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cc. Mr Bailey

PS | Mr Baker Room NIS/05

NW 249/84

28 November 1984

STATEMENT BY KENNETH BAKER: 28 NOVEMBER 1984.

At the beginning of this month, Patrick Jenkin warned Liverpool City Council that they had to take urgent action to put their finances in order. Today, we have seen their reaction and it confirms our worst suspicions. The City Council have completely ignored the breathing space offered by the settlement of this year's budget in the Summer. They have done nothing to prevent a deficit building up. Instead, they are once again threatening to plunge their City into chaos by making a budget and rate for 1985/86 which do not balance. It is clearer than ever that responsibility is not a word which the Militant Tendency understand.

The Council are once again claiming that a strategy of high spending with no rent or rate increases is the only way to save jobs and maintain services. They were wrong about this in the summer. They are wrong now. It is a cruel deception. The consequences for Liverpool will be far worse if the Council fail to make a proper rate than if they accept their statutory responsibilities. In those circumstances, who will provide the services on which so many depend? Who will pay the Council's staff? Even if, as last year, the Council eventually see the folly of their threats, the people of Liverpool will have suffered further months of needless anxiety and the reputation of the City will have suffered a further knock just when the success of the International Garden Festival had provided so much to build on.

The Council have also today made a new and totally false claim. They say that the Secretary of State promised them a £130M capital allocation for 1985/86. No such promise has ever been made. Indeed, no council's allocation for next year has yet been settled. The figure mentioned by Liverpool - three times this year's allocation - belongs in any case in cloudcuckooland. No responsible Council could possibly base its plans on such a wild assumption. Capital allocation for next year have to be fixed in the light of the Government's overall public expenditure plans, and resources must be distributed equitably between authorities.

No one denies the gravity of Liverpool's problems. We have said that we want to help the city deal with them as best we can. But the present attitudes of the City Council are making this nearly impossible. In his letter of 29 June to the Leader of the Council, Patrick Jenkin outlined the basis on which we still hope we can go forward.

We have repeatedly offered, not only in relation to housing but across the whole range of the problems facing the city, to work with the Council, in a spirit of partnership, on constructive proposals which would make the best use of the resources available to Liverpool whether public, private or voluntary. The City spurns that partnership, seeks to spend money it has not got and rejects the contributions which the private and voluntary sectors could make. That is not the way to make progress.

The Council should have learnt that this Government does not yield to blackmail. They threaten chaos and hope we will respond with extra money. They gained nothing by their antics in the Summer and they will gain nothing by a repeat performance. The Council should understand this now. They know what must be done to rein back spending, to reduce costs, and to improve the efficiency of their services. They must do it, and do it on their own.

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