



Members' Research Service – QuickGuide 16 Gwasanaeth Ymchwil yr Aelodau – HysbysHwylus 16



Standard Spending Assessments (SSA)

Standard Spending Assessments (SSAs) are the mechanism for distribution of the Revenue Support Grant (RSG) to local authorities to enable them to charge the same level of council tax for the provision of a similar standard of service. They are intended to reflect variations in the need to spend which might be expected if all local authorities responded in a similar way to the demand for services in their areas.

Relationship to Budgets

The total SSA for Wales (the combined total of the SSAs for every individual local authority) is the same as the total of the assumed budgets for local authorities in Wales in the Welsh Assembly Government budget. The overall SSA total amount is, therefore, influenced by decisions on the underlying increase in funding from central Government. However, SSAs are only a mechanism for distributing grants and are in no way meant to be prescriptive in relation to local authority budgets.

Actual budgets may be above or below the SSA for a given local authority as decisions on the level of service provided vary from authority to authority. Any local authority spending above the SSA will be funded entirely from the council tax. The ability of unitary authorities to set their own spending priorities is an important part of the Welsh RSG distribution system. In principle, the SSA:

...is unhypothecated support for authorities to spend as they see fit on the services for which they are responsible.¹

Composition of SSA

SSA totals are the sum of three elements:

SSA	=	NDR	+	RSG	+	CT
------------	---	------------	---	------------	---	-----------

NDR (Typically accounts for around 15% of SSA)

NDR is a local authority's share of re-distributed non-domestic rates². In Wales, this is based on the authority's proportion of the adult (eighteen plus) population.

RSG (Typically accounts for around 65% of SSA)

Revenue Support Grant is a 'balancing sum,' which tops up the amounts available from CT and NDR to enable an authority to spend at SSA.

The sum of RSG and NDR is known as Aggregate External Finance (AEF)

CT (Typically accounts for around 20% of SSA)

CT is the total notional council tax income. It is based on a standard council tax figure (council tax for standard spending, or CTSS) multiplied by the number of dwellings in the authority.

¹ Letter from Sue Essex, Minister for Finance, Local Government and Public Services, to Leaders of County and County Borough Councils re Local Government Capital and Revenue Settlements 2006-07. Dated 8 December 2005

² <http://new.wales.gov.uk/topics/localgovernment/lgfunding/nondomesticrates/?lang=en>



Members' Research Service – QuickGuide 16 Gwasanaeth Ymchwil yr Aelodau – HysbysHwylus 16

CTSS is calculated at the Welsh level by taking the difference between aggregate SSAs and the aggregate available for distribution for RSG and NDR and dividing by the number of dwellings in Wales. The standard council tax figure at Band D is the same for all authorities. It is a notional figure because all local authorities budget to collect below their full tax base and because authorities may spend above or below SSA. Spending above SSA is funded wholly from council tax.

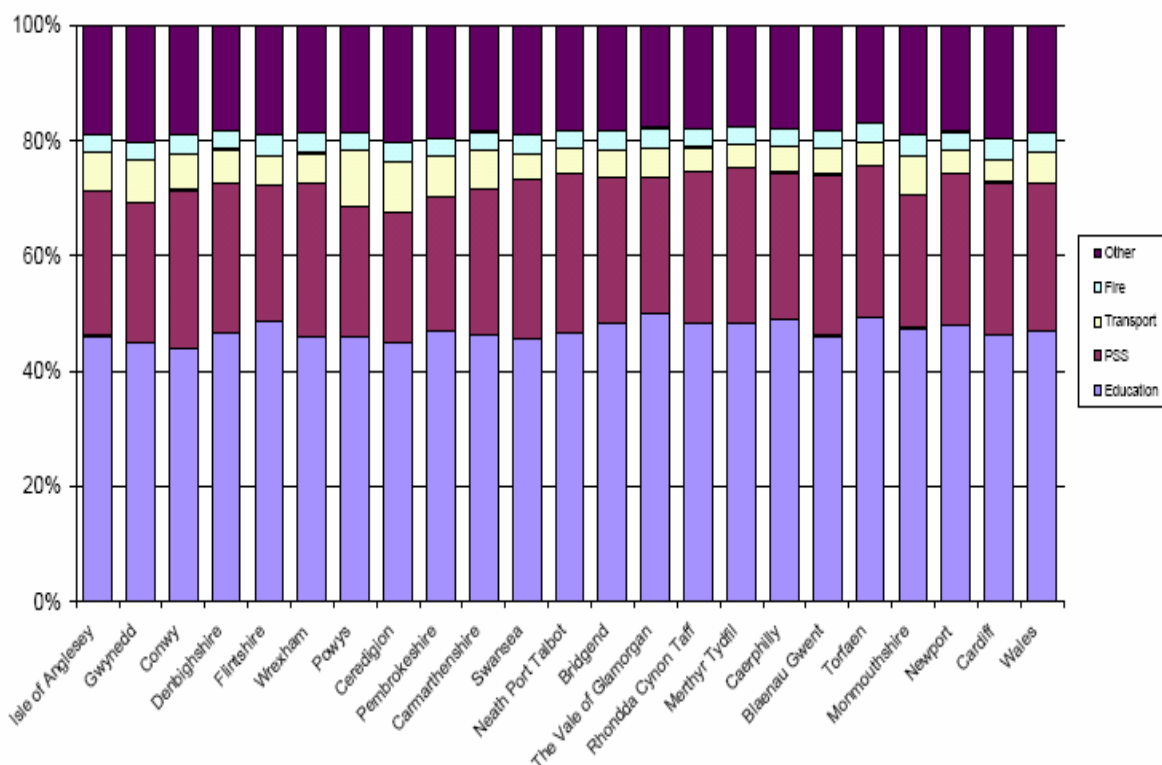
The number of dwellings used in the calculation is known as the tax base³. Effectively, this is the number of dwellings liable for council tax adjusted to take account of the number of properties in each council tax band. The tax base will therefore vary by authority based on the number and value of the properties in the area. The figure is presented in terms of the number of Band D properties.

Individual SSA Components

For the purpose of calculating individual SSA allocations, local government is broken down into 55 notional service areas⁴. These can be broadly assigned to one of five service sectors; Education, Personal Social Services, Transport, Fire and Other.

The following figure shows the distribution of SSA across these service sectors as calculated for the 2006-07 Final Local Government Settlement. It is very important to remember, however, that authorities' elements of the individual service areas are unhypothecated. They are notional figures serving as building blocks for the total SSA. They do not represent spending targets for individual services and are in no way meant to be prescriptive.

Figure 1. SSA Sectors percentage shares of current SSA, by authority 2006-07



Source: Welsh Assembly Government

³ <http://www.opsi.gov.uk/legislation/wales/wsi2004/20043094e.htm>

⁴ See pages 13-78 of the 'Green Book',

http://new.wales.gov.uk/docrepos/40382/403822/40382213321/The_Green_Book_final_2006-7.pdf?lang=en



Members' Research Service – QuickGuide 16 Gwasanaeth Ymchwil yr Aelodau – HysbysHwylus 16

Calculating Total SSA

The total amount available for distribution as SSA is divided into two elements:

- **Current expenditure** (the amount notionally available for spending on current revenue services – as in figure 1 above)
- **Debt financing expenditure** (the notional amount available for financing debt⁵)

The total for the debt financing component is calculated at the all Wales level outside of the SSA formula. It is based on the amounts that local authorities have borrowed in the past. The total available for current expenditure is arrived at by subtracting debt financing expenditure from the overall total.

Service totals for current services are based on the most up-to-date outturn expenditure data (for the 2006-07 settlement calculations, the 2003-04 outturn data was used). Some local authority functions, for instance those that have existed for less than three years, do not have relevant outturn figures. Services related to these functions have definite totals which are fed into the SSA calculation and known as actuals.

The totals for actuals are subtracted from the total for current SSA and the remaining amount is distributed among the other services depending on the proportion of their outturn. The service based approach minimises the effect of individual authorities' spending decisions on the distribution of SSA. Each service is only a part of the final SSA total, and for each service, each unitary authority's element is determined purely in terms of a need indicator.

Distribution of SSA

A separate method of distribution exists for each service element in order to distribute the total across the authorities. Some services do not have their own formula, but are distributed using that of a related service. The distribution methods fall into two categories:

- Formula based on indicators of need
- Distribution based on actual expenditure or estimates of expenditure

The majority of services are distributed according to indicators of need. Using indicators of need as opposed to direct measures of service utilisation prevents local authorities from directly influencing their SSAs and hence the amount of grant they receive. The indicators used in these formulae can be grouped into three categories:

Main Client Group – The main factor involved in determining costs, e.g. population, number of pupils, length of roads.

Deprivation – Indicators to reflect the additional costs of providing services to populations with higher levels of deprivation, e.g. income support recipients, people with long-term illness.

Population Dispersion⁶ – Indicators to reflect the additional costs of providing services to populations in rural areas.

⁵ The old system of credit approvals was replaced by the prudential borrowing system in 2004-05. See The Prudential Code for Capital Finance for a guide to the prudential borrowing system. Available at: http://www.pmpconsult.com/markets/market_pics/market_pdf/prudential_code.pdf

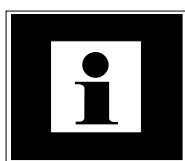
⁶ New measures of population dispersion were developed specifically for use in the Welsh local government settlement based on the pattern of settlements in Wales.



Members' Research Service – QuickGuide 16 Gwasanaeth Ymchwil yr Aelodau – HysbysHwylus 16

The formulae for all services were reviewed in time for the 2000-01 settlement following recommendations made in an independent review by Swansea University and Pion Economics. In the main, formulae have been derived using statistical modelling techniques. In a small number of cases, where the pattern of spending across authorities has been very varied, it has been necessary to develop formulae based on informed judgement.

In a small number of cases the actual expenditure on a service (or the best available estimate) is used. This applies where expenditure is pre-determined and in a sense is not directly under the control of the local authority. Examples of this include levies for drainage, sea fisheries committees and national parks.



Further Information:

For further information on the topics below, double click on the links.

Welsh Assembly Government [Local Government Finance Report \(final\) 2006-07](#)

Welsh Assembly Government [Green Book 2006-07](#)

Welsh Local Government Association [WLGA Website](#)

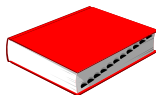
Welsh Assembly Government [Local Government Funding Pages](#)

Local Government Data Unit – Wales [LGDU Website](#)



More QuickGuides:

[Full list of QuickGuides available from the Members' Research Service](#)



[Glossary of terms](#)