



2 MARSHAM STREET  
LONDON SW1P 3EB  
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My ref:

Your ref:

16 April 1984

I was grateful for the opportunity of a further meeting with you and your colleagues following your letter to the Prime Minister of 3 April.

I enclose a copy of my statement issued after the meeting. There are two points I wish to stress.

First we both recognise the problems which Liverpool and Merseyside face. It is an area with formidable economic and social difficulties which have developed over very many years. A measure of the Government's recognition of these difficulties is the wide range of initiatives taken to tackle them (both by this and previous Governments). The financial support given to the area by this Government is very substantial indeed. As I said at our meeting, while some may contest the uniqueness of Liverpool's problems, what cannot be contested, because it is a matter of record, is the range and extent of Government support to the area.

At our meeting last Friday, several members of the deputation argued for still further Government support. While I listened with care to what was said, and will bear the requests in mind, I cannot see my way to making further special payments to Liverpool, additional to the substantial programmes of support already pledged, which could help with the Council's budget and rating problems.

I must emphasise however that if Liverpool City Council fail to decide on a valid budget and rate as soon as possible, then Liverpool's problems would not be eased but made far worse. Any one with the interests of Liverpool at heart must recognise that a breakdown of the services provided by the Council would be a disaster for the City. If you and your colleagues wish, as you say, to maintain the services and jobs provided by the Council, I have to say that the making of an invalid rate - that is, one that is insufficient to finance your proposed budget - must inevitably defeat that objective. To make a rate which does not provide the city with sufficient financial resources is to invite the most severe consequences. Not only, as you clearly acknowledged, would Councillors put at risk their own personal financial position, but the livelihood of the Council's staff would be directly threatened, and the provision of basic services provided for the people of Liverpool would simply not continue. A financial crisis of that magnitude is avoidable; the remedy is in the hands of yourself and your colleagues.



CONFIDENTIAL



*Free bc Mr Redwood.*

10 DOWNING STREET

From the Private Secretary

16 April 1984

*Dear John.*

Liverpool City Council

The Prime Minister has seen your Secretary of State's minute of 16 April. She was very grateful for his report and endorses the approach which he has set out. She has commented that, in the forthcoming local government election campaign, the Conservative and Liberal Parties should stress that support for Labour, and its budget of £262m., means a vote for a rate increase of 175 per cent.

I am copying this letter to Richard Mottram (Ministry of Defence), Elizabeth Hodgkinson (Department of Education and Science), Callum McCarthy (Department of Trade and Industry), Steve Godber (Department of Health and Social Security), Hugh Taylor (Home Office), John Gieve (Chief Secretary's Office), Henry Steel (Law Officers' Department), Richard Hatfield (Cabinet Office) and to Michael Buckley (Cabinet Office).

*Your sincerely  
Andrew Turnbull*

Andrew Turnbull

John Ballard Esq  
Department of the Environment.

CONFIDENTIAL





PRIME MINISTER

LIVERPOOL CITY COUNCIL

As foreshadowed when we met on Thursday, I have now seen Sir Trevor Jones and a deputation of Liberal Councillors, and Councillor John Hamilton and a deputation of Labour Councillors and Merseyside Members of Parliament. Notes of both meetings are attached, together with a copy of the statement issued following the latter. After my meeting with Councillor Hamilton, my officials had a long discussion about Liverpool's budget with the Chief Executive and Treasurer of the City Council.

I have not been reassured by the outcome of any of these meetings that there is any obvious path to the orderly settlement of Liverpool's affairs. The Labour Councillors maintained their previous intransigent stance that there should be no redundancies, no job losses, no service cuts and no large rate increases in the City. They were not receptive to my firmly expressed view that their over-riding duty was to make a properly balanced budget and rate. I proposed to them that they invite the Audit Commission, under the provisions of S29(2) of the Local Government Finance Act 1982, to carry out an urgent study of an improvement in the economy, efficiency and effectiveness of their services, and that if they made a legal rate I would do all that I could to expedite this. I have written to Councillor Hamilton and I enclose a copy of my letter to him.

Eric Heffer pressed the case for a wide inquiry, which would look at the last 10 years of Conservative and Liberal rule in Liverpool and the Government policies, but I gave this no support. I have no doubt that the Council will continue to press for this.



CMO



My meeting on the previous day with Sir Trevor Jones, and subsequent discussions between my officials and Liverpool's Chief Officers have reinforced the view that it will be very difficult for the minority parties on the Council to agree a budget and rate on 25 April. There are policy differences to overcome eg while the local Conservative Party would accept rent increases, the Liberal Party probably would not, and Labour moderates seem unlikely to acquiesce in redundancies or job losses.

The Labour budget of about £262m, plus the financing of last year's deficit, implies a Council rate increase of about 175%. It does not seem difficult to produce a budget of about £230m with a rate increase of about 70%. But it appears on the information available to me, and without access to the Council's books, that a rate increase of no more than 30% would imply a budget of about £210m. To achieve this would mean resolving fundamental policy issues which divide the minority parties and moderates in the Labour Party, including facing up to significant redundancies. I have to say that it would be unrealistic to hope that a coalition will emerge to agree upon such a budget and rate on 25 April, and to campaign upon it for the elections on 3 May, without great external pressure from the national parties.

Whether or not a legal rate is made by a coalition on April 25, the Labour Party seems likely to increase its majority in the elections on 3 May. In that event, the Labour majority will most probably pursue a course which would expose them to successful challenge in the courts by seeking an expansionist budget without the appropriate rate to finance it.

None of this augurs well for the Council's ability to refinance its debt. The officers have so arranged matters that they apparently do not need to go to the market until around mid or end-May. Against the background of an illegal rate

CMO





or no rate at all it is most unlikely that they would be able to raise money, and the City's financial position would rapidly collapse.

If no lawful rate is made on 25 April, and with the strong possibility of an increased Labour majority, the prospect of our having to appoint Commissioners to run Liverpool grows. We all know that prospect to be a daunting one with repercussions for law and order and for local government as a whole, that are quite unpredictable.

We will therefore wish to do all we can to avoid this outcome. I remain clear that such action cannot include yielding to the Council's attempts to blackmail us into providing additional money for the City. Nor do I now hold out much hope that an Audit Commission study will deflect the Labour Group. I therefore intend:

(a) to redouble our efforts to persuade the minority parties to agree a lawful rate on 25 April. This would be welcome even if it provides only a breathing space on the return of a stronger Labour majority; (I suppose there might be a faint chance that the Labour Group would be prepared to accept such a rate if they do not have to make it themselves.) To this end I will organise meetings with Sir Trevor Jones and Councillor Hallows and will talk further with the Labour moderates if this begins to look profitable. I would also approach David Steel and John Cunningham to see what further influence they can bring to bear;

(b) to mount an immediate campaign nationally and locally through Ministerial speeches and briefing, to bring home the message to the voters of Liverpool that the consequences in terms of job losses and service breakdown for the City are infinitely worse if they support illegal rather than legal action. This might encourage the minority to make a legal rate on 25





April and improve their position in the elections.  
I will forward very shortly speaking notes for use  
by colleagues.

I should add finally that I hope to discuss with Treasury  
Ministers early this week the implications of all this  
for the creditworthiness of local government. We will report  
as soon as possible thereafter to the Group.

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

*A.H. Davis*

*for*  
P J

16 April 1984

*Approved by the Secretary of State  
and signed in his absence*



Prime Minister<sup>3</sup>

Mr. Jenkin offered an enquiry under the Local Government Finance Act  
is a Special Audit. This is in line with the conclusions of the  
meeting of Ministers. The Liverpool Council may, of course, try to

LIVERPOOL broaden its scope.

AT 13/4

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NOTE OF A MEETING WITH THE CITY COUNCIL ON FRIDAY 13 APRIL

Present:

Secretary of State  
Sir George Moseley  
Mr Heiser  
Mr Sorensen  
Mr McDonald  
Mr Pickup  
Mr Ramsay

Councillor Hamilton  
Councillor Hatton  
Councillor Byrne  
Councillor Mills  
Councillor Hood  
Mr Stocks (Chief Executive)  
Mr Reddington (Treasurer)  
Mr Kelly (Deputy Treasurer)  
Eric Heffer MP  
Terry Fields MP  
Eddie Loyden MP  
Bob Parry MP  
Bob Wareing MP

1. The Secretary of State expressed his appreciation (the situation in Liverpool). The difficulties faced by the City were not however unique, except in the degree of help the Government had provided. Liverpool had the 4th highest GRE for a Met District. Other authorities faced tougher targets. An examination of 1983/84 outturn and the proposed budget for 1984/85 suggested that many of the City's difficulties were of their own making. He had said at the last meeting on 22 February that the Department's own calculations were in broad accord with Liverpool's figure of £240m for a standstill budget. This was not the same as saying that £240m represented the minimum budget; cuts could be made. He had read the Chief Executive's advice and that of the District Auditor to the Council on the need to make a legal rate. This must be right in the interests of the City and its employees. To drive the City into bankruptcy would not help the people of Liverpool.

2. In discussion the Council made the following points:

(1) The Council had a duty to make a lawful budget, but in doing so it had to have regard to current levels of unemployment on Merseyside and the outlook for industry. A legal rate should not be secured at the expense of the people of Liverpool. (Councillor Hamilton).

(2) The Council had no choice. It had been given a clear mandate in the elections in May 1984, a mandate reaffirmed in the demonstration of support on 29 March. The present plight of the City was the product of Liberal policies for the City over past years and Central Government policies since 1979. The Council could not make employees redundant in a City where unemployment was already so high. The Council were prepared to negotiate but on the basis of no redundancies, no loss of jobs, no massive cuts in services and no massive rise in rates. (Cllr Hatton)



(3) If the Government remained impervious to the Council's arguments the cost of the breakdown of law and order could not be estimated. Removal of the councillors would not remove the underlying problems which they were seeking to resolve. Responsibility for any breakdown would rest on the shoulder of the Government.

(4) The Secretary of State had demonstrated no flexibility. The first meeting with him in July 1983 had been followed by cuts in the housing programme. There had subsequently been cuts in the partnership programme. The Government's Statement on financial support did not take account of the reductions in RSG, housing subsidies, HIP allocations and housing corporation funds. Overall, Liverpool were losing not gaining financial support. The Treasurer was there to explain the figures if necessary.

3. Mr Heffer said that the present Council were faced with serious problems. The housing stock was one of the poorest in the country. The schools were in urgent need of rationalisation. The present Council were the first to face these problems and to make proposals for their resolution. They deserved support. He believed the Secretary of State when he said that he did not want confrontation. A way forward would be for the Government to examine the housing programme, see what was possible with a rate increase limited to 9% and set up some sort of joint committee.

4. The Secretary of State said that he did not doubt the commitment of the councillors to their local electorate. It was wrong however to assert that the Council had no choice. Costs could be reduced. Alternatively an illegal budget would have deleterious effect on the confidence of industry to invest and remain on Merseyside as well as having a direct effect on those employed by the Council. He was grateful for the offer to explore the Council's figuring on financial resources and suggested that officials might do so at the end of the meeting. He saw every advantage in a mutual understanding on this point.

5. In the discussion with Labour MPs on Thursday 5 April the idea had emerged that some sort of inquiry into the efficiency of the council services might be helpful. Section 29(2) of the Local Government Finance Act 1982 which provided for a council to call for a study by the Audit Commission was the basis for such a study. He was glad that the Council did not reject such an idea outright. He would support such a study on the basis that the Council would make a legal rate. He noted that the Council for their part had said that there should be no redundancies.

This is a  
definite  
advance



6. The Secretary of State said that he would consider the points made by Mr Heffer and respond to them in writing to the Council, but he could leave the Council in no doubt of their duty to make a lawful rate.

J F BALLARD  
PS/Secretary of State

13 April 1984

Distribution:

- 1. Those present (from the Department)
2. PS/Lord Bellwin  
PS/Mr Waldegrave  
Mr Owen  
Mr Pickup  
Mr Gray  
Mr Mockler



Secretary of State

This meeting was arranged at short notice and I have another meeting afterwards. I have therefore to leave at 10 o'clock, but if there are any points which it would be helpful for my officials to discuss with yours they will be available afterwards.

Cllr Hamilton

Thank you. I think that will be useful.  
Secretary of State

Could I say I very much welcome the opportunity to have another chat. Looking again at the case you have put I would like to reiterate my view of the position. I have never questioned that the Council faces difficult problems. Liverpool is not unique. If Liverpool is unique it is in the extent of the Government help eg MDC, MDHC, Freeports. You are familiar with the figures. Liverpool has had a substantial amount of public help. Capital expenditure of £650 million. Other Departments adding more to help. The Government is determined to help. But we are obliged to apply the same principles to all authorities. We accept Liverpool has problems. But, Liverpool's GRE is 4th highest of all Met Districts. Targets 35 major spending authorities face tougher targets. Two thirds have achieved single figure rate increases. If one looks at outturn for 83/84 and budget of 29th many of your problems are of your own making. There was no attempt made to achieve savings. Increased expenditure. Overspent by £14 million. 84/85 further increase in service provision. Trying to increase efficiency of DLO. What I really have to ask is if this is reasonable for a City in Liverpool's position. A standstill budget, to which reference was made at the last meeting, of £240 million broadly accorded with our own calculations. This is not the same as saying it is the minimum you could achieve. I didn't say or mean that..... If Liverpool takes the same steps to increase efficiency as other authorities I am convinced you could make a better budget. I have read the advice given to the Council by the Chief Executive and by the District

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Auditor of your duty to make a rate and this must be right. It is in no one's interest to budget too high and then rate too low and as a result drive yourself, and here I am using the vernacular into bankruptcy? As elected councillors you were elected to make a lawful rate. I am far from convinced that the task is impossible. I said after the 29th that my door was open. We had a helpful meeting with MPs. The overriding duty of the council is to budget sensibly and make a lawful rate. Most important for the meeting on 25th April

Cllr Hamilton

Of course it is our duty to make a lawful budget. But what does one consider lawful? As a City Council we have lost money, we have lost grant. I acknowledge overall policy of government. When you mention we are 4th highest you are talking of met areas.

Secretary of State

This would mean shire districts.

Cllr Hamilton

Shift has moved from met areas. Fact is we do have one the highest levels of unemployment and one of the worst economic situations, with industrial collapse. We are trying to rescue another firm in Liverpool. As a City Councillor I have put myself on the line in giving the firm money if firm goes out of business I have put myself on the line. I could say I should keep myself within a legal budget. What I am trying to say to you is that we are trying to tackle problems. We are crippled in attempting to hold the situation. Public are responding there is a feeling of dissent. Rules laid down by Parliament. A legal budget would save myself and my 51 Labour colleagues from any personal financial penalties but at the expense of the people of Liverpool. I am fighting



on behalf of Liverpool. You have accepted we are facing problems. Any way Government can assist us to overcome problems to try and tackle and overcome problems that's all we are asking for..

Secretary of State

I don't question your commitment to serve the people of Liverpool but that is a duty on all local authorities. I know you face problems but I must ask are you going to achieve that by driving the City into bankruptcy? What happens if you cannot persuade lenders to lend: If the money market won't roll-over debt.. If you run out of money where is money coming from for the heating of old people's homes? Who pays the teachers and refuse men - have you taken account of that? I have no power to put in Commissioners. Obviously we have made contingency plans. But there is no prospect of me or any government coming in beforehand if the Council is continuing to propose to be unlawful. No government faced with a threat of this kind could bow to it, you must recognise the duty is on you in your duty to the electors. The illegal result is bound to be worse than the alternative. Have you looked at this?

Cllr Hatton

You talk as if we have a choice. We had a clear mandate in the June elections. We have a mandate to protect jobs and services. On the 29th we had that mandate confirmed with 40-50,000 on the streets and 150,000 who stopped work in support. They felt the issue was so important they had to take action. We know the sort of support, feelings and mood in the City. We will storm home in May. We are saying to you we have no choice in the matter. The vast majority of the City is in favour. 41 MPs put down a motion for £120 million back. Whether we like it or not the City has come to bankruptcy because of the Liberals policies and those of the Government since 1979. The City was on its way when we got there. We did not



come here bent on a confrontation. You say it is our duty to rate lawfully. Someone has to say to the people 'sorry, we are not going down the road as well'. We will discuss all day and every day with you to reach a compromise. But what is the sense and logic in sacking people in a City where unemployment is already so high. We cannot and will not go beyond the bottom line. With no jobs lost and no redundancies, no massive cuts in services and no massive increase in rates. We have a mandate. It was confirmed. After May 3 renegades will be irrelevant.

Secretary of State

You have a whole range of choices and have decided to reject them. There are a number of points. You profess you are concerned about jobs. I know what this is like. Are you not aware of the effect of the Labour group's policy on the readiness of firms to come to Liverpool? The Chamber of Commerce say they find it impossible to sell Liverpool.

Other

The Chamber of Commerce issued a circular saying the Council must not make a high rate.

Secretary of State

Plessey say they (intervention by Terry Fields MP "to sack 800") they are basing System X in Edge Lane. Firm commitment from Sir John to make a firm base. They wouldn't do that now.

Cllr Hamilton

The cost of a breakdown of law and order cannot be priced. The damage to the social order and fabric. Removing Councillors



will not remove the problems.

Bob Parry MP

When it comes to the breakdown of law and order, the breakdown of social order we are moving into, who is responsible for that? You say you have no powers to put in Commissioners. You mentioned the refuse men but it is all a question of arithmetic. In May Labour will explain what the battle is all about. All candidates have been picked who will support Labour. If we win 5 seats we will have a majority of 13 and will be able to carry the day even if we don't have the support of 5 renegades. You say you have no powers but surely you will then be forced to bring in troops. That will bring violence in our streets. What is going to happen?

Secretary of State

The Council should ask themselves this question. Where have you got this figure of 5,000 redundancies? I have seen Trevor Jones' budget.

Cllr Hatton

3,000 jobs will go as a result of the budget. It's just like the miners

Secretary of State

That's a different matter altogether

Eric Heffer MP

This is a very disappointing discussion. You were saying Patrick that we must make a legal budget. I had hoped this meeting would be more constructive. How do they make a legal rate? Talk in real terms. What I've heard up to now is not helpful. We know you can't mess with RSG. The basic problem



is finance. Liverpool City Council have one of the greatest housing problems in the country. System built houses are a disaster, we have overcrowding, slums, waiting lists and many problems. They (the council) have tackled this seriously. They were criticised for facing up to the school problem. They got the fury of the parents. The problem was faced up to for the first time in years. They have faced up to housing problems in the year that RSG and HIP were cut. They were quickly put into a penalty position. They have also met this argument in the Chamber of Commerce's circular about not increasing rates. We are dedicated to giving decent services and not to putting rates sky high.

Secretary of State

It is a very serious matter

Cllr Hatton

You had better believe that

Eric Heffer MP

Derek said he was prepared to talk all day and every day. Why can't the Government do something now about the 17 priority areas - cash grant. Look at the penalties as they apply to Liverpool. If we begin to talk about serious terms we will get somewhere. If we are talking about a legal rate further discussion is worthless. We will win more seats in Liverpool. My eighty year old mother-in-law is a good litmus paper on these issues. She says these fellows are 100% right. Faced with the real issue she says they are right and she sums up the decent working people's opinion. Let's talk seriously or we might as well leave.

Secretary of State

Every £ saved is actually £3 in the Council's coffers because



of penalties. I refuse to accept it when the Council says there is no room for savings. Why does street sweeping in Liverpool amount to 4 times the gross cost in Sheffield? I accept the City Council's proposals for schools is with Keith Joseph, he has this in mind and will look at the details as quickly as possible. Why should refuse collection cost more than the met District average? More than £3 per head? I think it would be helpful for officers and officials to go through figures together. Have you tried to negotiate? you must go through the legal process.

Cllr Hamilton

Unfortunately the Liberal administration resolved to end a strike by setting up a bonus system with the men staying in the yards. The streets weren't swept. We recognise the problem. We are going ahead as quickly as possible. For example an education reorganisation which is going through the system. A decision is needed urgently.

Bob Wareing MP

Let's make a general observation. Eric Heffer is absolutely right. Derek is saying there is a bottom line. You say they have a choice. The Chamber of Commerce is not happy about that. The Ford Motor Co told me the same thing. There is an alternative - cuts. You say there needn't be redundancies. You say suppose the Council don't pay wages, who will look after corporation workers? Supposing the City Council make redundancies who will pay for them? You as a member of the Cabinet are collectively responsible. Other Cabinet members will have to pay for these redundancies. There is deprivation in the area. Firms are attracted by many things eg labour relations, sources of the market raw materials. If a market



is very deprived, day by day and week by week, what incentive is there for firms?

Secretary of State

I agree, what is the alternative if the Council pursues its path? If people see the City in chaos, will that attract companies?

Cllr Byrne

This is the 3rd time we've met and you say, 'I will do nothing. It's your problem'. You cut the housing programme. The only thing you've done is make the problem worse. We should have saved the train fare. The first meeting was followed by cuts in the housing programme, and then there were cuts in the partnership programme. You have indicated no flexibility in approach. Here is a list of firms which have closed. 40,000 private sector jobs - we weren't on the Council then, it was not the Labour Party but your Government's policies. We have no intention of making one redundancy or reducing jobs. That is our starting point. It's easy for you to say you have given millions to Liverpool. £120m RSG, £62 million housing subsidy, you have taken. The HIP allocation has been reduced from £47m to £28m. You say you put money into the Housing Corporation but funds have been reduced. New build as a guide. Average starts down, from 442 to 193 (1979/80) cf 1984 (85) and rehab down from 1033 to 545). It's no good you saying this money represents investment it is just a cut in resources. Every one represents a reduction in Liverpool. The one plum is the Garden Festival. We are not impressed that people living in squalid tenements can look from their balconies at the Garden Festival. We won't cooperate to keep them in squalor.

Secretary of State

I must challenge your figures. My people have made calculations. The share of RSG goes to the County Council. We must sit



together. One other point, every authority since 1976 has faced a reduction in RSG. We have not been able to reach a figure of £120 million for grant loss.

Cllr Byrne - Mr Reddington will explain the figures

Mr Reddington

/Mr Reddington explained at this point how the Council had in its calculations taken account of RSG previously paid to the City Council through the City and now paid direct./

Secretary of State

It would be helpful if Mr Reddington could show us his calculations. I don't want you to feel you have come here for nothing. We discussed refuse collection and housing problems. Is there no case for asking for outside intervention? The Audit Commission can be called in. You can ask for a special investigation.

Eric Heffer MP

You don't want confrontation. I believe that. We don't want it either. I am conscious of the courage of my colleagues. I hope I would have the same. I am not so sure.

Cllr Hatton

You would Eric

Eric Heffer

They are determined to fight for what they think is right.



The Government should look at housing. The Government should accept a 9% rate increase. A joint committee should be established to look at the situation and how it has got how it has.

Secretary of State

I would be happy if the Council would call in the Audit Commission under section 29. It is the kind of study .....

Cllr Hatton

The Audit Commission with the best will in the world will not produce answers out of a hat. It will not produce answers in time for the May elections. We need a moratorium.

Secretary of State

There may be a way. I am glad you have not rejected it out of hand. This is helpful. It has to be in the context of a legal rate. I couldn't condone an illegal rate. If you will see your way to a legal rate.....

Cllr Hatton

In the current situation there is no rate. Eric has made three suggestions (i) the Government to examine HIP cuts (ii) acceptable rate 9% (iii) joint committee - Audit Commission. We are prepared to offer resources and staff to look for a way out. We have also got a bottom line. On this basis - let's talk.

Secretary of State

You make an inescapable condition of no redundancies. Mine is that you must have a legal rate. I have to say the Council must remain within the law.

Cllr Mills or Hood

Are you saying people must be made redundant and cuts must be made?



Secretary of State

You must start with a legal rate, you are under a legal duty.

Cllr Mill or Hood

There is not enough money in Liverpool for services.

Eric Heffer MP

Go and examine the proposals. Don't let's tie ourselves down.

You have got a good response from the City Council. You ought to look at what has been proposed. I think it begins to offer a solution. It will need a long term examination. Leicester are happy and have a Labour controlled council, have had for many years.

Secretary of State

They are very expensive .....

Eric Heffer MP

I think you've heard the propositions and the Council's response, go away and think about it.

Cllr Mills or Hood

You've visited Liverpool. The day Liverpool was declared a Freeport 1200 people were made redundant.

Eric Heffer MP

Don't let's argue about that.

Secretary of State



May I respond in writing? I must leave you in no doubt that there is a duty on the Council to make a lawful rate.

Cllr Hatton

Those people /showing photograph of demonstration on 29 March/ say we will not have job losses. We have had an orderly demonstration. There will not be an orderly demonstration, they will turn into an angry crowd. No one is threatening violence. John Hamilton has not threatened violence but has predicted what could happen like a doctor predicting plague. You must understand the consequences of your action.

Cllr Hamilton

We all want to be lawful, but we also want to be truthful to our constituents

Secretary of State

This has to be in the context of a lawful budget.

Cllr Byrne

We need to understand people's feelings and remember that Pontius Pilate acted within the law.



## Press Notice

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13 April 1984

MEETING WITH LIVERPOOL CITY COUNCILLORS AND MEMBERS OF  
PARLIAMENT: STATEMENT BY THE SECRETARY OF STATE FOR  
THE ENVIRONMENT

This morning, for the second time, I met a deputation of Councillors from the majority group on Liverpool City Council. I explained to Councillor Hamilton and his colleagues the absolute necessity of making a legal rate if the people of Liverpool and <sup>the</sup> City's employees are to be protected from the consequences of a breakdown in local government in the City. I added that, contrary to reports, I did not at our earlier meeting agree that the lowest possible budget is £240m. The experience of local authorities in general would suggest that further savings are possible.

I fear that if an unlawful rate is made, the Council will be unable to avoid a situation in which Liverpool's services to its citizens could begin to crumble and its staff find themselves without wages. We would see old peoples' homes without heat and food, childrens' homes without staff, rubbish left to rot in the streets. Moreover, it seems to me to offer little comfort to Liverpool's employees to be told that they will be freed from the threat of redundancy if the cost of that assurance is that their prospects would rest in working for nothing in a bankrupt authority.



It remains the Government's hope that sensible Councillors from all the parties will come together to secure a legal rate on 25 April, and that the subsequent management of Liverpool's affairs is conducted on a basis that rules out the risk of a repetition of this unfortunate but entirely avoidable predicament.

Councillors have been elected to take lawful, responsible decisions for the benefit of the people who elected them. It would be a gross betrayal of the trust placed in elected members if they deliberately set out to create chaos.

A lawful rate is quite within reach of the Council if they are prepared to abandon dogma and set about making sensible economies.

The City may not have had the easiest ride, but nor has it had the most difficult. Its GRE is the 4th highest per head of all metropolitan districts. As to spending targets, 35 major spending authorities face tougher assignments for 1984/85 than Liverpool. Nearly  $\frac{2}{3}$  of those have, already achieved single figure rate increases 1984/85 and none has proposed the kind of massive increase which Liverpool claim is necessary. A number of authorities have found that their capacity to fix a legal rate this year has rested on their ability to run their services more efficiently.

I, therefore, suggested to the Council that they might consider the possibility of inviting the Audit Commission



to carry out an efficiency study under the terms of Section 29(2) of the Local Government Finance Act 1982. Following further discussion about such a study, I undertook to let Councillor Hamilton have my considered views as soon as possible. However, I indicated that I would be prepared to urge the Audit Commission to give immediate attention to a request from the Council but I emphasised that the Government could not possibly give its support to such a study unless it was in the context of the prior fixing of a legal rate.

Press Enquiries: 01-212 4682/5 & 4690  
Night Calls (6.30pm-8.00am)  
Weekends and Holidays: 01-212 7071

Public Enquiries: 01-212 3434;  
ask for Public Enquiry Unit



Mr Heiser

LIVERPOOL: MEETING WITH SIR TREVOR JONES ON THURSDAY 12 APRIL

1. You were present when the Secretary of State met Sir Trevor Jones, Cllr Clark and Cllr Kemp on Thursday 12 April. Mr McDonald and Mr Sorensen were also present.

2. Sir Trevor said that there were some signs that the true facts were beginning to get through to at least some of the people in Liverpool. It was not easy. The Labour Group continued to misrepresent the position of the Liberal group and that of the Secretary of State. In these circumstances it was not helpful for supporters of the Government to assert that the Liberals had under-budgetted for the last 10 years. It was also untrue. They had hidden in the budget uncommitted funds (£5.8 million) approximately equal to the reductions allocated to services (£5.9 million).

3. The Secretary of State said that he appreciated the difficulties for the Liberal and Conservative parties in recent years. Difficult decisions had been required for the efficient administration of the City on, for example, education and refuse collection but such decisions were difficult to secure without the backing of a firm majority on the Council.

4. Despite past difficulties Sir Trevor was optimistic that the Liberal budget considered on 29 March, as they now proposed to amend it, provided the basis for an agreement with the Conservative group and the 'sensible six' Labour members on a legal rate. (A copy of the proposal is at annex A). Elector reality did however set real limits on all parties concerned in the extent to which they could compromise. The Liberals were satisfied that there were savings to be made through more efficient management. For example whereas the cost of street cleaning in Liverpool was £2,547 per swept mile comparable costs in other cities were Sefton (£1,040), St Helens (£828), the Wirral (£853) and Sheffield (£784). Disregards would however also be needed. The Liberals had proposed 5 - expenditure on libraries and wholesale markets serving the sub region, debt charges on demolished council housing, all expenditure on partnership schemes and the City Council's contribution to MSC schemes. They had appreciated that the Government had already agreed a disregard for 1984/85 for increases in urban programme expenditure and jointly financed schemes. This would be helpful.

5. The Labour Party were likely, in Sir Trevor's view, to press at their meeting with the Secretary of State on 13 April for a public inquiry into how the City had been run in the last ten years. This should be resisted. It would be unnecessarily and provocatively wide-ranging. What was needed was a study of the way in which existing services



were administered. The study commissioned by the Council under section 29 (ii) of the Local Government Finance Act 1982 might be suitable. They would need to consider further. It would only come about however if the commissioning was linked with a budget resolution.

6. The result of the election was uncertain. There was evidence that the Liberal message was getting through - that their policy would protect jobs whereas the Labour Party's policy would destroy jobs. The Secretary of State could help by continuing to make it clear that he did not have the power to bend the rules for the benefit of Liverpool alone and that there was no prospect of extra cash in response to the threat of an illegal budget. Sir Trevor had been advised by the Council's officers that the Liberal budget proposals could be made to work if there was sufficient will among the council. It would require rate increases of the order of 26 to 27% which he appreciated would be difficult for the Conservative support to support. Equally the Liberals were unable to counsel substantial rent increases. If the disregards sought by the Liberals were agreed rate increases could be limited to 16 or 17%.

7. In drawing the discussion to a close the Secretary of State made the following points:

(i) a legal rate on 25 April would provide a firm base for challenging any administration, returned in the 3 May elections, which considered that it had a mandate to commission spending in excess of that provided for in the budget;

(ii) it was vital that the Liberals and the Conservatives agreed, in advance of the meeting on 25 April, upon a budget that would attract sufficient support from the 'sensible six' to be adopted;

(iii) he would continue to reiterate the limits upon his powers to dispel any illusion as the extent of the financial help he was able to give to Liverpool;

(iv) he could only consider a request for a disregard from the Council, and he could not, at this stage, indicate what his response would be to any such request.

J F BALLARD  
PS/Secretary of State  
13 April 1984

cc PS/Sir George Moseley  
Mr McDonald  
Mr Pickup  
Mr Sorensen  
Mr Roscoe  
Mr Ramsay



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MO 21/8/5

13th April 1984

Dear Andrew,

LIVERPOOL

We spoke earlier today about your letter recording the outcome of the Prime Minister's meeting yesterday on Liverpool. In your final paragraph you record the Prime Minister as saying in her summing up that "the tenders for the Type 22 frigates should be expedited and the issue should come to the relevant Committee of Ministers as soon as possible". I told you that Mr Heseltine is quite clear that it is the issue of going out for new tenders which needs to be discussed by Ministers.

Your letter quite rightly refers to the fact that all previous tenders for the Type 22 frigates have been withdrawn; but it is not correct to say that we are awaiting new tenders: none have been sought. Mr Heseltine's concern, as he explained in his letter of 10th April to the Secretary of State for Trade and Industry, is that the very act of going out to re-tender will carry implications for Merseyside since it is known that Cammell Laird submitted the lowest tender in the previous exercise. Before instructions are given for a new exercise he wishes his colleagues to consider the possible political consequences of taking this route, together with the options available, the range of outcomes and the possible social, economic and political consequences. I am told by the Cabinet Office that E(A) would be the appropriate forum for such a discussion and we will prepare a paper for the Committee to consider soon after Easter.

I am copying this letter to the Private Secretaries of those Ministers who received a copy of yours.

Yours ever

Nick Evans

(N H R EVANS)  
 Private Secretary

A Turnbull Esq



Regiment R. Pt 4

Inner Cities

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