

**Manchester City Council
Report for Resolution**

Report to: Resources and Governance Overview and Scrutiny
Committee – 24 June 2010

Subject: Information and Overview Report – Further information

Report of: Governance and Scrutiny Support Unit

Summary

This report provides further notes for information which were not available when the full agenda was published.

Recommendation

The Committee is requested to consider the topics highlighted in the report and either:

- Note the information
 - Request a briefing note to provide further details
 - Add the item to the Committee's Work Programme
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Background documents (available for public inspection):

None

1. Items for Information Only

Subject **Government Announcement on In Year Funding Reductions**

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Financial Consequences for the Revenue Budget

The announcement contains specific revenue grant cuts of £7.185m.

In addition:

- the £500k 2010/11 installment of LAGBI funding will not be paid
- the amount of Performance Reward Grant due to the council will be reduced, it is estimated by 50%
- The Housing Planning and Delivery Grant has been ended for 2010/11

The budget will need to be reduced accordingly and the detailed work on how this can best be managed and the implications of doing this is being finalised.

Financial Consequences for the Capital Budget

The announcement also refers to the reduction in a number of the national funding streams for capital funding, including HMR. The allocations to individual local authorities has not yet been decided.

Introduction

1. The government have published details of the £1.166bn Local Government contribution to the £6.2bn cross government savings in 2010/11. These proposals will not be subject to consultation but we have until 24 June to comment on any inaccuracies on the data.
2. The announcement contains a commitment that no authority will lose more than 2% of their annual revenue grant. It should be noted that the cap actually equates to 3.5% once the ringfenced Dedicated Schools Grant (DSG) is excluded from the calculation. The revenue grant reduction allocated to Manchester is set out in the table below. This equates to 1.6% of non ringfenced funding. It should be noted that this excludes the impact of ending LABGI, Performance Reward Grant and the Housing and Planning Delivery Grant.

2010/11 Main Revenue Grant Allocations					
		Original 2010/11 Allocation			Revised 2010/11 Allocation
		£m	£m	%	£m
Indicative Dedicated Schools Grant		291.164	nil	0.0	291.164
Sure Start		15.781	nil	0.0	15.781
School Development Grant		23.590	nil	0.0	23.590
Social Care Reform Grant		2.691	nil	0.0	2.691
Formula/General Grant		342.438	nil	0.0	342.438
Area Based Grant	1. Dept for Education	15.469	-3.707	-24.0	
	2. Supporting People Admin	0.261	-0.261	-100.0	
	3. Working Neighbourhood Fund	30.712	-3.019	-9.8	
	4. Prevent	0.381	-0.111	-29.1	
	5. Home Office Total	1.116	-0.087	-7.8	
	Other ABG Funds	46.965	0.000	0.0	
	Total	94.904	-7.185	-7.6	87.719
Total 2010/11 Main Revenue Grant Allocations		770.569	-7.185	-0.9	763.384.

3. Note there is a also commitment to freezing council tax for 'at least one year' and seek to freeze it for a further year.

Revenue Grants

4. Manchester has been notified of specific revenue cuts of £7.185m in 10/11, split as follows:

DfE ABG reduction:	£3.707m
ABG - Supporting People:	£0.261m
ABG - WNF:	£3.019m
ABG - Prevent:	£0.111m
Home Office ABG:	<u>£0.087m</u>
	£7.185m

5. When the other grant reductions in the announcement in relation to LABGI and Performance Reward Grant are included this figure increases to £9.7m. The main use of these grants and the implications for reductions are set out below.

Department for Education ABG

6. MCC was due to receive £16.3m ABG relating to Department for Education. This has been reduced by £3.707m or 24%. This is a pro-rata reduction and the supporting documentation states that it is for local authorities to manage this locally across all of their funding sources.
7. In addition there will be a percentage reduction on the ABG grant for the 16-19 transfer. This was added to the baseline for Bury MBC and discussions on how the reduction is managed will need to be coordinated through AGMA. MCC's allocation was £275k which only covered the costs of the staff transferring. Assuming a 246% reduction the immediate pressure would be £66k.
8. The ABG in Children's Services for 2010/11 is £16.3m. This funds a number of areas, predominately front line service delivery, as detailed below.
 - School Development Grant and other Grants in Education Services - SDG is split over a large area and pays for a variety of functions such as Special Educational Needs and playing for success. It also Learning Support Officer salaries and funding to support the development of Extended Schools.
 - Connexions
 - Children's Fund -most of the money is spent by voluntary organisations and the contracts are being negotiated at the present time. We are committed to the end of August with the present arrangements.
 - Positive Activities for Young People (PAYP) grant - this funds part of the delivery of the Youth Offer, currently provided via Connexions.
 - CAHMS - This funds support for children and young people with mental health needs
 - Carers grant This grant funds Community Development Workers, Social Workers and support to carers commissioned from voluntary organisations.
 - Care Matters - being used on strengthening the Safeguarding and Improvement Unit, funding Personal Education Allowances for Looked after Children, the specialist treatment foster care service and social work costs.
 - Child Death Overview grant – Funding for the Manchester Safeguarding Board as part of their role to verify the reasons behind children's deaths in Manchester.

ABG Supporting People

9. The Administration element of this grant for Manchester (£261k) has been removed in full. The funding is used to pay for the staff in Adult Services who administer the Supporting People programme. Therefore in the short to medium term alternative funding will need to be identified to cover these costs.

Working Neighbourhoods Fund (WNF)

10. MCC was due to receive £30.711m WNF (2010/11 allocation as at April 2010). This has been reduced by £3.019m or 9.8%.
11. Of the £30.7m, £27.7m has been provisionally allocated to the thematic partnerships (a reduction of 1% from last year). Final confirmation was pending this announcement and the allocations will be reviewed.
12. As part of the MTFP process it has already been agreed that WNF will be used on a on-off basis to fund priorities including £1.3m of Highways additional expenditure (this is net of Pothole grant) and one-off costs of £700k for NEM staffing costs to smooth their reduction in grant. The total commitments against unallocated WNF are £3.3m and were to be met from the balance that has not been allocated to thematic partnerships and from a carry forward of uncommitted resources from 2009/10. This leaves a balance of around £1m that is currently uncommitted. All of these commitments will be reviewed in the light of the announcement.

ABG Prevent

13. The reduction is a pro-rata reduction of 29%. The 2009/10 allocation had not been spent in full and a carry forward had been requested. This funding will now not be committed. Therefore the £111k reduction should be achievable.
14. Note that the Government will not be proceeding with the second year of Connecting Communities or the additional funding which had been announced to tackle racist extremism.

Home Office ABG

15. It is thought that the £87k reduction can be absorbed. Again this is based on a pro-rata reduction.

LABGI

16. No LABGI grant will now be paid for 2010/11. The MTFP assumed that £500k notified to MCC would be paid and this has been included in the LABGI reserve. The £1.4m residual balance on LABGI was assumed to have been paid into the Growth Fund.

Performance Reward Grant (PRG)

17. The position on this is not yet clear. The more detailed guidance states that for LAAs 2007-2010 the claim should be submitted as usual and 50% of the funding will be paid. Claims will not be accepted before 6 December 2010. Outstanding LPSA money will be treated in the same way. This funding is used to for the Service Improvement Fund which has assumed a further £2m funding will be received. Therefore there is likely to be a shortfall. PRG is paid into the Council's Service Improvement Fund. The commitments in SIF are being reviewed to see how much of the £2m reduction can be absorbed.

Housing and Planning Delivery Grant

18. Allocations for 2010/11 have not been published. The grant has been ended in full. No specific assumptions had been made about a grant award for 2010/11 and work is being carried out to look at the 2009/10 allocations which is not fully committed, and how it can be maximised.

Capital Grants

19. Details of the breakdown between local authorities have not yet been released. The national total planned reductions are shown in the table below.

Capital Grant	National Total Reduction £m	Comments
Department for Transport		
Integrated Transport Block	150.8	Manchester received £3.6m in 2009/10 and was anticipating £6.6m in 2010/11. Manchester's allocation has been reduced by £1.95m. Metrolink 3a has been protected, SEMMs reduced by 25% and the main allocation by 50%.
Major Transport Projects	61.4	No decisions have been made on this yet and discussions will be held with individual local authorities.
Capital Detrunking	6.8	n/a
PRN Network Funding	5.9	n/a
Urban Congestion Fund	7.9	Manchester had £3m in 2009/10 and was anticipating the same amount in 2010/11. The reduction will be made from the final set of payments and will relate to capital funding only.
Road Safety Capital Fund	17.2	Manchester received £400k in 2009/10 and was anticipating £100k for 2010/11. In addition the Road Safety revenue ABG grant has been reduced by £20.6m – a 20.7% reduction.
DEFRA – Contaminated land	7.5	
CLG		
HMR	50	For Manchester this equates to a c£4m reduction in HMR – although allocations to individual authorities haven't been
Housing Programmes		
AHP	100	

Capital Grant	National Total Reduction £m	Comments
Kickstart	50	confirmed yet. In the meantime now new commitments will be made. There are currently bids for £5.6m for NAHP funding. In the second round of Kickstart, of 14 bids submitted in Manchester, 4 were shortlisted and 3 put on a reserve list. The results of bids have not yet been announced and are therefore at risk.

Removal of Ringfence

20. The announcement also referred to the removal of the ringfence for £250m of revenue grant funding and £948m of capital grant. The grants included are as follows:

Revenue

- Youth Opportunity Fund
- Think Family Grant
- Challenge and Support Funding
- AIDs Support
- Learning Disability Campus Closure Programme
- Stroke Strategy
- Bus Challenge and Kickstart
- Animal Health and Welfare Enforcement
- Waste Management Pilots

Capital

- Fair Play Pathfinders
- Fair Play Playbuilders
- Innovation in Extra Care Housing Grant
- Capital Investment for Transformation in Adult Social Care Grant
- AIDS/HIV
- Common Assessment Framework
- Social Care IT Infrastructure
- Detrunking
- Major Projects (DfT)
- Green Bus Fund
- NEXUS (Tyne and Wear Metro)
- Flood and Coastal Erosion Management
- Coastal Change Pathfinders
- Contaminated Land
- Housing Market Renewal

Implications and Actions Being Taken to Manage the In Year Funding Reduction

21. Detailed work is currently being carried out to recommend how the funding reduction can be managed in year.

Subject	Modesole Governance Arrangements
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Introduction

The purpose of this note is to provide the Resources and Governance Overview and Scrutiny Committee (RAGOS) with a summary on the proposed changes to the Modesole governance arrangements.

Modesole Limited

Modesole Limited is a company limited by shares. The company was originally owned by the ten AGMA local authorities and has held an interest in the Manchester Central Convention Centre and, in the past, other assets in the City.

Acquisition of Modesole Shared Shareholding

At its meeting on the 21st October 2009, the City Council's Executive approved the acquisition of Trafford Borough Council's interest in Modesole Limited. The acquisition was made through Destination Manchester Limited, a company wholly owned by the City Council. This acquisition was completed on 26th March 2010 at which point Modesole became wholly owned by the City Council, either directly or through Destination Manchester Limited.

Governance Arrangements

Following the acquisition of the Trafford MBC shares, the City Council has, in conjunction with KPMG, reviewed the ownership structure of the group of companies with a view to ensuring that the structure is as streamlined and tax-efficient as possible. This advice has identified an opportunity to simplify the company structure by transferring its shareholding from Modesole Limited into Destination Manchester Limited. This will mean that Manchester Convention Centre Limited is wholly owned by Destination Manchester Limited which is, in turn, wholly owned by the City Council.

Further Information

If you require any further information, please contact Des Gardner on 0161 234 3013.