Local Government Revenue and Capital Settlement

Background information for standard spending assessments 2026-27

SUMMARY INFORMATION FOR STANDARD SPENDING ASSESSMENTS 2026-27

Introduction

This publication is part of a collection of tables and information (collectively referred to as the 'Green Book') which is intended for use as background to the calculation of Standard Spending Assessments (SSAs) for 2026-27. It is a statistical companion to the Local Government Finance Report 2026-27.

This compendium shows individual local authority SSAs broken down into service categories. This breakdown is solely for the purpose of calculating the total SSA as local authorities can set their own spending priorities. Therefore, the service IBAs shown in this publication are **not** intended for use in determining individual authorities' budgeted expenditure on particular services.

Most of the figures are rounded. Therefore, the sums and calculations shown may not always appear to equate exactly with the figures in the tables. The calculations in the SSA models use data that are mainly unrounded.

Background

The data used to calculate the distribution of SSA across the service areas are collected from various sources, mostly on an annual basis. The main exceptions are the settlement and dispersion data, which are currently based on the 1991 and 2001 censuses. Other data are collected directly from authorities, or from official sources including the Office of National Statistics. In a small number of cases the actual, or best estimate of expenditure on a service is used, where the expenditure is predetermined and is not directly under the control of authorities. Examples of this are Drainage and National Parks.

The formulae for all services were reviewed ahead of the 2001-02 Settlement following recommendations made by an independent review undertaken by Swansea University and Pion Economics. The recommendations were incorporated into the 2001-02 and subsequent settlements as the necessary analyses were completed, through the mechanism of the Distribution Sub-Group (DSG).

The DSG is a technical working group that sits under the Partnership Council for Wales. Its members include Welsh Government officials, local government officers (selected by the Welsh Local Government Association (WLGA)) and independent experts. Each year, the DSG follows an agreed remit and work programme that looks at certain aspects of the Settlement as well as areas of specific interest, for example distributional matters associated with specific grants that are being considered for transfer into the Settlement.

BACKGROUND GUIDE TO STANDARD SPENDING ASSESSMENTS

Introduction

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

Standard Spending Assessment (SSA)

2. The annual overall SSA funding is determined as follows:

SSA = RSG + NDR + CT – RR – SB

RSG (Revenue Support Grant) **–** this is a central Government grant determined by Welsh Ministers.

NDR (Non-Domestic Rates) **-** Wales operates a Non-Domestic Rates pool whereby the total rates are pooled centrally and apportioned to Authorities based on shares of adult population.

CT (Council Tax) – A notional figure for council tax income, determined by Welsh Government.

RR (Rates Retention) – the total amount to be paid to local authorities in respect of retained rates.

SB (Specified Bodies) – the total amount to be paid to bodies who provide services for local authorities[1].

Allocating SSA across Local Authorities

<u>Determining Sector Totals</u>

3. SSA is divided into two elements:

   - *Current SSA* – the notional amount available for spending on current revenue services, e.g. teaching costs

   - *non-current SSA* – the notional amount available for long term capital related costs.

4. The total for the non-current SSA is calculated at an all-Wales level outside the SSA formula and is based on the amount authorities have borrowed in the past plus any new debt.

---

[1] as specified in Revenue Support Grant (Specified Bodies) (Wales) Regulations 2000 (as amended by the Revenue Support Grant (Specified Bodies) (Wales) (Amendment) Regulations 2003 (S.I. 2003/706) (W. 85) and the Revenue Support Grant (Specified Bodies) (Wales) (Amendment) Regulations 2006 (S.I. 2006/764) (W .73)).

5. The total for the current SSA is calculated by subtracting non-current SSA from the overall SSA value. The current SSA is then split across numerous high-level sectors e.g. Education, Personal Social Services etc.

6. There are some high-level sectors where the total is prescribed, such as the Council Tax Reduction Schemes and Deprivation Grant. These are known as *sector actuals* and are subtracted from current SSA prior the remaining sector totals being determined.

7. After excluding the *sector actuals*, the remaining current SSA is distributed across the non-prescribed sectors based on their proportion of planned expenditure [using the latest available **Revenue Account (RA)** data collected from Local Authorities].

Determining Service Area Totals

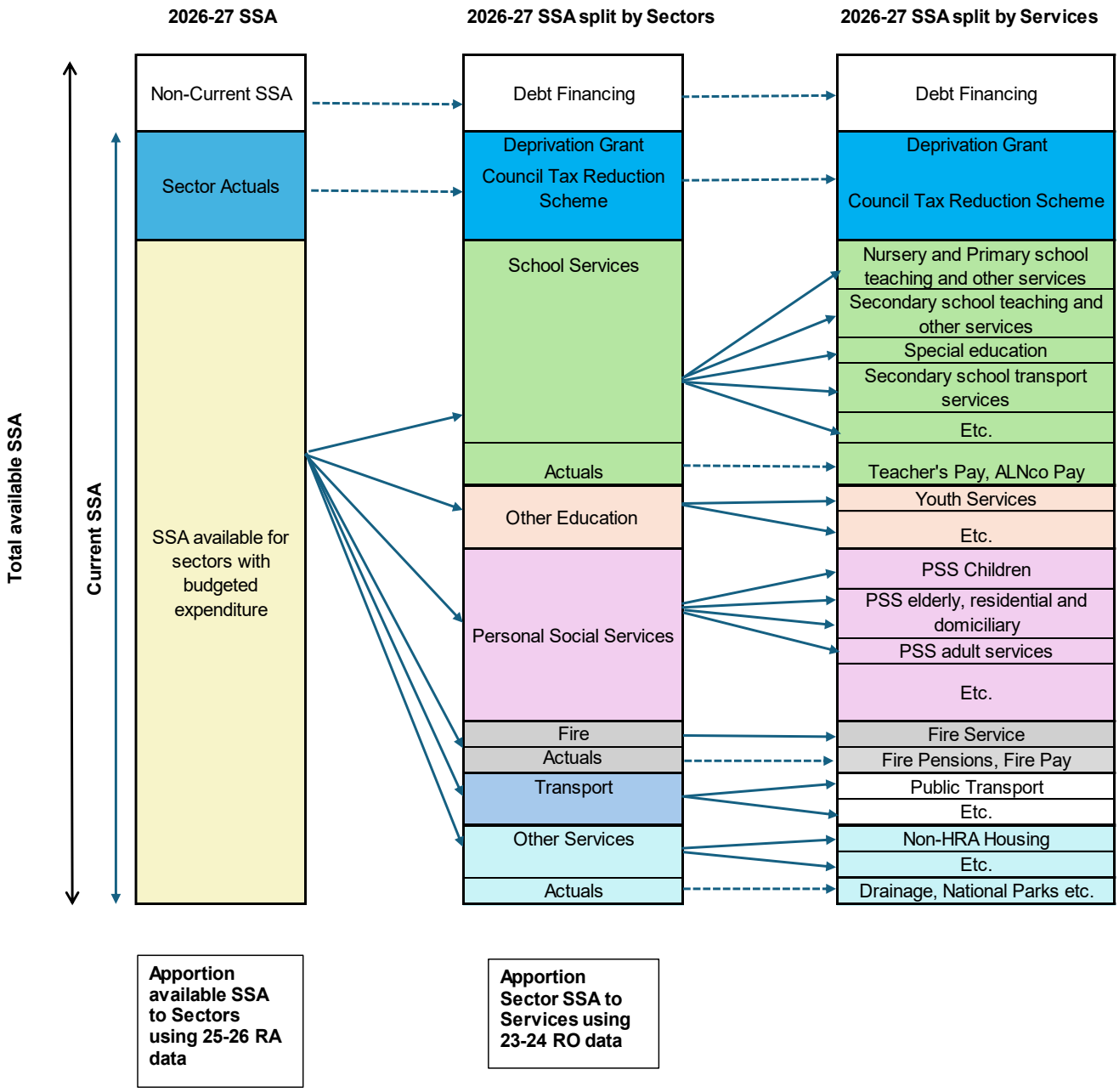
8. The non-prescribed sector level SSAs are broken down into numerous notional current service areas (also referred to as Indicator Based Assessments (IBAs)).

9. Some local authority functions have defined totals and are known as *service actuals*. These include services such as National Parks and Drainage**,** in addition to those services that have existed for less than two years (and are therefore not included in the latest Revenue Outturn data – see para 10). These service actuals are subtracted from the relevant sector level SSA prior to the remaining service totals being derived.

10. The residual SSA for each sector is then distributed across the remaining services that fall under that sector (see Figure 1). This distribution is based on each service's proportion of actual expenditure [using the latest **Revenue Outturn (RO)** data collected from Local Authorities].

11. 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 local authority's element is determined purely in terms of a relative need indicator.

Figure 1: Breakdown of total and current SSA for 2026-27



Distributing Service level SSAs across local authorities

12. The distribution method for each Service will fall into one of the following categories:

    - Formula based on indicators of need; or
    - distribution based on actual expenditure or estimates of expenditure.

Distribution using a formula based on indicators of need

13. Most services are distributed on the basis of a formula containing indicators of need. Indicators of need are used as opposed to direct measures of service utilisation so that authorities are unable to directly influence the SSAs and thus the amount of grant that they receive. The indicators used in the formula fall into three broad categories:

    - *Client-based* – The main factor influencing cost is the main client group, e.g. population, pupil numbers or road lengths.
    - *Deprivation* – Indicators to reflect the additional cost of providing services to populations with higher levels of deprivation, e.g. income support recipients, people with long-term illness.
    - *Population dispersion* – Indicators to reflect the additional cost of providing services to populations in more sparsely populated areas. Measures of population dispersion were developed specifically for use in the Welsh Local Government Settlement, based on the pattern of settlements in Wales.

14. Each indicator in a service formula is assigned a specific weight determined via statistical regression analysis. The weighting of each indicator reflects its correlation (impact) on service expenditure. Indicator weights will be in the range of >0, <=100 and reflect what proportion of the service SSA they distribute.

15. Some services do not have their own formula but are distributed using that of a related service. This is often the case for a new service where patterns of expenditure are not yet known and the formula for the most similar service is used. It is also used for some general functions, such as administration, which are distributed based on relevant services, e.g. education administration is distributed based on the SSAs for all education services.

Distribution using expenditure

16. In a small number of cases, funding for a service is distributed based on the actual expenditure for a service (or the best available estimate). This is the case where the expenditure is predetermined and is not within an authority's direct control. Examples of this are drainage and national parks.

17. Figure 2 illustrates how the 2026-27 SSA was distributed. 6% was distributed based on expenditure with the remaining 94% based on indicators of need (Client-based, Deprivation, Population dispersion).

18. Figure 3 shows the SSA distribution by indicator type for each authority's per capita SSA.

Figure 2: Chart to show the high-level basis on which the 2026-27 SSA was allocated.

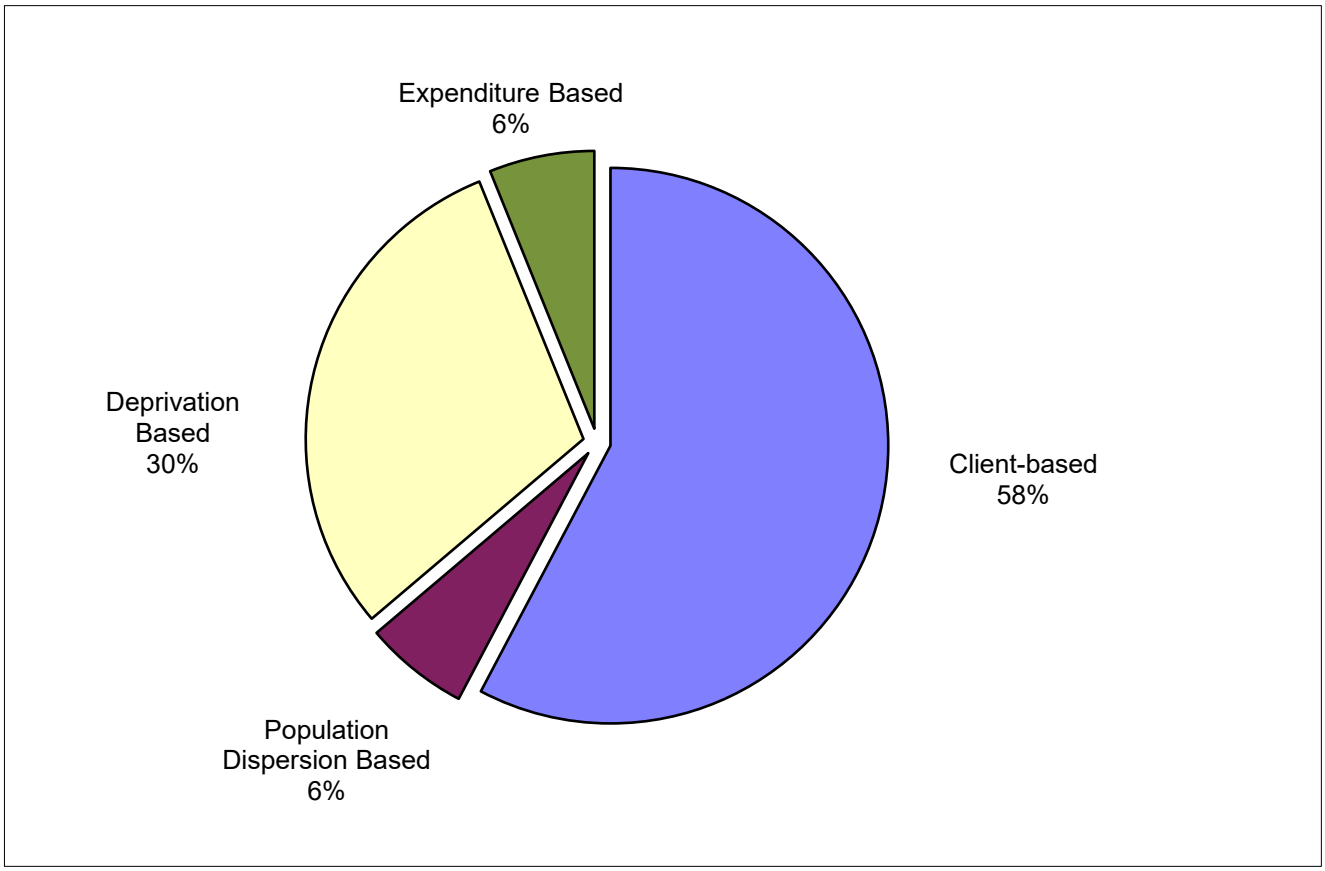
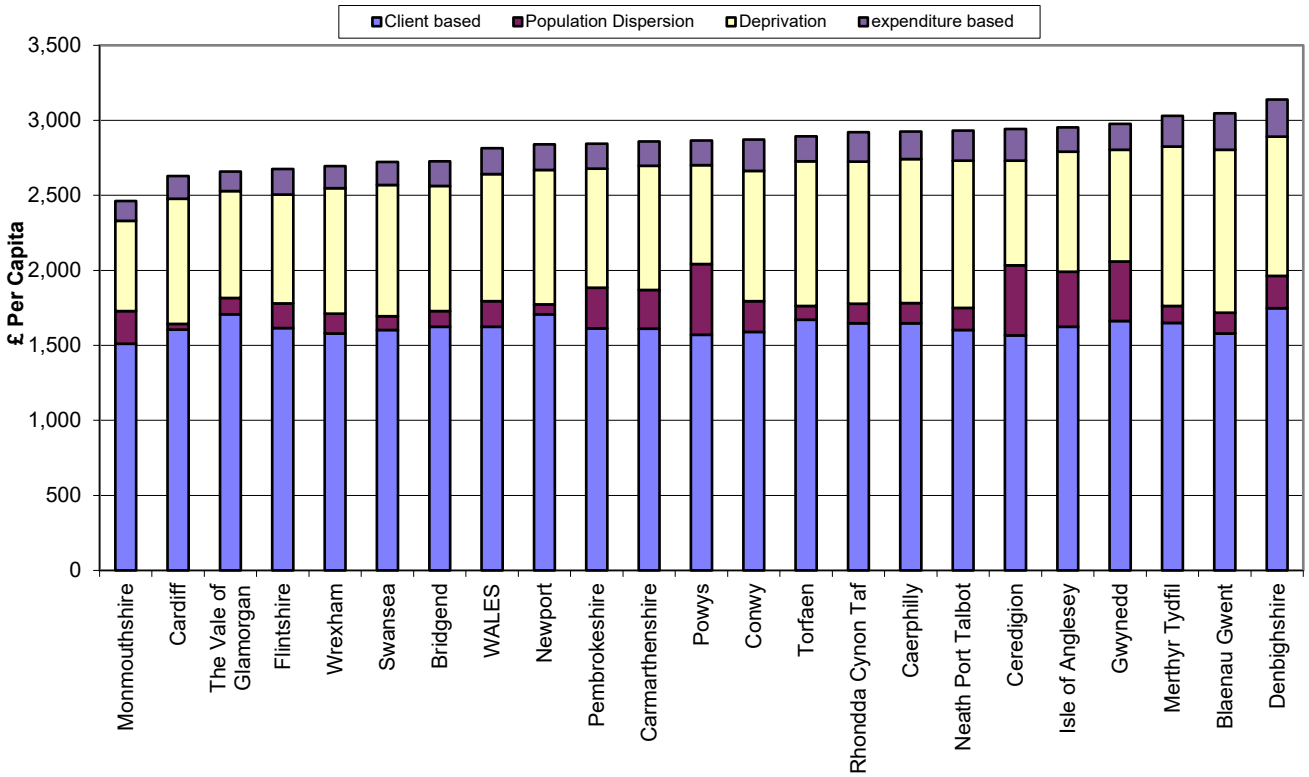


Figure 3: Local Authority per capita SSA split into allocation categories, 2026-27



Underlying Data

19. The Green Book consists of three spreadsheets that contain the underlying information used to determine and distribute the 2026-27 SSA for each service IBA.

20. The '**Underlying Data'** spreadsheet contains the following information which can be used to determine the 2026-27 SSA values for each service IBA:

    - Constituent parts of the Standard Spending Assessment[2];
    - the 2025-26 Revenue Account data;
    - a list of the 2026-27 *sector actuals*;
    - the 2024-25 Revenue Outturn data; and
    - a list of the 2026-27 *service actuals*.

21. The '**Service IBAs'** spreadsheet shows the SSA value for each service IBA and lists the relevant indicators (and weights) used to allocate the SSAs across authorities.

[2] These are also shown in the 2026-27 Local Government Finance Report

22. The '**Indicators'** spreadsheet contains all indicators used to distribute Service IBAs across authorities, together with each authority's relative percentage share of each indicator.

23. The information in these spreadsheets can be used to determine the distribution of SSA for each IBA and Local Authority. An example of this calculation is shown at Annex A (see *worked example*).

24. The debt financing component of an authority's SSA is modelled separately. The prudential borrowing system was introduced in 2004-05. Debt incurred as a result of government approved loans for capital projects in place on 31 March 2004 will be written off on a reducing balance basis over 25 years. The Welsh Government makes an assessment of new borrowing that it is prepared to support and includes this in the calculations, along with debt already incurred as a result of government approved loans. There are also adjustments for grants provided by central government for capital financing.

25. The total SSA for an authority is calculated as the sum of current SSA and the non-current SSA (debt-financing) components. The Aggregate External Finance (AEF) represents the element allocated to authorities and consists of RSG and NDR. The AEF for each individual authority is calculated by deducting its notional council tax figure (CT) from its total SSA. For 2026-27, CT equals the authority's *26-27 Tax base* multiplied by the *"standard tax element"* (as detailed in Chapter 3 of the Local Government Finance Report 2026-27).

26. The AEF for each authority is then apportioned into RSG and NDR elements. Chapter 4 of the Local Government Finance Report 2026-27 details the approach to determining how much of an authority's AEF relates to NDR. The remaining value is the ***RSG*** which is a "balancing" sum (after accounting for the amounts available from NDR and CT) that enables an authority to spend at its SSA.

Floor Funding

27. The purpose of floor funding is to ensure that, year-on-year, an authority doesn't suffer an unmanageable reduction (or unmanageably small increase) in AEF funding compared to the rest of the authorities.

28. There are two main options for the floor funding mechanism. The first is re-distributive - meaning that those above the floor proportionately funded those below it. The second is a fully funded floor where additional budget is made available to fully fund the cost of a floor.

29. For 2026-27, a fully funded floor of 2.3% was introduced at the Provisional Settlement. These values were maintained for the calculation of the 2026-27 Final Settlement (in line with the approach taken in previous years).

Summary points

The following form the basis of the Local Government Settlement:

- The overall size of the settlement is determined by government control totals.
- The relative weights of the notional Wales-level services are determined by budgeted and actual expenditure patterns at the all-Wales level.
- The distribution within services is, in general, determined by objective indicators of authorities' relative need to spend.
- The Settlement is un-hypothecated. The SSAs and component services **do not represent spending targets for individual services and are not meant to be prescriptive in any way.** They are only a means for distributing grant.

Worked Example of distributing Service IBA £ across authorities

Example:

Derivation of the SSA for the 'Nursery and Primary school teaching and other services' IBA for the Isle of Anglesey.

The **'Service IBAs'** spreadsheet shows that the overall 2026-27 SSA for the '*Nursery and Primary school teaching and other services'* IBA is £1,486,250,000[3]. It also shows that the distribution of this IBA is based on:

Weight:		**Indicator:**
0.815	x	Primary school pupils and modelled nursery school pupils
0.098	x	Settlement threshold 1,000
0.087	x	Primary school pupils eligible for free school meals

The '**Indicators'** spreadsheet gives you the following information on each of these indicators:

UADesc	Primary school pupils and modelled nursery school pupils	Primary school pupils and modelled nursery school pupils (% of Wales total)	Settlement threshold 1,000	Settlement threshold 1,000 (% of Wales total)	Primary school pupils eligible for free school meals	Primary school pupils eligible for free school meals (% of Wales total)
Isle of Anglesey	4984	2.03%	50,353	4.83%	1154	1.74%
Gwynedd	8450	3.44%	83,755	8.04%	1774	2.68%
Conwy	7842	3.19%	44,876	4.31%	2161	3.26%
Denbighshire	8017	3.26%	38,810	3.72%	2257	3.41%
Flintshire	11893	4.84%	59,553	5.71%	2954	4.46%
Wrexham	11018	4.48%	36,240	3.48%	3027	4.57%
Powys	9193	3.74%	91,018	8.73%	1682	2.54%
Ceredigion	4637	1.89%	52,260	5.01%	1020	1.54%
Pembrokeshire	9132	3.71%	69,575	6.68%	2013	3.04%
Carmarthenshire	14162	5.76%	109,168	10.48%	3432	5.18%
Swansea	19197	7.81%	47,135	4.52%	5707	8.62%
Neath Port Talbot	10745	4.37%	45,593	4.38%	3546	5.36%
Bridgend	11404	4.64%	34,106	3.27%	3241	4.89%
Vale of Glamorgan	11576	4.71%	33,798	3.24%	2340	3.53%
Rhondda Cynon Taf	19162	7.79%	67,607	6.49%	5697	8.60%
Merthyr Tydfil	5207	2.12%	11,392	1.09%	1658	2.50%
Caerphilly	14371	5.85%	52,835	5.07%	4232	6.39%
Blaenau Gwent	5472	2.23%	17,627	1.69%	1754	2.65%
Torfaen	7744	3.15%	17,658	1.69%	2491	3.76%
Monmouthshire	6523	2.65%	42,994	4.13%	1121	1.69%
Newport	15233	6.20%	18,916	1.82%	4117	6.22%
Cardiff	29885	12.16%	16,850	1.62%	8833	13.34%
Wales	**245847**	**100.00%**	**1,042,119**	**100.00%**	**66211**	**100.00%**

[3] This figure can be confirmed using the information contained within the 'underlying data' spreadsheet – although there are likely to be differences in values as a result of rounding.

Step 1:

Use the relevant weights for this IBA to determine how the £1,486,250,000 SSA will be distributed against each indicator (at a Wales level):

Indicator	**Percentage of SSA [weight*100]**	**'Nursery and Primary School Teaching' IBA (SSA £s)**
Primary school pupils and modelled nursery school pupils	81.5%	1,211,293,750
Settlement threshold 1,000	9.8%	145,652,500
Primary school pupils eligible for free school meals	8.7%	129,303,750
Total	**100%**	**1,486,250,000**

Step 2:

Determine the '**Nursery and Primary School Teaching' IBA** allocation of funding for the Isle of Anglesey, based on its proportion of each indicator:

Indicator	**Total SSA (£s)**	**Isle of Anglesey's indicator %** [4]	**Isle of Anglesey's share of SSA for this IBA (£s)**
Primary school pupils and modelled nursery school pupils	1,211,293,750	2.03%	24,556,281
Settlement threshold 1,000	145,652,500	4.83%	7,037,623
Primary school pupils eligible for free school meals	129,303,750	1.74%	2,253,652
Total	**1,486,250,000**	**100%**	**33,847,555**

This approach can be followed for each IBA and Local Authority.

[4] Note that for accuracy, the percentages in the 'Indicators' are calculated to 14 dps.