

LOCAL GOVERNMENT AND HOUSING COMMITTEE

POLICE AUTHORITIES: CONSIDERATION OF REVENUE FUNDING ARRANGEMENTS

PURPOSE

1. This paper is presented to inform the Committee about the arrangements for funding the police authorities in Wales. It is presented in response to LGH Committee Action point 12-01, and is a paper to note.

SUMMARY

2. The four police authorities in Wales receive unhypothecated grant support from two sources: "block grant", comprising Revenue Support Grant and redistributed Non-Domestic Rates, from the National Assembly; and Police Grant from the Home Office. The total amount of Assembly grant provided to police authorities in Wales is at the Assembly's discretion. That total is distributed between the four police authorities according to each authority's Standard Spending Assessment, as calculated by the Home Office. From 2001-02, the revenue settlement for the police in Wales is being disaggregated from that for councils with the aim of providing greater clarity about the Assembly's decisions.

BACKGROUND

How the police are funded: Home Office and National Assembly responsibilities

3. Police spending is supported by a combination of Police Grant from the Home Office - the largest single source of funding; Revenue Support Grant and redistributed Non-Domestic Rates from the National Assembly; income raised locally through the police council tax precepts; and Home Office specific grants (such as the Rural Fund). Police authorities take their own decisions about the amount of funding to raise through the council tax precept, but the National Assembly has powers to cap precepts judged to be excessive.

4. Grant from the Assembly is currently distributed on the basis of the Standard Spending Assessment formula devised by the Home Office, and also used by the Home Office for Police Grant distribution. The Assembly, and police representatives, are consulted on the formula which, like the Assembly SSA formula used to distribute resources to councils in Wales, is subject to annual technical adjustment to incorporate updated data and functional changes, but

see paragraph 5 below. While it would be open to the Assembly to devise its own formula for distributing grant to Welsh police authorities, no advantage is currently seen in doing so.

5. In response to the UK Government's recent Green Paper on possible reform of the local government finance system, the Minister for Finance, Local Government and Communities wrote to Hilary Armstrong and Charles Clarke on 6 December setting out the Cabinet's view that the police SSA formula should be examined in the context of the wider review of the system. UK Government funding formulae are currently "frozen" pending the outcome of the Green Paper consultation and it has been mooted in the Green Paper that the moratorium might continue until the enactment of new primary legislation.

6. An extract from a Home Office note on the Police Funding Formula for England and Wales is at **Annex 1**.

Local government finance in Wales: the case for disaggregating the police revenue settlement

7. Until this winter's settlement calculations, the budget for revenue support to councils and police authorities has been treated as a single "pot", dating to pre-local government reorganisation when funds had, in any case, to be "split" between counties and districts and the further consideration of allocation to the police authorities made little difference to what was already an extremely complicated process. The decision to end this practice simplifies the task of calculating the settlement, and ensures greater transparency and democratic accountability.

Key concerns of the police authorities in Wales

8. Two meetings have taken place between Assembly Cabinet members and the police in recent months: the Minister for Finance, Local Government and Communities met representatives of Police Authorities Wales on 2 November, and the First Minister met Chief Constables on 21 December. At the November meeting police representatives expressed concerns about the apparent long-term trend for police council tax precepts to be higher in Wales than in England. The police authorities felt that this made their position difficult to manage, since they were anxious to play their part in keeping council tax increases within the Assembly's expectations, but none of them had been able to do this in 2000-01. (In the current financial year, the average precept in Wales is 20 per cent of the total budget, compared to 17 per cent in England.)

9. The police have also expressed concern about Home Office allocation of funding through specific grants. The Rural Grant, though, benefits authorities in Wales (Dyfed Powys £1,297,570; North Wales £770,617; Gwent £102,895, for the current financial year), although it does not present a long-term solution to addressing the needs of sparsely-populated areas.

The Assembly has pressed the case for these to be properly recognised within the formula, though the Home Office approach is that many top-sliced funds can be distributed by methodology more appropriate to achieving the objective in question than the Police Grant/SSA formula.

10. The Minister discussed with the police authorities in November her hope that they would consider the settlement a fair one, and emphasised that she expected them to play their part in keeping council tax increases at a modest level.

Local Government Revenue Settlement 2001-02

11. The Minister's key objective in deciding the police element of local government settlement for next year has been to enable police authorities to increase spending substantially - by 5 per cent - to meet the demands they face, with only modest increases in police council tax precepts. Details of the final settlement are attached at **Annex 2**. A copy of the Home Office Police Grant Report is at **Annex 3**.

Police comment on provisional settlement 2001-02

12. At the end of the consultation period, only Gwent Police Authority had not commented in writing to the Assembly on the provisional settlement. The final settlement was debated by the Assembly on 6 February.

Legislative Framework and Compliance

13. Details of the basis of distribution of revenue support grant and redistributed non-domestic rates to police authorities and councils are published in the Local Government Finance Report 2001-02, as approved by the Assembly in accordance with Standing Order 19.9. Under the Act, the Assembly can only approve one local government finance report each year, and there is no intention to depart from this by publishing details about the police settlement in a separate document.

Financial Implications

14. There are no additional financial implications for the Assembly arising from this paper.

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