

**LOCAL GOVERNMENT FINANCE REPORT (No. 2) 2017-18  
(Final Settlement – Police and Crime Commissioners)**

**Welsh Ministers**

**LOCAL GOVERNMENT FINANCE REPORT  
(No. 2) 2017-18  
(Final Settlement - Police and Crime Commissioners)**

# LOCAL GOVERNMENT FINANCE REPORT (No. 2) 2017-18 (Final Settlement – Police and Crime Commissioners)

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## **SECTION 1: 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 and Crime Commissioners<sup>1</sup> (PCCs) in 2017-18. The report also sets out how non-domestic rates (NDR) will be distributed to PCCs.

<sup>1</sup> Section 1 of the Police Reform and Social Responsibility Act 2011 (c. 13) replaces police authorities in England and Wales, other than in London, with police and crime commissioners. Section 1 came into force in November 2012.

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## Chapter 2 Main proposals

### Revenue Support Grant

2.1 The amount of RSG for Police and Crime Commissioners in 2017-18 is £85.75 million.

2.2 Under the system of distribution determined in this report, the amount of RSG to be paid to an individual PCC is determined by the Standard Spending Assessment (SSA), taking account of the amount of NDR each PCC will receive and also of the amount of council tax the PCC 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 receiving authorities in Wales for 2017-18 is £1,059 million (which is referred to as E in Chapter 4). Therefore, the amount available for PCCs is £52.95 million. The basis upon which NDR is distributed to PCCs is described in Chapter 4.

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## SECTION 2: POLICE AND CRIME COMMISSIONERS

### Chapter 3 Calculation of the amount of RSG for each Police and Crime Commissioner (PCC)

- 3.1 This chapter specifies the basis on which Welsh Ministers will distribute the amount of RSG to be paid to PCCs in 2017-18. Grant will be distributed so that if each PCC 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 2), all PCCs could set broadly the same council tax for dwellings listed in the same valuation band.
- 3.2 The method by which SSAs for PCCs 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 PCC, Welsh Ministers will first calculate the SSA for that PCC. For this purpose, it is assumed that there is no use of, or contribution to, financial reserves.

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

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

Where:

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

B is the PCC'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 force area as specified in paragraph 3.4; and

D is the tax-base for RSG purposes for the police force 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 to PCCs so as to enable (subject to the qualifications specified in Annex 2) 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 force areas is £98.77.

## 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>2</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 23 November 2016.

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**

| <i>Police Force</i> | <i>Band D equivalent properties</i> |
|---------------------|-------------------------------------|
| Dyfed Powys         | 225,573                             |
| Gwent               | 220,952                             |
| North Wales         | 290,701                             |
| South Wales         | 494,510                             |
| <b>Wales total</b>  | <b>1,231,736</b>                    |

*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.*

*Note: Council tax base for 2017-18 is used for the 2017-18 final settlement.*

<sup>2</sup> See the Local Authorities (Calculation of Council Tax Base) (Wales) (Amendment) Regulations 1999 (S.I. 1999/2935) (W. 27), the Local Authorities (Calculation of Council Tax Base) and Council Tax (Prescribed Classes of Dwellings) (Wales) (Amendment) Regulations 2004 (S.I. 2004/3094) (W. 268) and the Local Authorities (Calculation of Council Tax Base) (Wales) (Amendment) Regulations 2016 (S.I. 2016/969) (W. 238).

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## Chapter 4 Calculation of the amount of non-domestic rates for each Police and Crime Commissioner (PCC)

4.1 This chapter specifies the basis on which Welsh Ministers will distribute among PCCs the appropriate share of the distributable amount from the non-domestic rating account for 2017-18. It will be distributed pro rata to adult population in each police force area, using the formula below:

$$(E \times 5\%) \times \frac{F}{G}$$

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 2015 for the police force area, as derived from estimates by the Office for National Statistics<sup>3</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 2015**

| <i>Police Force</i> | <i>Population</i> |
|---------------------|-------------------|
| Dyfed Powys         | 416,977           |
| Gwent               | 459,002           |
| North Wales         | 554,918           |
| South Wales         | 1,040,301         |
| Wales Total         | 2,471,198         |

<sup>3</sup> As published on 23 June 2016.

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## **Chapter 5 Calculation of the SSA for each Police and Crime Commissioner (PCC)**

- 5.1 The main elements of the formula for calculating the SSA for each PCC 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 PCC, and their definitions, are set out in Section 3, Annex 1. Following the Home Secretary's decision to continue to apply damping in a way that ensures every local policing body received the same percentage reduction in the totality of Police Main Grant, the 2016-17 aggregate allocation has been scaled back to the 2017-18 control totals.
- 5.4 In determining the allocation among local policing bodies of the whole or any part of the aggregate amount of grants for police purposes, the Home Secretary may, under section 46(4) of the Police Act 1996, exercise her discretion in applying such formulae or other rules as she considers appropriate.



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**SECTION 3 - ANNEXES TO THE REPORT**

- Annex 1      Indicators used in the calculation of Police and Crime Commissioners' 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 AND CRIME COMMISSIONERS' SSAs**

Unless otherwise stated, data used to construct indicators for the calculation of standard spending assessments (SSAs) are those that were available to the Secretary of State for Communities and Local Government ('the Secretary of State') on 1 October 2012 concerning the area of each constituent 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 police force.

Data used to construct the indicators have been adjusted, where relevant, to take account of the alterations to police forces in Wales made under the Police Areas (Wales) Order 1995 (S.I. 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 and Crime Commissioner 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 area, for example, density of population.

The application of a scaling factor in calculating the amounts of grant allocated to each PCC 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 PCC consists of a basic amount per projected resident, a basic amount per person projected to be present in the area during a 24 hour period (ie. 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         | 14.1412 |
| Special Events Basic Amount | 0.7356  |

### *Top-ups*

|                       |   |
|-----------------------|---|
| Police Crime Top-up 1 | 2.1917 multiplied by <b>DAYTIME NET INFLOW PER RESIDENT POPULATION</b> ; plus<br>0.2444 multiplied by <b>LOG OF WEIGHTED BARS PER 100 HECTARES</b> ;<br>plus<br>13.4246 multiplied by <b>INCOME SUPPORT/INCOME BASED JSA/GUARANTEE ELEMENT OF PENSION CREDIT CLAIMANTS</b> ;<br>plus<br>28.2485 multiplied by <b>SINGLE PARENT HOUSEHOLDS</b> |
| Police Crime Top-up 2 | 0.0262 multiplied by <b>POPULATION DENSITY</b> ; plus<br>84.1901 multiplied by <b>LONG-TERM UNEMPLOYMENT-RELATED BENEFIT CLAIMANTS</b>  |

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|                             |  |
|-----------------------------|--|
| Police Crime Top-up 3       | 0.0653 <i>multiplied by</i> <b>LOG OF WEIGHTED BARS PER 100 HECTARES;</b><br><i>plus</i><br>0.0071 <i>multiplied by</i> <b>POPULATION DENSITY;</b> <i>plus</i><br>3.2761 <i>multiplied by</i> <b>RESIDENTS IN ROUTINE/SEMI ROUTINE OCCUPATIONS OR NEVER WORKED/LONG-TERM UNEMPLOYED;</b><br><i>plus</i><br>8.0731 <i>multiplied by</i> <b>SINGLE PARENT HOUSEHOLDS;</b> <i>plus</i><br>0.6104 <i>multiplied by</i> <b>DAYTIME NET INFLOW PER RESIDENT POPULATION</b> |
| Police Crime Top-up 4       | 0.1430 <i>multiplied by</i> <b>LOG OF WEIGHTED BARS PER 100 HECTARES;</b><br><i>plus</i><br>6.2961 <i>multiplied by</i> <b>SINGLE PARENT HOUSEHOLDS;</b> <i>plus</i><br>19.4672 <i>multiplied by</i> <b>STUDENT HOUSING;</b> <i>plus</i><br>0.8907 <i>multiplied by</i> <b>HARD PRESSED</b>  |
| Police Crime Top-up 5       | 0.2690 <i>multiplied by</i> <b>LOG OF WEIGHTED BARS PER 100 HECTARES;</b><br><i>plus</i><br>29.8811 <i>multiplied by</i> <b>STUDENT HOUSING;</b> <i>plus</i><br>117.5751 <i>multiplied by</i> <b>YOUNG MALE UNEMPLOYMENT-RELATED BENEFIT CLAIMANTS</b>   |
| Police Crime Top-up 6       | 4.7041 <i>multiplied by</i> <b>DAYTIME NET INFLOW PER RESIDENT POPULATION;</b> <i>minus</i><br>0.4326 <i>multiplied by</i> <b>LOG OF POPULATION SPARSITY;</b> <i>plus</i><br>1.1052 <i>multiplied by</i> <b>LOG OF OVERCROWDED HOUSEHOLDS</b>  |
| Police Crime Top-up 7       | 3.5191 <i>multiplied by</i> <b>DAYTIME NET INFLOW PER RESIDENT POPULATION;</b> <i>plus</i><br>22.1112 <i>multiplied by</i> <b>STUDENT HOUSING;</b> <i>minus</i><br>2.6187 <i>multiplied by</i> <b>WEALTHY ACHIEVERS</b>  |
| Police Incidents Top-up     | 35.2832 <i>multiplied by</i> <b>INCOME SUPPORT/INCOME BASED JSA/GUARANTEE ELEMENT OF PENSION CREDIT CLAIMANTS;</b><br><i>plus</i><br>9.4106 <i>multiplied by</i> <b>RESIDENTS IN TERRACED ACCOMMODATION</b>  |
| Police Fear of Crime Top-up | 0.2982 <i>multiplied by</i> <b>LOG OF WEIGHTED BARS PER 100 HECTARES;</b><br><i>plus</i><br>2.9150 <i>multiplied by</i> <b>HARD PRESSED</b>  |
| Police Traffic Top-up       | 1.1149 <i>multiplied by</i> <b>POPULATION SPARSITY</b>   |
| Police Sparsity Top-up      | 0.8098 <i>multiplied by</i> <b>POPULATION SPARSITY</b>   |

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The full Police Allocation Formula used to calculate the amount of Police Main Grant for a particular PCC is given below:

## Police Allocation Formula to be applied by the Home Secretary

- (a) **PROJECTED POPULATION IN 2013** *multiplied by* the result of:  
POLICE BASIC AMOUNT; *plus*  
POLICE CRIME TOP-UP 1; *plus*  
POLICE CRIME TOP-UP 2; *plus*  
POLICE CRIME TOP-UP 3; *plus*  
POLICE CRIME TOP-UP 4; *plus*  
POLICE CRIME TOP-UP 5; *plus*  
POLICE CRIME TOP-UP 6; *plus*  
POLICE CRIME TOP-UP 7; *plus*  
POLICE INCIDENTS TOP-UP; *plus*  
POLICE FEAR OF CRIME TOP-UP; *plus*  
POLICE TRAFFIC TOP-UP; *plus*  
POLICE SPARSITY TOP-UP.
- (b) **PROJECTED DAYTIME POPULATION IN 2013** *multiplied by* **SPECIAL EVENTS BASIC AMOUNT**;
- (c) The results of (a) and (b) are added together and the result is *multiplied by* **AREA COST ADJUSTMENT FOR POLICE**;
- (d) The result of (c) is then *multiplied by* **POLICE GRANT RATE**;
- (e) The result of (d) is then *multiplied by* the scaling factor **1.000009572949550** given in Appendix C of the Police Grant Report (England and Wales) 2017-18.
- (f) The result of (e) is *multiplied by* the result of £4,540,433,501 *divided by* the sum for all PCCs of the result of (e).

A fuller explanation of the Police Allocation Formula can be found in 'A Plain English Guide to the Police Allocation Formula' on the Home Office website.

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

### **PROJECTED POPULATION IN 2013**

The projected total resident population in 2013, as estimated by the Welsh Government and published on 27 May 2010.

### **DAYTIME NET INFLOW**

The number of persons working but not resident in the area *minus* the number of persons resident in but working outside the 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 police force area, calculated using information from the 2001 Census.

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

The natural logarithm of:

The number of units that are bars (*defined as Standard Industrial Classification 2007 (SIC) 56.30- beverage serving activities*), measured at the Community Safety Partnerships (CSP) level, as estimated by the Secretary of State, based on information provided by the Office for National Statistics from the March Inter-departmental Business Register; *divided by* the number of hectares in the CSP, using information from the 2001 Census which is *divided by* 100; the result is then *multiplied by* the number of units that are bars within the CSP level; the above is then *divided by* the number of bars within the force level area and then *summed* to the force level area.

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

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

- a) May 2009 and February 2012, using twelve quarterly scans for this period for Income Support/ Guarantee Element of Pension Credit claimants, *and*
- b) August 2009 and August 2011, 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 2011, as estimated by the Office for National Statistics.

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## **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 2011, as estimated by the Office for National Statistics; *divided by* the area of the police force 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 2009 and April 2012, 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 2011, as estimated by the Office for National Statistics.

## **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.

## **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 in 2012.

## **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 2009 and April 2012, 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 2011, as estimated by the Office for National Statistics.

## **POPULATION SPARSITY**

The population sparsity of each police force measured at Output Area level. The sum of:

- (i) 2 *multiplied by* the resident population of those Output Areas within the area of the police force at the 2001 Census with 0.5 or less residents per hectare, *divided by* the total resident population of the area, calculated using information from the 2001 Census; *and*

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- (ii) The resident population of those Output Areas within the area of the police force 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 area, 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).

## **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 middle of 2012.

## **TERRACED HOUSEHOLDS**

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

## **PROJECTED DAYTIME POPULATION IN 2013**

PROJECTED POPULATION IN 2013 (as defined above) *plus* DAYTIME NET-INFLOW (as defined above).

## **POLICE GRANT RATE**

The proportion of police revenue expenditure in England and Wales for 2013-14, as estimated by the Home Secretary, which is to be met directly by the aggregate of police grant calculated under Appendix A of the Police Grant Report (England and Wales) 2013-14.

## **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 Appendix D of the Police Grant Report (England and Wales 2017-18). It is generally based on information derived from the following sources: the 2009, 2010 and 2011 Annual Survey of Hours and Earnings provided by the Office for National Statistics; Subjective Analysis Return 2005-06 and 2007-08; Base Estimate Returns 1992-93; rateable values per square metre for offices in administrative areas in England and Wales from the VOA statistical release Business Floorspace 2012; 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 2012-13; and the total resident population as at 30 June 2011, as estimated by the Office for National Statistics.



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## **(B) Indicators and data used to calculate the non-current elements of SSAs for Police and Crime Commissioners**

The components of debt financing are repayments and interest (for pre- and post-31/03/1990 debt) and a reduction in respect of capital financing grants. The rate of repayment assumed is 4% and the rate of interest used is the pool rate interest for 2017-18, which is calculated at 6.3%. A detailed description of the calculation is given in paragraphs (a) to (i) below.

(a) The component of standard spending assessments in respect of capital financing 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 former 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 PCC credit ceiling**

| <i>Police Force</i> | <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        |
| <b>Wales total</b>  | <b>6,375</b>                        | <b>25,337</b> |

The debt-financing component of each PCCs' SSA is the sum of the amounts described in (h) and (i) below.

(b) The component of SSAs in respect of capital financing for debts incurred on or before 31 March 1990 and attributed to PCCs is derived by assuming that PCCs repay 4% any notional credit ceiling as at 1 April 2004 in respect of the amounts in (a(i)).

(c) The component of SSAs in respect of capital financing for debts incurred after 31 March 1990 and attributed to PCCs is derived by assuming that PCCs repay 4% any notional credit ceiling as at 1 April 2004 in respect of the amounts in (a(ii)) and that the debt incurred after 31 March 2004 is equal to the supported borrowing figure for the relevant year available to the Home Office and Welsh Ministers when their calculations were made.

(d) Police and Crime Commissioners are assumed to repay 4% on a reducing balance basis of any notional outstanding loan debt as at April 2004 in respect of the amounts in (b).

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(e) Interest payments on debts incurred on or before 31 March 1990 in respect of (b) are determined as the result of applying the pool rate of interest to the average notional credit ceiling for 2017-18 in line with the assumptions described in (b) and (d) above.

(f) Police and Crime Commissioners are assumed to repay 4% on a reducing balance basis of any notional outstanding loan debt as at April 2016 in respect of the amounts in (c).

(g) Interest payments on supported borrowing in respect of (c) are determined as the result of applying the pool rate of interest to the average notional credit ceiling for 2017-18 in line with the assumptions described in (c) and (f) above.

(h) The capital-financing component of each council in respect of debts incurred on or before 31 March 1990 is the sum of:

the repayments for 2017-18 described in (d) above and the interest payments described in (e). This total is then multiplied by 49% due to the provision of capital financing grant for pre-1990 debt.

(i) The capital-financing component of each council in respect of debts incurred after 31 March 1990 is the sum of:

the repayments for 2017-18 described in (f) above and the interest payments described in (g).

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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 council 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 a police force area 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 council 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. Council 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 council tax for a band D property which would be charged in all parts of Wales if all PCCs spent at the level of their SSA. This figure is used to work out how the amount of RSG payable to PCCs should be shared among them.

**Non-Domestic Rates** are the property tax paid by businesses and other non-domestic property owners or occupiers. All non-domestic rates are paid into a central pool administered by Welsh Ministers for redistribution to unitary authorities and PCCs.

**Qualifications affecting council tax calculation:** RSG is distributed to enable each PCC to set broadly the same council tax for dwellings listed in the same valuation band. For each council or police force area, it is assumed that the 2017-18 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 Council Tax (Prescribed Classes of Dwellings) (Wales) (Amendment) Regulations 2004 (S.I. 2004/3094) (W. 268)) and the Local Authorities (Calculation of Council Tax Base) (Wales) (Amendment) Regulations 2016 (S.I. 2016/969) (W. 238)). 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 the same council tax for dwellings listed in the same valuation band across the whole of a police force area.

**Receiving Authorities** include Police and Crime Commissioners. RSG is paid to each receiving authority.

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

# LOCAL GOVERNMENT FINANCE REPORT (No. 2) 2017-18 (Final Settlement – Police and Crime Commissioners)

**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 and Crime Commissioners.

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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 2017-18 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 the Welsh Ministers to determine the amount of RSG for each financial year and how much it proposes to pay to receiving authorities<sup>4</sup>.

### **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 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 the 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, the 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.

<sup>4</sup> Receiving authorities are defined in section 76 of the 1988 Act as any billing authority or major precepting authority. Major precepting authorities are defined in section 39 of the Local Government Finance Act 1992 and includes police and crime commissioners. Section 39 was amended by section 26 of the Police Reform and Social Responsibility Act 2011.