

**LOCAL GOVERNMENT FINANCE REPORT (No.2) 2010-2011**  
**(Final Settlement - Police Authorities)**

**Welsh Ministers**

**LOCAL GOVERNMENT FINANCE REPORT**  
**(No. 2) 2010-11**  
**(Final Settlement - Police Authorities)**

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## **SECTION ONE: PURPOSE OF REPORT AND MAIN PROPOSALS**

### **Chapter 1. Purpose of report**

- 1.1 This report is made in accordance with the requirements of the Local Government Finance Act 1988 (“the 1988 Act”). It sets out how much revenue support grant (RSG) Welsh Ministers propose to distribute to police authorities in 2010-11. The report also sets out how Non-Domestic Rates (NDR) will be distributed to police authorities.
- 1.2 Before making determinations about the overall amount of RSG and the respective shares of RSG and NDR to be distributed amongst receiving authorities and specified bodies, the Welsh Ministers consulted such representatives of police authorities as appeared appropriate from 26 November 2009 to 6 January 2010, as required by the 1988 Act.

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## **Chapter 2. Main Proposals**

### ***Revenue Support Grant***

2.1 The amount of RSG for police authorities in 2010-11 is £73.287 million.

2.2 Under the system of distribution determined in this report, the amount of RSG to be paid to an individual police authority is determined by its Standard Spending Assessment (SSA), taking account of the amount of NDR it will receive and also of the amount of council tax it is assumed to be able to raise. Section 2 of this report describes how this process works.

### ***Distributable amount: Non Domestic Rates***

2.3 The distributable amount of NDR available for authorities in Wales for 2010-11 is £935m (which is referred to as E in Chapter 4). Therefore, the amount available for police authorities is £93.5 million. The basis upon which NDR is distributed to police authorities is described in Chapter 4.

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## SECTION TWO: POLICE AUTHORITIES

### Chapter 3. Calculation of the amount of RSG for each police authority

- 3.1 This chapter specifies the basis on which Welsh Ministers will distribute the amount of RSG to be paid to police authorities in 2010-2011. Grant will be distributed so that if each police authority were to have a budget requirement at the level of its SSA then, subject to certain qualifications as set out in the Explanatory Notes (Annex 3), all police authorities could set broadly the same council tax for dwellings listed in the same valuation band.
- 3.2 The method by which SSAs for police authorities have been calculated is set out in Chapter 5. The calculation makes use of information reflecting the demographic, physical, economic and social characteristics of each area.
- 3.3 In order to calculate the amount of grant to be paid to each police authority, Welsh Ministers will first calculate the SSA for that authority. For this purpose, it is assumed that there is no use of, or contribution to, financial reserves.

The RSG entitlement for each police authority is calculated by applying the formula:

$$A - B - (C \times D)$$

Where:

A is the SSA for the police authority as calculated in accordance with Chapter 5;

B is the police authority's share of the distributable amount from the non-domestic rating account as calculated in accordance with Chapter 4;

C is the standard tax element for the police authority as specified in paragraph 3.4;  
and

D is the police authority tax base for RSG purposes for the police authority area as specified in Table 3.1.

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## **Standard tax elements for calculating RSG entitlements**

3.4 Welsh Ministers will distribute RSG so as to enable (subject to the qualifications specified in Annex 1) broadly the same council tax, known as Council Tax for Standard Spending, to be set for dwellings listed in the same valuation band in all areas. The appropriate “standard tax element” for police authorities is £87.59.

## **Council tax base for distributing RSG**

3.5 Each council is required to calculate its council tax base in accordance with regulations made under section 33(5) of the Local Government Finance Act 1992 (these are the Local Authorities (Calculation of Council Tax Base) (Wales) Regulations 1995 (as amended)<sup>1</sup>). The calculation of the council tax base for the purpose of distributing RSG is made having regard to council tax base figures supplied to Welsh Ministers by councils on Form CT1 on or before 1 December 2007.

3.6 The council tax base figures for the purpose of distributing RSG are set out in Table 3.1.

**Table 3.1 Council tax base: number of band D equivalent properties used for 2010-11<sup>2</sup>**

| <i>Police Authority</i> | <i>Band D equivalent properties</i> |
|-------------------------|-------------------------------------|
| Dyfed Powys             | 210,613                             |
| Gwent                   | 208,823                             |
| North Wales             | 279,631                             |
| South Wales             | 469,522                             |
| <i>Wales total</i>      | <i>1,168,589</i>                    |

*Note: Figures shown in the above table are rounded versions of those actually used.*

*Note: An explanation of Band D equivalent properties is given in Annex 2 – Explanatory Notes.*

<sup>1</sup> See the Local Authorities (Calculation of Council Tax Base) (Wales) (Amendment) Regulations 1999 SI 1999/2935 (W27) and the Local Authorities (Calculation of Council Tax Base) and Council Tax (Prescribed Classes of Dwellings) (Wales) (Amendment) Regulations 2004 SI 2004/3094 (W.268).

<sup>2</sup> Consistent with the principle of fixed 3-year settlements, the 2008-09 final tax base is applied in 2008-09, 2009-10 and 2010-11.

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## Chapter 4. Calculation of the amount of non-domestic rates for each police authority

4.1 This chapter specifies the basis on which Welsh Ministers will distribute among police authorities the appropriate share of the distributable amount from the non-domestic rating account for 2010-11. It will be distributed pro rata to adult population in each police authority's area, using the formula below:

$$(E \times 10\%) \times \frac{F}{G}$$

where:

- E is the distributable amount specified in paragraph 2.3 of this Report;
- F is the resident population aged 18 years and over at 30 June 2008 for the police authority area, as derived from estimates by the Office for National Statistics<sup>1</sup> and specified in Table 4.1;
- G is the population of Wales on the same basis as that in respect of F above.

**Table 4.1 Resident population aged 18 years and over at 30 June 2008**

| <i>Police Authority</i> | <i>Presecribed Figure</i> |
|-------------------------|---------------------------|
| Dyfed-Powys             | 405,800                   |
| Gwent                   | 436,000                   |
| North Wales             | 538,900                   |
| South Wales             | 978,500                   |
| <i>Wales Total</i>      | 2,359,200                 |

<sup>1</sup> As published on the 27<sup>th</sup> August 2009

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## **Chapter 5. Calculation of the SSA for each police authority**

- 5.1 The main elements of the formula for calculating the SSA of police authority are decided by the Home Secretary as part of a common formula covering Wales and England. Welsh Ministers are responsible for the capital financing element of the formula.
- 5.2 The main determinant of the police SSAs is the projected resident population. Cost adjustments are built into this formula for the socio-economic and other characteristics of police force areas and for differences in the costs of provision between areas.
- 5.3 The indicators used to determine the SSA for each police authority, and their definitions, are set out in Section 3, Annex 1.



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**SECTION THREE - ANNEXES TO THE REPORT**

- Annex 1      Indicators used in the calculation of police authorities' SSAs**
- Annex 2      Glossary and Explanatory Notes**
- Annex 3      Statutory Basis for the Report**

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**ANNEX 1: INDICATORS AND VALUES USED IN THE CALCULATION OF POLICE AUTHORITIES' SSAs**

Unless otherwise stated, data used to construct indicators for the calculation of SSAs are those that were available to the Home Secretary on 1 October 2007 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).

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## CALCULATION OF SSA

The total SSA is the sum of the current and non-current SSAs.

## CALCULATION OF CURRENT SSA

The greater part of the amount of grant to be paid to each police authority is calculated in accordance with the principal needs-based formula shown below.

The main determinant in the principal formula is the projected resident population. Cost adjustments are built into this formula for the socio-economic and other characteristics of police force areas and for differences in the costs of provision between areas.

The formula is generally specified in terms of the sum of a series of 'amounts' multiplied by 'indicators'. A full description of each indicator is given in Section (A) below. Indicators are items of information which are available for each police authority, for example, density of population.

The application of a scaling factor in calculating the amounts of grant allocated to each police authority by means of the principal formula is to ensure that the total of all those amounts equals the aggregate amount of grant to be allocated by means of the principal formula.

The police element for a particular police authority consists of a basic amount per projected resident, a basic amount per person projected to be present in the authority during a 24 hour period (i.e. residents plus commuters), for special events, and top-ups for crime, incidents, fear of crime, traffic, sparsity and area costs:

### *Basic amounts*

Police Basic Amount                      16.6310

Special Events Basic Amount              0.8190

### *Top-ups*

Police Crime Top-Up 1    2.6482 multiplied by **DAYTIME NET INFLOW PER RESIDENT POPULATION**; plus  
0.2953 multiplied by **LOG OF BARS PER 100 HECTARES**; plus  
16.2210 multiplied by **INCOME SUPPORT/INCOME BASED JSA/GUARANTEE ELEMENT OF PENSION CREDIT CLAIMANTS**;  
plus  
34.1326 multiplied by **SINGLE PARENT HOUSEHOLDS**

Police Crime Top-Up 2    0.0323 multiplied by **POPULATION DENSITY**; plus  
103.8493 multiplied by **LONG-TERM UNEMPLOYMENT-RELATED BENEFIT CLAIMANTS**

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|                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Police Crime Top-Up 3       | 0.0783 <i>multiplied by</i> <b>LOG OF BARS PER 100 HECTARES</b> ; <i>plus</i><br>0.0086 <i>multiplied by</i> <b>POPULATION DENSITY</b> ; <i>plus</i><br>3.9294 <i>multiplied by</i> <b>RESIDENTS IN ROUTINE/SEMI ROUTINE OCCUPATIONS OR NEVER WORKED/LONG-TERM UNEMPLOYED</b> ; <i>plus</i><br>9.6829 <i>multiplied by</i> <b>SINGLE PARENT HOUSEHOLDS</b> ; <i>plus</i><br>0.7321 <i>multiplied by</i> <b>DAYTIME NET INFLOW PER RESIDENT POPULATION</b> |
| Police Crime Top-Up 4       | 0.1980 <i>multiplied by</i> <b>LOG OF BARS PER 100 HECTARES</b> ; <i>plus</i><br>8.7196 <i>multiplied by</i> <b>SINGLE PARENT HOUSEHOLDS</b> ; <i>plus</i><br>26.9606 <i>multiplied by</i> <b>STUDENT HOUSING</b> ; <i>plus</i><br>1.2335 <i>multiplied by</i> <b>HARD PRESSED</b>                                                                                                                                                                        |
| Police Crime Top-Up 5       | 0.3330 <i>multiplied by</i> <b>LOG OF BARS PER 100 HECTARES</b> ; <i>plus</i><br>36.9806 <i>multiplied by</i> <b>STUDENT HOUSING</b> ; <i>plus</i><br>145.5098 <i>multiplied by</i> <b>YOUNG MALE UNEMPLOYMENT-RELATED BENEFIT CLAIMANTS</b>                                                                                                                                                                                                              |
| Police Crime Top-Up 6       | 5.3370 <i>multiplied by</i> <b>DAYTIME NET INFLOW PER RESIDENT POPULATION</b> ; <i>minus</i><br>0.4908 <i>multiplied by</i> <b>LOG OF POPULATION SPARSITY</b> ; <i>plus</i><br>1.2538 <i>multiplied by</i> <b>LOG OF OVERCROWDED HOUSEHOLDS</b>                                                                                                                                                                                                           |
| Police Crime Top-Up 7       | 4.3181 <i>multiplied by</i> <b>DAYTIME NET INFLOW PER RESIDENT POPULATION</b> ; <i>plus</i><br>27.1311 <i>multiplied by</i> <b>STUDENT HOUSING</b> ; <i>minus</i><br>3.2132 <i>multiplied by</i> <b>WEALTHY ACHIEVERS</b>                                                                                                                                                                                                                                 |
| Police Incidents Top-Up     | 39.0432 <i>multiplied by</i> <b>INCOME SUPPORT/INCOME BASED JSA/GUARANTEE ELEMENT OF PENSION CREDIT CLAIMANTS</b> ; <i>plus</i><br>10.4135 <i>multiplied by</i> <b>RESIDENTS IN TERRACED ACCOMMODATION</b>                                                                                                                                                                                                                                                |
| Police Fear of Crime Top-Up | 0.3134 <i>multiplied by</i> <b>LOG OF BARS PER 100 HECTARES</b> ; <i>plus</i><br>2.2570 <i>multiplied by</i> <b>HARD PRESSED</b>                                                                                                                                                                                                                                                                                                                          |
| Police Traffic Top-Up       | 1.2085 <i>multiplied by</i> <b>POPULATION SPARSITY</b>                                                                                                                                                                                                                                                                                                                                                                                                    |
| Police Sparsity Top-Up      | 0.8835 <i>multiplied by</i> <b>POPULATION SPARSITY</b>                                                                                                                                                                                                                                                                                                                                                                                                    |

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The amount of police grant for a particular authority allocated under the principal formula is calculated as follows:

| <b>Principal Formula to be applied by the Home Secretary</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a)                                                          | <b>PROJECTED POPULATION IN 2010</b> <i>multiplied by</i> the result of:<br>POLICE BASIC AMOUNT; <i>plus</i><br>POLICE CRIME TOP-UP 1; <i>plus</i><br>POLICE CRIME TOP-UP 2; <i>plus</i><br>POLICE CRIME TOP-UP 3; <i>plus</i><br>POLICE CRIME TOP-UP 4; <i>plus</i><br>POLICE CRIME TOP-UP 5; <i>plus</i><br>POLICE CRIME TOP-UP 6; <i>plus</i><br>POLICE CRIME TOP-UP 7; <i>plus</i><br>POLICE INCIDENTS TOP-UP; <i>plus</i><br>POLICE FEAR OF CRIME TOP-UP; <i>plus</i><br>POLICE TRAFFIC TOP-UP; <i>plus</i><br>POLICE SPARSITY TOP-UP. |
| (b)                                                          | <b>PROJECTED DAYTIME POPULATION IN 2010</b> <i>multiplied by</i> <b>SPECIAL EVENTS BASIC AMOUNT</b> ;                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| (c)                                                          | The results of (a) and (b) are added together and the result is <i>multiplied by</i> <b>AREA COST ADJUSTMENT FOR POLICE</b> ;                                                                                                                                                                                                                                                                                                                                                                                                              |
| (d)                                                          | The result of (c) is then <i>multiplied by</i> the result of 1 minus the <b>POLICE GRANT RATE</b> ;                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| (e)                                                          | The result of (d) is then multiplied by the scaling factor of 0.99999960549545;                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| (f)                                                          | The result of (e) is multiplied by the result of £4,392,056,117 divided by the sum for all police authorities of the result of (e) given in Annex D of the Home Office Police Grant Report 2010-11.                                                                                                                                                                                                                                                                                                                                        |
| (g)                                                          | The result of (f) is multiplied by a scaling factor of 0.86377916 to counter the adjustment to the police control total that took place for additional resource equalisation                                                                                                                                                                                                                                                                                                                                                               |

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## **(A) Indicators and data used to calculate the current elements of SSAs for police authorities**

### **PROJECTED POPULATION IN 2010**

For Welsh authority areas, the projected total resident population in 2010, as estimated by the Secretary of State using information from the Welsh Assembly Government and the Registrar General.

### **DAYTIME NET INFLOW**

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 using information from the 2001 Census.

### **DAYTIME NET INFLOW PER RESIDENT POPULATION**

**THE DAYTIME NET-INFLOW** (as defined above) *divided by* the total resident population of the authority, calculated using information from the 2001 Census.

### **PROJECTED DAYTIME POPULATION IN 2010**

**PROJECTED POPULATION IN 2010** (as defined above) *plus* **DAYTIME NET-INFLOW** (as defined above).

### **LOG OF BARS PER 100 HECTARES**

The natural logarithm<sup>1</sup> of:

The number of units that are bars (*defined as Standard Industrial Classification (SIC) 55.40 – BARS*), as estimated by the Secretary of State, based on information provided by the Office for National Statistics from the 2005 Annual Business Inquiry; *divided by* the number of hectares, using information from the 2001 Census; the result is then *multiplied by* 100.

### **INCOME SUPPORT/ INCOME BASED JSA/GUARANTEE ELEMENT OF PENSION CREDIT CLAIMANTS**

The number of Income Support/Income based Jobseeker's Allowance/ Guarantee Element of Pension Credit claimants, over a period between:

- a) May 2004 and February 2007, using twelve quarterly scans for this period for Income Support/Guarantee Element of Pension Credit claimants, *and*

<sup>1</sup> The natural logarithm is also known as the Napierian log or log to the base e

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- b) August 2004 and August 2006, using scans made at the end of August of each year for Income based Jobseekers Allowance claimants,

As estimated by the Secretary of State for Work and Pensions, *divided by* the resident population at 30 June 2006, as estimated by the Registrar General.

### **SINGLE PARENT HOUSEHOLDS**

The proportion of households which are lone parent households with dependant children, calculated using information from the 2001 Census.

### **POPULATION DENSITY**

The resident population at 30 June 2006, as estimated by the Registrar General; *divided by* the area of the authority in hectares, using information from the 2001 Census.

### **LONG TERM UNEMPLOYMENT-RELATED BENEFIT CLAIMANTS**

The number of claimants of unemployment-related benefits, currently Jobseeker's Allowance and National Insurance credits, with a duration of unemployment of more than one year, averaged over the period between May 2004 and April 2007, calculated using monthly information provided by the Office for National Statistics through NOMIS, *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 2006, as estimated by the Registrar General.

### **RESIDENTS IN ROUTINE/ SEMI ROUTINE OCCUPATIONS OR NEVER WORKED/ LONG TERM UNEMPLOYED**

The proportion of residents in routine or semi-routine occupations or who have never worked or are long term unemployed (National Statistics – Socio Economic Classifications (NS-SEC) 6, 7 and 8), calculated using information from the 2001 Census.

### **STUDENT HOUSING**

The proportion of households that contain all students, calculated using information from the 2001 Census.

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### **HARD PRESSED POPULATION**

The proportion of household residents living in areas classified as ACORN category 'Hard Pressed', as defined in ACORN data produced by CACI Limited, based upon information from the 2001 Census and updated lifestyle data, and released at the end of 2006.

### **YOUNG MALE UNEMPLOYMENT-RELATED BENEFIT CLAIMANTS**

The number of claimants of unemployment-related benefits, currently Jobseeker's Allowance and National Insurance credits, who were male and aged under 25 years, averaged over the period between May 2004 and April 2007, calculated using monthly information provided by the Office for National Statistics through NOMIS, *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 2006, as estimated by the Registrar General.

### **POPULATION SPARSITY**

The population sparsity of each local authority measured at Output Area level. The sum of:

- (i) *2 multiplied by* the resident population of those Output Areas within the area of the authority at the 2001 Census with 0.5 or less residents per hectare, *divided by* the total resident population of the authority, calculated using information from the 2001 Census; *and*
- (ii) The resident population of those Output Areas within the area of the authority at the 2001 Census with more than 0.5 but less than or equal to 4 residents per hectare, *divided by* the total resident population of the authority, calculated using information from the 2001 Census.

Output Areas were introduced by the Office for National Statistics as the smallest units of output for the 2001 Census. In England and Wales they have a minimum size of 100 residents and 40 households. They are based on Census day postcodes and fit within the boundaries of 2003 statistical wards (and parishes).

### **LOG OF POPULATION SPARSITY**

The natural logarithm of **POPULATION SPARSITY** (as defined above).



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### **LOG OF OVERCROWDED HOUSEHOLDS**

The natural logarithm of:

The proportion of overcrowded households with an occupancy rating of “-1 or less”, calculated by using information from the 2001 Census.

### **WEALTHY ACHIEVERS POPULATION**

The proportion of household residents living in areas classified as ACORN category ‘Wealthy Achievers’, as defined in ACORN data produced by CACI Limited, based upon information from the 2001 Census and the updated lifestyle data, and released at the end of 2006.

### **TERRACED HOUSEHOLDS**

The proportion of households which are terraced, including end terraced, calculated using information from the 2001 Census.

### **PROJECTED DAYTIME POPULATION IN 2010**

**PROJECTED POPULATION IN 2010** (as defined above) *plus* **DAYTIME NET-INFLOW** (as defined above).

### **POLICE GRANT RATE**

The proportion of police revenue expenditure in England and Wales for 2010-11, 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 5 of the Police Grant Report (England and Wales) 2010-11.

### **AREA COST ADJUSTMENT FOR POLICE**

A factor calculated to reflect differences in the costs of providing police services across the country. It is generally based on information derived from the following sources: the 2004, 2005 and 2006 Annual Survey of Hours and Earnings provided by the Office for National Statistics; Subjective Analysis Return 2003-04 and 2005-06; Base Estimate Returns 1992-93; rateable values and hereditaments at 1 July 2007 from HMRC; estimates of office hereditaments and floorspace as at 2006; gross non-domestic rates and increases and reductions in rate yields, as supplied by authorities to the Secretary of State on the National Non-Domestic Rates Provisional Contributions Return 2007-08; and the total resident population as at 30 June 2006, as estimated by the Registrar General. This factor is given in Annex C of the Police Grant Report (England and Wales) 2010-11, otherwise they are assumed to be 1. The England and Wales report can be found at: <http://www.local.communities.gov.uk/finance/1011/lgfrs/polgrant.pdf>

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### **(B) Indicators and data used to calculate the non-current elements of SSAs for police authorities**

The components of debt financing are repayments and interest (for pre- and post-31/04/04 debt), leasing charges and a reduction in respect of capital financing grants. The rate of repayment assumed is 4 per cent and the rate of interest used is the pool rate interest for 2008-09, which is calculated at 5.7%. A detailed description of the calculation is given in paragraphs (a) to (j) below.

(a) The component of standard spending assessments in respect of capital financing, including an element for leasing is derived by assuming that:

- (i) The level of credit ceiling in respect of the police fund at 31 March 2004 relating to debt incurred before 31 March 1990 is the figure supplied to Welsh Ministers by police authorities on the COR5 return for 2004.
- (ii) The level of credit ceiling in respect of the police fund at 31 March 2004 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 2004.

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                         | 2,346      | 2,669       |
| Gwent                               | 1,357      | 4,774       |
| North Wales                         | 417        | 3,021       |
| South Wales                         | 2,255      | 14,873      |
| All police authorities              | 6,375      | 25,337      |

The debt-financing component of each police authorities' SSA is the sum of the amounts described in (g), (h) and (i), less the amount described in (j) below.

(b) Police authorities are assumed to repay 4% of any notional credit ceiling as at 1 April 2004 ("old debt") in respect of the amounts in (a). This assumes old debt is written off over a twenty five-year period.

(c) Interest payments on any notional credit ceiling in respect of (a), as reduced by the annual repayment described in (b), are determined as the result of applying the pool rate of interest to the average notional total credit ceiling 2008-09.

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(d) The component of SSAs in respect of capital financing for debts incurred after 31 March 2004 and attributed to police authorities is derived by assuming that the debt incurred is equal to the supported borrowing figure for the relevant year available to the Home Office and Welsh Ministers when their calculations were made.

(e) Police authorities are assumed to repay 4% on a reducing balance basis of any notional outstanding loan debt as at April 2007 in respect of the amounts in (d).

(f) Interest payments on supported borrowing in respect of (d) are determined as the result of applying the pool rate of interest to the average notional total credit ceiling for 2008-09 in line with the assumptions described in (d) and (e) above.

(g) The capital-financing component of each police authority in respect of debts incurred between 31 March 1990 and 31 March 2004 is the sum of:

the repayments for 2008-09 described in (b) above and the interest payments described in (c),

(h) The capital-financing component of each council in respect of debts incurred after 31 March 2004 is the sum of:

the repayments for 2008-09 described in (e) above and the interest payments described in (f),

(i) The component in respect of leasing charges and attributed to councils is assumed to be equal to a weighted average of the latest three years of financial data on leasing charges available to Welsh Ministers when the calculations were made, derived from those figures reported on the RO 2005-06, RA 2006-07 and RA 2007-08 forms.

(j) The component in respect of capital financing grants from debts incurred on or before 31 March 1990.

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## ANNEX 2: GLOSSARY AND EXPLANATORY NOTES

This glossary offers explanations of some of the key technical terms used in the report.

**Band D equivalent properties** For the purposes of the council tax, each property has been given a valuation in terms of a band. These bands range from band A up to band I and the police authority tax bills for each band vary according to a set of multipliers. These multipliers vary from sixth ninths for a band A property to two and three ninths for a band I property while the multiplier for a band D property is one. The number of band D equivalent properties in an authority is the total number of domestic dwellings expressed in terms of their relation to band D. For example, one band H property is equivalent to two band D properties, because it pays twice as much police authority tax.

**Council Tax Base** of an area is equal to the number of band D equivalent properties, after adjustment for discounts and exemptions. Discounts are available to people who live alone, and to owners of homes that are not anyone's main home. Police authority Tax is not charged for certain properties, known as exempt properties, such as those lived in only by students. The description of how the tax base is calculated and used in the calculation of RSG see paragraph 3.5 in section 2 of this Report.

**Council Tax for Standard Spending** is the level of police authority tax for a band D property which would be charged in all parts of Wales if all police authorities and police authorities spent at the level of their SSA. This figure is used to work out how the amount of RSG payable to police authorities should be shared among them, and similarly how the amount of RSG payable to police authorities should be shared out.

**Non-Domestic Rates** are the property tax paid by businesses. All business rates are paid into a central pool administered by Welsh Ministers for redistribution to police authorities and police authorities.

**Qualifications affecting council tax calculation:** RSG is distributed to enable each police authority to set broadly the same police authority tax for dwellings listed in the same valuation band. For each council or police authority, it is assumed that the 2007-08 council tax base used for RSG distribution is calculated in accordance with the relevant secondary legislation (The Local Authorities (Calculation of Council Tax Base) (Wales) Regulations 1995 (S.I. 1995/2561), as amended by the Local Authorities (Calculation of Council Tax Base) (Wales) (Amendment) Regulations 1999 (S.I.1999/2935), the Local Authorities (Calculation of Council Tax Base) and the Council Tax (Prescribed Classes of Dwellings)(Wales)(Amendment) Regulations 2004. Secondly, it is assumed that the application of section 35 of the Local Government Finance Act 1992 ("special items for purposes of section 34") (as amended) will result in

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the same council tax for dwellings listed in the same valuation band across the whole of a police authority's area.

**Receiving Authorities** include police authorities. RSG is paid to each receiving authority.

**SSAs** (Standard Spending Assessments) are notional assessments for RSG distribution purposes of each police authority's need to spend on revenue services, excluding specific grants.

**Standard tax element** is the portion of the council tax for standard spending attributable to each class of receiving authority. It is a common figure for each authority within a class. The two classes of authorities in Wales are councils and police authorities.

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## **ANNEX 3: STATUTORY BASIS FOR THE REPORT**

1. The Local Government Finance report is made under section 84G (Local government finance reports) of the Local Government Finance Act 1988 (“the 1988 Act”) as amended by the Local Government Act 2003 (“the 2003 Act”). The report will have effect for the financial year 2010-11 if it is duly approved by resolution of the National Assembly for Wales.

### ***Amount of RSG and redistributed non domestic rates***

2. Section 84F (Determination of grant) of the 1988 Act requires Welsh Ministers to determine the amount of RSG for each financial year and how much they propose to pay to receiving police authorities.

### ***Basis of distributing RSG***

3. Section 40 and paragraph 1 of Schedule 2 to the 2003 Act inserted section 84G into the 1988 Act. Section 84G requires Welsh Ministers to make a report setting out its determinations under section 84F and to specify the basis on which RSG is to be distributed between receiving authorities.

### ***Redistributed Non Domestic Rates***

4. Paragraph 9A of Schedule 8 (Distributable amount) to the 1988 Act requires Welsh Ministers to specify in the report the distributable amount from the non-domestic rating account. Under paragraph 11A (Distribution: local government finance reports) of the same Schedule Welsh Ministers are required to set out in the report the basis (the basis of distribution) on which the distributable amount will be distributed among receiving authorities.