

NATIONAL ASSEMBLY FOR WALES

Local Government Finance (Wales)

**THE LOCAL GOVERNMENT FINANCE (AMENDMENT) REPORT (WALES)
2002-03**

Report by the National Assembly for Wales under Section 84A of the Local
Government Finance Act 1988

The Local Government Finance (Amendment) Report (Wales) 2002-03

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Introduction

1. This Report, which relates to the financial year 2002-2003, is made by the National Assembly for Wales under section 84A of the Local Government Finance Act 1988 (“the 1988 Act”)¹. It amends the Local Government Finance Report (Wales) 2002-03 which was approved by the National Assembly for Wales on 24th January 2002.
2. Before making this Report, the National Assembly for Wales consulted appropriate representatives of local government concerning the general nature of the amendments made by the Report.
3. This Report shall come into force on the day after the day on which it is approved by resolution of the National Assembly for Wales.
4. This Report is amending the Local Government Finance Report (Wales) 2002-03 to take account of changes to estimates for police funding, as noted in paragraph 7.1 of that report. The amendments are required as final figures for the Home Office police grant were not available at the time of the final settlement in 2002-03. These changes are detailed in paragraphs 8 and 9 of this Report.

Amendment

5. The Local Government Finance Report (Wales) 2002-03 is hereby amended as follows.
6. At paragraph 7.1, paragraph to be deleted.
7. At paragraph 7.2; This chapter specifies the basis on which the National Assembly will distribute among police authorities the amount of RSG which is to be paid to the for 2002-03 under part V of the 1988 Act. Grant is to be distributed so that if each authority were to have a budget requirement at the level of its Standard Spending Assessment (SSA) then, subject to certain qualifications as set out in the Explanatory Notes (Annex 4), all authorities could set broadly the same council tax for dwellings listed in the same valuation band.
8. At Table 7.1, the Standard tax element for police authorities is £48.95.
9. At Annex 3; this is to be replaced with Annex 3 shown below

¹ Section 84A was inserted in the 1988 Act by paragraph 15 of Schedule 10 to the Local Government Finance Act 1992. The powers of the Secretary of State for Wales contained in the Local Government Finance Act 1992 were transferred to the National Assembly for Wales by the Transfer of Functions Order 1998 which came into effect on 1 July 1999.

INDICATORS AND DATA USED TO CALCULATE SSAS FOR POLICE AUTHORITIES

Unless otherwise stated, data used to construct indicators for the calculation of standard spending assessments (SSAs) are those that were available to the Home Secretary on 1 October 2001 concerning the area of each constituent authority of each police authority relevant to the calculation of specific SSA elements.

Constituent authorities for this purpose, and in the definition of population density below, are the councils whose areas are contained within the area of the police authority.

Data used to construct the indicators have been adjusted, where relevant, to take account of the alterations to police areas in Wales made under the Police Areas (Wales) Order 1995 (SI 1995/2864).

CALCULATION OF CURRENT SSA

1. The current SSA of an individual police authority is calculated as follows:

- (a) £5,663.76 *multiplied by* **POLICE ESTABLISHMENT**;
- (b) **DAYTIME POPULATION** *multiplied by* the result of:
 - £31.46; *plus*
 - £0.89 *multiplied by* **POLICE INDEX I**; *plus*
 - £0.83 *multiplied by* **POLICE INDEX III**; *plus*
 - £0.43 *multiplied by* **POPULATION DENSITY**; *plus*
 - £17.75 *multiplied by* **HOUSEHOLDS RENTING**; *plus*
 - £58.65 *multiplied by* **RESIDENTS IN OVERCROWDED HOUSEHOLDS**; *plus*
 - £5.89 *multiplied by* **STRIVING POPULATION**; *plus*
 - £75.11 *multiplied by* **YOUNG MALE UNEMPLOYMENT-RELATED BENEFIT CLAIMANTS**; *minus*
 - £3.05 *multiplied by* **POPULATION SPARSITY**;
- (c) **RESIDENT POPULATION** *multiplied by* the result of:
 - £26.29; *plus*
 - £0.86 *multiplied by* **POLICE INDEX II**; *plus*
 - £1.23 *multiplied by* **POPULATION DENSITY**; *plus*
 - £3.90 *multiplied by* **POPULATION SPARSITY**;
- (d) The sum of:
 - £1,323.39 *multiplied by* **BUILT-UP ROAD LENGTHS**; *plus*
 - £13,254.16 *multiplied by* **MOTORWAY LENGTHS**;
- (e) The results of (a) to (d) inclusive are added together and the result is *multiplied by* **AREA COST ADJUSTMENT FOR POLICE**;
- (f) The result of (e) is then added to the sum of **SECURITY EXPENDITURE** and **POLICE PENSIONS**;
- (g) The result of (f) is *multiplied by* **BOUNDARY CHANGE FACTOR IV**;
- (h) The result of (g) is then multiplied by **POLICE GRANT RATE**;
- (i) The result of (h) is then multiplied by the scaling factor of 1.0000535071701

(A) Indicators used to calculate the current elements of police SSAs

Police establishment

The police establishment and the number of supernumerary protection posts at 1 October 1994, as approved by the Secretary of State for the Home Department.

For this purpose the police establishment indicator is:

- (i) the police establishment; *plus*
- (ii) the number of any **additional** police posts which were approved for the financial year 1994-95; *less*
- (iii) the number of police posts where the whole costs are met other than by the police authority; and *less*
- (iv) any increase in the authorised police establishment resulting from the cost neutral proposals made under the Home Office letter of 2 February 1994 to Chief Constables.

The police establishment and supernumerary protection posts for an authority are those which were effective at 1 October 1994 for the authorities (including combined police authorities) providing police services in generally the same area at that date.

The police establishment and number of supernumerary protection posts at 1 October 1994 have been adjusted, as the Secretary of State for the Home Department considers appropriate, in respect of certain security-related commitments, and changes in the boundary of the Metropolitan Police District. These adjustments are based on information available to the Secretary of State for the Home Department on or by 1 October 2001.

Resident population

The total resident population at 30 June 2000 as estimated by the Registrar General.

Daytime population

The sum of:

- (i) **resident population** (as defined above); and
- (ii) The number of persons working but not resident in the authority's area minus the number of persons resident in but working outside the authority's area, as estimated by the Secretary of State for the

Environment, Transport and the Regions and the National Assembly for Wales using information from the 1991 Census, and information on armed forces provided by the Registrar General and the Ministry of Defence; and

(iii) The annual average number of nights stayed by domestic and foreign visitors in the authority's area, divided by 365, as estimated by the Secretary of State for the Environment, Transport and the Regions, and

(iv) The annual number of day visitors to the authority's area, divided by 365, as estimated by the Secretary of State for the Environment, Transport and the Regions using information provided by the Secretary of State for Culture, the Media and Sport.

Overnight visitors

The estimate at (iii) is generally based on information from the United Kingdom Tourism Surveys (1992 to 2000) and the Long Distance Travel Survey for domestic visitors; and from the International Passenger Surveys (1998 to 2000) and the 1991 Census for foreign visitors.

Day visitors

The estimate at (iv) is based on research commissioned by the Department of National Heritage generally using information from the Leisure Day Visits Survey 1988/89, the 1991 Census, the 1991 Survey of Visits to Tourist Attractions undertaken by the National Tourist Boards, the 1991 Census of Employment and other information about urban areas, National Parks, areas of outstanding natural beauty and official bathing beaches. The information used for this purpose is that available to the Secretary of State for National Heritage on 1 November 1993.

Households renting

The proportion of households living in rented accommodation in permanent buildings, calculated using information from the 1991 Population Census.

Residents in terraced accommodation

The proportion of household residents living in unshared terraced, purpose-built dwellings in permanent buildings, calculated using information from the 1991 Population Census.

Residents in lone parent families

The proportion of household residents living in a lone parent family with at least one dependent child, calculated using information from the 1991 Population Census.

Residents in overcrowded households

The proportion of household residents living in accommodation with more than one person per room, calculated using information from the 1991 Population Census.

One adult households

The proportion of households containing only one person aged 16 years or over, calculated using information from the 1991 Population Census.

Striving population

The proportion of residents living in areas classified as ACORN Category F - Striving, as estimated by the Secretary of State for the Home Department using information provided by CACI Limited.

Unemployment-related benefit claimants

The average number of claimants of unemployment-related benefits at Employment Service local offices over the period between July 1998 and April 2001, calculated using quarterly information provided by the Office for National Statistics, divided by the sum of the number of resident males aged 18-64 years and the number of resident females aged 18-59 years at 30 June 2000, as estimated by the Registrar General

Long-term unemployment-related benefit claimants

The proportion of claimants of unemployment-related benefits at Employment Service local offices with a duration of unemployment of more than one year averaged over the period between July 1998 to April 2001, calculated using quarterly information provided by the Office for National Statistics.

Young male unemployment-related benefit claimants

The proportion of claimants of unemployment-related benefits at Employment Service local offices who were male and aged under 25 averaged over the period between July 1998 and April 2001, calculated using quarterly information provided by the Office for National Statistics.

Population density

The number of residents per hectare for each enumeration district within the area of each constituent authority of the authority providing police services, as at the 1991 Census, multiplied by that enumeration district's share of the total resident population in the constituent authority, calculated using information from the 1991 Census and information provided by the National Assembly for Wales.

The results of the above calculation for each enumeration district within the area of each constituent authority are added together, and the sum is then generally multiplied by the ratio of the total resident population at 30 June

2000 to the total resident population at 30 June 1991, as estimated by the Registrar General.

The figures for the constituent authorities have been weighted in proportion to the total resident population at 30 June 2000, as estimated by the Registrar General, to determine the indicator.

The indicator is the result of the above calculations divided by 10.

Population sparsity

The sum of:

- (i) 2 *multiplied by* the resident population of those enumeration districts within the area of the police authority at the 1991 Population Census with 0.5 or fewer residents per hectare, *divided by* the total resident population of the police authority, calculated using information from the 1991 Population Census; and
- (ii) the resident population of those enumeration districts within the area of the police authority at the 1991 Population Census with more than 0.5 but less than or equal to 4 residents per hectare, *divided by* the total resident population of the police authority, calculated using information from the 1991 Population Census.

Built-up road lengths

The length (in kilometres) of trunk, principal and other roads which are subject to a speed limit not exceeding 40 miles per hour, where the lengths of roads relate to the position at 1 April 2001, as estimated by the Secretary of State for Transport, Local Government and the Regions and the National Assembly for Wales.

Motorway lengths

The length (in kilometres) of trunk and principal motorways, where the lengths of motorway relate to the position at 1 April 2001, as estimated by the Secretary of State for Transport, Local Government and the Regions and the National Assembly for Wales.

Police pensions

The projected amount of net expenditure in respect of police pensions for the financial year 2002/ 2003 as estimated by the Secretary of State for the Home Department using information provided by the Government Actuary's Department.

Security expenditure

The amount of expenditure in 2002/ 2003 on certain security-related commitments in addition to that reflected in the use of the **police establishment** indicator (as defined above), as estimated by the Secretary of State for the Home Department.

The estimate of expenditure is based on information available to the Secretary of State for the Home Department on or by 2 October 2001.

Police Index I

The sum of the following factors (each of which is calculated to 4 decimal places):

- (i) **Residents In Terraced Accommodation** (as defined above); minus 0.3083, and divided by 0.0627; and
- (ii) **Striving Population** (as defined above); minus 0.2101, and divided by 0.1031; and
- (iii) **Residents In Lone Parent Families** (as defined above); minus 0.0615 and divided by 0.0145; and
- (iv) **One Adult Households** (as defined above); minus 0.3026, and divided by 0.0341.

Police Index II

The sum of the following factors (each of which is calculated to 4 decimal places):

- (i) **Striving Population** (as defined above); minus 0.2101, and divided by 0.1031; and
- (ii) **Residents In Lone Parent Families** (as defined above); minus 0.0615, and divided by 0.0145; and
- (iii) **Households Renting** (as defined above); minus 0.3215, and divided by 0.0632; and
- (iv) **Long Term Unemployment-Related Benefit Claimants** (as defined above); minus 0.2208, and divided by 0.0450.

Police Index III

The sum of the following factors (each of which is calculated to 4 decimal places):

- (i) **Residents In Terraced Accommodation** (as defined above); minus 0.3083 and divided by 0.0627; and
- (ii) **Striving Population** (as defined above) minus 0.2101, and divided by 0.1031; and
- (iii) **Residents In Lone Parent Families** (as defined above); minus 0.0615, and divided by 0.0145; and
- (iv) **Households Renting** (as defined above); minus 0.3215, and divided by 0.0632; and
- (v) **One Adult Households** (as defined above); minus 0.3026, and divided by 0.0341; and
- (vi) **Unemployment-Related Benefit Claimants** (as defined above); minus 0.0325, and divided by 0.0120.

Boundary Change Factor IV

A factor calculated to reflect the need to adjust for boundary changes. The factor is based on information available on or by 1 October 2001 on the size

of the resident population transferring as a result of boundary changes. No boundary changes took place on 1 April 2001 or will take place on 1 April 2002 which are relevant to this indicator.

Police Grant Rate

The proportion of police revenue expenditure in England and Wales for 2002/2003, as estimated by the Secretary of State for the Home Department, which is to be met directly by the aggregate of police grant calculated under section 1 of this Annex.

Area Cost Adjustment For Police

A factor calculated to reflect differences in the cost of providing police services between the City of London, the Metropolitan Police District, the rest of the South East and the remainder of the country. The factor for all Welsh police authorities for 2002-03 is 1. It is generally based on information derived from the following sources: the 1999 New Earnings Survey provided by the Office for National Statistics; Base Estimate Returns 1992/93; rateable values and hereditaments at 1 August 2001 from the Inland Revenue; provisional estimates of hereditaments and floorspace excluding crown buildings as at 1997 from DETR research on Valuation Office Agency data (as yet unpublished); gross non-domestic rates and increases and reductions in rate yields, as supplied to the Secretary of State for the Environment, Transport and the Regions on the National Non-Domestic Rates Provisional Contributions Return 2001/2002; and the total resident population at 30 June 2000, as estimated by the Registrar General.

(B) Indicators And Data Used To Calculate The Non-Current Elements Of SSAs For Police Authorities

The component of standard spending assessments in respect of loan charges, including an element for leasing and an element for the revenue consequences of Private Finance Initiative projects, is derived by assuming that:

- (i) The level of credit ceiling in respect of the police fund at 31 March 2001 relating to debt incurred before 31 March 1990 is the figure supplied to the National Assembly for Wales by police authorities on the COR5 return for 2001.
- (ii) The level of credit ceiling in respect of the police fund at 31 March 2001 relating to debt incurred after 31 March 1990 is the difference between the credit ceiling in respect of (i) above and the figure for the total notional credit ceiling as reported on the COR5 return for 2001.

The assumed levels of credit ceiling in respect of (i) and (ii) above are:

Table 1 Police authority credit ceiling

	<i>Credit ceiling (£ thousands)</i>	
	<i>(i)</i>	<i>(ii)</i>
Dyfed-Powys	2,652	1,799
Gwent	1,497	3,824
North Wales	940	1,173
South Wales	3,304	11,572
All police authorities	8,393	18,368

- (iii) Police authorities are assumed to repay 4.0 per cent of the balance of any notional credit ceiling in respect of (i) during 2000-01 and 2001-02.
- (iv) Police authorities are assumed to repay 4.0 per cent of the balance of any notional credit ceiling in respect of (ii) during 2000-01 and 2001-02.
- (v) The debt incurred by police authorities during 2001-02 and 2002-03 is assumed to be equal to the credit approval figure for each police authority available to the Assembly when these calculations were made.
- (vi) At the start of the 2002-03 financial year, police authorities are assumed to repay 4.0 per cent of the balance of any notional credit ceiling in respect of credit approvals which had been issued in 2001-02 when the Assembly calculations were made.
- (vii) Interest payments in respect of debt incurred before 1990-91 are determined as the result of applying the pool rate of interest for the September of the year prior to the year in question to the average notional credit ceiling for 2002-03 remaining from (i) above.
- (viii) Interest payments in respect of debt incurred in 1990-91 and subsequent years are determined as the result of applying the pool rate of interest for the September of the year prior to the year in question to the average notional outstanding loan debt for 2002-02 remaining from (ii) and (v) above.
- (ix) The loan charges component of each police authority's debt financing SSA is the sum, for values relating to 2002-03, of:
- 49 per cent of the repayments described in (iii) above, 100 per cent of the repayments described in (iv) and (vi), 49 per cent of the interest payments described in (vii) and 100 per cent of the interest payments described in (viii). The remaining 51 per cent is assumed to be covered by police capital financing grant.

multiplied by a factor to ensure that the total for all Welsh police authorities equals the total loan charges component set for police authorities as a whole in respect of loan charges.

- (x) The component in respect of leasing charges and attributed to police authorities is assumed to be equal to a weighted average of the latest three years of financial data on leasing charges available to the Secretary of State/Assembly when these calculations were made, derived from those figures reported on the RS98, RA99 and RA2000 forms, multiplied by a factor to ensure that the total for all Welsh police authorities equals the total component set for police authorities as a whole in respect of leasing charges.
- (xi) An assessment in respect of the revenue consequences of Private Finance Initiative projects based on constant principal repayments over the lifetime of project contracts, and interest payment based on the agreed pool rate for each contract, taking into account any part year effects.

The debt financing component of each police authority's SSA is the sum of the amounts described in (ix), (x) and (xi) above.

Conclusion

9. This Report is made by the National Assembly for Wales under Section 84A of the Local Government Finance Act 1988.

28 January 2003