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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Kenneth Baker MP  
Secretary of State for the Environment  
Department of the Environment  
2 Marsham Street  
London  
SW1P 3EB

17 December 1985

Dear Secretary of State

**RATE LIMITATION 1986-87: REDETERMINATION OF ELs  
FOR LIVERPOOL AND LAMBETH**

not yet received

I have just seen your letter of 16 December, in which you propose an increase of £10.9 million in Liverpool's EL and of £8 million in Lambeth's. You seek agreement to announcement of these changes today.

I am very concerned at the idea of setting Liverpool's EL in such a frantic rush given its political importance, as well as its expenditure consequences. The bulk - £7.8 million - of the proposed change for Liverpool arises from Liverpool's own creative accounting, and raises the same issues which caused me concern over your proposals for Lewisham and Hackney. Liverpool's EL was originally set 10 per cent above 1984-85 budget too, and thus already allows for creative accounting. Had I known that you would be making this proposal for Liverpool when we talked this morning, I would not then have given my reluctant agreement to the proposals for Lewisham and Hackney and to the extent that the same considerations apply to all three authorities then we shall need to reconsider them all. If necessary, the revised ELs for these three cases, and indeed for the other cases, could be announced later this week, when we have done so.

I note what you propose for Lambeth. Since you present me with a fait accompli I accept what you propose, with very great reluctance. But I am very concerned that this appears to have been known about for some time in your departments without letting us know and that you have in effect become committed to make the £8 million increase in Lambeth's EL without any consultation with colleagues.

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I am copying this to the Prime Minister, members of E(LA) and Sir Robert Armstrong.

Yours sincerely  
*[Signature]*

for JOHN MacGREGOR

[Approved by the Chief Secretary]

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Prime Minister  
Good stuff.  
DAN  
29/11

Secretary of State for the Environment

David Norgrove

PS/PM

Liverpool

Attached is the extract  
from the SAT's speech in  
Bradford at lunchtime  
which deals with Liverpool,  
and which we have  
released to P.A.

Alan Davis

APs/Mr Baker

29/11/85

DRAFT

The people of Liverpool have been put through the wringer to satisfy the political vanity of a few self-seeking councillors. The Council has proved that today by setting a balanced budget as it could, and should, have done at the start of the financial year. The Government has not provided one penny of extra aid to help it to do so.

The deal which, ~~I understand~~, the Council has agreed with its bankers was, I understand, available in the Summer, long before the redundancy notices were issued and the Council's services and support to the voluntary sector began to crumble. All the talk of staff going unpaid, of schools closing, of children, the elderly, the sick at risk with only a minimum of services, all that was completely unnecessary.

I hope that councillors all over the country have learnt the lesson. People should not be expected to, and will not, tolerate having their lives and futures hijacked in the interests of some crackpot dogma. These councillors have thrust upon Liverpudlians a programme of carefully constructed chaos and deliberately planned shambles. The Government will not be blackmailed by that kind of behaviour.