



NBPM AT 315 CC NO/

CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

3 May 1984

Dear Andrew,

LIVERPOOL

The attached material was put together for Peter Walker and Nicholas Ridley, but you may find it helpful to have a copy.

A copy of this letter goes to the Private Secretary of each Cabinet Minister (except Michael Reidy and Dinah Nichols.)

Yours sincerely

John Ballard

JOHN BALLARD
Private Secretary

Andrew Turnbull Esq

CONFIDENTIAL



CONFIDENTIAL

Love
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

3 May 1984

Dear Michael

My Secretary of State spoke to Peter Walker and Nicholas Ridley this morning, after Cabinet. It was agreed that I should let you and Dinah Nichols have some background information on Liverpool in case the subject should come up in the course of Mr Walker's appearance on ITN or Mr Ridley's appearance on Central TV. This is enclosed.

/
/ A copy of this letter goes to Dinah Nichols.

Yours sincerely

John Ballard

JOHN BALLARD
Private Secretary

Michael Reidy Esq

Dept. of Energy

CONFIDENTIAL

PS/SECRETARY OF STATE

LIVERPOOL : LOCAL ELECTIONS

1. The Secretary of State may find it helpful to have an assessment of how the Liverpool election result might influence the 1984/85 budget and rate decision.

2. In the last few years the Liberals have been losing ground to Labour. The composition of the Council after recent local elections was as follows :

	<u>LABOUR</u>	<u>LIBERAL</u>	<u>CONSERVATIVE</u>
1980	40	38	21
1981	County Council Election		
1982	42	36	21
1983	51	30	18

3. In the May 1984 elections 34 seats are being contested in Liverpool with the parties defending seats as follows :

LABOUR	14
LIBERAL	12
CONSERVATIVE	8

Because the seats being defended by Labour tend to be ⁱⁿ solid Labour wards and because the Liberals are defending seats which were last contested in 1980 which was a very good result for the Liberals, this suggests that the Liberals will continue to lose ground to Labour. The Liberals might pick up seats from the Conservatives and thus retain near 30 seats but obviously on these assumptions the non-socialist vote on the Council would be smaller.

4. Of the 6 Labour Councillors who have said that they will not support an invalid rate, one has been de-selected and replaced by a hard-line Labour candidate. Of the remaining 5, only one (Cllr. Orr) is up for election and he is expected to win. Therefore the new Council could include 5 Labour dissidents.

5. If Labour make at least 4 net gains, then on the assumption that the 5 dissidents vote against an invalid rate resolution the vote in favour of such a resolution would be 50-49.

6. This assumes that the remainder of the Labour group remain solid and that there are no further defections. It appears likely that Labour will attempt to take the Council Chairmanship which gives them the advantage of the casting vote if votes are tied.

7. There is little evidence that new Labour Councillors will fail to support an invalid budget and rate resolution. If it became clear however that such a resolution were likely to be passed then it is reasonable to speculate that one or two Labour Councillors might possibly join the existing dissidents.

8. This suggests :

- a) If Labour only make up to and including 3 net gains the passing of an invalid rate resolution remains unlikely.
- b) If there were 4/6 net gains, the decision is subject to the vagaries of further defections, illness and absences.
- c) Labour net gains above, say, 6 makes an invalid rate resolution probable.

9. Though at one stage the Chief Executive was suggesting that the count might be delayed, it now appears that by midnight tonight the Liverpool results should be in.

K.E.S.

K E C SORENSEN
MERSEYSIDE TASK FORCE
3 May 1984

- PS/Lord Bellwin - N16/05
- PS/Mr Waldegrave - N17/06.
- PS/Permanent Secretary - N16/12
- Mr Heiser (or) - N14/18
- Mr Pickup - P1/188

LIVERPOOL CITY COUNCIL

LINE TO TAKE FOLLOWING ELECTION

(A) NO CLEAR MAJORITY FOR LABOUR'S HIGH EXPENDITURE/LOW RATE PROPOSAL

I hope the newly elected council will, as quickly as possible, make a proper budget and rate. This will put the City Council back on a sound financial footing and end the present uncertainty which can only be damaging to Liverpool's economic prospects.

(B) CLEAR MAJORITY FOR LABOUR'S HIGH EXPENDITURE/LOW RATE PROPOSAL

The people of Liverpool have made their choice and they must now live with its consequences. No-one in this country can claim an electoral mandate for unlawful action, and it is therefore spurious for the Labour Group to claim a mandate for their high expenditure, low rate proposals. To go on down this road would be to abdicate responsibility for running the City. Having made their protest I hope they will now turn back from the brink, and quickly make a properly balanced budget and rate. The consequences of failing to do so would be far worse for the council's employees and services than anything that might flow from them accepting their proper, statutory responsibilities."

PRESS CONFERENCE IN LIVERPOOL ON WEDNESDAY 2 MAY
"JENKIN'S WARNING TO LIVERPOOL"

Environment Secretary Patrick Jenkin this morning warned the electorate of Liverpool of the dangers of voting for the Left wing Labour Group which threatens to bankrupt the City.

Liverpool's ruling Labour Group plans to vote through a budget which would mean no cuts in jobs or services and a single figure rate increase - but which could put the city up to £190 million in the red.

It is using tomorrow's municipal elections as a referendum on its plans and hopes to strengthen its position on the council in order to vote through the illegal budget.

Mr Jenkin said at the launch of the City's International Garden Festival, due to be opened later by the Queen, "I hope the electorate will think very carefully indeed before they go down a path which could lead to chaos in the City with staff not being paid, schools closing and rubbish left in the streets. That is what will happen if Liverpool does not have the money to pay the bills. It would be an abdication of responsibility by the City Council. It may be a striking political gesture but it is a gesture that would be made at the cost of the people of Liverpool" He said. Mr Jenkin said contingency plans had already been drawn up in case the Labour Group does vote through its plan but he said it was hoped these would not be needed and he refused to spell them out. Asked about the Group's stance that the elections were a referendum on the budget crisis, he said: "I don't think there can be lawful support for their unlawful budget and rate. The law requires them to make a budget and rate which is adequate and no amount of electoral mandate can overrule that statement of the law of the land. I hope that whatever the result of the election they will turn away from what is a kind of civic suicide."

CONFIDENTIAL

SPEAKING NOTE FOR MINISTERS

Labour Councillors in Liverpool want to bankrupt their City. As the local elections approach, they are telling Liverpudlians that they have no choice and that it is the only way to solve the City's severe economic and social problems. This is a cruel deception.

Look at the facts.

It is Labour Councillors themselves who have created the financial mess in which the Council now rests. It is they who overspent last year, leaving a large deficit to be paid off this year. And it is they who propose this year to spend over £50 million more than the Government's target - a target which itself takes account of the City's particular needs.

The Labour Group's reckless spending plans would require a staggering rate increase of 175%. Unable to face up to the consequences of such irresponsible behaviour, however, they propose to compound their folly by deliberately fixing the rate at a level far below what is needed to balance the books.

They seek to dignify this action by a self-righteous claim that they want to keep down rates, protect services and save jobs. By deliberately aiming to run out of money they will achieve exactly the opposite. They will be unable to borrow, unable to pay their staff and unable to keep their services going.

Let us not mince words about what this really means for the people of Liverpool:

- Those who depend on the social services - the elderly the sick, the handicapped - will be cast adrift without support. Schools will close. Rubbish will pile up in the streets. The dead will remain unburied.

- In a city which urgently needs new jobs, existing jobs will be put at risk. It is not only council staff who will suffer. What businessmen will place orders or invest money in a City threatened with chaos?
- And in the end someone will have to pick up the shattered pieces. There is no fairy godmother. The ratepayers of Liverpool would eventually have to foot the bill for the Council's irresponsibility.

The Labour Group want people to believe there is no other way. This is simply untrue. It is possible for the Council to make a properly balanced budget and rate. The council can, if it has the will, put itself back on a sound financial footing without anything like the rate increase or redundancies on the scale which the council have threatened.

It can do so by increasing efficiency, and better financial management, or by cutting out increases in spending. And the benefit to ratepayers would be substantial: a £5 million cut in spending earns the council another £10 million in rate support grant - worth 20p in the £ off the rates.

For its part, the Government continues to provide the City with substantial sums of money to help re-establish its prosperity. We stand ready to work in partnership with a Council which has the interests of the City at heart.

We have suggested to the Council that they should seek the help of the Audit Commission in a study to improve their economy, efficiency and effectiveness - an approach which we would fully support provided they first set a legal rate. I very much hope they will respond constructively.

The Labour Group are looking to the electorate to support a policy which would break the law and plunge the City into turmoil. I hope the people of Liverpool will treat such an approach with the contempt it deserves.

BACKGROUND NOTE

1. On 29 March the Liverpool City Council Labour Group proposed expenditure of £269 million for 1984/85 against the Government's target of £216.1 million. In 1984/85 the City Council also has to meet a deficit of £34 million carried over from 1983/84. A rate increase of 175% would be necessary to cover such outgoings, but the Labour group proposed only 9%. This proposal which would be illegal if agreed, was defeated by a combination of Liberals, Conservatives and Labour moderates. Although the City Council meets again to discuss its budget on 25 April, the Labour Group have said that they do not want to set a rate then, intending instead to campaign for the 3rd May local elections on the basis of their earlier proposal. There will then have to be another council meeting to discuss the budget after 3 May.
2. It is clearly possible to reduce the expenditure of the Council as proposed by the Labour Group by greater efficiency, cutting increases in expenditure (the Labour Group propose for instance a £8 million decorative allowance for Council tenants, a veiled method of reducing rents) and better financial management. For each £5 million that the City Council can reduce its expenditure it gains an extra £10 million in rate support grant, bringing a total benefit to rate payers of £15 million or a 20p rate. 35 major authorities faced tougher targets than Liverpool for 1984/85. Nearly half of these have managed single figure rate increases, and none claims that anything like what Liverpool City Council propose is necessary.
3. The Secretary of State for the Environment has met the Labour Councillors twice to discuss their financial position but they showed no sign of moving their position.

On 13 April he suggested that the Council seek a study by the Audit Commission to help improve their economy, efficiency and effectiveness, and said that he would support such a study against the background of a valid rate. The Councillors have not yet responded.

4. Over the past 3 years - 1981-82 to 1983-84 - capital expenditure on Merseyside under the Department of the Environment's main programme had reached £650 million. This includes £140 million specifically for Liverpool through urban programme and the Merseyside Development Corporation. 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 Mersey Dock and Harbour Company has received a total of £134 million in financial assistance. The Manpower Services Commission spent around £90 million in Merseyside last financial year. Merseyside is the only area of the country to which a special government task force is assigned.

3 - MAY 1984

