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CABINET

RATE SUPPORT GRANT SETTLEMENT 1981-82

Memorandum by the Secretary of State for the Home Department

BACKGROUND

1. The Cabinet agreed on 24 July on the totals of local authority current expenditure relevant for Rate Support Grant (RSG) purposes for 1981-82 and on the totals for capital expenditure in the year (CC(80) 30th Conclusions, Minute 7). This report, which has been prepared under my chairmanship by a Group (MISC 21) of the Ministers directly concerned with local authority expenditure, makes recommendations for the RSG settlement in 1981-82. We invite Cabinet to endorse our recommendations for the method of grant distribution and to decide on the grant percentage in the light of the decision on pay and price factors to be used in the cash limit.

2. In England and Wales this marks the first year of the new system of Block Grant, and of separate grant settlements for the two countries. The system is described briefly in Annex A. For each authority a Grant Related Expenditure (GRE) is defined and, as the authority's expenditure increases beyond the GRE, the rate of grant support can be made to taper off, leaving the authority to raise an increasing proportion of expenditure from its own ratepayers. The basis of deciding how much an authority needs to spend (its GRE) is new, and this alone will produce large swings in grant settlement this year.

GRANT DISTRIBUTION

ENGLAND

3. We looked at the options for distribution against the background that, under the last Administration, there was a major and deliberate shift of grant from 'shire' counties to London which particularly benefited Outer London. London's percentage share of total grant rose from 13.3 in 1975-76 to 16.7 in 1980-81, while that of the non-Metropolitan areas fell from 57.4 to 53.6. It follows that in reversing that trend Outer London as well as Inner London will suffer losses.

4. Under all the options considered, the position of Metropolitan authorities outside London, shire districts, and Inner London was broadly the same. The main differences lay in the balance between the shire counties and Outer London. Of the 5 options we examined we recommend what is known as Option 1 incorporating GRE B with per capita equalisation, 10 per cent threshold, and 25 per cent constant taper. These technicalities are explained in Annex A. The local authority associations were consulted about 3 options for defining GRE and GRE B was the preferred choice of the Association of County Councils. In summary the grant changes under this distribution package from 1980-81 to 1981-82 are:-

TABLE 1

Non-Metropolitan			Metropolitan		
Counties	Districts	Total	Counties	Districts	Total
1.8p	-0.3p	1.5p	1.1p	-2.0p	-0.9p
£67m	-£11m	£56m	£15m	-£28m	-£13m

London			
Inner boroughs & ILEA	Outer boroughs	GLC and Met. Police	Total
-7.8p	-6.7p	5.1p*	-2.2p
-£87m	-£54m	£98m*	-£43m

* Reflects direct payments of grant previously paid via the boroughs.

The recommended option leads to a net average gain of 1.5p (£56 million) to non-Metropolitan ratepayers, and an average net loss (taking account of Greater London Council (GLC) and Metropolitan police gains) of 1.2p (£10 million) for Outer London ratepayers. The details for each individual local authority are shown in Annex B; figures are still provisional at this stage, but the overall pattern of the distribution is unlikely to be affected by further changes.

5. The system of defining GREs has been developed quickly, and the Secretary of State for Education and Science made clear that he still has serious misgivings about some features. But we agreed that in the time available it would not be practicable to reopen the package, which formed the basis of formal consultation. Improvements will be looked for next year. Meanwhile we recommend the option chosen as the most practicable first step in the right direction.

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6. To keep the effects of grant changes within the bounds of practicability we have agreed also that ratepayers should be protected by a safety net system limiting the total grant loss of the authorities in any area to a maximum of 10p, and also that we should impose a limit on grant gains of 7p. We agreed that the Secretaries of State for the Environment and for Wales should have some discretion to vary these limits, provided they maintained consistency between countries.

WALES

7. The Welsh system will be operated separately from the English, and we have accepted the recommendation of the Secretary of State for Wales that the distribution arrangements should be as summarised in Annex C, which also shows the effect on individual local authorities in Wales. These arrangements are different in detail, though similar in their broad effect, to those in England.

8. We further agreed that it would be right to retain the division of overall grant between England and Wales this year on the same percentage basis as in previous years - ie 7.4 per cent to Wales. A study will be made before next year in the hope that the 1982-83 grant can be divided on a more satisfactory basis.

CASH LIMITS AND GRANT PERCENTAGE

9. The exemplification of the recommended distribution package in Annexes B and C uses an overall grant percentage for England and Wales of 61 per cent (as last year - equivalent to 60 per cent in England and 75 per cent in Wales) and an overall cash limit of $10\frac{1}{2}$ per cent (8 per cent for new pay). We need to consider whether to confirm or reduce the grant percentage, and we need to bring the cash limit factors for pay and prices into line with those for the public services generally.

10. There is a case for reducing the overall grant to 60 per cent. This would underline the Government's determination to cut local Government spending and give individual local authorities an additional incentive to comply. A reduction in the grant percentage would however be likely to lead to rate increases additional to those which will come anyway and will compound the presentational difficulties of introducing the new system and the criticism of it. Notwithstanding grave doubts expressed in the Group about the effect of lowering the grant percentage, we thought it right to put before Cabinet the option of a reduction to 60 per cent.

11. A 1 per cent reduction in the grant percentage would be equivalent to 2.8p average extra change in rates for all English authorities, in addition to the changes brought about by the grant distribution. A wider safety net would be needed to allow the change to come through. The effect on grant distribution of the recommended option is:-

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TABLE 2

Grant %	Grant Change				Maximum ratepayer grant loss (safety net limit)
	Non-Met. areas	Non-London Met. areas	London	All authorities England	
61	1.5p	-0.9p	-2.2p	-	10p
60	-1.1p	-3.9p	-5.2p	-2.8p	13p

12. The case for reducing the grant percentage must be seen in the context of a judgment on the effects of the cash limit chosen on local authority rating decisions. We therefore invited the Secretary of State for the Environment to estimate the likely impact on the rates of a cash limit providing for an increase in pay and prices in line with that to be used elsewhere in the public services. Pending decisions on this 11 per cent has been used as a working assumption for prices and 3 per cent or 6 per cent for new pay settlements between November 1980 and July 1981, and 6 per cent or 4 per cent for new pay settlements between August 1981 and March 1982. There are complications, depending on whether the new pay provision is assumed to include, or exclude, the "overhang" effect of the staged settlements for teachers, and also in deciding how to deal with the police, who have previously been index-linked.

OVERHANG

13. The teachers received a staged settlement in September 1980 which will add to their pay bill between 1980-81 and 1981-82, independently of the new pay they obtain in the 1981-82 pay round. This issue is being separately considered by the Ministerial Committee on Economic Strategy. But if it were decided to offset this "overhang" against the new pay provision, it would reduce the cash limit inflation factor by just over 1 per cent. However since this penalty would apply specifically to teachers, it would be necessary to adjust the distribution of grant, so as to reduce substantially the allocation to education authorities as against others.

INDEXATION

14. If it were decided to make additional provision of 2 per cent to allow for index-linking of police in 1981 this would add 0.1 per cent to the cash limit inflation factor. There is a difficult point of presentation here. The allowance for police pay will be readily detectable from the cash limit of certain police authorities, particularly the Metropolitan police. If they receive the "standard" provision (6 per cent or 4 per cent) for 1981-82 pay round it will immediately be taken as evidence that the commitment to indexation based on past pay settlements has been dropped. We need to decide therefore whether or not to make an additional allowance, and how to present this aspect of the settlement.

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CASH LIMITS

15. The following table provides estimates of the overall cash limit inflation factors. (The detailed assumptions are set out in Annex D.)

TABLE 3

Case	New Pay Awards		Cash limit inflation factor 1980-81 to 1981-82 (b) (c)	
	Nov. 80 to July 81	Aug. 81 to March 82	Including overhang	Excluding overhang (a)
A	8	6	10.5	9.4
B	6	4	9.3	8.2

- (a) of staged settlements for Teachers.
- (b) allowing an extra 2 per cent for index-linking of policemen's award in September 1981 adds only 0.1 per cent to the inflation factors.
- (c) figures could change by ± 0.4 percentage points when the definitive revaluation factors are available.

RATE INCREASES

16. The Department of the Environment judge, on the basis of the past behaviour of the 457 local authorities in England and Wales in preparing their budgets and fixing rates, that they might rate on the basis of a figure some way above the highest cash limit of 10.5 per cent in Table 3 above. This is because they would err on the side of caution at every stage. The possible level of rate increases is therefore as illustrated in the following table.

TABLE 4

Average domestic rate increases in 1981-82

Grant percentage	Cash Limit Inflation Factor		
	1980-81 to 10½%	9½%	1981-82 (from Table 3) 8½%
61	16	17	19
60	19	20	21

- (a) with a domestic rate increase of 16 per cent, the non-domestic rate rises would be 14 per cent. With a domestic rise of 21 per cent the non-domestic rise would be 18 per cent.

- (b) these averages would on past experience cover a very wide range (last year the average 27 per cent covered a range of 11 per cent - 67 per cent). This year the changes in grant distribution are likely to lead to an even wider dispersion.

17. These rate increases are well above what we want to see, and we must influence authorities to budget and rate more tightly by, among other things, the content and presentation of the grant settlement. To the extent that we can convince local government before mid-February that the cash limit factors are realistic, rate increases will be that much lower. In terms of pay settlements, which are regulated centrally, our pay assumption should be very influential. We need to decide how far it should be separately identified in announcing the settlement.

GRANT PERCENTAGE AND DISTRIBUTION: SCOTLAND

18. The grant in Scotland continues to be distributed on the previous basis, and so the problems of changeover experienced in England and Wales do not arise. We recommend that the Secretary of State for Scotland should be left to settle the detail of his distribution bilaterally with the Treasury, once the overall grant, the cash limit, and the distribution method in England have been decided.

CONCLUSION

19. We therefore recommend that colleagues should agree on the following points as the basis of the Rate Support Grant settlement for 1981-82:-

- i. The proposed method of distribution of RSG in England and Wales, and the share of grant between the two countries. (Paragraphs 3 - 8).
- ii. Appropriate figures for overall grant percentage in the light of the cash limit assumptions. (Paragraphs 9 - 17).
- iii. Whether the pay assumption should be identified separately in the settlement (paragraph 17), and how the provision for future treatment of police pay groups should be presented. (Paragraph 14).
- iv. That the Secretary of State for Scotland and the Chief Secretary, Treasury, should be left to agree appropriate figures for Scotland to parallel those selected for England and Wales. (Paragraph 18).

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Home Office

24 October 1980

HOW THE BLOCK GRANT SYSTEM WORKS

1. Block grant has the same overall objective as the previous RSG system - to enable authorities to provide a comparable service for a comparable rate poundage. But it does this not through two elements as formerly, but by a single grant payment bridging the gap between an authority's expenditure and the product of a specified rate poundage on its rateable resources.
2. For each authority a bench-mark expenditure is defined by central Government, called the "grant related expenditure" or GRE. This is an assessment of the expenditure which that authority would be likely to incur in providing a standard level of service. To do this a formula is required to relate spending need to the characteristics of that particular authority. The formulae previously used to assess need depended too much on past patterns of expenditure, so that high spending was built into the system. The new system endeavours to move away from that.
3. The entitlement to grant is not open-ended: as the authority's expenditure increases beyond its assessed grant related expenditure the rate of grant support can be made to taper off, leaving authorities to raise an increasing proportion of expenditure from their own rate-payers. It will be for the ratepayers to express their views at the local election on whether they support well above average expenditure at increasing expense to themselves. The level above GRE at which the taper starts to bite, and the severity and form of the taper can be set each year in the light of circumstances.
4. Block grant thus aims to provide a link between grant and expenditure for all authorities in such a way as to provide a fair and consistent incentive to economy.

BLOCK GRANT -- GLOSSARY OF TERMS

1. Block grant will replace the needs and resources element of the existing RSG system but has the same objective - that is to equalise expenditure needs (now called 'grant-related expenditure') and rateable resources.
2. Domestic rate relief grant will replace the domestic element of the present system - no change.
3. Grant related expenditure (GRE) is the level of expenditure that authorities with similar social and economic characteristics would on average be likely to incur in providing a normal level of service, having regard to their functions.
4. Total expenditure is the actual expenditure which it is intended to compare with grant related expenditure for each authority.
5. Basis of equalisation is the basis upon which the poundage cost to authorities of an equal increment of expenditure is equalised (the objective of RSG).
 - a per capita basis (used in the present system) equalises the cost of an increment of expenditure per head (eg 5.6p for every £10 per head)
 - a percentage basis equalises the cost of a percentage increase in expenditure (eg 7p for every 5% increase).
6. Grant related rate poundage is a rate poundage (selected from the rate poundage schedule) to be applied to an authority's given rateable value the product of which, when subtracted from total expenditure, will determine an authority's block grant.

7. Rate poundage schedule is a range of grant related rate poundage corresponding to a range of given levels of expenditure in relation to GRE.
8. A taper applies to the upper end of the rate poundage schedule to increase the cost to local authorities of higher levels of expenditure; this increases the proportion of expenditure to be funded locally and reduces the proportion funded by grant. Two types of tapers are proposed:
 9. The constant taper which imposes the same extra cost for each increment of expenditure at the upper end of the schedule.
 10. The progressive taper which imposes an increasing cost for each successive increment of expenditure at the upper end of the schedule.
11. A threshold is the point above GRE on the rate poundage schedule at which the taper begins to take effect.
12. A safety net is a device for limiting grant losses to individual local authorities expressed in terms of rate poundage equivalents (eg 3p).
13. Multipliers will be used to adjust the block grant otherwise payable to a local authority (for example, to apply a safety net on grant losses). They will be applied to an authority's grant-related poundage either to reduce or increase its contribution to a given level of expenditure and thus to increase or reduce the balance met by grant.

14. Negative marginal rates of grant are a feature of block grant which is a consequence of rate poundage equalisation. It means that for some authorities with high rateable values total grant may fall as expenditure increases. The pattern of negative marginal rates of grant varies according to whether the distribution is based on percentage or per capita equalisation and the number of authorities affected will increase the lower the threshold and the steeper the taper. But ratepayers in authorities facing negative marginal rates of grant still face the same rate poundage for a given level of expenditure in relation to GRE as ratepayers in authorities not so affected.

A: SUMMARY OF CHANGES IN GRANT ENTITLEMENT FROM 1980/81 BASE BY CLASS OF AUTHORITY (ENGLAND)

	1980/81 base	Option 1 61% Grant 10p Safety Net 7p Car	Option 1 60% Grant 10p safety Net 7p Car
	(1)	(2)	(3)
<u>Rate Poundage Equivalent</u>			
Non-met districts	16.5p	-0.3p	-1.0p
Non-met counties	110.3p	1.8p	-0.1p
Metropolitan districts	154.5p	-2.0p	-4.3p
Metropolitan counties	33.1p	1.1p	0.4p
Non-met total	126.8p	1.5p	-1.1p
Metropolitan total	187.5p	-0.9p	-3.9p
City & Westminster	-11.8p	0.9p	0.9p
Rest of Inner London	73.5p	-8.4p	-9.8p
Inner London inc ILEA	42.8p	-7.8p	-9.5p
Outer London	98.4p	-6.7p	-9.7p
GLC & Met Police	9.5p	5.1p	4.4p
London total	75.6p	-2.2p	-5.2p
TOTAL England	124.7p	-	-2.8p

£ million

Non-met districts	612.61	-11.24	-37.40
Non-met counties	4,093.50	67.28	-3.23
Metropolitan districts	2,156.51	-28.22	-59.95
Metropolitan counties	461.82	15.27	5.01
Non-met total	4,706.12	56.04	-40.63
Metropolitan total	2,618.34	-12.95	-54.94
City & Westminster	-65.58	4.74	4.74
Rest of Inner London	417.51	-47.68	-55.69
Inner London inc ILEA	460.21	-87.13	-106.77
Outer London	801.67	-54.39	-78.82
GLC & Met Police	183.67	98.32	85.05
London total	1,465.55	-43.19	-100.53
TOTAL England	8,790.00	-0.10	-196.11

B: CHANGES IN GRANT ENTITLEMENT FROM 1980/81 BASE FOR INDIVIDUAL AUTHORITIES (ENGLAND; POUNDAGE EQUIVALENTS)

Non-metropolitan districts

	1980/81 base (1)	Option 1 61% Grant 10p Safety Net 7p Cap (2)	Option 1 60% Grant 13p safety Net 7p Cap (3)
Bath	20.4p	7.0p	6.9p
Bristol	18.4p	7.0p	7.0p
Kingswood	19.8p	-0.3p	-0.3p
Northavon	13.1p	-2.3p	-2.8p
South Bedfordshire	8.3p	-0.2p	-0.7p
Bracknell	9.8p	-3.9p	-5.9p
Newbury	11.0p	0.1p	-0.4p
Reading	9.9p	0.8p	0.3p
Slough	9.1p	-1.0p	-1.5p
Windsor and Maidenhead	7.4p	0.9p	0.4p
Wokingham	11.2p	1.0p	0.5p
Aylesbury Vale	8.0p	-3.8p	-4.6p
Beaconsfield	5.9p	-2.0p	-2.5p
Chiltern	4.8p	-2.9p	-3.4p
Milton Keynes	12.8p	-4.8p	-6.9p
Wycombe	5.8p	-3.9p	-5.8p
Cambridge	5.6p	2.7p	2.2p
East Cambridgeshire	15.7p	-3.9p	-5.9p
Fenland	17.2p	1.1p	0.5p
Huntingdon	14.3p	-3.3p	-3.8p
Peterborough	15.4p	3.0p	2.5p
South Cambridgeshire	7.4p	-2.4p	-2.9p
Chester	14.7p	-3.8p	-4.3p
Coniseton	16.9p	-4.2p	-6.2p
Crore and Nantwich	22.0p	3.0p	2.5p
Ellesmere Port and Neston	7.7p	0.5p	-
Halton	17.0p	-0.2p	-0.7p
Macclesfield	11.2p	-0.4p	-0.9p
Vale Royal	19.1p	-3.9p	-5.9p
Warrington	16.1p	-4.0p	-4.7p
Hartlepool	32.1p	0.7p	0.2p
Lanshaurh	22.1p	-2.7p	-3.2p
Middlesbrough	43.7p	3.7p	3.2p
Stockton-on-Tees	17.8p	-2.2p	-2.7p
Caradon	24.5p	-2.7p	-3.3p
Carriek	23.7p	0.2p	-0.4p
Kerrier	23.2p	-2.1p	-2.6p
North Cornwall	24.6p	-3.8p	-4.6p
Penwith	29.2p	1.5p	1.0p
Restormel	16.9p	-2.1p	-2.7p
Allerdale	34.8p	-2.6p	-3.1p
Barrow in Furness	42.4p	-2.4p	-2.9p
Carlisle	29.7p	-5.1p	-5.9p

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	1980/81 base (1)	Option 1 61% Grant 10p Safety Net 7p Cap (2)	Option 1 60% Grant 13p safety Net 7p Cap (3)
Coventry	44.8p	-6.6p	-8.3p
Eden	21.7p	-1.6p	-2.1p
South Lakeland	26.1p	-0.4p	-0.9p
Amber Valley	21.2p	0.5p	-0.1p
Bolsover	32.2p	-3.8p	-4.4p
Chesterfield	26.1p	-2.3p	-2.8p
West Derbyshire	21.7p	-2.3p	-2.3p
East Devon	18.1p	-0.7p	-1.3p
Exeter	13.5p	-0.3p	-1.3p
North Devon	25.9p	0.2p	-0.3p
Plymouth	17.6p	3.2p	2.7p
South Hams	19.5p	2.1p	1.5p
Tauntonbridge	22.3p	-0.5p	-1.0p
Tiverton	23.7p	-3.9p	-5.9p
Torbay	12.7p	5.0p	4.5p
Torridge	35.6p	2.5p	1.9p
West Devon	22.5p	2.0p	1.4p
Bournemouth	10.6p	7.0p	7.0p
Christchurch	8.7p	1.6p	1.1p
North Dorset	14.6p	-3.8p	-4.6p
Poole	9.1p	4.0p	3.5p
Porbeck	11.0p	0.8p	0.3p
West Dorset	14.0p	0.5p	-
Hermouth and Portland	22.8p	0.9p	0.4p
Wimbourne	9.4p	1.4p	0.9p
Chester-le-Street	38.5p	-3.9p	-5.9p
Darlington	23.3p	-0.6p	-1.1p
Derwentside	42.4p	-5.9p	-8.0p
Durham	35.6p	-5.3p	-7.4p
Easington	50.3p	0.1p	-0.4p
Sedgefield	48.4p	-0.9p	-1.4p
Teesdale	29.7p	-3.9p	-5.9p
Wear Valley	57.5p	-3.6p	-4.2p
Brighton	14.9p	7.0p	7.0p
Eastbourne	10.3p	7.0p	7.0p
Hastings	20.9p	6.3p	5.8p
Hove	10.4p	7.0p	7.0p
Leaves	12.6p	2.7p	2.2p
Rother	13.4p	4.7p	4.2p
Rusden	15.7p	-3.4p	-4.0p
Sussex	15.7p	2.8p	2.2p
Braintree	12.2p	-1.4p	-1.9p
Brentwood	6.5p	-0.6p	-1.2p
Castle Point	14.6p	-3.1p	-3.6p

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CHANGES IN GRANT SETTLEMENT 1980/81 BASE FOR INDIVIDUAL
AUTHORITIES (ENGLAND) (FOUNDED EQUIVALENTS)

	1980/81 base (1)	Option 1 61% Grant 10% Safety Net 7p Cap (2)	Option 1 60% Grant 13% safety Net 7p Cap (3)
Chelmsford	8.3p	-3.9p	-5.9p
Colchester	13.3p	-3.8p	-4.8p
Epping Forest	9.2p	-2.3p	-2.3p
Hartford	13.4p	-5.3p	-5.8p
Maldon	10.1p	-1.0p	-1.6p
Rochford	12.4p	3.1p	2.5p
Southend-on-Sea	11.3p	7.0p	7.0p
Tendring	15.9p	-0.3p	-0.8p
Thurrock	7.3p	-3.9p	-5.4p
Uttlesford	9.9p	3.0p	2.5p
Cheltenham	10.2p	1.7p	1.1p
Cotswold	13.5p	2.6p	2.1p
Forest of Dean	20.5p	0.2p	-0.3p
Gloucester	13.5p	-2.2p	-2.7p
Stroud	14.9p	-3.1p	-3.6p
Tewkesbury	13.3p	-3.9p	-5.9p
Basingstoke	13.5p	-3.8p	-5.1p
East Hampshire	14.6p	3.8p	3.3p
Eastleigh	11.8p	-3.7p	-4.3p
Fareham	15.5p	3.1p	2.6p
Gosport	16.5p	2.4p	1.9p
Hart	15.0p	-3.8p	-5.1p
Havant	15.8p	2.8p	2.3p
New Forest	10.0p	0.7p	0.2p
Portsmouth	23.0p	7.0p	7.0p
Rushmoor	17.2p	4.5p	4.0p
Southampton	18.4p	-2.9p	-3.4p
Test Valley	12.3p	-2.8p	-3.3p
Winchester	12.1p	-2.5p	-3.0p
Bromsgrove	10.4p	-3.3p	-3.8p
Hereford	12.4p	-3.8p	-5.4p
Leominster	24.1p	-3.1p	-3.6p
Malvern Hills	16.2p	-2.0p	-2.5p
Redditch	13.6p	-0.3p	-0.9p
South Herefordshire	18.3p	-2.6p	-3.1p
Worcester	8.3p	-1.5p	-2.0p
Wychevon	13.7p	-3.4p	-3.9p
Wyre Forest	18.2p	-0.6p	-1.2p
Broxbourne	11.9p	6.2p	5.7p
Dacorum	9.2p	-4.6p	-6.6p
East Hertfordshire	11.0p	-1.2p	-1.7p
Hertsmere	10.0p	-	-0.5p
North Hertfordshire	7.0p	-3.8p	-4.4p
St Albans	7.4p	-3.2p	-3.7p
Stevenage	11.1p	-2.6p	-3.1p
Three Rivers	11.5p	-3.5p	-4.0p
Walford	10.6p	5.6p	5.1p
Welwyn Hatfield	7.9p	-4.3p	-6.4p
Beverley	16.7p	-3.9p	-5.9p

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Boothf
Cleeth
Glanfo
Grinco
Holder
Kings
North
South
Medina
South
Ashfor
Canter
Dartfo
Dover
Gilling
Graves
Midst
Medway
Seveno
Sherwa
Swale
Thanet
Tonbri
Tonbri
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Blacki
Burnle
Chorle
Fride
Hndbo
Lancas
Pendle
Presto
Ribble
Rosed
South
West L
Wyre
Blaby
Charn
Harbor
Hinckl
Leice
Kellon
North
Oadley
Rutlan
Rutlan
East L

	1980/81 base (1)	Option 1 61% Grant 10% Safety Net 7% Cap (2)	Option 1 60% Grant 13% safety Net 7% Cap (3)
Boothferry	33.4p	-0.6p	-1.1p
Cleethorpes	22.9p	-1.9p	-2.5p
Glanford	19.4p	-4.2p	-6.2p
Grimsby	23.5p	2.5p	2.0p
Holderness	22.9p	-3.4p	-4.0p
Kingsdon upon Hull	33.3p	2.4p	1.8p
North Wolds	33.7p	-3.5p	-4.0p
Scunthorpe	18.3p	7.0p	7.0p
Medina	18.2p	0.4p	-0.1p
South Wight	23.9p	-1.4p	-2.0p
Ashford	16.0p	0.1p	-0.4p
Canterbury	23.5p	0.3p	-0.2p
Dartford	24.1p	3.9p	3.4p
Dover	26.9p	3.4p	2.9p
Gillingham	14.7p	1.1p	0.5p
Gravesham	17.2p	0.8p	0.3p
Maidstone	17.4p	-0.7p	-1.3p
Medway	13.0p	3.4p	2.9p
Sevenoaks	21.4p	-4.1p	-6.1p
Sherway	18.6p	1.7p	1.2p
Swale	22.3p	1.8p	1.3p
Thanet	24.5p	7.0p	6.6p
Tonbridge and Malling	16.4p	-3.8p	-4.6p
Tonbridge Wells	17.8p	-3.8p	-4.3p
Blackburn	52.0p	5.4p	4.8p
Blackpool	25.8p	3.6p	3.0p
Burnley	54.3p	-2.1p	-2.7p
Chorley	28.6p	-3.4p	-3.9p
Fylde	21.4p	-3.7p	-4.2p
Haslingburn	49.3p	-3.3p	-3.8p
Lancaster	34.3p	-4.7p	-5.6p
Pendle	60.5p	-2.2p	-2.7p
Preston	32.9p	-3.6p	-4.1p
Ribble Valley	28.1p	-3.9p	-5.9p
Rossendale	63.1p	-6.4p	-8.5p
South Ribble	27.6p	-3.9p	-5.6p
West Lancashire	25.4p	-3.9p	-5.9p
Wre	24.7p	-3.8p	-4.4p
Elaby	15.0p	-3.7p	-4.2p
Charnwood	11.4p	-0.8p	-1.3p
Harborough	14.3p	-1.0p	-1.5p
Hinckley and Bosworth	12.8p	-2.5p	-3.0p
Leicester	17.5p	7.0p	7.0p
Melton	14.9p	-3.8p	-4.6p
North West Leicestershire	15.1p	-1.7p	-2.2p
Dadby and Wigston	11.7p	-3.8p	-4.4p
Holland	13.4p	-3.9p	-5.9p
Boston	18.6p	-0.1p	-0.6p
East Lindsey	19.2p	-1.2p	-1.3p

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	1980/81 base (1)	Option 1 61% Grant 10% Safety Net 7% Cap (2)	Option 1 60% Grant 13% safety Net 7% Cap (3)
Lincoln	20.9p	-3.8p	-5.2p
North Kesteven	22.0p	-1.0p	-1.6p
South Holland	26.6p	3.3p	3.3p
South Kesteven	18.1p	-2.1p	-2.6p
West Lindsey	21.3p	-0.6p	-1.1p
Breckland	16.6p	-2.5p	-3.0p
Broadland	17.2p	-3.9p	-5.4p
Great Yarmouth	18.2p	-0.9p	-1.5p
North Norfolk	16.8p	0.2p	-0.3p
Norwich	9.9p	6.4p	5.9p
South Norfolk	16.9p	0.1p	-0.5p
West Norfolk	15.6p	0.4p	-0.1p
Corby	10.7p	-3.2p	-3.7p
Daventry	9.0p	-3.9p	-5.9p
East Northamptonshire	15.3p	-3.8p	-4.9p
Kettering	20.8p	4.5p	4.0p
Northampton	11.6p	7.0p	7.0p
South Northamptonshire	11.1p	-3.9p	-5.9p
Wellingborough	13.7p	1.3p	0.8p
Alnwick	28.4p	1.5p	1.0p
Berwick-upon-Tweed	21.1p	-3.9p	-5.9p
Blyth Valley	39.4p	-0.1p	-0.7p
Castle Morpeth	17.5p	-3.2p	-3.3p
Tynedale	24.5p	0.4p	-0.1p
Wansbeck	29.7p	-5.9p	-8.0p
Craven	27.5p	-3.3p	-3.8p
Hambleton	18.4p	-3.8p	-5.0p
Harrogate	20.7p	0.4p	-0.1p
Richmondshire	28.5p	-3.5p	-4.1p
Rosedale	22.0p	-3.5p	-4.1p
Scarborough	31.6p	-3.5p	-4.0p
Selby	11.6p	-2.8p	-3.3p
York	20.9p	1.0p	0.5p
Ashfield	28.3p	-2.3p	-2.8p
Bassetlaw	12.5p	-3.4p	-3.9p
Broxtowe	20.4p	-1.1p	-1.7p
Gedling	20.0p	-3.9p	-5.9p
Mansfield	36.4p	2.7p	2.2p
Newark	21.0p	-3.9p	-5.6p
Nottingham	20.0p	-0.2p	-0.8p
Rushcliffe	14.5p	-3.8p	-5.0p
Cherwell	8.9p	-	-0.5p
Oxford	7.6p	6.3p	5.3p
South Oxfordshire	11.3p	-1.1p	-1.6p
Vale of White Horse	7.2p	-3.7p	-4.2p
West Oxfordshire	12.1p	-2.4p	-3.0p
Bridgnorth	14.5p	-3.9p	-5.9p
North Shropshire	23.9p	-3.9p	-5.9p
Oswestry	23.7p	-3.9p	-5.9p

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	1980/81 base (1)	Option 1 61% Grant 10p Safety Net 7p Cap (2)	Option 1 60% Grant 13p safety Net 7p Cap (3)
Shrewsbury and Atcham	14.0p	-3.9p	-5.9p
South Shropshire	28.3p	-3.8p	-5.1p
The Wrekin	23.3p	-2.3p	-2.8p
Mendip	14.6p	-2.0p	-2.5p
Sedgemoor	23.1p	-4.2p	-6.2p
Taunton Deane	17.0p	-0.5p	-1.0p
West Somerset	5.2p	4.4p	3.9p
Yeovil	16.1p	-3.9p	-5.9p
Cannock Chase	14.5p	1.2p	0.6p
East Staffordshire	12.2p	-3.8p	-5.1p
Lichfield	10.4p	-3.9p	-5.9p
Newcastle-under-Lyme	22.7p	-4.7p	-6.8p
South Staffordshire	13.3p	-3.6p	-4.1p
Stafford	10.7p	-0.3p	-0.8p
Staffordshire Moorlands	22.8p	-4.1p	-6.2p
Stoke-on-Trent	17.9p	-2.8p	-3.3p
Tamworth	24.2p	2.0p	1.5p
Babergh	18.1p	1.8p	1.3p
Forest Heath	22.4p	-4.5p	-6.5p
Ipswich	12.3p	2.5p	2.0p
Mid Suffolk	14.7p	-1.1p	-1.6p
St Edmundsbury	12.0p	-3.8p	-4.4p
Suffolk Coastal	12.2p	-1.7p	-2.2p
Waveney	21.4p	3.7p	3.2p
Elmbridge	6.1p	1.1p	0.6p
Ersm and Ewell	8.7p	4.1p	3.5p
Guildford	5.4p	2.7p	2.2p
Hole Valley	8.7p	-0.4p	-1.0p
Reigate and Banstead	7.4p	0.4p	-0.1p
Runnymede	7.1p	3.5p	3.0p
Spelthorne	4.3p	-2.0p	-2.5p
Surrey Heath	6.3p	-1.7p	-2.2p
Tandridge	10.7p	-1.7p	-2.2p
Waverley	9.9p	-0.8p	-1.4p
Woking	6.5p	7.0p	6.4p
North Warwickshire	12.7p	-3.6p	-4.1p
Nuneaton	26.6p	-1.7p	-2.2p
Rugby	15.0p	-3.5p	-4.0p
Stratford on Avon	9.0p	-3.9p	-5.9p
Warwick	8.6p	0.9p	0.4p
Adur	13.4p	1.2p	0.7p
Arun	14.7p	6.6p	6.1p
Chichester	12.0p	3.8p	3.2p
Crawley	7.6p	-6.1p	-7.4p
Horsham	10.5p	0.6p	0.1p
Mid Sussex	10.6p	1.2p	0.6p
Worthing	12.6p	4.8p	4.3p
Kennet	18.7p	-3.9p	-5.9p
North Wiltshire	19.3p	-1.8p	-2.4p
Salisbury	13.3p	-2.9p	-3.4p
Thamesdown	23.5p	-	-0.5p
West Wiltshire	14.1p	-0.3p	-0.8p

Metropolitan districts

	1980/81 base (1)	Option 1 61% Grant 10p Safety Net 7p Cap (2)	Option 1 60% Grant 13p safety Net 7p Cap (3)
Bolton	187.2p	-3.1p	-5.2p
Bury	165.1p	-3.0p	-5.2p
Manchester	163.2p	-7.3p	-9.9p
Oldham	209.7p	7.0p	6.3p
Rochdale	232.9p	-3.1p	-5.2p
Salford	181.1p	-3.2p	-5.3p
Stockport	109.9p	1.5p	-1.3p
Tameside	217.7p	-3.1p	-5.2p
Trafford	64.7p	6.8p	3.4p
Wigan	194.0p	3.4p	0.1p
Knowsley	175.6p	-3.0p	-5.2p
Liverpool	173.0p	-3.1p	-5.2p
St Helens	143.0p	7.0p	6.9p
Sefton	137.0p	-1.2p	-4.6p
Wirral	136.2p	1.1p	-2.3p
Barnsley	273.2p	-3.0p	-5.2p
Doncaster	206.8p	-3.0p	-5.2p
Rotherham	238.5p	-3.0p	-5.1p
Sheffield	147.1p	-3.0p	-5.2p
Gateshead	213.1p	-3.0p	-5.1p
Newcastle upon Tyne	122.0p	-7.7p	-9.9p
North Tyneside	199.8p	-3.0p	-5.2p
South Tyneside	264.5p	-3.1p	-5.3p
Sunderland	242.8p	-3.1p	-5.2p
Birmingham	111.4p	-3.1p	-5.2p
Coventry	131.8p	-1.6p	-5.0p
Dudley	75.0p	1.5p	-1.9p
Sandwell	90.5p	-3.0p	-5.2p
Solihull	73.7p	7.0p	7.0p
Walsall	104.3p	-3.0p	-5.1p
Wolverhampton	104.5p	-3.0p	-5.2p
Bradford	237.9p	-3.1p	-5.2p
Calderdale	270.7p	-3.1p	-5.2p
Kirklees	235.9p	-3.0p	-5.1p
Leeds	139.5p	-3.0p	-5.2p
Wakefield	177.5p	-3.0p	-5.2p

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London Boroughs

	1980/81 base (1)	Option 1 61% Grant 10p Safety Net 7p Cap (2)	Option 1 60% Grant 13p safety Net 7p Cap (3)
<u>Inner London Boroughs</u>			
City of London	-16.9p	1.1p	1.1p
Camden	18.5p	-7.8p	-7.8p
Greenwich	104.7p	-11.2p	-13.3p
Hackney	118.5p	-11.2p	-13.3p
Hammersmith and Fulham	99.9p	-3.4p	-4.6p
Islington	71.3p	-11.2p	-13.3p
Kensington and Chelsea	27.7p	-6.0p	-7.2p
Isle of Dogs	91.3p	-2.4p	-3.6p
Lewisham	142.9p	-11.2p	-13.3p
Southwark	86.4p	-11.2p	-13.3p
Tower Hamlets	63.5p	-11.2p	-13.3p
Wandsworth	117.4p	-9.0p	-11.1p
Westminster	-7.7p	0.6p	0.6p
<u>Outer London Boroughs</u>			
Barking and Dagenham	108.9p	-14.8p	-17.9p
Barnet	69.9p	-9.1p	-12.3p
Bexley	135.4p	1.1p	-1.8p
Brent	113.7p	-12.7p	-15.3p
Bromley	101.9p	-8.9p	-11.8p
Croydon	30.0p	-9.3p	-12.4p
Ealing	89.3p	0.1p	-2.8p
Enfield	89.4p	-6.9p	-9.3p
Haringey	165.0p	-13.3p	-16.3p
Harrow	86.4p	1.1p	-1.3p
Havering	107.4p	-0.3p	-3.2p
Hillingdon	55.1p	-9.7p	-12.3p
Hounslow	65.9p	-9.2p	-12.3p
Kingston-upon-Thames	70.7p	-9.2p	-12.3p
Kenilworth	98.2p	-9.2p	-12.3p
London	159.5p	3.2p	0.3p
Redbridge	107.5p	-8.4p	-11.3p
Richmond-upon-Thames	30.3p	-9.3p	-12.4p
Sutton	98.2p	-3.0p	-5.9p
Waltham Forest	164.0p	0.3p	-2.6p

8. All London borough figures include once-and-for-all losses of grant to the GLC and the Metropolitan Police. To establish the true effect on the ratepayer in each borough the figures shown above must be offset by the grant changes to precepting authorities.

The figures shown in the columns above must be offset in each case by the following precepting authority grant changes:

	Col 2	Col 3
Inner London Boroughs	+1.6p	-0.2p*
Outer London Boroughs	+5.5p	+4.8p

* In these figures losses to some inner London boroughs slightly exceed safety net limit due to rounding adjustments.

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Non-metropolitan counties

	1980/81 base (1)	Option 1 61% Grant 10p Safety Net 7p Cap (2)	Option 1 60% Grant 13p Safety Net 7p Cap (3)
Avon	113.9p	-	-1.1p
Bedfordshire	79.1p	0.3p	-1.1p
Berkshire	58.4p	0.1p	-1.1p
Buckinghamshire	57.0p	7.0p	5.3p
Cambridgeshire	90.7p	4.7p	1.2p
Cheshire	103.4p	7.0p	5.2p
Cleveland	149.0p	-	-1.1p
Cornwall	155.6p	0.8p	-1.1p
Cumbria	197.5p	-	-1.1p
Derbyshire	150.2p	-	-1.1p
Devon	129.2p	0.4p	-1.1p
Dorset	84.8p	0.1p	-1.1p
Durham	216.1p	-	-1.2p
East Sussex	73.3p	-	-1.1p
Essex	73.1p	0.1p	-1.1p
Gloucestershire	113.9p	0.6p	-1.1p
Hampshire	96.4p	1.1p	-1.1p
Hereford and Worcester	100.3p	7.0p	4.5p
Hertfordshire	57.3p	2.3p	-0.3p
Humberside	180.6p	-	-1.2p
Isle of Wight	141.2p	7.0p	7.0p
Kent	118.9p	2.2p	-1.1p
Lancashire	189.0p	-	-1.1p
Leicestershire	118.6p	0.1p	-1.1p
Lincolnshire	161.3p	0.1p	-1.1p
Norfolk	108.8p	-	-1.1p
Northamptonshire	101.3p	7.0p	3.4p
Northumberland	181.5p	0.1p	-1.1p
North Yorkshire	157.5p	0.1p	-1.1p
Nottinghamshire	141.9p	-	-1.1p
Oxfordshire	78.6p	0.2p	-1.1p
Shropshire	146.5p	3.5p	-0.1p
Somerset	132.0p	5.7p	2.1p
Staffordshire	133.8p	2.6p	-0.9p
Suffolk	103.1p	4.5p	0.9p
Surrey	46.9p	-	-1.1p
Warwickshire	91.2p	7.0p	5.2p
West Sussex	67.6p	4.0p	0.4p
Wiltshire	140.2p	7.0p	4.3p

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Metropolitan counties (incl. London)

	1980/81 base (1)	Option 1 61% Grant 10p Safety Net 7p Cap (2)	Option 1 60% Grant 13p safety Net 7p Cap (3)
Greater Manchester	30.7p	1.4p	0.6p
Merseyside	36.3p	0.9p	0.1p
South Yorkshire	49.6p	-1.7p	-2.4p
Tyne and Wear	50.2p	1.1p	0.4p
West Midlands	16.6p	2.9p	2.1p
West Yorkshire	44.7p	-0.8p	-1.5p
G.C.	5.9p	2.4p	2.0p
N.E.A.	11.4p	-3.9p	-5.0p
Metropolitan Police	4.1p	3.1p	2.8p

Grant percentages

Region	1980/81	1981/82	1982/83	1983/84
England & Wales	71.9	73.7	75.5	77.3

Effect on individual local authorities

The following table shows the effect on individual authorities of the two classes of authority in 1980/81, at the preferred level of the 61% grant.

THE WELSH DISTRIBUTION SYSTEM

Rate Support Grant in Wales will be distributed under arrangements differing from those in England but providing the same overall effect. There will be two formulae, one for Districts and one for Counties, to determine grant-related expenditure for each authority. The formulae are based on methodology developed jointly with the Welsh local authorities over the past three years. The basis is the client group approach, least dependent on past expenditure.

2. The threshold in Wales will be the same as in England. There will also be similar arrangements for safety nets and limitation of grant gains. The basis of equalisation, however, will be percentage rather than per capita and the Rate Poundage Schedule will be a non-linear curve above the threshold with a power of 1.35: the effect of this is to increase the penalty as the degree of overspending increases.

Rate Increases

3. Welsh local authorities will take particular account of two features of the settlement in fixing their rates. The first is the effective rate of grant support. Because of the lower level of rateable resources in Wales the effective rate is higher in Wales than the corresponding England and Wales figure. This gearing results in a proportionately larger reduction in the effective rate in Wales for any given reduction in the England and Wales figure. The effective rate in Wales corresponding to 61% England and Wales is 74.9%, and corresponding to 60% England and Wales is 73.7%.

4. The second feature is the inflation assumption built in to the cash limit. The equivalent figures to those shown in Table 4 of the main paper are as follows:

Grant percentage		Cash limit inflation factor		
<u>England & Wales</u>	<u>Wales</u>	1980-81 to 1981-82		
		10½%	9½%	8½%
61	74.9	20.3	22.9	25.5
60	73.7	25.7	28.3	30.9

Effect on individual local authorities

5. The following tables show the effect on individual authorities, and on the two classes of authority in Wales, of the preferred package at the 61%/74.9% level of grant.

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1981/82 PREFERRED BLOCK GRANT PACKAGE AT 74.9% GRANT

(incorporating the effects of safety nets and ceilings)

	1980/81 BASE POSITION		EFFECT OF PREFERRED PACKAGE (10% threshold with a power of 1.35 above)		Rating authorities
	Pence (1)	£m (2)	Pence (3)	£m (4)	Pence (5)
Alyn & Deeside	22.1p	2.03	-1.2p	+1.1	-6.1p
Colwyn	26.3p	2.05	-.1p	+0.1	-5.0p
Delyn	24.7p	3.43	+1.6p	-.09	-3.3p
Glyndwr	24.2p	1.66	-.2p	+0.1	-5.1p
Rhuddlan	30.9p	2.25	-2.2p	+1.12	-7.1p
Wrexham Maelor	27.4p	4.80	-2.1p	+2.2	-7.0p
Carmarthen	24.4p	2.59	+1.1p	-.04	+2.0p
Ceredigion	19.3p	2.59	+.9p	-.04	+1.8p
Dinefwr	20.0p	1.57	+.3p	-.01	+1.2p
Llanelli	24.3p	3.87	-.1p	-	+0.8p
Preseli	23.8p	2.32	-1.4p	+1.10	-0.5p
South Pembrokeshire	22.9p	1.05	+.7p	-.05	+1.6p
Blaenau Gwent	45.4p	6.60	+6.0p	-.33	+1.7p
Islwyn	27.1p	3.66	-.3p	+0.1	-4.6p
Monmouth	22.9p	2.75	+.9p	-.06	-3.4p
Newport	24.8p	4.13	-2.1p	+4.2	-6.4p
Torfaen	30.0p	4.81	+1.5p	-.13	-2.8p
Aberconwy	29.6p	2.71	+2.5p	-.13	-2.2p
Arfon	27.1p	2.84	+.2p	-.01	-4.5p
Dwyfor	24.9p	1.08	-2.1p	+0.05	-6.8p
Meirionnydd	33.3p	1.33	+1.4p	-.05	-3.3p
Ynys Mon	22.1p	2.85	+.5p	-.03	-4.2p
Cynon Valley	27.5p	4.33	+.8p	-.04	+1.9p
Merthyr Tydfil	36.7p	5.13	+4.3p	-.20	+5.6p
Ogwr	28.7p	6.74	+1.5p	-.14	+2.6p
Rhondda	36.7p	6.96	+3.4p	-.13	+4.5p
Rhymney Valley	29.2p	7.16	+3.1p	-.22	+4.2p
Taff-Ely	39.0p	5.41	+5.9p	-.50	+7.0p
Brecknock	13.0p	1.64	+.9p	-.03	+4.3p
Montgomery	18.8p	2.29	+.9p	-.03	+4.3p
Radnor	16.3p	.78	+.9p	-.02	+4.3p
Cardiff	23.4p	10.21	-2.1p	+7.6	+1.3p
Vale of Glamorgan	20.2p	3.64	+.2p	-.02	+3.6p
Afan	35.5p	2.33	+4.0p	-.35	+7.2p
Lliw Valley	25.0p	2.91	+.9p	-.04	+4.1p
Neath	22.6p	2.52	-1.3p	+0.08	+1.9p
Swansea	36.0p	11.03	+1.1p	-.19	+4.3p

1980/81 BASE
POSITIONEFFECT OF PREFERRED PACKAGE
(10% threshold with a power
of 1.35 above)

	Individual authorities		Rating authorities		
	Pence (1)	£m (2)	Pence (3)	£m (4)	Pence (5)
Clwyd	112.9p	75.28	-4.9p	+1.93	-
Dyfed	108.0p	70.64	+.9p	-.28	-
Gwent	112.3p	89.58	-4.3p	+1.89	-
Gwynedd	102.9p	47.86	-4.7p	+1.05	-
Mid Glamorgan	115.6p	133.81	+1.1p	-.41	-
Powys	100.2p	32.52	+3.4p	-.31	-
South Glamorgan	99.7p	69.39	+3.4p	-1.68	-
West Glamorgan	126.3p	74.89	+3.2p	-1.21	-
District Total	26.9p	136.03	-1.9p	-.98	-
County Total	110.5p	593.97	+3.9p	+.98	-
Wales Total	137.4p	730.00	+2.0p	-	-

Safety nets: Stage 1 1 pence for districts, 4 pence for counties;
Stage 2 5 pence for districts

Ceiling: Stage 1 2 pence for districts

1. Poundage changes show amounts authorities would raise (+) or lower (-) rates if spending in accord with Government guidelines.

2. £m changes show actual grant gain (+) or loss (-).

Case	Assumption for new pay awards		Estimated Implied increase in paybill 1980-81 to 1981-82				Assumption for increase in prices 1980-81 to 1981-82	Estimated Net current expenditure	
	Nov 1980 to July 1981 (a)	Aug 1980 to Mar 1982 (b)	Awards before Nov 80 (c)	New Pay awards	Super-annuation (d)	Total		Cash Limit Inflation factor 1980-81 to 1981-82 (9)	Target (e)(f) expenditure in 1981-82 at 1981-82 cash limit prices (10)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	%	%	%	%	%	%	%	%	£m
A	8	6	2.8	6.8	0.7	10.3	11	10.5	17611
B	6	4	2.8	5.1	0.7	8.6	11	9.3	17383

- (a) Assumes no special provision for an index-linked firemen's (November 80) award.
- (b) Assumes no special provision for index-linked police (September 1981) and firemen's (November 1981) awards and London weighting awards (April and July 1981).
- (c) The difference between the part year effect in 1980-81 and full year effect in 1981-82 of agreed awards for teachers and policemen (from September 1980) and of the assumed award of 13% for APTC (from July 1980) and of 25% for London weighting for APTC and manuals from July 1980.
- (d) Based on cash limit assumption for prices.
- (e) This sum would be reduced by some £170m if the April 1981 award for teachers was applied to the average salary bill in 1980-81 rather than the salary bill at September 1980, implying either a need only to increase teachers' salaries from their September 1980 level by 4% (case A) or 2% (case B) from April 1981 or a reduction in the above new pay assumptions for everyone of 1.6%. This sum would be increased by some £12m in both cases A and B if the police award in September 1981 was assumed to be at the level shown for the November 1980 to July 1981 pay round, so raising the percentage available for policemen in September 1981 from 6% to 8% (case A) and from 4% to 6% (case B).
- (f) The amount of grant payable with respect to current expenditure is this sum multiplied by the grant percentage (eg 61) and divided by 100.