



10 DOWNING STREET

From the Private Secretary

Prime Minister ①

- (i) Agree this opening shot in the forthcoming struggle with Liverpool?
- (ii) Agree I ask Cabinet Office to set up a MISC (with RTA to make proposals on membership) to deal with Liverpool and other recalcitrant councils? I envisage this subject will require regular meetings over the next nine months.

Yes no

AT

31/10

COPY 1 OF 13. *[Handwritten initials]*



Prime Minister

If they are under the Urban programme why can't we turn them down?
me

LIVERPOOL CITY COUNCIL

The purpose of this letter is to let colleagues know that I propose shortly, in approving spending by Liverpool City Council on three sports halls under the urban programme, to take the opportunity to make warning noises in public about the consequent implications for Liverpool's financial position. This is likely once again to turn the spotlight on Liverpool.

As you will remember, the settlement of Liverpool's budget this year provided the Council with a breathing space. It did not solve the underlying problems of overmanning and inefficiency which need to be tackled if the Council is to move on to a sound financial footing. So far I have seen no evidence whatsoever that the Council are taking any advantage of the opportunity offered. Instead they seem to be building up a substantial deficit this year to carry forward to 1985/86. Such a course of action is bound to have a substantial effect on the likely rate level required. Given the extremist politics of the majority Labour Group, I am not at all suprised at this course of events.

I believe it is essential that we begin to put on the public record - both soon and often - our concern that the Council may be heading deliberately for a financial crisis next year, without taking any heed of this year's events. We must not appear to be taken by surprise, nor must we allow the Council to take the initiative and lay the blame at our door.

I intend to start this process, in a fairly low key way, this week. I have been asked to approve urban programme support for three sports halls in Liverpool. These are good schemes;



but they will add to the Council's revenue commitments next year. I have decided that, in the light of the undertakings on UP which we agreed last summer, I cannot turn them down, but in giving approval I intend to draw to the attention of the Council both their failure to enter into proper partnership discussion with us in this context, and the financial problems which appear to be building up for them and which will be increased by my approval. A copy of the decision letter, to be issued at official level, is annexed. I will be following this letter up immediately with local interviews this Thursday. We can expect a strong reaction from the Council.

Within a week or two, I hope to be able to put to colleagues a full paper on the options for handling the Liverpool situation over the coming months, in the light of our best information on their current financial position.

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

L. J. Gallant

f P J 31 October 1984

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

LETTER FROM MERSEYSIDE TASK FORCE TO CITY OF LIVERPOOL

LIVERPOOL PARTNERSHIP PROGRAMME - NEW SPORTS CENTRES

1. I refer to our meetings and correspondence on this subject and particularly to your letters of 27 September and 3 October.

2. The Secretary of State has now considered your application for Urban Programme assistance towards the cost of three new sports halls and I am able to convey his formal approval for Urban Programme grant purposes for capital expenditure on these projects as set out below:-

	1984/85 (£000)	1985/86 (£000)
Speke	530	276
Walton Hall Park	570	286
Long Lane Garston	500	247
	1,600	809

This approval is issued under the normal conditions of the Urban Programme.

3. Your Council also sought Urban Programme support for the revenue costs arising from the anticipated operating deficit of these three sports halls estimated at £411,000. The Secretary of State is prepared in principle to accept up to 100% of

the deficit in 1985/86 and up to 50% of the deficit in 1986/87 as eligible for Urban Programme support. We will however expect to be provided with data on the actual levels of deficits incurred and on the usage made of the facilities before meeting any claims for such expenditure.

4. The Secretary of State has reached his decision on the merits of the specific proposals before him, but has expressed his concern about the lack of a consensus between us on the overall shape of the Liverpool Partnership Programme. In his letter of 29 June to the Leader of the Council he expressed the hope that "we can develop an effective and constructive partnership to tackle the needs of the people of Liverpool". To date there has been little evidence on the part of your Council that they are prepared to proceed on that basis.

5. The Secretary of State has further noted the current expenditure implications of these and other schemes which the City propose to implement this year. These have implications for the City's overall financial position this year and in 1985/86.

6. In the course of the discussions earlier this year the Secretary of State emphasised the need for the Council to take action to reduce its current expenditure budget. A number of measures were canvassed - for example in the joint report prepared by officials - which would enable the City to achieve better value for money in service provision. The City's proposals to take on additional burdens make it even more important that these possibilities should be vigorously pursued. I am bound to say that we have so far had no indication of the urgent positive action which the situation demands.

7. The Secretary of State would be grateful if you would draw this letter to the attention of your Council, making clear his concerns and ensuring that they consider the implications.

30 OCT 1984

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