties reduced, and so, equally automatically, gets more grant from Government. Liverpool has now cut its spending plans and the penalties will therefore be far less than they would have been. No special privilege in that!

Liverpool City Council have reduced their expenditure

(i) by cutting out a proposed £7 million handout - a decoration allowance - to council tenants;

(ii) by charging to capital account around £14 million of expenditure previously charged to revenue;

(iii) by making technical financing changes of around £20 million.

All these steps, which reduce net expenditure over 2 years by nearly £41 million could have been taken by the Council itself at any time. They did not require any special action

or agreement by Government.

The Council have also taken account of the following items:

(i) Liverpool claim to have secured an extra £2.4 million for schemes for which urban programme support might have ended in 1984/85. In their original budget proposal, they assumed the worst case. They had already been told that there might be scope to accommodate these within their provisional Urban Programme allocation, and in the event this proved possible. In effect this item artificially inflated their original budget;

(ii) similarly, the £0.5 million they expect to receive in respect of environmental works in General Improvement Areas and Housing Action Areas represents money they failed to claim in the past. This is not extra money!

(iii) the £1.1 million they expect to receive as a result of a relaxation of the housing subsidy arrangements for demolished dwellings and related demolition costs is not a special concession to Liverpool. The Department had been considering its policy for some time, and the change applies to all authorities in receipt of subsidy;

(iv) this leaves the modest addition of £2.5 million, from within my Department's total budget, to the City's Inner City Partnership Programme which had not been settled, and which the Council might have gained in the course of normal Partnership discussions in view of the genuine problems the City faces.

The cost of the Council's failure to set its rate until nearly 3½ months into the financial year have been and will be borne by the people of Liverpool. On the City Treasurer's estimate around an additional £1m in interest payments are likely to have built up over this period. Those who depend on the Council's services and the Council's staff have lived through months of quite unnecessary anxiety threatened with the collapse of their authority. Perhaps most damaging of all, the charade which the City Council have played out has done incalculable harm to the City's prospects for vitally needed industrial regeneration. The blame for all this lies entirely with the City Council.

I have made clear throughout that the Government has no intention of turning its back on the genuine problems of Liverpool, in particular its housing which has suffered from a history of poor management. I have said that I would hope to help the Council make positive progress with these problems next year. But this cannot be a one-sided operation. I have told the Council that they must look to all the resources at their disposal - the private sector, the local communities, the housing associations - to assist. They must consider the sale of assets in particular city centre freeholds, to boost their investment programmes. Most importantly they must set right

some of the appalling inefficiency in the provision of their services. Housing management is one area, but they were also in 1982/83 spending, compared to the Metropolitan District Average, 2½ times more per head on environmental health, nearly 50% more per head on waste collection and 30% more per head on social services. Only by tackling all these issues can the City Council become an effective authority with which we can engage in successful partnership.

I turn finally to a wider issue. It has been suggested that authorities who might seek to challenge the Government next year over rate capping will take comfort from Liverpool's example. As I have explained in this letter, Liverpool received no special concessions and have been treated no differently from any other authority in England. It is the City Council that has suffered a humiliating climb down not the Government which has given in to threats of illegal action. Once they realised the full implications of the course they were embarked upon they stepped back from the brink. When other authorities study Liverpool's budget they will realise that the example does not blaze a new trail: it leads into a cul-de-sac.

Yours ever

Patrick

PATRICK JENKIN

Liverpool

TF

HOUSE OF COMMONS
LONDON SWIA OAA

OR 147

July 12th,1984.

Mr.L.C.Stanford,
The District Auditor,
CHESTER.

Dear Mr.Stanford,

You will be aware that at yesterday's meeting of the Liverpool City Council a budget for the financial year 1984-85 was agreed. You will be further aware that on two previous occasions they considered unlawful budgets proposed by the Labour group, only defeated because of the opposition of six other Labour members.

Following these abortive meetings, and as the result of a 3 month delay before a lawful budget was passed, the loss to the Council must have been in excess of seven figures. It is said that you told the City Council representatives that so long as they were negociating with the Government you would take no action. If this is correct, you appear to have neglected your own duty as guardian of the ratepayer's interests.

As I understand it your duty and function is to be independent of the protagonists in a dispute of this kind. Therefore, perhaps you will explain why:

1) no action was taken against those who have been playing ducks and drakes with the City's finances;

2) what action you now intend to take against those whose wilful misconduct has resulted in this loss.

If I have either misunderstood or misinterpreted the position no doubt you will say; but there remains no doubt in my own mind that those responsible for the introduction of an unlawful budget must be held to account for their actions.

It is said, with or without justification, that the district auditor is merely a toothless wonder. We will be able to judge the accuracy or otherwise of this description by your response.

Yours sincerely, David Alton

David Alton MP

C.C. Patrick Jenkin MP
The Prime Minister
Sir Trevor Jones.

PRESS STATEMENT: LIVERPOOL'S RATE FOR 1984/85

Following the decision taken this afternoon by Liverpool City Council, the Secretary of State for the Environment, Patrick Jenkin stated,

"For the past 2 days the Labour Group on the Liverpool City Council have tried to con the public into believing that they have won a great victory. In fact, they have had to eat their words. Let me show how their policy of confrontation and blackmail has failed.

In May they offered the electorate a fraudulent prospectus - a growth budget of £261m and a rate increase of only 9%. This would have left a huge gap of £164m which, they said, the Government would have to fill if services were not to crumble. They have now resolved to accept a budget of £223m with a district rate increase of 18%. None of this reduction of £38m is financed by special concessions from Government.

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Under the system of penalties for overspending, any authority which had planned to overspend as much as Liverpool but which in the event reduced its net expenditure automatically has the penalties reduced, and so, equally automatically, gets more grant from Government. No special privilege in that! Liverpool has now cut its spending plans and the penalties will therefore be far less.

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The Council have also taken account of the following items:

(i) Liverpool claim to have secured an extra £2.4m for schemes for which urban programme support might have ended in 1984/85. They assumed the worst case in their original budget proposal. They had already been told that there might be scope to accommodate these within their provisional Urban Programme allocation, and in the event this proved possible. In effect this item artificially inflated their original budget;

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authorities in receipt of subsidy;

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Liverpudlians may well ask why it was necessary for the Council to take the City to the brink of bankruptcy? Why did the Labour Concillors deliberately create such unnecessary anxiety among the many thousands who depend on the Council's services and among their own staff? Every reasonable person will be thankful that common-sense has finally prevailed. The months of political posturing over the budget, and the serious worries which this caused need never have happened. It has done nothing but harm to the City and its prospects for attracting and retaining investments and jobs.

The City's problems are certainly not over. They must now look to all the resources at their disposal to tackle them - the private sector, the local communities, the housing associations. They must look to the sale of assets, in particular City Centre freeholds, to boost their investment programmes. Most of all, they must get to grips with some of the staggering inefficiency in the services they provide. Liverpool is an authority which, in 1982/83, compared to the Metropolitan District average, spent 2½ times more per head on environmental health, 50% more per head on waste collection, 30% more per head on social services; an authority which in 1982 spent £2,547 to sweep a mile of its streets compared with £784 in Sheffield. The Council must stop wasting ratepayers' money on projects such as the wholly unnecessary municipalisation of a new private housing venture in Toxteth at a cost of £3m; and on propping up an uncompetitive Direct Labour Organisation. It cost the

Council £1m above the lowest tender to give their DLO a recent housing improvement contract which it could not gain competitively. The fact that Liverpool faces real problems is no excuse at all for inefficient and high cost council services.

Liverpool City Council have wasted many months in totally unnecessary confrontation. I hope we can now look forward to a period in which all concerned can devote their energies to solving Liverpool's genuine social and economic problems.

CC NO

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

NRPM
AT
29/2

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
2 Marsham Street
LONDON SW1

29 June 1984

Dear Patrick,

URBAN PROGRAMME REVIEW

You will remember that you wrote to me on 21 May confirming your intention to consult colleagues about your current review of the urban programme in England.

Although my Department has yet to see a copy I understand that the review report is now complete and that you are considering how it should be handled. At this stage I would like simply to record my own serious concern about the timing of decisions. As you may know, a combination of pressure on other programmes and slippage of 1983-84 planned expenditure into the current financial year have forced the suspension of new urban programme project approvals in Scotland. This has resulted in strong representations from both the local authorities and voluntary groups immediately affected and from members from both sides of the House. As soon as the provisional out-turn for 1983-84 and therefore the scope for further new approvals is established next month I will be under very considerable pressure to make an announcement about the future of the urban programme in Scotland. I would not wish to do this however in isolation from consideration of any implications for Scotland of your own current review.

I can sustain our present position probably until the summer recess but beyond that we could be in a very difficult position. I would be grateful therefore if you would both keep in mind the additional time pressures on Scotland in considering how to handle the report and keep me in touch with your proposals.

I am copying this letter as before to the Prime Minister, Peter Rees, Nicholas Edwards and Sir Robert Armstrong.

Yours ever,

George.

Regional Pol Pts

Inner cities

PRIME MINISTER 28 June 1984

THE URBAN PROGRAMME - POLICY REVIEW

1. The Study itself shows that:

   i. policies should never be put beyond economic analysis because they are called social;
   ii. a scrutiny performed by a small but expert team to a tight timetable is commendable practice (compare this with the three year agony of the Regional Policy Review.

2. Key Facts from the Study

We are dealing here with six loosely related expenditure headings and an assortment of characteristics, not a single programme with precise objectives. (Para 3, page 8).

The Urban Group of programmes will cost around £350 million in the current year - around 1% of total local authority expenditure, and about the same as expenditure on Regional Development Grants. Urban Group expenditure has grown faster than public expenditure as a whole, having doubled in cash terms between 1979/80 and 1983/84. Nearly all of it is spent through Local Authorities and it is a net addition to their block grants. (Table 1, page 19).
Some 40% of the money goes to the old Lancashire/Yorkshire industrial belt running from Liverpool eastwards across to Leeds and Sheffield. London receives 25%, and the West Midlands and the North East between 15% and 20% each.

There are three spending tiers (Table 6, page 82):

   i. Seven Partnership Authorities, receiving more than a third of the expenditure, tackle areas of greatest apparent need: Islington, Hackney and Lambeth; Liverpool, Manchester/Salford, Birmingham and Newcastle/Gateshead.
   ii. 23 Programme Authorities cover smaller cities or large towns, including some outer London boroughs and (for instance) Coventry and Nottingham.
   iii. Other Designated Districts cover a further 16 arears of lower perceived need.

All this apart there is roughly £50 million available through the 'traditional' Urban Programme to 143 other Local Authorities in England who come up with worthwhile schemes.

The Review Team draws a rough and ready distinction between three categories of expenditure - social (nearly half the expenditure), economic (one third) and environmental (one fifth). The number of new projects started each year runs into the hundreds.

JMGAAO

(Table 3, page 39 and para 46, page 29).

Taken as a whole, Urban Group expenditure is a thin spread of jam.

3. What does the Review reveal?

We perceive five key points among the many which the Review Team make.

i. City populations will go on declining as market forces shift employment elsewhere. We should spend wisely on the social consequences of economic adjustment, not weaken the recovery by squandering huge sums on frustrating markets. (Paras 10-11. pp 13-14).

ii. Social Projects - especially those involving voluntary organisations - give the best value for money because they act quickly and directly. Economic projects - especially those which give capital grants to industry - are often questionable. (Para 54 p 31).

iii. Clear objectives are indispensible. To some extent, the search for political goodwill has been at odds with value for money. Project appraisal is for the most part poor - not surprisingly if the ultimate objective is obscure. (Paras 57-58, p 33).

iv. Finite resources should be aimed at the worst problems. Precise objectives can and should be set for:
- the relief of "housing stress"
- eliminating derelict land
- creating employment opportunities
- "strengthening the social fabric of the inner cities." (Para 40, p 25).

v. Structural arrangements are not as good as they should be. Aside from central/local government tensions, central government itself could act more coherently. DoE's relationships with MSC and DTI need improvement. (Paras 147 and 140, pp 69 and 71).

4. <u>Policy Unit Views</u>

We strongly agree that:

i. Urban Policy needs precise objectives, which must be agreed before administrative structures are debated. (Your meeting on 2 July must not become just a machinery of government discussion.)

ii. The Policy should work with, not against, the grain of market forces.

JMGAAO

iii. Areas of worst deprivation should continue to command most of the available funding. A few drastic improvements will have exemplary effects which a little bit of leavening, however widely spread, does not.

We accept the evidence that social projects, especially those which involve the voluntary sector, offer the best value for money.

This Review confirms convictions we developed in our April "Jobs Paper", that land assembly and housing development are vital to the revival of inner cities. Bad housing and derelict land will always spread because neither individuals nor businesses like to be adjacent to it. Furthermore, building or improving homes is not distortionary in the sense that paying inducements to companies to locate jobs in one place rather than another is. And the simple truth is that, for many who have neither, a decent home is more important than a job.

The London Docklands project tells us that imaginative programmes of land and housing improvement do not merely help the least well off, but draw in middle and higher income families too - people who can turn their skills in leading and organising to community benefit. In this way run-down areas have a better chance of stepping off the downward spiral of depopulation, dereliction and dependence and of clambering aboard a virtuous circle of improvement, investment, owner-occupation and repopulation.

To do this apace on a larger scale is a politically charged objective. Not every local authority will cooperate. So for central government it becomes tempting - especially if speed of action is of overriding importance - to create one or more separate agencies, unfettered by local authority regulation, along the lines of the London and Merseyside Development Corporations. Robin Ibbs is for this approach but Patrick Jenkin and Peter Rees prefer to modify existing arrangements - Option C, "Building on the Partnership Approach".

We judge that DoE and Treasury are right to want to try to build on Partnerships, but we add the important provisos that:

i. precise targets for housing and derelict land improvements must be set.

ii. Patrick Jenkin should create separate agencies if he judges that Partnerships are not delivering. He has powers to do so under the Local Government Planning and Land Act 1980.

As to funding levels, we see no clear-cut case for a change from the levels set out in the Public Expenditure White Paper - £348 million in 1984/5, £366 million and £371 million for the next two years. Shifting the emphasis of the programme and getting the

Partnerships to perform wil be contentious enough without altering the expenditure. Patrick Jenkin wishes to commit to these levels: we think should.

Patrick also wishes to publish an edited version of the Study. The existence of the Review was made public and aroused interest, so we agree.

5. Summary of Recommendations

5.1 Keep an Urban Programme, but confine it to, and set clear objectives for, housing, the elimination of derelict land, and the support of voluntary social projects in the worst areas.

5.2 Attempt to build on the Partnership Authorities, but create separate agencies if the Partnerships do not perform.

5.3 Leave the overall funding level at Public Expenditure White Paper levels.

5.4 Publish an edited version of the Study.

RJ.

ROBERT YOUNG

JMGAAO

The National Archives

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Reference No E079

PRIME MINISTER

LIVERPOOL

BACKGROUND

You are holding a meeting of Ministers tomorrow, 27 June, at 9:30am to discuss the current situation in Liverpool. The minute of 22 June from the Secretary of State for the Environment sets out the latest developments.

2. Mr Jenkin's assessment is more optimistic than before. He thinks that the Liverpool City Council are genuinely anxious to strike a legal rate at their meeting on 11 July. He does not suggest that it will be necessary for the Government to offer significantly more financial assistance in 1984-85 than what has already been agreed. However, it appears that the Council are anxious to reduce the rate call by capitalizing certain items of revenue expenditure. This would use up capital receipts; and the Council would not be willing to embark on what might be regarded as an imprudent financial policy unless they receive assurances of additional resources in 1985-86, particularly for housing and the urban programme.

3. Mr Jenkin therefore proposes to write to the Council giving an assurance that, within public expenditure constraints, he will do his 'very best' to ensure that allocations to Liverpool next year 'will be more closely commensurate with the severity of the City's needs'.

A draft letter is attached to his minute.

MAIN ISSUES

4. The meeting will probably wish to concentrate on the following.

(i) How confident is Mr Jenkin that the Liverpool City Council genuinely wish to make a legal rate and budget for 1984-85?

(ii) Are the assurances which Mr Jenkin proposes to give, particularly for 1985-86, acceptable as to

- substance;
- drafting?

Current assessment

5. The apparent change of attitude among the Liverpool councillors is a little surprising. There must still be some risk that, whether by accident or design, the Council will fail to make a legal rate and budget on 11 July. The Government would then face a series of difficult decisions, which could eventually lead to the recall of Parliament, during the few weeks remaining before the Summer Recess. However, it seems that the recent letter from the Distict Auditor, warning councillors of the financial and other penalties (including disqualification of office) if they should continue to fail to make a rate, has had a profound effect. In any event, at their last meeting Ministers were not disposed to favour any overt action by the Government to put more pressure on the councillors before the crucial meeting on 11 July; and Mr Jenkin's recent exchanges with the Council suggest no grounds on which that view should be changed.

Assurances for 1985-86

6. What Mr Jenkin proposes to offer for 1984-85 is broadly in line with what Ministers have already agreed.

(a) The £2 million of 'time expired' schemes mentioned in paragraph 3 of the draft letter have been agreed for some time, and have been incorporated in all figures which have been the subject of recent Ministerial discussions.

(b) The £2½ million additional resources within the urban programme have also been agreed, on condition that the Council make a legal rate and budget.

(c) I understand that Treasury officials see no problem over the small additional items mentioned in the (incomplete) paragraphs 4 and 5 of Mr Jenkin's draft letter.

7. The proposals for 1985-86 may give more difficulty: I understand that Mr Jenkin and the Chief Secretary, Treasury are meeting later today to try to reach agreement. There seem to be two main aspects.

8. The first aspect is internal to Government. Paragraph 7 of Mr Jenkin's minute says that he must be able 'to write in the confident expectation of having a PES provision in 1985-86 for housing and the urban programme sufficient to allow me to give a measure of real help to Liverpool, particularly with housing, without disadvantaging other authorities'. Taken literally, more for Liverpool without disadvantage to other authorities seems to mean an increase in the size

of the programmes involved. The Chief Secretary is most unlikely to be willing to give any assurances of this sort at the present stage of the public expenditure survey.

9. The second and more immediate aspect is what is to be said to Liverpool City Council. Paragraphs 6 to 9 of the draft letter proposed by Mr Jenkin are, in fact, fairly non-committal and may well be broadly acceptable to Mr Rees and other Ministers. (Indeed, they are so hedged about with cautionary phrases that there must be a risk that they will not be acceptable to the Council). There is, however,one drafting point which you may wish to raise. Paragraph 9, line 6, of the draft says that allocations in 1985-86 will be 'more closely commensurate with the severity of the City's needs'. This seems to imply both that existing allocations are not 'commensurate' with needs, and that even allocations in 1985-86 may well fall short of being 'commensurate'. One possibility would be to omit the words 'more closely'; but that may be too definite. Alternatively, and perhaps preferably, a different phrase altogether could be used, such as 'will take full account of the severity of the City's needs'.

Rate Support Grant

10. Paragraph 8 of Mr Jenkin's minute sets out the present position on payment of RSG. At the moment, payments to Liverpool assume that the Council will spend £216 million in 1984-85: in other words, it is assumed that the Council will spend no more than their expenditure target, so that their grant will not be reduced by holdback. This seems virtually certain to be an over-generous assumption. It is for Mr Jenkin and his

Accounting Officer to satisfy themselves that this is both prudent (and, in particular, does not run an indefensible risk of paying the Council more than its eventual entitlement for 1984-85 after holdback) and equitable in relation to other local authorities. Certainly there seems to be no case for any payments higher than the current level.

HANDLING

11. You will wish to invite the Secretary of State for the Environment to open the meeting by giving an account of his latest exchanges with Liverpool City Council and his current assessment of prospects. Subject to any comments or questions from other Ministers, the meeting might then move on to consider the draft letter attached to the Secretary of State's minute of 22 June. The Chief Secretary, Treasury is most likely to have amendments to propose.

CONCLUSIONS

12. You will wish the meeting to decide whether the Secretary of State for the Environment should be invited to write to the Liverpool City Council on the lines he has proposed, subject to any amendments that may be agreed.

13. It will no doubt be desirable to arrange a further meeting of Ministers soon after 11 July. By then it should be clear whether or not the Council will fix a legal rate and budget for 1984-85.

M.S.B.

M S BUCKLEY
Cabinet Office.

26 June, 1984

CMO CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

26 June 84

Dear John

my folder

LIVERPOOL

My Secretary of State and the Chief Secretary discussed today the financial implications of the proposed letter to Liverpool City Council attached to my Secretary of State's minute of 22 June to the Prime Minister. Mr Heiser and Mr Pickup from this Department and Mr Allen and Ms Rutter from the Treasury were also present.

The Chief Secretary congratulated the Secretary of State on progress made with Liverpool. Little had been conceded for 1984/85 and attention had now been focussed on 1985/86. In this context he appreciated the critical nature of the letter they now had before them.

My Secretary of State explained that he needed a form of words that would be reasonably reassuring to the Council, which the Government would be able to deliver. While there is no intention of mentioning a figure, at this stage, to Liverpool what he had in mind was the provision of a further £10 million. This would be deducted from whatever figure was agreed for HIPs in the forthcoming PESC bilaterals and added to the Merseyside reserve. This would be easier presentationally viz a viz other local authorities. This additional call on resources would need to be taken into account in the bilaterals.

The Chief Secretary said that he was prepared to recognise the special needs of Liverpool in the forthcoming negotiations. The further £10 million for Liverpool would be acceptable in all the circumstances if it avoided Commissioners. He was concerned however to establish when the existence of specific figures for additional funds would emerge and that there would be no knock-on effect with other authorities.

D O E officials made it clear that the generality of other authorities were not likely to be affected. Only other partnership authorities were in a possible position to make a claim on official resources; and of these only Manchester might have a case. In practice there should be no difficulty in resisting any such pressure. Liverpool had been accepted by other authorities and by Dr Cunningham, the Labour Shadow Spokesman on Environment, as being unique. The proposals for Liverpool had no technical or mechanistic side-effects.

The Secretary of State then went on to explain the importance of the changes he is proposing in the present rules governing housing subsidy, to allow subsidy to continue to be paid where buildings were demolished. The cash benefit to Liverpool was small at about £0.1 million and the maximum cost nationally about £1 million; but a concession in this area would be very important physcologically for the Council. The Chief Secretary said that he was not inclined to die in the ditch for £1 million, but he would want to be sure that the wider implications were containable. It was agreed that officials would discuss further with a view to reaching agreement by the end of the day. (I understand that this has now been secured).

I am sending a copy of this letter to Andrew Turnbull.

Yours ever

John Ballard

J F BALLARD
Private Secretary

John Gieve Esq

PRIME MINISTER

Liverpool

At our suggestion, Mr. Jenkin met the Chief Secretary today to discuss his proposals for Liverpool. Those for 1984-85 are in line with what has already been discussed by colleagues. For 1985-86 Mr. Jenkin wishes to give Liverpool an assurance that he will be able to give additional help. He would like to be in a position to allocate an extra £10 million for Housing Improvement Programme and Urban Programme (Liverpool gets about £80 million at present for the two programmes) though this figure would remain an understanding with the Treasury and would not be mentioned to Liverpool at this stage. The Chief Secretary is content provided the cost is contained within whatever is agreed for HIP and UP in the public expenditure round. The Chief Secretary is also content with the wording. While the Treasury may be content so long as the cost is contained within these totals, it is not clear how this satisfies the condition of not disadvantaging other authorities.

At the meeting you will want to establish whether colleagues are content with what has been agreed.

(Mr. Jenkin hopes to leave for Bournemouth at around 1015 where he will be addressing the conference of the Association of District Councils. With no trains he will have to drive.)

AC

26 June 1984

Mr. Flesher
Seen by the Prime Minister
FCRB

MR. BUTLER FROM MR. FLESHER

PAVING BILL

Following Patrick Jenkin's talk to the Association of Conservative Peers yesterday, he and the Lord President have decided that something has to be given in order to get the Paving Bill through the Lords Committee Stage and they have decided that the best way to do this is by supporting an amendment to make the Commencement Order for the Bill, subject to affirmative resolution in both Houses. This means that the principal objection of the Lords to the Bill, i.e. that it would have been implemented before the Lords had voted on the main Bill, has been met. The view of Lord Whitelaw and Mr. Jenkin is that this should be sufficient to secure the passage of the Paving Bill.

Without compromising the principle that the GLC mandate should be extended, in order to secure the widest publicity, they have decided to let this be known during the course of today.

In effect, this is a decision taken by the Lord President. It is also what the Association of Conservative Peers wanted.

26 June 1984

B/F for Wednesday meeting

AT 25/6

10 DOWNING STREET

(1)

Prime Minister

Mr Jenkin seems to have done well in shepherding Liverpool back towards the fold without conceding much in 1984-85. Liverpool are now seeking assurances about 1985-86

I think it would be helpful if, before Wednesday's meeting, Mr Jenkin began talking to the Chief Secretary about his proposed letter. Hopefully, any gap between them can be narrowed in advance

Agree?

AT
22/6

Yes MT

CMO CONFIDENTIAL

COPY NO. 1 OF 14

Prime Minister

LIVERPOOL

1. We are due to meet again to discuss Liverpool on Wednesday 27 June. This minute reports the outcome of my meeting with the City Council leadership on 19 June.

2. The City Councillors were accompanied by Jack Cunningham, Jack Straw and Eric Heffer. Quite contrary to expectation, the meeting proved to be constructive. The Councillors said they intended to make their budget decision at the Council meeting on 11 July, and appeared genuinely willing to try to make a proper rate.

3. We discussed the joint official paper. The Councillors repeated their desire to maintain council jobs and services at their present level, and pressed their claim for additional help through -

a. the Housing Investment Programme;

b. extra expenditure disregards;

c. housing subsidy on demolished property; and

d. the urban programme.

(For what it is worth Jack Cunningham as opposition Front Bench spokesman, said that the Labour Party did not intend to use any extra assistance granted to Liverpool - which they consider a special case - as a springboard for demands on behalf of other authorities.) I was able to point out that the officials' paper showed how the Council could itself reduce expenditure from £261m to around £229m (requiring a total rate increase, including the county council precept of 45% without redundancies or changes in the level of service. I

emphasised that I had very limited room for manoeuvre in 1984/85. The main RSG settlement and HIP allocations were immutable, and I could hold out no prospect of extra disregards. While I was reviewing the position on housing subsidy in relation to demolished properties, the outcome, even if favourable, would have only a tiny impact on the Council's budget. I explained that such flexibility as we had lay within the urban programme, and indicated that - subject to a legal rate being made - we would expect the additional £2.5m resources we might provide in 1984/85 to be used to improve housing, in particular management and maintenance of the stock.

Ministers have agreed this.

4. While the Councillors welcomed this conditional offer and accepted my view of how such assistance might profitably be used, they clearly did not believe that it was enough towards bridging the gap between what they want to spend and an acceptable rate increase to persuade them and their colleagues to settle a legal rate. Attention, therefore, turned to 1985/86.

5. It is clear that whatever positive indication I am able to give to the Council about next year's decisions on HIP and urban programme allocations will have a crucial influence on how the Council acts this year, in particular in relation to capitalisation of expenditure currently charged to revenue. Councillor Byrne (Chairman of the Policy and Resources Committee) clearly considers such capitalisation, which would use up the Council's capital receipts but have a significant effect in reducing their immediate rate burden, as bad financial practice and would only be prepared to do it if there was an indication for next year of an offsetting increase in resources. I left them in no doubt that it was far too early for me to be specific about figures for next year. They accepted this, but said that it would be most useful, in the context of their attempt to agree a legal rate, if I were to write to them giving the best indication I could of the likely position on these key programmes next year. I agreed to write accordingly,

before 11 July. Meanwhile our officials remain in touch. I also agreed that, if necessary, I would meet the councillors again before 11 July.

6. Although the Council will have to move a very long distance from the Group's original expenditure proposals to reach a budget which would carry with it a rate increase which was both legal and acceptable to them, I was left by the meeting with a much stronger impression than previously that the Labour leadership wish to remain in office, and are prepared to tell their supporters that the benefits of doing so are longer term. What I say in my letter about 1985/86 may well prove a critical factor in helping them to swallow a rate increase this year considerably higher than they have so far contemplated. Certainly it gives us a fighting chance of achieving a settlement in Liverpool without the need for Commissioners, which is a course we must avoid if possible. I believe, therefore, that it would be right for the Government to offer a form of words about 1985/86 in my promised letter sufficient to justify the Council making substantial reductions in their original budget proposals for this year.

7. If I am not to run the risk of bad faith, however and avoid the real threat of Commissioners in 1985/86 if not in 1984/85, I must be able to write in the confident expectation of having a PES provision in 1985/86 for housing and the urban programme sufficient to allow me to give a measure of real help to Liverpool, particularly with housing, without disadvantaging other authorities. Such help could be fed through the urban programme via the Merseyside Task Force in ways that would minimise the risk of upsetting other authorities. This would also give us a much greater degree of control over how the money was spent than if we operated through the HIP system. Some points have still to be resolved but you will see from

CMO CONFIDENTIAL

the attached draft the sort of letter I intend to send. You and colleagues will no doubt wish to discuss.

RATE SUPPORT GRANT

8. At our last meeting, I agreed to report on the RSG payment position. We are due to lay the RSG First Supplementary Report, which implements holdback for 1984/85, in Parliament in July and the figures had to be finalised today. In the absence of a budget figure for Liverpool, I propose to assume that the Council will spend at £216m. This will enable us to continue block grant payments on the present basis. When the Council have made a budget, we will lay a further report amending their grant entitlement in the light of that. We retain the option at any stage of suspending RSG payments should we judge that there is a danger of overpayment against the Council's full annual entitlement. I shall let you have further advice if no budget is made next month.

9. I am copying this minute to Leon Brittan, Nigel Lawson, Keith Joseph, Michael Heseltine, Norman Fowler, Norman Tebbit, Peter Rees, Michael Havers, John Biffen, John Wakeham, Sir Robert Armstrong and Mr Buckley (Cabinet Office).

for P J

22 June 1984

Approved by the Secretary of State and signed in his absence.

DRAFT LETTER FOR THE SECRETARY OF STATE TO SEND COUNCILLOR HAMILTON, LEADER OF LIVERPOOL CITY COUNCIL

1. At our meeting on 19 June, I promised to write to you about the likely position on housing and urban programme resources for Liverpool in 1985/86. Your officials have subsequently written to mine about a number of 1984/85 issues, and I am taking this opportunity to reply to those points as well.

1984/85

2. When we met I emphasised the limited room for manoeuvre which I had in my expenditure programmes for 1984/85. The main RSG settlement and HIP allocations have been fixed. I explained that, although I would consider all the proposals you put to me, I could give no commitment that we would be able to allow the additional expenditure disregards which you sought. I am afraid that remains the case. The effects of any disregards would not be restricted to Liverpool alone. In deciding on representations I am bound to take account of the national consequences which would flow from slackening this element in the discipline of the RSG system.

3. One area, however, in which I have some marginal flexibility this year is the urban programme for which your own allocation has yet to be finally settled. In the information discussions which have taken place between your Council and my officers we have already been able exceptionally to accommodate within your allocation some £2m of schemes which would otherwise have become "time expired" in 1984/85 and which you would have had to finance through your main programme. This has the effect of reducing your expected rate call by £6m (or 9p in the £) after taking account of holdback. In addition, and subject to your making a proper rate, I am able to offer the Council a further £2½m of resources which I would expect to see devoted to the very necessary improvement of your housing and its environment. This would, I believe, make a substantial contribution in a major problem area. It could reduce your

expected rate call by nearly £7m (or 10p in the £).

4. When we met I explained that I was reviewing the question of whether loan charges on demolished property, and the costs of demolition itself, should be reckonable for housing subsidy. Any change here could, of course, affect all housing authorities in subsidy, but would have particular relevance to Liverpool. [I have now decided that.....]

[TO BE COMPLETED AFTER THE SECRETARY OF STATE HAS CONSIDERED HOUSING DIRECTORATE SUBMISSION]

5. Finally, on 1984/85, you ask about outstanding Exchequer contributions in relation to environmental works undertaken by your Council in Housing Action Areas and General Improvement Areas. [My officials have now discussed this with your officers and it is our provisional view that you may be due a payment of some [£0.5m].] Such a payment would, of course, depend on your Council making a claim which could subsequently be certified by the Auditor. [TO BE REVISED AND COMPLETED IN LIGHT OF DISCUSSION WITH CITY TREASURER.]

1985/86

6. We also discussed the significance of the capital resources that might be available to Liverpool in 1985/86. I well understand that a decision by your Council to allow capitalisation of expenditure previously charged to revenue, thereby easing revenue commitments in 1984/85, will be influenced by the effect this might have on your capital resources in future years.

7. I know you appreciate that the capital allocations to individual authorities will eventually be determined in the light of the Government's overall public expenditure plans and that decisions for 1985/86 have yet to be taken. You will also recognise that I must distribute resources between

authorities on an equitable basis.

8. There is no disagreement between us about the scale of the problems you face, especially in relation to your housing stock where we agree that improving the quality of management and maintenance is essential if better value is to be secured for the substantial sums of money spent. I also pressed you to use all available resources, not just those of the authority, in tackling Liverpool's undoubted problems. The private sector has much to offer; and the enthusiasm and resourcefulness of the housing associations and the local communities you serve are also there to be tapped. I urge you to make the fullest use of these opportunities. Our officials are continuing to discuss ways in which both housing and urban programme resources can best be applied to help in this, and I very much hope we can develop an effective and constructive partnership to tackle the needs of the people of Liverpool.

9. Against that background, and bearing in mind the constraints set out in paragraph 6 and 7 of this letter, I can give you an assurance that I will do my very best to ensure that allocations to Liverpool next year under the Housing Investment Programme and the Urban Programme, taken together, will be more closely commensurate with the severity of the City's needs whilst having regard to the scale of your capital commitments and the resources (including possible proceeds of sales of council dwellings and other freeholds) available to you.

Note: DoE are setting this up. B/f in one month to check progress.

CONFIDENTIAL

DMB 25/6 I agree that we should make plans in confidence for the time being. I suggest that in making them we should take account of the possibility of getting you to the various locations without having to run the gauntlet, using a helicopter if necessary, and choose the places to visit accordingly.

1. MR BUTLER

2. PRIME MINISTER

FERB 22.6.

POSSIBLE VISIT TO LIVERPOOL

You asked us to explore the possibility of arranging a visit to Liverpool later in the year, which could be set up for Mr Jenkin but taken over by you at the last minute.

I have been discussing dates with Mr Jenkin's office. The best time, if you agree, seems to be between your return from overseas (assuming you go) and the Party Conference. This points to either Tuesday 2 October, Wednesday 3 October or Friday 5 October. The latter is the last working day before the Party Conference, so you may prefer either the Tuesday or the Wednesday. The International Garden Festival will still be on, although it would no doubt be wise to fit in some other engagements on Merseyside as well.

The argument for keeping your plans secret until the last minute is of course to minimise the inevitable disruption and demonstrations. But there is an argument the other way, that you could be criticised locally for "slipping in and out unannounced".

Perhaps the best course, if you agree, might be to keep your plans quiet (and provisional) for the moment, but review the question of a prior announcement in the light of circumstances nearer the time. We would not normally announce your regional visits until a few days beforehand in any event, although news of them often leaks out earlier.

Agree to make provisional plans for a visit to Liverpool in early October, in confidence for the time being?

Yes MT

CONFIDENTIAL

E.R.

Do you prefer Tuesday 2 October or Wednesday 3 October?

Tuesday

DMB

22 June 1984

CONFIDENTIAL CMO

JO
SLAAAH.

10 DOWNING STREET

From the Private Secretary

22 June 1984

LIVERPOOL: COMMISSIONERS

I promised to write to you recording suggestions and comments at the Meeting of Ministers on Tuesday 19 June.

Your Secretary of State said he had discussed with the Prime Minister the concept of appointing as Commissioner, a senior Labour politician. He had come up with Joel Barnett, Roy Mason and Sir Jack Smart. Doubt was expressed about whether the first two could be persuaded to take the job on. It was also thought unwise to pitch Sir Jack Smart into Liverpool following the losing battle which he was fighting against the militants in Wakefield.

The Prime Minister suggested Mr Peter Newsam of the Commission for Racial Equality, though it was recognised that this would create a vacuum at the CRE. Mr Clarke suggested Sir John Page who came from the North West. Mr Heseltine expressed strong objections to him. Your Secretary of State (I think) suggested that Mr Leslie Young could be moved from the British Waterways Board althouh he had only just been appointed to it. He was thought to be a suitable candidate though there could be critisisms of an MDC takeover. The Lord President suggested Mr John Smith but doubts were expressed about his forcefulness. Other names to come up were Clive Thornton, Sir Edward Pickering and Bill Rodgers.

As supporting Commissioners Sir Keith Joseph suggested William Stubbs of ILEA to cover education and your Secretary of State suggested Harry Simpson to cover housing.

It was left that, if Ministers had any further suggestions they would put them direct to your Secretary of State. You will have seen, of course, that Mr Heseltine has since minuted the Prime Minister setting out what he sees as the requirements for Commissioners, though without identifying names.

ANDREW TURNBULL

John Ballard, Esq.,
Department of the Environment

CONFIDENTIAL- CMO

Prime Minister (2)

Mr Heseltine has made these points before, but does he have any names.
Agree he be asked for suggestions?

MO 21/8/5

Note Spoke to Richard Mottram - AT 20/6
Said PM had noted these points and asked Mr Heseltine to convey any names to SS/Env
AT 22/6

PRIME MINISTER

LIVERPOOL

I have read the minutes of the meeting held on 18th June which I was unable to attend. I wholly subscribe to the conclusions. attached

2. It is essential to consider now a private list of people who could be approached if - against all our wishes and efforts - we are forced to intervene. We would then have to act very quickly and contingency planning now is wise. I suggest we need to consider how we would expect the Commissioners to approach this task. We must assume the worst circumstances of substantial industrial action and organised demonstrations. There will be very considerable media interest. It may be better than feared but we cannot count on it.

3. We need people not only able to cope in these circumstances but, I am convinced, under the leadership of someone who can actually win the public debate. Obviously an experience of local government will be needed, but I am sure that a Commission heavily influenced by the attitudes and practices of local government will from the start adopt a defensive and unimaginitive approach.

4. I would like to record my views about one thought as we consider the selection of Commissioners. My feeling is that the strongest card in our hand is the appalling condition of much of Liverpool's housing. And certainly the housing in parts of the city from which protest can be expected. I would hope that the Commissioners would pursue an active role in dealing with these problems. Nothing in my view would so quickly gain a degree of public sympathy than to cope

with housing mismanagement and the inadequacies of the direct labour organisation. But a traditional local government experience would not have the drive to carry through such a programme much of which should be undertaken by local builders and local unemployed. The precise arrangements for doing this are well established in Department of Environment experience and indeed plans had already been agreed between Sir Trevor Jones and myself to make a start. They failed in Liverpool to get underway in the face of union objection but have proved their worth elsewhere on Merseyside.

5. I am copying this minute to those who attended yesterday's meeting.

Ministry of Defence
19th June 1984

Local Govt Relations

Pt 21

SUBJECT

a Matter

CONFIDENTIAL CMO

bc OL

cc Buckley

10 DOWNING STREET

From the Private Secretary

18 June 1984

LIVERPOOL

The Prime Minister held a meeting today to discuss developments in Liverpool. Present were the Lord President, Chancellor of the Exchequer, Home Secretary, Lord Privy Seal, Secretaries of State for Education and Science, the Environment, Trade and Industry, Chief Secretary, Attorney General and the Minister for Health. Also present were Sir Robert Armstrong, Mr. Buckley and Mr. Letwin.

The meeting had before it your Secretary of State's minute of 13 June. Your Secretary of State said he was meeting the Liverpool City Council to discuss the paper which had been prepared jointly by officials in the Council and in his Department. This had identified a number of savings which, with a large but not impossible rate increase, could enable a balanced budget to be produced. Since then, however, the Council had announced that, despite being urged by the District Auditor to set a rate by 20 June, they intended to delay a vote until 11 July and would be seeking a budget even larger than originally proposed - £270 million against £261 million. It was not clear whether a majority in favour of this budget would be secured; it was possible that the Council could continue with no rate.

If this were the case, Ministers would need to consider whether they should bring matters to a head and whether Parliament could be allowed to go into Recess while there was no rate in Liverpool and no powers to introduce Commissioners. The Government could be subject to criticism if it had not taken adequate preparatory measures. Liverpool was receiving money from a number of sources, e.g. rents, repayments of the loan from Knowsley, RSG, and borrowings from the PWLB, but these could well run out during August producing a sudden collapse of services. If no Bill had been introduced, it might be necessary to recall Parliament (or possibly delay the start of the current Session by two or three days).

/ In discussion

In discussion it was argued that it would be better not to introduce a Bill before the Recess. Such a Bill would be contentious and its passage would be eased if there was clear evidence of an emergency. If it were introduced before these conditions appeared, it would be strongly opposed and could delay other parts of the Government's legislative programme in both Houses, including the Paving Bill.

It was argued that financial markets were working on the assumption that, before long, there would either be a legal rate or legislation for Commissioners. A prolonged period without either could create uncertainty and, to counter this, it might be necessary to indicate before the House rose that the Government would be prepared to recall Parliament.

In discussion, it was noted that there would be no advantage in passing a general Bill before the Recess as Parliament would still need to be recalled to pass the Order, and once recalled would undoubtedly seek to take other business. In these circumstances it might be preferable for the Bill to be specific to Liverpool, accompanied by a motion setting aside the objection of hybridity.

Your Secretary of State said that RSG was currently being paid on the assumption that a reasonable budget would eventually be introduced. If a larger budget were introduced, the amount of RSG to which Liverpool would be entitled would be smaller and this figure might have been reached by mid-August. Ending RSG payments could be the event which triggered a financial collapse. It was important for the Government to consider the conditions under which RSG payments could legitimately continue to be made.

Smaller considerations arose with lending from the PWLB. At present PWLB Commissioners were continuing to lend on the assumption that a legal budget would be made eventually. They would probably grant a loan of £15 million in the following week but thereafter it would be increasingly difficult for Commissioners to continue to act on this basis, particularly if action in the courts, whether initiated by the District Auditor, a Councillor or by the Attorney General, had secured a declaration that the Council was acting illegally.

The Attorney General said action by the District Auditor would take some time to reach a conclusion. Councillors could appeal and, with the courts also in recess, it could be October or November before the process of disqualification was completed.

/ Your Secretary

Your Secretary of State said a list of possible Commissioners had been compiled and he sought the advice of Colleagues on whether he should begin to sound out possible candidates. In discussion, it was agreed that this would be premature, though further work on refining the list should continue. A number of names were mentioned which I will record in a separate letter to you.

Summing up the discussion, the Prime Minister said that in his discussions with the Liverpool City Council your Secretary of State should continue to emphasise that it was their responsibility to produce a legal budget and a legal rate. The Rates Bill was being amended to provide that a new rate could be substituted should the first rate be declared illegal. Though the situation could change, it did not at present look favourable for a Bill to be introduced on a contingency basis. It was recognised that this might require the recall of Parliament during the Recess. No decisions could be taken at this stage on whether the Bill should be general or specific. Your Secretary of State should examine the conditions under which RSG could continue to be paid. No approach should be made to possible Commissioners though work on a list should continue. If Ministers had suggestions to make, they should refer these to the Secretary of State for the Environment.

I am copying this letter to Janet Lewis-Jones (Lord President's Office), David Peretz (HM Treasury), Hugh Taylor (Home Office), Elizabeth Hodkinson (Department of Education and Science), Richard Mottram (Ministry of Defence), Callum McCarthy (Department of Trade and Industry), John Gieve (Chief Secretary's Office), Henry Steel (Law Officers' Department), Stephen Alcock (DHSS) and Richard Hatfield (Cabinet Office).

(ANDREW TURNBULL)

John Ballard, Esq.,
Department of the Environment.

file

MJ

cc: HO
HMT
MOD
DHSS
DTI
CSO
DOE
LOD
LPSO
LPO
CO - RH
CO - MSB

10 DOWNING STREET

From the Private Secretary

13 June 1984

Liverpool Section 12 Proposals

The Prime Minister has considered your Secretary of State's minute of 11 June about his proposed response to the Liverpool LEA's proposals for re-organising secondary education in the city.

The Prime Minister is reluctantly prepared to agree that your Secretary of State should proceed with the course he prefers - that is to say to modify the LEA's proposals in such a way as to delay their implementation by a year, and to retain two single sex schools. Assuming there are no objections from colleagues, she agrees also that this decision should be announced on 18 June.

The meeting arranged for this afternoon to discuss your Secretary of State's minute has been cancelled.

I am sending copies of this letter to the Private Secretaries to the recipients of your Secretary of State's minute.

David Barclay

Miss Elizabeth Hodkinson
Department of Education and Science.

BM.

010

cc O.L.

Reference No: E 074

CONFIDENTIAL

PRIME MINISTER

Liverpool: reorganisation of schools

BACKGROUND

There is to be a meeting of Ministers under your chairmanship tomorrow, 13 June, at 3:35pm to discuss the response to the proposals from the Liverpool Education Authority under Section 12 of the Education Act 1980. There is to be a further meeting on Moday 18 June to discuss the problem of Liverpool's budget and rate.

2. The issues are discussed most recently in the minute of 11 June from the Secretary of State for Education and Science. He proposes to consult the Education Authority about a modification to the scheme they have submitted; the modification would require the retention of two single-sex schools. Because the modified scheme (or, for that matter, the scheme as submitted) could not now be brought into effect from September 1984, Sir Keith Joseph also proposes a further modification (the 'additional modification' mentioned in paragraph 8 of his minute) to defer the operative date of the reorganisation to September 1985.

3. Sir Keith Joseph proposes that the Government's decision should be announced on 18 June.

4. You are familiar with the issues of substance; this brief is a handling brief.

MAIN ISSUES

5. The Secretary of State must, of course, respond to Liverpool's proposals. His options are as follows.

CONFIDENTIAL

(i) Approve the scheme as submitted.

(ii) Reject the scheme.

(iii) Approve the scheme with modifications; the Attorney General has advised (letter of 21 May) that the Secretary of State has no power to require modifications so fundamental or far-reaching as to impose a scheme essentially different from the Education Authority's proposals.

Approval as submitted

6. The scheme as submitted makes no provision for single-sex schooling. Sir Keith Joseph says that he is not prepared to approve it; and none of your colleagues has argued to the contrary.

Rejection

7. The considerations relevant to rejection are as follows.

(a) It can be argued that the scheme as submitted is so radically unacceptable that no modification (within the meaning of the Act) could cure it. It would be better to reject it and put the onus on the Education Authority to come up with a more acceptable alternative.

(b) Against this, most Ministers see little prospect that the Liverpool City Council will come up with such an alternative. If that is right, then the public educational system in Liverpool will remain in a thoroughly unsatisfactory state; and the City Council will, at the least, gain an awkward debating point in its financial discussions with the Government, since the Government will have rejected a reorganisation which promises significant financial savings, albeit over some years.

Approval with modification

8. Sir Keith Joseph has discussed three modifications with the Education Authority, involving the retention of, respectively, four, three and two single-sex schools. I understand from DES officials that because not all the proposed amalgamations could then go ahead, to keep three single-sex schools would entail the retention of as much excess capacity as keeping four single-sex schools, and would therefore be as vulnerable to legal challenge. It therefore seems unnecessary to consider this option; the choice then lies between keeping two single-sex schools, as Sir Keith Joseph proposes, and keeping four. The essential issues seem straightforward. It would obviously be more in accordance with the Government's educational policy to keep four single-sex schools. But the risk of legal challenge would be a good deal higher; and Sir Keith Joseph has previously expressed grave doubts as to whether it would be proper for him to attempt to require such a modification in the light of the Attorney General's advice.

Possible role of Commissioners

9. It has been suggested in previous discussions that if Commissioners had to take over Liverpool they would be able to devise a better educational plan than that put forward by the City Council, and that, at the least, it would be as well to defer a decision until it is clearer whether Commissioners will be needed. Against that, the following have been argued.

(a) It may well not be clear for some time whether Commissioners will have to be put in. A decision on the reorganisation proposals cannot be delayed for much longer without risk of legal challenge.

(b) Even if Commissioners were put in, they would probably not have enough time to work out an educational reorganisation.

(c) It is one thing to put in Commissioners in order to restore order in the affairs of a local authority which has willfully mis-managed its finances. It is quite another thing to expect Commissioners to impose service policies

which, quite apart from their expenditure implications, the Government believes to be better than those of the elected local authority. If the Government was suspected of such intentions it would make it more difficult to secure the passage of the Commissioner legislation.

Annoucements

10. The reasons which made early announcement of the Government's decisions undesirable will have ceased to hold by 18 June. There is no obvious reason why the announcement should not be made on or about that date.

HANDLING

11. You will wish to invite the Secretary of State for Education and Science to open the discussion. The Secretary of State for the Environment will be able to advise on how the issues fit in with his current discussions with the City Council. The Attorney General will be able to advise on legal questions. All Ministers present are likely to wish to comment on the wider political aspects.

CONCLUSIONS

12. You will wish the meeting to reach conclusions on the following.

(i) Whether the proposed reorganisation of education in Liverpool should be

- approved as it stands;
- rejected; or
- approved subject to modifications.

and, if approved subject to modifications, whether the modifications should involve the retention of two or four single-sex schools.

(ii) When the Government's decisions should be made public.

M.S.B.

M S BUCKLEY
Cabinet Office.
12 June, 1984

PRIME MINISTER (1)

LIVERPOOL

A meeting of Ministers has been arranged for tomorrow afternoon to discuss further the Education Secretary's response to the proposals from Liverpool City Council for re-organising secondary education in the area.

flag A
flag B

I attach a further minute from Sir Keith Joseph, and Policy Unit advice. Essentially, the Education Secretary is maintaining his preference for modifying the Council's proposals rather than outright rejection. He believes that modification to retain four single sex schools would be beyond his powers, and therefore proposes modification to retain two. An additional modification will now be necessary to delay implementation by one year.

The Policy Unit are prepared to support this line for the rather different reason that it will probably be rejected by the City Council - leaving the Government with the advantage (as the Policy Unit see it) of no action on the plan, and the City Council with the opprobrium. On the other hand, there must remain some risk that the Council will call the Secretary of State's bluff and go along with his modifications in order to implement the other (highly objectionable) features of their proposals.

The question is how great is this risk, and does it outweigh the potential benefits of avoiding outright rejection of a plan which would, for all its faults, reduce expenditure?

If you were minded to go along with the Secretary of State, not least in the hope that the final outcome would be no change, then the meeting tomorrow may not be necessary.

E.R.

Agree that the Secretary of State should accept the plan with modifications to delay by one year, and to retain two single sex schools?

Yes MT

DMB

12 June 1984

VSCACL

4

SECRET

MR TURNBULL

Liverpool Schools

Keith now proposes to offer two modifications:

(i) Retaining West Derby and Holly Lodge as separate single-sex schools;

(ii) Deferring the implementation of the scheme by one year.

It is thought by some at DES that Liverpool will reject even as minor a modification as (i). If this is correct, there is an argument for proceeding as Keith suggests. Without giving anything away, we would appear to be the reasonable party whose sensible changes were refused by aggressive opponents.

But this is a high-risk ploy. Commentators on the Liverpool grape-vine have in the past warned that the Council might well call Keith's bluff if he engaged in a tactical move of this sort.

Nor is it necessary to take such a positive step at present. As Keith rightly points out, it will now be necessary to delay implementation of the scheme by a year, come what may. So he could announce:

(i) that no decision had yet been taken, and

(ii) that he would (at least) eventually modify the proposals by deferring them for a year.

This procedure - which has been used in other cases - relieves the uncertainty for parents this year, and leaves us with time to watch developments in Liverpool before coming to any final decision.

We recommend that the Prime Minister should press Keith to adopt a delaying tactic, unless he is extremely certain that the Council will reject even a minor modification.

Oliver Letwin

Oliver Letwin

11 June 1984

SECRET

11 June 1984

MR. BARCLAY

LIVERPOOL: REORGANISATION OF SCHOOLS

We continue to believe that the proposals are disastrous, and that outright rejection would be the best solution.

It would also be possible to delay any announcement until the end of the month, by which time the issue of Commissioners will probably be resolved. We are told that this would not pose any legal problems.

However, Keith Joseph is firmly opposed to both of these routes. He wants to modify the scheme, and he seems to have considerable support from colleagues. In addition, it has now become apparent that there is a real chance of the Council rejecting even the minor modification that Keith is suggesting (as can be seen from the attached copy of a letter written to the DES by Liverpool's Director of Education.)

This would be a satisfactory outcome. If the Government proposes sensible modifications, and Liverpool turns them down, Ministers will appear to be the aggrieved party, and will have scored a propaganda coup without having lost anything substantive in the process.

On balance, we reluctantly recommend that the Prime Minister should accept Keith's proposal, in the hope that Liverpool will turn him down.

Oliver Letwin.

OLIVER LETWIN

DSGAAJ

City of Liverpool

Kenneth A. Antcliffe
Director of Education
14 Sir Thomas Street
Liverpool
L1 6BJ
Telephone: 051-236 5480 Ext:

Our ref
Your ref. KAA/JR
Date 25th May 1984

Secretary of State,
Department of Education
and Science,
Elizabeth House,
York Road,
London SE1

Sir,

1. Liverpool
2. County Secondary Re-Organisation

I write in response to the meeting we had yesterday, with representatives of the Liverpool Local Education Authority, and I attach tables which show how each of the possible modifications you put forward yesterday would have impact on the admissions to other schools whose retention is intended in the Authority's proposals.

If I may deal with the options in the order in which you put them to the Authority Representatives, this may assist in your consideration of the Authority's response.

Option A - To retain Stanley Park, Anfield, Holly Lodge and West Derby as they now exist.

The tables show - and it is perhaps easier to refer to the attached summary tables - that the retention of Stanley Park and Anfield in their current shape, would have very serious impact on the proposed Alsop and Breckfield schools, sufficient to conclude that those schools would not be viable. There would be a lesser, but nevertheless significant impact on the admissions to the Carr Lane, Croxteth and Paddington schools. That conclusion is based on the pattern of admissions in 1982 and 1983 which might justifiably be expected to be repeated.

West Derby and Holly Lodge. Again, looking at the summary figures, you will see that the retention of West Derby and Holly Lodge, in their present form, would, on the basis of the last two years' admissions, have very serious effects

cont/d....

on the viability of Carr Lane and Highfield to the extent that neither of those schools' could function at a viable level of intake. Again, there would be lesser, though still serious repercussions on the intake in to five other schools.

Option B - Retain West Derby, Holly Lodge, Quarry Bank and Aigburth Vale in their present form.

I have already commented above, on the effects of retaining West Derby and Holly Lodge in their present form. The retention of Quarry Bank and Aigburth Vale in their current form would place in jeopardy the intakes into New Heys and Shorefields with lesser, but perhaps significant effect on Holt and Paddington.

Option C - To retain West Derby and Holly Lodge in their present form.

I have already commented in relation to Option A on the effects this would have on admissions to other proposed schools, particularly Carr Lane and Highfield.

From this study which has been undertaken to respond speedily to your discussions yesterday, the Authority cannot but conclude that the adoption of any one of the possible options which you outlined would effectively destroy the purpose of the Authority's original proposals and would necessitate a total recasting of those proposals. Time is much too short for this to be done in time for implementation in September, 1984. Indeed it would almost certainly require the publication of new Section 12 notices.

There are several other difficulties which the Authority would foresee arising from the implementation of any one of the options, but it is perhaps unnecessary for me to rehearse them here, given the implications of the study as I have outlined them to you.

I understand that your colleagues in the Department of Education and Science, who were with you yesterday are on leave today and Monday. In Liverpool the arrangements are slightly different and mean that this office will be closed on Monday and Tuesday. It will, however, be manned from next Wednesday onwards and I will be ready to respond to any further requests they may have for information to supplement that given in the attachments to this letter.

I am, Sir,
Your obedient Servant,

Kenneth Antcliffe

Director of Education

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CONFIDENTIAL CMO

PRIME MINISTER

LIVERPOOL SECTION 12 PROPOSALS

1. As we agreed at our last meeting I met representatives of Liverpool LEA and asked them to provide me with information on the practical implications of three possible modifications to their Section 12 proposals so as to retain respectively four, three and two single sex schools. The Authority have now provided me with detailed information of the likely impact on the admissions to the proposed schools of retaining in the system the additional places consequent upon the three possible modifications. The Authority in their response argue that any of these modifications would render the proposals unworkable because of the differentially severe effect that they would be likely to have directly or indirectly on the admissions to the least popular schools. In effect the Authority argue that all three modificatons are beyond my powers.

2. I have considered the options again in the light of the information supplied by the LEA and have had the benefit of further advice from the Attorney General. He notes that the adoption of either of the modifications to retain two pairs of schools retaining respectively four or three single sex schools is likely to lead, sooner or later, to other schools recruiting at a level of less than 3FE, which is below the minimum level indicated in Circular 2/81 for a viable comprehensive school without disproportionate resourcing. In the light of this the Attorney General has confirmed his original view that a modification requiring the retention of four schools would run the risk of successful legal challenge.

3. The practical effects of a modification to retain two single sex schools, West Derby (Boys) and Holly Lodge (Girls), are much more difficult to assess. The Authority argue that in practice the effects would be not very different from the other two modifications since the pattern of admissions in the last two years to the two schools to be retained has been such as would be likely, if maintained, to deplete severely (directly or indirectly) the entry to two unpopular schools. These schools might as a result fail to recruit up to the level of 4FE and therefore continue to need disproportionate resources to be viable. However in my view these arguments fail to take sufficient account of the overall reduction in the capacity of the system which would be brought about by the proposals even when modified to retain two single sex schools; they also fail to take account of the likely increase in competition for places at the two single sex schools because they would be the only single sex schools;

CONFIDENTIAL CMO

and of the impact of the Authority's proposed admission arrangements. All these would in my view tend to reduce the likely impact on the two unpopular schools. The Attorney General remains of the view that this modification is within my powers. Although the matter cannot be entirely free from doubt the Attorney General considers that a court would be most reluctant to overrule my decision to insist upon this minimum provision of single sex education.

4. I am therefore left with three choices - to approve the proposals, to modify them to retain West Derby and Holly Lodge as separate single sex schools or to reject the proposals. I am not prepared to approve without modification a proposal which completely flouts the Government's declared policy that opportunities for single sex education should be retained where parents wish it.

5. As between rejection and modification I remain of the view that the latter is to be preferred. Rejection would mean the loss of an opportunity to secure substantial financial savings with the virtual certainty that the present City Council would not come forward with more acceptable proposals. Despite their defects the proposals (as modified to retain an element of single sex education) do offer some prospect of limited improvement as against doing nothing. Doing nothing has to be seen in the following light:

(i) the outer housing estate schools will not wither away since they do enjoy the allegiance of some parents - each attracted some 2-3 FE of first choice applicants in 1983;

(ii) the Authority already have problems in deploying the available teachers between the secondary schools so as to maintain an adequate curriculum in the least popular schools. Five schools currently have very favourable pupil teacher ratios (better than 15:1 compared to the average of 16.3:1 for all county secondary schools) at the expense of four popular schools which have pupil teacher ratios substantially less favourable than the average; and

(iii) the effect of this less generous staffing of the popular schools together with the schools' own efforts to retain an adequate range of O and A level options is to make the average class size for all groups in the first three years well over 25. This means over-large groups for practical and science subjects, and far too much mixed ability teaching in all subjects. This bodes ill for future performance at O and A level.

6. As pupil numbers decline further, Liverpool, given their

general financial predicament, will increasingly rob the popular schools of resources in order to keep the unpopular ones going. That is bound to make the popular ones decline in quality.

7. The modification course is not without risk. I am required formally to consult the Authority about the modification that I propose. They may at that stage simply withdraw the proposals or seek to mount a legal challenge. But that is a chance that we must take.

8. There is one further point. The proposals are for implementation this September, and the Authority have always made clear to me that, if they were to implement them, they would need my approval by the end of May at the latest. Approval with modification now would rule out implementation this September. I need therefore to propose an additional modification to defer the start of implementation until September 1985.

9. To avoid the criticism of unreasonable delay I ought to announce the decision within a few days and propose to do so on 18 June. There is an opportunity for further discussion at your meeting on 13 June.

10. I am sending copies of this to Leon Brittan, Nigel Lawson, Michael Heseltine, Norman Fowler, Norman Tebbit, Peter Rees, Michael Havers, Patrick Jenkin, John Biffen, Lord Whitelaw, Sir Robert Armstrong and Mr Buckley (Cabinet Office).

KJ

11 June 1982

Reg. Pol. Inner
cities Pt 5

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215)
GTN 215)
(Switchboard) 215 7877

5422

Secretary of State for Trade and Industry

PS/N
PS/JB
Mr Jardine
R1T
Mr Crompton
NI4RO
Miss Boulton
R1T-of

6 June 1984

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

D Patrick.

You wrote to me on 31 May about the way you intend to deal with Birmingham City Council's requests in connection with their proposal to build a major International Conference Centre and hotel. You have of course since discussed this with John Butcher.

2 I must agree that the public expenditure objections to this proposal are over-riding and I am therefore content for you to proceed as you have indicated. At the same time I am glad to know that you will not close the door to a fresh application if Birmingham can re-think the balance of funding and come up with a fresh scheme which has a greater chance of attracting private sector involvement.

3 As far as the merits of the project are concerned a number of points remain to be considered and positive conflicts of interest resolved. In this connection I think the City would do well to address themselves to questions posed in the report you received from the English Tourist Board. Furthermmore, I understand that the ETB has commissioned a study into the demand for conference facilities in the UK. This may be available shortly and will be helpful to any further consideration we give to this.

4 I am copying this letter to Peter Rees.

Yours

NORMAN TEBBIT

JH1AHK

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Patrick Jenkin MP
Secretary of State for Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

5 June 1984

Dear Patrick

Thank you for copying to me your letter of 31 May to Norman Tebbit about the application from Birmingham City Council for special concessions relating to the building of their proposed International Convention Centre.

I understand that this project has not had a very happy history (there have been serious underestimates of costs, for example) and I would certainly support the line you propose to take with the Council on 7th June.

I would suggest that such developments are in any case more appropriately left to the private sector. If they do not feel that the investment would bring appropriate returns, should the Council be investing public money in such a venture?

I am copying this letter to Norman Tebbit.

Yours ever
Peter

PETER REES

REGIONAL POL: Inner Cities: Pt 6.

Loan

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

118

My ref:

Your ref:

cc PS/Lord Bellwin
PS/Mr Waldegrave
Mr Delagran
Mr Heiser
Mr Edmonds
Mr Owen
Mr McDonald
Mr Ellis-Rees
Mr Mayer
Mr Parker
Mr Young
Mr Cowley
TSF(AHD)

31 May 1984

Dear Norman,

I have before me an application by Birmingham City Council for additional capital resources and special RSG and expenditure target treatment for the building of their proposed International Convention Centre. The application was made by the council before the local elections but the Centre has been billed as a bipartisan project and I have no reason to believe that the new council will not wish to go ahead with it.

Our officials have been in touch on this matter. I understand that there is general agreement that a market exists for additional conference facilities in the UK but that Birmingham is not necessarily the ideal location; that chimes with the views expressed by the English Tourist Board. The assessment here, based on a detailed appraisal by a member of my Urban Development Grant appprasial team working closely with officers of the Council, is that although the scheme may be desirable from Birmingham's own viewpoint, the national advantages are much more questionable.

I therefore intend to decline to commit to this project an additional allocation which, on the best estimate available at present, would account for some 3½% per year of the total resources available nationally for the Other Services block. Neither can I see my way, either technically or in policy terms, to make the concessions which are being sought on the revenue side.

I am due to meet Birmingham City Council on 7 June and this subject will undoubtedly come up. I would like to use that occasion to tell the Council how my mind is working on this issue, without absolutely shutting the door on any further representations they may want to make. Would you please let me know before then whether you would be content with that?

I am copying this for information to Peter Rees.

Yours ever

Pat

PATRICK JENKIN

The Rt Hon Norman Tebbit MP DTI

BC. MR. REDWOOD

File JH

CONFIDENTIAL
CMO

SUBJECT

cc Master Set.

EDUCATION: Future Policy Part 2.

10 DOWNING STREET

From the Private Secretary

22 May 1984

cc Mr Buckley Cab. Off

LIVERPOOL CITY COUNCIL

The Prime Minister held a meeting today to discuss developments in Liverpool. Present were your Secretary of State, the Chancellor of the Exchequer, the Home Secretary, the Lord Privy Seal, the Secretaries of State for Defence, Education and Science, Trade and Industry, Social Services, the Chief Secretary, the Attorney General, Sir Robert Armstrong, Mr. Buckley and Mr. Redwood.

The meeting first discussed Liverpool's statutory proposals for the reorganisation of its County secondary schools. The Secretary of State for Education and Science said the choices remained as set out in his minute of 15 May. He could reject the proposals and seek to persuade Liverpool to produce a scheme closer to the wishes of parents; or he could seek to modify the proposals so that more single-sex schools with a proven record of success would be retained. If the reorganisation were to begin in September, his decision was needed by the end of May. Any delay would postpone the start by a year, though the saving in the first year was only £80,000. In his letter of 21 May, the Attorney General had advised that to modify the proposals to the extent of seeking four single-sex schools would run a real risk of successful challenge in the courts as being a different scheme rather than merely a modification.

In discussion, it was argued that accepting the proposals, subject only to insistence on two single-sex schools, was a lesser evil than rejecting the proposals. A refusal would cause delay and would perpetuate the present unsatisfactory structure of schools which was also damaging educationally. Refusal could also allow the Council to argue that it was being prevented from securing necessary savings. Against this it was argued that on educational grounds even the modified proposals suggested by the Secretary of State for Education and Science were

SAHAAD
CONFIDENTIAL CMO

/ unsatisfactory

unsatisfactory and that he should hold further discussions to seek greater provision for single-sex schools on the basis of the representations that had been received. Given the small savings in the first year, a delay of one year would be preferable to accepting the proposals as they stood.

Summing up this part of the discussion, the Prime Minister said that the meeting had noted the Attorney General's advice. In the light of this, she invited the Secretary of State for Education and Science to see whether he could persuade Liverpool Council to agree to further modifications which would provide up to four single-sex schools.

Education BF

Your Secretary of State then gave an account of his recent meeting with Dr. Cunningham and the Labour Group on the Liverpool City Council along the lines set out in his minute of 21 May. He had detected a distinct change in attitude, though it was not clear how far this represented a genuine shift towards a more conciliatory approach and how far it represented tactical manoeuvring. He had made it clear that he could not re-open RSG or HIP allocations, nor could he divert resources to Liverpool from other local authorities, nor seek extra resources from the contingency reserve. The scope for providing additional resources was therefore extremely limited.

Your Secretary of State said he had identified £2½ m. so far unallocated in the Urban Programme which could be allocated to Liverpool. Although Urban Programme money could not replace existing programme expenditure, it could substitute for additional projects which would otherwise have been financed from the regular budget. Because of the operation of the hold-back scheme the benefit to the Council would be about £7 million. If Liverpool were to achieve a rate increase of no more than 25-30 per cent, it would have, through its own efforts, to make savings substantially greater than this.

In discussion, it was argued that an offer of this kind would be advantageous if it helped Liverpool out of the corner into which it had manoeuvred itself. While the Government should not be seen to be rewarding intransigent Councils, it should not be seen to turn its back on a Council which was prepared to help itself.

The Prime Minister said it was agreed that such an offer could be made, provided it was clear this was all that was available, that it was not being taken from other authorities and that Liverpool should bring in a legal rate as a matter of urgency.

/ The discussion

The discussion then turned to legal action. The previous meeting had considered a Liberal proposal that a ratepayer, with the support of the Attorney General, should bring a relator action against the Council for failing to rate or for introducing an illegal rate. To do this, however, the ratepayer would need sufficient to bear the costs of an action and to indemnify the Attorney General. Since then, the Liberals had failed to identify such a ratepayer and it was considered that this form of legal action was now unlikely. Should such a ratepayer come forward, however, the Attorney General should still be prepared to give his support.

The Attorney General set out a separate channel of legal action initiated by the District Auditor. Within the next ten days the latter was likely to determine that extra expenditure had been incurred as a result of borrowing rather than rating. The Councillors responsible would then be notified, giving them a chance to make representations or offer explanations. The District Auditor could issue a certificate around mid-July which would surcharge the Councillors responsible. They would be disqualified immediately unless they appealed. This process would alter the balance of the Council until the disqualified Councillors were replaced at by-elections. It was noted that this course would work more slowly than a relator action where the court itself could disqualify or surcharge Councillors for actions contrary to the law. The decision of the previous meeting that the Attorney General should not intervene in his own name was confirmed.

It was noted that Liverpool City Council probably had sufficient funds as a result of a large repayment by Knowsley Council and of new borrowing from the PWLB whose Commissioners were continuing to lend in the absence of an illegal rate. It was agreed that it was helpful that the Commissioners were taking this view.

Discussion then turned to the Commissioners Bill. The Prime Minister was concerned at its very sweeping powers which Parliament might find difficult to accept. One way to meet these concerns was to relate the Bill specifically to Liverpool, while passing a Motion in both Houses overruling the objection of hybridity. (It was noted that in the case of shipbuilding nationalisation the Conservative Party had fiercely opposed such a Motion when in Opposition). It would not be possible to predict exactly the circumstances in which the Bill might need to be introduced, and it would be prudent to have a draft of a specific Bill available. Another possibility was to set a time limit or require periodic renewal of the powers. A distinction was made between the period during which an affirmative resolution could be passed installing Commissioners in a new Council,

and the period allowed to the Commissioners to complete their work. It was essential that the latter were given a mandate of adequate length, as otherwise they would encounter delay and non-cooperation. A further distinction was between the circumstances in which Commissioners could be introduced, which should be tightly drawn, and the powers of Commissioners once installed, which would need to be extensive.

Summing up, the Prime Minister said the drafting of the Bill should be further examined to ensure that the powers taken were not greater than needed for the task in hand. Although the meeting felt that a general Bill, time-limited in some way, would be preferable, a draft of a specific Bill should be prepared as a precaution.

Your Secretary of State sought views on whether he should now begin to approach possible Commissioners in order to ensure that the Government was adequately prepared if it were necessary to go down this route. Against this, it was argued that these approaches would become known, which would be damaging while the Government was seeking to guide Liverpool back towards legality. The Prime Minister said your Secretary of State should continue to identify candidates, consulting colleagues as necessary, but no approaches to individuals should be made.

I am copying this letter to David Peretz (H.M. Treasury), Hugh Taylor (Home Office), David Morris (Lord Privy Seal's Office), Richard Mottram (Ministry of Defence), Callum McCarthy (Department of Trade and Industry), Elizabeth Hodkinson (Department of Education and Science), Steve Godber (Department of Health and Social Security), John Gieve (Chief Secretary's Office, HM Treasury), Henry Steel (Law Officers Department) and Richard Hatfield (Cabinet Office).

Andrew Turnbull

John Ballard, Esq.,
Department of the Environment.
SAHAAD
CONFIDENTIAL CMO

NBPM
AT
22/5

a NO

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref: J/PSO/13650/84

Your ref:

21 May 1984

Dear George,

URBAN POLICY AND PROGRAMME REVIEW

Thank you for your letter of 8 May about the Urban Policy and Programme Review.

I fully understand your concern that although the review is restricted in scope to England, decisions arising from it may have a bearing on Scotland.

I am expecting the review team to report at the end of this month, and I shall be circulating copies to colleagues. I have yet to see the recommendations, or decide how decisions arising should be handled, but I shall bear your interest in mind and ensure you have an opporutnity to comment.

I am sending copies of this letter to the recipients of yours.

Yours ever
Patrick

PATRICK JENKIN

The Rt Hon George Younger MP

REGIONAL POLICY: Inner Cities
Pt 5

PRIME MINISTER

In addition to Mr Jenkin's concerns over Liverpool, you will want to return to the education question in the light of the Attorney General's advice. This is that there is a real risk of being successfully challenged in the courts if the Secretary of State seeks retention of four single sex schools. Sir Keith believes that this eliminates any middle options and leaves the choice as in his minute of 15 May, either

(i) rejection

(ii) modification to impose two single sex schools.

The papers are arranged as follows

(A) Cabinet Office brief

(B) Mr Jenkin's minute

(C) Press Release following his meeting with Dr Cunningham

(D) Commissioner Bill

(E) Policy Unit note suggesting amendment of (D)

(F)1 Sir Keith Joseph's minute of 15 May
(F)2 Policy Unit note on Education in Liverpool. } EDUCATION Future policy PE2

(G) Attorney General's advice

(H) Verbatim Record of (C) - no need to read.

AT

21 May 1984

PRIME MINISTER

Liverpool City Council

You are holding a meeting of Ministers tomorrow 22 May to discuss the current situation in Liverpool. The Secretary of State for the Environment has sent you a minute giving his current assessment following a meeting with Liverpool Councillors on 17 May.

MAIN ISSUES

2. The main issues on which the Secretary of State for the Environment seeks decisions are as follows.

(i) Whether he can offer Liverpool modest assistance from the Urban Programme if that will either clinch a legal budget or put the Government in a better position presentationally.

(ii) The form and timing of any legal action.

(iii) Commissioner legislation.

(iv) Education

Urban Programme

3. It has been agreed that officials from both sides should discuss Liverpool's financial situation. There is no question of special concessions for Liverpool; and it is clear that the Council will need to modify its budget substantially if it is to avoid very large rate increases indeed. Mr Jenkin wishes to be able to offer Liverpool some modest assistance from the Urban Programme. He has about £2½ million available within this programme, and if this were used to reduce

expenditure and therefore holdback, it could improve the Council's finances by about £7 million.

4. Ministers will particularly wish to consider the presentation and the timing of any offer.

(i) No doubt the Council will wish to be able to say that it has secured concessions from the Government. Equally, the Government will wish to demonstrate that it has not done for Liverpool what it would not be willing to do for other local authorities. The meeting may wish to ask Mr Jenkin how he would safeguard this point.

(ii) The timing will need careful judgement. If offered too soon, the money may seem like a first instalment and encourage Liverpool to ask for more; if offered too late, it may not be in time to deflect the Council from a course of illegality. How would Mr Jenkin judge this?

5. There is one other point that Ministers may wish to discuss: the timetable for the discussions. The Council has spoken of discussions over 4 to 5 weeks. Mr Jenkin said that this must be resisted. No doubt this is right in principle. Discussions over 5 weeks would take things to the end of June; the Recess would then start to loom; and there are also decisions, for example on the level of rate support grant to Liverpool, which will need to be taken during the course of June. But if the Council's officials are under instructions to draw out the discussions, it is not easy to see how they can be stopped.

Legal Action

6. There is no suggestion that the Government should itself initiate legal action. Mr Jenkin proposes to suggest to Sir Trevor Jones that, if current discussions with the Council fail to produce satisfactory result, he should seek the Attorney General's consent to a relator action for judicial review. Ministers will wish to consider the following.

(i) Is it right for Ministers to offer Sir Trevor Jones legal advice?

Randerus.

(ii) Should Sir Trevor Jones be discouraged from initiating legal action while the discussions with the Council are still in progress? One can see that hasty action could frustrate the discussions. On the other hand, as pointed out above, time is running on; and a delay of some weeks, which is not impossible, could be dangerous. It might also be argued that action in the courts could increase the pressure on the Council to act responsibly.

Commissioner Legislation

7. Mr Jenkin seeks views on two points:

(i) whether he should set in hand the identification, in the strictest confidence, of possible Commissioners;

(ii) whether the Commissioner Bill should be drafted in general terms (as it is now) or apply only to Liverpool.

8. On the first of these, presumably Mr Jenkin would intend not only to 'identify' possible candidates but also to approach them. If so, Ministers will need to judge whether the greater possibility of a leak, which this must entail, outweighs the danger of leaving things too late and not being able to appoint Commissioners without a damaging hiatus. It would be helpful to know Mr Jenkin's assessment of the earliest time at which he thinks it might be necessary to appoint commissioners. If this were, for the sake of illustration, 5 or 6 weeks away, Ministers might judge it better to wait before making any approaches; if, on the other hand, the need could arise in 3 weeks' time, the arguments for taking soundings would be a good deal stronger.

9. The arguments for drafting the Commissioner Bill in general or specific terms are set out in paragraph 15 of Mr Jenkin's minute. The choice is essentially political. However, a Bill to Liverpool would require the suspension of the hybridity rule in both Houses of Parliament. Ministers would need to be confident that they could carry the necessary vote in the Lords as well as the Commons before committing themselves to a Bill limited to Liverpool.

10. If Ministers thought it right at least to have a Bill specific to Liverpool available, a new Bill would need to be drafted.

HANDLING AND CONCLUSIONS

11. It will probably be convenient to work through the 4 matters listed in paragraph 16 of Mr Jenkin's minute, namely:

(a) the provision of additional assistance from the Urban Programme:

(b) Legal action;

(c) identification of Commissioners;

(d) the nature of the Commissioner Bill.

On each item, the Secretary of State for the Environment might be invited to open the discussion. All your colleagues are likely to wish to contribute; but the Chancellor of the Exchequer or the Chief Secretary, Treasury may have particular comments on the proposal to provide assistance from the Urban Programme; the Attorney General will wish to comment on the issues involved in the timing and nature of any legal action; and the Lord Privy Seal will wish to comment on the nature of the Commissioner Bill, and whether drafting resources can be made available for the preparation of an alternative Bill limited to Liverpool.

M.S.B.

M S BUCKLEY
Cabinet Office.

21 May, 1984

CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434
My ref:

Your ref:

21 May 1984

Dear Andrew.

I enclose a copy of the Local Government (Commissioners) Bill which should be associated with my Secretary of State's minute of today's date on Liverpool.

A copy of this letter goes to Hugh Taylor (Home Office), David Heyhoe (Lord Privy Seal's Office), Richard Mottram (Ministry of Defence), Elizabeth Hodkinson (Department of Education and Science), Callum McCarthy (Department of Trade and Industry), John Gieve (Chief Secretary's Office), Hentry Steel (Law Officers' Department), Steve Godber (DHSS), Michael Buckley and Richard Hatfield (Cabinet Office).

Yours sincerely

John Ballard

JOHN BALLARD
Private Secretary

Andrew Turnbull Esq

16

RESTRICTED

Local Government (Commissioners) Bill

ARRANGEMENT OF CLAUSES

DRAFT

OF A

BILL

TO

Make provision for the temporary administration of the area of a local authority by a commission appointed by the Secretary of State in cases where that appears to him to be required for protecting the interests of inhabitants. A.D. 1984.

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

Temporary administration of principal area by commission.

1.—(1) The Secretary of State may make an order under this section (a "commission order") in respect of a principal area if it appears to him that the principal council for that area—

(*a*) has acted in such a manner as will make it unable to meet its financial obligations ; or

(*b*) has failed to discharge its functions to such an extent as seriously to prejudice the interests of the inhabitants of that area ; or

(*c*) has wilfully and persistently disregarded any statutory conditions or limitations relating to the discharge of those functions,

and that the order is required for protecting the interests of the inhabitants of that area.

(2) In determining whether a commission order is required for protecting the interests of the inhabitants of any area in the circumstances mentioned in subsection (1)(*b*) or (*c*) above the Secretary of State shall have regard to any default powers available to him under any other enactment.

(3) A commission order in respect of any area shall—

(*a*) declare vacant the offices of all the members of the principal council for that area who are in office when the order takes effect ; and

(*b*) establish a commission to replace that council as the local authority for that area.

(4) Schedule 1 to this Act shall have effect with respect to the commission established by a commission order ; and Schedule 2 to this Act shall have effect with respect to the operation and consequences of such an order.

(5) The power to make orders under this section shall be exercisable by statutory instrument ; and no such order shall be made unless a draft of the order has been laid before and approved by a resolution of each House of Parliament.

(6) A draft of an order under this section shall not be treated under the Standing Orders of either House as a hybrid instrument.

(7) A commission order may be made in respect of a principal area notwithstanding that all the members of the principal council for that area have vacated their offices by resignation, disqualification or otherwise.

(8) References in this section to the inhabitants of any area include references to any substantial section of those inhabitants.

Functions of commission.

2.—(1) While a commission order is in force in respect of a principal area the commission established by the order shall discharge all the functions of a principal council for that area and have all its powers and be subject to all its duties.

(2) It shall be the duty of the commission—

(*a*) to take such steps in the interests of good financial management as will enable the commission to meet its financial obligations as the local authority for the area in question ; and

(*b*) to take such steps as are practicable to secure the provision of any services that have been withdrawn or curtailed by the principal council for that area.

(3) The commission shall, as soon as practicable after the date on which the commission order comes into force, prepare

and publish its proposals for expenditure for the period from that date until the end of the next financial year and for financing that expenditure ; and if the duration of the order is extended under section 4(2) below for a further financial year the commission shall before the beginning of that year prepare and publish their proposals for expenditure for that year and for financing it.

(4) in discharging its functions the commission shall comply with any directions of a general character given to it by the Secretary of State.

(5) The comission shall, in accordance with arrangements approved by the Secretary of State, make available to the public information on the discharge of its functions by the commission.

(6) The commission shall, at such times, in such form and in respect of such periods as the Secretary of State may direct, prepare and publish reports on the discharge of its functions and send copies of those reports to the Secretary of State.

Rates and precepts.

3.—(1) Where a principal council which is a precepting authority has not issued a precept for the financial year in which a commission order takes effect in relation to its area, section 12(6) of the General Rate Act 1967 (which requires a precept to be issued or notified before the beginning of the financial year) shall not apply to a precept issued for that year by the commission established by the order.

1967 c. 9.

(2) Where a principal council has already made a rate or issued a precept for the financial year in which a commission order takes effect in relation to its area or for the following financial year, the commission established by the order may make an additional rate or, as the case may be, issue an additional precept for that year to meet any expenditure incurred or likely to be incurred by the commission in that year which it considers cannot be met by other means.

(3) Section 12(6) of the said Act of 1967 shall not apply to a precept issued by virtue of subsection (2) above.

(4) Where by virtue of subsection (1) or (2) above a precept for a financial year is issued to a rating authority after it has made a rate for that year, the authority may make an additional rate for giving effect to the precept and shall be entitled to recover from the commission by which the precept was issued any increase in its rate collection expenses attributable to the additional rate.

(5) A rate made or precept issued by virtue of subsection (2) or (4) above shall be known as an emergency rate or emergency precept and shall not be regarded for the purposes of section 1 or 2 of the Local Government Finance Act 1982 as a supplementary rate or precept; and —

1982 c. 36.

1984 c.

(*a*) Parts I and II of the Rates Act 1984 (limitation of rates and precepts) shall not apply to any such rate or precept;

(*b*) section 13 of that Act (consultation with industrial and commercial ratepayers) shall not apply to expenditure to be financed by such a rate or precept.

(6) This section is without prejudice to the rating and precepting powers exercisable by a commission by virtue of section 2(1) above.

Termination of commission order.

4.—(1) A commission order shall cease to have effect on the date on which elected councillors for the area in question again come into office, and that date—

(*a*) shall be appointed by an order made by the Secretary of State; and

(*b*) subject to subsection (2) below, shall be not later than two months after the end of the financial year following that in which the commission order was made.

(2) The Secretary of State may from time to time direct that a commission order shall continue in force for a further financial year, and in that event the reference in subsection (1)((*b*) above to the financial year following that in which the commission order was made shall be construed as a reference to the financial year specified in the directon or, where there have been two or more directions, in the last of them.

(3) No direction shall be given under subsection (2) above later than the end of January in the financial year preceding that specified in the direction.

(4) An order under subsection (1)(*a*) above shall make provision for the election and the term of office of the councillors who are to come into office on the date appointed by the order; and any such order may apply (with or without modification) any provisions contained in or having effect under the enactments relating to local government elections.

(5) The power to make orders under subsection (1)(*a*) above shall be exercisable by statutory instrument subject to annulment in pursuance of a resolution of either House of Parliament and section 1 (5) and (6) above shall apply to a direction under subsection (2) above as they apply to a commission order.

(6) The provisions of Schedule 3 to this Act shall apply where a commission order ceases to have effect.

Short title, interpretation and extent.

5.—(1) This Act may be cited as the Local Government (Commissioners) Act 1984.

(2) In this Act any expression which is also used in the Local Government Act 1972 has the same meaning as in that Act.

1972 c. 70.

(3) This Act extends to England and Wales only.

SCHEDULES

Section 1(4).

SCHEDULE 1

Constitution and Proceedings of Commission

1.—(1) The commission established by a commission order shall be known by such name as is specified in the order and, if established for an area whose principal council is a body corporate, shall be a body corporate by that name.

(2) Neither the commission nor any of its members shall be regarded as the servant or agent of the Crown.

2.—(1) The commission shall consist of a chairman and such number of other members (not being less than four) as is specified in the commission order.

(2) The members of the commission shall be appointed by the Secretary of State.

(3) The Secretary of State may, if he thinks it necessary to do so, appoint a member or members in excess of the number specified in the commission order but, if he does so, he shall lay a statement to that effect before each House of Parliament.

3. The members of the commission shall hold office for such period and on such terms as the Secretary of State may determine.

4.—(1) The Secretary of State may make to or in respect of members of the commission such payments by way of remuneration, pension, allowances or gratuities as he may with the consent of the Treasury determine.

(2) In sub-paragraph (1) above the reference to payments by way of pension includes a reference to payments towards the provision of a pension; and the Secretary of State may make arrangements whereby service as a member of the commission by a person who already belongs to a pension scheme is treated as service to which that scheme applies.

(3) Where a person ceases to be a member of the commission otherwise than on the expiration of his term of office and it appears to the Secretary of State that there are special circumstances which make it right for him to receive compensation, the Secretary of State may make such payment by way of compensation as he may with the consent of the Treasury determine.

(4) Any sums required by the Secretary of State for making payments under this paragraph shall be defrayed out of moneys provided by Parliament.

Sch. 1

5. Subject to the provisions of this Act, the commission may determine its own procedure, including the quorum for meetings of the commission.

6. The proceedings of the commission shall not be invalidated by any vacancy among the members of the commission or any defect in the appointment of a member.

SCHEDULE 2

Commission Orders: Supplementary Provisions

Postponement of election

1. Except as provided under section 4 of this Act no election shall be held to fill the offices declared vacant by a commission order or which are already vacant when the order takes effect.

Transfer of property, staff etc.

2.—(1) On the coming into force of a commission order in respect of any area all the property, rights and liabilities of the principal council for that area shall by virtue of this Act become property, rights and liabilities of the commission established by the order.

(2) Where by virtue of this paragraph an employee of the principal council becomes an employee of the commission, then, for the purposes of the Employment Protection (Consolidation) Act 1978, his period of employment by the council shall count as a period of employment as an employee of the commission and the change of employment shall not break the continuity of the period of employment. 1978 c. 44.

Dissolution of principal council

3. The coming into force of a commission order in respect of an area whose principal council is a body corporate shall operate to dissolve that body.

Construction of enactments etc.

4. Subject to paragraph 5 below, any enactment or instrument (whenever passed or made) which refers to the principal council for the area in respect of which a commission order has effect, or to local authorities or other bodies which include that council, shall have effect, so far as necessary for the purposes of sections 2 and 3 of this Act and the other provisions of this Schedule, as if it referred to, or included a reference to, the commission established by the order.

5.—(1) Paragraph 4 above does not apply to—

(*a*) the provisions of the Local Government Act 1972 mentioned in sub-paragraph (2) below; or 1972 c. 70.

(*b*) the Public Bodies (Admission to Meetings) Act 1960. 1960 c. 67.

SCH. 2

(2) The provisions of the said Act of 1972 referred to above are sections 3 to 8, 22 to 26, 74, 79 to 93, 100, 102(3), 104 and 105 (except as respects any committee appointed under section 102(4)), 116, 173 to 178, 228(1) (except as respects the proceedings at any meeting of, or of a committee of, the commission to which the public are admitted) 245 and 249 and Parts I and VI of Schedule 12.

(3) The Secretary of State may by order exclude from paragraph 4 above such other enactments or instruments as are specified in the order or modify in relation to the commission any enactment or instrument that would otherwise apply to it by virtue of that paragraph.

(4) Without prejudice to the generality of sub-paragraph (3) above an order under that sub-paragraph may exclude or modify in relation to the commission any enactment or instrument—

(*a*) requiring a local authority to establish a committee for any purpose ; or

(*b*) establishing a joint board or other body on which the principal council in question was represented ;

and where by virtue of any such order any functions that would otherwise be discharged by a committee or other body fall to be discharged by the commission any reference in any enactment or instrument to that committee or body shall, so far as necessary for giving effect to the order, be construed as a reference to the commission.

(5) The power to make orders under sub-paragraph (3) above shall be exercisable by statutory instrument subject to annulment in pursuance of a resolution of either House of Parliament.

Police

6.—(1) While a commission order has effect in relation to a county which is a police area the commission shall be the police authority for that area ; and while a commission order has effect in relation to a county included in a combined police area, the relevant amalgamation scheme shall have effect with such modifications as may be specified by an order made by the Secretary of State.

(2) The power to make orders under sub-paragraph (1) above shall be exercisable by statutory instrument subject to annulment in pursuance of a resolution of either House of Parliament.

Accounts and audit

1982 c. 36.

7.—(1) References in Part III of the Local Government Finance Act 1982 to a local government elector shall, in relation to an area in respect of which a commission order has effect, be construed as if the order had not been made.

(2) No order shall be made under section 19 or 20 of that Act in respect of a member of the commission.

SCH. 2

Continuity

8.—(1) A commission order in respect of any area shall not affect the validity of anything done by or in relation to the principal council for that area before the coming into force of the order ; and anything which at the coming into force of the order is in process of being done by or in relation to the principal council may be continued by or in relation to the commission established by the order.

(2) Anything done by or in relation to a principal council in respect of whose area a commission order is made shall, so far as required for continuing its effect after the coming into force of the order, have effect as if done by or in relation to the commission established by the order.

(3) References in this paragraph to the principal council include references to any committee or other body whose functions fall to be discharged by the commission by virtue of an order under paragraph 5(3) above.

SCHEDULE 3

Section 4(6).

TERMINATION OF COMMISSION ORDERS

Re-establishment of principal council

1.—(1) As from the date on which a commission order in respect of any area ceases to have effect (" the termination date ") the commission established by the order shall be dissolved and there shall again be a principal council for the area as provided in the Local Government Act 1972.

1972 c. 70.

(2) Where the principal council displaced by the commission order was a body corporate the principal council re-established by virtue of this paragraph (" the restored council ") shall be deemed to be the same body corporate as that dissolved by the order.

Transfer of property, staff etc.

2.—(1) On the termination date the property, rights and liabilities of the commission shall by virtue of this Act become property, rights and liabilities of the restored council.

(2) Where by virtue of this paragraph an employee of the commission becomes an employee of the restored council, then, for the purposes of the Employment Protection (Consolidation) Act 1978, the period for which he was or, by virtue of paragraph 2(2) of Schedule 2 to this Act, was treated as, employed by the commission shall count as a period of employment as an employee of the restored council and the change of employment shall not break the continuity of the period of employment.

1978 c. 44.

SCH. 3

Construction of enactments etc.

3. Paragraphs 4 and 5 of Schedule 2 to this Act shall cease to have effect on the termination date but without prejudice to anything previously done by virtue of an enactment or instrument as it had effect in accordance with those provisions. 5

Continuity

4.—(1) The termination of a commission order shall not affect the validity of anything done by or in relation to the commission established by the order before the termination date ; and anything which at the termination date is in process of being done by or in 10 relation to the commission may be continued by or in relation to the restored council.

(2) Anything done by or in relation to the commission established by a commission order shall, so far as required for continuing its effect after the termination of the order, have effect as if done 15 by or in relation to the restored council.

(3) References in this paragraph to the restored council include references to any committee or other body which resumes functions discharged by the commission.

RESTRICTED

Local Government (Commissioners)

DRAFT

OF A

BILL

To make provision for the temporary administration of the area of a local authority by a commission appointed by the Secretary of State in cases where that appears to him to be required for protecting the interests of inhabitants.

LXXX—A (1)

6th April, 1984

117—1 (561745) 49/1

C M O

CONFIDENTIAL

COPY NO 1

PRIME MINISTER

LIVERPOOL CITY COUNCIL

1. We are due to meet again tomorrow to discuss the latest position on Liverpool.

Latest Developments

2. On Thursday, 17 May, I held my third meeting with the Labour leadership on the Council. The meeting had been requested by Dr Cunningham who led the deputation and was accompanied by Jack Straw. National representatives of four Trades Unions who represent local government employees were also present. A full account of the meeting is at Annex A together with a copy of the statement I made afterwards.

3. The tone of the meeting was markedly different from previous meetings. Dr Cunningham himself has been urging a valid budget on the Council; and the Unions have also been increasingly concerned about the consequences of an inadequate rate. There may also be grounds for believing that there is still not a majority on the Council for an unlawful budget, and the Council leaders may suspect this too. (They did not attempt to move such a vote on May 15.) In any event, there was much more evidence that the Councillors were willing to explore options open to them to set a valid rate. I do not want to be too optimistic however. While I believe that some of the Labour Group may be genuinely willing to find a solution, others may not and may well be using the more conciliatory approach as a tactic to avoid being blamed if talks break down. If a valid rate is to be made at an acceptable level, it will require a substantial change of policy by the Labour Group.

4. During the meeting Councillors inevitably put most emphasis

on proposals which the Government should consider to ease their financial position. They referred to Rate Support Grant (RSG), targets and penalties, additional housing capital allocations, additional urban programme allocations, and put much less emphasis on the specific proposals that they would make to reduce their proposed expenditure. I purposely did not discuss figures in any detail but I believe they have concluded that their original budget proposal to spend £261m, which allowed for considerable growth, is simply not on.

5. For my part I stressed the very limited scope the Government had to help the Council even if it were willing to do so. The RSG settlement and the allocation of housing monies were fixed for this year, and all other local authorities had made their budgetary and rate decisions in the light of capital allocations already announced. I indicated that anything we could do - possibly through the urban programme - could only have the most marginal impact on their budget for this year. I emphasised that my visit to Liverpool on 7 June was to consider local housing conditions and would help to inform my decisions on future housing capital allocations.

6. Against the background that the Council leadership now appears to be more willing to move I felt it right to agree that my officials and their's should discuss, urgently, possible ways to settle a balanced budget. I stressed that time was short and that Liverpool's credit could not hold out much longer. My officials have already had a preliminary discussion with the Council's Chief Executive, and Treasurer. The first step is to produce factual notes of the options as soon as possible as a basis for a possible further meeting with the Council leadership. Councillor Byrne (the leading hard-liner) spoke of discussions over 4 to 5 weeks. We cannot accept this. I insisted on a report by officials as soon as possible - I hope that this will be available by Tuesday, 29 May, but I think that the Council may try to drag out the discussions. We must resist this.

C M O

CONFIDENTIAL

Next Steps

7. The Council will have to reduce their expenditure proposals from about £261m to substantially below even a "stand-still" budget of about £234m to achieve a rate increase which they - and the minority parties - are likely to consider tolerable. Given that there is very little room for manoeuvre on the Government side, by far the greater movement is required by Liverpool.

8. The Government would stand to gain if a legal rate were fixed by the Council on the basis of a budget which involved the Labour Majority giving up its manifesto commitments to growth and beginning a process of retrenchment. In these circumstances, I think it would be right for us to offer a very small amount of help. If we did so, I think it would be possible to demonstrate publicly that this in no way represents a concession by Government on the central issue: it would be Liverpool, not the Government, who have substantially changed their stance. Through the urban programme we could provide some modest assistance. £2½m is yet to be allocated (I did not of course mention this sum) and we have not yet finished settling the details of Liverpool's inner city partnership programme for 1984/85. If we were prepared to apply this £2½m to Liverpool we would not need to reduce any other local authority's urban programme allocation and it could be justified in the light of the City's genuine inner city problems. To have the maximum effect on the City's budget we would need to apply the urban programme funds to expenditure now within their existing main programmes. This would not be consistent with our general stance that urban programme projects must be additional to, and not in substitution for, local authority activity. But on this basis, and taking account of the effect of disregards on increases in the urban programme expenditure (already agreed as part of the RSG settment), and reduced holdback, such an application of urban programme support would reduce the Council's

rate-borne expenditure by about £7m.

9. The Council may consider that this is not enough; but if they reject it, we would be in a better position in relation to the public debate which would then take place.

10. I should be grateful for the agreement of colleagues to be able to continue the discussions with the Council on the basis that I may make this offer at the right time.

Creditworthiness

11. Annex B sets out the latest position in the credit market for Liverpool and other local authorities.

Legal and Audit Action

12. Annex C sets out the immediate options for legal action against Liverpool and notes the approach likely to be taken by the City Council's auditors. I would welcome your and colleagues' views on the proposal to suggest to Sir Trevor Jones that, if current discussions with the City Council fail to produce satisfactory results, he seeks the Attorney General's agreement to act as relator in an action by a local liberal for judicial review of the Council's failure to rate.

Commissioners

13. Since we cannot be sanguine that the present discussions with Liverpool will lead to a satisfactory settlement, I believe we should maintain a dual-track approach and prepare for possible breakdown of services and the need to appoint Commmissioners. My officials are continuing with the basic preparatory work but there are two issues on which I would be grateful for your views.

C M O

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14. First, in our discussion on Thursday, 3 May we agreed that no further consideration should be given to possible candidates as Commissioners for the time being. I am concerned that we could find ourselves at the last minute insufficiently prepared. This would obviously be very damaging and I should therefore like your agreement to set in hand the identification, in the strictest confidence, of possible Commissioners.

This discussion was not shared with colleagues.

15. Second, we shall also need to consider urgently the format of the Commissioners' Bill. As presently drafted, the Bill would apply to all principal Councils in England and Wales. There is the alternative proposal that the Bill should apply only to Liverpool. It would therefore undoubtedly by hybrid. We face a difficult political choice. While a general Bill would be more strongly opposed by the Opposition and by our own supporters concerned about its possible use by future Governments, it would: (a) ensure that there were powers available to deal with any future councils who behave like Liverpool; (b) involve only a single debate on the issues of principle; and (c) require only one exercise of passing emergency legislation. No authority could be put into Commission without further debate in Parliament on an Affirmative Resolution Order. A Bill dealing solely with Liverpool would reduce Parliamentary opposition but would require not only an emergency timetable but also the suspension of the hybridity rule in both Houses. The issues of principle involved would be rehearsed on any occasion that a similar Bill became necessary, and no doubt emergency procedures would again be required. My own preference remains for a general Bill but colleagues may feel that it would be prudent to have a Liverpool only Bill on the stocks. If so, I should need to ask my officials to instruct Counsel urgently to draft what would in effect be a new Bill.

Summary

16. To summarise I would be grateful for your views on:

a. the provision of an additional £2½m in urban programme grant to Liverpool if discussions with the City Council

C.M.O

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appear to make this necessary and desirable towards achieving a balanced budget (paragraphs 8 - 10);

b. the timing and nature of legal action against the Council (paragraph 12 and Annex C);

c. the need to set in hand identification of possible Commissioner candidates (paragraph 14);

d. whether the Commissioner Bill should apply generally or to Liverpool alone (paragraph 15).

17. I am sending copies of this minute to Leon Brittan, Nigel Lawson, Keith Joseph, Michael Heseltine, Norman Fowler, Norman Tebbit, Peter Rees, Michael Havers, John Biffen, Sir Robert Armstrong and Mr Buckley (Cabinet Office).

PJ

P J

21 May 1984

NOTE OF LIVERPOOL MEETING WITH CITY COUNCILLORS, TRADE UNIONISTS AND LABOUR MPs HELD ON THURSDAY 17 MAY

Dr Cunningham

Thank you for seeing us. I know that everyone here, from the Trade Unions, the Labour Party and the Council welcome the opportunity to talk about Liverpool's problems and try to negotiate a solution to those problems. This is the purpose of our coming, to resolve the problems. I don't think we need to go into detail over the problems. Cllr Hamilton would like to explain the Labour group's position

Cllr Hamilton

I want to introduce some points arising from the election. There has been much local comment about wanting a common agreement to settle the difficulties. We welcome the opportunity to do so not from the point of view of attempting to get into confrontation and illegality but to see if there is a way of getting around the problems from a common point of view. We want to explore possibilities of assistance from your side that would avoid the difficulty of an illegal budget. We would be happy to listen to them and respond to them as well. These are points you can put. We have our own ideas as well on how we can assist.

Secretary of State

I think there is a wish to find a way round without illegality and confrontation. That is what we all want. I want to know how far the Council has got in their thinking. On two occasions when there has been an opportunity to set a rate you have deliberately proposed to spend high and rate low. The gap was very large. The only way forward, for progress to be made was

for the Council to seek a budget which can be matched by a rate increase that you are prepared to put before the Council.

Councillor Hamilton

We are concerned to protect jobs. We've just seen what happened to the Cammell Laird ship yard, Liverpool people were involved, we do not want to go further down this road if we can possibly avoid it. We want to avoid this situation and keep services without massive rate increases which are a burden. In responding we need to know whether there is any flexibility in your position as a Minister that you can offer. We know the constraints of RSG, but we need to know where other flexibilities there are to see if our targets and aims can be kept in measurable proportions. Councillor Byrne would like to go over some points.

Secretary of State

You are concentrating on what we can do. I am glad that you recognise our constraints on RSG - and this is an important point. Not only on RSG. In the last few weeks there have been forceful approaches from other authorities with problems who would be shocked at our handing out large sums to Liverpool. We have to have regard to this. What is the ball game as far as your Council is concerned?

Councillor Byrne

This is the 4th occasion on which we have had meetings. On each occasion we both stated our positions but there it ends. You've said and we've said things that were no doubt unacceptable to each other. Since then there have been elections results in which our respective views have been tested. We want to arrive at an agreement today on the parameters on the areas upon which a discussion can take place between the two sets of officers to meet and explore possibilities. To see if any distance between us remains. This is the best way - your people like Mr Heiser here talking to our people.

The enormity of our problem has long been recognised. I don't want to repeat history but in terms of our budget and target we were confronted with a £100 million problem. Look at the

Liberals local council and Tory national Government. I don't want to apportion blame but we did have a big problem to start with. Look at the background, 60,000 unemployed, 90% of our young people are unemployed, 40,000 public sector and 5,000 council jobs have gone since 1979. We have bad housing conditions some of the worst in Europe, and inherited enormous cash problems.

There are outline areas where we can talk without us placing demands on you tampering with rules and legislation. I want to outline a number of points which are the main areas for a useful dialogue.

One, RSG, not in terms of legal changes but concerning the assessment of targets and following on from that; two, the penalties Liverpool has as a consequence. Three, disregards. There is considerable room for fruitful discussion and negotiation here. Our two sets of officers could discuss this together. Four, Partnership. There is a possibility of flexibility in terms of what is included and things which have been taken out of partnership. Five, HIP and general capital allocations. Mainly on HIP there is a large scale for discussions. We were very aggrieved with Liverpool's HIP and partnership allocations following our first meeting when we set out our programme and needs. Six, capital write off. We have had to demolish parts of housing stock which were undesirable. The capital debt could be written off.

Seven, the position of the County Council. We had a £120 million loss in RSG. The Government said that we were counting money that had gone to the County. About this £120 million we can demonstrate with actual figures what has gone to the County and that the £120 million does not include that. I want to talk about this £120 million. What's the difference whether its £106m, £109m, £116m or calling it £120m. We think we can show that in terms of RSG Liverpool has been treated unjustly. The £28 million taken from Liverpool rate grant distribution was unfair. Officers could make an analysis to winkle out peculiarities to Liverpool. Additional grant - if we had this some penalties would not have added up to £26 million, peculiar

to Liverpool. We are keen to identify which parts are fair or not. Look at the County Council, you said you believed that £120 million which we were counting in 1979/80 and 1980/81 counted in the County Council's share of grant. We can demonstrate that £36 million which you said was part of the £120 million isn't. £120 million has been taken account of and you can recognise that.

When we first met there were statements that Liverpool could not operate below £245 million.

Secretary of State

That was not my view.

Councillor Byrne

Then you said we imagined it. My figures can be proved mathematically. Estimated targets for 1984/85 use the same cash basis as for 81/82. Relate that spending to Liverpool and using the figure of total expenditure on RSG for 81/82 for 84/85 you would find that you can mathematically prove a £20.5 for 1984/85 c.f. £16.75 for 1981/82 using the same criteria: a 122% index movement. If Liverpool uses these criteria that would have produced a £248.6 million notional target for 84/85. This is the mathematical situation. Equally take budget spend in 74/75 in cash terms compared to notified targets for 1984/85. Compare the total movement used, compare this with Manchester as a reasonable comparison, the met districts generally and the met authorities. Compare the Liverpool budget. Comparison with the movement for Manchester gives 245 for Liverpool for 1984/85. £243.7m compared to the Metropolitan Districts and £244.2m for the met authorities. I have not invented these figures. Targets, penalties and RSG demonstrate that with good will officers can discuss the situation without you saying that we interfere with legislation. On HIP, it was £47 in 80/81 which is equivalent in cash terms is £61.2m in 84/85. /Actual/ HIP is worth £38.5m, 2 million allows no tolerance: a shortfall

of £23m. My points have given a brief explanation of what we mean. You would have to be inflexible to say there was no room for manoeuvre and dialogue.

Secretary of State

You have raised a number of points. I cannot comment on the complexity of the figures but I get the general idea. In response to your points I must say there may be a misunderstanding about the element of flexibility in these matters, not just with regard to legislation; it is the whole system. RSG and the way it is devised and operates leaves us no flexibility. It is important the Council understands this. Last December the RSG and targets for 431 local authorities throughout the country were set. Under RSG, and the Treasury rules, that cash is limited. If you give extra to one authority someone else loses out. There is no way in which you can change the rules half way through. We cannot change RSG and withdraw Liverpool's target and set a different one or change penalties. If you are suggesting that we can withdraw Liverpool's target or change penalties for Liverpool, this is not on. It would involve withdrawing the whole settlement. Parliament has always insisted that RSG must be on general principles applied to all authorities generally. We cannot set individual targets or disregards. If a disregard is issued it must apply for everyone as it does for the police in the miners' strike. Your first three points suggest changes in RSG, penalties and disregards for this year. I don't see any room here. It is now May; every other authority has budgetted and rated on the basis of published settlements. If we were to revise the whole thing, there would be local government uproar across the country. That is an avenue it does not seem to me that we can explore. It is not just a question of legislation but of the whole system.

Dr Cunningham

What about the way the situation is looked at by Supplementary

Reports - they change things. I don't accept that there is no room for manoeuvre here. Changes are made.

Secretary of State

The main change is from the original budgets to the estimated outturn and their final outturn, and the implementation of holdback; but the basic rules don't change. One element that is open is the question of disregards. However, they still have to apply to everyone, I don't have the power to do otherwise. They cannot be for specific authorities. I considered last year's disregards and they have to apply to everyone. I come now to your point on comparable met districts and authorities, Manchester's RSG and target and the point that the system has put Liverpool at a disadvantage. There is a good mechanism to look at changes in RSG calculations. The Grants Working Group with the local Authority Associations looks at year by year components. The purpose of GREs is to seek to get objective tests which give a fair distribution to all local authorities. Many authorities say the system works to their disadvantage. My officials work with the local authority associations to look at this. Liverpool officials could have a detailed look at GRE mechanisms to see if Liverpool is disadvantaged but there is no possibility of this being done for 1984/85, the die is cast.

Councillor Hatton

One thing we have said is that today we are concerned about exploring possible areas for discussion because we are so concerned about the situation. We deferred the misquoted "illegal budget" because you were coming on the 7th on the basis of discussions taking place. If you just reply as you have done there will be no room for officials to discuss. It would be wrong to get in this position.

Secretary of State

I am assuming I hope rightly that your presence here today

represents a recognition that the earlier budget was a dead end, with the city running out of cash but no money for wages. That cannot be to your group's advantage or its staff and services. I know you are anxious to protect services etc and because of your obvious willingness to talk we are prepared to talk but I have to point out the limitations. It must be on the basis of a legal budget.

Cllr Byrne

We are here because you asked us.

Secretary of State

While I am very willing to talk, it was Dr Cunningham who requested the meeting

Cllr Byrne

We don't want you to feel compelled to make your position so forcefully that there is no room for manoeuvre. We will not concede we were wrong, we want to create the atmosphere for a useful discussion. You are not helping this situation for useful dialogue.

Cllr Mulhearn

When you indicated you were visiting Liverpool on the 7th we thought this would be a marvellous opportunity for you to see the problems at first hand so we deferred making a budget because of the meeting. We have told the press and media that we are reasonable and will negotiate. But our position in Liverpool is so horrendous, concessions from you are essential You should approach this in a negotiating manner. If the political will is there you can take us from this appalling situation. There is no possibility of us voting for redundancies or cuts in social services. We are already being illegal by

not providing basic statutory services. Do you want us to worsen this situation?

Dr Cunningham

If there is an agreement in principle that at last some discussions can be set in train then the position of the Labour Group is that they will not force through an illegal budget.

Secretary of State

I repeat, I hope I am right in saying that your presence indicates a willingness to embrace a legal budget. I must say, it looks as if all the flexibility is going to be on my side. I do not have the room for this flexibility. Eric Heffer understood this. We cannot re-write the RSG settlement. There are ways of looking at RSG but not for 1984/85. Looking at the other points, the figures you talked about in your original budget proposals between those and the rate increase there would be an enormous gap. We need to know what sort of rate increase you had in mind. It would be quite wrong to arouse hopes that cannot be fulfilled.

Councillor Byrne

Are you looking for a failure to agree?

Secretary of State

Most certainly not.

Councillor Byrne

You can't be expected to give details, but we are saying we should both give officers our blessing to look at figures and see if there is room for manoeuvre. After looking at the whole package they can then produce an analysis of the situation. Possibly after the 7th we could reconvene, after this dialogue has taken place. We could have been difficult but we weren't, we genuinely want to reach an agreement.

Secretary of State

We have both looked over the brink at what could happen. It is a horrid prospect for the City and the Government. I am prepared to accept that you want to find a way to compromise.

Dr Cunningham

We accept that if you are flexible on these issues we would have to be flexible on our side.

Councillor Hamilton

Our willingness is shown because we stood back on Tuesday and said we wanted to look positively at the situation. I have been criticised by both sides; that we should have continued with an illegal budget. With a positive attitude and a spirit of co-operation I think we can reach a solution.

Secretary of State

I recognise that you have not come in here waving a piece of paper saying 'peace in our time'. We are talking now about 1984/85 but 1985/86 and 1986/87 will come. We can look at Liverpool's disadvantages in the long term but we haven't much time now. There is no rate income at the moment, this will cause problems sooner or later, we must get a move on we cannot put this on ice until 7 June. On 7 June I want to talk to Cllr Stewart about HIP and the Priority Estates. Many projects, some on Merseyside, can have a dramatic impact on the quality of life. But I was concerned to point out in the House that the 7 June visit was not about this year's budget. Some of the things you've mentioned we can look at in the future. About closing the gap of a £245 million budget and funding a rate higher than 9% we may set officers an impossible task. We need to know what ball game we are in. Urban programme and

HIP allocations have been made. Anything extra for one authority who hasn't made a rate must come from other authorities who have. As regards housing the Partnership Programme, without withdrawing from other authorities it would be difficult for me. I would have to go to Manchester and Sheffield and say "I must take your money away and give it to Liverpool."

Councillor Stewart

We are first on the list with problems, come and see for yourself on the 7th. If you are sincere.....

Secretary of State

There is no question in my mind about that, Ian Gow has seen the housing problems but we are concerned today with the budget for 1984/85.

Dr Cunningham

If it was possible to find a special RSG methodology for Birmingham then why is it not possible for Liverpool?

Secretary of State

It wasn't just Birmingham.

Mr Heiser

There were principles applicable to other authorities.

Dr Cunningham

Anyone who has looked at the problems of Liverpool are unique. It is not impossible to find methodology for these special problems. Money is being taken from Cumbria for Merseyside which doesn't please me. What about the contingency reserve if it comes to the crunch?

Secretary of State

It would be possible for our officers to sit and talk together. As the budget comes down there is the RSG multiplier effect. As spending is cut, RSG soars up and the rate increase reduces. We must work on this.

Cllr Byrne

That is perverse.

Mr Straw

We know how the mechanism operates. £216m, Liverpool's target, requires the authority making thousands of people redundant. Whatever differences there are in no circumstances does the Parliamentary Labour Party belive jobs and services should be lowered below existing levels. The economic and social factors of Liverpool are different. I know the principles which Mr Heiser has described. In the real world you can devise rules for one authority, as was done with the GLC and targets.

Secretary of State

That's not quite right - there was at least one other authority.

Dr Cunningham

It was a good try though!

Mr Straw

Knowing the intellectual skill you have available I cannot believe that allowing for proper protective fences, you could not arrange something. We understand your position as I hope you understand ours. You have spoken about next year. Can't we look at that? If the Council know they will be in receipt

of additional resources next year they might carry over a deficit from this year's budget.

Secretary of State

That suggestion could be valuable but the immediate problem is this year. I am not saying that under no circumstances is there flexibility. I want to state clearly that when I ask officials to look it could only be at the margin, but with the multiplier effect this could lead to a substantial change in the rating position. I would need to be certain this would lead to a lawful budget and rate.

Cllr Hamilton

We started off looking for a lawful budget. We need goodwill on both sides if decisions are to lead to a budget that will balance.

Secretary of State

It is important that you realise that because the RSG settlement has been made and approved the room for manoeuvre on the main parameters is nil. Timing on disregards I must leave open until the final report. We added an extra one this year. On Partnership there is some room but it is at the margin. Don't go out with the belief that we can close the gap between a spend of £245 million and a 25% rate increase.

Cllr Hatton

We don't want to think the door is closed. We must agree these points can be looked at. Both sides must agree a spirit of looking for a way out. Doors must not be closed. We very much welcome the changed tone of this meeting.

Secretary of State

No one would fail to recognise the different tone of this meeting. But I don't want anyone to have a false view of what is open to us. Any solution must be at the margin while being a worthwhile contribution to the City's problem. We must talk about timing. I want to feel we can report well before I go on the 7th. Terry Heiser says one week.

Cllr Hatton

We don't want to talk about specific dates. Our officers are available and can report back.

Secretary of State

I must report back too. Anything that would involve me in withdrawing money from other authorities is not acceptable.

Cllr Hatton

The tone of our public voice is important, comments to the press have to be tempered.

Secretary of State

That's quite right, I don't want to make life difficult for you. I will make it clear to the press though that I won't involve other authorities.

Cllr Mills

We would need an assurance that options will be looked at.

Secretary of State

I can give you that assurance.

Cllr Mills

We are accountable to the people who have just reiterated their support for us.

Secretary of State

I can accept that.

Cllr Hatton

We can say to press that officers are meeting to see what is possible. We need say no more.

Secretary of State

The less we say about numbers the better.

Dr Cunningham

So, the conclusion is there will be discussions between officers about the possibility of resolving the problems on the basis of a balanced budget using Derek's phrase.

Secretary of State

On details, I will say this is not the moment to discuss details. The spirit of the meeting has been a general wish to make a balanced budget in everyone's best interests because time is short. There is no need at this stage to fix another meeting.

Dr Cunningham

This has been a useful and constructive meeting.

PRESS STATEMENT

Patrick Jenkin, Secretary of State for the Environment, today met a deputation of Liverpool City Councillors, trade unionists and Members of Parliament, led by Dr Jack Cunningham MP.

Following the meeting Mr Jenkin said:

I welcome the willingness which the City Council has today shown to move towards making a properly balanced budget and rate. We all recognised the appalling consequences that would flow for the people of Liverpool and Council staff if this wasn't achieved.

The Councillors made a number of suggestions as to how such a balanced budget should be approached. Naturally they looked to me for help towards this, but equally I made it clear that I am in no position to vary the rate support grant settlement and that I am constrained by the national rules governing other grants. I also have a duty to safeguard the interests of all other authorities, some with equally pressing problems.

This makes it difficult and I have made this point very clear that anything the Government might do could have no more than a marginal impact on the Council's rate and budget for this year. Nevertheless we agreed that our officials should, as a matter of urgency, discuss with officers of the Council and report back swiftly on the possibilities of resolving the City's problem on the basis of a balanced budget.

Annex B

CREDITWORTHINESS

1. The Council are continuing to meet their liability for loan charges and other payments at the due times. It would clearly be embarrassing if a credit crisis arose before the completion of the official level discussions, but this seems unlikely.

2. So long as nothing occurs to change the legal advi-e they are getting from the Treasury Solicitor, the Public Works Loan Commissioners are likely to continue to agree the tranches of new borrowing for which Liverpool are applying. They lent £17m on 15 May as discussed at the last meeting of the Ministerial Group and have already agreed to lend a further £18m on 23 May (when Liverpool have to make a payment to the Bank of England to redeem revenue bills). Liverpool are expected to ask for further tranches of £20m on 1 June and £12m on 7 June. With discussion under way, it seems wrong at this stage to seek to dissuade the PWLB from lending, but this needs to be kept under continuous review.

3. Knowsley Borough Council have been given, with the assent of the Treasury, borrowing approval to refinance at lower interest rates, for the benefit of their revenue budget, £40m of debt currently administered by Liverpool City Council in respect of transferred housing. This does not involve any special treatment for Liverpool, but it does help their cash flow.

4. It now looks as if Liverpool will remain solvent into June. Meanwhile, the Bank of England report that the market is nervous but that no local authority other than Liverpool is yet having any difficulty in borrowing.

Annex C

LEGAL AND AUDIT ACTION

Legal Action

1. The outcome of the 17 May meeting with Liverpool Councillors implies that while there is need now to review the scope for legal action, the timing of such action should be considered against the possibility that Liverpool may make a valid rate.

2. Ministers discussed on 8 May possible legal action being nitiated by Sir Trevor Jones. He has considered mounting a case on the grounds that the majority group on the Council are in breach of their fiduciary duty. It is unlikely that such an action would succeed because at present the proposals of the Council do not involve imposing a disproportionate burden on ratepayers.

3. A more fruitful course might be to consider applying by way of judicial review for an Order of Mandamus on the grounds that Liverpool have failed in their statutory duty to make a rate under section 2 of the General Rate Act 1967. The Act does not require a local authority to make a rate by the beginning of the financial year but the court may hold that a delay of, say, two months is unreasonable.

4. There is some doubt whether a ratepayer is a person with sufficient interest. For an action to be brought by such a person it would be prudent to obtain the Attorney General's consent. A Councillor, however, would probably be regarded as a person with sufficient interest and would therefore be able to proceed without such consent. Any legal action which does not involve the Attorney General either proceeding ex officio (in his own right) or ex relatione (at the relation of a ratepayer) could not be influenced in any way on, for example, timing.

5. The best course appears to be to propose to Sir Trevor Jones that the Attorney General would consider granting consent to relator proceedings for judicial review and that an application for such consent should be made. Legal Aid is

not available for relator proceedings. If the Attorney General were to act himself (ie without a relator he would have more control over the timing of the action and there would be no question of relying on a ratepayer who was concerned about the costs. However there is a lot to be said for keeping the Government (as it would appear to be) out of the legal areas as long as possible.

6. Tactically it would be preferable if no action at all was initiated until the present round of discussions with Liverpool has been concluded.

Audit Action

7. The Auditor has an independent role and specific statutory powers under the Local Government Finance Act 1982. He has already warned Councillors of their obligations to make a rate and of his powers under section 20 of the Act - that where it appears to him that a loss has been incurred or deficiency caused by the wilful misconduct of a person (eg Councillor) he shall certify the amount of the loss due from those responsible. if the loss exceeds £2,000, certification of such loss will result in a disqualification of Councillors from office.

8. The Auditor is about to write a further warning letter to the Council about their obligations and about his powers. He is aware of the discussions now in hand with Liverpool. It is inevitable that this letter will rapidly become public knowledge. This could usefully add to the pressure as the Labour Majority Group to draw back from an illegal rate, not least because it would make them realise that they could already be in danger of disqualification. On the other hand, if they come to believe that disqualification is inevitable they may lose the incentive to make a valid rate.

Liverpool

10 DOWNING STREET

From the Private Secretary

(2)

Prime Minister

Guided by Dr Cunningham, the Liverpool Council may be edging towards a legal balanced budget. The tone of this meeting was better than earlier ones

AT
17/5

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Following the meeting Mr Jenkin said:

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This makes it difficult and I have made this point very clear that anything the Government might do could have no more than a marginal impact on the Council's rate and budget for this year. Nevertheless we agreed that our officials should, as a matter of urgency, discuss with officers of the Council and report back swiftly on the possibilities of resolving the City's problem on the basis of a balanced budget.

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Oddi wrth Ysgrifennydd Gwladol Cymru

NBPM
OT
CCND

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)
From The Secretary of State for Wales

Rt Hon Nicholas Edwards MP

17 May 1984

Dear Patrick

URBAN PROGRAMME REVIEW

I have received a copy of George Younger's letter of 8 May about the review of the urban programme in England. As he rightly says, although the review is specifically related to the situation in England, the outcome could have wider implications and I too would be grateful for the opportunity to see and comment upon the report before any decisions are taken.

I am sending copies of this letter to the Prime Minister, Peter Rees, George Younger and Sir Robert Armstrong.

Yours ever

Nick

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
2 Marsham Street
LONDON SW1

Regional PM Pt 5

Inner Cities

Prime Minister ②
To note AT 16/5

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215) 5422
GTN 215)
(Switchboard) 215 7877

JF6526

Secretary of State for Trade and Industry

15 May 1984

PERSONAL AND
CONFIDENTIAL

The Rt Hon Patrick Jenkin MP
Secretary of State for the
Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

MT

Dear Secretary of State,

I'm sure colleagues need no urging to remain resolute against offering the Militants in Liverpool a soft option, but the enclosed letter from the Leader of Waltham Forest Borough Council is, I believe, typical of the support in local government circles for a firm response.

2 I am sending a copy of this letter and enclosure to the Prime Minister, the Chancellor of the Exchequer, the Home Secretary, the Lord Privy Seal, the Secretaries of State for Education, Defence and Social Services, the Chief Secretary, the Attorney General, and Sir Robert Armstrong.

Yours sincerely,

Norman Tebbit

pp NORMAN TEBBIT

(Dictated by the Secretary of State and signed in his absence)

London Borough of Waltham Forest
TOWN HALL . WALTHAMSTOW . LONDON E17 4JF
TELEPHONE: 01-527 5544

9/5/84

Leader of Council
Cllr. G A King MBIM, C Chem, MRSC

Dear Norman,

I feel that I must also write to you concerning the various statements etc we have heard about the Liverpool housing situation.

I think that the Government will make no concessions whatever to the extremist housing only concerned with confrontation & anarchy.

They must not receive an extra £1 in grant.

We in Waltham Forest had our grant

reduced by £1 million but we still made savings of our £4 million and reduced the rate. If we had set our budget in deficit we would have caused the rate rise higher, this type of thing is scary. Acting responsibly in attempting to support Government spending plan is not easy and very time consuming.

This is why recently we made the Liverpool MP colleagues & I write to think that we are wasting our time

you will feel let down by a Government we are doing our best to support. I can assure you that we feel very strongly on this matter and look for - my firm stand from the Government.

If Simpson goes broke, so be it, it will be the fault of an irresponsible board.

Kind regards

Gordon

CONFIDENTIAL

File

10 DOWNING STREET

From the Private Secretary

9 May 1984

Dear John,

LIVERPOOL

I enclose a record of the conversation between the Prime Minister and your Secretary of State earlier today.

Yours sincerely

Andrew Turnbull

Andrew Turnbull

John Ballard, Esq.,
Department of the Environment.

CONFIDENTIAL

D8C

NOTE OF A TELEPHONE CONVERSATION BETWEEN THE PRIME MINISTER AND THE SECRETARY OF STATE FOR THE ENVIRONMENT AT 1315 HOURS ON 9 MAY 1984

LIVERPOOL

The Secretary of State for the Environment said the Liverpool City Council had deferred a decision on its rate and was now attempting to link this with his visit on 7 June to look at housing problems on Merseyside. He had seen the Liverpool Bishops during the morning. They had held a series of meetings and now felt that there was much greater readiness to compromise. The Secretary of State for the Environment said he would be emphasising that his visit on 7 June had nothing to do with the budget or rates. There were rules for the allocation of RSG and special arrangements could not be made for Liverpool. He would be writing to Councillor John Hamilton to make this clear.

The Secretary of State for the Environment went on to say that housing in Liverpool was a special problem, though it had been compounded by the action of the Council in taking over the co-operatives. The inspiration for this appeared to be a desire to increase the scope of the direct labour organisation. The Secretary of State for the Environment thought that some additional resources for housing might be needed as part of the resolution of the problem in Liverpool.

He would be answering questions in the House later in the day and did not wish to give the impression that he was totally closing the door on this indication of movement by Liverpool Council.

/ The

The Prime Minister said there could be no question of a negotiated compromise. It was important not to give an impression of rewarding Councils which behaved unreasonably. Nor could there be any question of extra public expenditure. If additional resources were made available for housing or the urban programme, they could come only from existing provision. Hence other cities, which had similar housing problems, and which had behaved reasonably would suffer.

It was agreed that the Secretary of State for the Environment could indicate a readiness to consider additional help for housing, provided it was made clear that this was entirely separate from the setting of the rate. There could be no question of a bargain on this. It should also be made clear that the system for calculating RSG already made substantial allowance for Liverpool's problems.

AT

9 May 1984

SLIABR

The National Archives

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NO

NEW ST. ANDREWS HOUSE
EDINBURGH EH1 3SX

NBPM AT 9/5

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
2 Marsham Street
London SW1

8 May 1984

Dear Patrick,

URBAN PROGRAMME REVIEW

I understand that you are currently conducting a fundamental review of the urban programme in England. My own urban policies operate rather differently from yours but this is not always appreciated by the public, so that any decisions about the content of your programme will require at least a presentational response from me. Moreover any decisions about the scale of resources applied to your programme will have direct implications for the size of the Scottish block. For these reasons I should be grateful if you would ensure that I have the opportunity to see the report and to participate in consideration of the issues prior to any decisions being taken on the outcome of the review.

I am sending copies of this letter to the Prime Minister, Peter Rees, Nicholas Edwards and to Sir Robert Armstrong.

Yours ever,

George.

Filed with Mtg Record of 26.4.84 on Pt 4 cc Master

Private Secretary to Secretary of State
for the Environment

Andrew Turnbull.

We spoke.

Note attached.

John Gallant

8 May 84

PRIME MINISTER

Liverpool

Your next meeting of Ministers on Liverpool is now to be held at 5 pm on Tuesday 8 May. It is hard to brief when the situation in Liverpool is so uncertain; but I imagine that you will wish to discuss the following.

(i) Prospects after yesterday's local elections.

(ii) Whether the election results suggest that there should be any change in the Government's strategy.

(iii) Whether any immediate action should be taken by the Government.

Prospects

2. Today's newspapers report that Labour made 7 gains, and that the composition of the new Liverpool City Council is as follows:

Labour:	58
Liberal:	28
Conservative:	13

This gives Labour an overall majority of 17. It seems unlikely that there will be enough dissidents to prevent the striking of an inadequate rate; but you will wish to hear the assessment of the Secretary of State for the Environment.

Strategy

3. The Government's strategy, of course, has been to avoid any intervention, or appearance of intention to intervene, until there are clear signs of breakdown in services and a public demand for Ministers to step in. There is no obvious reason why yesterday's election results should change that approach. Treasury Ministers may again raise the argument that the market requires reassurance. But unless they have new facts and arguments to advance, most Ministers seem likely to maintain their previous views. It would be particularly difficult to change the Government's stance just now, since that would seem like a direct response to the election results. It could even be taken as acceptance of the argument that the new Council has some sort of valid mandate for illegal action.

4. I understand that there is a particular problem in that the Public Works Loans Board will expect guidance from Treasury officials on an application which Liverpool are expected to make shortly for rolling over some £17 million of debt. The meeting is likely to take the view that it would be best for the PWLB to defer a decision on such an application until after 15 May, when the Council is expected to set its rate for 1984-85. If that meeting results in an inadequate rate, it is likely to be ultra vires for the PWLB to lend any further money to Liverpool because the Council would be behaving illegally.

Further action

5. There does not seem to be much that the Government could do before the crucial meeting on 15 May, with the possible exception of seeking an injunction from the

courts against the making of an inadequate rate. Your last meeting did not favour this course; but you may wish to confirm that Ministers still take the same view in the light, for example, of any provocative statements or other developments over the holiday weekend.

Next meeting

6. It will presumably be necessary to fix a further meeting soon after 15 May.

M.S.B.

M S BUCKLEY
Cabinet Office.
4 May 1984

CONFIDENTIAL

Copy No. 116

PRIME MINISTER

LIVERPOOL CITY COUNCIL

1. We are due to meet on Tuesday 8 May to discuss the position in Liverpool following the local elections. This report is to bring you and colleagues up-to-date.

LIVERPOOL ELECTION RESULTS

2. Liverpool City Council has changed as follows -

	May 1983	May 1984
Labour	51	58
Liberal	30	28
Conservative	18	13

The 7 Labour gains were 6 from Liberals, 1 from Conservatives, Liberals gained 4 from Conservatives. Turnout was very high - about 50%. It cannot be assumed, however, that this represents support for an invalid rate. The result is broadly consistent with past voting trends.

3. On immediate future developments the only certainty is that the Annual Meeting of the Council will be held on 15 May. This is a procedural meeting to establish Committees, but it is open to Councillors to add to the agenda a budget and rate resolution. That such a resolution will be debated will be confirmed when the relevant notice of motion is circulated within the next few days.

4. Even if the 5 remaining known Labour dissidents maintain their stance this election result strongly suggests that an

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invalid rate resolution would be passed. New Labour Council candidates were specifically selected on the basis that they supported the hard line. At least 9 dissidents would have to vote against - not just abstain or stay away - to defeat such a resolution.

5. Sir Trevor Jones has indicated that he has had legal advice that Councillors may already been in default by reason of additional loan costs incurred by the failure to make a proper rate. The Liberals have in mind to institute legal proceedings with one of their Councillors who would be entitled to legal aid as applicant and respondant. I will report orally if there is any further development on this.

COMMISSIONERS

6. When we met on Thursday to discuss the composition of a Commission for Liverpool, you reaffirmed very strongly that we should only go down that road as the ultimate resort. I intend, therefore, to take no further new steps to set up a Commission and will not provide colleagues for the time being with a paper on the operation of a Commission. We will, however, continue with preparations already in hand (under conditions of maximum confidentiality) for briefing Commissioners should their appointment prove unavoidable. We are also in touch with your policy unit on the draft legislation itself. When broadcasting after the local election I took every opportunity to stress that the Government has no plans to introduce Commissioners; that the Government is not poised to act; and that we would only contemplate introducing legislation as a very last resort.

INTERIM STEPS

7. As background to our discussion on Wednesday you may find it helpful if I rehearse the steps we have considered to meet the Liverpool problem, short of appointing Commissioners.

Audit Commission Study: I proposed to Councillor Hamilton that the Council invite the Audit Commission to study the efficiency

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effectiveness and economy of its services and that, if a legal rate was made, I would support such a move. Councillor Hamilton has not responded favourably and there seems little likelihood now of a legal rate being set.

Financial Assistance: We have rejected giving extra financial support to the Council - whether by direct grant or by increasing the number of disregards for rate support grant holdback - because this would yield to blackmail. We have considered allowing the Council to borrow to cover a revenue deficit, but we could not attach guaranteed enforceable conditions to the use of such borrowing; nor could we devise conditions which would be acceptable both to us and to the Labour City Council.

We are urgently considering a problem which will shortly arise on RSG payments to the Council. In brief, we are currently paying the City grant (about £10m a month) according to their target expenditure, as is normal when no budget figure is received in time. The Council's grant entitlement against the Labour expenditure proposal of £268m would be about £30m for the whole year which, at the present rate of payment, they will have received by the end of June. If a budget is made on 15 May, we will revise grant payments according to that. Otherwise we will need to make our own decision on the appropriate figure to use. I will report further on this.

Legal Action: We have considered whether the Attorney General should bring proceedings against the Council if it continues not to make a rate, or makes an inadequate one. At our 26 April meeting, we agreed that early action would be unwise. We cannot rule out the possibility that a ratepayer or creditor would take his own action against the Council but we would not intervene.

Audit Action: We have noted that the independent Auditor might act against Councillors if he has evidence of wilful misconduct leading to a financial loss or deficiency. Such action would take time to work through to surcharge and disqualification

if the Councillors concerned appealed. I should stress that the auditor could not, as suggested in the minute of our 26 April meeting, challenge the validity of a rate. His concern is with actual expenditure.

Service Default Powers: While numerous default powers exist in relation to local authority services, including education and social services, I have hitherto concluded that it would be very messy and uncertain to use them with the full Council otherwise in place (the Clay Cross Housing Commission achieved nothing in such circumstances).

Civil Contingencies Unit: We have identified those City Council services where service breakdown before the appointment of Commissioners is likely to bring the greatest pressure for the Government to act on humanitarian grounds. These include, for instance, residential homes and services for the elderly, children in care, the handicapped etc. We have not so far included education, on the grounds that the closure of schools while highly inconvenient would bring home to the people of Liverpool the consequences of the Council's action while causing no permanent damage. Disruption could however coincide with the examination period. No doubt Keith Joseph has this in mind. We will be closely monitoring the position on services so we can decide if and when the Civil Contingencies Unit need be involved. We must acknowledge, however, that the useful role of the army or police would be limited and that the main burden would fall on the voluntary bodies.

My conclusion for this summary is that, unless we are prepared to reconsider any item, our only course is to continue to press the Council to make a proper budget and rate. If they make an inadequate rate on 15 May, we would allow matters to run on until financial problems place the City in a desperate position.

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CREDITWORTHINESS

8. Neither Liverpool's failure to set a rate on 25 April nor the result of the local elections on 3 May yet appears to have affected the market for local authorities generally. We understand that Liverpool themselves raised a £7m one month loan in the market on 26 April.

9. We are agreed that problems may occur if Liverpool default, though there were different opinions when we met on 26 April about the extent of the likely damage to the market. The date of default, if any, may depend to some extent on whether the PWLB agrees to lend £17m on 15 May for which Liverpool have applied. The City Treasurer is not counting on the loan: without it and without a rate he would expect to get through to at least 23 May and possibly 29 May - the next two dates on which major outstanding debts have to be repaid. But he would almost certainly not be able to meet his obligations, including salary payments, at the end of the month.

10. The PWLB Commissioners meet next week to consider their attitude to Liverpool's request. Outright rejection of the £17m loan on 15 May would give the extremists additional debating material for the next Council meeting later the same day. I hope, therefore, that the Commissioners will be willing to defer a final decision until the outcome of the Council meeting is known. It seems clear that deferral would not itself trigger immediate default. Agreement to make the loan would mean that the City Council could probably continue to meet its obligations at least into early June.

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11. I am sending copies of this minute to Leon Brittan, Nigel Lawson, Keith Joseph, Michael Heseltine, Norman Fowler, Norman Tebbit, Peter Rees, Michael Havers, John Biffen, Sir Robert Armstrong and Mr Buckley (Cabinet Office).

for P J

Approved by the Secretary of State and signed in his absence.

4 May 1984

LE MASTER

SUBJECT

file

3

10 DOWNING STREET

From the Private Secretary

3 May 1984

Liverpool: Commissioners

Your Secretary of State came to see the Prime Minister today to discuss the kind of person who might be appointed as a Commissioner in Liverpool should this be necessary. Your Secretary of State said there was a strong probability that Commissioners would be needed, though he recognised that this was very much a last resort for the Government. The Prime Minister thought that a break-down in services might have to be apparent before Commissioners would be acceptable; indeed it was to be hoped that there would come a point when they would be welcomed.

Your Secretary of State thought that as many as 12 Commissioners might be needed in order to cover the full range of services provided by the Council. Clay Cross, by contrast, was a single service Council. This also reflected the fact that Liverpool City Council needed to be represented on a number of bodies and there was the work on staff and education appeals which was currently shared between 99 Councillors. It would be essential to depose the old Council as it would otherwise obstruct the work of the Commissioners. The existing officers could, however, be retained. The Prime Minister doubted whether a group larger than five or so could take decisions effectively and she wondered whether the number could be kept down by making use of co-opted members to fulfil specific tasks.

On appointments, your Secretary of State thought the chairman should be someone with political experience who would be acceptable to the main stream of Labour voters. One possibility would be a senior MP who might be persuaded

/to retire

SECRET

CST.

SECRET

to retire from the House to take on the job. He suggested Mr. Barnett or Mr. Mason. Another possibility was Sir Jack Smart who was a tough northerner with relevant experience and no love of the Militant Left. Sir James Swaffield could also make an important contribution though not necessarily as chairman. The Prime Minister accepted this approach and hoped either Mr. Barnett or Mr. Mason could be persuaded to take on the job.

They then considered the list of names which your Secretary of State had prepared. He pointed out that it was not exhaustive as the Department had been inhibited from canvassing suggestions. Not all the names on his list were discussed but on the attached sheet I have recorded those who were regarded as suitable for further consideration and those who, for one reason or another, were not thought suitable. It was agreed overtly political appointments should be avoided. If you want further nuance on any particular name perhaps you could let me know.

The Prime Minister said she did not want any external soundings taken for the time being though further work on developing and refining the list could go on. She suggested that Lord Sieff might at some stage be asked to nominate someone.

I am copying this letter and the attachment to Sir Robert Armstrong. I assume you will give this letter only a very restricted circulation.

Andrew Turnbull

John Ballard Esq
Department of the Environment

SLIABE

SECRET

Liverpool Commissioners

Suitable for further consideration	Unsuitable or committed elsewhere
Joel Barnett	Sir James Hamilton
Roy Mason	Sir Oulton Wade
Sir Jack Smart	Leslie Young
Tom Baron	Sir Pat Nairne
Sir John Boynton	Lord Sefton
Sir James Swaffield	Sir Frederick Dainton
Sir Denis Forman	James Fitzpatrick
Des Pitcher	Sir Frank Price
Kenneth Appleton	Merlyn Rees
Malcolm Simpson	The two Bishops
George Mann	
Philip Carter	

Failure to appear on this list carries no implication about the classification of a particular name

NBPM AT 3/5 cc NO

CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

3 May 1984

Dear Andrew,

LIVERPOOL

The attached material was put together for Peter Walker and Nicholas Ridley, but you may find it helpful to have a copy.

A copy of this letter goes to the Private Secretary of each Cabinet Minister (except Michael Reidy and Dinah Nichols.)

Yours sincerely

John Ballard

JOHN BALLARD
Private Secretary

Andrew Turnbull Esq

CONFIDENTIAL

CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

3 May 1984

Dear Michael

My Secretary of State spoke to Peter Walker and Nicholas Ridley this morning, after Cabinet. It was agreed that I should let you and Dinah Nichols have some background information on Liverpool in case the subject should come up in the course of Mr Walker's appearance on ITN or Mr Ridley's appearance on Central TV. This is enclosed.

A copy of this letter goes to Dinah Nichols.

Yours sincerely

John Ballard

JOHN BALLARD
Private Secretary

Michael Reidy Esq Dept. of Energy

CONFIDENTIAL

PS/SECRETARY OF STATE

LIVERPOOL : LOCAL ELECTIONS

1. The Secretary of State may find it helpful to have an assessment of how the Liverpool election result might influence the 1984/85 budget and rate decision.

2. In the last few years the Liberals have been losing ground to Labour. The composition of the Council after recent local elections was as follows :

	LABOUR	LIBERAL	CONSERVATIVE
1980	40	38	21
1981	County Council Election		
1982	42	36	21
1983	51	30	18

3. In the May 1984 elections 34 seats are being contested in Liverpool with the parties defending seats as follows :

LABOUR	14
LIBERAL	12
CONSERVATIVE	8

Because the seats being defended by Labour tend to be in solid Labour wards and because the Liberals are defending seats which were last contested in 1980 which was a very good result for the Liberals, this suggests that the Liberals will continue to lose ground to Labour. The Liberals might pick up seats from the Conservatives and thus retain near 30 seats but obviously on these assumptions the non-socialist vote on the Council would be smaller.

4. Of the 6 Labour Councillors who have said that they will not support an invalid rate, one has been de-selected and replaced by a hard-line Labour candidate. Of the remaining 5, only one (Cllr. Orr) is up for election and he is expected to win. Therefore the new Council could include 5 Labour dissidents.

5. If Labour make at least 4 net gains, then on the assumption that the 5 dissidents vote against an invalid rate resolution the vote in favour of such a resolution would be 50-49.

6. This assumes that the remainder of the Labour group remain solid and that there are no further defections. It appears likely that Labour will attempt to take the Council Chairmanship which gives them the advantage of the casting vote if votes are tied.

7. There is little evidence that new Labour Councillors will fail to support an invalid budget and rate resolution. If it became clear however that such a resolution were likely to be passed then it is reasonable to speculate that one or two Labour Councillors might possibly join the existing dissidents.

8. This suggests :

a) If Labour only make up to and including 3 net gains the passing of an invalid rate resolution remains unlikely.

b) If there were 4/6 net gains, the decision is subject to the vagaries of further defections, ilness and absences.

c) Labour net gains above, say, 6 makes an invalid rate resolution probable.

9. Though at one stage the Chief Executive was suggesting that the count might be delayed, it now appears that by midnight tonight the Liverpool results should be in.

Kens.

K E C SORENSEN
MERSEYSIDE TASK FORCE
3 May 1984

PS/Lord Bellwin – N16/05
PS/Mr Waldegrave – N17/06.
PS/Permanent Secretary – N16/12
Mr Heiser (or) – N14/18
Mr Pickup – P1/158

LIVERPOOL CITY COUNCIL

LINE TO TAKE FOLLOWING ELECTION

(A) NO CLEAR MAJORITY FOR LABOUR'S HIGH EXPENDITURE/LOW RATE PROPOSAL

I hope the newly elected council will, as quickly as possible, make a proper budget and rate. This will put the City Council back on a sound financial footing and end the present uncertainty which can only be damaging to Liverpool's economic prospects.

(B) CLEAR MAJORITY FOR LABOUR'S HIGH EXPENDITURE/LOW RATE PROPOSAL

The people of Liverpool have made their choice and they must now live with its consequences. No-one in this country can claim an electoral mandate for unlawful action, and it is therefore spurious for the Labour Group to claim a mandate for their high expenditure, low rate proposals. To go on down this road would be to abdicate responsibility for running the City. Having made their protest I hope they will now turn back from the brink, and quickly make a properly balanced budget and rate. The consequences of failing to do so would be far worse for the council's employees and services than anything that might flow from them accepting their proper, statutory responsibilities."

PRESS CONFERENCE IN LIVERPOOL ON WEDNESDAY 2 MAY

"JENKIN'S WARNING TO LIVERPOOL"

Environment Secretary Patrick Jenkin this morning warned the electorate of Liverpool of the dangers of voting for the Left wing Labour Group which threatens to bankrupt the City.

Liverpool's ruling Labour Group plans to vote through a budget which would mean no cuts in jobs or services and a single figure rate increase - but which could put the city up to £190 million in the red.

It is using tomorrow's municipal elections as a referendum on its plans and hopes to strengthen its position on the council in order to vote through the illegal budget.

Mr Jenkin said at the launch of the City's International Garden Festival, due to be opened later by the Queen, "I hope the electorate will think very carefully indeed before they go down a path which could lead to chaos in the City with staff not being paid, schools closing and rubbish left in the streets. That is what will happen if Liverpool does not have the money to pay the bills. It would be an abdication of responsibility by the City Council. It may be a striking political gesture but it is a gesture that would be made at the cost of the people of Liverpool" He said. Mr Jenkin said contingency plans had already been drawn up in case the Labour Group does vote through its plan but he said it was hoped these would not be needed and he refused to spell them out. Asked about the Group's stance that the elections were a referendum on the budget crisi, he said: "I don't think there can be lawful support for their unlawful budget and rate. The law requires them to make a budget and rate which is adequate and no amount of electoral mandate can overrule that statement of the law of the land. I hope that whatever the result of the election they will turn away from what is a kind of civic suicide."

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SPEAKING NOTE FOR MINISTERS

Labour Councillors in Liverpool want to bankrupt their City. As the local elections approach, they are telling Liverpudlians that they have no choice and that it is the only way to solve the City's severe economic and social problems. This is a cruel deception.

Look at the facts.

It is Labour Councillors themselves who have created the financial mess in which the Council now rests. It is they who overspent last year, leaving a large deficit to be paid off this year. And it is they who propose this year to spend over £50 million more than the Government's target - a target which itself takes account of the City's particular needs.

The Labour Group's reckless spending plans would require a staggering rate increase of 175%. Unable to face up to the consequences of such irresponsible behaviour, however, they propose to compound their folly by deliberately fixing the rate at a level far below what is needed to balance the books.

They seek to dignify this action by a self-righteous claim that they want to keep down rates, protect services and save jobs. By deliberately aiming to run out of money they will achieve exactly the opposite. They will be unable to borrow, unable to pay their staff and unable to keep their services going.

Let us not mince words about what this really means for the people of Liverpool:

- Those who depend on the social services - the elderly the sick, the handicapped - will be cast adrift without support. Schools will close. Rubbish will pile up in the streets. The dead will remain unburied.

- In a city which urgently needs new jobs, existing jobs will be put at risk. It is not only council staff who will suffer. What businessmen will place orders or invest money in a City threatened with chaos?

- And in the end someone will have to pick up the shattered pieces. There is no fairy godmother. The ratepayers of Liverpool would eventually have to foot the bill for the Council's irresponsibility.

The Labour Group want people to believe there is no other way. This is simply untrue. It is possible for the Council to make a properly balanced budget and rate. The council can, if it has the will, put itself back on a sound financial footing without anything like the rate increase or redundancies on the scale which the council have threatened.

It can do so by increasing efficiency, and better financial management, or by cutting out increases in spending. And the benefit to ratepayers would be substantial: a £5 million cut in spending earns the council another £10 million in rate support grant - worth 20p in the £ off the rates.

For its part, the Government continues to provide the City with substantial sums of money to help re-establish its prosperity. We stand ready to work in partnership with a Council which has the interests of the City at heart.

We have suggested to the Council that they should seek the help of the Audit Commission in a study to improve their economy, efficiency and effectiveness - an approach which we would fully support provided they first set a legal rate. I very much hope they will respond constructively.

The Labour Group are looking to the electorate to support a policy which would break the law and plunge the City into turmoil. I hope the people of Liverpool will treat such an approach with the contempt it deserves.

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BACKGROUND NOTE

1. On 29 March the Liverpool City Council Labour Group proposed expenditure of £269 million for 1984/85 against the Government's target of £216.1 million. In 1984/85 the City Council also has to meet a deficit of £34 million carried over from 1983/84. A rate increase of 175% would be necessary to cover such outgoings, but the Labour group proposed only 9%. This proposal which would be illegal if agreed, was defeated by a combination of Liberals, Conservatives and Labour moderates. Although the City Council meets again to discuss its budget on 25 April, the Labour Group have said that they do not want to set a rate then, intending instead to campaign for the 3rd May local elections on the basis of their earlier proposal. There will then have to be another council meeting to discuss the budget after 3 May.

2. It is clearly possible to reduce the expenditure of the Council as proposed by the Labour Group by greater efficiency, cutting increases in expenditure (the Labour Group propose for instance a £8 million decorative allowance for Council tenants, a veiled method of reducing rents) and better financial management. For each £5 million that the City Council can reduce its expenditure it gains an extra £10 million in rate support grant, bringing a total benefit to rate payers of <u>£15 million</u> or a 20p rate. 35 major authorities faced tougher targets than Liverpool for 1984/85. Nearly half of these have managed single figure rate increases, and none claims that anything like what Liverpool City Council propose is necessary.

3. The Secretary of State for the Environment has met the Labour Councillors twice to discuss their financial position but they showed no sign of moving their position.

On 13 April he suggested that the Council seek a study by the Audit Commission to help improve their economy, efficiency and effectiveness, and said that he would support such a study against the background of a valid rate. The Councillors have not yet responded.

4. Over the past 3 years - 1981-82 to 1983-84 - capital expenditure on Merseyside under the Department of the Environment's main programme had reached £650 million. This includes £140 million specifically for Liverpool through urban programme and the Merseyside Development Corporation. The Department of Trade and Industry has given an average of £110 million a year in the last three years to companies within the Merseyside Special Development Area. The Mersey Dock and Harbour Company has received a total of £134 million in financial assistance. The Manpower Services Commission spent around £90 million in Merseyside last financial year. Merseyside is the only area of the country to which a special government task force is assigned.

SECRET

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10 DOWNING STREET

From the Private Secretary

Prime Minister

Mr Jenkin wishes to discuss with you names of various people who might be appointed as Commissioners in Liverpool. He is in Liverpool today and will be able to give you a first hand account of the prospects, though without knowing the outcome of tomorrow's elections.

The next meeting of the full Liverpool group is scheduled for 9 May. By then we should have an idea of how the new Council will proceed.

AT

2/5

File

Secretary of State

LIVERPOOL: COMMISSIONERS

Following the brief word we had at the end of the meeting on Monday I had quarter of an hour's talk with Lord Bellwin and a later talk with Sir Robert Armstrong following your own word with him after Cabinet.

In the light of those discussions I remain of the view, which both Lord Bellwin and Sir Robert shared, that the ideal candidate for Chairman of the Commissioners is a politician whose choice would be generally endorsed by the leadership of the Labour Party nationally and whose authority and status would equip him to deal effectively and quickly with short term problems following a breakdown of local government and to lay early foundations to the involvement of members of the local political groups.

On this basis I would look at a shortlist from the first team quality list at Annex A of Barnett, Mason, Sefton and Smart.

Each of these seems to me to be of a potentially acceptable political shade. All have had a reputation for toughness. Mason and Smart are probably the most obviously suitable for dealing with militant trade unions.

The more I ponder, the more attractive Jack Smart appears. He has an intense dislike of the Militant left; he knows local government in general and the operation of the metropolitan district functions in particular intimately. His roots are in trade unionism. He is a north countryman and a plain speaker. And he would have credibility throughout local government.

Sefton, were he more recently involved directly in local government, would of course have the edge in terms of local knowledge. And it would doubtless be tactful to establish whether he was willing to be considered for appointment. I would nevertheless, on present knowledge, hestitate about his capacity to head up the team.

Mason and Barnett have the right image of toughness and experience - the former's spell in Ulster and the latter's as Chief Secretary being particularly relevant to dealing with different aspects of the Liverpool problem. Neither has very obvious local government roots though they both have the right sort of north country associations.

The other politicians, Macintosh, Merlyn Rees, Taylor of Blackburn, and Wilkinson do not seem to me to be quite in the same category: though I think Clive Wilkinson is a name to remember if more than one Labour politician was to be included. As I say, I very much favour a politician for this particular job. The alternative of a top industrialist or eminent academic, even if one existed with very obvious Merseyside associations, seems to me a second best. The first team list nevertheless includes one or two possibilities in these categories. Sir Robert Armstrong thinks extremely highly of Forman, others like Tom Baron, Pitcher, and Smith are hardly of the chairman stature but would be candidates for supporting roles. None of the academics, with the possible exception of Southwood appears to have the stature of the leader of such a team but Butterworth and David Williams sound as if they would make a worthwhile contribution.

We still lack a credible trade unionist. I considered Tom Jackson but I gather from Employment that he has made it very clear that he will not be attracted back into public life. We also lack a woman.

Apart from these very obvious gaps I would have thought that we now had a sufficient field of candidates on which to make a start in taking the necessary first stage soundings. You will no doubt, as well as seeking the Prime Minister's reactions to some of the names we are at present considering, be wanting to obtain her agreement to the approach to individuals. In the case of most of the politicians I imagine that this could be done with complete assurance of discretion. Once we had a nucleus of say a Chairman-designate, Jim Swaffield and, say, John Smith, their views and assessment of the needs in terms of experience and expertise would be invaluable before moving on to talk to many of the second tranche.

I am away in Birmingham and Nottingham on Wednesday and Thursday but my office will be able to reach me if you wanted me. Meanwhile David Pickup has an aide-memoire in preparation for your talk with the Prime Minister on Thursday. (Below)

Richard Graham

pp George Moseley

(Dictated by Sir George Moseley and signed in his absence)

2 May 1984

Copy No 1 Secretary of State
Copy No 2 Lord Bellwin
Copy No 3 Mr Pickup
Copy No 4 File 321
Copy No 5 Sir George Moseley

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APPOINTMENTS IN CONFIDENCE AND CONFIDENTIAL

IRST TEAM QUALITY

NAME	AGE	OCCUPATION	NOMINATED BY	COMMENTS
Joel Barnett ?	60		Moseley	some old LG exp in Lancs
Tom Baron •	58	C'man, Christian Salvesen (Property	Heiser	ex-DOE Special Adviser
Sir John Boynton •	66	ex-Chief Executive, Cheshire	Moseley	Solicitor
J B Butterworth	66	Vice-Chanc, Univ of Warwick,(retiring)	DES	
Philip Carter •	56	ex Littlewoods MD	Sorensen	Member of MDC Board
Sir Fdk Dainton	69	Chancellor, Sheffield University	DES	Working Class Roots
Lord Evans of Claughton	56	Solicitor	?	Ex-Cllr & ldr,Libs,Merseyside
James Fitzpatrick	53a	MDHC Chief Executive	Sorensen	
Sir Denis Forman •	56	Chairman, Granada Television	Armstrong	
Sir Arnold Hall	68	ex-Chairman, Hawker-Siddley	Heiser	
Sir James Hamilton	60	ex-Perm Sec, DES	Moseley	S of S agrees
Lord Macintosh	51	Chairman, IEF Research Ltd	Armstrong	
George Mann	60	Chairman NWWA	In House PAU & Sorensen engineer	
Barrie Marsh •		President Elect, L'pool Ch of Commerce	Sorensen	Solicitor
Roy Mason ?	60	MP,Barnsley Central	Armstrong	
Sir Patrick Nairne	62	Master, St Catherine's Coll, Oxford	Moseley	S of S agrees,ex Perm Sec,DHSS
Des Pitcher ?	51	Littlewoods, MD	Moseley	
Sir Frank Price	61	Chairman,WB (retiring)	Armstrong	
Merlyn Rees	63	MP,Morley and Leeds South	Armstrong	
Alan Rushton •	50s	Royal Insurance MD	Sorensen	
Brian Scholes	60	ex-Chief Executive, Bolton	In House PAU	?
Lord Sefton ?	69		Sorensen	?too old
Sir Jack Smart ?	64	former C'man, AMA;leader Wakefield MBC	Moseley	
John Smith	63	Chairman, Liverpool Football Club	Secretary of State	
Sir Richard Southwood	52	C'man, RCEP	DES	
Sir James Swaffield •	60	ex-GLC, Director general	Moseley	
Lord Taylor,Blackburn	55	Shorrock Security Systems	Armstrong	
Sir Godfrey Taylor	58	former Chairman of AMA, C'man of SWA	Heiser	Works 3½ days with the WA
Nigel Vinson	53	C'man Development Commission		
Sir Oulton Wade ?	52	Jt Treasurer of Tory Party since 1982	Secretary of State	
Clive Wilkinson	46	Ldr,Opposition, Birmingham City	Moseley	
David Williams	54	Pres, Wolfson College, Cambridge	DES	
Leslie Young	59	Chairman, Bibby and Co	Sorensen	?Look too much like MDC takeov

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APPOINTMENTS IN CONFIDENCE AND CONFIDENTIAL

CANDIDATES FOR SUPPORTING ROLES OR CO-OPTION

NAME		AGE	OCCUPATION	NOMINATED BY	COMMENTS
Bill	Appleton		Deloittes	Sorensen	Accountant
Kenneth	Appleton		Head of Personnel, Pilkingtons	Sir Leonard Neal	
Colin	Bailey	53	Council of Lloyds	In House PAU	Known to SofS, retd Business
	Corlett	61	Higgins Brewery MD	Sorensen	team of three
Rodney	Corrie	65	ex-Director, NWRO	In House PAU, Sorensen	
Richard	de Zouche		Chamber of Commerce	Sorensen	Accountant, team of three
John	Hill	61	ex- Liverpool Treasurer	Sorensen	
Glyn	Jones		Area Director, Nat West (recently rtd)	Sorensen	
Sir Rudolph	Lyons	72	ex-Recorder, Liverpool	Lord Bellwin	ex-Circuit judge
David	Rogers	45	Snr Lect in Education, Goldsmiths Coll	In House PAU	
Rev David	Sheppard	57	Ld Bishop of Liverpool	In House PAU, Sorensen ✗	
Malcolm	Simpson	53		Lord Bellwin recommended	ex-Treasurer, leeds
Rev Derek	Warlock	64	Archbishop of L'pool (RC)	In House PAU ✗	
Bill	Woof	52	Ch Exec, Northern Counties HA	Pickup	ex-DOE; involved in Stockbrid

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APPOINTMENTS IN CONFIDENCE AND CONFIDENTIAL

OTHERS

NAME		AGE	OCCUPATION	NOMINATED BY	COMMENTS
Nick	Barber		Ocean Transport MD	Sorensen	
Derek	Bibby	61	Bibby Line MD	Sorensen	too idiosyncratic
Tom	Breakell	62	President, EETPU		Office is in Liverpool
Charles	Bystram	54	United Biscuits;MD,International Div	Armstrong	
	Egan		ex-Liverpool Solicitor	Sorensen	
Julian	Farrand	49	Dean,Faculty of Law at Manchester Univ	In House PAU	
Fred	Jarvis	60	NUT General Secretary	Employment	
Prof Alan	Mercer	53	Prof of OR at Lancaster Univ		
Eric	Niven	52	MNAOA General Secretary	Employment	Started Union career in L'poo

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Covering Secret

2 May 1984

PRIME MINISTER

MEETING WITH PATRICK JENKIN, 4-10pm THURSDAY, 3 MAY

I attach a copy of our note on the Local Government Commissioners' Bill, as I understand you will be discussing this with Patrick tomorrow.

I was going to see Patrick on Friday morning to see if the Policy Unit could offer him any further assistance on Metropolitan County abolition and/or Liverpool. You may remember that he used Peter Shipley to find out a little more about what was going on on the ground in Liverpool, and you recently sent him our work on the general abolition question.

I would like him to understand that the Policy Unit is here to offer him help in the way we have done successfully for William Waldegrave on pollution, Nicholas Ridley on transport policies, Lord Cockfield on industrial policy, and many others.

JOHN REDWOOD

LARABO

JR

SECRET

Policy Unit
27 April 1984

MR TURNBULL

LIVERPOOL: COMMISSIONERS BILL

The right decisions have now been made about the timing of the Government's response to the crisis in Liverpool. But the draft Commissioners Bill still needs attention.

The powers that the Bill at present confers on the Secretary of State will certainly enable him to impose an effective Commission on Liverpool and on any other local authority that engages in similar tactics. But the powers are so great that they will inevitably cause very considerable Parliamentary opposition, even from some of our own supporters: the Government will be accused of playing big brother. This will not only prove damaging in the long run, but may also impede the progress of the Bill through both Houses.

We continue to believe that the best way to reduce opposition, and to make clear that the Government does not intend to use its powers arbitrarily would be to amend the Bill so that it referred specifically to Liverpool and did not challenge any other interests. This would also remove the possibility of a future Labour government using the general Bill, once enacted, as a means of taking over Conservative councils. Given that both Houses have the right to overrule their own Standing Orders on hybridity, such an amendment would be technically feasible. But E(LF) decided long ago that the Bill should be general rather than specific; Patrick Jenkin continues to support this view; and L Committee has recently endorsed it. Nor do we know of any replacement for Commissioners legislation that would serve the same purposes: a writ of mandamus could probably be used to enforce the setting of a rate in case of default, but we are told that it could not set the size of that rate or make the city viable.

It is therefore of the utmost importance to ensure that the the general Bill can be carried quickly through both Houses. We suggest a number of fairly small drafting changes that would improve presentation and reduce opposition without making the Bill less effective:

1 Change the long title. The present title suggests that the purpose of imposing commissioners is to 'protect the interests of the inhabitants'. This is unwise, since the Bill will probably first be used when the local inhabitants have recently re-elected left-wing councillors to represent their interests. The words 'for protecting the interests of the inhabitants' should read, 'for meeting the financial or other obligations which the authority has failed to meet.

2 Remove Clause 1, subsection 1(b). This subsection gives the Secretary of State power to impose a Commission by statutory instrument on any council that has 'failed to discharge its functions to such an extent as seriously to prejudice interests of the inhabitants of that area'. It is all too easy to imagine a Secretary of State appointed by Mr Kinnock using this power to impose Commissioners on a Conservative authority that in his view 'prejudices the interests of inhabitants' by refusing to implement Labour policies. Our supporters will not be slow to point this out.

3 Remove Clause 3, subsection 5(a). This subsection states that rate limitation under the Rates Bill will not apply to the Commissioners. It would be a catastrophic error for the Government to use this power: if the Commission were allowed to set a higher rate than would be allowed under the Rates Bill, this would make a laughing stock of the Rates policy; it would also open the door for irresponsible councils to embarrass the Government by overspending, refusing to fix a rate, getting a commission in to levy an unlimited rate and then getting their comrades re-elected in triumph. If the Government, for these reasons, does not intend to use the power, why provoke opposition and ridicule by including it in the Bill?

4 Change Clause 4, subsections (2) and (4). These subsections give power to the Secretary of State to extend the life of a commission indefinitely, subject only to annual negative resolutions. This will be seen as undemocratic. The best solution would be to impose an absolute time limit of two financial years. If this is unacceptable, extensions should at least be subject to affirmative resolution by both Houses. The Bill should make it abundantly clear that the duty of the Commissioners is to return to local democracy as soon as possible.

5 Change Schedule 2, paragraph 5. This paragraph empowers the Secretary of State to exempt a commission from any statute or instrument, subject only to negative resolution. This too, will be seen as undemocratic. The proper solution is for the Bill to insist on an affirmative resolution for any exemption not specified in the schedule.

We are told by DoE and the Attorney General's office that it is entirely feasible to make such changes at this stage. We know that there has been extensive debate, and that participants have been aware of the dangers both of having inadequate powers and of eroding the local democratic principle too far. But we fear that excessive weight has been given to the first consideration, and not enough to the second.

The Bill is only a draft; it is not on the Parliamentary timetable; and it is unlikely to be needed before 3 May. The Government has the time to get this right, and should take the opportunity.

We recommend that the Prime Minister should invite Patrick Jenkin to consider these ideas.

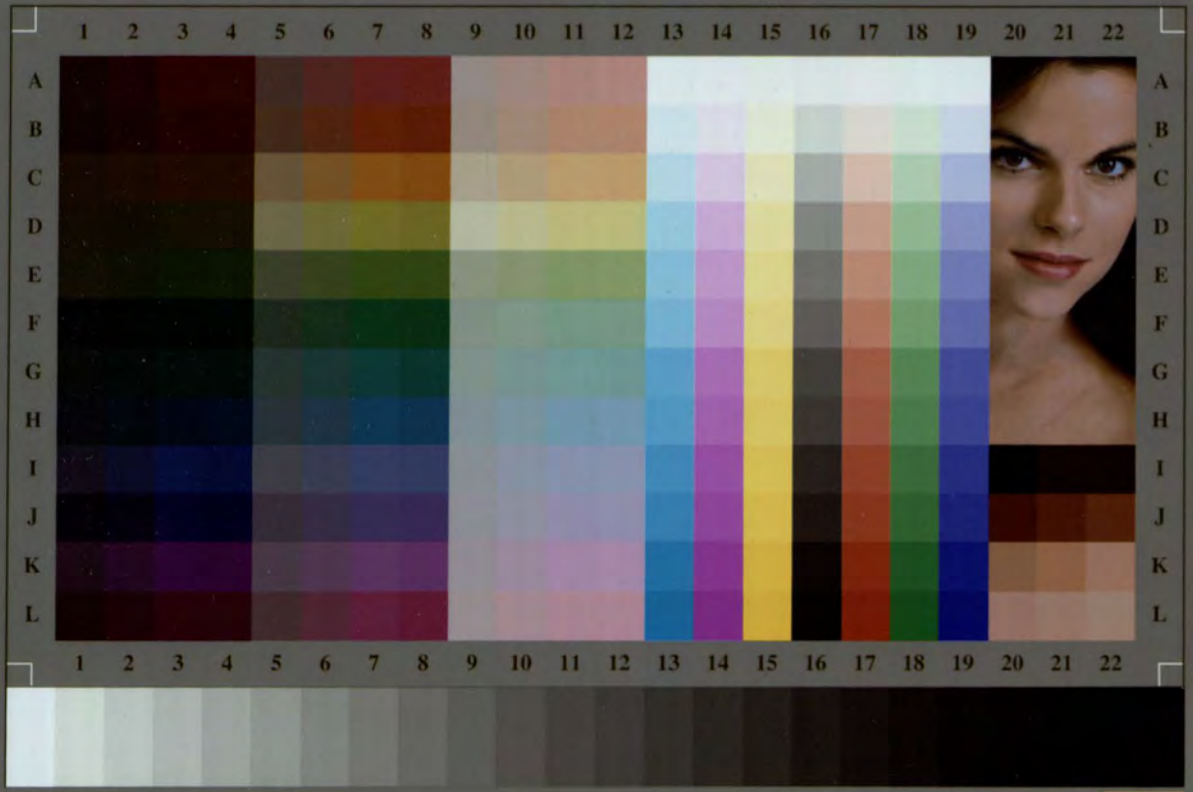
Oliver Letwin

PART Pt 4 ends:-

HMT internal note undated

PART Pt 5. begins:-

JR to PM + attach 2/5/84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