



PRIME MINISTER

Handwritten initials and signatures: "MF", "Pine Martin", and "OK" with the date "28/5".

SITUATION REPORT ON SETTING OF RATES

Colleagues may like to have a short report on where we now stand regarding obstruction tactics by rate limited and other local authorities.

Since the last MISC 109 meeting there has been a steady trickle of rate setting by initially obstructive authorities. The position is now that only one non-rate limited authority, Liverpool, is still without a rate. Of the rate limited authorities, the most recent and most significant to set a rate were Sheffield, and last week Hackney. Five authorities, all in London, (Camden, Greenwich, Islington, Lambeth, Southwark) are still holding out. But most of these are having frequent meetings at which increasingly close votes are held on fixing of a rate. It is clear that the surcharge/disqualification pressures are having the substantial effect we expected.

So far, these authorities do not seem to have encountered severe financial difficulties, and the market has shown no sign of nervousness. However, the date of 31 May is a significant one, because a ratepayer obtained a Court order against Hackney requiring them to make a rate by that date, which they have now done and the London auditor has made clear to the London authorities that he will begin to take action if no rates are made by that time.

Complex manoeuvring is going on in all these authorities with a view to establishing some acceptable combination of a budget and legal rate. Our best judgement at the moment is that most could well have rated before 31 May. Some may find grounds for holding on longer; for example Greenwich may pray in aid litigation which they are bringing against their rate limit, even though the GLC/ILEA application for judicial review failed and Greenwich's grounds are largely similar.

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Liverpool's case is of course different from that of the rate limited authorities. The 31 May date does not have the same legal significance for them. They face substantial technical difficulties in finding a budget which implies a rate at an acceptable level, and their cash-flow position is still reasonably healthy (because their late rating decision last year pushed back the schedule of rate receipts). For both these reasons we should expect them to be later than other authorities in making a rate. The evidence is very difficult to interpret; there are some signs that, contrary to earlier indications, the council would wish to make a rate if they can construct a tolerable budget; on the other hand certain elements within the council still want to provoke a financial crisis. It is being said that the key figure, Councillor Byrne (whom you met last year), has given instructions for preparations to be made for a progressive "wind-down" of the Council's activities when the money begins to run out. This could be bluff, or it could have more serious connotations. We can only continue with our policy of no negotiation, which I believe is putting pressure on Liverpool at on the other authorities. The auditor has now warned the councillors that if they do not fix a rate by the end of May he will take action against them.

Colleagues should note that, for any authority, if rates are not set by the end of this month, and the auditor begins to take action, that action cannot be reversed easily. If authorities do not rate very soon after action is begun the process could lead to surcharge/disqualification, and (if opposition hardens) ultimately to Commissioners. The next fortnight will be crucial.

I am copying this minute to MISC 109 colleagues and to Sir Robert Armstrong.

At Dan
for
P J

28 MAY 1985

Approved by the IAS and signed
in his absence

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

28 MAY 1985

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