



1, Mr Tunstall *Mr Jenkin is successfully regaining lost ground.*

2, Pae Musta:

AT 19/7

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

Mr Jenkin
has written to all
Government MPs

My ref:

Your ref:

17 July 1984

Dear Margaret, A. 29/7

The reasons why Liverpool City Council were able last week to settle their budget and rate for 1984/85 continue to be widely misrepresented. 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

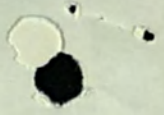
some of the appalling inefficiency in the provision of their services. Housing management is one area, but they were also in 1982/83 spending, compared to the Metropolitan District Average, 2½ times more per head on environmental health, nearly 50% more per head on waste collection and 30% more per head 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.

Your ever
Patrick

PATRICK JENKIN

Inclosure



All these things which relate to the expenditure of the
Council for the year 1900-1901 have been laid before the Council
and the Council has resolved that the same should be referred to the
Committee on Finance and Accounts for their consideration.

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