

LPO



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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.

367 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 Hodgkinson (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).

Your sincerely  
Andrew Turnbull

ANDREW TURNBULL

John Ballard, Esq.,  
Department of the Environment.





Prime Minister <sup>(2)</sup>

Agree to welcome this report  
and to look forward to paper  
on the lessons to be learned

PRIME MINISTER

AT  
25/7

LIVERPOOL CITY COUNCIL

Yes not

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 <sup>\*</sup> 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?



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 magnificent 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 uncertainty which the Councils political posturing has created.

Telep  
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

CEJF

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 Elm 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.



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Telephone  
01-212 800

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.