

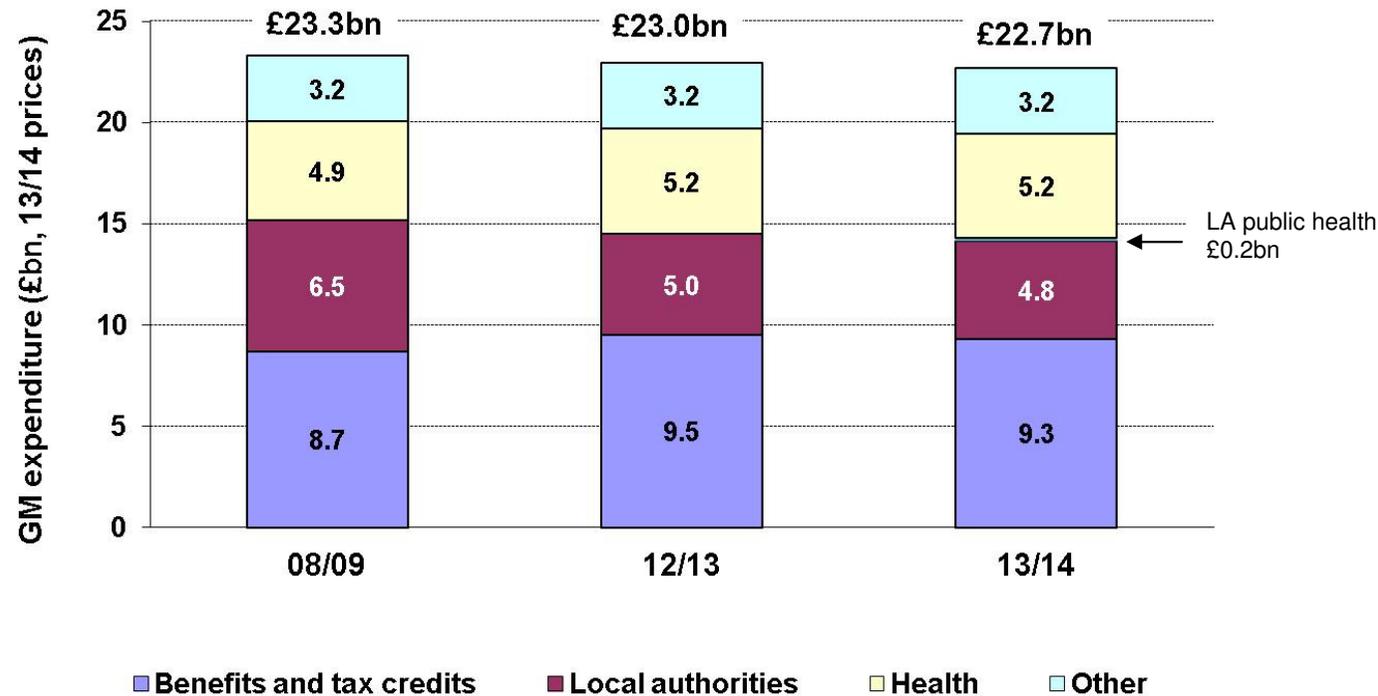
Spending Review 2015: a place-based approach

Our ambition

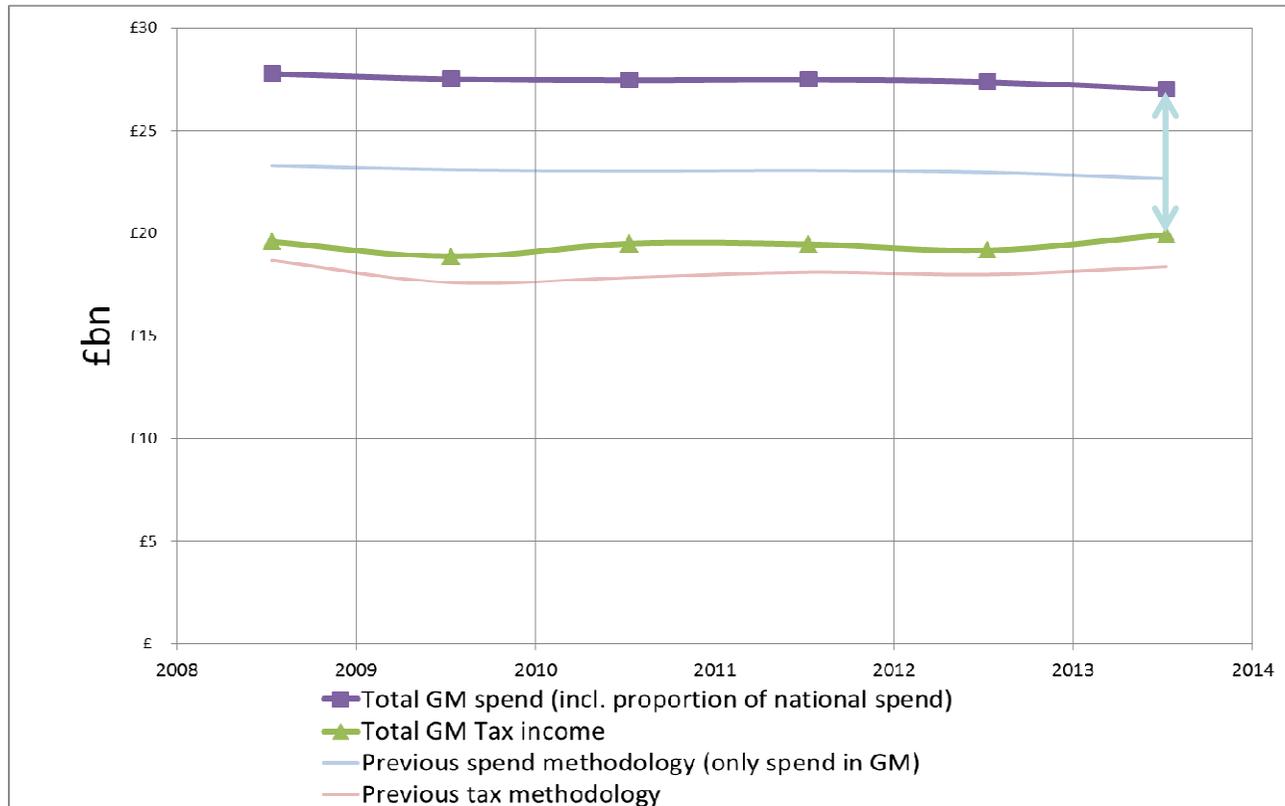
- A financially self-sustaining city region, sitting at the heart of the Northern Powerhouse, with the size, assets, skilled population and political and economic influence to rival any global city
- Driving sustainable growth across GM, and ensuring that all GM residents are able to contribute to and benefit from that growth
 - **Creating the conditions for growth** by making the best use of our land supply and investing in our infrastructure and assets
 - **Increasing total productivity** by improving the skills base of our population and driving higher levels of business growth
 - **Helping our citizens to become independent and self-reliant**, focusing on person-centre delivery models to provide integrated programmes of support, increasing the proportion of residents in work and helping them to progress through work
- Our priorities are exemplified by the Northern Powerhouse: a strategy that enables empowered City regions to collaborate through greater connectivity, supporting the re-balancing of our national economy

The challenges: shifting the balance in spending

- Clear from the Summer 2015 Budget that further significant spending reductions are to come through the SR2015 process
- We must align fiscal responsibility with our ambitions to establish a Northern Powerhouse
- Without shifting our approach to spending to tackle the causes of reactive spend, our capacity to reduce total spending on public services will continue to be limited, as will our capacity to invest in growth. ‘Business as usual’ in the way public services operate will simply perpetuate this pattern

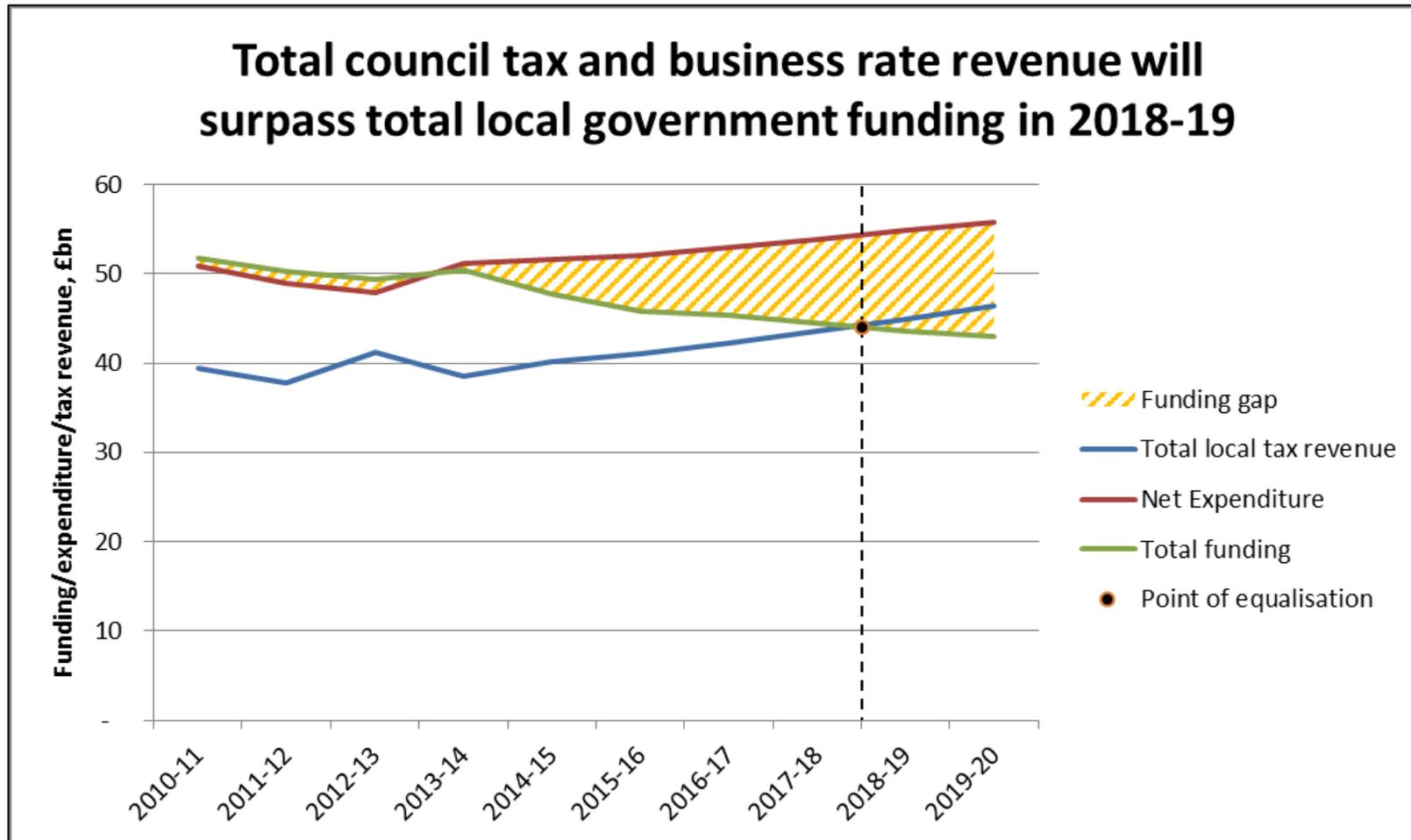


The gap between tax and spend remains



- Our original analysis has been refined to incorporate additional elements of national spend and to review in more detail tax income
- Provisional figures suggest that whilst the gap has narrowed marginally there is still a significant deficit
- Our ambition is to create financially self-sustaining places over time: a function of increasing tax take through growth and reducing demand through better, joined-up public services

The public service fiscal challenge



- Due to budget cuts, by 2018/19 local government will spend as much as it raises in revenue
- Equalisation formulae will be essential to ensure financial sustainability across the sector

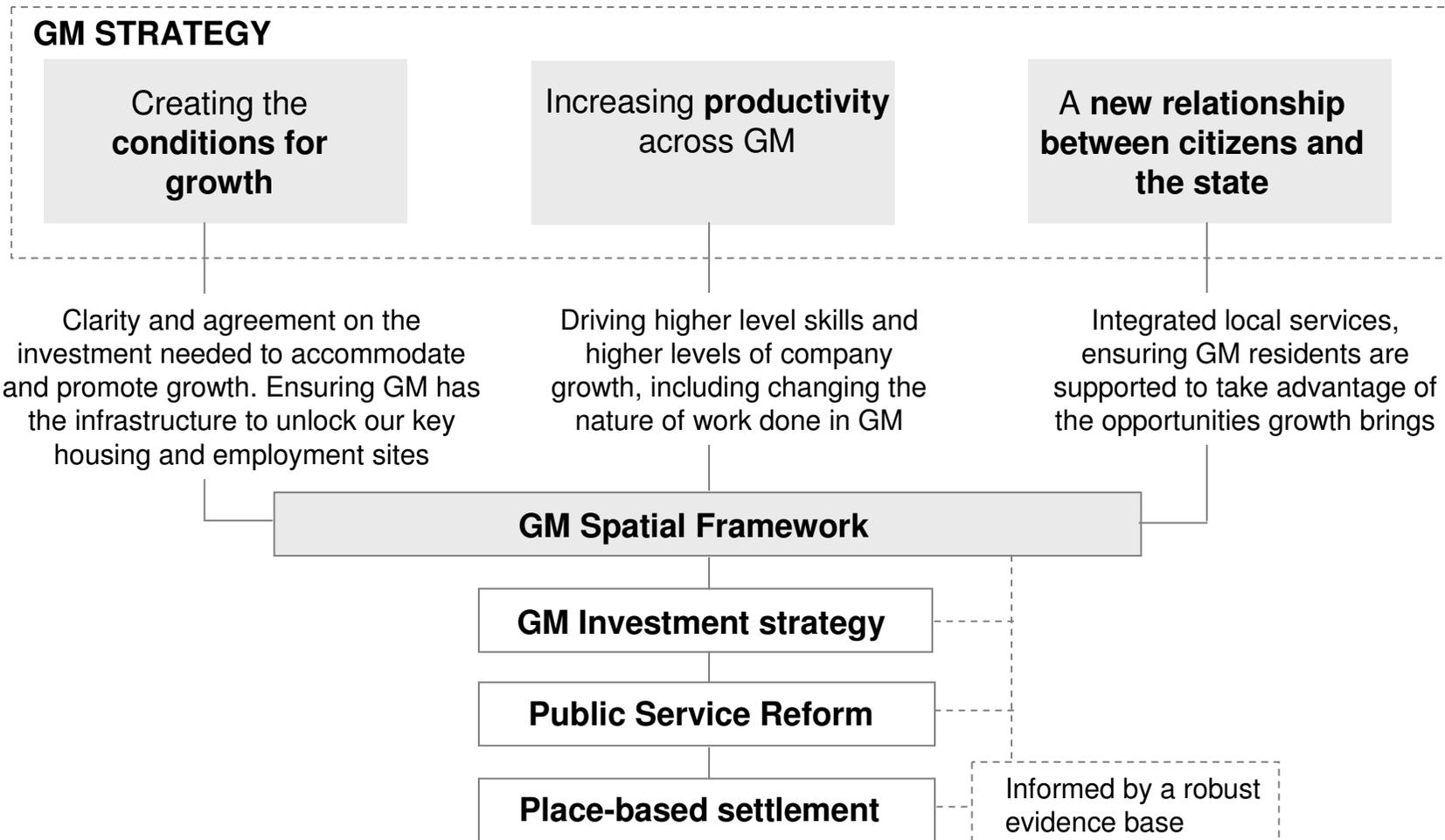
Local government funding: perverse incentives

- The local government funding model means that cuts have a disproportionately severe impact on the spending power of authorities with a low tax base, regardless of levels of need
- Areas that prioritise growth in the HE sector are penalised by the lack of growth in business rates and council tax (only 20% is paid by HE institutions and students)
- In the first five years of the New Homes Bonus Scheme GM local authorities have lost £144.5m of their core funding and regained £92.4m through NHB - an overall loss of funding of £52.1m. Using Manchester as an example, housing growth was 5% above average but the loss in funding still totalled £14.83m
- The volatility of the business rates system, and uncertainty around the appeals process, limits the ability of local areas to plan effectively
- The retention of ring fencing around pots such as Dedicated Schools Grant and Public Health hinders local efforts to align resources around local priorities

The opportunity

- Building on our recent devolution settlement, the Spending Review process provides an opportunity to make the case for:
 - embedding ambitions for the Northern Powerhouse in the way that Government takes decisions through the development of a Northern Powerhouse Plan
 - a place-based settlement that will enable us to move further towards becoming a financially self-sustaining place and a net contributor to the national economy
- GM is seeking a financial settlement that:
 - enables us to invest in our assets and infrastructure to drive growth, exploiting those assets with the potential to become globally distinctive;
 - recognises that GM is embarking on an ambitious programme of reform to reduce high levels of need and the cost pressures that this brings. Whilst this will reduce demand in the longer term we require resources to transition to a new public service approach
 - addresses the perverse outcomes of some current funding arrangements, which penalise rather than reward areas that deliver economic growth and public service reform, and the impact that historic low council tax and business rates base is having in GM
 - provides GM with the flexibility and capacity to efficiently join-up mutually supportive policy agendas
- Our approach is therefore to seek further reforms, freedoms and flexibilities to accelerate delivery of our growth and reform agenda

Our priorities



Our proposals: transport

1. A transport investment and funding model to deliver the Northern Powerhouse

As set out in November's Devolution Agreement we are seeking a multi-year transport settlement, in line with the capital and resource settlements given to Transport for London, and, if we are to deliver the transport infrastructure that a Northern Powerhouse demands, capable of connecting people and businesses to new opportunities, this funding line should address the current large disparity in transport funding levels with London and mitigate the delays that have been announced to delivery of planned transport investment critical to the success of the Government's Northern Powerhouse strategy.

The key GM ask of this spending review process is that by 2021 annual central funding for TfGM increases, in stages, to match the levels received by TfL, pro-rata to the relative sizes of two economies. The settlement will build on the strong base established by GM in the prioritisation of transport investment against growth objectives, to support a funding programme, which will be prioritised rigorously against Greater Manchester and Northern Powerhouse growth objectives.

We are also seeking the development of a platform to enable the significant backlog of highways maintenance activity to be tackled through a match funding programme.

Our proposals: science and innovation

2. Higher Education research and capital investment

If the Northern Powerhouse is to become a reality, greater consideration must be given to investing in those northern assets with the potential to become world leading and globally distinctive. Linked to the Government invitation to universities to bring forward an analysis of their strengths and opportunities we are seeking support to capitalise on one of our key strengths: health research. We are seeking Government support for the establishment of the *'Pankhurst Centre for Health Research and Innovation'* (working title).

The Pankhurst Centre will focus on key areas of strength across the University of Manchester, Manchester Metropolitan University and Manchester Academic Health Science Centre, including 'E-health', precision medicine and cross disciplinary links with science and engineering.

We are also seeking the flexibility to set the salary threshold necessary to obtain a post-study work visa to help attract and retain the best international staff to work on this and other growing Northern powerhouse initiatives.

Our proposals: housing

3. New funding mechanisms to support site remediation and infrastructure provision

By the end of this year we will already have committed more than 33% of the Housing Investment Fund devolved to GM. However, the challenge to deliver sufficient high quality, affordable homes in locations that meet the demands of the market and the needs of a growing population remains. We are seeking to accelerate the development of new housing through new funding mechanisms to support investment in site remediation and the provision of infrastructure:

- additional investment capability in the form of a Financial Transaction, providing medium-term equity, with a defined level of repayment guaranteed over a period of years. Such additional investment capability would provide the long-term support required to bring forward housing development, specifically on brownfield land where there are large upfront infrastructure and remediation costs and limited land values.
- development of a mechanism to capture a proportion of the uplift in value attributable to the award of planning consent. An acre of pastoral land is valued at an average of £18,000 whereas an acre of housing land is valued at an average of £500,000. Under present arrangements the entire uplift in value accrues to the landowner. We are proposing the introduction of a levy to enable a proportion of that value uplift to be captured by the GMCA to fund remediation and infrastructure costs.

Our proposals: housing

4. Reform of the New Homes Bonus

Funded largely by redistributing resources that form part of mainstream local authority funding, in the first five years of the scheme GM local authorities have lost £144.45m of their core funding and regained £92.35m through the NHB scheme - an overall loss of funding of £52.11m.

We are seeking a move away from a housing incentive scheme funded through a top-slice of core local government funding and to co-design with Government a new model for incentivising housing growth, ensuring any successor to the New Homes Bonus is configured in a way that appropriately incentivises local areas to deliver housing growth and recognises growth achieved.

5. Making better use of social housing assets to support growth

Better use can and should be made of the combined asset value of our current social housing stock. The current system fails to focus the subsidy embedded in our asset base on those households who need support to access housing, and many households who no longer need that support nonetheless retain substantial benefit from it.

Housing providers should be offering customers options such as shorter term tenancies which can be reviewed, rent to purchase products, improved shared ownership options, flexible or longer term market rent options or 'portable' Right to Buy packages based on the purchase of new homes using the discount as an equity share, so that their existing property can either be re-used for households in need or sold to another owner occupier as part of an asset management strategy.

We are seeking to work with HMT, CLG and HCA to bring forward proposals for regulatory change to enable better utilisation of the social housing asset base in GM to increase investment in home ownership to support working households and to widen opportunities for local people to access appropriate, affordable and timely support in meeting their housing needs.

Our proposals: housing

6. Devolution of Stamp Duty

We are seeking to explore how the flexible application of stamp duty to residential properties could drive the growth of particular segments and the GM housing market as a whole. Our preliminary analysis demonstrates that it is feasible, through prudent refinements to the existing system, to generate significant additional revenues for reinvestment at local and national level to drive additional housing growth. Such flexibilities could also be used to encourage first time buyers. The flexible application of stamp duty on Greenfield sites in particular could secure significant revenue, and links to our proposals for matching investment capability to remediate brownfield sites and provide the infrastructure necessary to bring those sites forward for development.

Our proposals: low carbon

7. Locally-led low carbon investment

Moving to a low carbon economy is fundamental to progressive and competitive paces, not only to address the risks posed by climate change but to establish distinctive platforms for collaboration and trade.

Existing mechanisms for processing and spending climate change taxes and levies are highly complex and inefficient, lacking transparency or democratic accountability. The current system relies on tax (decreasing over time) as opposed to sustainable income generation. Existing mechanisms for processing and spending climate change taxes and levies lack transparency or democratic accountability. Greater Manchester generates around £200m in taxes, levies and charges, which are used to fund national programmes such as ECO and smart meter roll-out which fail to meet targets and deliver the outcomes required at local level.

We are seeking to work with Government to demonstrate how better value could be achieved, through a hypothecation of a proportion of the taxes, levies and charges generated in Greater Manchester, maximising the impact of low carbon investment to deliver long-term, secure, affordable low carbon energy systems and infrastructure to support growth.

Our proposals: supporting business

8. Greater devolution of business support service provision

A Northern Powerhouse requires depth and breadth in its business base. Encouraging businesses to expand, innovate and extend their international reach is key to increasing the productivity of not only GM and the North but the UK as a whole.

Our proposals for locally designed and delivered advice and support, aligned and integrated with national services build upon the November Devolution Agreement.

We are seeking an integrated and devolved service to support businesses with growth ambition and potential in leadership and management; SME innovation support; export advice; alternative finance provision and workforce development.

In relation to business finance we are specifically seeking to progress a strategic partnership between GM and the British Business Bank which will increase the supply of finance to small and growing businesses (loan and seed/early stage).

We are also seeking a memorandum of understanding between GM and Government setting out how local and national services can align and integrate together, ensuring national and local business support works in a complementary, joined up way.

In order to deliver the above, we are seeking investment from Government of £9m per annum to support businesses to grow (business support revenue). In addition, we are asking for £41m to support the provision of finance to SMEs which would be invested over a four year time period.

Our proposals: reforming public services

9. A scaled-up GM Reform Investment Fund

Establishing a successful Northern Powerhouse requires the fundamental reform of the way that public services are delivered, refocused on person-centred delivery models to provide integrated programmes of support to increase the proportion of residents in work and help them to progress through work.

The outcomes that GM and Government want to see for our residents cannot be delivered by any single organisation or Departmental funding line: we need a new approach. We want to move away from small scale pilots that have now demonstrated they can achieve results and agree with Government a new approach to funding local service provision.

We are proposing a single reform funding settlement covering the full SR period to enable the establishment of a Reform Investment Fund designed to attract third party investment and support the scaling up of reform across GM. The fund will:

- provide the step-change required to enable rapid expansion of our reform programme, accelerating the pace and scale of reform where there is evidence of positive outcomes. Supporting innovation and experimentation, testing new public service reform initiatives judged to have a sound business case;
- provide a platform that enables Government, local public services and third parties to invest at scale in innovative reform programmes;
- streamline Government investment in GM reform: removing ring-fences around investment in existing reform programmes and focusing on outcomes achieved for the breadth of investment in tackling complex dependency. This funding settlement should be supported by a single outcomes framework for the full SR period.

Our proposals: reforming public services

10. A GM approach to data sharing across public agencies

One of the key constraints to reforming public services is the inability for public agencies to share data, making it difficult to align and integrate services for families and individuals. Following the passage of the Cities and Devolution Bill through the House of Lords, GM has been asked by Government to bring forward proposals for the development of a new GM public service data agreement. Capable of roll out across the UK, this agreement will enable places like GM to achieve the success cities like New York have seen in delivering public service improvements and efficiencies through improved use of data. Supporting the principles set out in the Government's productivity plan, GM aims to use this work to enable services to reduce costs, increase outputs, and create the conditions to support greater use of big data and digital technologies in driving the next stage of efficiency and reform.

We are seeking the establishment of a Data Sharing Commission to tackle barriers to data sharing across public agencies. The proposed Commission will facilitate secure data sharing to support our reform objectives, whilst providing the public with confidence the use of such data is set within a regulated regime.

Our proposals: skills and employment

11. Co- decision making for Apprenticeship and Traineeship funding

Through GM’s work with government departments/agencies it has become clear that further devolution would greatly enhance GM’s ability to implement an integrated work and skills system, which drives growth and reduces the cost of people not achieving their full potential. Such devolution should include:

- future GM co-commissioning and development of the criteria for use of the Apprenticeship levy within GM. Supporting the creation of an integrated employment and skills landscape in GM, this reform would enable greater alignment between Apprenticeship funding and the needs of GM employers and residents;
- flexibility on the use of budgets to support Careers Education, Information, Advice and Guidance would further support our ability to create clear pathways into productive employment opportunities.

12. Further employment and skills reforms

Aligned with our proposal for Apprenticeship reform, we are seeking further devolution in respect of skills provision to enable GM to drive increased productivity by aligning our skills and employment system with the needs of employers and GM residents. Our plans will also enable alignment with an integrated local public service landscape. Reforms should include:

- Extension of co-design and co-commissioning principles as agreed at the Summer Budget
- Creation of administrative landscape to enable a coordinated GM reform programme
- Devolution of responsibility and investment decisions for broader areas of skills provision (such as FE Loans and EFA spend)

Our proposals: services for children

13. A fundamental review of the way that services for children are delivered

In line with agreement reached at the Summer Budget, Greater Manchester is developing proposals to actively promote better collaboration by the individual local authorities on certain key functions, and is seeking a carve out of relevant budgets for the full SR period to provide a stable platform for reform.

Through transforming our approach we aim to deliver improved outcomes for children across GM: reducing number of Looked After Children, Children in Need and Child Protection Plans; delivering wider improvements for families (such as improved health outcomes, reductions in domestic violence, drug and alcohol misuse, and housing issues). We are also seeking greater GM influence over the planning of school places, to ensure that GM schools can accommodate the anticipated growth in families and to provide stability whilst the investment is made to transition to a new approach delivering transformation and efficiencies. We believe an integrated approach will enable substantial reduction in demand for high end targeted and specialist services, reducing future pressure on a range of public service budgets.

Our proposals: fiscal reform

14. Business rate reform

Building on the pilot scheme announced in the March 2015 Budget to enable GM and Cheshire East to retain 100% of any additional business rate growth, we are seeking further flexibilities to support fuller devolution of business rates post the outcome of the Business Rates Review, co-designing options for a fiscally neutral revised model, considering whether there could be scope to extend the Business Rate Supplement scheme (enabling the CA/Elected Mayor to implement a 2p+ levy in consultation with businesses but without the requirement of a referendum) and exploring local control over mandatory and discretionary reliefs, discounts and tax breaks. Working with Government, we are seeking to promote a debate with the business community about the basis upon which devolution of business rates could take place.

15. Council Tax reform:

With the strengthened local leadership within GM there should be greater autonomy over the operation of Council Tax. This should include a move away from centrally imposed referendum limits, greater clarity over the policy for paying council tax freeze grant, the operation of the various discounts and recompense for the losses from student exemptions, which are estimated to cost GM c£10m a year, in line with the strategy of encouraging innovation and growth.

We are also seeking a dialogue with HMT/CLG on further reforms of council tax including the possibility of an increase in the number of bands so that the changes to relative property prices throughout the conurbation are better reflected in bills.

The case for reforming the system is overwhelming and we need real impetus to address this requirement so that devolution to places like Greater Manchester becomes a practical proposition. However we believe that reforms of the council tax system should be undertaken at a national level prior to any further devolution.

Our proposals: fiscal reform

16. A Hotel Bed tax

Over the past decade the number of people visiting and staying in Greater Manchester either for work or for pleasure has increased nearly threefold, from 2.1m staying visitors in 2003 to 6m in 2013. This is thanks to our considerable work strengthening the profile of GM's cultural offer and improving the international visitor welcome. However, we recognise that more investment is required if Greater Manchester is to become an international destination for business, cultural and leisure activities.

Whilst across Europe and the United States there are examples of cities which impose a hotel bed tax, no UK cities or areas at present operate a hotel bed tax. We would like to work with London and the Government to explore such a tax in a similar approach to that taken in respect of Sunday trading. We wish to examine the practicability and potential benefits of such a scheme and to engage the tourism industry in the development of our proposals; clearly, the support of the industry and their understanding of the wider benefits of our proposals will be fundamental to progressing this work.

17. Air Passenger Duty reform

We are seeking to work with Government to deliver an increase in the number of long haul passengers who pass through or start/end their journey in the UK and increase connectivity to more destinations with increased flight frequency on key routes. We are seeking to pilot an APD 'holiday' scheme on new long haul flights that start or end at Manchester Airport, and would like to work with Government to explore further flexibilities over the longer term around supply and demand, looking at pricing and incentivising the use of less congested airports for long haul flights.

Health and Social Care reform

- GM's health and social care reform proposals have been detailed in a separate submission, developed jointly with health colleagues, but should be considered alongside the proposals set out here.
- The integration of health and social care provision across Greater Manchester is a fundamental component of our growth and reform strategy.
- Reform is not only essential to ensure that the GM health and social care system can support GM's priority of reducing worklessness, supporting people back into employment and providing growth through innovation. It is a pre-requisite to addressing the fundamental challenge of ensuring that the health and social care system becomes financially sustainable over time.