

Quick guide

Standard Spending Assessment (SSA)

November 2008

Introduction

A **standard spending assessment (SSA)** is the amount of revenue expenditure, net of specific grants, which the Minister for Social Justice and Local Government considers is appropriate for each local authority to spend to provide a standard level of service at a common rate of council tax.¹

The formula to calculate SSAs makes use of information which reflects the differing characteristics of Welsh local authorities, ranging from the rural, sparsely populated authorities of North, Mid and West Wales to the urban authorities of South East Wales. The formula is derived by a needs based calculation using information reflecting demographic, physical, economic and social characteristics. It also reflects the relative costs of providing comparable services between different authorities.

Differences in SSAs between authorities with the same service responsibilities are, therefore, due to differences in their underlying characteristics. SSA is **not** based on actual spending.

Relationship to Budgets

SSAs are a mechanism for distributing resources and are in no way meant to be prescriptive in relation to local authority budgets. Local authorities have the flexibility to set their own spending priorities and vary the level of services provided, therefore actual authority budgets may be above or below the SSA. Any local authority spending below the SSA will be likely to have a lower rate of council tax. The allocation:

...is unhypothecated support for authorities to spend as they see fit on the services for which they are responsible.²

¹ Welsh Assembly Government definition sourced from [Distribution Sub Group description](#) [12 November 2008]

² 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

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 rates³. 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 notional assumed CT and NDR to enable an authority's funding to equal their calculated 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 for standard spending (CTSS) multiplied by the number of Band D equivalent dwellings in the authority.

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 this estimate is made before local authorities have set their budgets, Local authorities budget to collect below their full tax base to reflect anticipated collection rates and authorities may spend above or below SSA.

The number of Band D equivalent dwellings used in the calculation is known as the tax base⁴. 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.

Individual SSA Components

For the purpose of calculating individual SSA allocations, local government is broken down into 58 notional service areas⁵. 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 2008-09 Final Local Government Settlement. It is 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.

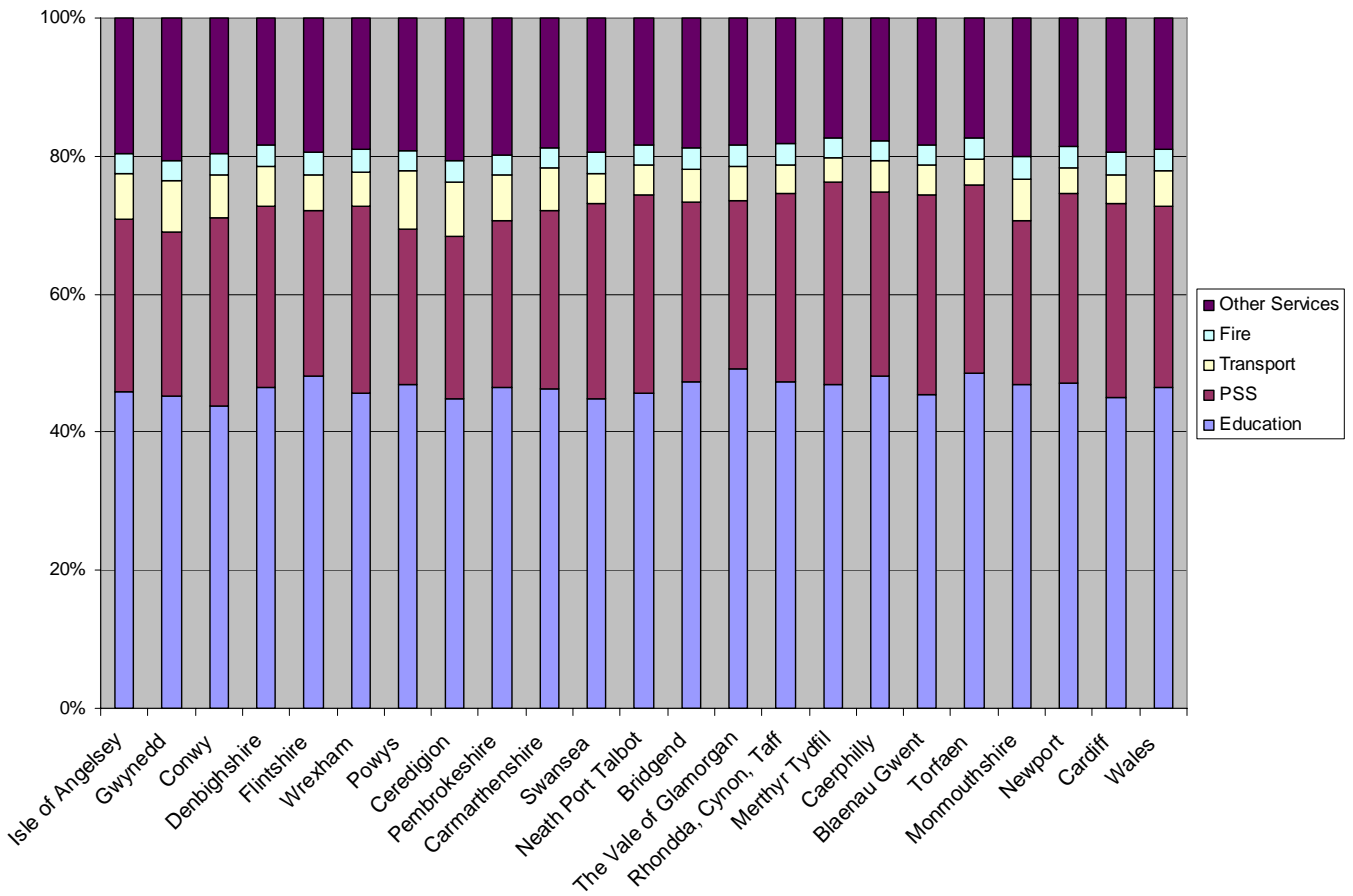
³ Welsh Assembly Government: [Non-Domestic Rates](#) (as at 9 September 2008)

⁴ [The Local Authority \(Calculations of Council Tax Base\) and Council Tax \(Prescribed Classes of Dwellings\) \(Wales\) \(Amendment\) Regulations 2004](#)

⁵ See pages 13-79 of the 2008-09 '[Green Book](#)',

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 2008-09



Source: Figures from the 2008-09 Green Book (Welsh Assembly Government)

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 debt.⁶

The total for the debt financing component is calculated as a separate element of the SSA formula at the all Wales level. It is based on the historic levels of local authority debt and current levels of supported borrowing. 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 2008-09 settlement calculations, the 2005-06 outturn data was used). Some

⁶ 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.

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 are known as actuals.

The totals for actuals is 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, known as Indicator Based Assessments
- 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 Dispersion⁷ – Indicators to reflect the additional costs of providing services to populations in rural areas.

The last fundamental review of 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. Since then the formulae have been updated on a regular basis through the Distribution Sub Group. 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

⁷ New measures of population dispersion were developed specifically for use in the Welsh local government settlement based on the pattern of settlements in Wales.

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 Local Government Settlement please contact Jenny King or Martin Jennings, Members' Research Service (Jennifer.King@Wales.GSI.Gov.UK or Martin.Jennings@Wales.GSI.Gov.UK)

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

- Welsh Assembly Government [Local Government Finance Report \(final\) 2008-09](#)
- Welsh Assembly Government [Green Book 2008-09](#)
- Welsh Local Government Association [WPGA Website](#)
- Welsh Assembly Government [Local Government Funding Pages](#)
- Local Government Data Unit - Wales [LGDU Website](#)

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MRS08/2869/ Jenny King and Martin Jennings

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