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My ref:

Your ref:

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Private Secretary to
The Prime Minister
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Prime Minister 2

If X is borne out, Wandsworth's
rates will be increased only as a
result of the ILFA, police and fire
precepts.

DLW
23/9.

Dear David,

WANDSWORTH RATES

We spoke on the telephone today about the figures for Wandsworth
rate increases arising from my Secretary of State's proposals to
E(LA).

X || I attach tables, and an explanatory note, prepared by the
Department which shows that the rate increase in Wandsworth is
much more influenced by Wandsworth Council's decisions on use of
reserves and balances than on anything E(LA) decide. Depending on
the Council's decisions they could either cut rates by over 50%
or increase them by 140%. But in practice we think they will
avoid such extremes and probably leave their rates at the same
level as in the current year.

I hope this helps.

Yours,
Robin.

R U YOUNG
Private Secretary

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Wandsworth Rates

1. The rate increase figures shown to E(LA) are the calculated rate poundage for grant purposes in 1988/89 as a percentage increase on actual rate poundages in 1987/88. This assumes a similar level of spending as in 1987/88 and takes no account of potential use of balances and reserves in 1988/89. It is however the best indication we have of likely increases in rates. For a few authorities - including Wandsworth - changes in balances and reserves may produce radically different results.

2. Wandsworth's 1987/88 total expenditure budget of £99.6m is inflated by £9m of contingencies and additions to reserves. If in 1988/89 Wandsworth make no such provisions its total expenditure will be £9m lower than the settlement spending assumption: if it uses the reserves it will be £18m lower. This gives Wandsworth scope to cut rates by over 50% rather than to increase rates by 140%. In practice Wandsworth are likely to retain some reserves for use in 1989/90, and to set rates at about the same level as in 1987/88 in both 1988/89 and 1989/90.

3. Few authorities use reserves and balances to the extent that Wandsworth does. The figures presented to E(LA) are therefore a reasonable guide to the rate changes implied by the settlement assuming that authorities increase expenditure by 4%. If authorities increase expenditure by more than 4% rate increases will be higher than shown.

Wandsworth
Expenditure

	1986/87	1987/88
Total expenditure	£80m	£99m
Financed by:		
Rate Support Grant	£75m	£75m
LRB receipts	£3m	£2m
Use of balances	+£10m	-£11m
Rates	£11.5m	£11.9m

In 1986/87 Wandsworth put £10m into balances, and withdrew £11m from balances in 1987/88.

Rate Poundages

	1986/87	1987/88	1988/89	1988/89	1988/89
			Settle- ment	-£9m	-£18m
Rate poundage for grant purposes:	10.4p	56.1p	66.6p	39.3p	12.1p
Actual poundage	26.4p	27.4p			

At settlement spending assumption Wandsworth's poundage for grant purposes is 143% above 1987/88 actual poundage. At £18m below settlement spending assumption the poundage for grant purposes is 56% below 1987/88 actual poundage.



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