

LOCAL GOVERNMENT FINANCE REPORT 2005-2006
(Final Settlement - Police Authorities)

National Assembly for Wales

LOCAL GOVERNMENT FINANCE REPORT
(No. 2) 2005-06
(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) the National Assembly for Wales proposes to distribute to police authorities in 2005-06. The report also sets out how Non-Domestic Rates (NDR) will be distributed to police authorities.

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Chapter 2. Main Proposals

Revenue Support Grant

2.1 The amount of RSG for police authorities in 2005-06 is £76.7 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 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 2005-06 is £672m (which is referred to as E in Chapter 4). Therefore, the amount available for police authorities is £67.2 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 the National Assembly will distribute the amount of RSG to be paid to police authorities in 2005-06. Grant will be distributed so that if each police 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 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, the Assembly 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 The National Assembly 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 £63.94.

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)¹). The calculation of the council tax base for the purpose of distributing RSG is made having regard to council tax base figures supplied to the National Assembly by councils on Form CT1 on or before 15 November 2004.

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 for 2005-06

<i>Police authorities</i>	
Dyfed-Powys	202,557
Gwent	204,127
North Wales	272,517
South Wales	455,624
<i>Wales total</i>	<u>1,134,825</u>

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.

¹ 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.

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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 the National Assembly will distribute among police authorities the appropriate share of the distributable amount from the non-domestic rating account for 2005-06. 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 2003 for the police authority area, as derived from estimates by the Registrar General 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 2003

	<i>Prescribed figure</i>
Dyfed Powys	392,100
Gwent	423,800
North Wales	525,100
South Wales	942,000
<i>Wales total</i>	<u>2,283,000</u>

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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. The National Assembly is responsible for the capital financing element of the formula.

- 5.2 The main determinants of the police SSAs are the resident population of each police authority area, the daytime population of that area (taking into account of commuters and visitors), the police establishment and police pensions. Cost adjustments are built into the formula for the socio-economic and other characteristics of police authority areas and for differences in the cost of service 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 standard spending assessments (SSAs) are those that were available to the Home Secretary on 1 October 2004 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 current SSA is based on the calculation of Formula Spending Shares (FSS) undertaken by Home Office/Office of the Deputy Prime Minister. To convert FSS to SSA a factor of 0.87495 is applied to reflect resource equalisation adjustments applied in England.

The main determinants of the SSA for the Police are the resident population, the day-time population (taking account of commuters and visitors), security expenditure and police pensions. Cost adjustments are built into the formula for the socio-economic and other characteristics of police force areas and for differences in the costs of provision between areas.

The Police element for a particular authority consists of a basic amount per resident, a basic amount per person present in the authority during a 24-hour period (i.e. residents plus commuters plus visitors) and top-ups for deprivation, density, sparsity and area costs:

Basic amounts

POLICE BASIC AMOUNT 1	£30.49
POLICE BASIC AMOUNT 2	£37.76

Top-ups

POLICE DEPRIVATION TOP-UP 1	£0.85 multiplied by POLICE INDEX I ; plus £1.28 multiplied by POLICE INDEX III ; plus £32.49 multiplied by HOUSEHOLDS RENTING ; plus £107.33 multiplied by RESIDENTS IN OVERCROWDED HOUSEHOLDS ; plus £5.47 multiplied by STRIVING POPULATION ; plus £116.36 multiplied by YOUNG MALE UNEMPLOYMENT-RELATED BENEFIT CLAIMANTS ;
POLICE DEPRIVATION	£1.24 multiplied by POLICE INDEX II ;

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TOP-UP 2

POLICE DENSITY TOP-UP 1	£0.79 <i>multiplied by</i> POPULATION DENSITY ; <i>minus</i> £2.84 <i>multiplied by</i> POPULATION SPARSITY ;
POLICE DENSITY TOP-UP 2	£2.43 <i>multiplied by</i> POPULATION DENSITY
POLICE SPARSITY TOP-UP	£4.69 <i>multiplied by</i> POPULATION SPARSITY

The full formula used to calculate the *Police* element is:

Police	
(a)	DAYTIME POPULATION <i>multiplied by</i> the result of: POLICE BASIC AMOUNT 1 ; <i>plus</i> POLICE DEPRIVATION TOP-UP 1 ; <i>plus</i> POLICE DENSITY TOP-UP 1 ;
(b)	RESIDENT POPULATION <i>multiplied by</i> the result of: POLICE BASIC AMOUNT 2 ; <i>plus</i> POLICE DEPRIVATION TOP-UP 2 ; <i>plus</i> POLICE DENSITY TOP-UP 2 ; <i>plus</i> POLICE SPARSITY TOP-UP ;
(c)	The sum of: £1,388.76 <i>multiplied by</i> BUILT-UP ROAD LENGTHS ; <i>plus</i> £13,908.75 <i>multiplied by</i> MOTORWAY LENGTHS ;
(d)	The results of (a) to (c) inclusive are added together and the result is <i>multiplied by</i> AREA COST ADJUSTMENT FOR POLICE ;
(e)	The result of (d) is then added to the sum of SECURITY EXPENDITURE and POLICE PENSIONS ;
(f)	The result of (e) is then <i>multiplied by</i> the result of 1 <i>minus</i> POLICE GRANT RATE ;
(g)	The result of (f) is then <i>multiplied by</i> the scaling factor given in Annex B of the Police Grant Report (England and Wales) 2005/2006

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

Unless otherwise stated, data used to construct indicators for the calculation of police grant are those available on 1 October 2004 concerning the constituent authorities of the authority providing policing services relevant to the calculation of police grant.

Constituent authorities for this purpose, and in the definition of population density below, are the relevant billing authorities (in whole or in part) whose area is contained within the area of the authority providing policing services. Each of the following is a billing authority a) in England, a district council, a London Borough Council, the Common Council of the City of London, the Council of the Isles of Scilly and a county council which has the functions of a district council; and b) in Wales, a county council and a county borough council.

Data used to construct indicators for this purpose for constituent authorities which are reorganised authorities comprise such data available, unless otherwise stated, on 1 October 2004 concerning the predecessor authorities, or parts of the predecessor authorities, as the Secretary of State considers appropriate. A reorganised authority is an authority subject to a structural, or a structural and boundary change which came into effect on 1 April 1995, 1 April 1996, 1 April 1997, 1 April 1998, 1 April 1999, or 1 April 2000 and which is made by an order under section 17 of the Local Government Act 1992 or under the Local Government Act 1972, as amended by section 1 of the Local Government (Wales) Act 1994.

RESIDENT POPULATION

The total resident population at 30 June 2003, 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 First Secretary of State 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 First Secretary of State ; and
- (iv) The annual number of day visitors to the authority's area, *divided by 365*, as estimated by the First Secretary of State, using information provided by the Secretary of State for Culture, Media and Sport.

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Overnight visitors

The estimate at (iii) is generally based on information from the United Kingdom Tourism Surveys (1995 to 2003), for domestic visitors; and from the International Passenger Surveys (2001 to 2003) 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 1988/1989, 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 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 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 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 Census.
ONE ADULT HOUSEHOLDS	The proportion of households containing only one person aged 16 years or over, calculated using information from the 1991 Census.
STRIVING POPULATION	The proportion of residents living in areas classified as ACORN – Striving, as estimated by the First Secretary of State using information provided by CACI Limited.
UNEMPLOYMENT-RELATED BENEFIT CLAIMANTS	The average number of claimants of unemployment-related benefits, currently Jobseeker's Allowance and National Insurance credits, over the period between May 2001 and April 2004, calculated using monthly information provided by the Office for National Statistics through NOMIS, <i>divided by</i> 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 2003, as estimated by the Registrar General.
LONG-TERM UNEMPLOYMENT-	The proportion of claimants of unemployment-related benefits, currently Jobseeker's Allowance and National Insurance credits, with a duration of

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RELATED BENEFIT CLAIMANTS unemployment of more than one year averaged over the period between May 2001 and April 2004 calculated using monthly information provided by the Office for National Statistics through NOMIS.

YOUNG MALE UNEMPLOYMENT-RELATED BENEFIT CLAIMANTS The proportion of claimants of unemployment-related benefits currently Jobseeker's Allowance and National Insurance credits, who were male and aged under 25 averaged over the period between May 2001 and April 2004, calculated using monthly information provided by the Office for National Statistics through NOMIS.

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.

Constituent authorities for this purpose are the relevant billing authorities (in whole or part), as set out in footnote 1 to paragraph 2.2 in section 2 of this Report, whose area is contained within the area of the authority providing police services.

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 2003 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 2003, 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 authority at the 1991 Census with 0.5 or less residents per hectare, *divided by* the total resident population of the authority, calculated using information from the 1991 Census; and
- (ii) The resident population of those enumeration districts within the area of the authority at the 1991 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 1991 Census.

BUILT-UP ROAD LENGTHS The length (in kilometres) of trunk, principal roads and other roads which are subject to a speed limit not exceeding 40 miles per hour, where the lengths of trunk, principal roads and other roads relate to the position at 1

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April 2004, as estimated by the Secretary of State for Transport.

MOTORWAY LENGTHS

The length (in kilometres) of trunk and principal motorways, where the lengths of motorway relate to the position at 1 April 2004, as estimated by the Secretary of State for Transport.

POLICE PENSIONS

The projected amount of net expenditure in respect of police pensions for the financial year 2005/2006, 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 the financial year 2005/2006 on certain security-related commitments 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 1 October 2004.

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* 0.3079 and *divided by* 0.0627; and
- (ii) **STRIVING POPULATION** (as defined above); *minus* 0.2019, and *divided by* 0.0894; and
- (iii) **RESIDENTS IN LONE PARENT FAMILIES** (as defined above); *minus* 0.0614, and *divided by* 0.0145; and
- (iv) **ONE ADULT HOUSEHOLDS** (as defined above); *minus* 0.3024, and *divided by* 0.0342.

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POLICE INDEX II	<p>The sum of the following factors (each of which is calculated to 4 decimal places):</p> <ul style="list-style-type: none">(i) STRIVING POPULATION (as defined above); <i>minus</i> 0.2019, and <i>divided by</i> 0.0894; and(ii) RESIDENTS IN LONE PARENT FAMILIES (as defined above); <i>minus</i> 0.0614, and <i>divided by</i> 0.0145; and(iii) HOUSEHOLDS RENTING (as defined above); <i>minus</i> 0.3213, and <i>divided by</i> 0.0632; and(iv) LONG-TERM UNEMPLOYMENT-RELATED BENEFIT CLAIMANTS (as defined above); <i>minus</i> 0.1509, and <i>divided by</i> 0.0376.
POLICE INDEX III	<p>The sum of the following factors (each of which is calculated to 4 decimal places):</p> <ul style="list-style-type: none">(i) RESIDENTS IN TERRACED ACCOMMODATION (as defined above); <i>minus</i> 0.3079, and <i>divided by</i> 0.0627; and(ii) STRIVING POPULATION (as defined above); <i>minus</i> 0.2019 and <i>divided by</i> 0.0894; and(iii) RESIDENTS IN LONE PARENT FAMILIES (as defined above); <i>minus</i> 0.0614, and <i>divided by</i> 0.0145; and(iv) HOUSEHOLDS RENTING (as defined above); <i>minus</i> 0.3213, and <i>divided by</i> 0.0632; and(v) ONE ADULT HOUSEHOLDS (as defined above); <i>minus</i> 0.3024 and <i>divided by</i> 0.0342; and(vi) UNEMPLOYMENT-RELATED BENEFIT CLAIMANTS (as defined above); <i>minus</i> 0.0255, and <i>divided by</i> 0.0095.
BOUNDARY CHANGE FACTOR	<p>A factor calculated to reflect the need to adjust for any of the boundary changes set out in Annex D of the Police Grant Report (England and Wales) 2005/2006. The factor is based on information available in November 2004 on the size of the resident population transferring as a result of boundary changes.</p>
POLICE GRANT RATE	<p>The proportion of police revenue expenditure in England and Wales for 2005/2006, 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) 2005/2006.</p>

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AREA COST ADJUSTMENT FOR POLICE

A factor calculated to reflect differences in the cost of providing police services across the country. The factor is given in Annex C of the Police Grant Report (England and Wales) 2005/2006. It is generally based on information derived from the following sources the 2001, 2002 and 2003 New Earnings Surveys provided by the Office for National Statistics; Base Estimate Returns 1992/1993; rateable values and the number of commercial offices at 1 August 2004 from the Inland Revenue; estimates of floorspace and hereditaments in 2003 from the Valuation Office; gross non-domestic rates and increases and reductions in rate yields, as supplied by authorities to the First Secretary of State on the National Non-Domestic Rates Provisional Contributions Return 2004/2005; and the total resident population at 30 June 2003, 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 capital financing, 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 2004 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 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:

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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

- (iii) Police authorities are assumed to repay 4.0 per cent of the balance of any notional credit ceiling in respect of (i) during 2004-05 and 2005-06.
- (iv) Police authorities are assumed to repay 4.0 per cent of the balance of any notional credit ceiling in respect of (ii) during 2004-05 and 2005-06.
- (v) The debt incurred by police authorities during 2004-05 and 2005-06 is assumed to be equal to the credit approval/supported borrowing figure for each police authority available to the Assembly when these calculations were made.
- (vi) At the start of the 2005-06 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/supported borrowing which had been issued in 2004-05 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 2005-06 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 2005-06 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 2005-06, 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.

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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 Assembly when these calculations were made, derived from those figures reported on the RA0203, RA0304 and RA0405 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.
- (xii) The debt financing component of each police authority's SSA is the sum of the amounts described in (ix), (x) and (xi) above.

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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 section2 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 the National Assembly 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 2004-05 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). Secondly, it is assumed that the application of section 35 of the Local Government Finance Act 1992 ("special items or the purposes of section 34") (as amended) will result in the same council tax for dwellings listed in the same valuation band across the whole of a police authority's area.

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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 2005-06 if it is duly approved by resolution of the National Assembly.

Amount of RSG and redistributed non domestic rates

2. Section 84F (Determination of grant) of the 1988 Act requires the Assembly to determine the amount of RSG for each financial year and how much it proposes 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 the National Assembly 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 9 of Schedule 8 (Distributable amount) to the 1988 Act requires the Assembly to specify in the report the distributable amount from the non-domestic rating account. Under paragraph 10 (Distribution: local government finance reports) of the same Schedule the National Assembly is required to set out in the report the basis (the basis of distribution) on which the distributable amount will be distributed among receiving authorities.