Manchester City Council (MCC) welcomes the opportunity afforded by the Housing, Communities and Local Government Select Committee to set out the authority’s views in relation to Local Government finance.

1. Executive Summary

1.1. The main points to be made in this representation are as follows:

- Since 2010/11 Local Government has undergone a period of significant funding reductions, therefore, **as a priority the spending review must consider the overall quantum of funding available to Local Government as well as its distribution.** The Local Government Association (LGA) estimated that the funding gap for Local Government will be £7.8bn by 2025 - just to stand still. It is critical for effective and longer term service planning, which will influence the wider economic picture both locally and nationally, that funding is put onto a sustainable basis with longer-term settlements (minimum of three years). This requires certainty on what is happening after 2019/20 including clarity on all the related funding streams within the local government spending power\(^1\), and LG Finance Settlements which are aligned to spending review periods. A long term solution for funding Adult Social Care and the removal of barriers to integration of Health and Social are also key to financial sustainability and the delivery of the ambitions in the NHS plan as well as Local Government priorities to meet the needs of vulnerable individuals in their locality.

- The Spending Review should look beyond negotiations with individual departments and silos in order to **unlock the benefits of devolution through place-based settlements which support integration.** There also needs to be a recognition of the dependencies with other government departments in the Spending Review process and the associated impacts on Local Authorities - e.g. welfare reforms, health etc.

- This is also about **empowering local government** to maximise the benefits from their funding and place leadership role. Securing funding for programmes where devolution is developed and revisiting devolution to the GMCA and local authorities to give greater autonomy for place leadership, skills, DWP etc. This must be alongside support for key infrastructure projects to enable the city to achieve its true potential and the economic growth trajectory is realised. HS2 and Northern Powerhouse Rail are both critical in this respect. As is support for interventions that enable our ambitious plans for future house building, including support to remediate land, fund infrastructure and support alternative models of housing delivery. Increasing productivity and economic growth delivers a real financial return for both national and local government. Greater local financial control has

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\(^1\) Spending power measures the revenue funding available for local authority services and includes Council Tax, Business Rates, New Homes Bonus, Improved Better Care Fund and Social Care Support Grant.
been linked to cities being more competitive, research by OECD\textsuperscript{2} found decentralisation, as measured by revenue or spending shares, is positively associated with GDP per capita levels. The gap between the Core Cities’ average economic output and the national average is estimated at around £100 billion per year, indicating the underutilised economic potential of the cities.

- In relation to \textit{devolving national taxes}, consideration must be given to the trade-off between \textit{stability} (which helps forward planning, but likely limited opportunity to benefit from growth) or \textit{buoyancy} (which holds greater risk and is less predictable). A reformed finance system would still need an element of equalisation, particularly in relation to Council Tax.

- Urgent consultation and agreement is required around the key principles which should determine the development of the \textit{Shared Prosperity Fund}, this will be vital for underpinning the next steps in the partnership between local and national government. There is a growing risk that it will not be in place in time to provide ongoing funding for vital programmes in Greater Manchester (GM), such as the Work & Health Programme, which have been underpinned by EU funding.

- We \textbf{strongly support the retention of the Greater Manchester 100% business rates retention pilot}\textsuperscript{3} beyond 2019/20 until national roll out is achieved. This will enable Government to assess the full impact of 100% retention aligned to the original aims of the pilot. The 100% pilot allows the proceeds of growth (against an agreed baseline) to be reinvested within GM to stimulate further growth. This has been evidenced in the pilot to date and continuation will enable this to be tested through a reset period.

- There are a \textbf{number of areas of local government funding which need to be addressed to remove instability or perverse incentives}. These include:
  - When assessing the funding for Local Authorities there should be a recognition of the \textit{major factors that drive costs}, particularly for cities (including deprivation, density, ill health, student populations etc). The City Council has recently responded to MHCLG regarding the fair funding review\textsuperscript{4} and articulated its significant concerns and aspirations regarding funding distribution.
  - Recognition that there is limited ability to raise funds through \textit{Council Tax} increases for authorities such as Manchester which have a low tax

\textsuperscript{2} How Fiscal Federalism Affects Long-Term Development \url{https://www.oecd-ilibrary.org/docserver/5k4559gx1q8r-en.pdf?expires=1555509981&id=id&accname=guest&checksum=D52861507C821F1795D64F65E11682EB}

\textsuperscript{3} Greater Manchester is part of the 100% retention pilot agreed for three years (2017/18 to 2019/20). This means the Local Authorities within the region retain all of any Business Rates growth for those years, rather than just 50% of the growth as is the case with the national retention scheme.

\textsuperscript{4} Consultation submitted February 2019 - A review of local authorities’ relative needs and resources: Technical consultation on the assessment of local authorities’ relative needs, relative resources and transitional arrangements
base, with over 75% in Bands A and B. Precept increases are regressive and the ability to raise funds does not correlate to the level of associated need and spend requirement.

- The vagaries and volume of Business Rates policy decisions, as determined by Government. The business rates regime must be fit for the future, particularly with the risks facing the high street, in particular, and impact these will have.
- The removal or reform of the Housing “Right to Buy” policy to address the impact on the number of social housing units; lifting the debt cap alone is not the solution, it merely removes one of the barriers.

2. Introduction

2.1. Manchester City Council is one of the ten Greater Manchester local authorities and a “Core Cities” Council. Manchester is in the highest quartile of deprivation indices with an average ranking of 5 out of 326 authorities.

2.2. The Council has faced a difficult nine years as a result of government funding reductions over the period 2010/11 to 2019/20, exacerbated by the distributional impact of the reductions, it has seen:

- A 29% cut in Spending Power over the period – 13% worse than the England average of 16%.
- A reduction in Spending Power per Head (2010/11 to 2019/20) of £355.08 (which ranks as the 10th largest cut nationally)
- A 40% reduction in the workforce

2.3. If Manchester had received the average cut in spending power then it would be around £80m per annum better off; to put this in perspective, that is equivalent to around 2,000 social workers.

3. What lessons can be learned from past changes to local government funding in England, the current financial situation of councils, and how this has affected their ability to deliver services.

3.1. Whilst the scale of funding reductions and the failure to equalise this nationally have had a significant detrimental impact, there is also a lack of proper impact assessments and a failure to address the cumulative impact of changes across government departments. Whilst there has been some scope to increase efficiency the reductions have had a significant impact as the proportion of available resource that has to be spent on social care increases reducing the capacity to address economic challenges and on the councils place leadership role. There has also been a shift from preventative to reactive spend, it takes time for these issues to impact which is why the impact was not as evident in the earlier years. This can be seen in the reduction in spend in areas such as sure start, youth, supporting people and public health.

3.2. Some specific issues with past changes are set out below.
Funding cuts, Uncertainty and Short term funding

3.3. The shortcomings of the local government funding system have been exacerbated by austerity in public spending over the last decade which has hit local government significantly harder than has been the case in more protected areas of spending (health, education, overseas aid). The Cities Outlook 2019\(^5\) noted Cities have shouldered the highest proportion of all local government cuts, with average cuts per head of £356k compared to non cities of £172k. As a result, Cities in the UK are far less empowered than their counterparts in other leading economies to lead innovations that can improve economic performance, develop proactive programmes that can reduce future, reactive spending, and play a positive role in limiting geographical and social disparities.

3.4. In recent years, the multi-year settlement has been very welcome as it has provided baseline level of certainty. However the additional measures introduced for adult social care fall well short of demand and bring considerable challenges with forward financial planning given the timing of the announcements and the fact they are short term, with none beyond 2019/20. There are significant funding streams including improved Better Care Fund and social care grants that have no certainty beyond this Spending Review (for Manchester alone this is over £35m), as well as New Homes Bonus and Troubled Families. We would wish to see these roll in to any funding envelope or otherwise risk unwinding significant progress that has been, or could be, made.

3.5. For instance, the Troubled Families grant which supports 35% (£2.4m) of our Early Help for children and families has no commitment from government to continue to support the programme from 2020/21. The risk of reducing the offer is the likelihood of an even greater demand on statutory services as fewer issues are prevented prior to this point. Evidence has shown that in 70% of cases the outcomes achieved have been sustained for 12-18 months with no further referrals received.

3.6. As previously referenced, the level of cuts and uncertainty inevitably leads to scenarios where crisis work is prioritised and preventative work cancelled, for example national trends show local authorities have increased their spending on homelessness while simultaneously reducing spending on preventing it\(^6\).

3.7. Additional difficulty has arisen due to relatively minor changes around the edge of the business rates system, mainly due to Treasury policy announcements regarding new reliefs and discounts and the switch from (the higher) RPI to CPI. This can result in a lot of time spent on the mechanics of the system rather than making informed forecasting of rates growth or understanding of drivers of change in the business rates base. Local Authority

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understanding is growing, but it is obscured by complexity and decisions which are outside their control (particularly appeals).

3.8. The Government’s plan to publish the Spending Review alongside the Autumn Budget this year will increase the funding challenges facing councils and severely hamper the ability to plan ahead for next year and beyond. This could lead to unnecessary cutbacks if forecasts are too pessimistic or too little time to make significant cuts if the reductions have been underestimated - neither outcome represents the efficient use of scarce resources which are much needed to support vulnerable people, strengthen the economy (particularly in uncertain times) and make our neighbourhoods safe and good places to live. It may be better to continue with the current funding allocations, including existing grants, for 2020/21 and start the transition to a new funding formula from 2021/22.

**Passing additional responsibilities to Local Government without sufficient funding**

3.9. The system must be more transparent and clearly recognise the impact of rolling responsibilities into Local Government issues of transferring new burdens then cutting funding. Examples of new burdens with reduced funding include:

- **Council Tax Support scheme** which was localised in 2013/14 with a 10% reduction in funding which has reduced in line with SFA cuts ever since resulting in an estimated loss of £15m to Manchester which is not transparent.
- **The Children and Social Work Act 2017** has increased the responsibilities of local authorities for care leavers, including a new duty on local authorities, which requires the offer of a Personal Adviser support to all care leavers up to age 25. The Government has provided new burdens grant funding of £50k in 2018/19 and £104k in 2019/20 to Manchester which is wholly inadequate. If all entitled young people required that support the number of Advisors would need to double with a cost implication of up to £1m.
- **The council welcomed the national policy direction in relation to Flexible Homelessness support grant** which gave increased financial freedom and flexibilities to Local Authorities. However its introduction had a significant detrimental financial impact on the Council. The baseline information used was significantly out of date leaving a funding shortfall of approximately £1.8m in 2018/19.
- **the Homelessness Reduction Act of 2017** requires local authorities to take on additional roles and responsibilities for helping to prevent homelessness in their area. Whilst the council shares the national ambition to end homelessness it remains a challenge for councils to fulfil our new obligations when budgets are so tight and demand is so high. The additional funding of £73m, (of which Manchester received £0.5m), is inadequate to meet the needs of people at risk of homelessness.
- **Local Welfare provision** was transferred to Local Government and funding reduced in line with cuts to SFA
- **Increases to the National Living Wage** have not been funded
Universities and Student populations

3.10. These are vital to our economy however they make a call on local services which is not adequately funded. Universities receive 80% relief from Business Rates, at the same time its students are exempt from council tax. Consequently these operations contribute little towards local services, despite generating significant service demands. This arrangement is increasingly outdated and out of sync with the revised local government finance regime.

3.11. Purpose built student accommodation (PBSA) is also currently exempt from business rates. These operate generally in central locations as businesses rather than traditional student accommodation and have moved on considerably from the traditional halls of residence. It is proposed that Purpose Built Student accommodation should be reclassified as a business property and receive a Business Rates liability. It feels inherently perverse that the companies managing this accommodation are eligible for tax on the profits made from the rental of properties but not Business Rates.

Impact on the ability to deliver services

3.12. The impact of austerity is seen in relation to counterproductive cuts to preventative funding. This includes Public Health funding where reductions are contrary to the aims of the NHS Long Term Plan which aims to ensure that health is “hardwired into social and economic policy” and want action to be taken on the top five risk factors for premature death as part of the renewed NHS prevention programme, (smoking, poor diet, high blood pressure, obesity, and alcohol and drug use).

3.13. Research by the New Policy Institute (NPI) for Lloyds Bank Foundation\(^7\) for England and Wales looked at official data on local government spending in England including the shift from preventative to crisis spending in housing. They found in 2016/17, English local authorities were spending around £700m on preventive housing spending, relative to £970m on crisis spending (e.g. on temporary accommodation). Preventive spending has declined considerably year-on-year since 2011/12 - a reduction of £590m or 46% over five years. In contrast, spending on housing-related crisis services has increased from £610m to £970m or 58% over the same period as shown below.

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\(^7\) A Quiet Crisis: Changes in local government spending on disadvantage  
3.14. Analysis of Department for Education figures shows government spending on youth services has reduced by 70 per cent since 2010, representing a cut of £880 million, this includes reducing spending on youth offending teams which aim to prevent young people entering the court system. Such cuts lead to increased costs and worse resident outcomes future years.

3.15. A report by the National Education Union says government funding to councils for Special Educational Need has failed to keep up with a rise in demand, with a real terms drop in funding of £1.2 billion over the past four years and growth in the number of special needs care plans of 33%, while funding rose only 6%. This is leading to numerous children with special needs not receiving suitable educational provision and again storing up further issues for the future.

3.16. Appearing before the Commons’ Public Accounts Committee in November 2018, MHCLG permanent secretary Melanie Dawes said that “Local government is sustainable if the amount of resources available to it can deliver the statutory services which it is required to do”. This shows a concerning lack of understanding regarding the impact spend on non-statutory services can have in keeping demand for statutory services in check. It also shows a lack of appreciation for the wider role of local government in shaping communities and improving the economy.

3.17. The impact of austerity is also seen in relation to the healthy life expectancy gap between people living in the wealthiest and poorest areas of England and Wales which has increased. Data released by the Office for National Statistics (ONS) provides further evidence of widening inequalities, revealing an alarming gap of 21.5 years spent in good health for women across local authorities in the UK. Life expectancy in the UK as a whole has stopped

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8 The Commons’ public accounts committee Select committee 26 November 2018 oral evidence of Melanie Dawes, Permanent Secretary, Ministry for Housing, Communities and Local Government http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/public-accounts-committee/local-government-spending/oral/92882.html

improving at the rate expected. Women in the most deprived areas in England can expect to live for 78.7 years, while women in the least deprived areas can live for 86.2 years. Among men, life expectancy for those in the most deprived parts of England was 74 years, compared with 83.3 years in the least deprived areas.

3.18. To reverse the trends there needs to be greater investment to address the social determinants that influence people’s health - including tackling poverty, access to affordable healthy food, well-designed transport systems, and the quality of housing, work and education.

3.19. Recent settlements threaten to undermine the vital role of cities like Manchester in delivering economic growth on the one hand to bringing people out of dependency and into the labour market on the other. The City is in a position which will enable it to make a significant contribution not only to the economic progress of the North, but to national growth, however a stable and adequate funding baseline is needed that puts the council in a position to help achieve this.

4. The efficiency, fitness for purpose and sustainability of the current system for funding local government (central government funding, council tax, business rates retention and other income); how it could be improved, including options for widening the available sources of funding; and what lessons can be learned from other jurisdictions.

4.1. Local areas need much greater control over resources to ensure that services are commissioned and delivered in an efficient and effective way to meet local priorities. There is often a mismatch between national programmes and the needs of local communities. No one is better placed to understand assets, opportunities and challenges than local leaders, working in a place-based partnership with Government to deliver growth and reform.

4.2. Whilst it would be attractive for local authorities to be completely self-sufficient and funded by locally generated income a reformed finance system will still need an element of equalisation as well as providing incentives for economic growth as the ability for an authority to generate local income varies considerably across the country, particularly in relation to Council Tax.

Business Rates

4.3. Comments on the Business Rates retention system were submitted to the MHCLG December 2018 consultation and reported to the Council’s March 2019 Resources and Governance Scrutiny Committee\(^\text{10}\). It is worth noting that the council is part of the Greater Manchester 100% business rates pilot and would strongly support the retention of the 100% pilot beyond 2019/20 until national roll out is achieved. This would give Government the opportunity

\(^{10}\) Manchester City Council Resources and Governance Scrutiny Committee report, Response to Government Consultations [https://democracy.manchester.gov.uk/ieListDocuments.aspx?CId=137&MId=126&Ver=4](https://democracy.manchester.gov.uk/ieListDocuments.aspx?CId=137&MId=126&Ver=4)
to fully test and review the scheme with the maximum insight from 100% pilots over a longer timeframe and through a reset process.

4.4. Greater Manchester districts have a strong track record of collaborative working for the benefit of the city region and the work on business rates pooling is an extension of this. The benefits serving to provide a greater impetus for joint working and economic development across the region.

4.5. There are wider concerns around the sustainability of Business Rates as the main source of funding for councils given the issues facing the High Street, the levels of fraud and the complexity of the retention system, including the impact of Treasury initiatives and policies over the last few years.

Council Tax

4.6. In recent years increasing importance has been placed on raising funds locally through council tax and the relaxation of the referendum cap. However this has a limited impact on a city such as Manchester, where almost 90% of properties fall into council tax bands A-C, this simply passes an increased financial burden onto our residents and raises a relatively small amount when compared to need. For Manchester a 1% increase in council tax would raise £1.5m and in 2019/20 just the estimated costs of the National Living Wage for contracts is in excess of £4m.

4.7. There can be no debate that Council Tax revaluation is long overdue, given the last one was almost 30 years ago in 1991. This would need to be approached at a national level to make the tax fairer, giving councils the ability to revalue properties in their area would cause problems for the redistribution of funding between councils and is not recommended.

4.8. Despite major spending and considerable risk incurred, the council is not sufficiently incentivised or fairly rewarded for investment in housebuilding. Clearly increased council tax revenues are welcome, however VOA valuation methodologies (based on the price of similar secondary market properties sold in the same locality) appear to undervalue and therefore under-band new build stock in parts of the city centre. This is an issue, particularly in peripheral city centre locations where low value historic sales (from older stock mostly in bands A and B) act to constrain the likelihood of achieving higher bandings in new build (higher value) apartment and townhouse led development. For example, 16 new build 3 storey townhouses in the Ancoats city centre neighbourhood transacted at c£350,000 in 2016 and were valued by the VOA at Band D despite being comfortably a Band F (when translated into 1991 prices).

4.9. This means that increasingly large sections of the current pipeline do not pay the appropriate level of council tax in relation to the true value of the property therefore total potential council tax revenues are not fully realised in the city.

4.10. However a national revaluation of the Council Tax base is not without issues. – due to the high proportion of lower banded properties in Greater Manchester
and the housing price trends it would see a significant shift of relative resources towards London as demonstrated below and leave Cities like Manchester even more dependant on the outcome of the funding formula. There would need to be full equalisation of Council Tax receipts within the funding formula to mitigate this.

![Change in Collectable CT if Revaluation Based on England Av. Change in House Prices since 1991](image)

*Widening Available Sources of funding*

4.11. Successive UK Governments have been unwilling or unable to take substantive steps towards a more devolved country however it cannot be assumed that the current degree of fiscal centralisation within the UK is the only way of doing things. Various options for increasing the resources available to Local Government have been considered over the years. There have been modest steps towards the further localisation of business rates, but no movement on other proposals in England, there has however been successful devolution of tax-raising powers to Scotland and Wales.

4.12. The main benefits are increased incentive for Local Government to grow the local tax base and promote economic development, increased likelihood of local preferences being recognised in tax and spending decisions and better local accountability.

4.13. In 2017 The London Finance Commission published ‘Devolution: a capital idea’[^11], the main argument set out is that a broader tax base with stronger fiscal controls at the local level would support the delivery of more integrated and efficient services and increased infrastructure investment, while allowing for the reform of individual taxes. The report reiterates their 2013 recommendation for devolution of the full suite of property taxes and also

recommends substantial further devolution of services and powers over many areas of domestic policy such as health, education, skills, transport and economic development. Although the report focus is on Greater London the principles could also apply to Greater Manchester and other city regions. Greater Manchester has benefited from incremental innovations, introduced via a series of ‘deals’ with national government, that have enabled greater flexibility and innovation in funding and policy development, however there is further to go.

4.14. Fiscal Devolution was also considered in the Institute for Fiscal Studies (IFS) March 2019 report ‘Taking control: which taxes could be devolved to English local Government\(^{12}\)’ which suggested devolution of additional tax revenues and powers could play a role in addressing the shortfall in funding for Social Care. It concludes that income tax seems the most promising candidate for partial devolution, a 3p tax on all income bands, for example, would raise £19bn.

4.15. Per HMRC, Stamp Duty Land Tax (SDLT) revenues in Manchester have grown from c.£17m in 2014/15 to c.£33m in 2017/18. However despite promoting and facilitating the growth, Manchester does not benefit from the additional Stamp Duty. The IFS report considered it would not be appropriate to delegate stamp duty at a national level as it is too volatile, too unevenly distributed and difficult to administer however it could be considered for some areas on a regional scale.

4.16. The IFS report also considered the suitability of a tourist tax, noting it is only suitable for some cities and the income is very unevenly distributed. It estimates that £5 per night for all tourist accommodation would raise £2.1bn nationally: not insignificant but not enough to solve the sector’s funding shortfall. Such a tax could be widened to short-stay lets, such as AirBnB. There is a strong case for a tourist tax because it creates “negative externalities”, i.e. costs for local authorities, such as more street cleansing or litter collection. Many other European cities already have a tourist tax (in fact, the UK is one of only nine from the EU-28 countries without such a tax).

4.17. The council does not support commercial investment solely for return as a way of raising additional funds, the council does receive some commercial income from dividends, rents etc. however these relate to investments held for regeneration purposes.

4.18. Less radical but beneficial changes could include increased local control over Council tax discounts and business rates reliefs.

\textit{Potential drawbacks to self sufficiency}

4.19. There are a number of potential drawbacks of a self-sufficient system which need further consideration as follows:

\(^{12}\)IFS report March 2019 https://www.ifs.org.uk/publications/14006
• Risk of longer-term divergences between funding and spending needs - the ability to generate revenues locally is not equal.
• Treatment of new burdens and the impact of policy changes
• The ability of locally generated funding streams to keep pace with demographic change and the associated impact on the cost to deliver services. Evidence in Manchester shows that the growth in council tax base does not keep pace with the increased costs of providing services to those people.
• Concerns about tax competition between councils and managing volatility
• Possible additional administration and compliance issues / costs
• Assessing the revenue raising capacity of different councils, for the purpose of equalisation, could be much more difficult.

4.20. From a sustainability perspective the proposed arrangements from 2020/21, which largely rely on income from business rates to circulate resources around the system, are becoming increasingly fragile, as the nature of business use of property in the United Kingdom rapidly changes, impacting the long term resource available to local government.

5. How funding needs of local government are assessed. The current and forecast funding needs of local government and how these needs can be better understood at both a national and local level.

5.1. Alongside the distribution issues there is an urgent need to carry out overall impact assessments and improve government's understanding of the impact on residents of decisions by different departments.

5.2. Detailed comments on the review of need and resources were submitted to the MHCLG December 2018 consultation and reported to the Councils March 2019 Resources and Governance Scrutiny Committee. The progress on the review is disappointing as there remains a considerable amount of work to be done before exemplifications will be available. Of particular concern is the fact deprivation is no longer considered a key driver within the foundation formula and Business Rates is likely to be fully reset in 2020/21, bringing further pressure to some Local Authorities.

5.3. Our Key messages in relation to the funding review are as follows:

• A funding formula cannot be considered in isolation of the quantum of funding available to local government and the mechanism for business rates retention.
• There is a balance to be found between redistribution versus incentives for growth.
• The council strongly disagrees with the idea that the same level of funding per head is appropriate
• There are social and health factors within different populations that strongly influence levels of demand and which need to be taken into

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account. Foremost among these are deprivation and ability to pay which needs to be explicitly included in all service blocks.

- Equalisation is a key component of a fair funding system and should take into account the totality of Council Tax resources raised, with adjustments for the impact of high student numbers and the full costs of the Council Tax Support Scheme.
- There should be recognition of the additional costs from operating in an urban conurbation e.g. increased journey times, costs associated with higher visitor numbers, costs linked to increased pollution, homelessness etc as well as ensuring there is capacity for Cities to provide the place leadership role that is so critical for driving economic growth and joining up public services within their regions.
- The sector must be able to clearly follow how allocations have been calculated, and be able to replicate them. Expressing simply how funding allocations are calculated is really important (even if the underlying methodology is complicated).
- Whilst it is agreed that simplicity and transparency are important this must not be at the expense of fairness.

6. The approach the Government should take to local government funding as part of the 2019 Spending Review, what the key features of that settlement should be, and what the potential merits are of new or alternative approaches to the provision of funding within the review.

6.1. The following paragraphs summarise our asks for the 2019 Spending Review.

6.2. Sustainability - Settlements should match Spending Review periods and the spending envelope for Local Government must be increased to recognise and properly fund the pressures faced. Transition funding should cover a wide range of funding streams, including business rates growth and New Homes Bonus.

6.3. Greater Manchester (GM) devolution - Although there have been significant and welcome developments over the past decade on the devolution and delegation of powers and some resources to Greater Manchester, there is still some way to go before the balance of responsibilities, powers and resources between central and local fully supports productivity growth. The devolution agreements between GM and the Government have provided the opportunity to better integrate policies and decision-making at a local level. They have led to innovation and new models of local service delivery, as well as better coordination of interventions to drive productivity growth.

6.4. In January 2019, the vision for the Future of Greater Manchester was set out including a number of bold plans for consultation which will shape the city region for generations to come. This agenda is now being developed through:

- The Greater Manchester Local Industrial Strategy (LIS), being developed between the city region and Government departments;
- A White Paper on Unified Public Services, which has been developed collaboratively with districts, other public services and the Voluntary, Community and Social Enterprise Sector;
- A Prospectus for Health & Social Care, which sets out the proposed next steps for developing the unique devolved health and care model in Greater Manchester.

6.5. The full benefits of this integrated approach will only be realised if backed up by place-based settlements which breakdown individual spending silos in order to unlock the benefits of devolution. These issues are set out further in the Greater Manchester Combined Authority (GMCA) response to this inquiry.

6.6. The Shared Prosperity Fund (SPF) will be vital for underpinning the next steps in the partnership between local and national government to deliver the devolution agenda. European Structural Funds have traditionally provided a significant source of funding for business support and adult skills programmes, this has been worth around €414m to GM in the current 7 year period, with matched funding and Local Growth Fund type investment coming on top. It is unfortunate that the consultation on the SPF has been delayed and there is a growing risk that it will not be in place in time to provide ongoing funding for vital programmes in GM, such as the Work & Health Programme, which have been underpinned by EU funding. GM and other cities and regions across the UK have set out the key principles which should determine the development of the SPF, these are listed in the GMCA response to this inquiry.

6.7. Social Care - The 5th delay to the Social Care green paper, which was expected by March 2019, is a further disappointment. The absence of clarity around Social Care and Public Health funding is causing deep concern as the underlying demand pressures are showing no signs of abating. This is also a major risk to the ambitions of the NHS plan as are the barriers to integration, including VAT issues.

6.8. Business Rates - The Greater Manchester authorities strongly support for the retention of the GM 100% Business Rates retention pilot beyond 2019/20 until national roll out is achieved, enabling this to be tested through a reset. Nationally given the increased importance of rates income to Local Government there is a need to address concerns regarding the instability of Business Rates policy and the volume of changes. The tax must be stable and fit for the future, particularly with the risks facing retail and the high street.

6.9. Housing - Government support is required around the provision of housing as a shortage has an impact on labour supply, economic performance, health outcomes, deprivation levels and homelessness. Manchester is currently delivering significant numbers of new homes and the emerging Greater Manchester Spatial Framework indicates that the city will accommodate over 25% of the new housing planned in Greater Manchester over the period to 2027. Whilst housing is a priority Government must support the remediation of contaminated land, provide funding for infrastructure and support alternative
models of housing delivery. In this regard the Housing Infrastructure Fund needs to support the council’s plans for housing growth. The relaxation of the debt cap on the HRA is welcome, however that doesn’t necessarily make housebuilding a viable financial proposition with the HRA business plan as a result of build costs, variable rent levels and right to buy transactions. More work is needed on how LAs can deliver social and affordable housing.

6.10. **Factors driving spend** - The Spending review and MHCLG review of need and resources must recognise the major factors that drive the need to spend in cities, including deprivation, density and student populations. It should also recognise the need to encourage and facilitate innovative approaches to the design and delivery of services which ultimately increase financial sustainability. For example evidenced based approaches such as ‘No Wrong Door’ and ‘Achieving Change Together’.

6.11. **Dependencies between departmental spend** - Treasury should use the review to look beyond departments and understand the inter dependencies which impact on service delivery e.g. the NHS Long Term Plan and Social Care / Public Health services. There is also a need to consider the wider dependencies such as the Industrial Strategy and the need to boost productivity creating good jobs and better rates of pay in the UK with investment in skills, industries and infrastructure. The aims and objectives of the Industrial Strategy are aligned to successful local services such as skills development, adult learning and retraining (e.g. maths and English offered in Libraries) and supporting employees to stay in work.

6.12. Often there is a knock on effect of service cuts - where savings in one area through service reductions create much larger, more complex and costly challenges in other areas and/or in future years. For example, where increased support is needed which could be linked to welfare reform - in the last five years there has been an increase of 880% of people in dispersed accommodation and 218% increase in those in B&B’s. The inadequacy of the Local Housing Allowance is compounding the housing issues.

We look forward to seeing the Committee’s conclusions on these issues and would be happy to discuss further the issues raised in this response.

*April 2019*