

RATE CAPPING: MISC 109

The rate-capping revolt is crumbling, principally because the Government has refused to panic and has stuck to its policy of 'no negotiations, no precipitate action'.

Now is not the time to change course. The signs are that all the councils - including Liverpool - may well come to heel before any real crisis occurs. And even if some hold out or cause deficits, the Government can well afford to engage in brinkmanship, refusing to intervene until local people ask for help.

On the specific issues raised in the MISC 109 papers:

1. Deficits in rate-capped authorities: wait and see. With luck, the councils will find means of containing their budgets or of 'accounting creatively'. In any case, RSG, rates and other revenue will keep them going until late in the year.
2. Liverpool rates: wait and see. The signs are that new money is being 'discovered' every day. And Hatton may find himself with a personal financial scandal on his hands.
3. Liverpool capital spending: do not precipitate a crisis. There is no merit in taking action which would lead to a financial breakdown unless Liverpool are clearly and openly flouting the law on capital borrowing. They seem, at present, to be backing away from a confrontation: Patrick Jenkin should not unnecessarily force them into a corner.

4. Liverpool contingency planning: take no further action. The arrangements for dealing with a contingency seem sensible. But DoE tend to be too apocalyptic: many of the 'service breakdowns' would take weeks or even months to become serious. It is important to ensure that officials do not swing into action unless and until there is popular clamour for them to do so.


5. Special funding for Commissioners: avoid any appearance of rewarding bad behaviour. Special borrowing powers, sales powers or - worst of all - Government grants should be avoided, since they will make us vulnerable to accusations of favouritism. There are two sensible options: either give them no extra powers; or give them power to levy a poll tax, which would bite on everybody in Liverpool, and thereby penalise those who voted the present council into office.

6. Size of a Commission: twelve members is too many. A new administration will be much more effective if it consists of just three (or at most, five) members. There will be no time for long meetings of a large committee. And months will be wasted in choosing candidates.

7. 'Sounding out' a chief Commissioner: delay action. A Commission should be avoided if at all possible; appointment of a chief Commissioner will merely lead Ministers to believe that this ghastly possibility is more realistic than it is. There is, in any case, no need to act now: a suitable person can be found very rapidly if the need arises, so long as the bait is sufficiently attractive. Besides, if the Government approaches a prospective Chief Commissioner, this will

inevitably leak, and Liverpool councillors will think that they have us on the run.

In short, we recommend that you should use the MISC 109 meeting to take stock, to remind Ministers of the success of the policy so far, and to reiterate the need to avoid any suspicion of panic.



OLIVER LETWIN