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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.

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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.

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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

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