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Chair – Equality, Local Government and Communities Committee  
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Dear John,

Ahead of my attendance at your Committee on 15 November, I thought the Committee might find it helpful if I provided some further detail on the arrangements for prioritising, within the local government settlement, funding for schools and social care in 2018-19 and 2019-20.

In order to do this, I need to set out a couple of key principles which underpin the production of the local government settlement.

The first key principle is that the settlement provides core funding for local authorities as an unencumbered grant. This means that, while it is necessary to make assumptions about “need to spend” to deliver services covered by the settlement, it remains the case that each individual council is able to make its own spending decisions according to its local needs and priorities as determined through their own consultative and democratic processes.

The second key principle is that to distribute the settlement in a way which takes account of both relative need and relative ability to raise council tax income, the distribution is based on an overall Standard Spending Assessment (SSA) which takes account of the Welsh Government funding provided through Revenue Support Grant (RSG) and redistributed non-domestic rates and an assumption on the overall amount of council tax raised locally.

The overall SSA is built up from a number of SSA blocks relating to broad service categories, such as schools and social services.

In the first instance, the funding available is apportioned between these SSA blocks using the latest available budgeted expenditure data, supplied by local authorities themselves. This means the distribution of the settlement reflects the relative shares of local authority service expenditure on these different blocks.

However, it is possible to prioritise funding for a particular SSA block by including additional resources in that block.

In the case of the provisional local government settlement, the decrease in available funding for the initial draft budget allocation resulted in a decrease for all SSA blocks. Welsh Ministers agreed to add an additional £104 million in 2018-19 and a further £181 million in 2019-20 to the settlement by adding funds to the SSA blocks for schools and social care priorities. These extra allocations are sufficient to maintain the Welsh Government element of SSA blocks for schools and social services at the same level assumed for the current year's settlement.

I attach tables to demonstrate the amounts involved. Table 1 illustrates how the additional funding was built into establishing the overall amount for the settlement. Table 2 evidences the additional funding being apportioned for schools and social services for 2018-19. Table 3 shows what this means in terms of the individual SSAs. This table reconciles with the settlement tables published on 10 October.

I trust the Committee will find this additional information helpful.



**Alun Davies AC/AM**

Ysgrifennydd y Cabinet dros Lywodraeth Leol a Gwasanaethau Cyhoeddus  
Cabinet Secretary for Local Government and Public Services

**Table 1: Welsh Government Draft Budget allocation**

Measure	2017-18	2018-19	2018-19 additional amount	2018-19	2019-20	2019-20 additional amount	£000
	Final Budget allocation	Initial budget allocation		Draft Budget allocation	Initial budget allocation		2019-20 Draft Budget allocation
Revenue Support Grant (RSG)	3,105,943	2,983,445	103,825	3,087,270	2,919,382	180,673	3,100,055
Re-distributed Non-Domestic Rates (NDR)	1,006,050	999,400		999,400	1,024,100		1,024,100
<b>Aggregate External Finance</b>	<b>4,111,993</b>	<b>3,982,845</b>	<b>103,825</b>	<b>4,086,670</b>	<b>3,943,482</b>	<b>180,673</b>	<b>4,124,155</b>

Note: Figures for 2017-18 & 2018-19 are excluding (and unadjusted for) transfers and top-up funding

**Table 2: Provisional local government settlement 2018-19 - service block uplift calculation**

Service	2017-18 AEF	2018-19 AEF	Additional funding	£000
	apportioned on 2017-18 LA budget	before 'additional' funding		2018-19 AEF after additional funding
Schools Education	1,554,065	1,493,792	61,789	1,555,581
Non-Schools Education	26,093	25,081		25,081
Social Care	1,057,243	1,016,239	42,036	1,058,275
Transport	133,824	128,633		128,633
Fire	95,207	91,514		91,514
Other services	1,245,562	1,227,585		1,227,585
<b>Total</b>	<b>4,111,993</b>	<b>3,982,845</b>	<b>103,825</b>	<b>4,086,670</b>

Notes: AEF (Aggregate External Finance) is the sum of Revenue Support Grant (RSG) and re-distributed Non-Domestic Rates (NDR) and is the core unhypothecated funding provided by the Welsh Government to local authorities.

All figures are excluding (and unadjusted for) transfers and top-up funding

**Table 3: Provisional local government settlement 2018-19 - difference in SSA, pre-transfers**

Service	2017-18 final	2018-19 provisional	Difference	£000
	SSA, unadjusted for transfers	SSA, excluding transfers		
Schools Education	2,156,457	2,191,906	35,448	
Non-Schools Education	40,798	35,765	-5,034	
Social Care	1,470,235	1,491,171	20,936	
Transport	192,068	183,429	-8,640	
Fire	130,868	130,497	-370	
Other services	1,512,757	1,487,439	-25,317	
<b>Total</b>	<b>5,503,184</b>	<b>5,520,207</b>	<b>17,023</b>	

Notes: All figures excluding (and unadjusted for) transfers and top-up funding

SSA (Standard Spending Assessment) is the sum of AEF and an assumed level of council tax income

Authorities receive funding from a number of other sources, including income from fees and charges and specific grants. Local authority Gross Revenue Service Expenditure for 2016-17 was £7.9 billion.

