

**Manchester City Council
Report for Information**

Report to: Resources and Governance Overview and Scrutiny Committee -
10th February 2011

Subject: 2011/12 Final Settlement and Indicative allocations for 2012/13

Report of: The City Treasurer

Introduction

1. The Local Government Finance Report was laid before the House of Commons on 31st January 2011 by the Parliamentary Under Secretary of State Bob Neill. The settlement allocates a total revenue grant of £72.7bn to councils for 2011/12. It also provides final funding allocations of the £29.4bn formula grant for 2011/12 and indicative allocations of £27.1bn for 2012/13. The report presents the basis for the distribution of formula grant and the amounts of revenue support grant and non domestic rates for individual authorities. Parliament will debate the 2011/12 allocations on the 9th February 2011.

Key Headlines

2. Corrections for minor errors and inconsistencies were made to the final settlement for 2011/12 although it remains broadly in line with proposals laid out in the provisional settlement consultation announced 13th December 2010.
3. Following representations made in consultation responses Government have decided to add a further £10m to formula grant for 2011/12 only, in order to compensate Shire district councils for the transfer of responsibility for concessionary travel from lower-tier to upper-tier authorities. It does however appear that the £10m has been brought forward from the 2012/13 finance settlement.
4. Transition Grant¹ has increased by £11.2m to £96.2m in 2011/12 bringing the minimum funding guarantee down to a maximum reduction of 8.8% from 8.9%, in the provisional settlement, incorporating an additional seven authorities. Introduced by the Government in the provisional finance settlement, transition grant is intended to ensure that authorities experiencing significant reductions in revenue spending power would receive the additional grant to bring their reductions down to a minimum level.²
5. There have been revisions to the funding floor mechanism for shire districts and the scaling factor affecting the upper tier mechanism for 2012/13.

¹ Funded from within existing uncommitted DCLG budgets and not by other local authorities, ends in 2013/14.

² Parish precepts have now been excluded from the spending power calculation, this does not impact on Manchester City Council.

Impact on Manchester City Council

2011/12 Final Settlement

6. Inconsistencies in the treatment of a number of grants now rolled into formula funding have now been corrected for Manchester. One such grant, Housing Market Renewal, has been split according to the partnership agreement and as such the authority no longer has a liability to transfer funding to Salford City Council of £1.012m as this amount is now included within Salford's funding allocation.
7. Due to the changes identified in the key headlines the authority will now receive an increase in Formula Funding of £213,000 from £354.062m to £354.275m. This increase impacts on the amount of transition grant received by the authority, which has reduced by £258,000 from £13.332m to £13.073m. The overall net effect of the changes is a reduction of -£45,000.
8. The indicative council tax freeze grant for setting a 0% increase in Council Tax has remains unchanged following the final settlement at £3.489m.

2012/13 Indicative Settlement

9. Due to the changes identified in the key headlines the authority's indicative Formula Funding increases by £197,000 from £326.713m to £326.910m.
10. The authority receives no transition grant in 2012/13 and nationally there is no transition beyond 2012/13.
11. The indicative council tax freeze grant for setting a 0% increase in Council Tax has remains unchanged following the final settlement at £3.489m

Outstanding Issues

12. There remain a number of outstanding issues following the final settlement these include:
 - The announcement of a number of Home Office Specific Grants
 - A number of CLG Capital Grants
 - The Capping criteria, which is due to be published across the next few days.
 - The outcome of the New Homes Bonus consultation and the 2011/12 allocations. The consultation paper indicated that provisional allocations would be announced in early December with final allocations announced in early February to allow local authorities to include this grant in their budget setting process.