

Economic governance in Greater Manchester

Presentation to IDEHATE visitors,
Manchester

Alan Harding (Alan.Harding@greatermanchester-ca.gov.uk)

10 April, 2019

GMCA

BOLTON
BURY

MANCHESTER
OLDHAM

ROCHDALE
SALFORD

STOCKPORT
TAMESIDE

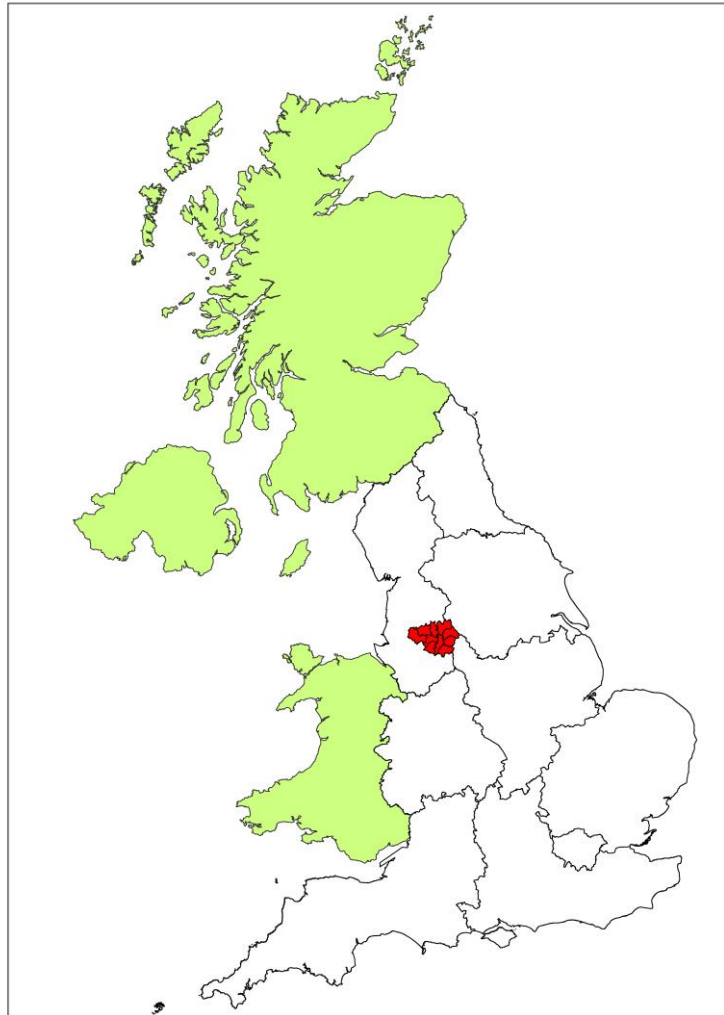
TRAFFORD
WIGAN

Plan for this session

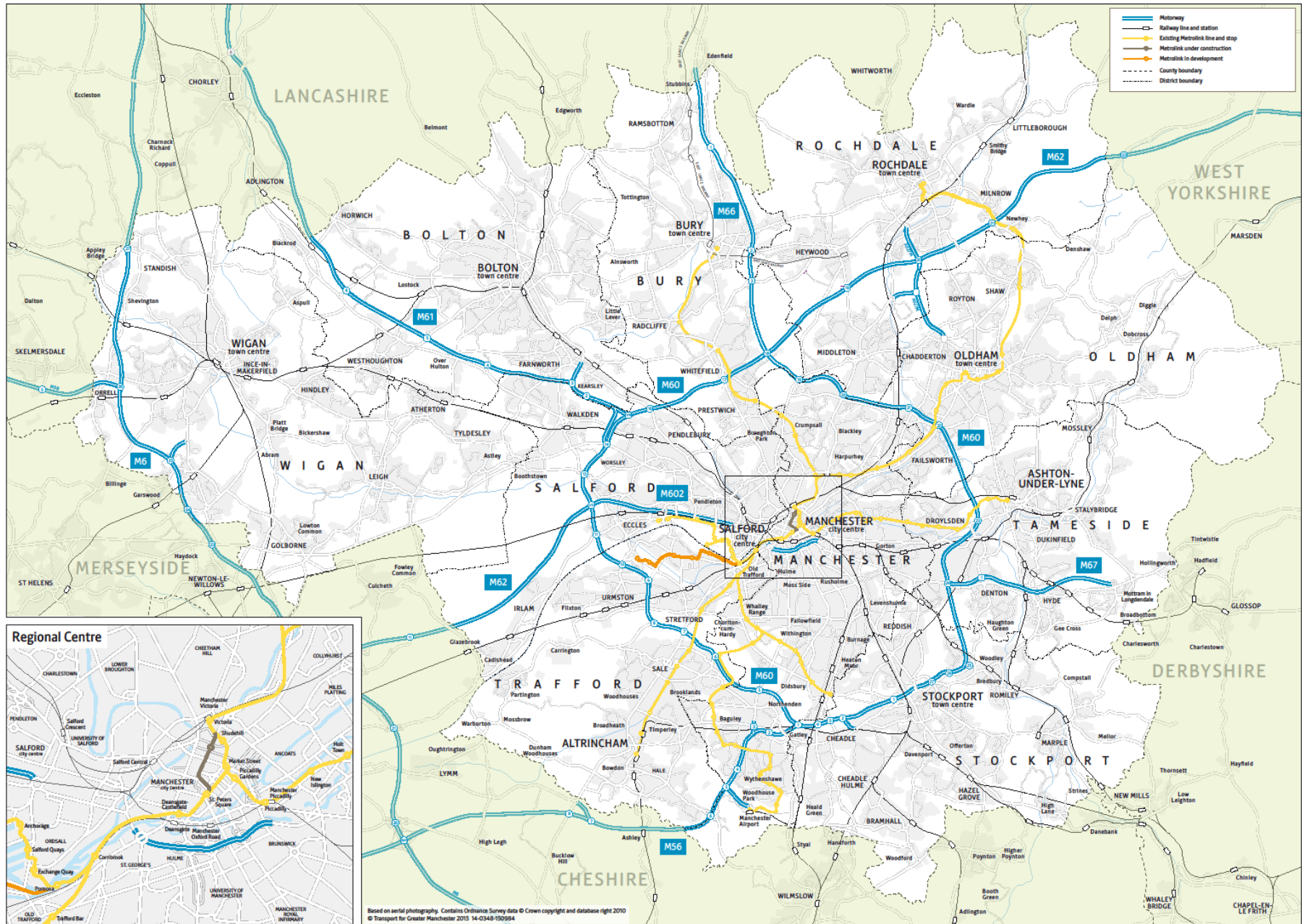
- I'll present a simplified story of institutional and economic change in Greater Manchester (GM)
- Andrew can then present a simplified picture of where this fits within the broader North of England context
- We will then do a joint Q&A in which it will become apparent that things are much more complicated...
- And that Brexit is not exactly making things any simpler....

GM: A quick overview

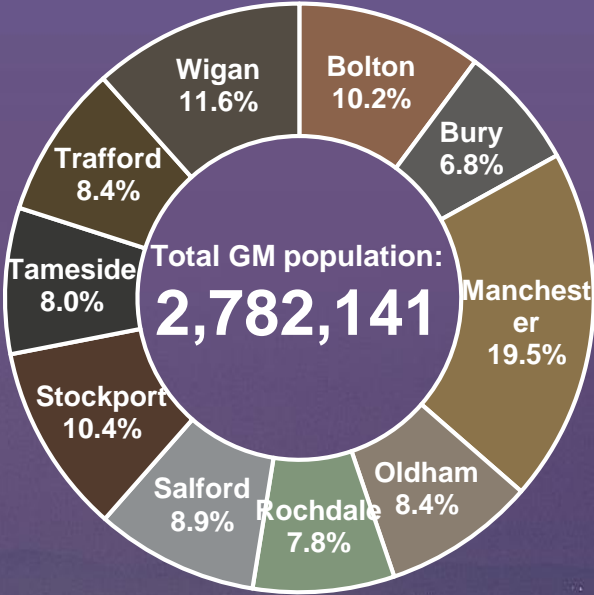
GM & the nations & regions of the UK



Greater Manchester

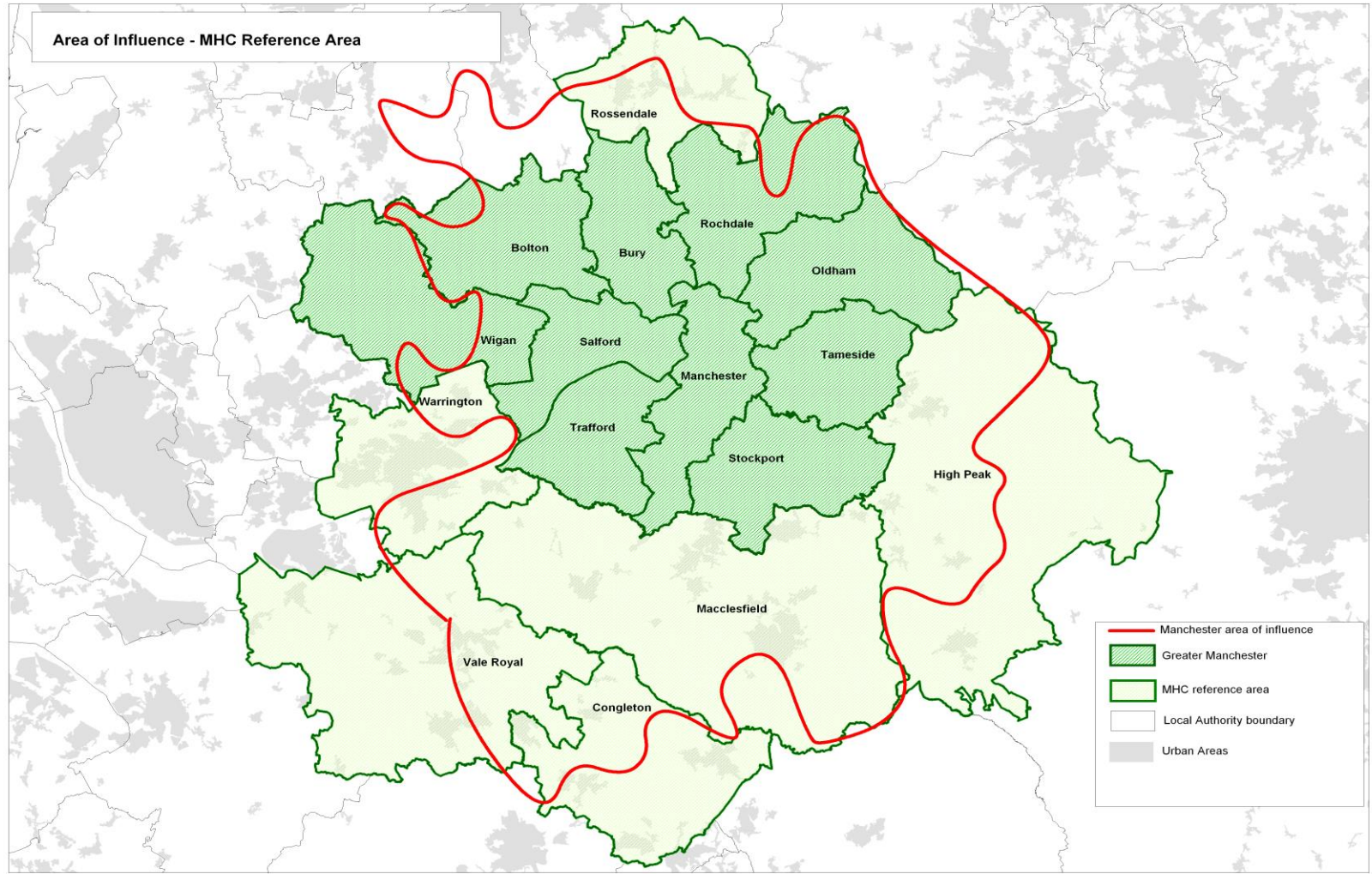


DISTRICTS



Source: ONS and GMFM

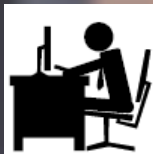
Greater Manchester: a functional economic area



THE GREATER MANCHESTER ECONOMY



2.8m people
+240,000 since
2000



1.3m working in GM
+100,000 over next 10
years



110,000 businesses



Over 100,000 Higher
Education Students
at 5 HE Institutions

Gross Value Added

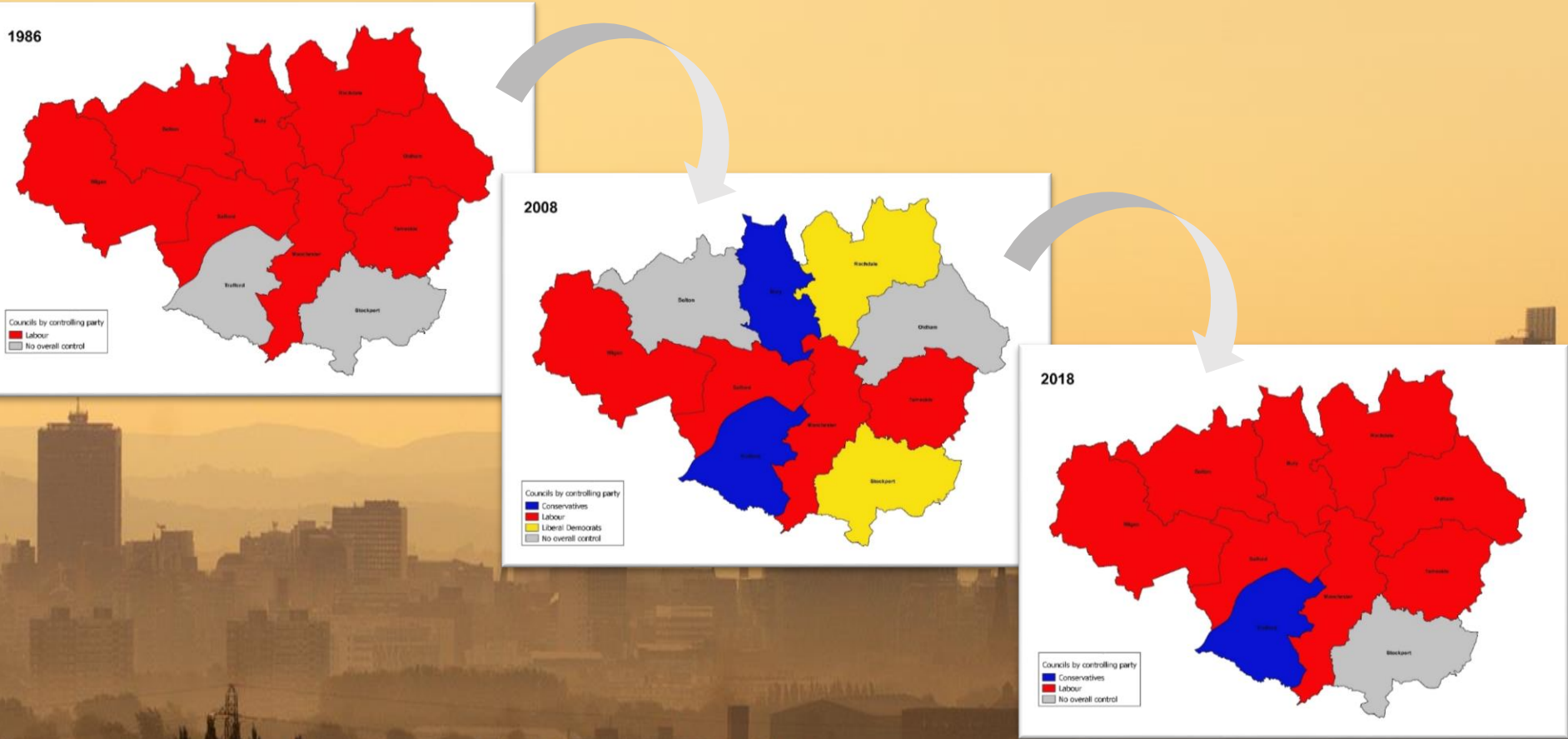


BIGGER THAN



Source: ONS and GMFM

POLITICAL COMPOSITION



GM institutional development

GM 'city-regionalism' is long-standing

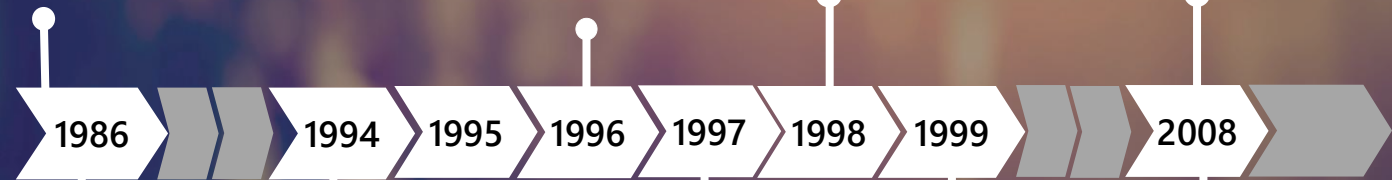
Context (1980s onward): centralisation of control over fiscal & functional powers of local government. In GM:

1. 2-tier metropolitan govern**ment** 1974-1986. 'Strategic' metropolitan county + 10 districts
2. Weak metropolitan govern**ance**, late 80s, early 90s. Joint metro bodies for transport, policy, fire, residual functions. Retention of network governance at metro scale (AGMA) but district competition for development ('won' by inner metro area)
3. Metro institutional development. Mid 90s-early 00s. Creation of metro institutions for visitor promotion, inward investment, economic and related strategy development in context of weak English regionalism
4. Greater Mcr as leading exponent of new English 'city-regionalism' outside London. New 'Combined Authority' (2014) that can capture devolved functions. 1st directly elected Mayor, 2017.

TIMELINE



Greater Manchester Council abolished



Association of Greater Manchester Authorities and GMPTA/E established



Greater Manchester Passenger Transport Authority



AGMA
ASSOCIATION OF GREATER MANCHESTER AUTHORITIES

City Pride Partnership created



Marketing Manchester established



Northwest
REGIONAL DEVELOPMENT AGENCY

RDAs established

MIDAS established



MIDAS[®]
MANCHESTER INVESTMENT
DEVELOPMENT AGENCY SERVICE
www.investinmanchester.com

Manchester Enterprises established

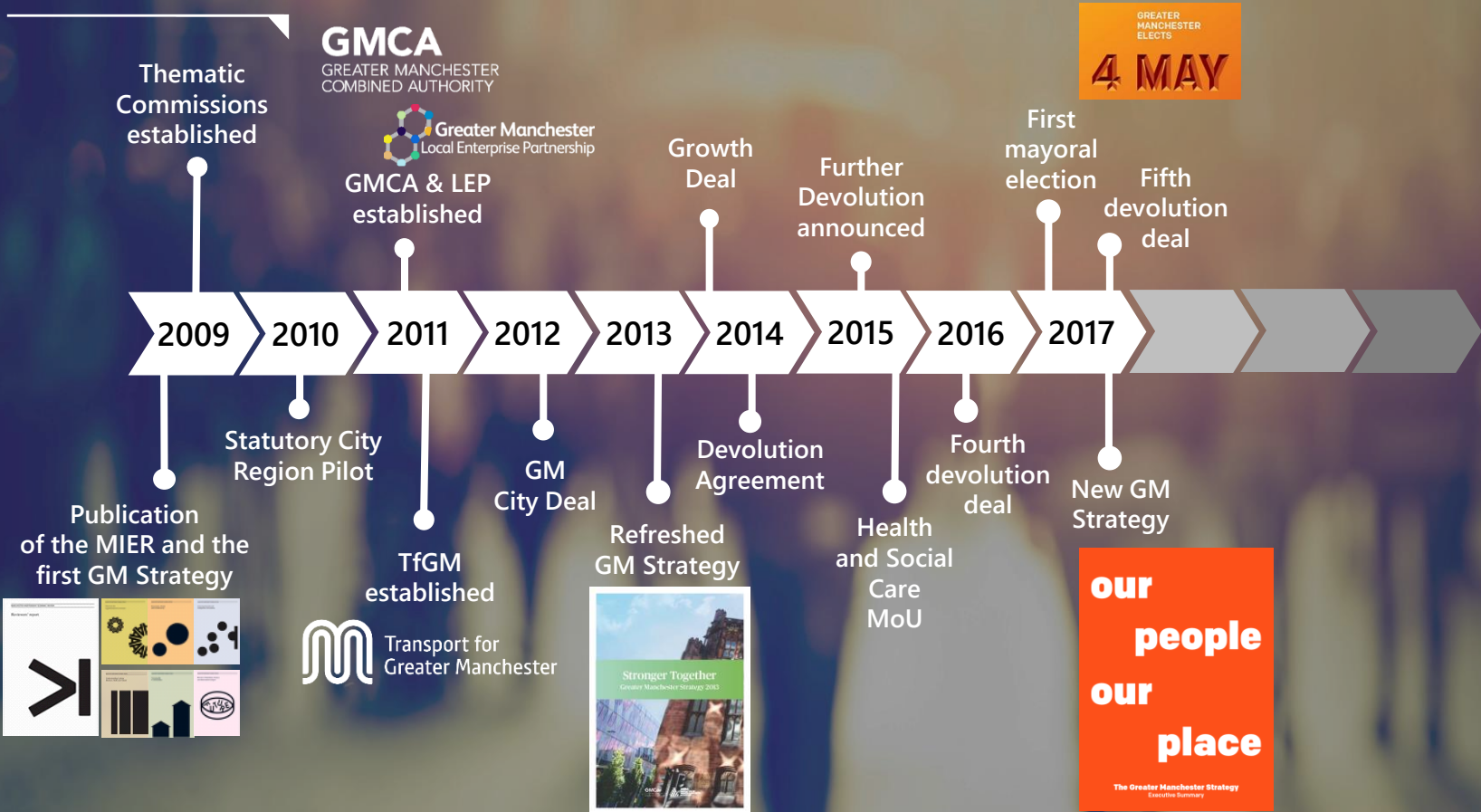


Transport referendum held (congestion charging)

New Economy established

new
economy

TIMELINE



GMCA

- £1.4b revenue budget. Brings together previously separate GM bodies, largely related to economic development, with Fire and Waste authorities. Close links to Transport, Policing and Health functions, all organised at GM level, and the ten district councils.
- Covers the area of the 10 metropolitan district councils in Greater Manchester (GM)
- The functions of combined authorities were originally limited to transport, economic development and regeneration
- Devolution Act now enables orders to be made conferring on combined authorities:
 - any functions exercisable by its constituent councils
 - functions exercisable by a public authority in the CA's area
 - functions corresponding to functions of a public authority exercisable in another area (e.g. London)
- GMCA has eleven members: the 10 council leaders plus the directly-elected Mayor
- The Mayor has appointed two Deputy Mayors, one for Policing and Crime, one for Economy and Business.
- Each of the leaders has a portfolio related to the activities of GMCA and is supported on their GM work by one or more council chief executives

GMCA

DEVOLUTION DEALS

Greater Manchester Agreement:
devolution to the GMCA & transition
to a directly elected mayor



GREATER
MANCHESTER
GMCA
COMBINED
AUTHORITY

Deal 1: Signed 3 Nov 2014

New powers for the GMCA on condition of agreeing to an elected mayor who will also fulfil the role of the Police and Crime Commissioner. Powers cover transport, business support, employment and skills support, spatial planning, housing investment, earnback and governance reforms

GREATER MANCHESTER
HEALTH AND SOCIAL
CARE DEVOLUTION
Memorandum of Understanding

Deal 2: Signed 27 Feb 2015

Bringing together health & social care budgets – £6bn – to deliver better outcomes for GM

Followed up by agreement in late 2015 for a £450m Health and Social Care Transformation Fund

Further devolution to the Greater
Manchester Combined Authority
and directly-elected Mayor



GREATER
MANCHESTER
GMCA
COMBINED
AUTHORITY

Deal 3: Agreed alongside the July 2015 Budget

Included fundamental review of service for children, creation of a Greater Manchester Land Commission, transfer of Fire & Rescue responsibilities to the GM Mayor

GMCA

DEVOLUTION DEALS

Further devolution to the Greater Manchester Combined Authority and directly-elected Mayor



GMCA

Deal 4: Agreed Nov 2015

Agreed further transport devolution (including looking at options for control of rail stations), social housing reform, and control over EU funding

Further devolution to the Greater Manchester Combined Authority and directly-elected Mayor



GMCA

Deal 5: Agreed March 2016

Agreement included establishment of GM Life Chances Fund, Criminal Justice Devolution, and piloting of 100% business rates retention

Greater Manchester Autumn Budget 2017
Update: Further commitments between Government and the Greater Manchester Combined Authority (GMCA) and the directly elected mayor



GMCA

Deal 6: Agreed Nov 2017

Agreement included local industrial strategy pilot, homelessness funding, additional transport funding, post-16 education and training, and Mayoral capacity funding.

WHAT IS DEVOLVED TO GM

Transport

- Responsibility for a **multi-year transport budget**
- Responsibility for **franchised bus services**, to include powers over fares, routes, frequency and ticketing
- The power to introduce integrated **smart ticketing** across all local modes of transport
- The ability to shape **local rail station policy** and development across the Greater Manchester area
- Control of a reformed **earnback deal**, for infrastructure investment, worth up to £30m a year for 30 years to invest in further schemes

WHAT IS DEVOLVED TO GM

Planning and Housing

- Powers over strategic planning, including the power to create a **statutory spatial framework** for Greater Manchester
- Control of a new £300 million recyclable **Housing Investment Fund**
- The power to establish a **GM Land Commission** to make best use of publicly owned land
- The power to designate **Mayoral Development Corporations** and compulsory purchase powers
- The power to implement a **Community Infrastructure Levy** to support development and regeneration

Blue Light Services

- The Mayor takes on the role currently covered by the **Police and Crime Commissioner** and the **GM Fire & Rescue Authority**

WHAT IS DEVOLVED TO GM

Business Support

- Responsibility for **business support budgets**, making it easier to join up services to make sure that businesses are able to access the right support at the right time to help them grow and innovate
- Development of an MoU with the **British Business Bank** setting out how they will work together to support SMEs in Greater Manchester

Regulation

- GM to work with Government to develop a strategic approach to **regulation of businesses**, building on the Better Business for All national programme

Business Rates

- **Local Growth Pilot** status, enabling 100% business rates retention
- Power to introduce a **Business Rates Supplement** subject to the agreement of the Mayor's Cabinet and GMLEP

WHAT IS DEVOLVED TO GM

Finance

- GMCA to gain **Intermediate Body** status giving greater influence and decision making over how **European funding** is spent, to ensure it meets local priorities and is of maximum benefit to the GM economy
- GM will have the power to establish a **Single Pot** for investment in economic growth, pooling transport funding with Local Growth Funding and “Earn Back” investment funding
- The **power to borrow** in respect of any combined authority function, subject to compliance with the Prudential Borrowing Code

Skills and Employment

- Reshape and re-structure **GM's Further Education provision** with government to ensure that the supply of skills in GM meets the needs of businesses
- Full devolution of the 19+ **adult skills budget** from 2018/19
- Jointly commission (with the Department for Work and Pensions) of **employment programme support**, assisting long term unemployed and those with health conditions and disabilities to join the workforce

WHAT IS DEVOLVED TO GM

Complex Dependency

- To scale up work on **public service reform** programme to provide the intensive support to workless people and their families to help up to 50,000 people who have struggled to find work get into jobs
- Jointly establish a **Life Chances Investment Fund** with Government to increase investment in innovative approaches to delivering public services

Services for Children

- Undertake a **fundamental review** of the way that all services for children, exploring how existing budgets can be used more effectively to deliver integrated and more efficient services

WHAT IS DEVOLVED TO GM

Criminal Justice

- GM will take on a greater role in the commissioning of **offender management services**, greater influence over education provision in prisons and joint work with Government to better align delivery of services for youth offenders
- GM will work with Government to explore **devolved budgets**, including the custody budgets for female offenders, young offenders and those sentenced to less than 2 years in prison
- GM has secured greater influence over funding to better support **victims of crime**
- GM will work with Government to create a modern **new prison estate** and develop plans for the **local courts estate**

WHAT IS DEVOLVED TO GM

Health and Social Care

- The MoU forged a new partnership between GM health and social care bodies and NHS England so that from April 2016 GM was delegated all funding and decision making for health and social care in GM
- This enables GM, within national funding constraints, to:
 - deliver improved health and wellbeing outcomes to support and enhance GM's priority of reducing worklessness and supporting people back into employment;
 - plan for the integration of health and social care across GM, allowing us to use existing health and social care budgets to invest in community based care to support change

GM DEVOLUTION: IMPLICATIONS

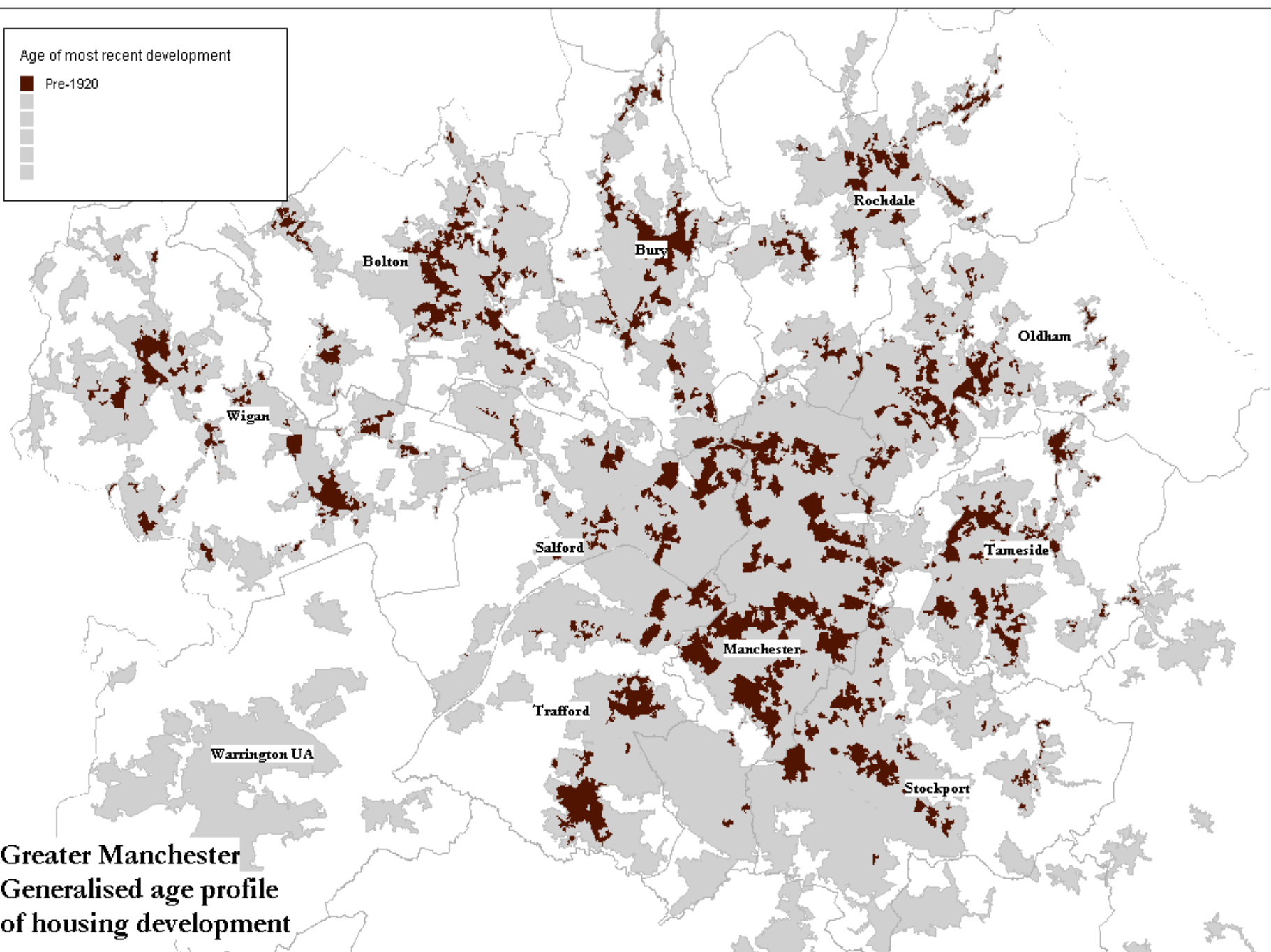
- Devolution goes further in GM than in rest of England, bar London: a significant shift of power & responsibilities from the centre to a local area
- GM's devolution deals helps GM deliver its strategic ambitions by taking an integrated approach to driving economic growth and the reform of public services
- Powers and responsibilities transferred from Government to GM are geared towards accelerating growth, boosting skills and encouraging local decision-making and increased self-sufficiency
- Devolution gives GM a stronger national and global voice giving the message that Greater Manchester is a great place for business
- Further devolution opportunities in the months and years ahead (?)

What has enabled change in GM?

GM has grown together

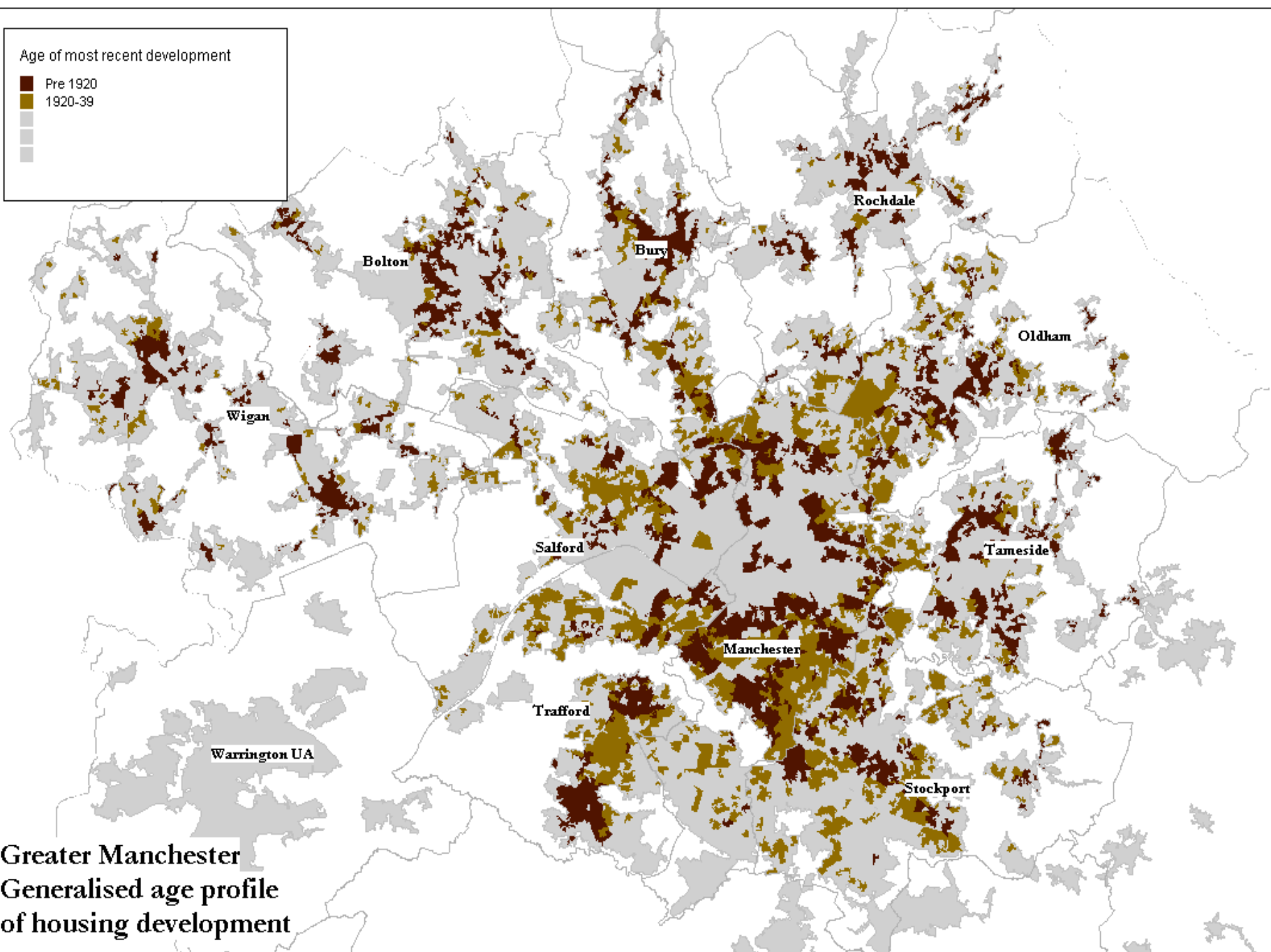
Age of most recent development

Pre-1920



Age of most recent development

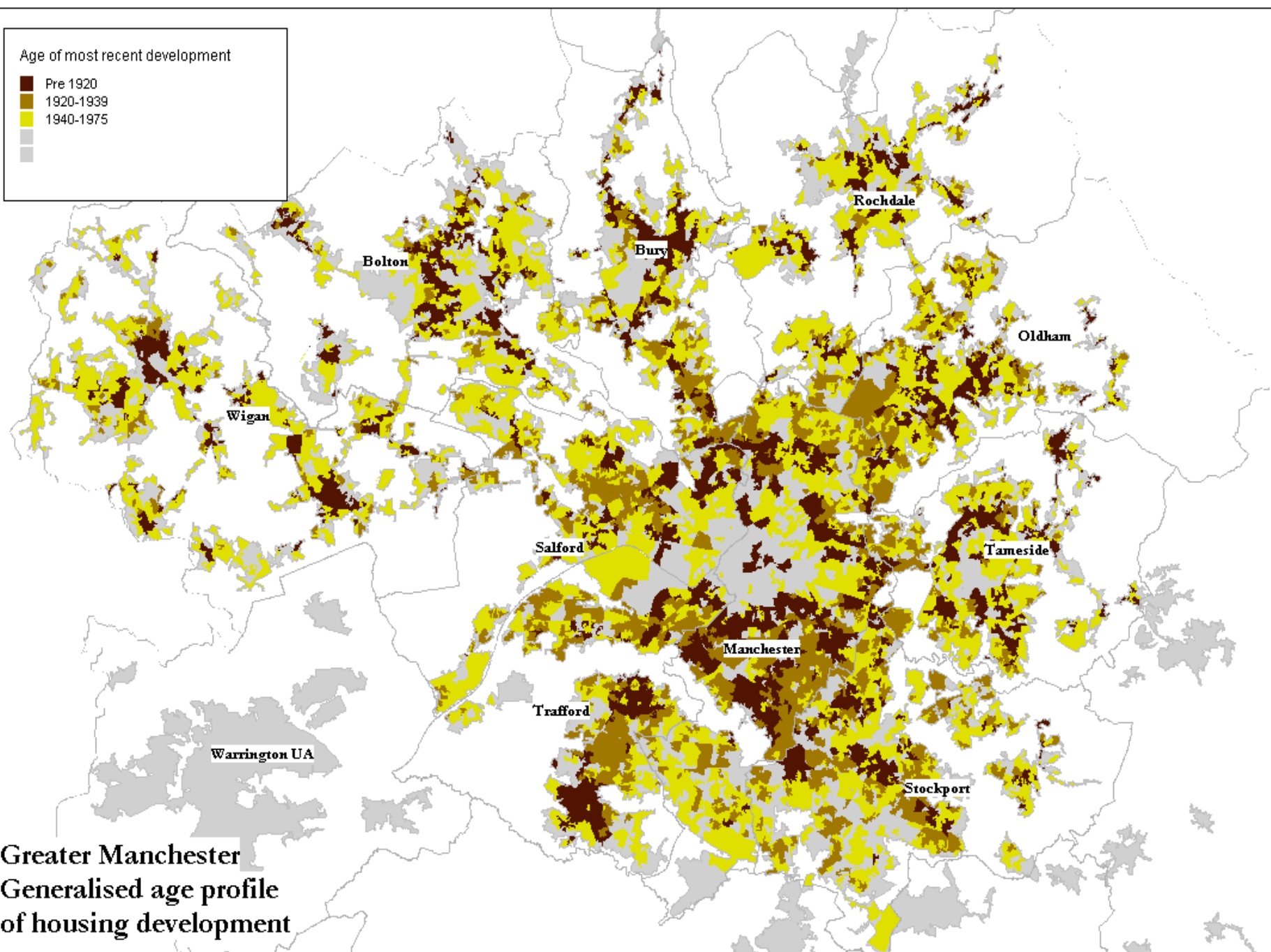
Pre 1920
1920-39



Greater Manchester
Generalised age profile
of housing development

Age of most recent development

- Pre 1920
- 1920-1939
- 1940-1975

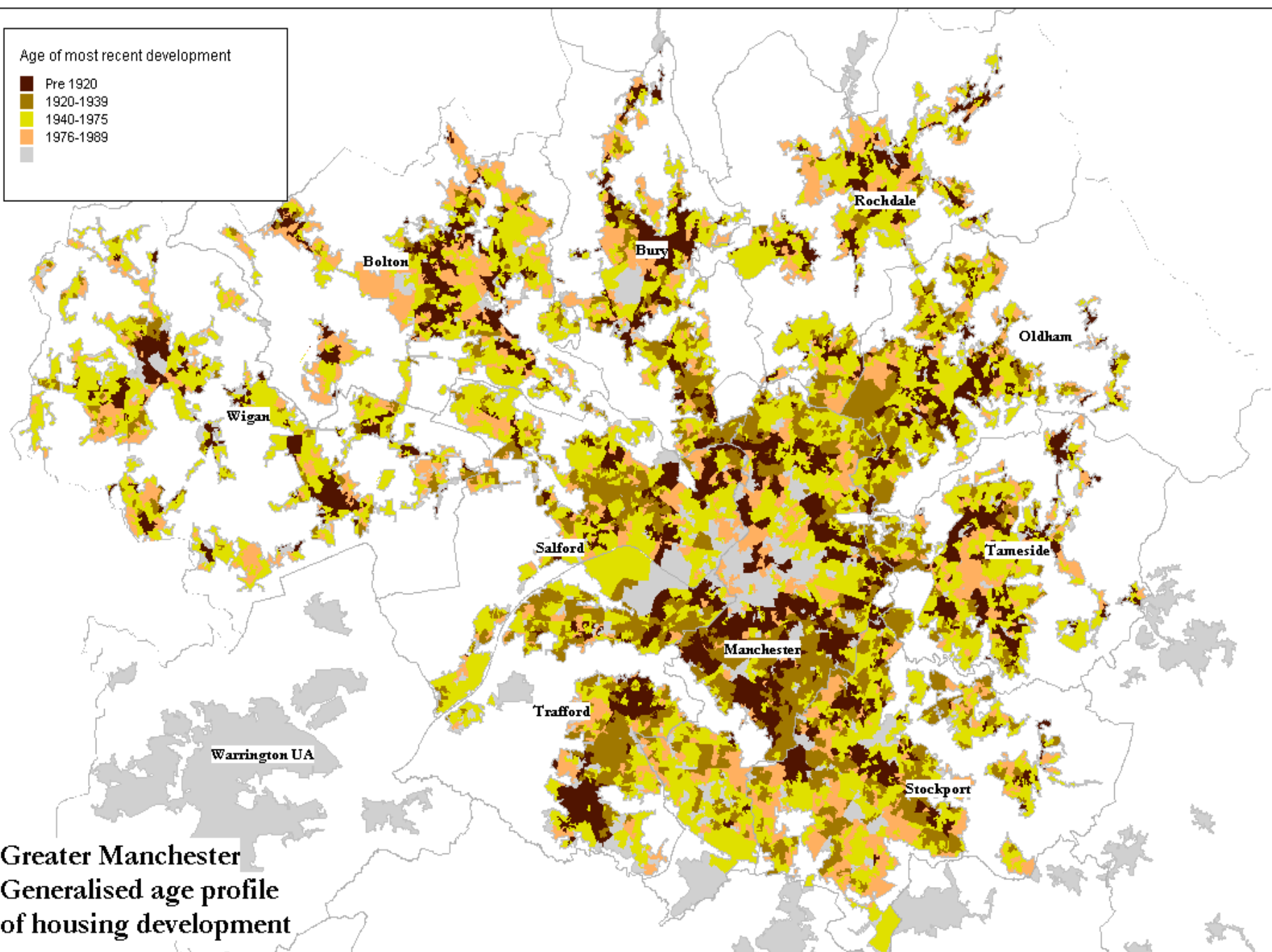


Greater Manchester
Generalised age profile
of housing development

Age of most recent development

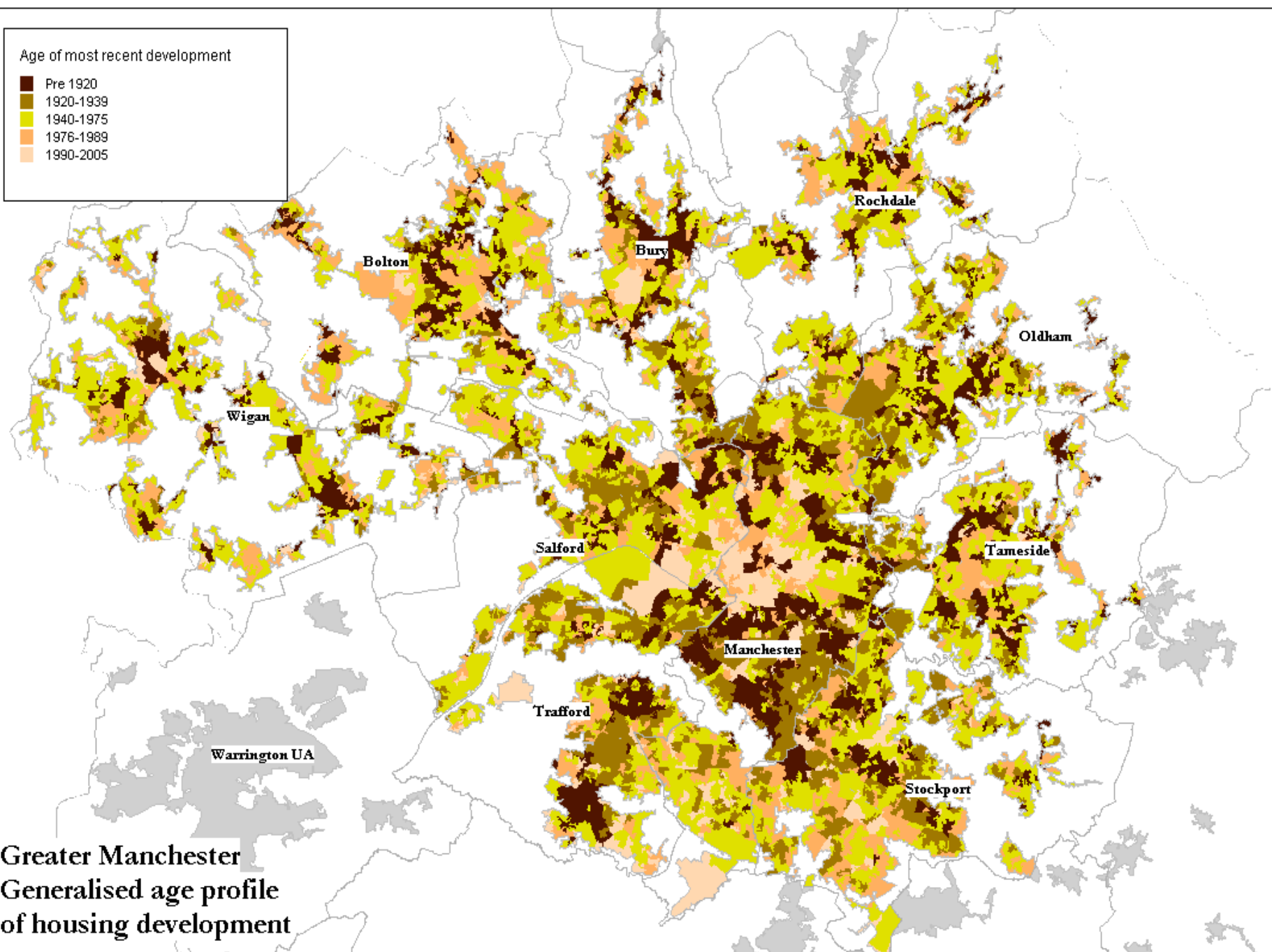
- Pre 1920
- 1920-1939
- 1940-1975
- 1976-1989

Grey



Age of most recent development

- Pre 1920
- 1920-1939
- 1940-1975
- 1976-1989
- 1990-2005

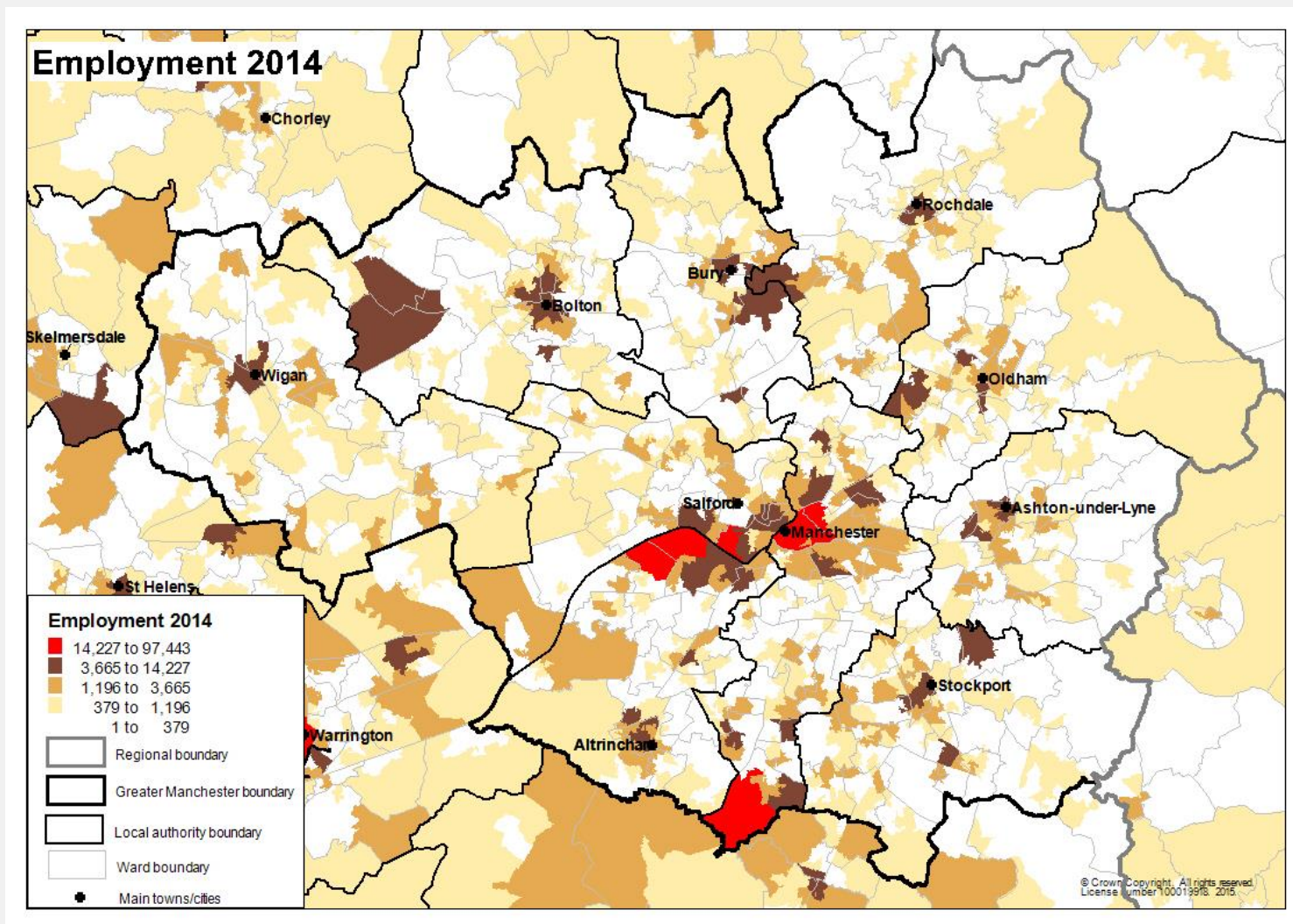


GM has an integrated, diverse
economy, focused on the
conurbation core

Greater Manchester's Economy

- An economically diverse city-region.
- High growth, cf all UK bar London region, but productivity gap with UK average.
- Globally significant communications infrastructure and science, research, innovation and visitor assets.
- Financial and professional services, advanced manufacturing, health innovation and digital industries account for 1/3 GM jobs.

Greater Manchester's economic geography (1)



GMCA

BOLTON
BURY

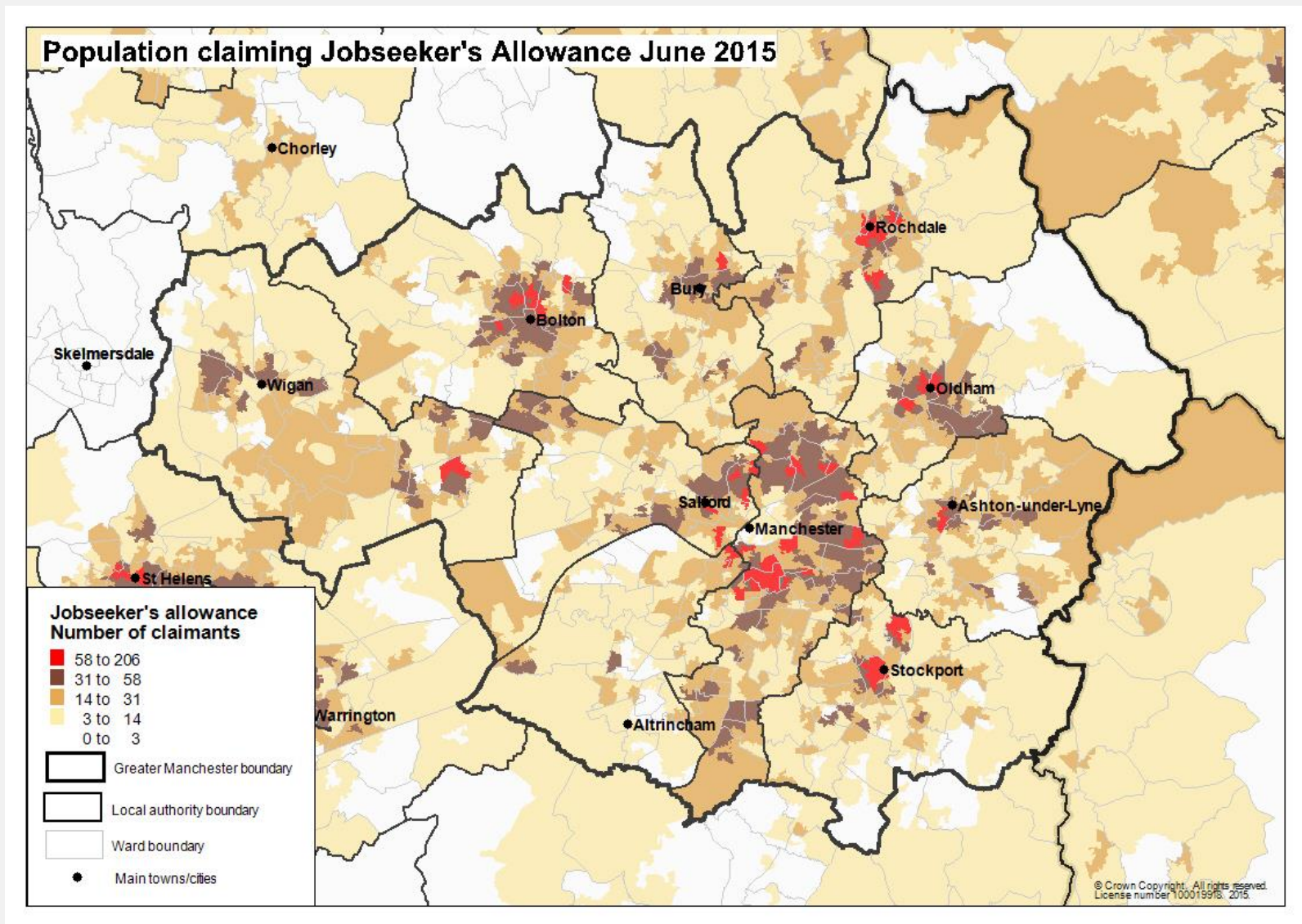
MANCHESTER
OLDHAM

ROCHDALE
SALFORD

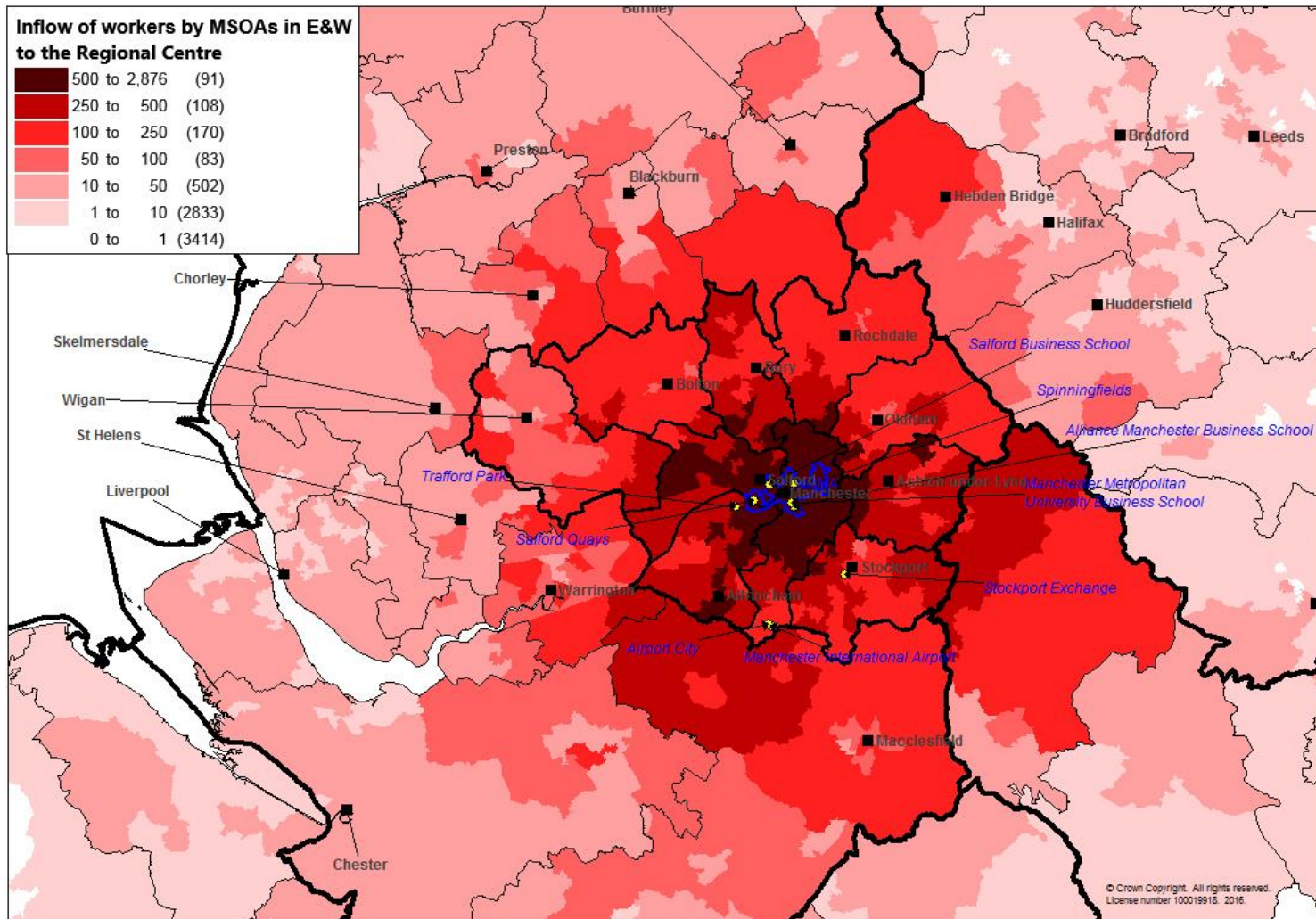
STOCKPORT
TAMESIDE

TRAFFORD
WIGAN

Greater Manchester's economic geography (2)



GM has an interdependent
labour market



GM invests in its evidence base

Manchester Independent Economic Review (MIER)



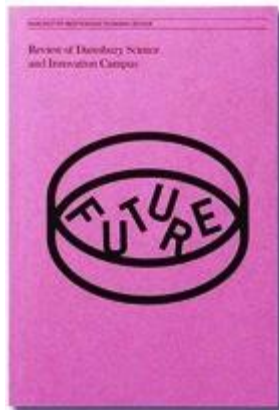
The Case for Agglomeration



Innovation, Trade & Connectivity



Labour Markets, Skills & Talent



Daresbury Campus Review



Sustainable Communities



Inward & Indigenous Investment



GREATER MANCHESTER INDEPENDENT PROSPERITY REVIEW

#GMProsperityReview

gmprosperityreview.co.uk

Greater Manchester Independent Prosperity Review Panel

Intensive nine-month process to update Greater Manchester’s economic evidence-base, led by a panel of leading economic experts

The Review Panel was responsible for:

- Assessing progress against the MIER and identifying lessons learnt
- Reviewing GM’s evidence base and current policy response, identifying key gaps
- Commissioning new, ground-breaking research into priority areas
- Making recommendations for the GM Local Industrial Strategy



Diane Coyle (Chair)
Bennett Professor of Public Policy, University of Cambridge



Professor Ed Glaeser
Professor of Economics at Harvard University



Stephanie Flanders
Head of Bloomberg Economics



Professor Henry Overman
Professor of Economic Geography at the London School of Economics



Professor Mariana Mazzucato
Professor in the Economics of Innovation at University College London



Darra Singh
Government & Public Sector Lead at Ernst & Young

GM strategy-development since the
election of the Mayor (2017)

GM's strategic approach: vision

- “Our vision is to make Greater Manchester one of the best places in the world to grow up, get on and grow old.
- A place where all children are given the best start in life and young people grow up inspired to exceed expectations.
- A place where people are proud to live, with a decent home, a fulfilling job, and stress-free journeys the norm. But if you need a helping hand you'll get it.
- A place of ideas and invention, with a modern and productive economy that draws in investment, visitors and talent.
- A place where people live healthy lives and older people are valued.
- A place at the forefront of action on climate change with clean air and a flourishing natural environment.
- A place where all voices are heard and where, working together, we can shape our future.”

Our new strategic approach: 10 priorities

Let's make



1

**Children
starting school
ready to learn**



2

**Young people
equipped for life**



3

**Good jobs for
people to progress
and develop**



4

**A thriving
economy in Greater
Manchester**



5

**World-class
connectivity**

Greater Manchester

one of the best



6

**Safe, decent and
affordable housing**



7

**A green
city for all**



8

**Safe and strong
communities**



9

**Healthy lives
and quality care**



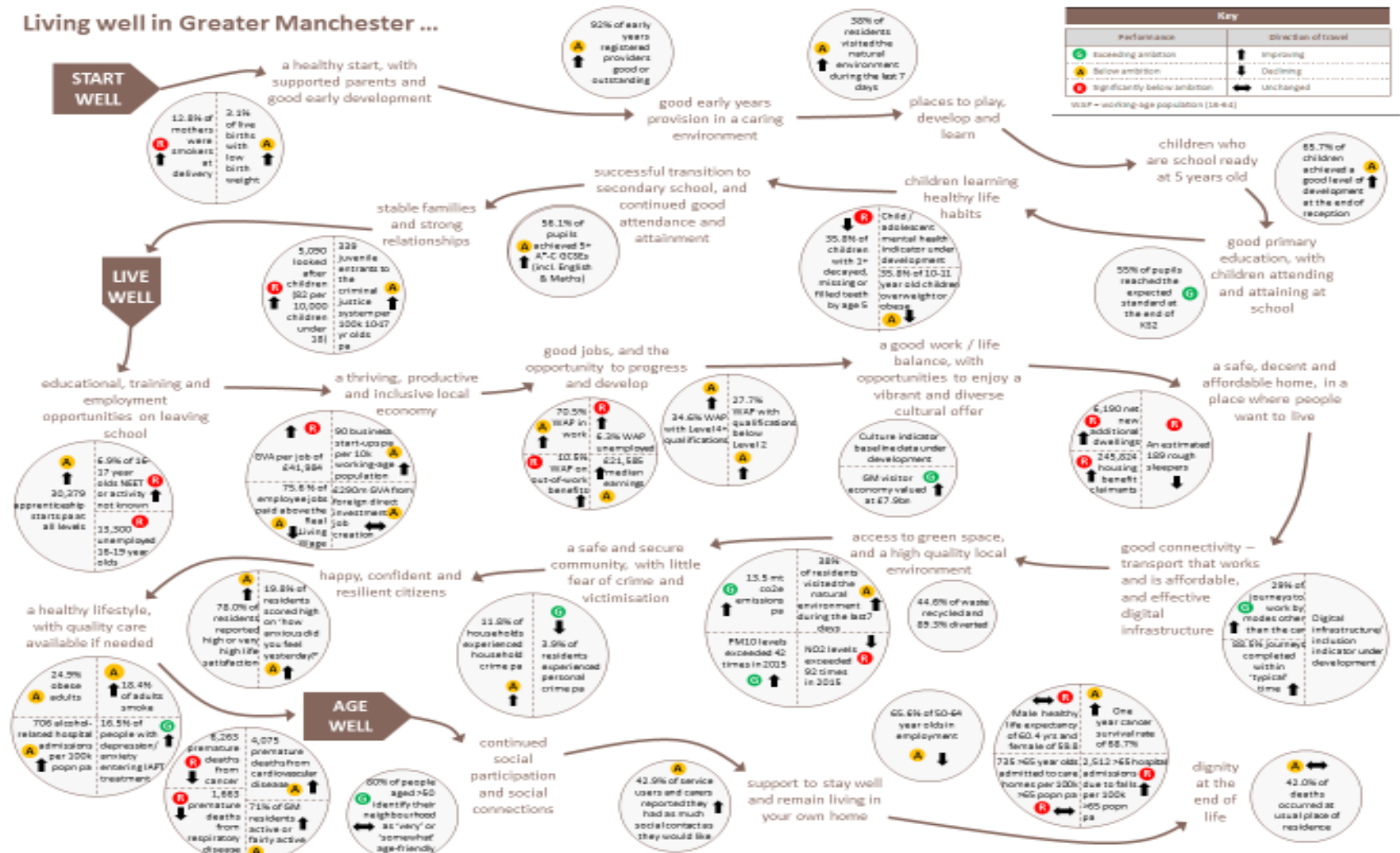
10

**An age-friendly
Greater Manchester**

places in the world

Our new strategic approach: a good life journey

Living well in Greater Manchester ...










FUTURE OF GREATER MANCHESTER



Latest example of strategy work:
GM local industrial strategy
development, supported by
Independent Prosperity Review

Research programme

Baseline	Evidence stocktake Baseline report covering progress since the Manchester Independent Economic Review (MIER) and summarising GM's existing evidence base across the five foundations of productivity. 	Progress with devolution Update of progress on the implementation of GM's devolution deals, highlighting key achievements and barriers. 
New commissions	Productivity Analysis of productivity that takes a deep-dive into labour productivity performance, including a granular analysis of the 'long tail' of low-productivity firms and low pay 	Infrastructure Work to review the infrastructure needs of Greater Manchester to raise productivity, including the potential for new approaches to unlock additional investment. 
	Education and Skills Transitions Analysis of education and skills transitions, reviewing the role of the entire education and skills system and how individuals pass through key transition points 	Global competitiveness and innovation Exploration of the city region's innovation ecosystems, national and international supply chains and trade linkages; and sources of global competitiveness, building on the 2016 Science and Innovation Audit 
Recommendations	Reviewers' Report On the basis of the research undertaken, the report sets out the key findings and Panel's recommendations as to how the GM Local Industrial Strategy should be developed. 	

GMCA

GREATER MANCHESTER INDEPENDENT PROSPERITY REVIEW



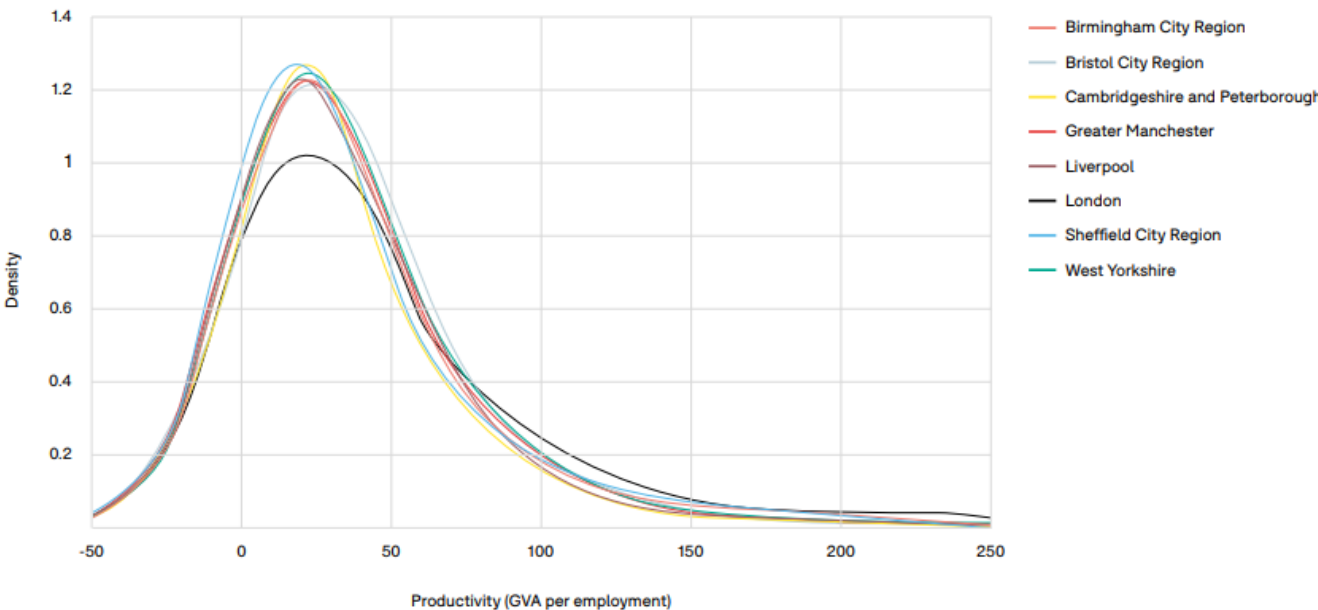
#GMProsperityReview

gmprosperityreview.co.uk

PRODUCTIVITY

Econometric labour market analysis, Firm level ‘long tail’ analysis & detailed review of low pay/low productivity sectors and firms reveal further detail on GM’s productivity gap

- Productivity persistently c90% UK. Improvement prior to recession, but has since widened
- Employment shift to low productivity sectors (<£30k GVA/worker) 38% - 2005 42% - 2015
- Health linked with productivity performance



Distribution of firm-level GVA per employment, Greater Manchester and Great Britain City Regions, 2015

(Source: ONS, 2016)

- Considerable variation in average productivity levels of GM’s main sectors across conurbation. Firms in Regional Centre & exporters and foreign owned firms perform better. ‘Long tail’ of lower productive firms in ALL sectors.

GREATER MANCHESTER INDEPENDENT PROSPERITY REVIEW

#GMProsperityReview

gmprosperityreview.co.uk

Recommendations: Productivity

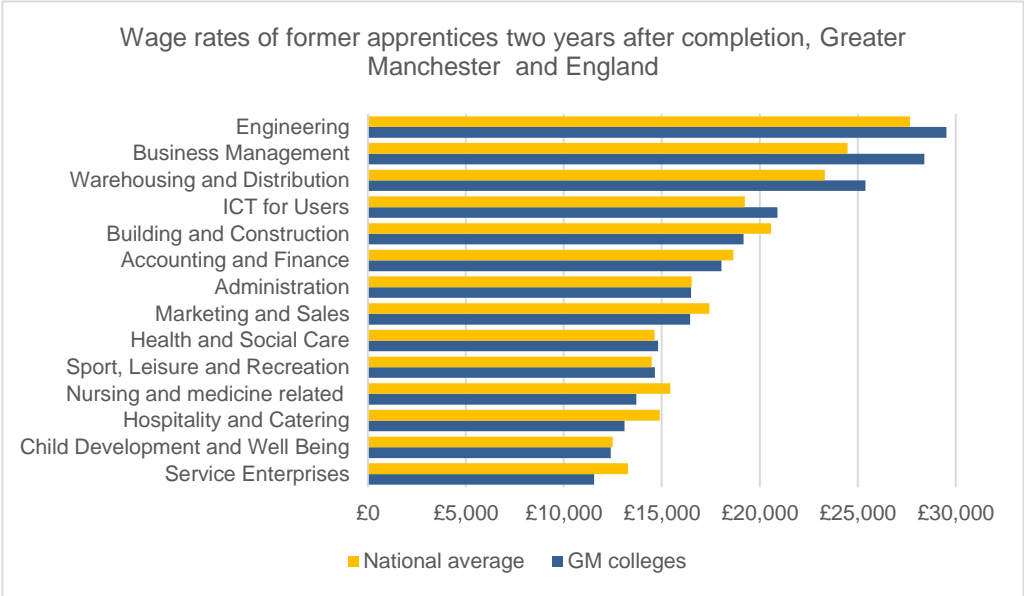
- **Health** should feature more prominently in discussions of human capital, labour market participation, and productivity
- Economic diversity and productivity evidence suggests a focus on **horizontal and cross-cutting policies** which support opportunities and address weaknesses across economy rather than an individualised sector approach
- Work on low pay/low productivity sectors demonstrates **benefits of using public sector levers to improve long-term productivity** – esp. for Adult Social Care sector with devolution of H&SC budget
- Firm level analysis demonstrates importance of **management and organisational development, exporting and internationalisation** in raising productivity, and raising employment standards

EDUCATION & SKILLS



Trends in future of work & analysis of novel data on educational outcomes demonstrate the transformation needed within the education and skills system in GM

- Education and skills, alongside health are among the most powerful explanations of lower productivity in GM, poor utilisation of skills also contributes to reduced productivity
- **Education and training provision in Greater Manchester is fragmented and lacks co-ordination with employer needs**
- Disruptive trends in technology, robotics, AI and shift to cleaner growth are requiring adaption in the skills system



Wage rates of former apprentices two years after completion, Greater Manchester and England

Source: Longitudinal Educational Outcomes; Department for Education

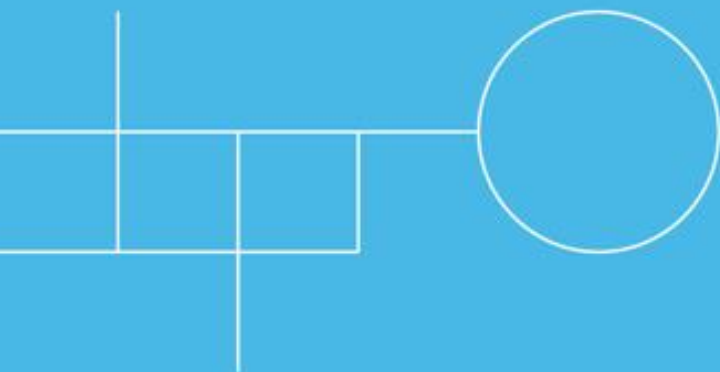
- Longitudinal Educational Outcomes (LEO) analysis shows **apprenticeships are unique among learning pathways in not demonstrating a penalty for being disadvantaged.**
- Technical apprenticeships provide a further wage boost compared to service-oriented apprenticeships

Recommendations: Education and Skills

- The **education performance challenge needs restating** as the skills challenges are far from unique to Greater Manchester. Divisions within Greater Manchester are more pronounced than divisions between Greater Manchester and the rest of the country
- **Apprenticeship findings** are suggestive of what a more **innovative approach to vocational education** might achieve
- There needs however to be much **more joined-up approach to education through all phases** and greater **leeway to experiment** with what works and an opportunity to build in greater engagement with employers
- A new system could have a similar ambition to the Greater Manchester Health & Social Care Partnership to ensure that funding and other interventions are focused on the city region's priorities.



GREATER MANCHESTER INDEPENDENT PROSPERITY REVIEW



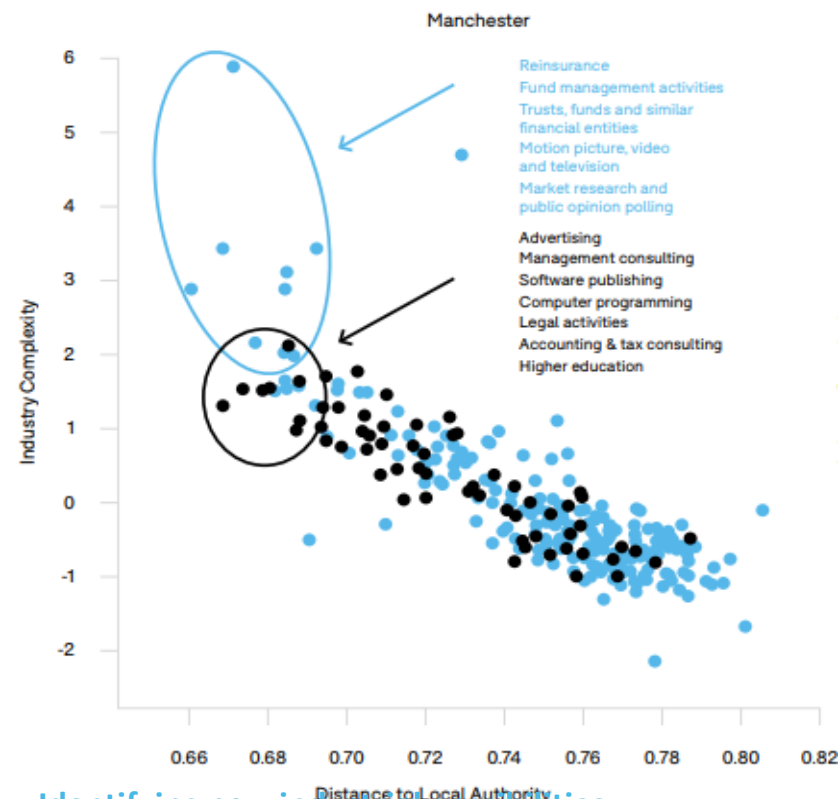
#GMProsperityReview

gmprosperityreview.co.uk

INNOVATION & GLOBAL COMPETITIVENESS

Wide-ranging work for this review provides an understanding of what GM is good at now & what it may be able to become good at in the future

- **Innovation plays a fundamental role in raising productivity** in local economy. Official statistics suggest GM lags national and international peers but **'hidden' service innovation** may be under-represented
- Core strengths for GM are in **Advanced Materials** and **Health Innovation** with fast growth opps in digital, energy and industrial biotechnology
- Other high productivity sectors which should be built upon, if not nationally unique are in manufacturing, professional services and creative industries
- Experimental data analysis suggests new emerging strengths in areas such as service design linked to e-commerce sectors – this work should be tested
- Pioneering **Economic Complexity** work undertaken for this review has explored the concept of economic complexity in GM drawing on novel network-based analysis to study areas of comparative advantage and future growth potential



Identifying new industrial possibilities
(Source: University of Cambridge, 2018)

GREATER MANCHESTER INDEPENDENT PROSPERITY REVIEW

#GMProsperityReview

gmprosperityreview.co.uk

Recommendations: Innovation and Global Competitiveness







- Findings point to importance to GM of focussing on its identified specialisms – esp. **health innovation** and **advanced materials** with clearly identifiable industrial opportunities
- Research also highlights the importance of supporting growth and **facilitating innovation across the economy as a whole** - the route to diversification should come from an ability to build on existing strengths but also through opportunities to promote unrelated diversity
- **A mission based approach emerges** as one route to support and facilitate this type of connectivity and GM has been working closely with Prof. Mariana Mazzucato, Panel member and her team at UCL-IIP to develop a mission based approach to clean growth within Greater Manchester

INFRASTRUCTURE



Infrastructure Framework reveals challenges GM faces in future provision of infrastructure. NIA supports strengthening of capacity but work on appraisal mechanisms suggest change is needed

- Significant progress has been made in bringing providers & regulators together to obtain a common understanding of issues to 2040 and **GM has an integrated strategy for infrastructure**
- **Transport devolution** has enabled strengthening of transport governing capabilities and improvements to transport network e.g. metrolink extension
- Yet the National Infrastructure Assessment (NIA) identified that GM’s **infrastructure capacity needs to increase** if it is not to place further constraints on productivity
- Work on appraisal mechanisms suggests that current scheme-specific national appraisal tools and methods offer little support for non-marginal and potentially transformative projects

<p>GM suffers worst Congestion outside of London. Sections of road with concentrations of NO2 over 40µg/m3 in all 10 GM districts</p>		<p>Electricity demand currently met but estimated that electrification of heat will require 170 new primary substations (c. £850m)</p>	
<p>Full fibre coverage is currently 2% with significant variation across districts. Ambition to connect 90% of all businesses by 2025</p>		<p>No deficits in water supply forecast for GM by 2040 even allowing for population and economic growth. Local pinch points still remain.</p>	
<p>Natural gas provides 96% of primary heating fuel for GM homes. Requirement to reduce/eliminate by 2040 to meet climate objectives</p>		<p>Population growth, new development and climate change mean GM’s drainage Sewerage systems & flood defences may fall below standard</p>	

RECOMMENDATIONS: INFRASTRUCTURE

- If GM is to genuinely be a globally competitive international city region it needs **city-wide digital connectivity**
- Positive improvements in transport infrastructure are evident from devolution and to support future productivity the review recommends GM should **progress with programmes to integrate and improve transport infrastructure** and including for rail and bus services
- The review recommends that GM's integrated strategy for infrastructure should be **backed up by stable, substantial devolved funding**
- The work suggests that GM should work closely with Government to create a **fit for purpose appraisal process** that reflects joint central and local government objectives and ensure effective prioritisation across a devolved integrated infrastructure programme



NEXT STEPS

- The Review provides a rigorous and independent basis for the Greater Manchester Local Industrial Strategy and next steps will be to finalise and implement the strategy
- Reviewers' highlighted that evidence on "what works" at a local level to improve productivity remains untested and as a result contested. Next steps will be to develop an effective system of programme and project evaluation for all actions
- The Review include recommendations to underpin the emerging proposals for a new model of public services in Greater Manchester, future iterations of the Greater Manchester Spatial Framework and infrastructure strategy and the 5 year environment plan. Next steps are to develop, implement and evaluate these activities.

