Date: 29th March 2019
Subject: Brexit Monitor Monthly Update
Report of: Sir Richard Leese, Portfolio Lead for Business and Economy and Jim Taylor, Portfolio Lead Chief Executive for Business and Economy

PURPOSE OF REPORT

To provide Members with the latest edition of the Greater Manchester Brexit Monitor, including an update from the Government’s spring statement. This report also outlines work underway across Greater Manchester to prepare for exiting the EU.

RECOMMENDATIONS:

Members are asked to note:

- the contents of the March Brexit Monitor (Appendix A);
- the contents of the Spring Statement Briefing (Appendix B);
- the update on Brexit preparatory work underway across Greater Manchester

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1. **INTRODUCTION**

1.1 Following the vote to leave the EU, the GMCA has been monitoring the economic and social trends and policy developments to develop an appropriate policy response. The impact of Brexit is being tracked across the following themes:

- Macro-economy trends and developments;
- Key sectors and business investment;
- Trade, regulation, and access to European Funding;
- Property investment, housing, and planning; and
- Economic inclusion.

2 **KEY MESSAGES FROM THE BREXIT MONITOR**

2.1 A series of key votes in the House of Commons have taken place, with MPs voting:

- against Theresa May’s Brexit deal for the second time in the Commons, as the government was defeated by 149 votes.
- in favour of an amendment rejecting the UK leaving the EU with No Deal, by four votes. This was followed by a vote on the government’s motion to rule out No Deal, which also passed.
- in favour of seeking to extend Article 50 and therefore delay leaving the EU, by 11 votes.

2.2 In response, the EU has stated that “there is no more we can do” to change the Brexit deal at this stage. In a statement, Donald Tusk, the President of the European Council, warned of a “significantly increased” risk of a no-deal exit on March 29.

2.3 Despite the vote rejecting No Deal, leaving the EU without a deal remains the default option on 29 March without an alternative arrangement in place. The EU summit on 21 March has been identified as the likely time to request an extension.

2.4 Theresa May was expected to bring back her Brexit deal to the Commons for a third time on March 20, before the EU summit takes place. However, the Speaker of the House John Bercow ruled that he would not allow a third vote on the deal if it remains “substantially the same”, increasing the chance that the PM will seek a longer extension period.

2.5 Theresa May is now expected to write to European Council President Donald Tusk to request a delay of the UK’s exit from the EU, with the EU summit on 21 March identified as the likely time to request an extension.

2.6 Amidst the ongoing uncertainty over the UK’s exit from the EU, the 2019 Spring Statement was released on March 13. As expected, there were no major announcements, though some of the initiatives will be of interest to Greater Manchester, including on housing & infrastructure, education and the environment.

2.7 The Chancellor confirmed further details of the Spending Review and while the improved public finances means that this would potentially make more money
available for priorities such as public services in future, he was clear that this was
dependent on the UK reaching a deal with the European Union and a smooth
transition out of the EU.

2.8 According to monthly estimates from the Office for National Statistics (ONS), UK GDP
grew by 0.2% in the three months to January 2019, with rolling three-month growth
the same rate as Q4 2018 (Oct-Dec 2018). GDP growth was driven by the services
sector, which increased by 0.5% in the three months to January 2019, representing
the only positive contributor to growth.

2.9 The UK Manufacturing PMI fell to a four-month low of 52.0 in February, down from a
downwardly revised reading of 52.6 in January, with manufacturers continuing to
implement plans to mitigate potential Brexit-related disruptions. Companies reported
that purchasing activity was scaled-up in February to stockpile raw materials, while
the current uncertain outlook also impacted on business optimism and employment.

2.10 In contrast, the UK Services PMI registered 51.3 in February, up from a two-and-a-
half year low of 50.1 in January. Nonetheless, despite February’s uptick, the index
remains on track for its weakest quarter since Q4 2012 with an average reading 50.7
so far in the first two months of 2019. Reports from survey respondents suggested
that Brexit-related uncertainty remained by far the most prominent factor acting as a
brake on business activity growth in February.

2.11 Trends in unemployment since the referendum broadly reflect previous long-term
trends, with an overall decline in ILO unemployment rates in GM (4.5% in the 12
months to September, compared to 6.6% pre-referendum). Unemployment in GM
however is still above national and regional rates.

3 GM Brexit Preparedness:

3.1 Agencies from across Greater Manchester have been considering the possible
impacts arising from Brexit, most notably considering impacts and mitigations
should we exit without a deal. Significant developments since the last GMCA
meeting:

- **Engaging with Government** – GMCA are producing a weekly bulletin of key
developments and announcements which is being shared with Districts. There
is a regular flow of information from across GM being fed into Government
departments, along with dissemination of national technical notices and
information.

- **Civil Contingencies** - Scenario based planning exercises have take place, and
the Local Resilience Forum continues to consider possible impacts arising.

- **Points of Entry** – Manchester Airport is liaising directly with Government.

- **Business Support & Competitiveness** - An increase in demand in the use of
the Growth Company’s Brexit toolkit has been seen. Work has also been
focused on ensuring key Government information and advice is being shared with businesses, especially SMEs.

- **Data** - Under a no-deal scenario, the flow and transfer of personal data may be impacted. Work is underway to ensure public agencies are prepared for this and advice is being passed onto businesses to ensure they can put in place any necessary mitigating actions.

- **Higher Education Sector** - In 2016/17 4.7% of GM students were EU nationals. Assurances are being sought from the Government regarding the UK’s future involvement in research funding programmes.

4 **RECOMMENDATIONS**

4.1 Recommendations appear at the front of this report.
Embattled Prime Minister Theresa May faces a race against time to secure a deal to leave the EU, as MPs voted against her Brexit deal for the second time and also rejected No Deal just two weeks before the 29th March deadline for exiting the EU. However, the EU has stated that “there is no more we can do” to change the Brexit deal at this stage, while the votes in parliament will not prevent No Deal unless the UK agrees an extension with the other 27 EU member states. MPs have now voted to seek to extend Article 50 and therefore delay leaving the EU. Theresa May is expected to write to European Council President Donald Tusk to request a delay of the UK’s exit from the EU, with the EU summit on 21 March identified as the likely time to request an extension.

The UK’s economic performance continues to mirror the ongoing political uncertainty, with GDP growth remaining sluggish at 0.2% in the three months to January 2019, unchanged from the previous rolling three-month period. Meanwhile, the UK Manufacturing PMI fell to a four-month low of 52.0 in February and the UK Services PMI remains on track for its weakest quarter since Q4 2012, despite registering a slight uptick to 51.3 in February. That said, the North West has shown some encouraging signs of resilience with the regional PMI for the North West rising to 54.0 in February, once again making it one of the strongest performing regions for business activity growth.

Macro-Economic Trends & Developments

- The North West was again one of the strongest performing regions for business activity growth in February 2019, with the regional PMI for the NW reading 54.0, a small uptick from January (above 50 = growth). This compares with average business activity of 51.7 across the UK as a whole, with growth rising modestly in the majority of areas. Nevertheless, the PMI report reveals the broadest fall in employment across the UK since late 2012, and business confidence remains low by historical standards.
- According to monthly estimates from the Office for National Statistics (ONS), UK GDP grew by 0.2% in the three months to January 2019, with rolling three-month growth the same rate as Q4 2018 (Oct-Dec 2018). GDP growth was driven by the services sector, which increased by 0.5% in the three months to January 2019, representing the only positive contributor to growth.

Policy, Trade, & Regulation

- Following renewed negotiations with the EU, Theresa May presented an updated version of her Brexit deal to parliament, arguing that she has secured “legally binding” changes to the backstop arrangement that reduced the chances it would be implemented indefinitely.
- However, too few MPs were convinced that the Prime Minister had made sufficient changes to the deal, voting it down.
- Theresa May was expected to bring back her Brexit deal to the Commons for a third time on March 20, before the EU summit takes place. However, the Speaker of the House John Bercow ruled that he would not allow a third vote on the deal if it remains “substantially the same”, increasing the chance that the PM will seek a longer extension period.
- Theresa May is now expected to write to European Council President Donald Tusk to request a delay of the UK’s exit from the EU.
- In preparation for No Deal, the government has announced its proposed temporary tariff regime if the UK does leave the EU without a deal, allowing 87% of imports by value zero-tariff access to UK markets, an increase from 80% at present.

Key Sectors & Business Investment

- Research with GC Business Growth Hub clients in the 3 months to the end of February 2019 paints a somewhat mixed picture around business hiring and investment plans. The proportion of businesses reporting that they were planning to decrease investment fell marginally in the last rolling quarter, but at the same time the proportion of businesses planning to increase investment rose two percentage points. Meanwhile, the proportion of businesses reporting that they were planning to make redundancies and those reporting they would increase hiring both fell (one and two percentage points respectively). This perhaps underscores the ongoing uncertainty around Brexit preparations.
- The UK Manufacturing PMI fell to a four-month low of 52.0 in February, with manufacturers continuing to implement plans to mitigate potential Brexit-related disruptions. Companies reported that purchasing activity was scaled-up in February to stockpile raw materials, while the current uncertain outlook also impacted on business optimism and employment. In contrast, the UK Services PMI registered 51.3 in February, up from a two-and-a-half year low of 50.1 in January. Nonetheless, despite February’s uptick, the index remains on track for its weakest quarter since Q4 2012.

Property and Housing

- December 2018 housing sales data from the Land Registry shows that the vote to leave the EU has had little impact on house prices in GM, with post-referendum trends in house prices broadly in line with pre-referendum trends.

Economic Inclusion

- Trends in unemployment since the referendum broadly reflect previous long-term trends, with an overall decline in ILO unemployment rates in GM (4.5% in the 12 months to September, compared to 6.6% pre-referendum). Unemployment in GM however is still above national and regional rates.
- The Households’ Finance Index (HFI) registered its lowest reading in almost one year in February, declining to 43.4, from 44.7 in January. The Index remained below the no-change mark of 50.0, indicating pessimism towards current financial prospects among UK households. However, the Consumer Prices Index (CPI-H) 12-month inflation rate was 1.8% in January 2018, down from 2.0% in December 2018.

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MACRO-ECONOMIC TRENDS & DEVELOPMENTS

MACRO-ECONOMY

- According to monthly estimates from the Office for National Statistics (ONS), UK GDP grew by 0.2% in the three months to January 2019, with rolling three-month growth the same rate as Q4 2018 (Oct-Dec 18). GDP growth was driven by the services sector, which increased by 0.5% in the three months to January 2019, representing the only positive contributor to growth. In a similar trend to Q4 2018, this growth was offset by contractions in the production and construction sectors, by 0.8% and 0.6%, respectively, between November and January. Nevertheless, ONS data shows that month-on-month growth bounced back in three out of the four main subsectors in January 2019. The think tank NIESR has forecast that growth will remain at 0.2% for Q1 2019, on course to maintain the sluggish performance of the previous quarter despite the small uptick in growth in January.

UK INTERNATIONAL TRADE

- The UK’s total trade deficit (goods and services) widened by £1.3 billion in the three months to January 2019. The goods deficit widened by £2.4 billion, following falling exports of cars and fuels, and rising car imports. Excluding erratic commodities (such as aircraft and non-monetary gold), the total trade deficit widened £3.4 billion to £12.1 billion in the period.

EU TRADE IN GOODS

- The UK was a net importer in goods from the EU in December 2018, with imports exceeding exports by approximately £7.7 billion.

NON-EU TRADE IN GOODS

- The UK was a net importer in goods from non-EU nations in December 2018, with imports exceeding exports by approximately £9.8 billion.

IHS MARKIT REGIONAL PURCHASE MANAGER’S INDEX (PMI)

- The North West was again one of the strongest performing regions for business activity growth in February 2019, with the regional PMI for the NW reading 54.0, a small uptick from January (above 50 = growth). This compares with average business activity of 51.7 across the UK as a whole, with growth rising modestly in the majority of areas. Nevertheless, the report reveals the broadest fall in employment across the UK since late 2012, and business confidence remains low by historical standards. (All other regions of the UK shown in grey below.)
Business Investment & Hiring

- Research with GC Business Growth Hub clients in the 3 months to the end of February 2019 paints a somewhat mixed picture around business hiring and investment plans. The proportion of businesses reporting that they were planning to decrease investment fell in the last rolling quarter (Oct-Dec 2018), but at the same time the proportion of businesses planning to increase investment rose. Meanwhile, the proportion of businesses reporting that they were planning to make redundancies and those reporting they would increase hiring both fell. This perhaps underscores the ongoing uncertainty around Brexit preparations.(6)

Greater Manchester Chamber of Commerce

- The GM Chamber of Commerce's Q4 2018 Quarterly Economic Survey showed a softening in domestic demand across all sectors, but the picture remained positive with a majority of businesses reporting growth. International demand improved in the manufacturing and service sectors at the end of 2018, but is now in negative growth for the construction sector. The survey suggests that businesses are reporting attempts to increase their workforce rather than downsize, but difficulties in finding staff continue to rise, with 93% of construction firms and around 75% of manufacturing and service businesses now reporting recruitment difficulties. Overall, despite a slight dip in Q4 2018, business confidence continues to be strong across GM as the Chamber's Manchester index sits at 33 just under it's post-2008 peak.(7)

IHS Markit/CIPS Manufacturing & Services PMIs®

- The UK Manufacturing PMI fell to a four-month low of 52.0 in February, down from a downwardly revised reading of 52.6 in January, with manufacturers continuing to implement plans to mitigate potential Brexit-related disruptions. Companies reported that purchasing activity was scaled-up in February to stockpile raw materials, while the current uncertain outlook also impacted on business optimism and employment.(8)

- In contrast, the UK Services PMI registered 51.3 in February, up from a two-and-a-half year low of 50.1 in January. Nonetheless, despite February's uptick, the index remains on track for its weakest quarter since Q4 2012 with an average reading 50.7 so far in the first two months of 2019. Reports from survey respondents suggested that Brexit-related uncertainty remained by far the most prominent factor acting as a brake on business activity growth in February.(9)

Retail Sales

- The volume (not value) of retail sales increased by 1.0% during December 2018, following a decline of 0.7% in December.

- The underlying trend in the retail industry – as suggested by the three-month on three-month measure – was one of increasing sales, up 0.7% in December compared with the previous three months.(10)
Withdrawal Agreement and No Deal Preparation

- MPs voted against Theresa May’s Brexit deal for the second time in the Commons on Tuesday 12 March, as the government was defeated by 149 votes. (11)

- Parliament also voted to seek to extend Article 50 on Thursday 14 March, but delaying Brexit will require the approval of the EU 27 member states. Theresa May is expected to write to European Council President Donald Tusk to request a delay of the UK’s exit from the EU. (12)

- Following renewed negotiations with the EU, Theresa May presented an updated version of her Brexit deal to parliament, arguing that she had secured “legally binding” changes to the backstop arrangement that reduced the chances it would be implemented indefinitely. But too few MPs were convinced that the Prime Minister had made sufficient changes to the deal, voting it down after Attorney General Geoffrey Cox said that “the legal risk [of staying indefinitely in the backstop] remains unchanged”. 75 Tory MPs and 10 DUP MPs voted against the government’s deal. (13)

- In response to the vote in parliament, the EU stated that “there is no more we can do” to change the Brexit deal at this stage. In a statement, Donald Tusk, the President of the European Council, warned of a “significantly increased” risk of a no-deal exit on March 29. (14)

- On Wednesday 13 March, MPs voted in favour of an amendment rejecting the UK leaving the EU with No Deal by four votes. This was followed by a vote on the government’s motion to rule out No Deal, which passed despite the government ordering Conservative MPs to vote against it. (15)

- On Thursday 14 March, MPs voted by 413 to 202 to seek to extend Article 50 and therefore delay leaving the EU. The EU summit on 21 March has been identified as the likely time to request an extension. (16)

- Theresa May was expected to bring back her Brexit deal to the Commons for a third time on March 20, before the EU summit takes place. However, the Speaker of the House John Bercow ruled that he would not allow a third vote on the deal if it remains “substantially the same”, increasing the chance that the PM will seek a longer extension period. (17)

- In preparation for No Deal, the government has announced its proposed temporary tariff regime if the UK does leave the EU without a deal, allowing 87% of imports by value zero-tariff access to UK markets, an increase from 80% at present. (18)

Future of European Funding in Greater Manchester

- From 2014-20 the Greater Manchester allocation of ERDF and ESF totalled £405m, for which the European Commission has announced the region will continue to be eligible until 2020/21. UK organisations have been advised to continue bidding for EU funding, with the UK Government underwriting the continued payment of any successful funding application to ERDF and ESF, as well as a number of other EU programmes where UK can take part as a third country post Brexit. The underwrite will apply even when projects are approved after the UK leaves the EU.

- In their recent ‘no-deal’ technical notices, (19) the Government has reiterated that they will guarantee any funding secured before 29th March 2019 and continue all allocated 2014-20 ESF and ERDF funding, even in the event of a No Deal.

- As part of the final set of No Deal contingency measures, the European Commission has also proposed a draft regulation that would allow the UK to continue participating in EU programmes such as Interreg and Horizon 2020 in 2019. There is a risk that UK participants may not be able to continue working in existing or future EU projects in the event of No Deal. A number of additional technical notes setting out how the guarantee will operate for specific programmes, should there be an agreement, have been issued for Erasmus+, Nuclear research, Horizon 2020, European Social Fund, European Regional Development Fund, LIFE, Connected Europe Facility and the European Territorial Cooperation programmes. (20)
Housing sales

- December 2018 (latest) housing sales data from the Land Registry shows that the vote to leave the EU has had little impact on house prices in GM, with post-referendum trends in house prices roughly in line with pre-referendum trends. London has, however, seen flatter growth since the referendum. In contrast, house prices in GM have risen faster than national and regional averages since the referendum, particularly in the second and third quarters of 2018, although latest data have indicated a moderation in house price growth in Q4 2018.\(^{(21)}\)

- The UK Construction PMI fell below the 50.0 no-change threshold for the first time since the snow disruptions seen in March 2018, declining to 49.5 in February 2019, from a ten-month low of 50.6 in January. Aside from the brief weather-related decline in output in March 2018, the latest reading was the lowest since September 2017, with a number of survey respondents noting that Brexit uncertainty had led to hesitancy among clients and a corresponding slowdown in progress on new projects.\(^{(22)}\)
Economic Inclusion

Unemployment and Claimant Count

- Trends in unemployment since the referendum broadly reflect previous long-term trends, with an overall decline in ILO unemployment rates (the standard definition of unemployment).
- In the 12 months to September 2018, unemployment stood at 4.5% in GM, down from 4.6% in the 12 month period to June 2018. However, unemployment in GM still stands above national and regional rates.\(^{(23)}\)
- The Claimant Count – as reported by DWP in their experimental Alternative Claimant Count statistical series – in GM fell by 524 (0.7%) in November, to 69,988, with declines in all age groups.\(^{(24)}\)
- The total number of claimants in GM is 1.9% (1,336) lower than pre-referendum levels. As a proportion of the working age population, the number of claimants has also fallen to 3.9% from 4.0% in June 2016, mirroring national and regional trends.\(^{(25)}\)

Household Finances

- The Household Finance Index (HFI) – which tracks Britons’ sense of financial wellbeing – registered its lowest reading in almost one year in February, declining to 43.4, from 44.7 in January. The Index thus remained below the no-change mark of 50.0, indicating pessimism towards current financial prospects among UK households.\(^{(26)}\)
- The Consumer Prices Index (CPI-H) 12-month inflation rate was 1.8% in January 2019, down from 2.0% in December 2018. The largest downward contribution came from electricity, gas and other fuels.\(^{(27)}\)
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  3. ONS (13 March 2019): UK trade: January 2019  
  4. HMRC (12 March 2019): Overseas Trade Statistics - Non-EU and EU Trade: January 2018  
  5. IHS Markit / NatWest UK Regional PMI  |
  7. Greater Manchester Chamber of Commerce Quarterly Economic Survey, Q4 ‘18  
  8. Markit/CIPS UK Manufacturing PMI (1 March 2019): “UK manufacturers report further survey-record stockpiling of inputs in February’  
  9. Markit/CIPS UK Services PMI (5 March 2019): “Business activity picks up, but employment falls at fastest pace since November 2011”  
  10. ONS (15 February 2018): Retail sales, Great Britain: January 2019  |
| **Policy, Trade, & Regulation** | 11. FT (12 March 2019): ‘Brexit timeline: key dates in the UK’s divorce from the EU’  
  12. BBC (18 March 2019): 'Third Brexit vote must be different - Speaker'  
  13. BBC (12 March 2019): 'Brexit deal vote: What do I need to know?'  
  14. FT (12 March 2019): 'EU takes hard line after second Brexit deal defeat'  
  15. BBC (14 March 2019): 'Brexit: MPs vote to reject no-deal Brexit'  
  16. BBC (14 March 2019): MPs vote by a majority of 211 to seek delay to EU departure  
  17. BBC (18 March 2019): Third Brexit vote must be different - Speaker  
  18. BBC (13 March 2019): Most imports tariff-free under no-deal plan  
  19. HMG (2018): How to prepare if the UK leaves the EU with no deal  
  20. HMG (2018): The Government’s guarantee for EU-funded programmes if there’s no Brexit deal  |
| **Property & Housing** | 21. HM Land Registry (14 February 2018): House Price Index Database: December 2018  
  25. GMCA Calculation using DWP Alternative Claimant Count data and ONS claimant count denominators  
  27. ONS (13 February 2019): Consumer price inflation UK: January 2019  |
Summary
The 2019 Spring Statement was a modest event, announced amidst the ongoing uncertainty over the UK’s exit from the EU. As expected, there were no major announcements, though some of the initiatives will be of interest to Greater Manchester, including on housing & infrastructure, education and the environment. The Chancellor confirmed further details of the Spending Review and while the improved public finances means that this would potentially make more money available for priorities such as public services in future, he was clear that this was dependent on the UK reaching a deal with the European Union and a smooth transition out of the EU. A summary of all of the main announcements of relevance to Greater Manchester is provided below.

Economy
Economic growth in the UK and globally has slowed since the Budget in October, leading the Office for Budget Responsibility to revise down their forecast for GDP growth. They are now forecasting that the UK economy will grow by 1.2 per cent in 2019 (a reduction from 1.6 per cent in the Budget in October), 1.4 per cent in 2020, and 1.6 per cent in the following 3 years. Earnings are forecast to grow by around 3 per cent each year, above inflation at around 2 per cent.

However, tax receipts have performed better than expected and that improvement is forecast to continue. Together with downward pressure on debt interest spending from lower market interest rates, this delivers a modest medium-term improvement in the public finances, with borrowing expected to be lower than previously forecast. The Treasury could spend around £26bn more in 2020-21 (or cut taxes by that amount) and remain within their fiscal target. That additional ‘headroom’ increases to £35bn in 2022-23.

The Chancellor has presented this as a ‘deal dividend’ of additional spending or tax cuts, if there is a smooth exit from the EU for the UK. This is because the Office for Budget Responsibility, who make the forecast, have done so on the basis that “the UK makes an orderly departure from the EU on 29 March into a transition period that lasts to the end of 2020”. However, the OBR say that “alternative outcomes, including a disorderly ‘no deal’ exit, remain the biggest short-term risks to the forecast”.

Spending Review
The Chancellor confirmed that the Government will hold a spending review which will conclude alongside the Budget in the autumn. This will set departmental budgets, including 3 year budgets for resource spending, if an EU exit deal is agreed. The government will run a Zero-Based Review of capital spending where each programme or project will be scrutinised from the bottom up. The Spending Review process will start before the summer recess in July.

Crime & Policing
The Chancellor has pledged £100 million to tackle the issue of rising knife crime over the next year, ring fenced to pay for additional overtime targeted specifically on knife crime and new
Violent Crime Reduction Units which will deliver a wider cross-agency response to the knife crime epidemic.

**Young people**
Secondary schools and colleges in England will receive free sanitary products from September. The move comes after concerns from headteachers that some girls are missing school because they are unable to afford sanitary products. This is a welcome step and something that Greater Manchester recently pledged to support through Unite’s Period Dignity Campaign.

**Housing, homelessness & infrastructure**
On housing, the government will create a £3bn **affordable housing guarantee** scheme aimed at supporting delivery of around 30,000 affordable homes. The scheme is expected to help housing associations to boost their output by reducing their cost of borrowing. Further details on the scheme have not been revealed, however the previous Affordable Homes Guarantees scheme, which ended in 2015, allowed the government to underwrite housing association borrowing to lower its cost.

The Chancellor revealed that West London, Cheshire, Didcot and Cambridge are set to receive £717m from the **Housing Infrastructure Fund**. The Fund was first announced in July 2017 and subsequently extended in the 2017 and 2018 Autumn Budgets, to £5.5bn total funding available to unlock the delivery of up to 650,000 homes. Greater Manchester has been successful in receiving £70m in Marginal Viability Funding for 12 schemes across the city region, and three major schemes in Wigan & Bolton, Salford and Manchester are through to the next stage of bidding for the Forward Fund to deliver strategic and high-impact infrastructure projects.

On Infrastructure, the Chancellor launched a consultation on **Infrastructure Finance**, which will seek views on how the Government can best support private infrastructure investment in the context of the UK’s changing relationship with the European Investment Bank. This follows on from the Government’s decision to abolish private finance initiatives last year. The review will dovetail with the Spending Review.

The Chancellor reiterated the Government’s commitment to publishing a comprehensive **National Infrastructure Strategy** at the spending review. This will set out priorities for economic infrastructure and respond to recommendations in the National Infrastructure Commission’s National Infrastructure Assessment.

Other infrastructure related announcements include:

- An independent Report on Build Out Rates has been published and makes recommendations on how to close the significant gap between the number of housing completions and the amount of land allocated or permissioned on large sites in areas of high housing demand.

- Government has responded to a consultation on Planning Reform. It will introduce a package of reforms, including allowing greater change of use between premises, and a new permitted development right to allow upwards extension of existing buildings to create new homes.

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• Government will publish an Accelerated Planning Green Paper later this year, setting out proposals on how greater capacity and capability, performance management and procedural improvements can accelerate the end-to-end planning process.

• A consultation ‘Planning for Future High Streets’ will be published shortly exploring potential changes to help local areas make better use of planning tools to support their local high streets, including through Compulsory Purchase Orders, Local Development Orders, and other innovative planning measures.

• The ‘Future of Mobility: Urban Strategy’ document will be published setting out the government’s approach to putting the UK at the forefront of mobility, and responding to the significant changes taking place in transport technology – such as the growth in electric vehicles, the development of self-driving vehicles and advances in data and internet connectivity.

• £60 million from the Transforming Cities Fund will be invested in a further 10 cities across England. This will fund 30 new schemes such as bus station upgrades, new cycle lane and road improvements. The Cities selected are: Derby and Nottingham, Leicester, Portsmouth, Sheffield City Region, West Yorkshire CA, Southampton, North East CA, Norwich, Plymouth and Stoke-on-Trent. GM has already been allocated £312m from Fund as a Mayoral Combined Authority.

• Up to £260 million will be made available for the Borderlands Growth Deal

The Chancellor reiterated his commitment to Northern Powerhouse Rail, but with no further details.

**Education, Skills, Employment and apprenticeships**

The Chancellor confirmed that the changes to the Apprenticeship Levy announced in last October’s Budget will, as expected, take effect from April 2019. Those changes will mean that:

• Employers who pay the Levy will be able to transfer up to 25% of their available levy funds to employers in their supply chains to support apprenticeship training. This is an increase from the previous transfer cap of 10%
• The co-investment rate that non-levy paying employers are required to pay towards the costs of apprenticeships will be halved from 10% to 5%.

It was also confirmed that an International Education Strategy will be published jointly by the Departments for Education and International Trade in the coming months, with the intention of strengthening the UK’s position at the forefront of global education. This Strategy will replace the previous International Education Strategy, which was published by the coalition government in 2013.

The government has also published the terms of reference for a review of the latest international evidence on the impact of minimum wages. The review, which will be led by Professor Arindajit Dube working closely with the Low Pay Commission, will not attempt to consider the structure of minimum wage rates in the UK nor the causes of low wage employment, but rather is intended to inform future National Living Wage policy after 2020.
The Government will begin to abolish the need for paper landing cards at UK points of entry from June and will allow citizens from a number of countries to start using e-gates at airports and Eurostar terminals.

It was also announced that from the autumn, jobs that require PhDs will become exempt from visa caps, in an extension of the plan to maintain Britain’s attractiveness after Brexit.

**Green City Region**
The Spring Statement set out a number of environment related announcements, signaling an acceleration of the shift to a clean economy. The initiatives announced will support the delivery of the Greater Manchester 5 Year Environment Plan’s key priorities:

- **Buildings** – as part of the Clean growth Strategy, the government will introduce a **Future Homes Standard** by 2025, so that new build homes are future-proofed with low carbon heating and world-leading levels of energy efficiency. This supports Greater Manchester’s stated aim of having all new developments be net zero carbon by 2028. It is not clear if this relates only to social housing providers or will be incorporated into planning policy for all new homes.

- **Energy** - to help meet climate targets, the government will advance the decarbonisation of gas supplies by increasing the proportion of green gas in the grid, helping to reduce dependence on burning natural gas in homes and businesses. Government will consult on mechanisms to reduce dependence on burning natural gas to heat homes later in the year. Whilst valuable, there is concern over the potential costs and mechanisms of producing `green gas' which may involve the utilization of carbon capture and storage technologies which do not currently exist at a commercial scale.

- **Sustainable Consumption and Production** - the government is launching a call for evidence on a Business energy efficiency scheme to explore how it can support investment in energy efficiency measures. Increasing productivity through resource efficiency is one of the priorities set out in the Greater Manchester Local Industrial Strategy.

- **Natural Capital** - the government will launch a global review into the **Economics of Biodiversity**. This will identify actions that will simultaneously enhance biodiversity and deliver economic prosperity. Greater Manchester has already established a natural capital account for the City Region, a UK first, as part of our Urban Pioneer status under the government’s 25 Year Environment Plan. In addition, to ensure that wildlife isn’t compromised in delivering necessary infrastructure and housing, the government will Mandate net gains for biodiversity on new developments in England to deliver an overall increase in biodiversity. This builds upon Greater Manchester pilots to provide evidence on the process for setting biodiversity net gain set out in the GM Spatial Framework.

- **Transport** - to give people the option to travel ‘zero carbon’, the government will launch a call for evidence on **Offsetting Transport Emissions** to explore consumer understanding of the emissions from their journeys and their options to offset them. This will also look into whether travel providers should be required to offer carbon offsets to their customers. In principle, this could support the future development of local carbon
offset schemes which may then be utilised to fund energy efficiency and carbon capture projects across the region.

In the coming months, the government will publish ‘Red Diesel: Response to Call for Evidence – A summary of responses’ in response to the May 2018 call for evidence on red diesel and air quality.

**Science and Technology**

£265 million was allocated to science and innovation, with these investments aimed at realising the Government’s ambition to raise economy-wide investment in R&D to 2.4% of GDP by 2027 and driving progress against the Grand Challenges, such as healthy ageing and the Artificial Intelligence and data revolution. They include £81m to a national Extreme Photonics Application Centre in Oxfordshire; £45m to the European Bioinformatics Institute in Cambridgeshire; £79m to a new UK supercomputer (ARCHER 2) and £60m has been set aside for the Joint European Torus Funding facility. £186m of the £265m has been allocated to Oxfordshire and Cambridgeshire.

**Digital**

£53 million was confirmed for nine local areas who have successfully bid since Budget, from the third wave of the **Local Full Fibre Networks challenge fund**. The funding will enable next-generation full fibre connections to key public buildings, and nearby homes and businesses in those areas.

As part of efforts to strengthen the regulatory environment and ensure competition works for consumers, the Government published a report alongside the Spring Statement, which reviewed competition in the digital market place. The recommendations include new powers for consumers and an overhaul of competition regulation. As a first step towards implementing the reforms, the Competition and Markets Authority will undertake a market study of the digital advertising market.

A consultation was launched on the detailed design and implementation of the Digital Services Tax that will take effect from April 2020.

**Business**

To tackle the problem of late payments to small businesses, the Government will require company Audit Committees to review payment practices, and report on them in their Annual Accounts.