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CONFIDENTIAL



Prime Minister ()
Agree to vote? (R Baker
would I think welcome the
recognition that you are following
his efforts in this.)
DLW
1/10

Yes

PRIME MINISTER

MISC 109: LIVERPOOL

I attach a situation report on Liverpool. No decisions are required at present.

The refusal of the workforce to vote for an indefinite strike was a victory for common sense, and a set-back to the planned confrontation by the Council and the Militant Shop Stewards. The Council decided on 27 September to issue redundancy notices. This allows them to borrow more cash, provided someone will lend to them, to meet their obligations and their wages bill up to 31 December.

This device has bought them more time to gather support. Councillor Hamilton, who is, from time to time, in command, talks of 90 days "to build a bridge". After 31 December they could make the redundancies and keep afloat, by keeping vital services running and blaming the Government for other dislocation. Some of the Unions, though not the local shop stewards, are fed up with this, and are instituting court action against the Council.

See
R Baker's
Separate
write,
behind

Press coverage is widely supporting the line we have been taking - that the mess is of Liverpool's making and they must get out of it without special treatment. Whilst I am refusing to see the Council in their present intransigent posture, I have seen a wide range of people genuinely concerned about Liverpool's future - the Bishops, Trades Union General Secretaries, Liverpool Labour MPs, Conservative Merseyside MPs, David Steel and the Labour front bench spokesman. I am ensuring that the press is comprehensively briefed, and aware of the extent of Government money already available to Liverpool.

I am copying this minute and enclosure to members of MISC 109, George Younger and Sir Robert Armstrong.

K.D.

K B

1 October 1985

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MISC 109: LIVERPOOL SITUATION REPORT

I GENERAL SITUATION

1. Following the Government's refusal of consent for borrowing of £25m against future revenue, the City Council sought to issue a form of redundancy notice to its employees. However the necessary Council meeting was abandoned following picketing, and instead the Council and unions proposed an indefinite strike from 25 September. Opinion among the workforce on this was deeply divided, chiefly between white collar and manual workers. After a number of ballots it became clear that there was a majority against indefinite strike action, and instead a day of action was held on 25 September. As a result many services were disrupted and demonstrations held.

2. While the collapse of the strike represents a victory for realism, and shows the concern of the unions and the workforce for jobs and pay, it does not solve the financial crisis. At the Council meeting on 27 September it decided (by 46 to 35) to serve 90 day redundancy notices to its 31,000 staff. This could buy time for the Council, since the redundancies would not be effective till the end of December.

II FINANCIAL SITUATION

3. This remains confused. The City Treasurer's last estimate was that around the end of September the Council would reach the maximum net revenue level of financial commitments - around £235m - which it is able to finance. At that stage it would be unlawful for further commitments to be entered into. Lay-offs or redundancy notices would therefore be required. As noted above the Council has decided to issue redundancy notices. It remains to be seen whether lenders will in fact go on lending. If they do not the cash crisis could still occur very quickly.

4. It would seem that the Council have now rejected alternative ways of balancing the books, such as capitalising housing repairs spending, or quashing and raising the rate.

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III AUDITOR ACTION

5. Although we understand that the 49 Liverpool Councillors concerned will appeal against the certificates of surcharge, they have not yet done so.

IV POSITION OF ACCOUNTING OFFICER

6. This is being kept under review. The Accounting Officer position for grant payments and for scheme approvals would still seem defensible given Liverpool's present financial circumstances.

7. However care is needed about the presentation of approvals which might be represented as the Government approving spending at a time when Liverpool could no longer fund it. This clearly depends on up-to-date analysis of financial developments, and presentation needs careful study in each particular case.

V DHSS HOUSING BENEFIT PAYMENTS

8. The back-payment of £5½m has not yet been made. The Secretary of State for Social Services has written round MISC 109 on this, seeking agreement to making the payment. DOE's view is that, in the absence of propriety arguments against paying, present policy ("letting events take their course") implies that the payment should be made as soon as possible.

VI CONTINGENCY ARRANGEMENTS

9. These have been reviewed by an interdepartmental group of senior officials under DOE chairmanship. A few points were noted on which further work is in hand, in particular the need for further consideration of the demands on DHSS/DEm local offices in the event of large-scale redundancy or strike action. As problems arise they are being handled on the basis of "letting events take their course" - ie treating in as normal a fashion as possible. Ministers will be consulted as necessary.

10. There seems no need at present to formalise emergency arrangements either in London or Liverpool, or to bring in the CCU.

11. Commissioner legislation is in an advanced state of readiness.

Why not say
"is ready"!

Department of the Environment

27 September 1985

