

CMO CONFIDENTIAL



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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.

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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 psychologically 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.

John Gieve

John Ballard

J F BALLARD
Private Secretary