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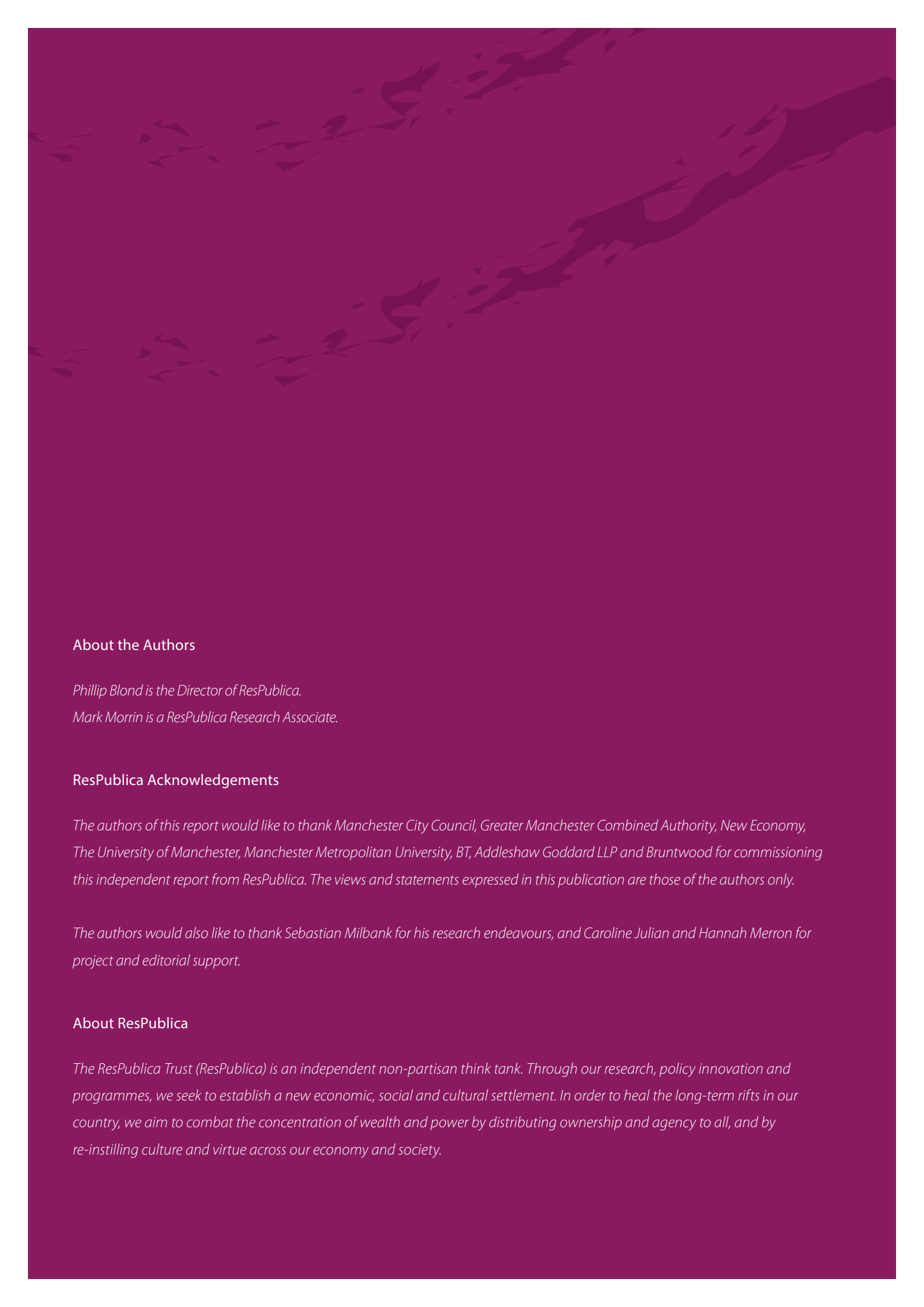
Devo Max - Devo Manc:

Place-based public services

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Executive Summary

“We believe place-based devolution of public sector spend and the integration of the currently competing and conflicting arms of the state is an essential prerequisite for delivering on the original ambition of public services, which was nothing less than freeing people from permanent dependency and unlocking and fulfilling their potential.”

This report sets out the rationale for the urgent reform and radical place based integration of local public services. Using Greater Manchester as the case in point, the author’s hope and intention is to finally produce public services that can transform the lives of those who depend upon them, and advance the prospects of those who use them. We believe place-based devolution of public sector spend and the integration of the currently competing and conflicting arms of the state is an essential prerequisite for delivering on the original ambition of public services, which was nothing less than freeing people from permanent dependency and unlocking and fulfilling their potential. This reform of the public estate is an essential requirement in realising Britain’s and Manchester’s potential for future growth and prosperity. It is the means by which Greater Manchester can achieve its ambition to restore one of the great cities of the north, close the gap between public sector spend and the local tax take raised, and create a genuine growth city in both social and economic terms.

Our proposals are perhaps the most radical yet made for city based devolution. We call for a complete place-based settlement for Greater Manchester via an incremental process leading to the full and final devolution of the entire allocation of public spending – currently £22.5 billion per annum. We wish the fullest possible integration of public services by Greater Manchester for all of its communities and citizens. The strategy that we recommend in this report is we believe, the best way of achieving the social and economic objectives that any Government would want to deliver. Greater Manchester is uniquely placed to undertake this in a way that is tangible and meaningful both at

a local and a nationally significant scale. We make recommendations to both Government and the Greater Manchester Combined Authority to enable this vision for the city and its environs to be realised.

We put forward Greater Manchester for full place-based integration of public sector spend because with its well evidenced growth potential and mature governance structures, it is one of the few places in the UK that could pilot devolution on this scale. Greater Manchester is a monocentric city region which has evolved a political structure that allows it to deal with both the challenges and opportunities this creates. Manchester city centre (combining parts of Salford and Trafford) provides the central core of economic strength. This agglomeration of economic activity has (and will continue to be) critical to growth, with surrounding towns and cities benefiting from and complimenting Manchester’s economic potency.

Another of the conurbation’s innate characteristics is the ‘under-bounded’ nature of the City of Manchester local authority itself (unlike, say, Birmingham or Leeds which have large geographic footprints). The City of Manchester as a local authority is more dependent on its surrounding areas than other core cities as the Manchester local authority district does not contain many of Manchester’s suburbs, and indeed the administrative geography cuts across the city centre with many parts falling into neighbouring Salford. As a result it has one of the highest levels of in-commuting in the country, reflecting the lower proportions of residents both living and working in the city. This means that Greater Manchester’s local authorities have a more economically interdependent and complementary

relationship than local authorities in most other city regions in the UK. It is these unique features of the conurbation's economic geography that underpin its strongly collaborative governance structure.

As a result Greater Manchester has an unparalleled history of collaboration leading the way amongst the core cities with its strong and effective governance in the form of the Greater Manchester Combined Authority. The Combined Authority builds on decades of joint working to provide a stable and accountable platform for Government to devolve powers and functions. Greater Manchester has benefitted immensely from the strength and continuity of its leadership, under which Manchester has moved to a position of close collaboration with National Government and its agencies and key private sectors leaders within the conurbation.

The claim of localism

Localism has become central to the national policy debate. All major parties agree that the UK, and England in particular, is currently far too centralised. The need to devolve more powers - including taxation and public spending - from Whitehall to our towns and cities is increasingly accepted across the political divide.

There have been a succession of policy initiatives over the past thirty years to decentralise government, including the liberalisation of markets, and a great number of local area based interventions designed to bring decision making closer to communities. However, these have largely, and paradoxically, been progressed through bypassing local government to empower centrally sanctioned quangos. Consequently, much of our putative localism has culminated in an unprecedented level of central authority.

That being said, significant and genuine advances over the past 15 years have devolved varying powers to the nations of Scotland, Wales and Northern Ireland as well as to London. And more recently, Manchester was the first of four new combined authorities to have been established by the current Government, allowing greater control over economic development, regeneration, housing and transport. The City Deals programme of

the Coalition Government has also seen a number of bespoke deals between cities and Whitehall agreeing greater flexibility over funding and local decision making. Whilst City Deals are right and innovative, they suffer from being small in scale and therefore limited in impact. Whitehall and centralised departments still govern and control the overwhelming majority of city based spend, and leaders still lack the powers they need to transform their cities and regions and ultimately grow the national economy and benefit UK plc.

English cities make up over half of the UK's economic output, but individually they continue to lag behind the national average and perform below their second tier counterparts in Europe and other developed countries, where cities enjoy far greater autonomy. In 2010 Manchester had a GDP per head of €23,671, but in Munich it was €48,606.¹ Manchester still falls behind cities in countries whose overall economic performance is weaker than the UK, such as Marseille in France, which has a GDP per capita of €30,932.

Increasingly, cities in England are expressing the view that excessive centralisation is holding them back, with severe economic and social consequences. Greater freedoms and flexibilities could allow all our second tier cities to become net contributors; to stop taking from Government and start giving back, growing the national economy. Key to this is reforming how we spend public money. Changing it from a wasteful competition between conflicting institutions and spending priorities, merging all this overhead and spend into one integrated pool from where we could start again and rebase our budgets in line with the varying need and context in each locality and area.

A far greater level and scale of devolution is demanded by English cities to keep decision making closer to the ground, to make political leaders more accountable and to allow integrated investment to reform public services and generate growth.

The need for change

The sheer complexity of the system that originates in Whitehall makes it difficult to estimate the total numbers but, currently over 50 central institutions funnel public sector spend into the Greater Manchester

City region, via more than 1000 different funding lines, each distributed according to centrally set and different outcome measurements. Complicating the matter still further, this spending regime is inspected by a number of national institutions who themselves have over a 1000 additional criteria for judgment. All of which means that the indices that measure, judge and direct public sector spend in Greater Manchester are in the thousands and rise exponentially year on year. In amidst all of this, the local authority must manage different funding schemes, funding by different institutions, targeted at different problems, judged and managed according to separate often conflicting criteria, report it all to different bodies and yet still hope to address and solve the areas' systemic and long term problems. Worse still, the only parts of Greater Manchester's spend that have been the subject of service integration, by central government, are Universal Credit, the Whole Place Community Budget Pilot and the Troubled Families Initiative (TFI). These programs only address very small cohorts of Greater Manchester's population, for example TFI is currently helping some 2,400 families a year in Manchester against the total population of the Combined Authority of 2,702,200, some way less than 0.5% of the population.

Clearly, the current system of funding and managing local authority spend is not engineered for excellence or designed for changing lives. Any achievements won - and there are a surprising number - are in spite of rather than because of, the current spending architecture circumscribing local government. What is needed is a system that pools resource and that can make systemic bespoke interventions that have a chance of transforming rather than simply managing lives. This ambition requires a power to cut across the various vertical inputs from the centre and redirect them to a local pool from where problems and budgets can be reassessed and rebased. It may well be that the most important factor in one part of the city region is skills, in another mental health, local authorities and those they commission simply have to be able to redesign and redirect expenditure at the most consequent factor in each area. Ministers cannot be expected to be accountable for delivery on this micro level.

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No doubt some will argue that this is a pipedream, that we cannot change the status quo. We disagree. Such a systemic redesign of local public services could really transform the lives of those most dependent on public services and move us from a reactive to a proactive approach to the endemic social problems many local authorities face.

The public service innovation we propose around place and integration is not absent from current practice, but is only evident as early interventions in small specific areas, like troubled families. This means whole swathes of other public services remain as they are, trapped in a dysfunctional and conflictual system managing rather than changing outcomes.

To use the well-established problems in modern health as an example of similar issues elsewhere in public services, our current system in the UK is hard wired for acute care, but all the problems and costs come from chronic conditions that cannot be treated in hospitals. But we still pump the vast majority of our resources into hospitals while they do very little to create and instigate the preventative community based strategies that can stop hospital admissions in the first place. To extend the medical metaphor still further, even in better integrated public service systems we are still only dealing with emergencies. We are doing little to intervene further upstream to prevent these emergency admissions by addressing the cause rather than the symptoms of trouble and dysfunction. What this means is that the only people who receive integrated services and personal support are those who hit the emergency threshold. You have to be in real trouble to receive efficient and effective public services. This state of affairs means too little is done for those further down the needs chain, including those who are clearly struggling but not quite enough to trigger the threshold of intervention, and those who may well be in a similar situation in the future. Ending the current division between old universal and siloed services and the new integrated approach for those in real trouble is part of our ambition, for only a wholly integrated approach for all can truly be a preventative strategy that helps us all.

A radical devolution of departmental budgets to whole places is needed to effectively and finally integrate and transform public service delivery. To be genuinely transformative this must be at scale. Too many pilots rightly talk about integration and deliver impressive results but the area chosen is either already siloed (the work programme or mental health services) or it is simply too small in terms of area to achieve or demonstrate the results that could come from at scale implementation. In order to really deliver Government objectives, we need to test new ways of working. The City Region level is the ideal opportunity to pilot an 'at scale' example of what could in principle be achieved. City Regions are the best opportunity we have to completely change the delivery model of public services in the United Kingdom and deliver more efficient and effective public services, which can be replicated to best effect in cities across the country. If a new City Region pilot delivers the required level of spending reduction and performance against outcomes, it will have provided Government with the evidence of how devolution can work, leading the way and setting the benchmark for further place-based devolution.

We all acknowledge that the pooling of devolved funding and the alignment of wider community-based resources and assets are the only way in which the complexity of inter-connected problems can be addressed in a holistic and coordinated way. This approach is not without its difficulties. The key challenge for public services will be to find the means of creating a new localised delivery and integration mechanism that can provide the levels of citizen involvement and frontline autonomy necessary to unlock innovation and improve accountability. Happily, Greater Manchester recognises this and is seeking to design new institutional relationships where bottom-up and community-based solutions can thrive alongside larger scale models of delivery, where public services can network with speed and efficiency across complex delivery chains, and where the interests of service users outweigh those of the providers. This is not a recipe for a stronger town hall delivering the same old things in the same old way, but a situation in which the local authority is a facilitator,

an innovator and a connector, rather than just a provider. Indeed the challenge for Manchester is to become not so much a provider, but an enabler and guarantor who passes on capacity and competency and teaches ability to those it empowers to deliver its services.

If we are serious about reducing public spending and increasing economic impact, a renewed focus on people and places is needed. Too many families are being held back by a complex and self-reinforcing cycle of dependency, which can often be inter-generational. We need to generate shifts in organisational behaviour and social norms; moving to 'whole person' approaches to create 'mass bespoke' services that promote independence and tackle the root causes of dependency and failure. In order to deliver national objectives in respect of reducing the dependency of citizens, increasing the competitiveness of UK plc and delivering genuine value for money Government needs to empower cities with the requisite incentives and tools. This requires creating distributional rewards, where a devolved system allows a share of any potential savings to the public purse to be reinvested by the local authority in further reforms. Of course reform and growth must be tackled jointly. Creating jobs and economic growth cannot really be achieved without radically reforming public services and transforming places. Only a combined approach will reduce the costs of dependency and make cities more sustainable. Siloed approaches to both public services and economic development opportunities are preventing integration of services and the creation of place-based and person-centred solutions. Far greater flexibility and freedom of action at the local level are required. This means devolving power – including public funding and revenue raising facilities - downwards from Whitehall back to City Regions and their authorities. Local public authorities can then reorient and redesign local services to meet real needs and to allow localities to invest in growth for all of their people. As noted above, none of this means a revived municipalism. An effective and innovative local authority must devolve past itself to social enterprises, civic groups and place-based organisations, if the benefits of integration are to be really achieved.

The economic case

Manchester's economy has experienced significant growth over the last 20 years, with the potential to further increase its long-term growth rate to help drive stronger economic performance, not only in the North, but nationally.

As a coherent economic entity Greater Manchester is equal to, and in many cases exceeds, the performance of the devolved nations. With a population of 2,702,200 Greater Manchester is bigger than Northern Ireland (1.8 million) although smaller than Wales (3 million) and Scotland (5.2 million).²

In terms of GVA (Gross Value Added) Greater Manchester not only dwarfs Northern Ireland, with £50.9 billion GVA to Northern Ireland's £29.4 billion, but also exceeds demographically larger Wales, which has £47.3 billion.³ Moreover, whilst Welsh GVA increased by 1.9% from 2011 to 2012, Greater Manchester saw a 3% increase in GVA in the same period, with a GVA per capita larger than all the devolved nations, including Scotland.

However, the city region is not performing as strongly as it should, with productivity and skills below the levels that would be expected for a conurbation of its size. High levels of public funding and low tax yields, are constraining the potential for Greater Manchester to be self sustaining. Despite significant cuts to some public services over the past few years, total public spending in Greater Manchester has remained largely the same in real terms since 2008, being £22.5 billion in 2012/13. This compares with an estimated total tax take of around £17.7 billion. Greater Manchester is currently a 'cost centre' for the UK, unable to reduce dependency or close the gap - of nearly £5 billion over a single year - between the taxes it generates and the cost of public services.

The two largest areas of spend - welfare benefits and health and social care - are where the demand for services is largely reactive, as a result of poor outcomes and a failure to address dependency. In order to maximise the gains of investment in growth it is critical that residents of Greater Manchester are better connected to economic opportunities through the

effective reform of public services. More unemployed residents - many with health related problems - will need to enter into work and progress into higher skilled (and higher paid) roles. Therefore, the key to reducing Manchester's funding gap will be to drive down costs through better outcomes and freeing people from institutional reliance on entitlements. Only helping people to get well and get work will reduce demand on public services, and only this will increase growth and lead to a higher tax take.

The economic position makes the case that radical reform is not just desirable, but essential if Government wants to deliver national outcomes. Looking at Greater Manchester's analysis and hearing its experience it is clear that with the right tools, jobs and growth can be created, but that growth alone will not fundamentally change places or reduce the costs of dependency that fall on public services. The creation of levers that incentivise both growth and reform, rooted in real places, are needed. The barriers to reform are removeable. But we argue that Greater Manchester cannot reform at the pace and scale required unless there is a different offer from, and deal with, Government.

We believe Manchester has gone further than any other city to develop a comprehensive understanding of its public services. The existing public service reform underway in Greater Manchester demonstrates the city region's maturity. It is, we believe, ideally placed to lead the development of new public service models, showing that the commitment, relationships and necessary infrastructure are in place to successfully design and deliver public services in new ways. Yet despite the advancements that Greater Manchester has made, its ability to really drive forward growth and reduce dependency remains constrained by the fragmented and departmentally bounded national system it is working within. Manchester can only go so far before it encounters blockages, barriers and simple resistance to what it is trying to do.

The Combined Authority has now been operational for three years, and it is right that the most established model of

governance is used to test the most radical reforms. A transformational approach, building on existing examples, would drive the radical reform of all services across the totality of public spending. We believe the approach we outline here has the potential to improve the life chances of all of the citizens in the Combined Authority, to ensure a better start in education through supportive early years provision, to integrate health and social care, transform justice to reduce reoffending, and connect skills provision to opportunities for growth.

We believe it is time for Manchester to stop modelling and act; for the conurbation with the strongest governance and evidential base to undertake a bold and radical experiment: full place based devolution.

Devo Max - Devo Manc

The Greater Manchester Combined Authority should endorse and support the vision that we outline in this report. To get there, it should over the lifetime of a Parliament seek a differential and incremental process of devolution with Government, to gradually realise the goal of a full place-based devolution of public sector spend in its area. This new settlement would recognise Manchester's robust levels of leadership and accountability; its strong evidence-base; and its capacity to accommodate large scale transformation. We believe that Greater Manchester is best placed amongst England's second tier cities for a differential deal and that devolution for Greater Manchester can help Government understand how to devolve to other places.

The settlement

We believe that within five years, from the beginning of the next parliament, Greater Manchester should receive a full place-based settlement for its entire proportion of public spend - currently £22.5 billion per annum - to allocate as it sees fit, across the scope of its reform and growth programme. The expectation is that it will deliver a place-based integration of services that meets Government ambitions in respect of changing the lives and outcomes of public service users, reducing the dependency of citizens, increasing the competitiveness of UK plc and delivering genuine value for money.

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This settlement should encompass:

- Multi-year budgets in order to encourage longer-term investment planning for growth and reform.
- Devolved funding, free from ring fencing, with significant accompanying exemption from national requirements on major areas of public spend, including welfare benefits and health protection.
- A shared outcomes framework, which will replace all existing central targets and matrices for measuring them, to which all services within the new place-based settlement area work, and against which Greater Manchester will report to Central Government.
- A single Greater Manchester inspection regime that replaces and/or works with existing authorities on new indices of performance and measurement which considers place-based outcomes and the degree to which Greater Manchester is supporting this with its organisational structures and workforce model.
- Powers to reinvest additional fiscal savings generated through reform, including diminishing welfare benefit payments, into its programmes to create both economic growth and human flourishing.
- A calculated percentage of the central overheads, currently borne by Whitehall to manage its existing spend in Greater Manchester, should be devolved to the Combined Authority. This should be reflective of the decreased demand on central departmental administration and fund the additional resource needed to increase local capacity and work in its place.

Greater fiscal devolution should follow the devolution of public spend. This should be built around a new settlement between central and local government, and based on shared risks and rewards, which incentivise local investment - rewarding economic growth and reduced dependency. As such, Greater Manchester should receive the powers to generate and retain a significantly higher proportion of tax locally to invest in major infrastructure opportunities which are seen as a priority for the city region.

Three years into the next Parliament this should include full devolution of the five property taxes - business rates; council tax; stamp duty land tax; annual tax on enveloped dwellings; and capital gains property development tax - in line with the proposals of the London Finance Commission. These represent just over 8% of all UK Tax with a value of approximately £60bn per annum, although proportions and values vary by region according to property values.⁴ Business rates and Council Tax in Greater Manchester is valued at approximately £2 billion per annum.

Arguments for the devolution of tax raising powers to English regions similar to those enjoyed by Scotland in respect of income tax have been made by many. However, in our view, this is putting the cart before the horse. You can't really devolve personal taxes like income tax to English localities until the local services delivered are related to the local taxes raised. Our full place-based devolution of local spend is the precondition of further fiscal devolution to English localities, and such a fiscal devolution should be consequent on a full service-based devolution.

To support genuine local decision making, we do believe measures will be needed to retain and manage tax resources generated locally - for example the local management and retention of income tax. As an operative principle which we term 'proportionate parity' we would argue that some of the freedoms enjoyed by the devolved nations should be enjoyed by city regions, not least because in some areas, English city regions are bigger than the devolved nations (in the case of Greater Manchester its population is greater than that of Northern Ireland and its economy is larger than that of Wales). In regard to Greater Manchester, we believe that once full place based devolution of public services has taken place, fiscal devolution should follow. There is no good reason why these powers should not be commensurate with the freedoms that have already been allowed in Scotland (where currently income tax can vary by 3 pence in the pound but where the Scotland Act 2012 has already enabled the Scottish Parliament to vary income tax from April 2016 by 10p in the pound). In addition, this principle of 'proportionate parity' should encourage Government to explore what other tax

raising powers might productively accrue to the English regions, should the outcome of the Scottish Independence referendum be no, and a devo max response by the UK Government is forthcoming.

The roadmap

A joint process with Whitehall will be essential to providing momentum and driving an agreed road map to full devolution by 2020. Within the first 100 days of the next parliament, Manchester should be seeking to set up a Ministerial led group to agree incremental steps towards devolution, including public consultation with local stakeholders to build on its governance and accountability model; approval of the full business cases to deliver the level of devolution proposed in each service area - including new delivery models; and the agreement of a shared outcomes and inspection framework. From the start, Government and Manchester will need to commit, and be bound into, the principle of co-design and local commissioning.

The first phase of implementation should see, within two years of a new government, the full scale and city-wide adoption of Greater Manchester's reform programme, including plans for:

Early years: To improve the early years experience, critical to reducing the flow of demand into downstream public sector services and creating a future workforce. Full integration of the currently differentiated funding streams should be supported by integrating commissioning for all community children's services. This should also allow funding to be reallocated, to design improved universal preventative services and improved early identification and targeting of appropriate evidence based interventions for children at risk of poor outcomes. Given the extent of Greater Manchester's preparatory work, this should be the first service, from 2015, to receive full budgetary devolution.

Education: To provide a continuum of pre-19 education and skills spend, including Apprenticeships, aligned within one system - currently split between the Education Funding Agency (EFA) and the Skills Funding Agency (SFA). Greater Manchester should take responsibility for

driving up standards in schools, and should be open to the idea that in order to achieve this it should empower institutions beside itself. It should also seek to align spending with strategic priorities, such as preparing young people for the world of work and sustainable employment. Education needs to be embedded in the local labour market, where all agencies dealing with young people are accountable for their progression into sustainable education, training or employment.

Skills: To allow Greater Manchester to use the entire adult skills budget, including post 19 apprenticeships, to radically change the system into one which actually responds to the skills needs of Greater Manchester employers and residents. This would up-skill residents for the Greater Manchester labour market, not for nationally determined courses, to ensure that skills providers who operate in Greater Manchester work toward the skills priorities set locally. Over the course of Parliament the Skills Funding Agency would develop into a locally managed service.

Welfare: To design and commission a more intensive, integrated approach to support harder-to-help cohorts into work using evidence from the Work Programme, Working Well, and Troubled Families to inform a localised welfare to work model. By 2020 all employment programmes should be devolved from DWP and Jobcentre Plus should be brought under local control.

Blue light services: To organise and integrate Fire and Rescue with Ambulance and Police Services on a Greater Manchester footprint, providing a remit to undertake a wider service offer around prevention, identifying troubled families or those at risk.

Health and social care: To complete Greater Manchester's whole-system reform to integrate out-of-hospital and in-hospital care including primary care, community care, public health and social care, managing these services at a Greater Manchester level. Allowing local government to marry democratic accountability to local clinical insight would support the immediate integration of these services with existing local provision. Pooling NHS and local

authority budgets would also ensure that funding can achieve local outcomes - improving people's health and well-being and getting people into work.

The remaining years of Parliament should be used to work with Government on the detail of achieving full place-based service devolution to Greater Manchester.

"Our proposals are perhaps the most radical yet made for city based devolution. We call for complete budgetary devolution for Greater Manchester via an incremental process leading to the full and final devolution of the £22.5 billion annual public sector spend in the Greater Manchester City Region to Greater Manchester."

Recommendations

The next Government should:

- 1. Pilot full budgetary devolution to the Greater Manchester Combined Authority.** This process should endorse the guiding vision and proceed by degree in specific service areas based on the merits of Manchester's progress and achievements to date. It should not, however, preclude other towns, cities and places from arguing their own case for devolution. Full devolution should be achieved by the end of the next parliament and should include the full place-based settlement for the entire allocation of public spending.
- 2. Deliver fiscal devolution to the Greater Manchester Combined Authority.** This should include:
 - The devolution of the five property taxes, in line with the recommendations of the London Finance Committee. We believe the case for this has already been made, and as a stage to further fiscal devolution they can, and should, be enacted within the first three years of the next Parliament.
 - Initiating dialogue with Greater Manchester to progress the introduction of local management and retention of income tax, with a view to implementing tax raising powers by 2020 when full place based devolution of public services has taken place. On the basis of proportionate parity, this should be broadly commensurate with the freedoms that have already been allowed in Scotland or that will be enacted subject to a 'No' outcome to the Scottish Independence referendum and a subsequent devo max response by the UK Government.

- 3. Commit to extending the legal powers of the Combined Authority.** Government should immediately review the constitutional and statutory instruments necessary to transfer full devolutionary powers and enact new laws, where necessary, to support the practical financial arrangements needed for devolution and place-based accountability.

Greater Manchester should:

- 4. Develop new levels of accountability and governance.** The combined authority should work with local partners, and Government, to design and implement new levels of shared accountability and democratic governance commensurate to the level of public service and budgetary devolution. This could include a reformed Greater Manchester governing 'Board' which reports to and supports an elected body that has clear democratic accountability. This could be an enhanced form of the current indirect 'senate' model that governs the combined authority, or it could and we favour this, include options for a directly elected GM Mayor and GM Assembly or another democratically elected governance model properly appropriate to Greater Manchester's needs. A process of public consultation and referendum on democratic options could be conducted to ensure the widest possible engagement of Manchester's communities with what may ultimately govern and tax them.
- 5. Commit to a model for devolving still further to localities.** In accordance with the principles of subsidiarity, part of Greater Manchester's settlement should be further devolved to ward based localities in return for a shared 'hyper-local' risk and reward model, with localities passing savings back whilst maintaining a portion to invest.

Government and the Greater Manchester Combined Authority should jointly agree:

- 6. The incremental steps towards devolution:** A joint process with Whitehall is essential. The first year of Parliament should be used to agree the detail of full devolution to Greater Manchester and the staged plan towards achieving this, including the immediate scaling up of Manchester's reform programme. This process should also agree:
 - The details of a shared outcome framework to encompass a single set of high-level place-based indicators to be used across the whole of Greater Manchester's public services.
 - A single Greater Manchester inspection regime that considered the effectiveness of achieving place based outcomes across services.
 - The details of shared risk and reward, commensurate with the levels of devolution.
- 7. A Local Public Accounts Committee.** This should be a cross party assembly, although neither centralist or localist in bias. A Local Public Accounts Committee should be empowered not just to advise and improve how money is spent, but to scrutinise, intervene and discipline, referring bad behaviour downwards and upwards, as well as making it public.
- 8. Accountability to parliament.** This should include the potential for members of the 'GM Board' and relevant Secretaries of State to jointly hold officers to account for progress against agreed priorities. Elements of a new accountability model could include an official or local representative empowered to mediate between Government and Greater Manchester. This could take the form of a Mayor or 'Minister to Manchester' or 'Prefect' following the French system of government.

The recommendations in this report will seem radical to many, even revolutionary, involving new ways of working that rewrite how things are done, by who and to whom. That is the point of this report. We need to look at different ways of running public services, precisely because decades of hard work, centrally, locally, in the public and private sectors have not delivered what we all would surely want: strong and growing cities with falling welfare bills, rising skill levels and a more healthy, more independent, active and fulfilled population. If this report calls for radical reform of public services it is because the status quo in too many of our schools and hospitals and localities represents steady and remorseless decline, with the highest penalty being paid by the most needy and the least advantaged.

The crisis in current public sector provision does not just concern the very poorest amongst us, it concerns us all. The overwhelming majority of us are taught in state funded schools, use public health facilities from GPs to hospitals and are protected in our homes and our streets by the police and the emergency services. All of these things that the state does emerged from separate problems being

addressed in their turn by Government as they arose. Unsurprisingly, each separate service has developed a distinct ideology, a discrete form of practice and a self-enclosed overhead and management structure that carries on as it does seemingly immune to reform and adaptation.

Of course this is a general picture, and in many instances whole areas, can and do, reform (state schools in London for example), but overwhelmingly we are not getting what we should from our public services. And in a world where wealth and opportunity are concentrating rather than expanding, and the private sector can out compete and out deliver the public, and access to that private sector is limited by wealth and power, then it is imperative that public services work for the public. We believe that misguided loyalty and a wrongful identification of present means with longed for ends: that pumping money into the state ensuring that we do the same old thing in the same old way will eventually save the poor from their lot, is a madness that must stop. This attitude has destroyed the efficacy and power of public services in our country and condemned the needy to their fate and the hopeful to disappointment.

We want to restore public services to the public, we want them to work for all, so that all may work and all may flourish. We all now know that the factors and forces that confront people are many and varied. The social problems that condemn whole areas to permanent poverty and self-neglect are manifold and multivalent. Discreet interventions will not solve the social and economic problems that confront us – we need a holistic and integrated approach, we need all of the resources at the states disposal to be pooled and brought together at a local level on the basis of place, because that is where people live and where the problems that damage, harm and limit them are found also. If we can recover public money, we can rebase it, we can free it from established and failing lines of public expenditure and weave a new the public compact – *the mass bespoke*, where everybody is approached and dealt with as the person they are, and the resources that are given to them to help solve their problems vary according to who they are and what they face. Place-based integration and people based personalisation walk hand in hand, and that and only that, will make public services serve the public.

1 Eurostat (2010) [online] Available at: http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database [Accessed 3 September 2014].

2 Office for National Statistics (2013) Population Estimates for UK, England and Wales, Scotland and Northern Ireland, Mid-2011 and Mid-2012 [online] Available at: <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-319259> [Accessed 3 September 2014].

3 Office for National Statistics (2012) Regional Gross Value Added, 2012 Dataset [online] (Updated July 2014). Available at: <http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Regional+GVA - tab-data-tables> [Accessed 3 September 2014].

4 The London Finance Commission, established by the Mayor after his election in May 2012, examined the potential for greater devolution of both taxation and the financing of London government. The commission recommended full devolution of the five property taxes. 'One Year On', the commission's follow on report, suggests a manifesto commitment for all parties, to deliver the devolution of property taxes to London and England's Core Cities.

1

Introduction

This report sets out the case for the urgent and radical reform of public services as an essential requirement in unlocking Manchester's potential for future growth. It calls for a new delivery model that will enable a more local, personal and holistic approach that reaches and helps difficult groups with complex needs before they hit points of crisis and suffer from a permanent rupture of their lives and careers. The report argues that for the gains from integrated public services to be achieved, full budgetary devolution to the combined authorities in Greater Manchester will be needed.

To realise this vision, our report charts a differentiated and incremental process of devolution for Greater Manchester that reflects the needs, ability and capacity of the city region to implement transformational change. We believe that differential devolution for Greater Manchester can help Government understand how to devolve to other places, as and when, they are able to take the powers. This report makes recommendations to both Government and the Combined Authority to achieve this.

1.1 A city for the twenty-first century

The combined authorities of Greater Manchester form a highly coherent and single economic geography, the largest outside London.⁵ Greater Manchester is a functional city region that has experienced successful economic growth over the past twenty years with the potential to increase its long-term growth rate to help drive even

stronger economic performance. Greater Manchester's GVA rose from £49,461 million in 2011 to £50,991 million in 2012, a rise of £1,530 million or 3.1%. This is almost double the national average increase of 1.7% and the highest growth rate in the country outside of London and the South East.

Manchester's recent history is a story of successful regeneration from post-industrial decline to a new diversified economy. Factories have been replaced by hospitality and leisure, but also important agglomerations of high-tech and knowledge based industries. This transformation is visible in terms of the physical appearance of the city – the warehouse conversions, the trams, the shiny new buildings and stadia – but also in terms of a resurgent civic and cultural identity. Having once led the way as the world's first industrial powerhouse, Manchester has reinvented itself as a truly modern British city for the twenty-first century.

Manchester's success is directly attributable to a sustained vision for the city, a strong local leadership willing to collaborate with all partners, and a proven capacity to develop and adapt to opportunities. With well established and robust governance structures in place, Greater Manchester has the facility for far greater co-ordination of activity across the conurbation, and is the platform for greater co-operation between its institutional actors and its citizens. And yet the ability to really drive forward reform and growth remains severely constrained.

The work that Greater Manchester has undertaken has led to a deeper understanding and analysis of the current economic position to identify the factors which are holding back further economic growth, and the opportunities for all of Manchester's inhabitants to share in this prosperity. The Manchester Independent Economic Review, published in 2009, found that in the first decade of the new millennium every part of the city region improved in absolute terms. But regeneration had not benefited the whole population equally. Inequality in the city had increased sharply, as the richest parts of the city got richer at a much faster pace than the poorest parts.

A significant proportion of Manchester's resident population are low-skilled and either in low-paid employment or economically inactive. A total of 25.7% of Greater Manchester's population is economically inactive, compared with 22.6% in the UK as a whole. Meanwhile, the employment rate is markedly lower than elsewhere in the country. In the UK as a whole, the employment rate is 71.7%. In Greater Manchester it is as low as 67.8%. High levels of dependency on a wide range of public services are limiting the potential for growth and improved productivity, restricting the ability of Greater Manchester to close the gap between the taxes it generates and the rising cost of public services. Financing an unreformed public sector is becoming unsustainable.

Greater Manchester has long realised that there is a structural link between the reform of public services and local economic growth. The vision is for the city region to be self-sustaining and to become a net contributor to the national economy, delivering genuine value for money to the public purse. To achieve this, public services will need to perform more effectively to reduce dependency, by delivering better outcomes and connecting people to the opportunities arising from economic growth.

1.2 Holistic public services

Increased state centralisation, outsourcing and attempts to achieve 'best value' have removed power from elected localities and stripped away their ability to effectively respond to local needs and national priorities. Service-based privatisation, while offering some real improvements, also risks fragmenting the public service offer, making it increasingly difficult to create systemic change.

Greater Manchester is working within the limits of this centralised and siloed departmental offer to develop a more innovative and proactive form of public service delivery, tailored around the individual and his or her wider social context. But if Manchester is to upscale the gains it has achieved and truly enable people to flourish, a different approach needs to be explored.

A new localised model of public service delivery is required to overcome the problems of service silos and the conflicting interests of the local and national state. One that provides the fullest possible integration of public services, and which concentrates on the holistic care of the person and their community.

The current system all too often precludes the possibility for holistic integrated care.

The majority of services are standardised, a one-size-fits-all, and segmented without true regard to the individual needs of people. As a result, people's real needs are rarely met, as different parts of state/private provision conspire, often unbeknownst to themselves, against one another. They conflict and often duplicate where they meet, and fail to address gaps in provision where they don't.

Instead, services must be bespoke and personal. They must be upstream of current thresholds for action and integrate at the earliest possible stage, to ensure that prevention genuinely results in a lessening of demand on, and cost of, public services.

1.3 Devolution and integration

Public service delivery can't go on as usual, without significant risk of service deformation or even failure. Dramatic shifts in constitutional and departmental arrangements at the centre of government are needed in order to allow something very different to emerge.

The current political context provides fertile ground for a deep re-envisioning of public services and greater independence for local government. All major parties included commitments to localism in their 2010 manifestos, and there continues to be a cross party accord that power in England is currently too centralised, and that each community should be able to influence what happens in its locality to a much greater extent.

Earlier this year, Ed Miliband outlined Labour's vision for, 'a new culture of people-powered public services' (Hugo Young Lecture, February 2014) and criticised our over centralised economy (Birmingham Speech, April 2014). Miliband proposes a new bargain. Cities and towns that come together will be given historic new powers.

More recently, the Prime Minister said there was "political consensus" across the main parties that "devolving power and money from Whitehall to the cities [...] is the future. The debate now is about how far and fast it can go" (Financial Times, June 2014).

Signs of this new future are there on both sides of the political divide. In short, the environment is ripe for a radical new public service offer, that combines full area-based budgetary devolution, with the upstream integration of public services.

But delivering on this requires the following: an at scale example in a local authority area that can prove its merit over time, a new cross party grasp of what is wrong with current public sector provision and an account of what is needed in its stead.

Greater Manchester is widely recognised as perhaps the most effective city region in the country. One of the four Whole Place Community Budget pilots by the DCLG, it is ideally suited to act as a pilot to test Government ambitions and to demonstrate at scale the rewards and returns of this approach.⁶

Manchester wishes to invest its public money in skills and education to create the human capital that will promote growth, rather than using its public expenditure to maintain a broken and unsustainable system of dependency. But to achieve this aim, it must become responsible for the public services it deploys; it cannot reform what it cannot control, and it cannot direct, change or renew what it is not in charge of. Consequently, Manchester needs a radical 'vertical' devolution of powers and the 'horizontal' integration of public sector budgets.

5 Greater Manchester Combined Authority includes the ten local authorities of Bolton Metropolitan Borough Council; Bury Metropolitan Borough Council; Manchester City Council; Oldham Metropolitan Borough Council; Rochdale Metropolitan Borough Council; Salford City Council; Stockport Metropolitan Borough Council; Tameside Metropolitan Borough Council; Trafford Metropolitan Borough Council; and Wigan Metropolitan Borough Council.

6 In December 2011 the Department of Communities and Local Government (DCLG) selected four pilot areas, including: Greater Manchester, Essex, Tri-borough (London) and West Cheshire, to develop whole place approaches to public service reform to improve outcomes for local people.

2 The History of Localism

"...all too often localism is put forward as an 'add-on' to more serious policy, a central box to tick rather than a true local priority. Only by seeing localism as a philosophy and method for achieving national priorities, can a truly localist agenda emerge and succeed."

Localism has gone from being a marginal concern with many policy makers, to a central part of the national policy debate. However, such well-intentioned commitments to localism are often sidelined by what are perceived as being more urgent national priorities. The reason for this failure is because all too often localism is put forward as an 'add-on' to more serious policy, a central box to tick rather than a true local priority. Only by seeing localism as a philosophy and method for achieving national priorities, can a truly localist agenda emerge and succeed.

But ministers will not let go if they are still held accountable for decisions or outcomes over which they have no effective control. Politically, if localism is to succeed - and so far it hasn't - the devolution has to be genuine: local rather than national politicians must be held accountable, and local rather than national institutions must be held to a similar account.

Localism is antithetical to how Whitehall works. Devolving localism in practice requires selected parts of Government to work together, on what are for each of them, not priority concerns. The problem locally is that there is a mêlée of government departments fighting for what they take as the most important issues, which relegate wider local concerns and proscribe more co-

ordinated local approaches.

Looked at from a local perspective, these current arrangements are an ongoing tragedy: though primary and secondary healthcare and state education do (or more often don't) use resources wisely to prevent multiple disadvantage or minimise its effects. Too often the practice prohibits effective use of public money, as the conversation is all about spending lines and the needs of national institution, rather than making the available resources work for real people with real and complex issues.

Devolving powers to front line organisations and managers - for example in schools, job centres, NHS Trusts, etc - will only serve to increase the power of government departments. Devolving in silos may make Whitehall feel they are decentralising, but it is no nearer achieving the level of integration at the local level that is required. If anything, it makes matters even worse.

2.1 Defining localism

At its most basic, localism is a philosophy; one that echoes from the words of thinkers like Edmund Burke, which rests on a simple assumption: that an ordinary man or woman, given the proper context and tools, is capable of making rational, moral and effective decisions about themselves and their community. In other words, if a decision can be made in a local

area about a local matter, then it should be. Localism is an instinct as well as a policy direction: an instinct that trusts the person on the ground over the person at the centre. Not because the person in the centre – the person in Whitehall – is any less competent, but because of *where* they are. It is not just about a redistribution of power, but also a change in *how* power is used and the ends to which it is deployed.

What divides localism from municipalism is that localism has no desire to replicate the centre in the locality. Localism is also a method, a method of governing, thinking and decision-making. It is one that puts place and person at the forefront, ahead of abstraction and ideology. It is informed by these things, but places them at the service of place and person, not the other way round. This approach – by definition – does not demand a one size fits all set of policies.

In England, localism has come to represent a fluid discourse around 'decentralisation' and 'devolution', specifically the transfer of powers, including taxation and public spending – from central to local government, its communities and citizens.⁷ The terms are often conflated and used interchangeably to include all aspects of:

- *Administrative decentralisation* - delegation of administrative duties to different levels of governments.
- *Political or constitutional decentralisation* - involving transfer of powers from centre to local levels of government with the ultimate aim of devolution.
- *Fiscal decentralisation* - dispersion of previously concentrated powers of taxation and revenue generation to other levels of government.
- *Market decentralisation* - involving privatisation and market deregulation by shifting responsibility for government functions from the public to the private sector.

All of these models have been debated, and in the case of market deregulation and the delegation of administrative duties have been implemented in varying degrees.

2.2 The national and international context

The UK is highly centralised by international standards, with other large democracies in Europe and North America operating more devolved systems of taxation and public finance.⁸ In the UK only council tax, representing 1.7 per cent of GDP, is not set by central government. This small amount has been capped by Whitehall for 25 years and is subject to tight controls limiting the ability of local authorities to change the rates upward. Since April 2013, a proportion of business rates have been retained locally; however, there is no power to change the rate with a national equalisation mechanism preventing significant variance.⁹

In terms of taxation and public finance, Britain is the most centralised of the world's major democracies (Travers, 2012). For example, in Canada, Germany, Spain and Sweden the taxes determined by local and state/regional government exceed 10 per cent of GDP. The disparity is even more pronounced at city level – for example, London receives 74% of its income through transfers from central government, compared to 37% in Madrid, 31% in New York, 26% in Berlin and less than 8% in Tokyo. Furthermore, the UK operates a higher level of central control over public expenditure. According to McKinsey, central Government's share of public spend in Germany is 19%. It is 35% in France, but a massive 72% in the UK. But despite having the least control, our localities contribute the most, the UK's largest 56 towns and cities account for 61% of national economic output; London alone contributes 21% of national GDP.

Yet within this overall picture, according to the Democratic Audit's 2012 Report, the UK is now characterised by highly asymmetric decentralisation.¹⁰ This is entirely due to the considerable autonomy that has been granted to the devolved nations of Scotland, Wales and Northern Ireland, while the English state itself remains highly centralised. The situation for major cities in England is also out of step with moves to increase fiscal devolution to the devolved administrations.

The Scottish Government is currently able to vary (down or up) the basic rate of UK income tax by up to 3p in the pound, although the power has never been

used, and will be succeeded by the new legislative framework for Scottish public finance in the Scotland Act 2012. This is expected to be in place by April 2016 and gives the Scottish Parliament the power to vary the Scottish rate of income tax by up to 10p in the pound. Demands for the Scottish Parliament to have total fiscal autonomy are currently debated as part of the Scottish independence referendum.

Most recently, Ruth Davidson, leader of the Scottish Conservatives, indicated that her party would favour further devolution of fiscal policy decisions following the report of a policy panel – The Commission on the Future Governance of Scotland (2014). Scotland's other pro-Union parties have already set out their plans for strengthening devolution. The Liberal Democrats have said Holyrood should raise 50% of the money it spends and have control over income, capital gains and inheritance tax. And Labour's plans, included the devolving of three quarters of the 20p tax rate, control over housing benefit and more powers for Scotland's islands.

Further to these devolved powers in Scotland, Wales was promised, in the Queen's Speech (2014), a bill to devolve stamp duty, land tax and landfill tax, and provide for a referendum on devolving an element of income tax.

As a coherent economic entity, Greater Manchester fares with, and in many cases exceeds, the performance of the devolved nations. With a population of 2,702,200 Greater Manchester is bigger than Northern Ireland (1.8 million) although smaller than Wales (3 million) and Scotland (5.2 million).¹¹

In terms of GVA (Gross Value Added) Greater Manchester not only dwarfs Northern Ireland, with £50.9 billion GVA to Northern Ireland's £29.4 billion, but also exceeds demographically larger Wales, which has £47.3 billion.¹² Moreover, whilst Welsh GVA increased by 1.9% from 2011 to 2012, Greater Manchester saw a 3% increase in GVA in the same period, with a GVA per capita larger than all the devolved nations, including Scotland.

However, when compared with similarly sized metropolitan areas in Germany, where cities and regions are granted

significant autonomy, Greater Manchester is underperforming. In 2010 Manchester had a GDP per head of €23,671, but in Stuttgart it was €38,673, in Munich €48,606 and in Hamburg €39,123.¹³ These metropolitan regions all enjoy considerable autonomy; Hamburg is a full city state. Manchester still falls behind cities in countries whose overall economic performance is weaker than the UK, such as Marseille in France, which has a GDP per capita of €30,932.

2.3 Old localism

The 19th Century witnessed a great leap forward for localism with the creation of the Victorian cities. At a time when the UK Parliament was much more focused on overseas affairs and the administration of Empire, this local system of municipal government enabled cities to generate great wealth and develop a wide range of new public services. With the facility to raise local taxes, localities were responsible for the provision of public health, sanitation, water, gas, electricity, hospitals, schools, housing and policing.

Manchester was at the forefront of the Industrial Revolution, a truly modern city. The city celebrated a succession of firsts in science, industry, commerce and civil achievements as strong and visionary civic leaders were able to realise their bold and ambitious plans to make their city the economic powerhouse of Britain. Manchester was not only an industrial and commercial powerhouse, but a political engine driving the creation of a global economy, through its promotion of free trade and individual liberty. This process was no abstraction, and was in fact realised by the growth of physical infrastructure; from Manchester's construction of the first railway station, to the construction of the world's (then) longest canal – The Bridgewater Canal. From the very start globalism and localism were not opposed.

The status of Manchester and other great 19th century industrial cities allowed them to be midwives to the modern age, not only accelerating and implementing the coming of scientific, economic and political change, but also dealing with the new problems and consequences of these changes. In area after area British cities gave birth to local institutions and solutions that became crucial systems for managing modern life,

and living in modern cities. For example, the rampant crime and poverty of London led to the establishment of the Metropolitan Police Force under Robert Peel, himself from Bury, in 1829.

Starting with the need for national taxation to fund the social reforms of Lloyd George, and accelerated through a multitude of factors, such as: the decline of the British Empire; the post-war development of the welfare state; the creation of the NHS; and nationalisation, local political concerns came increasingly under central government control. The privatisation drives under the Conservative governments of Margaret Thatcher (1979–1990) and John Major (1990–1997), and the further restrictions placed on local authorities during this period, have been commonly cited as the second wave cause of an unprecedented level of central authority (Painter et al, 2011).

2.4 Market-state localism

The 1980s saw great changes in government policies that directed urban planning to address market failure, reverse economic decline and regenerate inner cities. This was clearly a top-down and centralist programme, based on a belief that localities and local authorities were part of the problem, and therefore incapable of providing the solution. However, these programmes sought to include all sectors – public, voluntary and especially private – with a new notion of local partnership working. Including and accentuating private sector involvement evolved from the idea that central government should not and could not provide all the resources necessary for urban regeneration. The emphasis on 'leverage' and commercial developments was at the heart of a new enterprise culture, that it was hoped would drive local renewal.

Following several high profile clashes between the mostly Labour controlled metropolitan councils and Margaret Thatcher's government, the 1985 Local Government Act abolished the metropolitan county councils, including the Greater Manchester City Council, and distributed their responsibilities between joint-boards, special arrangements, quangos and the boroughs. Manchester responded by establishing the Association of Greater Manchester Authorities with a 'new modus operandi' to work both pragmatically and imaginatively with local

businesses and central government (Forjan and Shakespeare 2009).

Manchester had undergone a severe industrial decline since the 1960s, and most of its industrial and trade infrastructure became systematically redundant. Unfortunately, this was accelerated by the reforms of the Thatcher government and created vast social problems, which exist to this day. However, Manchester was also one of the earliest cities to adapt to these changes, and beginning in the late 1980s Manchester began developing successful private-public partnerships. This model has been key to reinventing Manchester, especially in the context of the 1996 IRA bombing. With the investment brought by rebuilding, and the hosting of the XVII Commonwealth games, a series of ambitious regeneration programs transformed Manchester, resuscitating defunct industrial infrastructure into new residential, commercial and cultural spaces. Though most local government large scale involvement in such programmes remained dependent on centralised patronage, they provided a crucial restoration of local confidence and identity, and re-established Manchester's centrality in national policy.

This period gave rise to a whole raft of policies and interventions including: Urban Development Corporations; Enterprise Zones; Urban Development Grants, such as Action for Cities; City Action Teams and Task Forces. Most of these were administered through the evolving Regional Offices of Central Government, bypassing the control of local authorities completely.

Concerns about the top-down nature of these approaches brought about a re-evaluation and restructuring of the policy framework during the 1990s, towards more holistic and locally sensitive programmes. There began a gradual integration of physical, social and economic strategies for change and a strengthening of the partnership approach. New schemes, like City Challenge and the Single Regeneration Budget (SRB), were introduced to allow Local Authorities to bid on behalf of communities for public funding to deal with the most concentrated areas of local deprivation.

In 1999, thanks to a successful bid to host the 2002 Commonwealth Games,

Manchester constructed what is now the Etihad Stadium, the centrepiece of a programme to regenerate the east of Manchester. With this, and other regeneration projects, Manchester has demonstrated an ability to maintain an independent economic and political agenda, often against the odds. But whilst the regeneration model has provided good quality infrastructure and boosted the retail and tourist industries, it has mostly failed to help those who are poor, troubled and victimised. Small-scale interventions, personal contact and public service reform are wholly absent from such grand political projects. They are valuable, but limited in their scope.

2.5 New localism, double devolution and 'place shaping'

This position of strong central authority was maintained by the first New Labour Government (1997-2001). In England, economic performance was now organised at the regional level with the creation of new Regional Development Agencies (RDAs), with the purpose of co-ordinating economic development and reducing regional inequalities, thus presenting another institutional layer between central government and the localities.

At the same time the emphasis on area-based programmes and initiatives continued, as instruments of the government's over-arching Neighbourhood Renewal Strategy. There followed new programmes (the New Deal for Communities) and new funding streams (neighbourhood renewal funds) administered by central government via new formalised partnership structures (Local Strategic Partnerships).

In addition, Labour also introduced new and more complex forms of performance management (Best Value, Star Ratings and League Tables) in an attempt to modernise local government and drive up the standard of local public services through inspection and target setting. Public Service Agreements between departments and the Treasury, and Local Public Service Agreements between central and local government set out what was expected of particular departments and in turn local authorities, with rewards of additional

funding in return for improved performance against an extensive range of government targets.

A 'new localism' (Stoker 2004) gradually emerged, during Labour's second term (2001-2005), from an increasing understanding of the limitations of standardised and centrally-driven policy implementation. This 'new localism' influenced White Papers on local government (Strong and Prosperous Communities, 2006) and community empowerment (Communities in Control, 2008).

In so far as it was new, this iteration of localism signalled an intention to break away from managerialist local government reforms to recognising and prioritising the role of community empowerment and local involvement as a major policy target. However, Stoker (2004) was keen to clarify that although recognising local concerns and priorities 'new localism' is set in a 'context of national framework setting and funding and is at large associated with multi level governance'. The introduction of Local Area Agreements, and later Multi-Area Agreements, brought new mechanisms for recasting the way in which local government dealt with central government. The intention was to increase local freedoms and flexibilities, but in practice continued the inclination for performance management systems, albeit with new flexibilities for grant funding blocks and a widening scope for the involvement of non-statutory partners and communities.

The language of new localism was soon taken over by a new vocabulary of 'double devolution' - from central government to local government and then from local government to neighbourhoods and households - and following the Lyons Review (2007) the concept of 'place shaping'. In his report, Lyons made specific recommendations for the devolution and release of constraints on the funding of councils. Recommendations included: the re-evaluation of property values to current market prices; an abolition of council tax capping; assigning a proportion of income tax to local government; and, re-localisation of the business tax rate. The Government did not take up any of these major financial reforms, although many of the ideas prefigured the Coalition

Government's proposals in the Localism and Decentralisation Bill (2010).

Greater Manchester has been highly successful in adapting to each new model in turn, precisely because it has always pushed itself ahead of the curve, demonstrating a willingness and capacity for further local powers and resources. In 2009 Greater Manchester embarked on the City Region Pilot process to review local governance arrangements to promote joint economic development and transport arrangements across the sub-region.¹⁴ This process offered the potential for greater differential devolution for the city region, and although it was a development brought in at the end of the outgoing Labour Government, with little time to implement significant change, it did nevertheless signal a move in the direction of what would become the Greater Manchester Combined Authority Order (2011).

Greater Manchester became the first statutory Combined Authority (GMCA) in the country, demonstrating the strength of local leadership and governance arrangements, building on 25 years of joint working through the Association of Greater Manchester Authorities (AGMA). A key advantage of the Combined Authority model is the joint governance arrangements which it provides for transport, economic development and regeneration, which allow for strategic prioritisation of the levers of growth across the functional economic area.

2.6 Decentralisation and the 'Big Society'

The Conservative party signalled their political intent to promote localism and decentralise power from Westminster to local councils in their pre-election green paper *Control Shift* (2009). David Cameron's 'Big Society' agenda, set out in his 2010 Liverpool speech, outlined a vision ranging from 'devolving budgets to street-level, to developing local transport services, taking over local assets such as pubs, piloting open-source planning, delivering broadband to local communities or generating their own energy'.

The concept of the Big Society emerged from this new affirmation for localism as the flagship policy idea of the 2010 UK Conservative Party manifesto, subsequently forming part of the legislative programme

of the Conservative – Liberal Democrat Coalition Agreement. The terms ‘Big Society’, ‘localism’, and ‘decentralisation’ have since been used interchangeably by many commentators. The Communities and Local Government Committee inquiry into localism asked the Minister, Greg Clark, how these terms relate to each other. He answered:

*“They are related. I see localism as the ethos, if you like, to try to do everything at the most local level. I see decentralisation as the way you do that. If you start from a relatively centralised system, you decentralise to achieve that. [...] If you do that seriously and comprehensively then I think you move from a position of a very centralised state to something we have called the big society. Therefore, localism is the ethos; decentralisation is the process, and the outcome is the Big Society”.*¹⁵

The Coalition Government moved quickly to end the era of top-down government. Local Area Agreements were no longer monitored or enforced by central government. The same provisions applied to Multi-Area Agreements which were folded, along with the economic development functions of the now defunct Regional Development Agencies, into the new Local Enterprise Partnerships. All these models reflected a centrally driven model of ‘localism’, and while they provided valuable resources for local areas, they were defined by a supplicant relationship, with local areas obliged to prove their worthiness to central government. This encouraged a managerial mentality, with local areas competing to fit the mould of government targets and expectations. The replacement of the RDAs with LEPs saw a massive reduction in funding, and the severance of the previous funding relationships, however flawed, between centre and region.

The mechanisms through which the role of the state is to be changed, the key component of the Governments ‘Big Society’ policy, were enshrined in the Localism Act (2011). This is a far reaching piece of legislation that covers a wide range of issues related to local public services, with a particularly focus on the general power of competence, community rights, neighbourhood planning and housing. In practice, it is with the City Deals, a policy initiative that effectively flows from the Core

Cities amendment to the Localism Act, where the dialogue about the transfer of powers between local and central government has gained most ground. City Deals have given some areas control over elements of transport and skills funding. The City Deals process has underlined the importance of differential devolution, whereby packages of powers and resources can be devolved to local authorities based on the ability of those places to contribute to national priorities, as well as the capacity to demonstrate effective structures for local leadership, decision-making and accountability. One size does not fit all and devolution of powers and resources may be through different packages and to different timescales.

Greater Manchester has agreed the largest growth deal outside of London, thanks in no small part to Manchester’s far sighted economic vision, laid out in the MIER and more recently in the Greater Manchester Strategy 2013-2020. Greater Manchester’s City Deal sets out a range of bespoke agreements between the government and the Combined Authority relating to skills and local economy, a low carbon hub, business transport, trade and investment, housing and transport.

The deal goes beyond a hand-out, in that it adopts a new and radical ‘Earn-Back’ where the government has agreed, in principle, that up to £1.2 billion invested up front in infrastructure improvements by Greater Manchester will be ‘paid back’ to the combined authority via a proportion of additional tax revenue generated by increased economic growth. This is the first tax increment finance-style scheme in England outside London.¹⁶

Though still far short of the kind of fiscal and political decentralisation typical in much of the world, it does for the first time allow a local area to generate new revenue streams through investment. It reverses, albeit fractionally, the extent to which the UK is centralised, giving Greater Manchester a tax lever to pull to support growth. But perhaps more significantly, it confirms Greater Manchester’s position as the principal city able to demonstrate that the robust and mature relationships and successful delivery structures are in place, enabling Government to release some of the centralised control. England’s cities continue to negotiate for new powers and freedoms through City Deals

that will give them more control to create economic wealth and decide how public money should be spent. These Growth Deals allow greater influence over investment to drive growth, housing, planning, and economic development. They also enable the pooling, or aligning, of resources and efforts across functioning economic areas. However, the bulk of public funds remain under the control of central government.

Community Budgets, and the subsequent roll out of the Troubled Families Initiative across 156 local authority areas, have also allowed local areas to pool budgets from across different public services and co-commission new service delivery models.¹⁷ Here the Government has effectively top-sliced departmental budgets for local interventions with remaining contributions coming from local sources. It is in this space - between decentralisation and integrated local service delivery - that the potential for a radical and transformative new localism can emerge.

The four Whole Place Community Budget (WPCB) Pilots in Essex, Greater Manchester, the West London Tri-borough (Hammersmith & Fulham, Kensington and Chelsea and Westminster) and West Cheshire, showed how to bring together all resources for public services at a local area-based level to design integrated services and achieve better outcomes. In the pilot areas, local partners and government departments formed joint teams to co-design new approaches to public service reform taking a place-based, whole systems view.

The pilot phase came to an end in October 2012 with the publication of their business cases, but public service reform is now an integral part of Greater Manchester’s work programme.

2.7 Where next for localism?

Many of the ideas about localism have long been identified, yet even in this new environment where there is an apparent cross-party agreement about the need to devolve, progress towards a new settlement has been slow and achieved by small degrees.

The London Finance Commission, established by the Mayor after his election in May 2012, examined the potential for

greater devolution of both taxation and the financing of London government.¹⁸ The commission recommended full devolution of the five property taxes, including: business rates; council tax; stamp duty land tax; annual tax on enveloped dwellings; and capital gains property development tax. 'One Year On', the commission's follow on report, suggests a manifesto commitment for all parties, to deliver the devolution of property taxes to London and England's Core Cities.¹⁹

The Select Committee for Fiscal Devolution to cities and city regions has, in its recent report, reached a similar set of conclusions to the London Finance Committee, in strongly recommending greater local control over business rates, stamp duty, council tax and income tax.²⁰ Significantly, the Committee further argues that:

- Fiscal devolution and decentralisation of spending should form part of an integrated approach to local policy, to allow cities and city regions to shape and deliver reformed public services and expenditure in line with local needs.
- Powers should be devolved to groups of local authorities, which are able to demonstrate collaborative activity and

cover a recognisable and functional economic area – recognising that devolution may not be not be appropriate for all places at the same time.

- Strong and locally agreed governance models will be needed if Government is to devolve powers to cities and city regions. The Committee is not prescriptive but recognises that all parties see Combined Authorities as a form of sub-national governance they have confidence in.
- Central Government should establish a general framework within which devolution can take place. The committee concludes that a mechanism is needed that differentiates investment expenditure as opposed to day-to-day spending, and at the same time recognises that certain places can grow but not necessarily at the expense of somewhere else (in the UK).

In the midst of all this Labour MP Graham Allen, Chair of the Political and Constitutional Reform Select Committee, has tabled the Local Government Independence Bill, which seeks a formal constitutional status for local government, independent of Whitehall, to separate finances and make it difficult for any future central government to repeal these

provisions. Under the bill, a Local Government Independence Code would be defined in law with local authorities constitutionally responsible to their local electorate, not to Whitehall. Each area would decide its form of governance and voting system.

Whilst for some localism is an article of faith, others in Westminster and Whitehall need proof that it can deliver results in order to accept it. This has led to the notion of earned autonomy, whereby greater devolution of powers is granted to those who have 'earned' the privilege. Increasingly, there are signs of a shift in the discourse between an idea of central government graciously gifting powers to worthy supplicants, to an assumption that local government has both a right and a duty to govern the affairs of their communities. It is not a question of a competition for power and resources between centre and locality, but of unlocking and mobilising communities to work alongside national government. We have reached a point where not only should the great challenges of current politics be tackled locally, but that they have to be, and nothing else will work.

7 The World Bank describes decentralisation as an over-arching term that refers to a broad range of ways used in transferring decision making from the centre to lower levels which may be regional or local. World Bank (2001) *Decentralization & Subnational Regional Economics* [Online] Available at: <http://www1.worldbank.org/publicsector/decentralization/what.htm> [Accessed 3 September 2014].

8 OECD (2014) 'OECD Revenue Statistics Comparative tables', [Online] Available at: <http://stats.oecd.org/Index.aspx?QueryId=21699> [Accessed 3 September 2014].

9 The retention of part of the non-domestic rate from 2013 increased the 1.7 per cent figure to approximately three per cent of GDP.

10 Wilks-Heeg, S., Blick, A., Crone, S. (2012) *How Democratic is the UK? The 2012 Audit: Chapter 3.3* [Online] Available at: <http://democraticaudituk.files.wordpress.com/2013/06/auditing-the-uk-democracy-the-framework-13.pdf> [Accessed 3 September 2014].

11 Office for National Statistics (2013) *Population Estimates for UK, England and Wales, Scotland and Northern Ireland, Mid-2011 and Mid-2012 3*. [Online] Available at: <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-319259> [Accessed 3 September 2014].

12 Office for National Statistics (2014) *Regional Gross Value Added, 2012 Dataset*. [Online] Available at: <http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Regional+GVA+tab-data-tables> [Accessed 3 September 2014].

13 Eurostat (2010) [online] Available at: http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database [Accessed 3 September 2014].

14 Local Democracy, Economic Development and Construction Act, 2009, S6 and S108. This enables 2 or more authorities to undertake a review of the effectiveness and efficiency of transport and of the arrangements to promote economic development and regeneration within the review area.

15 Communities and Local Government Committee - Minutes of Evidence Localism, 14 February 2011. Q482.

16 GMCA (2014) *Greater Manchester City Deal*. [Online] available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/221014/Greater-Manchester-City-Deal-final_0.pdf [Accessed 3 September 2014].

17 Sixteen local authority areas were selected to pilot community budgets in October 2010, as part of the Troubled Families programme, including the four Whole Place Pilots. The programme was rolled out to all local authorities, in England in March 2012.

18 London Finance Commission (2013), *Raising the capital: the report of the London Finance Commission*.

19 London Finance Commission (2014) *One Year on*.

20 Communities and Local Government Committee (2014) *Devolution in England: the case for local government First Report of Session 2014–15*.

3 The Need for Change

“What is needed from future public services is a transformational shift to allow complex problems to be addressed holistically. This will require greater levels of service integration – at the point of delivery – bespoke to the needs of both people and place.”

Public services have experienced dramatic reductions in funding over the past four years. And yet despite these cuts public expenditure has continued to rise. Spending reductions in local government have been annulled by increases in welfare benefits, acute health and care services. Public services are reaching the limits of their capacity to cut without transformational change to the system.

3.1 The problem with public services

The cost of providing public sector services is becoming increasingly unsustainable in the face of ever increasing demand. Even without the pressures of spending reductions, the changing nature of our society is adding to the increasing demands on public services. The longer term factors include an ageing population, large increases in chronic diseases and widening inequalities between citizens. All of which will further stretch the capacity and capability of our public services to respond.

But much of this demand is largely reactive, as a result of poor outcomes and the continued failure to prevent problems occurring or to effectively address dependency. As the country returns to growth there is a need to ensure that more people are in reach of emerging economic opportunities. This will require a transformational change to the way in which public services operate, to tackle the challenges of low skills, low productivity, low pay, worklessness and wider dependency on public services.

The reform of public services must be wholly integrated with efforts to create the conditions for growth and job creation, through place-based investment in business, skills, housing, regeneration and the provision of critical infrastructure.

Managing dependency

Whatever the successes, a succession of reforms, over the past three decades, has singularly failed to address the systemic problems at the heart of our public services. This has been most clearly demonstrated with the repeated failure to effectively tackle the deeply entrenched and interconnected problems that have resulted in rising levels of complex dependency. As the government’s guide to working with troubled families remarked; our public services can sometimes be just as dysfunctional as the lives of some of the most troubled service users.²¹

The concept of ‘failure demand’ relates to the artificial demand for services generated by a failure to successfully address the real demand of individuals who need help – ‘to do something or do something right for the customer’ (Seddon 2003).²² When people’s problems are not immediately and effectively addressed this can often lead to the increased demand for repeat services, or where situations worsen, additional services. This places greater demands on finite or shrinking resources, where the failure of public services to effectively address real need is perversely, increasing unnecessary

demand, leading to rising costs and the need for further cuts as well as increasingly poor outcomes.

Low skills and high levels of unemployment, or young people not in employment, education or training (NEET) reflects a failure of the education and skills system to equip people for the demands of the labour market. Poor attainment of higher level qualifications can be attributed to the failings of the school system. Poor educational outcomes can be attributed to the failure to address children's readiness for school. This may in part be due to the lack of available and satisfactory early years provision, or the failure of parents (themselves welfare dependent) to adequately prepare their children. And so the depressing cycle of failure and dependency repeats itself.

Allowing for the proper incentives to manage growth and reform is critical. Creating jobs and economic growth without transforming places and radically reforming how services are delivered will not reduce the costs of dependency. This requires a more devolved and flexible funding system, with longer term certainty of public spending; revenue-raising powers; and the facility to transfer greater financial risk and rewards through tax increments and other Earn Back-type schemes. A commitment to increase the tax take and to reduce public spending by managing down the demand for public services, should be rewarded with the ability to re-invest savings through welfare benefits and other efficiencies in local growth plans.

Departmental silos

Despite waves of reform to public services and attempts by central government to introduce new powers and flexibilities at the local level, the core elements of Beveridge's settlement have survived; principally, that the central state is the guarantor of universal access to uniform services of the highest quality, based on need not ability to pay. The need to centrally manage this vast system has meant that public services in the UK are delivered within a number of government departments, in effect, large, vertical silos of provision that are separate and disconnected from one another – both at source and at the point of delivery.

The ways in which these central government services are managed and conveyed varies greatly, involving a complex arrangement of delivery chains that create many different confusing and sometimes contradictory relationships between citizen and government. This includes the direct supply of services from departmental groups (for example: tax, pensions, welfare benefits), as well as a multiplicity of mediated services, funded centrally but implemented via quasi-government agencies, local government and other sub-national or micro-agencies.²³

The need to more effectively 'join up' government and integrate delivery at the local level, to better meet the increasingly complex needs of service users, has long been recognised. Attempts to do this have led to the development of numerous partnership arrangements between local government, and other public sector agencies. However, the growth of partnerships, in addition to the extensive role of contractors (public, private and third sector providers) has in many ways added to the institutional complexity between central and local government, and between state and citizen. Meanwhile, it remains far from clear as to whether public services become better connected.

The Whole Place Community Budget Pilots successfully tested new ways of delivering integrated public services to combat the complex dependency which lies behind long term worklessness and low skills, and to reform health and social care, focusing on increasing productivity. By more closely aligning funding and resources across services areas, local partners and agencies have been able to connect and concentrate their efforts in the most disadvantaged and troubled neighbourhoods, minimising unnecessary duplication of provision (especially assessment and referral) and more effectively targeting resources. A vital component in the delivery of 'Whole-Place' services has been the role of the integrating case worker – providing a single point of contact for service users, and with access to the full range of appropriate public service delivery. Greater local autonomy, particularly for front line workers, has provided flexibility to adapt policy in practice, to learn and innovate, in order to respond to complex local needs and demands.

And yet despite the successes of a 'Whole-Place' approach, the majority of universal services have remained siloed within Government departments and left largely unreformed. Only those service users who meet specific criteria - the most troubled or most disadvantaged defined in terms of nationally targeted programmes - currently benefit from integrated services. This creates a dichotomy between universal and place based services, resulting in better outcomes for the most complex and troubled service users and the same failing services or flat-lining outcomes for the majority of others.

There are potential cost implications for this twin track model - as you both retain old overheads for standardised, universal service provision; and create new ones for integrated services. This also creates a threshold problem where it is not possible to deal in an integrated fashion with the 'middle' - those who never have enough problems to meet the agreed criteria and whose needs remain largely unmet. And if they do reach that point, the opportunity to intervene at an earlier stage, to actually prevent the problem, will have been missed. The rewards of integration in public services are clear - in terms of outcomes for people and money saved.²⁴ So why wouldn't we extend it to all?

Centralised commissioning

Despite government aims to open public services to a range of providers and to decentralise to the lowest appropriate level, public services continue to be characterised by centrally driven, large scale and standardised services, which in too many instances are unable to meet individual needs.²⁵ This has served to lock out both small private enterprises and community based providers, with limited capital investment, from huge swathes of public service delivery.

Outcomes-based commissioning is often touted as an alternative to a big state approach, one which aims to open public services to the market and increase competition. The intention is to provide better value and greater efficiencies through increased economies of scale. It transfers risk to large providers by the requirement to provide cash-flow upfront and contracting for payments by results. But this form of central procurement has resulted in

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unintended consequences where smaller, localised and more holistic provision has been muscled out of the market.

Getting a person who has been out of work for a long time into a sustained job often means tackling a complex range of issues that cut across the interests of different government departments, such as health, skills, housing and the criminal justice system. Simply contracting out one portion of provision to a private provider on a 'payment by results' basis will not deal effectively with this kind of problem. There is a concern that the government's reforms to Transforming Rehabilitation are engineering a move towards a national commissioning model that lessens the influence of local partners in the delivery of reoffending outcomes. This means that the local communities affected by crime are less able to assist in its prevention.

Centralised commissioning - at scale - leads to fragmented supply chains, specialisation and standardisation, unable to effectively integrate services for the most difficult client groups, and to services that are driven by the convenience of the programme model, not the variety of the need. Trying to manage costs by pursuing ever greater economies of scale has led to poor outcomes and failure demand, which ultimately increases the costs of public services.

The current system of accountability

The current arrangements for accountability derives from the Accounting Officer system, held with Departmental Permanent Secretaries, who are responsible for how public money is distributed from central government to all local bodies (including local government, Clinical Commissioning Groups, Jobcentre Plus Districts and Schools) and for ensuring the delivery of key outcomes via the use of funding formulae, performance frameworks and inspection arrangements. Reporting to Ministers and Parliament, Departmental Accounting Officers are primarily held to account by the Public Accounts Committee.

Although this model may be generally effective for upwards reporting on specific single departmental issues, there has been increasing recognition from the National Audit Office, and others, that existing accountability arrangements - from local

partners to central government - present a range of practical and system barriers to reform in places, particularly for complex, cross-cutting service delivery.

A fragmented system of universal service, in conjunction with only partially integrated place-based services, leads to genuine confusion as to who is responsible for what. Presently, there is no single point of decision making, no single point of accountability and control.

Different services report their outcome-related measures to different departments, through a centralised system of siloed provision, splitting linked or single problems into artificial categories, which it then seeks to treat as if wholly isolated from any further context. Often these are not outcomes at all, but measures relating to activity and outputs. The present system creates perverse incentives, which are widely recognised. For example, hospitals are paid by activity based on the number of patients they treat for different conditions. Consequently, less than 5% of NHS spend on mental health is allocated for early intervention for those with mild to moderate needs, where effective action can prevent longer-term dependency and cost.

In the current system, accountability is mainly a bureaucratic exercise, with the responsibility of services to the people who use them often taking second place. The needs of those they are intended to serve are abstracted into centrally determined targets and league tables, poorly reflecting individual and localised interests. We often end up with a system that serves nobody's interests, whilst claiming to represent the interests of all.

Constraints on innovation – the need to try something new

The ongoing public service cuts have created an environment in which innovation has become ever more necessary, yet ever harder to achieve. Unfortunately, for many local authorities and local partners, too much energy and focus has gone into managing rapid budgetary decline, rather than innovating and creating new integrated services.

The highly centralised nature of public services is directly responsible for the

fragmented and disjointed service delivery experienced by users. This presents systemic barriers to real innovation, to implement integrated place-based and person-centred solutions; and to making real cost savings. This is contrary to Government ambitions. Where innovation has occurred (as in the case of Manchester's Whole Place Pilot and more widely with the Troubled Families initiative) it is localised at the point of delivery.

Attempts to raise standards through public guidance and regulation have become increasingly prescriptive, setting out not just what, but how services should be delivered. Even where government departments have allowed greater flexibility to deliver as with the Department for Work and Pensions' 'Black Box' approach to the Work Programme, new levels of bureaucracy have been introduced which circumvent strategic partners at the local level, nullifying their ability to influence service design, delivery and outcomes.

Outsourcing at scale has become the norm, which means that public service delivery passes immediately into contractual privatisation. There are numerous examples where cost pressures have led to the transfer of services and assets to the third sector, but this has not happened wholesale. New ways of working are required, which enable local areas to look for the best response, as opposed to the existing approach to service delivery where citizens are able to shape their own civic institutions. To the maximum extent possible, this must involve a 'start over' approach, in order to shift culture and practice to radically rethink the design solution and address the problems of service delivery anew.

3.2 What we need from future public services

Partnership attempts to 'align' existing funding systems and adapt national programmes to meet local priorities are insufficient to achieve the necessary levels of improvement. What is needed from future public services is a transformational shift to allow complex problems to be addressed holistically. This will require greater levels of service integration – at the point of delivery – bespoke to the needs of both people and place.

A 'Whole-Place' view requires the decentralisation of budgets from

government departments to local authorities and city regions. This will enable local partners to break down artificial barriers, ending siloed provision, and instead genuinely pool funding at source to drive service design and delivery nearer to the frontline. Having greater autonomy for more intensive local and personal engagement is vital in order to unlock innovation and improve the responsiveness of public services.

A **'Whole-Person'** view requires a new architecture for public services, within which there is the flexibility to respond to individual need. We must give our institutions the ability to respond to people's needs in a personal and specific manner. We need our system of universal public services to deliver individually tailored, bespoke solutions for everyone.

The 'Mass-Bespoke'

Our concept of the **'mass-bespoke'**, or at scale personalisation, is one that challenges prevailing public perceptions about what services should be. Surveys have consistently shown that the majority of the public want universal services of a uniform quality, with fair access and consistent provision - at least for those they regard as 'core' services.²⁶

This concept of universal services is rooted in historical ideas of equality and fairness but has led in practice to the provision of uniformity, where everyone gets the same services but not everyone gets what they need.

But choice and local variation - the so called postcode lottery - are already a fact of life across many of our public services. Informed individuals, parents and families know where the best local GP surgeries, schools and other public services are to be found, and deploy a wide variety of personal strategies to make the best of their choices.

The principle of devolved government and personalised services will only move from theory to practice if people can feel confident that this approach will deliver better services than those which they experience today. An involved and empowered citizenry is therefore required to enable this.

Personalised services

The idea of developing needs-led support, of placing people at the centre of services, has emerged in recent years initially in social care and relating to the specific service requirements of people with disabilities.²⁷ Person-centred support has become associated with the wider personalisation agenda. The aim here is to put people in charge of a range of funding streams which can be used to purchase the services and support that they need.²⁸ But aspects of 'personalisation' have also been attempted in other areas of public policy, including welfare to work programmes and skills training (e.g. Individual Learning Accounts).

Despite the growing interest in person-centred approaches, they are still marginalised and implemented on a relatively limited scale. Person-centred thinking will need to be mainstreamed across the full range of public service delivery in order that service providers can design and deliver a truly person-centred approach. All public services will need to be shaped to a far greater extent around the individual needs of all service users. This will require:

- Placing the person and not the service at the centre of the process
- Seeing the whole person, rather than diagnostic labels, to provide a whole solution
- Providing a single point of contact - one key worker - to facilitate an end-to-end experience
- Genuinely listening to people to hear their real problems, to minimise failure and to prevent future demand
- Actively involving people in identifying solutions and building their capacity to help themselves
- Understanding that no single agency can meet the complex needs of individuals and that delivery partners will therefore need to work together for the common good of the citizen.

Public services will also need to be shaped to a greater extent by the active involvement of citizens. Different people will

want different levels of engagement with services - although most may like to feel that that they can have influence, should they want to.

The type of relationship that people want will also differ between services. The public are likely to have a greater desire to be involved in those areas of public services that mean the most to them - their children's education, a relative's health care, or the prevention of crime in their neighbourhood. Public involvement in some other areas of decision making will be less appropriate or not of practical use, where technical and expert knowledge is required, for example in the purchasing of hi-tech medical equipment.

Many and various attempts to engage service users in the design of public services have been tried before. However, the realities of a greatly devolved funding and delivery system will bring the process of decision making significantly closer to citizens. This immediacy has the potential to motivate greater involvement and accountability.

Citizen involvement is an increasingly vital function in mobilising all available resources - including public, private, and civic capital - to proactively solve public problems and manage unnecessary demand on services. New forms of technology and products will make it easier for citizens to interact, as innovative and effective solutions are developed. It will be an essential requirement for all professionals in shaping future services around the real needs of individuals, and designing institutions that strengthen relationships with citizens, enabling them to tackle shared problems. A place-based settlement will provide the platform for a new 'citizen deal', whereby places will be accountable to citizens for the integration and the redesign of person-centred services.

Localised production

Places need to be free to decide their own priorities and how to address them. Providing more connected and locally appropriate services will require greater local autonomy; breaking down current distinctions between decision-makers and delivery agents, in order to bring the provision of public services closer to service users.

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Frontline workers will need to be given greater flexibility to adapt and respond to complex local needs and demands, to become the essential integrators in a new system of holistic delivery. This will represent a reversal of centralised public management, which has traditionally distrusted frontline professionals and practitioners, imposing intensive regimes of target setting and monitoring. Drawing from private sector experience (e.g. The Toyota Production System) a localised production system would give frontline workers the ability to innovate and improve services, at the point of delivery, based on their own learning and experience.

A new system of delivery based on the principle of 'first and total responder' should empower frontline workers to retain responsibility and authority across what would otherwise be a fragmented delivery chain. This could include the extension of responsibility to existing public servants, such as GPs and teachers, who have the ability to assess and judge correctly the most pressing issues facing their patients or pupils, and what should be done about them.

Allowing greater integration of professionals into area-based multi-disciplinary teams, providing them with the power and authority to refer people to necessary services, ensuring that they are not lost in the referral process and allowing the facility to track and follow up on actions, would strengthen front line capacity and improve outcomes.

The local caseworker role, successfully deployed in the Troubled Families Programme, should be expanded upon and further integrated as an essential delivery component across all services. Case workers have the ability to work at the neighbourhood level and link service users with lead professionals with whom they can develop a relationship that can deepen over time. They provide a consistent and single point of contact within and across a range of services. The elderly or disabled would be visited by the same care worker in their home, while the family with complex needs would not need to deal with a number of different contacts to find a way through an equally complex network of public services.

Places should deploy significant numbers of the overall public service workforce who have generalist, problem solving and strong

co-ordination skills, and who can help service users build self reliance, navigate the system, access specialist support and unpick blockages. Frontline workers need to be equipped with the skills to identify a multitude of problems and to work across a variety of service areas. They should not be less skilled or the lowest paid.

Neither is it enough for senior management to focus purely on their organisational needs. If reformed public services are to become integrated, leaders and managers will need to be proactive, to take responsibility for delivering whole place outcomes, and to understand how other specialisms contribute to this. Management and front line workers from across agencies will all need to work to the same ethos of prevention – as opposed to treatment – identifying potential difficulties before they become the problem for another part of the system.

Establishing a new localised system of production will require new levels of association and co-operation between institutions to strengthen local capacity. This must go beyond the isolated and marginal co-location of services, where services are physically closer yet remain constrained in their ability to integrate, to wholesale and mainstream integration. We should connect public and community-based assets, utilising existing infrastructure –including nurseries, schools, colleges, GP surgeries and health centres, job centres, council one-stop shops, high street advisory services, community centres and all social amenities. This would create a truly connected and joined up service with multiple points of access. There would be no 'wrong or revolving door'; with all the resources of the system potentially available and service-users retaining access to them until their needs are resolved in the long-term.

Local Government can act as an enabler and in terms of its PSR work to date, an exemplar for a new localised production, leading, and where appropriate, co-ordinating the system to support integration across public services. However, individual institutions and organisations will need to be responsible for empowering its workforce to operate at the front line, to be responsive to needs and responsible for integrating services to achieve better outcomes.

Multiple small-scale contracting

Creating an environment in which smaller scale providers are supported and enabled to deliver public services is vital. This will help foster a healthy 'ecology' of service provision, in which a variety of services can serve highly specific and localised needs, whilst driving up standards through both competition and collaboration. Central Government has set a goal of 25% of spending to go to small and medium sized enterprises (SMEs) by 2015, to support economic growth.²⁹

The Department for Work and Pensions, in its new Commissioning Strategy, has outlined its intention to create a more diverse market for the delivery of the Work Programme and other employment initiatives. This includes a commitment to utilising both large and small scale commissioning; a greater emphasis on social value; and opt-in support to Local Enterprise Partnerships for the provision of European funds to support local employment objectives.³⁰ But the overall approach remains nationally commissioned, centrally designed and managed, disconnected from local interest and other public service delivery, market-driven, and premised on the prime contractor as the model of efficiency.

The commissioning of services must be done in-place and at an appropriate scale. This is necessary to achieve the level of integration required to address complexity and for mass bespoke services to meet the real needs of individuals as well as to allow a diverse and local mixed economy of service provision to prosper. The commissioning process should be used as an instrument to actively grow provider capacity, to forge new partnership arrangements between different delivery organisations, in order to deliver better outcomes. Commissioning should elevate purpose over process, and its primary purpose should not be the convenience of commissioners. The Work Programme was a huge lost opportunity in this regard.

Part of this enabling process may be to offer local small scale providers appropriate business support including financial management or other technical support, such as digital capability and IT infrastructure, which would facilitate their

access to public service contracts. This in turn will require greater integration of local business support services to connect the growth potential of indigenous enterprises to market opportunities in public services.

Easier access to small amounts of genuine risk capital will often be the difference in enabling smaller enterprises to innovate and develop new services and products. The creation of a local innovation fund, or what Locality have termed a 'Subsidiarity Well', as a portion of the greater devolved budget, would provide much needed investment in the development of community infrastructure and new localised production.

The best and most enterprising sectors of the social economy already offer examples of people-powered solutions based on local need and community ownership, including community finance organisations and credit unions; housing co-operatives, and co-operative schools; community broadband and energy companies and other services and infrastructure. 84% of social enterprises recruit staff locally and a majority of social enterprises actively employ people who are at a disadvantage in the labour market (e.g. long-term unemployed, ex-offenders).³¹

A number of social enterprises, as businesses that deliver social value, are already demonstrating the importance of providing holistic solutions to the issues that their client groups face in Greater Manchester. A good example of this comes from Cleanstart, who employ Priority Prolific Offenders to provide a 'clear and clean' service to customers that include landlords, building contractors and businesses. Research from the Home Office suggests that interventions are more likely to be effective in helping individuals achieve employment where they take a holistic approach and where they are linked to tangible opportunities.³² Cleanstart provide pastoral and vocational support to facilitate the rehabilitation of their staff while also assisting in finding 'move-on' employment. Mentorship continues once they have moved to a new employer to ensure that the benefits of the programme are not lost. This programme has proved to be successful, as only four of the 47 people who have completed placements have reoffended.

New models, alternatives and ideas need to be found. Delivering services and contracts through social enterprises provides an opportunity to maximise the impact of any public sector spending as it allows them to take a "whole-place" approach. Greater devolution can help a new social infrastructure to emerge, by:

- Promoting and applying new models of local Social Finance Initiatives (SFI) or social PFI with a social mission based on place and community, to help build local and community owned assets.
- Taking forward community, social and co-operative models of investment and ownership, rather than only conventional public and private partnerships for new and existing public service infrastructure.
- Extending the Social Value Act and removing red tape so that that community owned organisations can better compete for public procurement contracts to deliver local services.³³

These are just some of the ways in which greater devolution can enable local investments to work smarter, helping economic and social capital to be mutually enforcing, delivering wider, long-term value by driving money into local economies, and providing greater levels of opportunity and local control. Creating an enabling environment where 'local by default' becomes a central principle for all services.³⁴

This new, enriched ecology of citizen shaped services and localised production would present a different type of complexity that will require a very different set of strategies and capabilities to those deployed in the past. They will call on new 21st century concepts of social networking and production, alongside more deeply embedded traditions of co-operation and collaboration at the local level.

3.3 Summary

Growth and reform must be tackled jointly. Creating jobs and economic growth without radically reforming services and transforming places will not reduce the costs of dependency, or make cities more sustainable. Siloed approaches to both economic development opportunities and public services are preventing integration

of services, and the creation of place-based and person-centred solutions. Far greater flexibility and freedom of action at the local level are required to enable this. This means devolving power - including public funding and revenue raising facilities - downwards from Whitehall, and reorienting services to meet real needs (through prevention rather than just treating problems when they arise) and to allow localities to invest in growth.

A radical place-based devolution of departmental budgets is needed to effectively integrate and transform public service delivery. The pooling of devolved funding and the alignment of wider community based resources and assets are the only way in which the complexity of inter-connected problems can be addressed in a holistic and coordinated way.

The key challenge for public services will be to find the means of creating a new localised production system that can provide the levels of citizen involvement and frontline autonomy necessary to unlock innovation and improve accountability. We need to design new institutional relationships, where bottom-up and community-based solutions can thrive alongside larger scale models of delivery, where public services can network with speed and efficiency across complex delivery chains, and where the interests of service users systematically outweigh those of the providers.

If we are serious about achieving Government ambitions of reducing public spending and increasing economic impact, a renewed focus on people and places is needed. Too many families are being held back by a complex and self-reinforcing cycle of dependency, which can often be inter-generational. We need to generate shifts in organisational behaviour and social norms; moving to 'whole-person' approaches that promote independence and tackle the root causes of dependency and failure. Government needs to give cities the incentives and tools to drive growth and reduce dependency.

The distributional rewards of a devolved system, that allows a share of any potential savings to the public purse to be reinvested in further reforms or economic growth plans, will be critical to incentivising improvements.

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- 21 Department for Communities and Local Government (2012) *Working with Troubled Families: A Guide to the Evidence and Good Practice*.
- 22 The concept was first used in Seddon's 1992 book, "I Want you to Cheat" and again in his 2003 book "Freedom from Command and Control" (p26).
- 23 Patrick Dunleavy (2010) has identifies thirteen types of relationships in the UK where services are delivered between central government and the citizen.
- 24 Association of Greater Manchester Authorities (2012) *Greater Manchester Impact and Evidence Toolkit*.
- 25 Cabinet Office (2011) *Open Public Services White Paper* [Online] Available at: <https://www.gov.uk/government/publications/open-public-services-white-paper> [Accessed 3 September 2014].
- 26 2020 Public Services Trust (2010) *What do people want, need and expect from public services?* [Online] Available at: http://www.ipsos-mori.com/DownloadPublication/1345_sri_what_do_people_want_need_and_expect_from_public_services_110310.pdf [Accessed 3 September 2014].
- 27 Person-centred planning was adopted as government policy in the UK through the 'Valuing People' White Paper in 2001, and as part of 'Valuing People Now', the 'refresh' of this white paper in 2009.
- 28 Michael Glynn et al (2008) *Person-centred support: What service users and practitioners say*, York:JRF.
- 29 Cabinet Office (2014) *Buying and managing government goods and services more efficiently and effectively* [Online] Available at: <https://www.gov.uk/government/policies/buying-and-managing-government-goods-and-services-more-efficiently-and-effectively/supporting-pages/making-sure-government-gets-full-value-from-small-and-medium-sized-enterprises> [Accessed 3 September 2014].
- 30 Department for Work and Pensions, (2014) *Commissioning Strategy* [Online] Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/338387/dwp-commissioning-strategy-2014.pdf [Accessed 3 September 2014].
- 31 Social Enterprise UK (2013) *The People's Business: State of Social Enterprise Survey* [Online] Available at: http://www.socialenterprise.org.uk/uploads/files/2013/07/the_peoples_business.pdf [Accessed 3 September 2014].
- 32 Home Office, Clinks and Social Firms UK (2014) *Providing Employment and training opportunities for offenders growing sustainable work integration social enterprises: A report of learning from this programme* [Online] Available at: <http://www.socialfirmsuk.co.uk/system/files/Summary%20Report%20-%20Providing%20employment%20and%20training%20opportunities%20for%20offenders.pdf>. [Accessed 3 September 2014].
- 33 In addition to the Social Value Act, Article 77 of the new EU procurement directive will become law in October this year. It is hoped this will make it easier for newly formed mutuals and social enterprises to bid for legacy contracts from local authorities for health, social and cultural services, thus driving new ways of working as part of the PSR agenda.
- 34 Locality (2014) *Saving Money by Doing the Right Thing – Why 'local by default must replace 'diseconomies of scale'* [Online] Available at: <http://locality.org.uk/wp-content/uploads/Locality-Report-Diseconomies-web-version.pdf> [Accessed 3 September 2014].

4 The Economic Case

“...there will be little economic growth without extensive and qualitative reform of public services, and this reform will have to be quality rather than cost driven – it simply can’t be maintaining the status quo for less money; it has to be about transforming the lives and prospects of those dependent on public services.”

In making the case for greater powers for Greater Manchester, it is vital to have a clear understanding of both the strengths and weaknesses of the city region. If economic growth is to be promoted, it is crucial that Manchester’s present economic situation is well understood, and reform is carefully calibrated to this economic reality.

4.1 Context and background

Greater Manchester’s economy has experienced significant growth over the last 20 years and now has strengths in a number of nationally important sectors. The population of Greater Manchester is growing - by seven per cent in the last ten years - and the city region has the largest travel-to-work area of any conurbation in the UK outside London. An extensive transport infrastructure puts over seven million people within an hour’s commute of the conurbation core. Greater Manchester has a highly coherent economic geography and its economy is the largest outside London, generating £51 billion output per annum (4% of the national economy) with the evident potential to increase its long-term growth rate to help drive stronger economic performance, not only in the North, but nationally.³⁵

However, Greater Manchester is not performing as strongly as it should, with productivity and skills below the levels that would be expected for a conurbation of its size. Like most English city regions, Greater Manchester has failed to narrow the productivity gap – expressed as Gross Value Added - with London and the national average. In the UK GVA per employee is £48,000 compared to £40,000 in Greater

Manchester. Low skills and low productivity results in relatively low pay rates. More than a fifth of the population (21.8%) earn less than a living wage (currently £7.65 an hour outside London), according to the Annual Survey of Hours and Earnings. A relatively high proportion - a little over 9% - is also affected by the up-rating of the national minimum wage in October each year. An average hour’s work in some parts of Greater Manchester is worth as much as £2.50 less than in the rest of the UK.

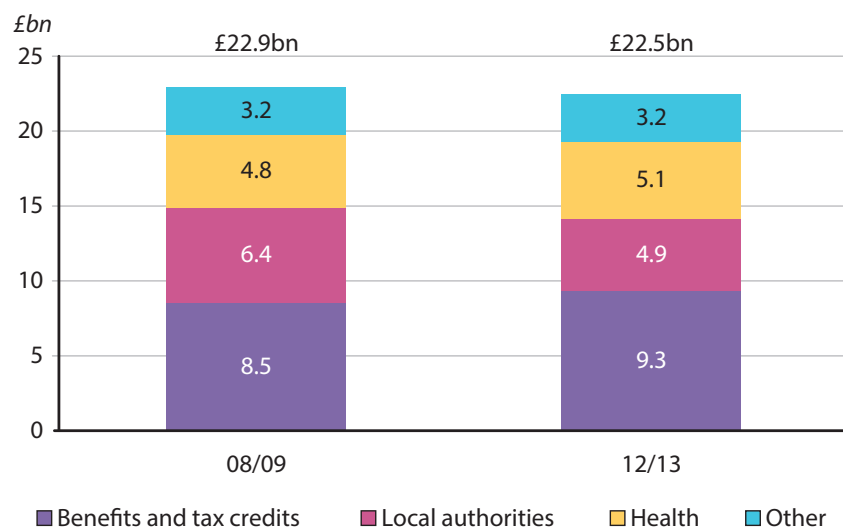
Any gains that have been made in the past two decades have been eroded since the recession. Most UK cities are now falling behind similar sized second tier cities in Europe and other developed countries, with high levels of public funding and low tax yields, constraining their potential to be self sustaining.³⁶

The funding gap

Despite significant cuts to some public services over the past few years, total public spending in Greater Manchester has remained largely the same in real terms since 2008, being £22.5 billion in 2012/13³⁷. This compares with an estimated total tax take of around £17.7 billion. Greater Manchester is currently a ‘cost centre’ for the UK, unable to reduce dependency or close the gap - of nearly £5 billion over a single year - between the taxes it generates and the cost of public services.³⁸

The chart on the following page shows total Greater Manchester public spending in real terms (i.e. adjusting the 2008-09 data to 2012-13 prices, to take account of inflation).

Fig. 1 Greater Manchester Expenditure (at 2012-13 prices)



Source: New Economy, 2014

Over this period total spend remained fairly static, falling by only 2%. The spend profile across public agencies has however shifted, with a 24.3% reduction in Local Authority spend; a 9.4% increase in Benefits and Tax Credit expenditure (including state pension); and a 6.1% increase in Health expenditure over a single CSR period. This analysis clearly demonstrates how two significant shifts have effectively cancelled each other out. The two largest areas of spend - welfare benefits and health and social care - are where the demand for services is largely reactive as a result of poor outcomes and a failure to address dependency.

On current trends, assuming that spending projections are accurate and the council's statutory responsibilities remain the same, within the near future the cost of children's services and social care alone will consume local authority spend. The rising cost of health and social care, and the current organisation of hospital services in Greater Manchester are not financially sustainable. Over recent years, and despite achieving planned cost savings, a number of NHS Trusts continue to face challenging financial difficulties. The scale of the financial challenge for health and social care in Greater Manchester is estimated at £1,075 million over the five years to 2017/18. The conurbation has a younger population than the national average, but there are significant population pressures that will

impact on future demand for health and social care. As the population ages, the number of people living with multiple long-term conditions such as diabetes and Chronic Obstructive Pulmonary Disease (COPD) is increasing.

For Greater Manchester to reach its economic potential, more unemployed residents need to enter into work and progress into higher skilled (and higher paid) roles. Economic inactivity – mainly due to ill-health – amongst the working age population is one of the deep-seated causes of Greater Manchester's productivity gap and has driven the development of the Greater Manchester Growth and Reform Plan. In order to maximise the benefits of investment in growth, it is critical that residents of Greater Manchester are better connected to economic opportunities through the effective reform of public services.

However, the cost of providing public sector services as they are currently delivered is becoming increasingly unsustainable. Therefore, the key to reducing Manchester's funding gap will be to drive down costs through better management of demand, alongside increasing growth and a higher tax take. Going forward, Greater Manchester's public service reform work will generate significant savings, lessening the reactive costs associated with dependency; overall spend is expected to reduce

slightly over the period to 2020, but much of the impact will be hidden as Greater Manchester will be successful if it just contains the financial costs associated with rising demand and demographic change (particularly for the Greater Manchester health and social care system). The cost containment is often calculated as having an inbuilt inflationary pressure of around 7% pulling in actual inflation, pay inflation, new treatments and technologies etc. NHS England's call to action last year famously projected a £30bn gap arising from the current models of care:

*"In England, continuing with the current model of care will result in the NHS facing a funding gap between projected spending requirements and resources available of around £30bn between 2013/14 and 2020/21 (approximately 22% of projected costs in 2020/21). This estimate is before taking into account any productivity improvements and assumes that the health budget will remain protected in real terms."*³⁹

Without significant and at scale public service reform, economic growth will have to make the principal contribution to closing the £5 billion fiscal gap.⁴⁰ There will, however, be little economic growth without extensive and qualitative reform of public services, and this reform will have to be quality rather than cost driven – it simply can't be maintaining the status quo for less money, it has to be about transforming the lives and prospects of those dependent on public services.

4.2 Case for devolution

The economic position outlined above makes the case for radical reform not just desirable but utterly essential. From Greater Manchester's analysis and experience it has been shown that with the right tools jobs and growth have been created, but that growth alone will not fundamentally change the nature of localities or reduce the costs of dependency that impose enormous costs on public services. The creation of mechanisms and policy offers to incentivise both growth and reform, rooted in real places, are needed.

The work that Greater Manchester has done has helped us to understand the realities of the current position. Cities are faced with a

disjointed mix of national, regional and local policies and programmes which, at best, do not complement each other and, at worst, actively conflict with one another. Current systems are not designed to encourage Local Authorities in economic areas to work together to make economically and fiscally sound choices. Cities are in fact dis-incentivised from reforming services as, evidenced by Greater Manchester's innovative cost-benefit analysis (CBA) work, for many reforms to succeed Local Authorities have to invest a disproportionate amount upfront, whereas the bulk of the financial benefits are accrued centrally.

The vast majority of taxes collected in the UK are paid to central Government with only a small proportion then redistributed locally. Fiscal devolution would and should return powers to sub-national government to raise tax revenues, on the basis of local accountability, removing dependence on central grant and all of its overhead and managerial cost. Despite the progress made towards greater co-operation and co-ordination of activity across the conurbation, the ability of Greater Manchester to really drive forward growth and reduce dependency remains very constrained.

However, Greater Manchester's work to date has shown that many barriers to reform are solvable locally through leadership of public services in a place, but Greater Manchester cannot reform at the pace and scale required unless there is a different deal with Government.

Greater Manchester is ready...

Cities seeking greater levels of devolution should have to demonstrate robust levels of local leadership and accountability, ensuring the right arrangements are in place to hold local partners to account for the delivery of services; a strong evidence-base on which the case for devolution can be made; and a track-record for delivery.

Greater Manchester has developed its understanding of the ways to incentivise growth, and knows its own problems and where reforms are needed. On the basis of both evidence and performance, we believe Greater Manchester is equipped to design its own solutions and is confident and resilient in its approach to addressing collective challenges and in seizing opportunities presented.

The development of the locally designed robust governance arrangements for the Greater Manchester Combined Authority and the Local Enterprise Partnership, along with a track-record of successful delivery, puts Greater Manchester in a relatively unique position, being the conurbation outside London with perhaps the greatest capacity to accommodate large scale devolution. Unlike many other places, the GMCA and LEP cover the same geography, strengthening further Greater Manchester's place-based role and commitment to developing and delivering in the recognised economic geography of the region, not simply adhering to administrative boundaries created by Government or

funding programmes. It is the most mature partnership and most robust governance model on the statute book.

Greater Manchester has worked at redefining its relationship with Government working with Government to implement bespoke Greater Manchester reforms such as the Working Well, a key employment support programme which works with people on Employment and Support Allowance (ESA) to overcome their barriers to work. While flexibilities such as these demonstrate the capacity of Greater Manchester to deliver with an increased flexibility from centralised policies and approaches, it does not go far enough for Greater Manchester to deliver on its growth and reform agenda.

For the City Region the Greater Manchester Growth and Reform Plan marks the beginning of a process which seeks to establish a new relationship with Government, a place-based partnership to support Government priorities, drive reform of the way local services are delivered and better align local and central growth programmes. The plan seeks to create a platform for fiscal self-reliance, accessing resources and delivering strategic objectives but tackling public service supply and demand together, something that has never been done before in this context or at this level.

35 MIER (2009) *The Manchester Independent Economic Review*.

36 Parkinson, M., Meegan, R., Karecha, J. (2014).

37 All spend and tax take data are quoted at 2012/13 prices.

38 The total tax take is an estimate calculated using a methodology devised with advice from KPMG. The total spend is a robust set of numbers analysed at several levels of detail, involved a wide variety of organisations, verified and looked at over a period of time.

39 NHS England (2013) *The NHS belongs to the people: A Call to Action* [Online] Available at: http://www.england.nhs.uk/wp-content/uploads/2013/07/nhs_belongs.pdf [Accessed 3 September 2014].

40 Greater Manchester Economic Advisory Panel (2014) *Greater Manchester Growth and Reform Plan* [Online] Available at: http://neweconomymanchester.com/stories/1916-greater_manchester_growth_plan [Accessed 3 September 2014].

5 The Public Service Reform Case

"It is time for Manchester to stop modelling and act; for the conurbation with the strongest governance and evidence base to undertake a bold and radical experiment: radical localism."

5.1 Manchester's current public service reform programme

It is through Public Service Reform (PSR) that Greater Manchester (GM) hopes and intends to support its people to become independent and self-reliant. The core principles of reform are: the integration of all public services to provide bespoke packages of support for families and individuals; and the deployment of evidence-based interventions. The work GM has done to date has provided compelling evidence demonstrating how an integrated approach to public services works better than the national siloed systems for cohorts with complex needs.

Complex dependency

GM is supporting families who place multiple and repeated demands on public services. The approach will be used with many more Greater Manchester families than the 8,090 that currently meet the national definition of 'troubled families'. The reforms of public services to support people with complex dependency aims to: increase independence and reduce demands on public services; improve employment prospects for individuals and families, helping GM become economically self-sufficient; and, achieve significant financial savings across the public sector. GM has strong evidence from its existing reform programme showing how new

delivery models based on reform principles can achieve positive outcomes for families and individuals with complex needs. Using the evidence of what works, GM is scaling up current reform programmes and generating new evidence to support local and national policy, budget and commissioning decisions. They also wish to broaden the approach, working with Government to test a number of delivery models for groups within the complex dependency cohort. Successful approaches adopted through the Troubled Families, and other reform programmes, will now be scaled up to support a far greater number of families and individuals with complex dependency needs, who place multiple and repeat demands on public services.

What is GM doing?

- Delivering integrated support across a range of services, ensuring families and individuals receive the right support, in the right way, at the right time.
- Introducing key-workers ensuring people have one consistent point of contact - all delivery models should incorporate features of the core GM 'Spine' (lead worker approach; single front door; evidence based interventions; evaluation framework; employment focus), which will be supported by a set of GM standards.

- Aligned with existing local integration arrangements and building these into genuine multi-agency approaches.
- Where appropriate, working with the whole family, not an individual. Recognising that the issues individuals face may be linked to wider familial difficulties.
- Undertaking data collection and analysis across a range of partners (including health, housing, training providers, local authorities and police) to take a holistic view across agencies to define the most common characteristics and issues of dependency, identifying the most costly and most dependent families and individuals, as well as the data and metrics that indicate who may require more intensive support.

The local evidence

Evidence from Troubled Families in Manchester is showing how delivery models based on the PSR principles can achieve positive outcomes for families and individuals. An evaluation of 1,854 families who have been referred into Manchester Troubled Families tier 1 interventions took place in February 2014, which included an assessment of the overall level of complexity and need, and how effective the programme was in terms of tackling these needs. The evaluation looked at the 294 families that had completed a full period of tier 1 intervention, drawing out the actual observed level of improvement against the presenting needs.

The table below shows, based on an analysis of the 294 families, the proportion of families demonstrating an improvement on key outcomes – the improvement in the number of families/people that had particular issues before or during the intervention in comparison to the 12 month period after the intervention. Significant progress has been made in stabilising families by tackling issues related to offending, health, school attendance, and safeguarding, even after accounting for deadweight based on the impact for control and comparison groups.

Table 1: Impact of Troubled Families in Manchester

Outcome (of those presenting with issue)	Proportion of families affected by each presenting need	% of families with the need that addressed / improved the issues	Indicative % impact after compensating for deadweight and optimism, as used in the CBA
Worklessness			
Families off 'out of work benefits' and confirmed into employment	73% (215)	9%	6%
Criminality			
Families where there has been no repeat proven offences	24% (70)	73%	35%
Families where there has been no repeat proven ASB offences	15% (45)	81%	42%
Families where there has been no repeat police Incidents	70% (200)	86%	43%
YOS Breaches reduced	11% (30)	60%	27%
Health			
Mental Health improved	59% (175)	64%	38%
Drug Misuse improved	16% (50)	26%	13%
Alcohol Misuse improved	21% (60)	54%	29%
Safeguarding			
Families with Domestic Violence issues resolved	24% (70)	64%	21%
Families with 'Children in Need' status removed	21% (60)	64%	26%
Families with 'Child Protection Plans' removed	10% (30)	32%	7%
Children in Care (LAC) returned	5% (15)	30%	6%
Education			
Reduction in persistent absence	14% (40)	46%	26%
Reduction in fixed term exclusions	16% (50)	58%	31%
Housing and Debt			
Avoided Eviction	21% (60)	64%	26%
Families with Debt issues reduced or cleared	26% (75)	42%	13%

Integrated health & social care

In Greater Manchester the current health and social care bill across the Combined Authority is £6 billion per annum. The need for a radical and proactive approach to health and social care reform has been acknowledged, one that cannot wait for Government or NHS centralised reforms to be developed. There is a funding gap of £1.1 billion in the health and social care system in the City over the next five years. Greater Manchester has seen a 35% increase in unplanned hospital admissions over the last 10 years, radical reforms are needed now to ensure this trend is not continued for the next 10 years.

The public consultation on Healthier Together is GM's initial response to these issues, demonstrating the city region's determination to act collectively with consistent leadership from 10 local authority Leaders and 12 CCGs acting in common. GM is facing similar challenges to other places, but what is unique is the scale of health and social care reform required across the complex geography of the city region, and the links to economic growth through world leading universities, teaching hospitals and specialist assets.

The Healthier Together document is consulting on a coherent package of reforms to primary care, out-of-hospital services, and in-hospital reforms. There is recognition that GM needs to move forward at the same time, on both reconfiguring hospitals, and investing in new models of integrated care, linking care services to worklessness and dependency.

Current reforms already enacted seek to integrate care services, contributing to greater out of hospital care; and to deliver effective prevention and management of long term conditions, reducing demands and costs on services.

What is GM doing?

- For hospital services, GM is proposing changes to A&E, acute medicine, and general surgery. These changes are supported by the principle that everyone in Greater Manchester should have access to the highest standards of care wherever they live, whatever time of day or night, or whether it is a weekday or the weekend.

- To provide the best care GM would like to combine medical teams from separate hospitals into Single Services. This would mean providing care at two types of hospital: a local General Hospital and a Specialist Hospital. Both types of hospital will work together and be staffed by a single team of medical staff.
- For a small number of patients (those who are the most unwell) a smaller number of hospitals will provide the most specialised care. These Specialist Hospitals will provide emergency and high-risk general surgery, as well as the services a local General Hospital provides.
- Across health and social care services, GM is focussing on delivering support aimed at effectively managing the costs and outcome of care.
- The Greater Manchester reforms will deliver greater support in the community, preventing unplanned hospital admissions

Key achievements / messages from the programme:

The whole design of the integrated reforms aim to reduce expensive, reactive services and increasing better targeted, proactive, preventative measures.

Segmenting the population according to the relative risk of needing hospital care and other indicators of vulnerability is starting to stabilise care for those at the highest risk. The aim as we spread the new delivery models is to intervene earlier to slow or prevent the onset of disease across broader populations to ensure more and more individuals are able to self manage their care effectively.

The new delivery model

Across Greater Manchester risk stratification tools have been developed, giving a predictive risk score to emergency admissions to hospital in the next 12 months. This risk stratification tool, identifying those at risk of needing health care, allows for early intervention, this information then feeds into the multidisciplinary team developing caseloads of relative risk cohorts. Individual care plans are then developed and delivered.

In one locality 4,776 patients were identified as high risk through the risk stratification tool. The initial data regarding patients identified through risk stratification suggests that the Integrated Neighbourhood Team (INT) system is having an impact.

Case Studies

Ella – 82, lives alone in sheltered accommodation. Diagnosis of depression.

Previously:

- Under care of a psychiatric consultant and community psychiatric nurse
- Reablement, followed by day care
- Referral to the Integrated Neighbourhood Team
- Total cost £4,256

Now:

- Actively involved in community hub – no day centre needed
- Reduced visits to GP surgery
- No longer needs mental health social worker
- Total cost £1,301

Dorothy – 74, lives with her husband, who is her main carer. Diagnosis of early on-set dementia.

Previously:

- Domiciliary home care and attends a day centre
- Total cost £6,584

Now:

- Accesses activities six days a week in the community
- Total cost £2,960

Justice and rehabilitation

Greater Manchester has assembled strong evidence of the impact that applying the principles of public service reform can have on issues such as levels of offending and reoffending, anti-social behaviour, and

the criminal justice system more generally. Through the Ministry of Justice Local Justice Reinvestment Pilot, Greater Manchester achieved a reduction in adult demand costs of 14.1% against the baseline, and a reduction in youth demand by 42.1%. GM received a total reward payment from Government of £7.6 million over two years which is being reinvested in evidence-based and innovative new delivery models.

The Justice and Rehabilitation Theme focuses on key touch points in the Criminal Justice System at points of arrest, sentence and release and is considering ways of addressing complex dependency at each of these. There is, of course, a broader opportunity to consider early intervention and prevention as well as integrated delivery models that address the drivers of crime and offending behaviour.

There is an integral relationship between the Justice and Rehabilitation Theme and Complex Dependency, given that offenders often present multiple issues and needs. In recognition of this, the original portfolio has been expanded to include, complex dependency; mental health; substance misuse; domestic abuse and; education, training and employment.

A co-commissioning approach has been agreed between the members and the organisations they represent and applies across all stages of the commissioning cycle. The Board oversees the evaluation of all commissioned services and interventions and to ensure that new delivery models; integrate, co-ordinate and sequence public services to create bespoke packages of support.

Key achievements / messages from the programme:

The Intensive Community Orders (ICO) programme is a good example of Greater Manchester being ready to do something different. Not simply in terms of the scaling up of successful delivery models, but the belief and buy-in of all the agencies involved in commissioning and delivery that far greater outcomes can be achieved if all agencies work together rather than in isolation.

ICO Exemplar

Why?

- Total cost of crime by Young Adults estimated at £20bn per year.
- The cost of a period of custody less than 12 months is estimated to be more than £11,000.
- The total cost to society of short prisoner reoffending is estimated to be £7bn to £10bn a year.
- Public costs of crime in GM, including policing, courts and prisons, is estimated at £870m a year.
- Intensive Community Orders can cost a third less than a period of short custody, and results in better outcomes (reducing reoffending/increase in social capital)
- Peak age of offending is 19 years old.
- A quarter of Young Men in custody are parents.
- Approximately 25% of prisoners were in care as a child.

Outcomes:

- Reducing reoffending
- Early intervention
- Lower cost disposals e.g. less short custody
- More effective outcomes
- Increased social capital
- Direct focus on worklessness, relationships & family
- Whole system approach.
- 80% reduction in re-offending for most serious and violent crime types with 27% returning to work.

The Cost Benefit Analysis shows a gross saving of £38m over 5 years.

Employment & skills

Greater Manchester has worked hard to develop high quality labour market intelligence which it uses to inform the work of its Skills and Employment Partnership, annually agreeing objectives for skills in the city region. There are between 245-250,000 people in Greater Manchester on out of work benefits. Of these, around 140,000 claim ESA or other sickness benefits. Persistent levels

of worklessness across the city limits many residents ability to take advantage of the opportunities created by economic growth and to contribute to that growth.

The reforms being delivered aim to, reduce levels of worklessness and help those at risk of moving onto benefits due to health reasons; improve qualifications levels, opening up more employment opportunities; and, increase progression in the labour market.

What is GM doing?

- The Working Well programme is supporting ESA claimants back into work, coordinating support across a range of services to tackle the issues preventing people working.
- Working with local employers, ensuring there is a focus on the developing the skills they need to succeed.
- Focusing work with families who have a history of being out of work.

Key achievements / messages from the programme:

This programme demonstrates Greater Manchester's commitment to supporting those furthest from the labour market back into work to benefit the individuals and their families. The evidence based approach has allowed this programme to be designed based on a detailed understanding of the cohort, understanding the nature of the health conditions affecting ESA claimants, their age, their family structures etc.

Knowing that in many cases no single organisation will have all the answers to tackling the barriers Working Well participants may face to finding employment, the development of local integration plans across a range of partners has been central to the programme. Partners are working more flexibly, enabling clients to access services at the right point to support them on their journey back to employment. This collaboration, aligned with the central role played by key-workers who have developed strong relationships with clients and partners, is delivering results.

Working Well in Rochdale

Client Profile:

- Male, 50's, hearing impairment, mobility issues, and angina.
- Uses mobility car and was a delivery driver but due to health reasons was unable to sustain this employment.

Support to date...and move into employment:

- Following his first appointment with a key-worker the client was booked in for a physical health appointment with Ingeus Health professional. This appointment was arranged as a phone call.
- The client was advised to have a new hearing test and options were discussed about getting more suitable and smaller hearing aid, something the client felt self conscious about.
- Better off calculations were done and client was supported to look at self employment as one possible avenue.
- The client developed his CV and started attending sessions with a Work and Wellbeing Coach, initially 1:1 then group sessions.
- The client was referred to Rochdale Council's Community Champions to be a volunteer driver. This opportunity gave him the confidence to apply for other driving positions. Now he has managed to secure a job on a self employed basis with Amazon and started at the beginning of July.
- He is very positive about the support received, sent brilliant emails to his key-worker and will be an advocate for Working Well and the partnership approach.

Initial calculations for Working Well show a benefit of £21.7m over a 5 year period.

- Working with experts in health, early years and schools to build on the detail of the model to ensure rigour around delivery and evaluation.
- Engaging parents in the development of the model and local approaches.
- Equipping the workforce with the knowledge and skills to work in partnership with families, to engage parents in understanding and promoting their own child's development with a strong focus on promoting responsive parenting and, through this, social and emotional and communication and language development, starting at pregnancy and continuing to school.
- Developing an outcome evaluation framework to collate information on progress at both individual and population level

Key achievements / messages from the programme:

- Through broad engagement the NDM is well supported across all sectors because the strong case for change is recognised.
- The GM financial model shows that implementing the model would make a significant population level shift in school readiness, and increase parental employment.
- Early fiscal savings largely result from more parents supported into work. Long-term fiscal savings result from lower benefits spending as the children enter the labour market (linked to them achieving better results at secondary school), the children having better health, and less likely to be involved in crime and anti-social behaviour. The savings accrue as described below, amassing around an estimated £600m in savings over a 25 year period, excluding the costs of the NDM an additional £22.3m per annum.

Early years

The MIER recommended sustained efforts to improve the very early years experience of all young people in Manchester, including at school, especially in socially isolated neighbourhoods. The evidence for investing in early intervention in the early years is overwhelming. Poor early life experiences can even permanently impair the healthy growth of very young children's brains. Early intervention can prevent problems arising in the first place and/or identifying and remedying problems as early as possible, families can be supported to help their children develop to their full potential. GM evidence shows that by getting children on the right trajectory from the very start will mean they can succeed at school; get better qualifications; and ultimately be equipped for the world of work. This early investment not only improves outcomes, but also supports those most disadvantaged, tackling health inequalities, and starting to break intergenerational cycles of poverty and dependency.

Currently £363 million is spent in GM on proactive early years services, but despite this in 2013 52% of children were starting school without being 'school ready'. The New Delivery Model (NDM) has been developed to improve how the whole system works with parents and young children, from pregnancy, to significantly improve school readiness and reduce the long-term costs that can be result of a poor start in life.

What is GM doing?

- Testing the model in relatively small 'early adopter' areas with around 1,000 children - assessing the local impact of integrating the interventions into targeted and sequenced pathways, measuring key proxy indicators.
- Working with Combined Authority Treasurers to identify initial investment in preparation for a staged roll out from 2015/16 based on a robust financial model.

5.2 A national role in public service reform

Manchester is one of 13 areas which make up the national Public Service Transformation Network, established in 2013 to share and transfer learning between places. Greater Manchester

has itself formalised its PSR team into the Public Service Reform Centre of Excellence. The centre is designed to propagate and spread best practice, it will:

- Provide support to local authorities to draw upon for local reform issues, helping them and partners to co-design and implement new delivery models based on the reform principles established over the last three years.
- Help local authorities and partners to develop Business Cases for reform including technical support for developing new investment models.
- Provide a route to engage with Government and national partners.
- Provide support across Greater Manchester on flexible development and deployment of public sector workforce skills and information and intelligence systems to enable integrated assessment and case management.

The Centre's focus of activity is working with local people who, with a complex range of issues, 'present repeatedly' and are heavily dependent on public services, the Centre wishes to find ways to support people to be increasingly independent.

The national and local evidence for a step change in place-based reform

The four Whole-Place Community Budget (WPCB) Pilots are currently the clearest expression and most explicit evidence and practice of how to bring together all resources for public services at a local area-based level to design integrated services and achieve better outcomes.

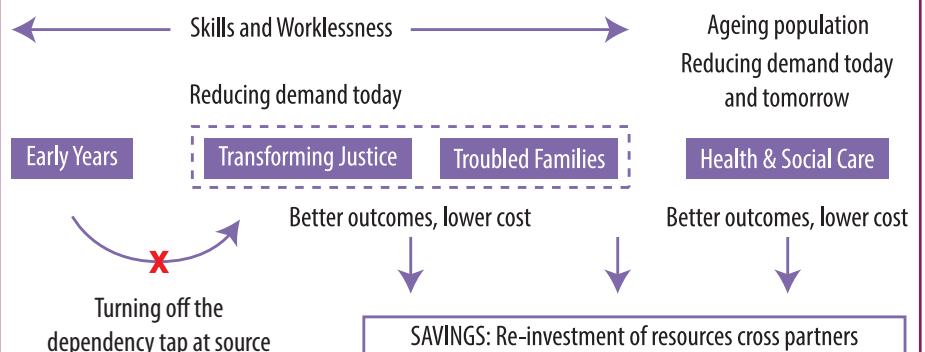
The pilot sites have made the case for change through their proposals. They have also consistently pointed out that to deliver change on the scale they envisage, there has to be change not only at a local level but also, and especially, in Whitehall.

The potential to scale-up the results of the Whole-Place Pilots have been estimated (although delivery has since been revised through the PSR work). Below a table explaining GM's estimated expenditure and savings based on the scaled up WPCB pilot. These savings were calculated as a

Greater Manchester WPCB Pilot

In **Greater Manchester the WPCB pilot** has allowed the Combined Authority, as part of a wider 3-5 year reform programme, to look at the delivery of a transformational reduction in service demand through the implementation of new delivery models underpinned by co-investment models that enable partners to work at scale.

Focused on a number of inter-related areas GM have taken a whole system approach, capturing the public sector across police, fire, health, probation, local authorities and the community and voluntary sector.



Working with families and individuals at the neighbourhood level and across four thematic areas – early years, transforming justice, troubled families, health and social care - GM has developed a series of key design principles, including:

- A single outcomes and performance framework, shared by all partners, and mechanisms for data sharing.
- A commonly applied referral pathway (any door the right door) and single assessment process.
- Joint, strategic commissioning and procurement of interventions at the most appropriate spatial levels (and decommissioning non-evidenced based interventions).
- Structures defined by adding value to the front line, with proportionate use of interventions and investment in early intervention and prevention
- An integrated workforce with line management and accountability across agency and sector boundaries.
- Responsibility to own specific cases and pull in specialist resources to ensure a coordinated and integrated family plan.

The evaluation is ongoing and will be based on a bottom up approach to each programme strand as activity is implemented and scaled up across the city region. A new cost-benefit tool for place-based activity based on Treasury Green Book methodology has been developed and has now been adopted across Greater Manchester and other areas of the UK. Using this method Manchester has already evaluated their Phase 1 of the Troubled Families programme identifying a positive cost benefit ratio of 1:1.4.

result of the cost benefit analysis in each area, which were based on the business cases developed at that point in time. It is important to note that the benefits would grow over the longer term. (See Table 2.)

Based on the pilot areas Ernst and Young developed an aggregated model to estimate national savings of £9.4 to £20.6 billion net over five years if fully implemented nationally.⁴¹ Whilst the National Audit Office have cautioned that the net savings may need to be adjusted for ‘optimism bias’ the Secretary of State for Communities and Local Government, Eric Pickles, has stated that he expected savings to fall “somewhere towards the middle” of the Ernst & Young estimate.⁴²

The Select Committee on the Whole-Place Community Budgets have expressed their support for the Pilots, as well as their concern that the Government is not acting with sufficient urgency to make the step change in integrated working at the front line.⁴³ In their report the Committee suggested that the Cabinet Office and the Treasury, the departments responsible for coordinating policy and allocating monies and therefore best placed to support and promote integration across the Government, were failing to provide the necessary strategic leadership and are not doing enough to tackle the barriers to integration.

These barriers include the lack of good information to identify where the Government could do better by joining services, funding arrangements which make it difficult for bodies to invest in joint working, and the reluctance of Accounting Officers to pool budgets in case they lose control and authority if services were more often joined up.

The Government’s Civil Service Reform Plan recognised the lack of collaborative working in the civil service but none of its 18 high-level actions are directed at improving collaboration.⁴⁴ The Plan contained some additional proposals to promote coordinated working, such as having cross-departmental teams to develop policy, but it is not clear what priority these proposals have or whether the Cabinet Office is even implementing them.

Table 2: Estimated costs and benefits on the scaled up WPCB pilot in GM

Costs	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	5Y total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Totals	45,985	84,197	89,707	62,218	79,322	86,079	447,508

Benefits	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	5Y total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Totals	26,917	90,286	116,975	142,617	162,881	177,017	716,692

The report highlights how in contrast to more limited progress in central government, the Whole-Place Community Budgets programme has involved local public bodies and central government working together to develop evidence-based plans for new integrated services, analysing in detail the expected costs and benefits of integration with findings to show clear potential for improving outcomes and reducing costs in each area.

On the basis of two reports by the Comptroller and Auditor General the commons committee took evidence on integration across government and Whole-Place Community Budgets and recommended the Cabinet Office and Treasury should improve their ‘sponsorship’ of integration efforts across the Government. This could involve adapting existing mechanisms to embed a commitment to integrated working rather than establishing new structures or units and for the Treasury to more actively encourage departments to submit joint funding bids as part of the spending review process.⁴⁵

And yet the committee expressed its frustration that ‘we are still talking about proposals rather than action’ and commented on the need for other central government departments to show greater commitment to the Whole-Place approach, otherwise ‘it may, like similar initiatives in the past, fail to deliver any significant and lasting change’.

Not only is it the case that Government must increase the scale and pace of the Whole-Place approach, to widen and extend the Pilot opportunities to other areas, but there is now a need to deepen the Whole-

Place experience in those pilot areas that have the ambition and capacity to do so. The Whole Place Community Pilot in Greater Manchester estimates a net savings of some £270 million over five years, while the city region is seeking to bridge a tax and funding gap in the region of £5 billion per annum. The public purse cannot afford to wait another 5 years before the evidence base has been presented and the momentum to transform delivery has dissipated. The magnitude of the challenge requires an immediate and radical re-boot of the Whole-Place approach, to move from a model based on the most disadvantaged, the most troubled, and the most complex, to a new integrated model of public service delivery for all communities and citizens. We believe that there is a compelling need to enlarge the experience of working with small pots of locally integrated resources to a scale of operation that will see real and substantial benefits and savings. Simply put, we need to take the Whole-Place approach to its maximum level of operation in order to achieve maximum rewards.

5.3 Going beyond the modelling

Manchester has gone further than any other city to develop a comprehensive understanding of its public services and how much they cost. The city has modelled all its spend laying bare the absurdities of the current system. Through its public service reform it has changed what it can, working with Government to deliver change within the current system. The existing public service reform underway in Greater Manchester demonstrates the city region’s maturity. It is ideally placed to lead the development of new public service models, showing that the commitment, relationships

and necessary infrastructure are in place to successfully design and deliver public services in new ways. Yet despite the advanced and robust Greater Manchester governance, its ability to really drive forward growth and reduce dependency in a way that is tangible and meaningful both at local and nationally significant scale, remains constrained by the siloed national system we work within. Greater Manchester can only go so far before it encounters blockages and barriers.

The GMCA has now been operational for three years and it is right that the most mature model of governance is used to test the most radical reforms. What would happen if we took the city region outside of the current system; if we re-imagine services based on the idea of the whole-person, the mass bespoke? A transformational Greater Manchester approach to public service reform would drive radical reform of public services across the totality of this spending. It would build on the Greater Manchester working examples of reform to improve life chances of those living in deprived areas, improve life chances during early years, integrate health and social care, transform justice to reduce reoffending, and connect skills provision to opportunities for growth.

It is time for Manchester to stop modelling and act; for the conurbation with the strongest governance and evidence base to undertake a bold and radical experiment: radical localism.

41 Local Government Association (2013) *Whole Place Community Budgets: A Review of the Potential for Aggregation*.

42 National Audit Office (2013) *Case study on integration: Measuring the costs and benefits of Whole-Place Community Budgets* [Online] Available at: http://www.nao.org.uk/wp-content/uploads/2013/03/10088-002_Whole-Place-Community-Budgets.pdf [Accessed 3 September 2014].

43 House of Commons Committee of Public Accounts (2013) *Integration across government and Whole-Place Community Budgets. Fourteenth Report of Session 2013–14*.

44 HM Government (2012) Civil Service Reform Plan.

45 C&AG's Report, Integration across government, Session 2012-13, HC 1041, 13 March 2013; C&AG's Report, Case study on integration: Measuring the costs and benefits of Whole-Place Community Budgets, Session 2012-13, HC 1040, 13 March 2013.

6 Devo Max - Devo Manc

“Within five years, from the beginning of the next parliament, Greater Manchester should receive a full place-based settlement for the entire allocation of public spending – currently £22.5 billion per annum.”

6.1 The settlement

Within five years, from the beginning of the next Parliament, Greater Manchester should receive a full place-based settlement for the entire allocation of public spending – currently £22.5 billion per annum. The breakdown can be found in Table 3 opposite.

This settlement should be in the form of a single block grant from Government, carved out and pooled at source by Treasury from the main spending departments. Greater Manchester would then have the flexibility, whilst maintaining a sensible dialogue around outcomes with Government, to allocate this funding as it sees fit, across the scope of its growth and reform programme. The expectation is that it will deliver a place-based devolutionary approach that serves as the best means of delivering Government ambitions in respect of reducing dependency of citizens, increasing the competitiveness of UK plc and delivering genuine value for money.

This settlement would encompass multi-year budgets in order to encourage longer-term investment, planning for growth and reform. Ideally this means Greater Manchester having the same level of certainty of funding as Government departments.

Devolved funding should be free from ring fencing and Greater Manchester should be able to deploy the funding,

using a mutually agreed outcomes framework, where most effective for its residents across all areas of public spend. In order for Greater Manchester to achieve reductions in public spending there would have to be significant accompanying exemption from national requirements on major areas of public spend, including welfare benefits and health protection. We do not foresee the requirement to change universal entitlements to state pensions but, in time, Greater Manchester would seek to invest its devolved proportion of these assets in local infrastructure and economic development programmes.

Alongside the devolved funding, Greater Manchester should receive a calculated percentage of the central overheads currently borne by Whitehall. This should be reflective of the decreased demand in departmental administration. This should be a determinate and set overhead going from the centre to the devolved area to increase Greater Manchester's capacity, this could perhaps be in the form of a fixed percentage of overhead in relation to a fixed percentage of devolved spend. This will fund the additional resource needed to work in place.

The UK government may set some broad, high-level standards as a parameter of devolution, but once powers are devolved it will be for the devolved Greater Manchester administration to determine what use to make of them. The relationship between local and ministerial

Table 3: Public Spend in Greater Manchester 2012/13

Public Services – 2012/13	£ Millions	%
Welfare benefits	£5,682	25.3
Health	£5,117	22.8
Fixed benefits (pensions, child benefit)	£3,640	16.2
Education	£2,633	11.7
Social care	£1,080	4.8
Transport	£845	3.8
Skills	£775	3.4
Police services	£632	2.8
Criminal justice & community safety	£419	1.9
Housing	£336	1.5
Other local authority spend	£305	1.4
Environment, waste & regulation	£301	1.3
Central services	£224	1.0
Planning & development	£178	0.8
Culture, recreation & sport	£178	0.8
Fire services	£116	0.5
Total	£22,460	100.0

Source: *New Economy*, 2014

accountability will foster good lines of communication between the city region and central Government to ensure that Greater Manchester is delivering growth and reform for local and national benefit and that the approach piloted by Greater Manchester can be replicated elsewhere to benefit other areas.

A shared outcomes framework should be agreed for Greater Manchester, to which all services within the place-based settlement work, and against which Greater Manchester will report to central Government. This should be transformed through a truly local form of accountability, whereby services are contributing to, and jointly responsible for, the same set of outcomes, and where Greater Manchester, as a coherent economic geography, is accountable for what happens within its boundaries. The shared outcomes framework should encompass a single set of high-level place-based indicators to be used across the whole of Greater Manchester's public services.

The indicators outlined in the Greater Manchester Strategy provide a sound basis for a shared outcomes framework:

- Increasing the rate of GVA growth
- Increasing GM's share of total UK full time equivalent jobs
- Reducing the number of people reliant on out-of-work benefits
- Increasing the proportion of residents population qualified to the equivalent of degree level, and NVQ level 2
- Increasing the average salary
- Reducing all age, all cause mortality rates
- Increasing the number of children achieving a good level of development on the Early Years Foundation Stage Profile

This shared outcome framework should be underlined through a single Greater Manchester inspection regime that considers the effectiveness of achieving place based outcomes and the degree to which Greater Manchester is supporting this with its organisational structures and workforce model.

In addition to taking on more responsibility for reducing public sector spend, Greater Manchester should receive more of the upside with the powers to reinvest fiscal savings from reform, including diminishing welfare benefit payments, to create economic growth.

Greater fiscal devolution should sit alongside the devolution of public spend. This should be built around a new settlement between central and local government, and based on shared risks and rewards, which incentivise local investment - rewarding economic growth and reduced dependency.

As such, Greater Manchester should receive the powers to generate and retain a significantly higher proportion of tax locally to invest in major infrastructure opportunities which are seen as a priority for the city region. The ambition is to reduce public spending - offset by a net increase in overall taxes to Treasury and greater tax retention for Greater Manchester.

- Initially this should include full devolution of the five property taxes - business rates; council tax; stamp duty land tax; annual tax on enveloped dwellings; and capital gains property development tax - in line with the proposals of the London Finance Commission. These represent just over 8% of all UK Tax with a value of approximately £60bn per annum, although proportions and values vary by region according to property values.⁴⁶
- Arguments for the devolution of tax raising powers to English regions similar to those enjoyed by Scotland in respect of income tax have been made by many. However, in our view this is putting the cart before the horse, you can't really devolve personal taxes like income tax to English localities until the local services received are related to the local taxes raised. Our full place-based devolution of local spend is the precondition of further fiscal devolution to English localities, and such a fiscal devolution should be consequent on a full service based devolution.
- To support genuine local decision making, we do believe measures will be needed to retain and manage tax resources generated locally – for example the local management and retention of income tax. As an operative principle

which we term 'proportionate parity' we would argue that some of the freedoms enjoyed by the devolved nations should be enjoyed by city regions, not least because in some areas, English city regions are bigger than the devolved nations (in the case of Greater Manchester its population is greater than that of Northern Ireland and its economy is larger than that of Wales). In regard to Greater Manchester, we believe that once full place-based devolution of public services has taken place fiscal devolution should follow. There is no good reason why these powers should not be commensurate with the freedoms that have already been allowed in Scotland (where currently income tax can vary by 3 pence in the pound but where the Scotland Act 2012 has already enabled the Scottish Parliament to vary income tax from April 2016 by 10p in the pound). In addition, this principle of 'proportionate parity' should stimulate Government to explore what other tax raising powers might productively accrue to the English regions, should the outcome of the Scottish Independence referendum be no, and a Devo Max response by the UK Government is forthcoming.

Risk and reward

Devolution does not come without risk, and Greater Manchester would therefore need to take on the responsibility for success or failure, sharing both risk and reward, on a proportional basis with Government.

Given reductions in national expenditure we believe that Greater Manchester should commit to achieving a projected decrease in public spending. In order to do this the Combined Authority would need to negotiate a total funding profile to reflect the national path of public spending and the ambition to be financially self-sufficient.

Accepting that Annually Managed Expenditure (AME) budget savings have not been achieved in recent times, it would not be sensible for Greater Manchester to agree a devolution settlement where the savings are taken out of the AME budget lines before the funding has transferred, as the full risk on delivering CSR spending reductions would fall on Greater Manchester.

Equally, it would not be acceptable for Greater Manchester to lose any additional savings agreed over and above the CSR reductions. In return for a commitment to reducing public spends, Greater Manchester should be able to retain any upside from local economic growth and savings achieved through reforms during the five year settlement period. A share of the additional savings to be retained should be reinvested. This could be achieved through an agreed formula or mechanism.

The money which Greater Manchester saves should not simply be given back to the Treasury to be redistributed to other areas that may not have implemented commensurable reforms nor achieved significant savings from reform. This incentivises Greater Manchester in taking on the additional delivery risk.

At the same time Greater Manchester would need to fund any potential shortfalls, should they arise, from its own resources and within the agreed budget settlement.

If Greater Manchester delivers the required level of spending reduction (bearing in mind that overall spend has not gone down over the past five years) it will have provided Government with the evidence of how devolution can work, leading the way and setting the benchmark for further place-based devolution. It is suggested that other places should, if they have the capacity, follow Greater Manchester's path to devolution.

Governance and accountability

Consideration needs to be given to the proper constitutional and democratic governance models appropriate for the full devolution of public services and taxation to Greater Manchester.

This could involve a range of options ranging from a democratically appointed 'senate', where boroughs send their own elected leaders as representatives of the Combined Authority, to other directly elected models such as Mayors and Assemblies.

In the interim and pending discernment of appropriate governance arrangements, Greater Manchester needs an intermediary body to run the process of devolution, and a subsequent body to implement decisions

and policies. This could take the form of a 'GM board' which can report both locally and nationally and would:

- Set the priorities and policies for the total devolved budget.
- Establish a shared outcomes framework with the support of single inspection regime.
- Provide oversight across organisational boundaries and hold partners to account.

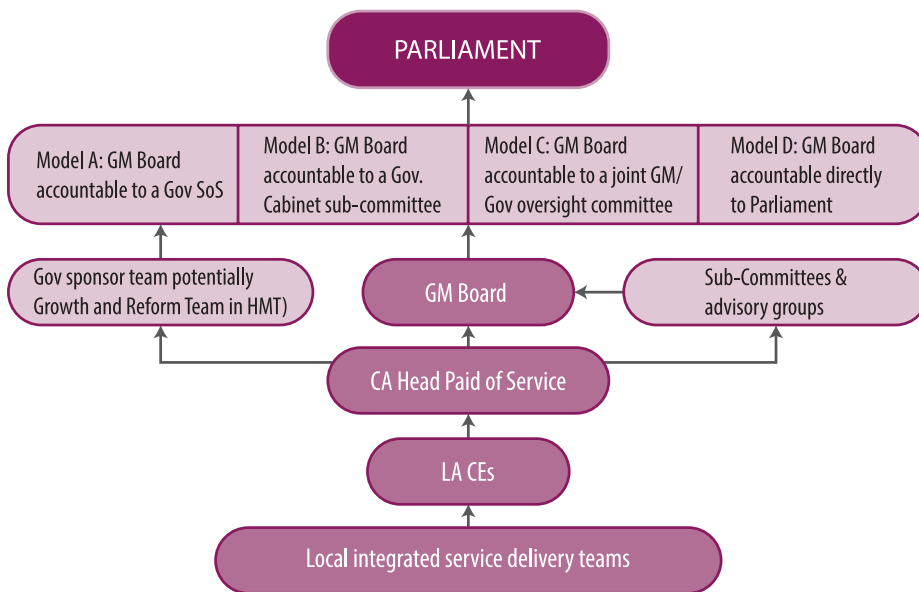
Consideration would need to be given to extending the legal powers of the Combined Authority and the practical financial arrangements needed to support devolution and place-based accountability.

There should be an official or local representative empowered to mediate between Government and Greater Manchester, harmonising policy, and advocating local needs to the centre, and vice versa. This could take the form of a 'Minister to Manchester' but a more practical route might be to follow the French system of Prefects, whereby regional officials, not beholden to either centre or locality, keep discipline and oversee rectitude, and co-ordinate policy between levels of government. The Lords lieutenant, specially made peers, or even regional ministers could hold this role.

Greater Manchester has looked at different options for Ministerial accountability, including the potential for members of the 'GM Board' and relevant Secretaries of State to jointly hold officers to account for progress against agreed priorities. Elements of the suggested model could include:

- GM Board. Ensuring local political leaders are jointly responsible (with Government) for agreeing policy decisions and setting direction for officers.
- Chair of the Board. Ensuring reporting lines guarantee officers are accountable to a local elected leader, as well as Government. There are a range of options, with different levels of collaboration between the Chair of the Board and relevant Government Ministers in holding officers to account. The Chair of the Board could also be the appropriate person to appear in front of departmental Parliamentary Select Committees in relation to examinations of relevant policy.

Fig. 3



- Chief Officer of the Board. Ensuring that, as well as being accountable to local and central Government elected leaders for progress against agreed policy priorities, a named officer is identified who can (in conjunction with the s151 officer of the Combined Authority) be held to account by the Public Accounts Committee for the value for money achieved in the implementation of public services.

The models set out in Figure 4 provide a range of options for Ministerial oversight, ranging from a single Secretary of State (Model A) through to a joint GM/ Government oversight committee (Model C). If this were a single Minister they would need to have the cross-cutting responsibility to act on behalf of Government as a whole. Models B and C would also facilitate Ministerial oversight and cross-Whitehall integration, bringing together Ministers (and potentially local leaders) to provide oversight for the funding contributed by their departments to a place-based settlement.

The idea of a Local Public Accounts Committee presents another possibility for further devolved arrangements.⁴⁷ This would institute impartial regional overseers to assess the financial rectitude of the devolved authority. They should not be based on or at the centre, but nor should

they be captured by local politics. Instead they should assure accountability, good book-keeping and fiscal responsibility to both local people and central government. They should be empowered not just to advise and improve how money is spent, but to scrutinise, intervene and discipline, referring bad behaviour upwards, as well as making it public.

Local Government should play a lead role in enabling, facilitating and encouraging the integration of universal public services, developing new mechanisms to hold local partners and agencies to account for the integration of their core services. But this is not about a municipalist approach where local government runs everything better than the centre.

It is instead about producing a relationship of collaboration and co-operation, in which local and national government empower and inform one another to achieve shared goals, whilst leaving room for independent and divergent policy, in a manageable framework.

As well as accountability upwards to the centre, the new governance model should have a duty to be accountable downwards, not just to elected representatives, but directly to the people. Governance arrangements should bear in mind the need for a 'citizen deal' here.

The proposed model of budgetary risk and reward between central government and Greater Manchester also provides a potential model for devolving still further to localities, whilst maintaining accountability. Part of Greater Manchester's devolved spend could be further devolved to localities in return for a shared hyper-local risk and reward model, with localities passing savings back whilst maintaining a portion to invest. This model allows ever more grass roots and hyper-local solutions to be implemented, mobilising ever more small-scale resources, whilst connecting communities, if anything more deeply, with Greater Manchester's central priorities, to ensure that localities within Greater Manchester see the benefits of devolved spending, and that ordinary people have a greater say over how their services are run locally.

This model cannot be designed or managed from the centre by-passing local democracy. It must be thought through and developed 'in situ' between the Combined Authorities and their communities, however defined in terms of place or interest. It must extend beyond the formalised architecture of 'Area Committees' and 'Community Networks' tried under previous governments to provide 'hyper-local' solutions on a case by case basis. This may encompass improving the opportunities to transfer assets from public to community ownership, to capitalise a local community enterprise; to strengthen the role of local organisations in delivering public services; or, simply improving the ways in which service users can better inform how local services are designed and delivered. This hyper-localism cannot be prescribed and must evolve in parallel with the development of a localised system of production, where front line workers are empowered to respond to the needs of people and place.

6.2 The roadmap to devolution

We recognise some of the questions which will be asked by Government, and particularly the Treasury, of this proposition. Chief amongst these is "What happens if it all goes wrong?" To answer this we propose a staged approach to achieving full devolution, delivered as a partnership by Manchester and Westminster, by the end of the next parliament. The aim being that by 2020 Greater Manchester and Government are in agreement as to how to deliver a full

place-based settlement including fiscal devolution and devolved spend.

A joint process with Whitehall is essential to providing momentum and driving an agreed roadmap. The next five years should be used to work with Government on the detail of full devolution to Greater Manchester, ensuring that it will be a success both locally and nationally. There can be no delays to starting this work.

The first 100 days

On day one of the next Government, Ministers, in partnership with Greater Manchester, should commit to evaluate full business cases to deliver the level of devolution proposed in each service area. Westminster must pledge, and be bound into, the principle of co-design and local commissioning. The use of earned competencies will be central to this process. The aim should be to complete this business case review within 30 days.

In May 2015 Government should commit to set up a Ministerial-led group, with senior representation from Greater Manchester Combined Authority, to agree incremental steps to devolution. This staged approach should be co-designed with Government, whereby Greater Manchester earns competencies over the coming period, whilst on the trajectory to full devolution. It would be for Government to prove why services should be out of scope, as opposed to Greater Manchester proving why devolution is necessary. A mechanism should be jointly designed with Government to achieve devolution in a timely manner.

A place-based partnership is vital to this project's success and capacity to drive devolution should be drawn from Greater Manchester and Whitehall. Greater Manchester should introduce managers of public services to be accountable locally, rather than to Whitehall, not for the whole of their role, but for their input to the programmes within the deal for 2015/2020.

As public services start to be shaped differently, unlocked from central government and departmental boundaries, Greater Manchester would need to breakdown organisational

boundaries, innovating the workforce to become multi-agency problem solvers.

Just as local services are asking for greater freedoms and flexibilities to innovate, Greater Manchester will need to recognise that local communities have valuable contributions to make in developing approaches to supporting people. Within the first 100 days of a new Parliament Greater Manchester should embark on a community engagement programme ensuring:

- Governance, accountability and financial frameworks actively encourage the engagement of community groups.
- Community engagement takes place at the earliest stages of developing new delivery models, before decisions have been taken over the future shape of services.
- Inspection and performance frameworks recognise the role that community groups can play in the design and delivery of public services.

Devolved funding in 2015

Based on the extent of work to date, it is suggested that the following devolution of public spending should be implemented with the first year of the next parliament.

Education: This should be viewed as a continuum up to age 19, with all pre-19 education and skills spend, including Apprenticeships, aligned within one system. This is currently split between the Education Funding Agency (EFA) and the Skills Funding Agency (SFA). Greater Manchester should take responsibility for driving up standards in schools, looking at value for money in terms of pre-16 education. Spend should be aligned with Greater Manchester priorities, and there should be a keen focus on preparing Greater Manchester young people for the work of work and sustainable employment. Education needs to be embedded in the local labour market where all agencies dealing with young people are accountable for their progression into sustainable education, training or employment. Schools should become 'first responders', the places where early indicators of trouble are noted and acted upon.

Skills: A new relationship with the SFA would allow Greater Manchester to use the skills budget to radically change the system into one which actually responds to the skills needs of Greater Manchester employers and residents. This would up-skill residents for the Greater Manchester labour market, not for nationally determined courses. This proposal should encompass the entire adult skills system, including post-19 apprenticeships. To accompany this Greater Manchester should have the requisite powers to ensure that skills providers who operate in Greater Manchester work toward the skills priorities set locally. The SFA should support Greater Manchester in this and only fund providers who are willing to work in this way. Over the course of Parliament this would be developed into a locally managed service.

Welfare: A more intensive, integrated approach to support harder-to-help cohorts into work should be implemented by reshaping existing national and local commissioning. Evidence from Work Programme, Working Well, and Troubled Families should be used to inform the co-design and co-commissioning of a localised welfare to work model. By 2020 all employment programmes should be devolved from DWP and Jobcentre Plus should be brought under local control.

Blue light services: The integration of Fire and Rescue with Ambulance and Police Services should be organised on a Greater Manchester footprint and given a remit and training to undertake a wider service offer around prevention, identifying troubled families or those at risk.

Health and social care: Greater Manchester should complete its whole-system reform to integrate out-of-hospital and in-hospital care including primary care, community care, public health and social care, managing these services at a Greater Manchester level. This will allow local government to marry democratic accountability to local clinical insight and immediately integrate these services with existing localised provision. Pooling NHS and local authority budgets would ensure that funding is spread across the spectrum, and that outcomes are targeted at improving people's health and wellbeing and getting people into work.

Early years: Given the extensive work to date in this field, this is the first area where from 2015 Greater Manchester should receive full budgetary devolution. Improving the early years experience in Greater Manchester is critical to reducing the flow of demand into downstream public sector services and creating a future workforce. Full integration of the currently differentiated funding streams should be supported by integrating commissioning for all community children's services. This should also allow for funding to be reallocated to design improved universal, preventative services and improved early identification and targeting of appropriate robust evidence based interventions for children at risk of poor outcomes.

Devolution in 2015-20

In line with the recommendations of the London Finance Commission, the full devolution of the five property taxes - including: business rates; council tax; stamp duty land tax; annual tax on enveloped dwellings; and capital gains property development tax - should be devolved to Greater Manchester within three years of the next parliament. This would follow on the devolution of public spend already achieved in the first three years in Greater Manchester and represents a less contested and easier to achieve form of fiscal devolution.

Dialogue between Greater Manchester and Central Government should aim to progress the introduction of local management and retention of income tax, with a view to implementing further tax-raising powers for Greater Manchester by 2020. These powers, as we have argued above, should be broadly commensurate, on the principle of proportionate parity, with the freedoms that have already been allowed in Scotland with the ability to vary the rate of income tax by 3% and where the Scotland Act 2012 has enabled Scottish Parliament to vary income tax by 10 % from April 2016. These discussions should also encompass any devo max offer made by the UK government to a Scotland that votes no in the upcoming referendum.

Obviously the five year progress to full service-based devolution will be an iterative one reviewing progress to date and facing and dealing with the undoubted difficulties that will arise. Ongoing devolution of public spend should follow a yearly review of

progress by the proposed 'GM Board' and relevant Secretaries of State, according to the local accountability model that would have already been jointly agreed. This process would consider further increments of devolved powers with regard to transitional risks, to services on the ground, and the necessary political, administrative and managerial capacity of Greater Manchester to deliver the final outcome, as well as the efficacy and levels of accountability in the new governance arrangements.

The impact of this new settlement on some key institutions, including Higher Education, Hospital Trusts and cultural institutions, will need to be fully considered during the course of the next Parliament. There are certain nationally held budgets that are currently based on volume and quality of service delivery. Devolving and effectively capping these budgets could result for example in Manchester Universities competing against each other for a limited for a limited pool of local students rather than against other institutions in London and elsewhere for a share of a national pot. How devolved funding can enhance the commercial positioning of institutions, by strengthening research and development links to local high value agglomerations without damaging or limiting potential income flows and weakening the competitive position of the city region will be critical to this process.

Similarly consideration of how to devolve and incentivise the reduction of welfare benefits via appropriate 'earn back' mechanisms as well as the potential to invest the devolved allocation of GM's state pension in local infrastructure plans will need to taken forward with government during this period.

All of which suggests that an open process of consultation and submission by all affected institutions and bodies should be present at every stage of the devolution process. There will be unintended consequences and the process of service-based devolution will need to be structurally aware of this and open to democratic representation and advocacy.

6.3 What will make this a success for Government and Greater Manchester?

From the start we advise that the following principles are adhered to by all partners, in order to make the roadmap a success. This will be based on a set of Greater Manchester outcomes agreed by Manchester and Government, which will form the basis of all public service reform and delivery.

- **Shared vision:** agreeing a clear set of priorities and approach to reform across partners helps to ensure reform programmes are focused on achieving clear outcomes, providing a common framework underpinning public service reform across the area.
- **Strength of commitment of local and national leaders:** across a range of service areas, including the personal commitment of politicians, political Leaders and organisational Chief Executives to lead reform across Greater Manchester.
- **Constant evaluation of what works:** as Greater Manchester learns about the impact achieved through new models of delivery, this understanding must be shared, applied and refined to other areas of reform.
- **Investment in intelligence, financial and analytical skills:** ensuring reform is underpinned by robust intelligence and analysis is vital in informing discussion with local partners and Government.
- **Financial commitment from central Government and local partners:** financial commitment from central Government will be crucial in engaging partners in meaningful discussion on the implementation of reform. The willingness of local partners to take risks in the development of (and contribution to) innovative and collaborative finance and delivery models will also be central to successfully implementing reform.

The barriers and risks that Greater Manchester will need to overcome

It is difficult to predict all the roadblocks that Greater Manchester will encounter in the next five years.

Below are some of these issues which will need to be addressed:

- **Securing financial investment.**

While Greater Manchester has achieved some financial commitments to help in the delivery of reform, current public service funding models limit the scale of investment partners are able to make

- **National performance and inspection frameworks.**

Greater Manchester has agreed priorities, but currently public services must also comply with national performance and inspection frameworks, which may be at odds with Greater Manchester priorities. For example, national performance reporting frameworks can draw partners towards a focus on national priorities. Reducing siloed central reporting across the board would help support colleagues in new ways of working, providing them with greater flexibility to support local decision making

- **Sharing benefits with partners.**

Current financial frameworks limit the extent to which financial benefits of reform can be retained in an area and

reinvested or shared with partners. A clear framework for financial accountability is important to ensure effective decision making, service delivery and value for money. Despite progress, funding is often fragmented, which can undermine effectiveness and value for money

- **Culture is the biggest single determinant of workforce behaviour.**

A big challenge is developing a shared vision through effective and clear leadership across all partners that may deliver structural changes, but which must be focused on driving culture change. This will always have greater impact on behaviour than structure and authority. Organisational policies and structure help to establish an operating framework but this must be accompanied by transformational culture change to organisational norms, values and rewards to embed reform

- **Accountability and the democratic deficit.** The democratic accountability of the combined authority will need strengthening, to give confidence to Government and the citizens of Greater Manchester that the devolution of public

services and taxation are in safe hands and that responsible individuals, and political parties, can be held to account. Conversation with Government will be needed, but ultimately the appropriate democratic form should be for Greater Manchester to decide. Options for elected leadership could include a strengthened GM Board reporting to a directly elected 'GM-Mayor' for the whole conurbation and possibly a directly elected assembly. However, new governance models may need to be developed for Greater Manchester if those currently on the statute book are not deemed appropriate to meet the city's needs, for example the London Mayoral model may not be appropriate as currently it cannot drive forward public sector integration in the London Boroughs. Precise Governance arrangements should therefore be fit both for democratic accountability and for the purpose of public service integration.

46 The London Finance Commission, established by the Mayor after his election in May 2012, examined the potential for greater devolution of both taxation and the financing of London government. The commission recommended full devolution of the five property taxes. 'One Year On', the commission's follow on report, suggests a manifesto commitment for all parties, to deliver the devolution of property taxes to London and England's Core Cities.

47 This is another idea drawn from the French model of local accountability. The recent Innovation Task Force has recommended stronger, more visible local accountability over local public services through new Local Public Accounts Committees that assess value for money and performance of all public services in a place.

7

Recommendations

To Government

Not all places can move at the same pace, nor should they. Cities looking for greater levels of devolution should have to demonstrate: robust levels of local leadership and accountability; a strong evidence-base on which the case for devolution is made; and a track-record for delivery. We believe that Greater Manchester is unique amongst second tier cities in the UK in having the capacity to accommodate large scale devolution.

1. The next Government should pilot full budgetary devolution to the Greater Manchester Combined Authority. This process should endorse the guiding vision and proceed by degree in specific service areas, based on the merits of Manchester's progress and achievements to date. It should not, however, preclude other towns, cities and places from arguing their own case for devolution. Full devolution should be achieved by the end of the next Parliament and should include the full place-based settlement for the entire allocation of public spending.

2. Deliver fiscal devolution to the Greater Manchester Combined Authority. This should include:

- The devolution of the five property taxes, in line with the recommendations of the London Finance Committee. We believe the case for this has already been made and as a step toward further fiscal devolution they can, and should, be enacted within the first three years of the next Parliament.
- Initiating dialogue with Greater Manchester to progress the introduction of local management and retention of income tax, with a view to implementing tax raising powers by 2020 when full place-based devolution of public services has taken place. On the basis of proportionate parity this should be broadly commensurate with the freedoms that have already been allowed in Scotland, or that will be enacted subject to a 'No' outcome to the Scottish Independence referendum and a subsequent devo max response by the UK Government.

3. Government should commit to extending the legal powers of the Combined Authority. Government should immediately review the constitutional and statutory instruments necessary to transfer full devolutionary powers and enact new laws where necessary to support the practical financial arrangements needed for devolution and place-based accountability.

To Greater Manchester

As well as accountability upwards to the centre, a new devolved settlement should have a duty to be accountable downwards, not just to elected representatives, but directly to the people.

4. Develop new levels of accountability and governance. The combined authority should work with local partners, and Government, to design and implement new levels of shared accountability and democratic governance commensurate to the level of public service and budgetary devolution. This could include a reformed Greater Manchester governing 'Board' which reports to and supports an elected body that has clear democratic accountability. This could be an enhanced form of the current indirect 'senate' model that governs the combined authority, or it could and we favour this, include options for a directly elected GM Mayor and GM Assembly or another democratically elected governance model properly appropriate to Greater Manchester's needs. A process of public consultation and referendum on democratic options could be conducted to ensure the widest possible engagement of Manchester's communities with what may ultimately govern and tax them.

5. Commit to a model for devolving still further to localities. In accordance with the principles of subsidiarity, part of Greater Manchester's settlement should be further devolved to ward based localities in return for a shared 'hyper-local' risk and reward model, with localities passing savings back whilst maintaining a portion to invest.

To Government and Greater Manchester

Both local and central government will need to adhere to the shared principles for devolution. This will require commitment to a shared vision and the collaboration of local and national leaders across a range of service areas.

6. The incremental steps towards devolution: A joint process with Whitehall is essential. The first year of Parliament should be used to agree the detail of full devolution to Greater Manchester and the staged plan towards achieving this, including the immediate scaling up of Manchester's reform programme. This process should also agree:

- The details of a shared outcome framework to encompass a single set of high-level place-based indicators to be used across the whole of Greater Manchester's public services.
- A single Greater Manchester inspection regime that considered the effectiveness of achieving place based outcomes across services.
- The details of shared risk and reward, commensurate with the levels of devolution.

7. A Local Public Accounts Committee.

This should be a cross party assembly, although neither centralist nor localist in bias. A Local Public Accounts Committee should be empowered not just to advise and improve how money is spent, but to scrutinise, intervene and discipline, referring bad behaviour downwards and upwards, as well as making it public.

8. Accountability to Parliament. This should include the potential for members of the 'GM Board' and relevant Secretaries of State to jointly hold officers to account for progress against agreed priorities. Elements of a new accountability model could include an official or local representative empowered to mediate between Government and Greater Manchester. This could take the form of a Mayor or 'Minister to Manchester' or 'Prefect' following the French system of government.

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Society

The UK has one of the most centralised states in the developed world and one of the most disaffected and politically passive populations in Europe. We hold our leaders in contempt, but despair of doing anything for ourselves or our community. The dysfunction at the highest level of society stems from the collapse of our social and personal foundation. There is little doubt that we are becoming an increasingly fragmented and individualist society and this has deep and damaging consequences for our families, our communities and our nation state.

Starting from the bottom up, the collapse of the extended family and the ongoing break-up of its nuclear foundation impacts on all, but disproportionately so on the poor and on their offspring. Too many children at the bottom of our society are effectively un-parented as too much is carried by lone parents who are trying to do more and more with less and less. We know that the poorer you are, the less connected with your wider society you tend to be. Lacking in both bridging and bonding capital and bereft of the institutions and structures that could help them, too many poorer families and communities are facing seemingly insurmountable problems alone, unadvised and without proper aid.

Based on the principle of subsidiarity, we believe that power should be devolved to the lowest appropriate level. Public services and neighbourhoods should be governed and shaped from the 'bottom up', by families and the communities. These neighbourhoods need to be served by a range of providers that incorporate and empower communities. Moving away from a top-down siloed approach to service delivery, such activity should be driven by a holistic vision, which integrates need in order to ascertain and address the most consequent factors that limit and prevent human flourishing. Local and social value must play a central role in meeting the growing, complex and unaddressed needs of communities across the UK.

The needs of the bottom should shape provision and decision at the top. To deliver on this, we need a renewal and reform of our major governing institutions. We need acknowledgement of the fact that the state is not an end in itself, but only one means by which to achieve a greater end: a flourishing society. Civil society and intermediary institutions, such as schools, faith groups and businesses, are also crucial means to achieving this outcome. We also need new purpose and new vision to create new institutions which restore the organic and shared society that has served Britain so well over the centuries.

Society

The UK, and England in particular, is currently far too centralised. The need to devolve more powers – including taxation and public spending – from Whitehall to our towns and cities is increasingly accepted across the political divide.

Using Greater Manchester as the case in point, this report sets out the rationale for radical place-based devolution to enable future economic growth as well as the urgent reform and integration of local public services. Devo-Max: Devo-Manc calls for Government to pilot full budgetary devolution to the Greater Manchester Combined Authority via an incremental process leading to the full and final devolution of all public sector spend by the end of the next Parliament.

The report argues that greater fiscal devolution should sit alongside the devolution of public spend, built around a new settlement between central and local government, and based on shared risks and rewards, which incentivise local investment – rewarding economic growth and reduced dependency on public services.

This reform of the public estate is an essential requirement in unlocking Britain's and Manchester's potential for future growth and prosperity. It is the means by which Greater Manchester can fulfil its ambition to restore one of the great cities of the north, close the gap between public sector spend and the local tax take raised, and create a genuine growth city in both social and economic terms.



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CITY COUNCIL



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