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PRIME MINISTER

DOE report that Liverpool will shortly be making a rate. The figure being considered is 20-25 per cent. This is likely to be insufficient to balance the books for which an increase of about 50-60 per cent would be required.

There are two possible course of events:

- (i) They make the rate and openly boast of a deficit budget.
- (ii) They make a 20-25 per cent rate, promise to make the necessary expenditure cuts but do nothing to deliver them.

Under (i) the District Auditor would probably intervene quickly. Under (ii) the position will drag on until it is clear they will end up in deficit. This could be several months. We will not know which until the announcement is made.

Lambeth are the only other council still holding out. So far they have remained solid though it only needs one defection to change the vote. If this does not happen, early action of the District Auditor will follow.

AT

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ANDREW TURNBULL

11 June 1985

LOCAL Gov.
Relus.

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CONFIDENTIAL

11 JUN 1985