



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434
My ref:

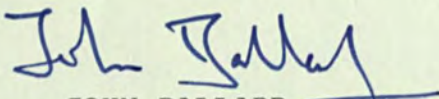
Your ref:

22 February 1984

Dear Andrew

I enclose a copy of a note of today's meeting with Liverpool City Council's Labour leadership. I have also sent a copy to Bernard Ingham.

Yours sincerely


JOHN BALLARD
Private Secretary

Prime Minister (2)

I suggest this be circulated to Ministers attending next Wednesday's meeting in Liverpool. Do E are preparing an agenda note

AT
22/2

Andrew Turnbull Esq

NOTE OF A MEETING WITH LIVERPOOL CITY COUNCIL ON WEDNESDAY 22
FEBRUARY

1. Mr Hamilton said that he was grateful for the opportunity to put the City Council's case. The Labour Council had inherited a budget which was inadequately funded, with balances that had been completely drawn down. The Council was not engaged on an extravagant programme.

2. In the ensuing discussion the Councillors and MPs made the following points.

(1) The Liberal Council had budgeted for an income of £218 million when the cost of the services was of the order of £237 million in 1983/84. They had proposed to narrow this gap by unspecified cuts of about £6 million and drawing £7 million from reserves. Only £2 million of the £237 million could be attributed to the cost of new policies introduced by the Labour administration.

(2) The latest estimate of outturn for 1983/84 was £225 million. This did not however take account of the £7 million expenditure funded from 'reserves'.

(3) The Expenditure Target for 1984/85 set by the Government was £218 million. Yet starting with the £237 million figure of expenditure for 1983/84, and if inflation was 5% as the Government assumed, the Council would require a budget of £244 million to "stand still". And they had no balance to carry forward or special funds on which to draw. The Secretary of State and his colleagues and officials were invited to visit Liverpool to see what the Expenditure Target figures meant on the ground.

(4) Whatever financial measure was used, Liverpool had lost out. Since 1980 funds for further education had been reduced by £18 million, housing subsidies had been reduced by £62 million and the HIP allocation had been reduced from £47 million to £28 million in real terms for 1984/85.

(5) Liverpool was to some extent a regional centre, providing services for many outside the boundaries of the authority. When account was taken of this factor, Liverpool had a comparable number of employees per 1,000 of the population as other cities (59.00 c.f. 58.88). In addition while Liverpool had lost population, those that remained were those most in need of the services the Council provides.

(6) A standstill budget would require a rate increase of 60%. The Council was however not prepared to rest on a standstill budget in a city where 60,000 people were unemployed. The programme it considered the minimum necessary would require an increase of 200%, which was why a further £30 million in additional finance was needed from Central Government. The was determined to adhere to its expenditure programme.

The delegation represented a city that had, in the last local elections voted for a change and its members were confident of the support they would receive from the people of the city, and the Council's own employees and Trade Union members in general. The Council had looked for economies, subject to the constraint that there should be no reduction in the number of jobs, or drop in the quality of services. A previous attempt at rational dialogue had failed. The Council had presented its housing strategy to the Secretary of State earlier in the year. The result had been a reduction in the authority's HIP allocation. They were aware of the consequences of the course of action upon which they were embarked, which were appalling but were better than accepting the policy the Government wished to impose. Liverpool would be taking action which other authorities would follow next year.

(7) Laws were laws because they were accepted and recognised as just. If the Government continued with its present policies they would be broken.

3. Cllr Hatton intervened to say that the Council was united in its determination to get what it wanted, if necessary by taking to the streets in Liverpool and more directly at the Secretary of State's home in London. This was not an idle threat but a threat of the action they would take. At the end of the day "the gloves were off".

4. The Secretary of State said that he was grateful for the clear way in which the City had presented its case. In response to Mr Hatton he said that he had a poor understanding of human nature if he believed any Government could react to threats of that nature. He appreciated the strength of feelings expressed but Liverpool did have to live within its means as did all authorities. Similarly the RSG and Expenditure Targets were part of a system of local government finance approved by Parliament that was applied without distinction to all authorities: it was not possible to single out individual authorities for particular treatment.

5. This did not mean that the Government was not aware of Liverpool's problems. These were recognised by the GRE based distribution system for RSG. In addition Liverpool were receiving substantial additional aid from the Urban Programme. But in this connection the City did not help itself by such action as spending £3 million on the purchase of housing on Joliffe Street, for which there was a private sector market.

6. The net cost of all services in Liverpool was £466.3 per head compared to an average, in all met counties of £385. The Government were asking Liverpool to make economies from what was therefore a high base. The Labour Party had, upon taking office accepted responsibility for the conduct of the authority's affairs, in the knowledge of the imbalance between funding and

expenditure in the Liberal budget for 1983/84. Yet they had not sought any ways of closing the gap but had embarked upon new policies that would add £2 million to expenditure in the current year. Their target represented a very small fall in expenditure compared with the 1983/84 budget and what was being asked of many other authorities. Liverpool needed to consider not only how it appeared to itself, but how its action and the treatment it had received (through Expenditure Targets and the Urban Programme) appeared to other authorities who considered themselves less generously treated.

7. The Department had a Task Force on Merseyside, the only part of the country in which this was the case. He and his colleagues also made more visits to Merseyside than to any other part of the country. He was well aware of the difficult situation that the City had inherited. This did not however absolve the City from looking for economies and living within their means. He accepted that a "standstill" budget might require a 60% increase in rates. This corresponded with his official's own estimates. But Liverpool had benefited from a series of low rates increases in the 1970's. And he did not understand however how this squared with the City's estimates that rates would need to rise by 200% unless this reflected not a standstill but an expansionist budget.

8. The Secretary of State asked the City Council to consider very carefully the action they appeared to be contemplating. He did not doubt the sincerity of their views but the consequences were likely to be appalling, for the City, the people and the services they were seeking to protect. Business confidence would crumble. The City was not being left with no alternative. It could still budget responsibly and safeguard the bulk of its services. The alternative would cause such chaos that it should not be contemplated. Such consequences would be the responsibility of the Council. The Government could not bend the rules for Liverpool, but it was willing to maintain a dialogue with the objective of making the most efficient use of the resources available.

J F BALLARD
PS/Secretary of State

22 February 1984

PRESENT

The Secretary of State
Lord Bellwin
Sir George Moseley
Mr Heiser
Mr Sorensen
Mr McDonald
Mr Ponsford
Mr Ramsay
Mr Owen

Cllr J D Hamilton
Cllr D Hatton
Cllr T Byrne
Cllr F Mills
Cllr T Hood
Mr A J Stocks
Mr M Beddington
Mr B Caldow
Mr E Loyden MP
Mr T Fields MP
Mr R Wareing MP
Mr R Parry MP

22 JAN 1984

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CC AT
BT
Poygunur

STATEMENT BY THE SECRETARY OF STATE

1. The Secretary of State for the Environment, Mr Patrick Jenkin, today met, at their request, a deputation from Liverpool City Council - Councillors Hamilton, leader, Hatton, Deputy leader, Byrne, Hood and Mills - to discuss the implications of the 1984-85 RSG Settlement.

2. Following the meeting, Mr Jenkin said:-

"Liverpool City Council are by no means unique in facing tough political choices in 1984/85. A number of councils face such decisions and that is what they are elected to do.

The principles of the grant system have to apply to all authorities. I have no power to make special rules for Liverpool. In fact, the City has been set an expenditure target for next year, which implies a relatively small reduction in its expenditure, compared with some other authorities who are faced with much higher reductions.

I am afraid that the City Council have done nothing to help themselves in this matter. They inherited a tight budget position in May 1983, which required savings to balance the books. They have not only failed to find these savings, but they agreed that they have actually increased expenditure.

How can a council which claims to be ⁱⁿ severe financial straits afford over £1m. to give all its tenants a £16 cash handout.

Liverpool have alleged that in order to meet the Government's 1984/85 expenditure target they either have to reduce the number of Council employees by 5,000 or levy a 200% rate increase. These estimates do not appear to square with what was said at today's meeting. They admitted that a standstill budget - with no savings - would mean a 60% rate increase, little over a quarter over the 200% they have been threatening. The steps which Liverpool can take to reduce their expenditure is of course a matter for them, as is their rating decision.

For every £5 million by which the Council can cut its spending plans and come closer to target, it stands to gain £10 million more in Government grant. So each £5 million expenditure reduction saves them £15 million cash. That £15 million is equivalent to over 20p in the pound. That is the measure of the benefit to be gained for the ratepayers in Liverpool if the Council could moderate its spending plans for next year.

The Government is sympathetic to the economic and social problems of Liverpool. Our record shows that is

the case. The City Council have claimed that the Government has stolen £120 million Rate Support Grant from Liverpool since 1979, but this figure is very misleading. It ignores the fact that before 1981, under the old RSG system, Liverpool received grant on behalf of Merseyside County Council which is today paid direct to the County. It also assumes that spending levels should have remained constant, but we have asked all authorities to contain their expenditure, and we have accordingly reduced the proportion of local spending supported by the national taxpayer. This has applied to all authorities, not just Liverpool. And finally, it overlooks the substantial increases in other forms of Government assistance for Liverpool, notably in terms of Urban Programme aid.

Over the last three years 1981/82 to 1983/84 capital expenditure by local authorities and other bodies on Merseyside, under the Department's main programmes has reached £650 million. This includes about £140 million for the City in these 3 years through the Urban Programme and the Merseyside Development Corporation. In addition, the Department of Trade and Industry has given an average of £110 million a year in the last three years to companies within the Merseyside Special Development Area, the Merseyside Docks and Harbour Company have received a total

of £134 million in financial assistance, and the Manpower Services Commission is expected to spend £90 million on Merseyside in 1983/84.

To sum up, I had a very frank discussion with the councillors. I recognised that the Council inherited a difficult situation on taking up office. The Government fully accepts that Liverpool has exceptional social problems. That is why we set up for Merseyside alone a special task force, why we make a major contribution through the partnership programme, and why the block grant arrangements take account of social and environmental factors. But the Council is now proposing to spend money it hasn't got, and asking us to go outside the rules to make it up. That is not acceptable. We must apply the same rules even-handedly to all authorities. I strongly urged them to consider the consequences for Liverpool, the services they seek to protect and for the people they represent of the illegal action they are considering. I cannot believe that a responsible local authority will ignore its responsibilities in this way.

①

PRIME MINISTER

Liverpool

Mr. Jenkin will need to make a statement to the press tomorrow following his meeting with Liverpool councillors. Bernard has seen Mr. Jenkin and his information people and has asked that the emphasis should be on the need for the Council to act responsibly rather than dwell on what the Government would do if they acted illegally. On this score, the statement seems fine, though the material at the bottom of page 2 on the Government's record in supporting Liverpool and Merseyside could be presented in an even more advantageous light.

During the course of briefing for Questions we concluded that the second paragraph of annex B was defective. The following would be more consistent with the theme suggested above.

"The Government does not believe that Liverpool will be so irresponsible as to precipitate a serious breakdown of essential services. Its efforts are now concentrated on persuading the City Council to accept its responsibilities and act on them."

Y
to
Mr

X

Agree Mr. Jenkin's statement, with these minor amendments?

AT

21 February 1984

Note

Told M Ballard we were content subject to

- (i) backing up the para at the bottom of page 2
- (ii) replacing para 2 of Annex B with X leaving points about Commissioner to come out in questioning rather than being volunteered.

CONFIDENTIAL the theme of responsibility was endorsed

AT 22/2

CONFIDENTIAL



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

21 February 1984

Dear Andrew

LIVERPOOL CITY COUNCIL

As the Prime Minister knows, my Secretary of State is tomorrow to meet, at their request, a deputation of Councillors from Liverpool to discuss the effects on them of Rate Support Grant Settlement for 1984/85.

My Secretary of State proposes to handle them as much as possible like any other RSG delegation at this time of year. He will, however, use the opportunity to seek better information about Liverpool's financial position, and to underline for the Councillors where their responsibilities lie and the consequences for them of illegal action.

The meeting has already received a great deal of advance publicity, including speculation about whether the Government will take powers to appoint Commissioners to the City. Since the Councillors will use the meeting to publicise their case, my Secretary of State proposes to issue his own statement afterwards. I attach a draft at 'A' of the line he intends to follow.

For your immediate use in briefing for Prime Minister's questions and responding to questions from the press I attach at 'B' a short brief as a response to questions about the Government's intentions towards Liverpool.

My Secretary of State will report the outcome of tomorrow's meeting to the Prime Minister.

Yours sincerely

J F Ballard

J F BALLARD
Private Secretary

Andrew Turnbull Esq

C O N F I D E N T I A L

DRAFT STATEMENT BY THE SECRETARY OF STATE

1. The Secretary of State for the Environment, Mr Patrick Jenkin, today met, at their request, a deputation from Liverpool City Council - Councillors Hamilton, Leader, Hatton, Deputy Leader, Byrne, Hood and Mills - to discuss the implications of the 1984-85 RSG Settlement.
2. Following the meeting, Mr Jenkin said:-

"Liverpool City Council are by no means unique in facing tough political choices in 1984/85. A number of councils face such decisions and that is what they are elected to do.

The principles of the grant system have to apply to all authorities. I have no power to make special rules for Liverpool. In fact the City has been set on expenditure target for next year, which implies a relatively small reduction in its expenditure, compared with some other authorities who are faced with much higher reductions.

I am afraid that the City Council have done nothing to help themselves in this matter. They inherited a tight budget position in May 1983, which required savings to balance the books. They have not only failed

to find these savings, but have actually increased expenditure. How can a council which claims to be in severe financial straits afford over £1m. to give all its tenants a £16 cash handout?

The Councillors told me that they envisage a budget of £ million in 1984-85, and that that would require a rate increase of pence in the pound, or %. That cannot be necessary. I have advised them to go and re-examine their budget very closely to see what savings can be made. For every £5 million by which the Council can cut its spending plans and come closer to target, it stands to gain £10 million more in Government grant. So each £5 million expenditure reduction saves them £15 million cash. That £15 million is equivalent to over 20p in the pound. That is the measure of the benefit to be gained for the ratepayers in Liverpool if the Council could moderate its spending plans for next year.

I certainly do not want to give the impression that the Government is unsympathetic to the economic and social problems of Liverpool. Our record shows that is far from the case. Through the Urban Programme and the Merseyside Development Corporation we have allocated about (£140) million for the City in the 3 years 1981-82 to 1983-84.

240
170

I hope that City Councillors will think very carefully and take legal advice before setting out on any course which could involve illegal rating action. Such behaviour could only compound the problems of Liverpool and have very serious consequences for the Councillors themselves, for the local authority's staff and for the people of Liverpool."

3f.

C O N F I D E N T I A L

BRIEFING FOR NUMBER 10

LIVERPOOL CITY COUNCIL

a. GENERAL SPEAKING NOTE

1. Responsibility for running Liverpool lies with the elected city council. Councillors should think very carefully and take legal advice before setting out on any course which could involve illegal rating action. Such behaviour could only compound the problems of Liverpool and have very serious consequences for the Councillors themselves, for the local authority's staff, and for the people of Liverpool.

2. The Government has no powers to appoint Commissioners to take over the running of a local council. However, if the action of any local authority led to a serious breakdown of essential services, the Government would need to consider appropriate action.

b. QUESTION AND ANSWERS

Q1. Have you prepared legislation to allow the appointment of Commissioners?

A1. No.

Q2. If such legislation proved necessary, how quickly could it be enacted?

A2. That would be a matter for Parliament, but it would be bound to take some time.

Q3. Would disqualification of an individual from office as a local councillor following surcharge lead to his disqualification as a Member of Parliament? (Mr Loyden MP is a Liverpool Councillor as well.)

A3. No. I understand that surcharge of itself would not be grounds for the disqualification of an MP, unless it caused bankruptcy.

Q4. Are you planning to suspend the May elections in Liverpool? (As suggested in The Guardian 20.2.84)

A4. NO.

2 Press

PS/Secretary of State

LIVERPOOL CITY COUNCIL - FEBRUARY 22ND

I have discussed with Bernard Ingham and my colleagues on the Inter-Departmental Official Committee on Local Government Policies, the tactics for handling the press/media following the Secretary of State's meeting with the deputation of Liverpool Councillors.

We agreed that the Secretary of State should be advised to make himself available to talk to the press and to give radio/T.V. interviews on request. We do not propose to call a formal Press Conference but we know that the press will be at the Department, hoping to talk to the Councillors as well as to the Secretary of State. I suggest, that after the meeting, we allow the Liverpool Councillors to be interviewed on the doorstep and that we should monitor what they say. The Secretary of State could then be available to see the press either in the Press Conference Room or in his office, depending on numbers.

We have also received bids for interviews from:

- ITN
- BBC TV News
- Channel 4 TV News
- Granada TV News
- BBC Radio - World at One

We expect in addition bids from the two radio stations in Liverpool. We will work out the precise arrangements for these interviews and inform you early tomorrow morning.

As to the stance to be adopted by the Secretary of State, Bernard Ingham and my colleagues endorsed the view that an expectation that Liverpool will act responsibly should be the theme. Bernard Ingham argued that no attempt should be made to answer hypothetical questions about possible future action. That view was also endorsed.

David ...

D McDONALD

21st February 1984

- cc PS/Lord Bellwin
- PS/Mr Waldegrave
- Mr Heiser
- Mr Owen
- Mr Ponsford
- Mr ...

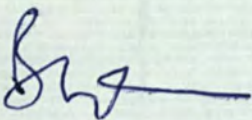
MR TURNBULL

You invited my comments on the proposed statement by Patrick Jenkin following his meeting with Liverpool City Council tomorrow. Please see at Annex A a note of my meeting with Mr Jenkin's Chief Information Officer, today.

I think the draft is OK. But I think it could be strengthened in the penultimate paragraph (page 2) but inserting the material at Annex II after, "Our record shows that is far from the case". This would replace the last sentence of that paragraph, "Through the Urban Programme to 1983/84".

There is no need to worry about the length. The proposed addition is very good stuff.

On paragraph 2 of the briefing, I do not like the second sentence. I suggest that, consistent with my advice, see Annex A, it should be replaced with: "The Government does not believe that Liverpool will be so irresponsible as to precipitate a serious breakdown of essential services. Its efforts are now concentrated on persuading the City Council to accept its responsibilities and act on them."



B. INGHAM

21 February 1984

LORD PRESIDENT

LOCAL GOVERNMENT

This note reports on the rate capping/abolition campaign.

We had this morning our official meeting, preparatory to Mr Jenkin's Ministerial group tomorrow.

I established:

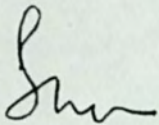
- (i) Patrick Jenkin is absolutely firm on no more money for Liverpool;
- (ii) he is less firm over playing it long - ie. in wishing to get over the idea that the Government in the last resort would not stand idly by; I have urged that he should refuse to answer hypothetical questions about what would happen if Liverpool went bankrupt and to portray his current efforts as being to persuade Liverpool to act responsibly; I shall be seeing a draft of his statement later today;
- (iii) the Cooper & Lybrand report tomorrow on the cost of abolition of MCCs will not be helpful to the MCCs who commissioned it.

Mr Jenkin had a successful meeting with the Newspaper Conference - London editors of provincial newspapers - last Friday. It seems to have been so greatly appreciated by the London editors that they are now thinking of arranging a similar event for editors of provincial papers. The London editors apparently felt the rate capping argument has been won; they are now much more interested in abolition and Mr Jenkin knocked down very firmly suggestions of compromise.

We agreed to recommend speaking notes on (i) abolition; (ii) the savings to be obtained in local government from greater efficiency - to be issued as new rate demand notes arrive; and (iii) the cost of local authority campaigns against Government measures.

Christopher Monckton is to have a word with his friends on The Standard about their failure to cover the Government's recent measures to safeguard concessionary fares for pensioners in London.

Altogether a useful meeting.



B. INGHAM

21 Febraury 1984

AT

Are you looking for a response
from Environment to the
question raised in para 4
of your letter of 8/2. (at
Clap) ?

If so I will chase.

Mark

17/2

Mark

I expect there will be a meeting
before long. When I set that up
I will ask for X to be
covered. - so no action for you

Thanks

AT