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



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Greater Manchester Agreement: Devolution to the Greater Manchester Combined Authority and transition to a directly elected Mayor.

1. This document sets out the devolution agreement between the government and Greater Manchester. This document describes both the offer of powers and budgets from government, and the reforms and measures that Greater Manchester will need to deliver. Central to this is a reformed governance system, as set out below.

Summary of the Greater Manchester agreement

A new, directly elected Mayor of Greater Manchester will receive the following powers:

- Responsibility for a devolved and consolidated transport budget, with a multi-year settlement to be agreed at the next Spending Review.
- Responsibility for franchised bus services (subject to consultation by Greater Manchester), for integrating smart ticketing across all local modes of transport, and urgently exploring the opportunities for devolving rail stations across the Greater Manchester area.
- Powers over strategic planning, including the power to create a statutory spatial framework for Greater Manchester. This will need to be approved by a unanimous vote of the Mayor's Cabinet.
- Control of a new £300 million Housing Investment Fund.
- Control of a reformed earn back deal, within the current envelope of £30 million a year for 30 years.
- Take on the role currently covered by the Police and Crime Commissioner.

The Greater Manchester Combined Authority (GMCA) will receive the following powers:

- Responsibility for devolved business support budgets, including the Growth Accelerator, Manufacturing Advice Service and UK Trade and Investment (UKTI) Export Advice.
- Control of the Apprenticeship Grant for Employers in Greater Manchester and power to re-shape and re-structure the Further Education (FE) provision within Greater Manchester.
- Control of an expanded Working Well pilot, with central government funding linked to good performance up to a fixed DEL limit in return for risk sharing.
- Opportunity to be a joint commissioner with Department for Work and Pensions (DWP) for the next phase of the Work Programme.
- GMCA and Greater Manchester Clinical Commissioning Groups will be invited to develop a business plan for the integration of health and social care across Greater Manchester, based on control of existing health and social care budgets.

Further powers may be agreed over time and included in future legislation.

Introduction

2. **Governance:** Strengthened governance is an essential pre-requisite to any further devolution of powers to any city region. The government therefore expects Greater Manchester to adopt a model of a directly elected city region Mayor (i.e. a Mayor covering the whole city region, not just one local authority), who would provide overall leadership; be directly accountable to the city region's electorate; and have new powers on transport, housing and planning (outlined below) to drive through reforms to stimulate the area's economic growth.
3. In addition to a city region Mayor, a scrutiny function would be necessary in order to hold the Mayor and the GMCA to account by examining the effectiveness of their policies, decisions and actions.
4. Legislation would be passed to enable these changes, with the potential for the first city region Mayor elections to take place in early 2017.
5. In recognition of this strengthened governance system, the government would be prepared to devolve the powers set out below to the city region Mayor:
 - **transport:** the government will pool and devolve relevant central funding on local transport for the city region (where it has not already been devolved in some form e.g. Local Growth Fund), and provide a multi-year settlement at the next Spending Review on the same basis as capital and resource settlements given to central government departments and Transport for London at that time; and
 - **planning and housing:** the Mayor will receive strategic planning powers. This will give the Mayor the power to create a statutory spatial framework for the city region, which will act as the framework for managing planning across Greater Manchester, and will need to be approved by unanimous vote of the Mayor's Cabinet. This will be in line with the strategy currently being developed by the Greater Manchester Combined Authority (GMCA).
6. **Other conditions:** In the context of the wider fiscal consolidation agenda, the city region would be required to take a fair share of any reductions that are made to any of the devolved funding streams. The agreement set out in this document will be subject to future Spending Reviews.

Governance

7. As part of this agreement, Greater Manchester will need to adopt a model of a directly elected city region Mayor. This will form part of the future legislation. Recognising the Greater Manchester model of governance, the Combined Authority will also be strengthened with additional powers. There is no intention to take existing powers from Local Authorities. The agreement will protect the integrity of Local Authorities.
8. The directly elected Greater Manchester Mayor will receive new powers over transport, housing, planning and policing (more detail below). The Mayor would be able to exercise these functions autonomously, though he/she and the GMCA Cabinet will be required to be scrutinised and held to account by the Scrutiny Pool (the current scrutiny arrangements of the GMCA). The Greater Manchester Mayor will also be required to consult the GMCA Cabinet on his/her strategies, which it may reject if two-thirds of the members agree to do so. The GMCA Cabinet will also examine the Mayor's spending plans and will be able to amend his/her plans, again if two-thirds of the members agree to do so. The Statutory Spatial Framework should be approved by a unanimous vote of the Mayor's Cabinet.
9. The GMCA will remain responsible, and receive additional powers, for certain parts of public service reform, specifically on business support, skills, complex dependency and health and social care (more detail below). On public service issues, the GMCA members and the Mayor would each have one vote, and policy would be agreed by a majority vote.
10. The Greater Manchester Mayor and the GMCA will be required to work closely together. Specifically:
 - the Greater Manchester Mayor will provide overall leadership and chair GMCA meetings;
 - the GMCA Cabinet Model, where all GMCA leaders have a clear portfolio of responsibilities, will act as a supporting and advisory function to the Greater Manchester Mayor and GMCA in respective policy areas. The Greater Manchester Mayor would hold the ultimate responsibility over new housing, planning and policing powers. The Greater Manchester Mayor would also hold ultimate responsibility for a devolved and consolidated transport budget, with a multi-year settlement to be agreed at the next Spending Review, and responsibility for franchised bus services and rail stations across the Greater Manchester region, and for integrating smart ticketing across all local modes of transport. The Greater Manchester Mayor would be able to

exercise these functions autonomously. In addition, allocation of responsibilities for the GMCA Cabinet would be at the Greater Manchester Mayor's discretion; and

- the current scrutiny arrangements of the GMCA, through the Scrutiny Pool, will remain.

11. In the transition period, i.e. before the legislation for creation of Greater Manchester city region Mayor is passed and the Greater Manchester Mayor is elected, the GMCA would (subject to changes in legislation, where appropriate):

- receive additional powers for certain parts of public service reform, specifically on business support, skills, complex dependency and health and social care (as set out below) straight away;
- assume some responsibilities which would eventually be transferred to the elected Greater Manchester city region Mayor, such as control of the Housing Investment Fund and control of the re-negotiated earn back deal, subject to the details set out below;
- the rest of the powers (specifically, on transport, planning and policing, i.e. the powers which will be given to the city region Mayor), funding for large strategic projects post 2016-17 and future funding from the re-negotiated earn back deal will be conditional on Greater Manchester implementing the city region Mayor model. This will be written into future legislation; and
- as an interim stage, as soon as Parliamentary time allows, steps will be taken to amend the Combined Authority order to create an eleventh leader as Chair, who will be the appointed Mayor until a Mayor is elected.

Evaluation and economic assessment

12. Greater Manchester will be required to put in place an extensive programme of evaluation, agreed at the outset with HM Treasury (HMT). This will include:

- gateway assessments for the earn back scheme. Greater Manchester and HMT will jointly commission an independent assessment of the economic benefits and economic impact of the investments made under the scheme, including whether the projects have been delivered on time and to budget. This assessment will be funded by Greater Manchester, but agreed at the outset with HMT, and will take place every five years. The next five year tranche of funding will be unlocked if HMT is satisfied that the independent assessment shows the investment to have met the objectives and contributed to national growth;

- the gateway assessment should be consistent with the HMT Green Book, which sets out the framework for evaluation of all policies and programmes, and where relevant with the more detailed transport cost-benefit analysis guidance issued by the Department for Transport (DfT). The assessment should also take into account the latest developments in economic evaluation methodology;
- the government would expect the assessment to show the activity funded through the earn back scheme represents better value for money than comparable projects, defined in terms of a Benefit to Cost ratio;
- evaluation of the impact of the devolution agreement, including the new governance arrangements. This could take the form of, for example, Randomised Control Trials for the different policy interventions, including the Housing Investment Fund and the other devolved functions agreed as part of this deal. Greater Manchester will agree with HMT and confirm with government its plans for this evaluation, with the first review to be completed in 2019-20; and
- over the medium term, Greater Manchester intends to develop an overarching payment by results framework in which elements of this deal could sit.

Housing

13. Greater Manchester will receive a Housing Investment Fund, to be controlled by the Mayor, set up as a financial transaction and funded from within the budgets of existing financial transaction programmes. The total value would be £300 million over 10 years, to be provided by a public sector body to the private sector in the form of recoverable loans and longer-term equity. The funding may be recycled within the private sector before returning it to HMT, with Greater Manchester guaranteeing an 80% recovery rate on principle, plus interest earned. The profile of these repayments will be agreed between Greater Manchester and HMT, and Greater Manchester will agree an Assurance Statement with the Department for Communities and Local Government (DCLG) and HMT that sets out how they will manage the investments and repayments, including ensuring that investments made will meet the agreed recovery rate. Devolution of the loan schemes in this way will be conditional on Greater Manchester demonstrating that its balance sheet can stand behind the agreed repayment schedule. If this is not possible, the loans will be administered by the Homes and Communities Agency (HCA), with a strong Greater Manchester role in designing the fund, agreeing the profile of spend, shortlisting sites, and marketing. In this scenario, the HCA would stand behind the financial risk, and so final investment decisions would

rest with the HCA. In either case, this fund will support delivery of at least 10,000-15,000 houses over the period.

14. If it does not prove possible on accounting grounds for Greater Manchester to control the Housing Investment Fund, the loans will be administered by the HCA. Greater Manchester will play a leading role in the design of the programme, inviting bids, bid assessment, and the short-listing and decision-making process. Final investment decisions will rest with the HCA, with DCLG/HMT sign-off where required.

Transport

15. In addition to the transport powers set out in paragraph 5 of this document, the government stands ready to support legislation if Greater Manchester conclude, following consultation they will take forward, that they wish to move to a franchised model of bus service delivery. To support this, the Government will devolve current government funding for the bus system including the Bus Service Operator Grant and funding provided for the statutory concessionary travel scheme (while funding for the statutory concessionary travel scheme will be devolved, Greater Manchester will continue to have to provide and fund free travel to those entitled to it through the statutory scheme. As now Greater Manchester would be able to offer an extension to the statutory scheme but not remove entitlement from any of those covered by the statutory scheme). GMCA will continue to be a partner with the rail industry in representing local interests and shaping local station policy and development, working closely to contribute to the rail franchising policy co-ordinated by the DfT and Rail North. GMCA will be consulted by DfT on all station proposals affected by franchising and will have the opportunity to bring forward alternative proposals. If this leads to the transfer of any stations to GMCA, GMCA with Rail North will be obliged to bring forward a Business Plan for approval by HMT and DfT. The government and Greater Manchester will also deliver the proposals on roads on joint working with the Highways Agency on operations, investment and maintenance.

16. In return, Greater Manchester will commit to introduce a cross mode Smart Ticketing system and will provide advance forecasts and spending updates, on a basis to be agreed with government.

Earn back

17. The quantum of the existing earn back deal will stay at £900 million over 30 years. For the first five years this will comprise £105 million of capital as set out in the existing earn back agreement and

£45 million of resource. For the second five years, subject to the gateway review, this will comprise a maximum of £10 million capital and £20 million resource per year. The capital/resource split will be reviewed at the time of the gateway review at year 10. Within this envelope, the government will remove the complex earn back formula in order to give Greater Manchester more control and certainty over the future funding stream. Greater Manchester will be rewarded for demonstrating through independent assessments that the economic benefits and impacts made under the scheme have been delivered. This enables the Trafford Metrolink extension to be funded. The details are as follows:

- this would replace the current earn back deal, and would be funded from the same sources. Where this is not specified for future years, the funding will be taken from the Local Growth Fund, but will be additional to any other bids that Greater Manchester wishes to make as part of the Growth Deals process;
- grant (capital and resource) funding would be provided at £30 million a year for 30 years, unlocked at five-yearly assessment gateways;
- success at the gateways would depend on the outcome of an independent economic assessment of the impact of infrastructure projects implemented by Greater Manchester;
- funding would cover the period 2015-16 to 2045/46. Greater Manchester will be expected to provide an update to HMT on its future borrowing plans within the prudential borrowing code in the gateway reviews; and
- any projects undertaken by Greater Manchester that continue beyond the next assessment gateway must be designed so that their completion is not reliant on any new government funding.

Policing

18. The role of the Greater Manchester Police and Crime Commissioner will be merged with that of the new city region Mayor.

Business support and access to finance

19. The Government will take further steps to devolve control and responsibility, delivering the flexibility for GM to provide a fully integrated service to GM businesses that reflects local needs and priorities. For example, for export advice, UKTI will seek to deliver this by ring fencing the

appropriate element of the North West regional budget for Greater Manchester. An export plan will be agreed between GM and London UKTI HQ which will allow GM flexibility (such as a specific local sectoral focus for Passport to Export and mid-sized business schemes or a different mix of products). UKTI will also work with GM to deliver integrated business support within GM with common diagnostics, CRM and marketing. For the Growth Accelerator and Manufacturing Advice Service, the Government will seek to devolve responsibility to GM within existing contracts as far as possible, subject to agreed protocols for the interface with national schemes. The Government will work with GM to develop a devolved approach to delivery of business support from 2017 onwards. What is ultimately devolved will reflect the decisions taken in the next spending review on the shape of – and level of spending on – business support schemes.

20. The government will support Greater Manchester-linked lending partner in accessing funding from the European Investment Bank.

Skills

21. The government recognises Greater Manchester's desire to shape skills provision within the Manchester city region to deliver the skills needs of its economy. That is why the government is proposing to: work with Greater Manchester directly to re-shape and re-structure the Further Education (FE) provision within Greater Manchester so that a new, forward looking FE system is in place by 2017; and devolve the Apprenticeship Grant for Employers (which currently pays the employer £1,500 per qualifying apprentice) to Greater Manchester so that it can make its own determination regarding priorities.
22. To improve incentives in the skills market immediately, the GMCA will assume responsibility for the Apprenticeship Grant for Employers (AGE) which will enable the Combined Authority to vary the level of financial support available to different types of learner, sizes of business and subject areas in apprenticeships. The total size of the AGE grant is £85 million across England and it pays £1,500 per qualifying apprentice. The Departments for Business, Innovation and Skills (BIS) and Education (DfE) will work with Greater Manchester to identify an appropriate share.
23. The government and Greater Manchester's goal is to improve the ability of the system to respond to labour market need and economic priorities. This recommissioning process will be led by GMCA and the government (BIS, DfE, SFA and the Education Funding Agency (EFA)), and will work collaboratively across Greater Manchester, reporting to Ministers and the GMCA. It will identify the

future shape and funding (including pricing of adult skills budget courses) of FE provision in the Greater Manchester city region. Any change needs to be cost neutral. It will start from December 2014, and run throughout the 2015 Spending Review so that it can start to deliver a revised curriculum offer from 2017.

Complex dependency

24. The Working Well pilot will go through a staged expansion from summer 2015, subject to performance gateways demonstrating success. Greater Manchester will be rewarded for performance by a payment by results mechanism, up to a fixed DEL limit and funded from a combination of the Greater Manchester budget, European Social Fund and a central government payment by results mechanism. By the time it is fully rolled out, the pilot would cover 50,000 individuals and have a £100 million budget comprising £36 million from Greater Manchester, £32 million from the European Social Fund and up to £32 million from central government via payment by results. We expect Greater Manchester to share the AME risk of underperformance. To help tackle long-term unemployment in Manchester, the government will also design the Work Programme in a way that allows Greater Manchester to be a joint commissioner with DWP for the next phase of the Programme.

Over-55s

25. HMT agrees to work with Greater Manchester to consider a one-off pilot to support older workers with long-term health conditions back to work on the basis that this can deliver measurable and robust results and can be completed within existing resources.

Health and social care

26. The government invites the GMCA and Greater Manchester Clinical Commissioning Groups and acute trusts to develop a business plan for the integration of health and social care across Greater Manchester, making best use of existing budgets and including specific targets for reducing pressure on A&E and avoidable hospital admissions. The government will continue to set out incentives for health and care partners in GM to develop this plan. The government will also work with local government and NHS England to give greater certainty about health and care funding settlements. This includes by working towards multi-year allocations at the next Spending Review. HMT is keen to support a Greater Manchester-wide health and social care strategy which fairly and

accurately reflects the priorities of the full range of NHS and social care stakeholders, including acute trusts. It would therefore not be appropriate for central government to Mandate any particular approach. Agreement from Greater Manchester Clinical Commissioning Groups will be required to implement any plan for services and budgets which are their responsibility.

Early years

27. HMT agrees to work with Greater Manchester on their early years pilot, with a focus on providing advice and support in ensuring effective pilot design and the creation of a robust evaluation framework. HMT will work with Greater Manchester on engaging with schools to support early intervention and to make the case for this more widely across Greater Manchester. Greater Manchester is invited to bring forward a business plan for this work, which will be within existing resources.

Next steps

28. The Leadership of the ten local authorities agree to take the necessary next steps to progress the contents of this Agreement, including the progression of the details through individual councils, and the government undertakes to work jointly with GMCA to develop a detailed Implementation Plan.

Rt Hon George Osborne MP, Chancellor of the Exchequer

Lord Peter Smith, Chair of GMCA, Leader of Wigan Metropolitan Borough Council

Sir Richard Leese, Vice Chair GMCA, Leader of Manchester City Council

Sean Anstee, Vice Chair of GMCA, Leader of Trafford Metropolitan Borough Council

Sue Derbyshire, Vice Chair of GMCA, Leader of Stockport Metropolitan Borough Council

Ian Stewart, City Mayor, Salford City Council

Mike Connolly, Leader of Bury Metropolitan Borough Council

Clifford Morris, Leader of Bolton, Metropolitan Borough Council

Jim McMahon, Leader of Oldham Metropolitan Borough Council

Richard Farnell, Leader of Rochdale Metropolitan Borough Council

Kieran Quinn, Leader of Tameside Metropolitan Borough Council

