

Home Office

**POLICE GRANT
(ENGLAND AND WALES)**

**THE POLICE GRANT
REPORT
(ENGLAND AND WALES)
2006/07**

LONDON: The Stationery Office

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Report by the Secretary of State for the Home Department under section
46 of the Police Act 1996

*Ordered by The House of Commons
to be printed on 31 January 2006*

LONDON: The Stationery Office

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1. Introduction

1.1 This Report is prepared by the Secretary of State for the Home Department ('the Home Secretary') under section 46(3) of the Police Act 1996. It is laid before the House of Commons under section 46(6) of the 1996 Act. It applies to England and Wales.

1.2 This Report sets out the Home Secretary's determination for 2006/07, made under section 46(2) of the 1996 Act, of the aggregate amount of grants for police purposes that he proposes to pay under section 46 and the amount of grant he proposes to pay each police authority¹ under the same section.

1.3 The Report also states the considerations which the Home Secretary took into account in making his determination.

1.4 In determining the allocation among police authorities of the whole or any part of the aggregate amount of grants, the Home Secretary may, under section 46(4) of the 1996 Act, exercise his discretion in applying such formulae or other rules as he considers appropriate. This Report sets out the formula that he proposes to apply to part of the aggregate amount of grants in 2006/07.

1.5 This Report does not cover police grant for capital purposes made under section 47(1) of the 1996 Act, police grant for the safeguarding of national security made under section 48(1) of the 1996 Act, or police grant made for any other specific purpose.

¹ Including the Greater London Authority on behalf of the Metropolitan Police Authority.

2. Police Grant

2.1 Pursuant to section 46(2)(a) of the 1996 Act the Home Secretary hereby determines that the aggregate amount of grants to be made under section 46 is £4,335,973,642.

3. Allocation of Police Grant

3.1 Pursuant to section 46(2)(b) of the 1996 Act, the Home Secretary hereby determines that the amount of grant to be paid to each police authority other than the Metropolitan Police Authority, and to the Greater London Authority on behalf of the Metropolitan Police Authority, in 2006/07² is the amount shown against its name in column (d) of the Table below.

	(a) ³ Allocation under Principal Formula	(b) ⁴ Allocation under Additional Rule 1	(c) ⁵ Allocation under Additional Rule 2	(d) Total amount of grant (a)+(b)+(c)
Avon & Somerset	£98,859,781		£4,313,122	£103,172,903
Bedfordshire	£38,331,934		£1,698,493	£40,030,427
Cambridgeshire	£44,536,594		£2,537,626	£47,074,220
Cheshire	£62,053,729		£2,629,099	£64,682,828
City of London	£21,780,359		£1,353,370	£23,133,729
Cleveland	£45,550,280		£1,328,015	£46,878,295
Cumbria	£29,461,117		£2,514,644	£31,975,761
Derbyshire	£60,658,122		£2,293,016	£62,951,138
Devon & Cornwall	£99,312,098		£5,569,539	£104,881,637
Dorset	£38,277,430		£1,494,285	£39,771,715
Durham	£42,314,352		£1,466,319	£43,780,671
Dyfed-Powys	£29,005,324	£1,096,290	£3,423,778	£33,525,392
Essex	£98,828,343		£4,958,504	£103,786,847
Gloucestershire	£32,962,364		£1,815,120	£34,777,484
Greater London Authority	£1,001,272,548		£54,723,201	£1,055,995,749
Greater Manchester	£220,764,792		£6,574,301	£227,339,093
Gwent	£41,595,012	£1,572,132	£1,331,666	£44,498,810
Hampshire	£113,019,810		£4,628,682	£117,648,492
Hertfordshire	£69,542,743		£3,521,778	£73,064,521
Humberside	£61,677,974		£2,339,407	£64,017,381
Kent	£103,071,177		£6,548,568	£109,619,745
Lancashire	£100,720,276		£3,489,872	£104,210,148
Leicestershire	£61,364,008		£2,255,825	£63,619,833
Lincolnshire	£35,634,268		£3,080,836	£38,715,104
Merseyside	£125,466,447		£4,072,096	£129,538,543
Norfolk	£45,881,630		£3,438,675	£49,320,305
North Wales	£40,885,164	£1,545,303	£3,111,446	£45,541,913
North Yorkshire	£40,673,773		£3,366,953	£44,040,726
Northamptonshire	£39,657,024		£1,918,176	£41,575,200
Northumbria	£105,706,944		£3,055,217	£108,762,161
Nottinghamshire	£71,490,215		£1,789,344	£73,279,559
South Wales	£96,145,446	-£4,213,725	£2,638,330	£94,570,051
South Yorkshire	£97,083,391		£2,727,336	£99,810,727
Staffordshire	£63,567,388		£2,422,586	£65,989,974
Suffolk	£38,164,681		£2,545,328	£40,710,009
Surrey	£61,759,094		£3,122,130	£64,881,224
Sussex	£92,031,598		£4,834,295	£96,865,893
Thames Valley	£135,246,817		£7,746,617	£142,993,434
Warwickshire	£30,577,272		£1,370,074	£31,947,346
West Mercia	£63,740,053		£4,467,032	£68,207,085
West Midlands	£241,880,368		£7,528,894	£249,409,262
West Yorkshire	£167,175,073		£4,324,719	£171,499,792
Wiltshire	£35,695,187		£2,183,328	£37,878,515
Total England & Wales	£4,143,422,000	£0	£192,551,642	£4,335,973,642

² Under section 46(2) of the 1996 Act any determination may be varied by further determinations under that subsection.

³ This is an amount calculated under section 5 below, except that for the Greater London Authority on behalf of the Metropolitan Police Authority it also includes the special payment referred to paragraph 4.4 of this Report.

⁴ This is an amount calculated under section 6 below.

⁵ This is an amount calculated under section 7 below.

4. Considerations taken into account

4.1 Pursuant to section 46(3) of the 1996 Act, the considerations which the Home Secretary took into account in making his determination are as follows.

4.2 The Home Secretary considers it appropriate to allocate the aggregate amount of grant on the basis set out in paragraphs 4.3 to 4.6 below.

(i) Principal Formula

4.3 The greater part of the aggregate amount of grants will be allocated on the basis of the needs-based principal formula which has been determined for the purpose and which is described in section 5 below.

(ii) Special Payment to the Greater London Authority on behalf of the Metropolitan Police Authority

4.4 The Home Secretary has decided that the Greater London Authority on behalf of the Metropolitan Police Authority should receive additional funding in recognition of the Metropolitan Police's distinct national and capital city functions. He also considers that it is particularly important to maintain public confidence in policing in the capital city. It would be difficult for the principal formula to take account of these special circumstances. He has decided, therefore, that a portion of the aggregate amount of grants will be assigned to the Greater London Authority on behalf of the Metropolitan Police Authority over and above that available through the principal formula set out in section 5 below. The Home Secretary has changed the provision for the Special Payment to the Greater London Authority, on behalf of the Metropolitan Police Authority, to take account of increased costs and of wider formula changes affecting higher costs of civil staff pensions for the Metropolitan Police Authority and for consolidation of counter-terrorism funding. The Home Secretary has set the amount of this special payment at £187,000,000.

(iii) Additional Rule 1

4.5 The Home Secretary has decided that the grant provision under the principal formula for police authorities in Wales shall be varied to ensure that South Wales Police Authority shall receive in principal formula and local authority general grants the same increase as that applicable to police authorities in England. A sum equal to the reduction for the South Wales Police Authority will be allocated to the Dyfed Powys, Gwent and North Wales Police Authorities on the basis of additional rule 1 described in section 6 below.

(iv) Additional Rule 2

4.6 The Home Secretary has decided to amalgamate four specific grants into a single provision for each authority. The grant is assigned to each police authority over and above that available through the principal formula set out in section 5. This funding will be allocated on the basis of additional rule 2 described in section 7 below.

5. Principal Formula to be applied by the Home Secretary

5.1 The greater part of the amount of grant to be paid to each police authority, other than the Metropolitan Police Authority, and to the Greater London Authority on behalf of the Metropolitan Police Authority, is calculated in accordance with the principal needs-based formula shown in paragraph 5.5 below.

5.2 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.

5.3 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 Annex A. Indicators are items of information which are available for each police authority, for example, density of population.

5.4 The application of a scaling factor in calculating the amounts of grant allocated to each police authority other than the Metropolitan Police Authority, and to the Greater London Authority on behalf of the Metropolitan 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. This scaling factor is given in Annex B.

5.5 The police grant 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 15.6269

Special Events Basic Amount 0.9121

Top-ups

Police Crime Top-Up 1 2.5152 multiplied by **DAYTIME NET INFLOW PER RESIDENT POPULATION**; plus
0.2805 multiplied by **LOG OF BARS PER 100 HECTARES**; plus
15.4062 multiplied by **INCOME SUPPORT/INCOME BASED JSA/GUARANTEE ELEMENT OF PENSION CREDIT CLAIMANTS**; plus
32.4180 multiplied by **SINGLE PARENT HOUSEHOLDS**

Police Crime Top-Up 2 0.0256 multiplied by **POPULATION DENSITY**; plus
82.1325 multiplied by **LONG-TERM UNEMPLOYMENT-RELATED BENEFIT CLAIMANTS**

Police Crime Top-Up 3	0.0609 <i>multiplied by</i> LOG OF BARS PER 100 HECTARES ; <i>plus</i> 0.0067 <i>multiplied by</i> POPULATION DENSITY ; <i>plus</i> 3.0576 <i>multiplied by</i> RESIDENTS IN ROUTINE/SEMI ROUTINE OCCUPATIONS OR NEVER WORKED/LONG- TERM UNEMPLOYED ; <i>plus</i> 7.5344 <i>multiplied by</i> SINGLE PARENT HOUSEHOLDS ; <i>plus</i> 0.5697 <i>multiplied by</i> DAYTIME NET INFLOW PER RESIDENT POPULATION
Police Crime Top-Up 4	0.1515 <i>multiplied by</i> LOG OF BARS PER 100 HECTARES ; <i>plus</i> 6.6716 <i>multiplied by</i> SINGLE PARENT HOUSEHOLDS ; <i>plus</i> 20.6279 <i>multiplied by</i> STUDENT HOUSING ; <i>plus</i> 0.9438 <i>multiplied by</i> HARD PRESSED
Police Crime Top-Up 5	0.2854 <i>multiplied by</i> LOG OF BARS PER 100 HECTARES ; <i>plus</i> 31.6950 <i>multiplied by</i> STUDENT HOUSING ; <i>plus</i> 124.7123 <i>multiplied by</i> YOUNG MALE UNEMPLOYMENT- RELATED BENEFIT CLAIMANTS
Police Crime Top-Up 6	5.0289 <i>multiplied by</i> DAYTIME NET INFLOW PER RESIDENT POPULATION ; <i>minus</i> 0.4625 <i>multiplied by</i> LOG OF POPULATION SPARSITY ; <i>plus</i> 1.1814 <i>multiplied by</i> LOG OF OVERCROWDED HOUSEHOLDS
Police Crime Top-Up 7	4.0978 <i>multiplied by</i> DAYTIME NET INFLOW PER RESIDENT POPULATION ; <i>plus</i> 25.7466 <i>multiplied by</i> STUDENT HOUSING ; <i>minus</i> 3.0493 <i>multiplied by</i> WEALTHY ACHIEVERS
Police Incidents Top-Up	33.7667 <i>multiplied by</i> INCOME SUPPORT/INCOME BASED JSA/GUARANTEE ELEMENT OF PENSION CREDIT CLAIMANTS ; <i>plus</i> 9.0061 <i>multiplied by</i> RESIDENTS IN TERRACED ACCOMMODATION
Police Fear of Crime Top-Up	0.2681 <i>multiplied by</i> LOG OF BARS PER 100 HECTARES ; <i>plus</i> 1.9305 <i>multiplied by</i> HARD PRESSED
Police Traffic Top-Up	1.4409 <i>multiplied by</i> POPULATION SPARSITY
Police Sparsity Top-Up	0.8059 <i>multiplied by</i> POPULATION SPARSITY

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

Principal Formula to be applied by the Home Secretary

- (a) **PROJECTED POPULATION IN 2006** *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 2006** *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 given in Annex B.
- (f) The result of (e) is *multiplied by* the result of £3,956,422,000 *divided by* the sum for all police authorities of the result of (e) given in Annex D.

6. Additional Rule 1 to be applied by the Home Secretary

6.1 The Home Secretary has decided that the grant provision under the principal formula for South Wales Police Authority shall be reduced by £4,213,725 to ensure the Authority will receive in local authority general grants the increase applicable to all police authorities in England. The sum will be paid in full to the other Police Authorities in Wales, in proportion to their principal formula grant. Dyfed Powys Police Authority will receive £1,096,290; Gwent Police Authority will receive £1,572,132; North Wales Police Authority will receive £1,545,303.

7. Additional Rule 2 to be applied by the Home Secretary

7.1 The Home Secretary has decided to amalgamate four specific grants for each authority, to give police authorities more control over how they may be used.

7.2 The amalgamated grant is assigned to each police authority in addition to that available through the principal formula set out in section 5 and Additional Rule 1 set out in section 6. Allocation is based on actual provision in 2005/06 or, where this is not available, on estimates made by the Home Secretary.

7.3 The main determinants in this additional rule are individual police authorities' allocations from the Rural Policing Fund, Forensic Grant, Special Priority Payments Grant and London/South East Allowances Grants.

	(a) Allocation from former Rural Policing Fund	(b) Allocation from former Forensic Grant	(c) Allocation from former Special Priority Payments grant	(d) Allocation from former London/ South East Allowances grant	(e) Total amount of grant (a)+(b)+(c)+(d)
Avon & Somerset	£980,199	£1,656,944	£1,675,979	£0	£4,313,122
Bedfordshire	£164,007	£563,619	£533,749	£437,118	£1,698,493
Cambridgeshire	£1,113,162	£655,006	£769,458	£0	£2,537,626
Cheshire	£226,308	£1,284,170	£1,118,621	£0	£2,629,099
City of London	£0	£65,232	£439,529	£848,609	£1,353,370
Cleveland	£0	£513,517	£814,498	£0	£1,328,015
Cumbria	£1,341,709	£487,290	£685,645	£0	£2,514,644
Derbyshire	£409,869	£796,582	£1,086,565	£0	£2,293,016
Devon & Cornwall	£3,122,008	£856,076	£1,591,455	£0	£5,569,539
Dorset	£438,864	£357,489	£697,932	£0	£1,494,285
Durham	£236,779	£423,171	£806,369	£0	£1,466,319
Dyfed-Powys	£2,638,887	£190,730	£594,161	£0	£3,423,778
Essex	£498,646	£855,929	£1,511,244	£2,092,685	£4,958,504
Gloucestershire	£771,929	£376,048	£667,143	£0	£1,815,120
Greater London Authority	£0	£6,399,536	£14,606,210	£33,717,455	£54,723,201
Greater Manchester	£0	£2,691,053	£3,883,248	£0	£6,574,301
Gwent	£200,454	£404,320	£726,892	£0	£1,331,666
Hampshire	£218,558	£1,141,600	£1,988,218	£1,280,306	£4,628,682
Hertfordshire	£0	£752,056	£1,097,787	£1,671,935	£3,521,778
Humberside	£697,991	£439,000	£1,202,416	£0	£2,339,407
Kent	£593,654	£1,523,367	£1,938,774	£2,492,773	£6,548,568
Lancashire	£63,106	£1,718,670	£1,708,096	£0	£3,489,872
Leicestershire	£428,346	£764,895	£1,062,584	£0	£2,255,825
Lincolnshire	£2,057,779	£386,950	£636,107	£0	£3,080,836
Merseyside	£0	£1,751,347	£2,320,749	£0	£4,072,096
Norfolk	£2,079,305	£535,849	£823,521	£0	£3,438,675
North Wales	£1,537,085	£669,767	£904,594	£0	£3,111,446
North Yorkshire	£2,009,523	£471,271	£886,159	£0	£3,366,953
Northamptonshire	£715,936	£479,432	£722,808	£0	£1,918,176
Northumbria	£0	£930,972	£2,124,245	£0	£3,055,217
Nottinghamshire	£0	£467,588	£1,321,756	£0	£1,789,344
South Wales	£0	£1,059,664	£1,578,666	£0	£2,638,330
South Yorkshire	£0	£1,098,826	£1,628,510	£0	£2,727,336
Staffordshire	£267,339	£950,871	£1,204,376	£0	£2,422,586
Suffolk	£1,405,084	£528,685	£611,559	£0	£2,545,328
Surrey	£10,721	£725,739	£982,780	£1,402,890	£3,122,130
Sussex	£537,875	£1,663,903	£1,528,307	£1,104,210	£4,834,295
Thames Valley	£1,238,801	£1,633,389	£2,022,897	£2,851,530	£7,746,617
Warwickshire	£565,193	£261,293	£543,588	£0	£1,370,074
West Mercia	£2,336,615	£973,968	£1,156,449	£0	£4,467,032
West Midlands	£0	£3,728,989	£3,799,905	£0	£7,528,894
West Yorkshire	£0	£1,908,972	£2,415,747	£0	£4,324,719
Wiltshire	£1,094,268	£508,361	£580,699	£0	£2,183,328
Total England & Wales	£30,000,000	£45,652,136	£68,999,995	£47,899,511	£192,551,642

8. Conclusion

8.1 This Report is made by the Secretary of State under section 46 of the Police Act 1996. It is laid before the House of Commons in accordance with that section.

8.2 The financial year for which the Report operates is that beginning on 1 April 2006.

25 January 2006

Hazel Blears
Minister of State for the Home Department

The approval of the Treasury has been obtained to the making of the determination specified in paragraph 2.1 and paragraph 3.1 of this Report.

25 January 2006

Dave Watts
Gillian Merron

Two of the Lords Commissioners of
Her Majesty's Treasury.

Definition of indicators used in the principal formula used to calculate police grant

Unless otherwise stated, data used to construct indicators for the calculation of police grant are those available to the Secretary of State on 3 October 2005 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 3 October 2005 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, or those where boundaries have been altered under section 323 of the Greater London Authority Act 1999.

PROJECTED POPULATION IN 2006

For English authority areas, the projected total resident population in 2006, as estimated by the Registrar General. For Welsh authority areas, the projected total resident population in 2006, as estimated by the First Secretary of State using information from the National Assembly for Wales and the Registrar General.

DAYTIME NET INFLOW PER RESIDENT POPULATION

The result of:

- (i) The number of persons working but not resident in the police authority's area *minus* the number of persons resident in but working outside the police authority's area, calculated using information from the 2001 Census; *divided* by
- (ii) The resident population at 30 June 2004, as estimated by the Registrar General.

PROJECTED DAYTIME POPULATION IN 2006

The sum of:

- (i) The **PROJECTED POPULATION IN 2006** (as defined above); and
- (ii) The number of persons working but not resident in the police

authority's area; *minus* the number of persons resident in but working outside the police authority's area, calculated using information from the 2001 Census.

HARD PRESSED

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 the updated ACORN classification released at the end of 2004.

**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 2002 and April 2005, 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 2004, as estimated by the Registrar General.

**YOUNG MALE
UNEMPLOYMENT-
RELATED
BENEFIT
CLAIMANTS**

The number of male claimants aged under 25 years, 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 2002 and April 2005, 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 2004, as estimated by the Registrar General.

**INCOME SUPPORT/
INCOME BASED
JSA/GUARANTEED
ELEMENT OF
PENSION CREDIT
CLAIMANTS**

The number of Income Support/Income based Jobseekers Allowance/ Guarantee Element of Pension Credit claimants, over a period between August 2001 and August 2004, using annual scans made at the end of August of each year, as estimated by the Secretary of State for Work and Pensions, *divided by* the resident population at 30 June 2004, as estimated by the Registrar General.

**TERRACED
HOUSEHOLDS**

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

**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.

**WEALTHY
ACHIEVERS**

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 ACORN classification released at the end of 2004.

**STUDENT
HOUSING**

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

SINGLE PARENT

The proportion of households which are lone parent households with

HOUSEHOLDS	dependant children, calculated using information from the 2001 Census.
LOG OF OVERCROWDED HOUSEHOLDS	<p>The natural logarithm⁶ of:</p> <p style="padding-left: 40px;">The proportion of overcrowded households with an occupancy rating of “-1 or less”, calculated by using information from the 2001 Census.</p>
LOG OF BARS PER 100 HECTARES	<p>The natural logarithm⁶ of:</p> <p style="padding-left: 40px;">The number of units that are bars (<i>defined as Standard Industrial Classification (SIC) 55.4 – BARS</i>), as estimated by the First Secretary of State, based on information provided by the Office for National Statistics from the 2003 Annual Business Inquiry; <i>divided by</i> the number of hectares, using information from the 2001 Census; the result is then <i>multiplied by</i> 100.</p>
POPULATION DENSITY	The resident population for each output area within an authority, as estimated by the Registrar General; <i>divided by</i> the area of the local authority in hectares, using information from the 2001 Census.
POPULATION SPARSITY	<p>The population sparsity of each local authority measured at Output Area level. The sum of:</p> <ul style="list-style-type: none"> (i) 2 multiplied by the resident population of those Census 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 census 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. <p>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).</p>
LOG OF POPULATION SPARSITY	The natural logarithm ⁶ of POPULATION SPARSITY (as defined above).

⁶The natural logarithm is also known as the Napierian log or log to the base e.

**POLICE GRANT
RATE**

The proportion of police revenue expenditure in England and Wales for 2006/2007 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 this report.

**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 2002, 2003 and 2004 Annual Survey of Hours and Earnings provided by the Office for National Statistics; Subjective Analysis Return 2003/04; Base Estimate Returns 1992/93; rateable values and hereditaments at 1 August 2005 from the Inland Revenue; estimates of office hereditaments and floorspace as at 2004; 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 2005/06; and the total resident population as at 30 June 2004, as estimated by the Registrar General. This factor is given in Annex C.

Scaling Factor

The scaling factor used in paragraph 5.6(e) of the report is:

0.999987189748343

Area Cost Adjustment Factors

<i>Area Cost Adjustment Factors</i>	
Police Authority	Factor
Avon and Somerset	1.0300
Bedfordshire	1.0601
Cambridgeshire	1.0551
Cheshire	1.0206
Common Council of the City of London	1.5226
Essex	1.0434
Gloucestershire	1.0240
Greater London Authority	1.1910
Greater Manchester	1.0227
Hampshire	1.0485
Hertfordshire	1.1073
Kent	1.0221
Leicestershire	1.0089
Northamptonshire	1.0228
South Wales	1.0065
Surrey	1.1520
Sussex	1.0207
Thames Valley	1.1137
Warwickshire	1.0249
West Midlands	1.0206
West Yorkshire	1.0105
Wiltshire	1.0310

Note: The area cost adjustment factor for all other police authorities is 1.

Annex D

Sum of (e) for all police authorities

The sum of (e) for all police authorities used in paragraph 5.6(f) of the report is:

616,453,672.668267