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Prime Minister 2
To write

JWS
19/11

PRIME MINISTER

LIVERPOOL: PROGRESS REPORT

Liverpool City Council has announced that it will be unable to pay its staff after Thursday. It has so far rejected the proposals in the Stonefrost report, and the move by other local authorities to provide spare capital allocations appears to be foundering. The Council is increasingly isolated from the Trade Unions and the Labour Party. Councillors continue to demand a meeting with me. I am refusing this until they balance the books, a message I made clear in the House on Monday afternoon and which I will repeat to Liverpool Labour MPs when I see them on Tuesday.

Following the success of their action against the redundancy notices, the NUT are seeking to have the City's rate quashed. This could allow the Council to raise its rate. However the result is unlikely to come soon enough to prevent any financial problems that might arise at the end of this week.

We therefore face the risk of a progressive breakdown of services in Liverpool, including essential services such as care of children, the elderly and the disabled. The Council has said it will provide emergency cover for such services. We shall need to monitor the position carefully. Each Department concerned has a copy of a paper setting out contingency plans to handle breakdown of 'essential' services. These could be activated if we judge the need arises, but at present I see no need for that. As you know from recent correspondence DES are keeping under review the implications for them of any failure by Liverpool to carry out their statutory education duties.

I therefore propose no immediate action. I shall take every opportunity to hammer home the line that the solution lies in the Council's hands, and there is still time for them to avoid service breakdown by taking some or all of the steps recommended in the Stonefrost report.

I am copying this to members of MISC 109, David Young, Leon Brittan, Nicholas Ridley and Sir Robert Armstrong.

K.S.

K B

19 November 1985

