A Plan for Growth and Reform in Greater Manchester

March 2014

GMCA
GREATER MANCHESTER COMBINED AUTHORITY

Greater Manchester Local Enterprise Partnership

AGMA
ASSOCIATION OF GREATER MANCHESTER AUTHORITIES

EXECUTIVE SUMMARY

Introduction
Our Growth and Reform Plan builds upon a long history of collaboration amongst local authorities, other public service providers and our business leaders in GM. It is founded upon clear priorities arising from our refreshed GM Strategy, robust governance and delivery arrangements through our LEP and GMCA and collaboration with LEP areas in the NW and across the Pennines on the execution of key priorities.

The unifying theme of the priorities set out in this Plan is to become a net contributor to the UK economy by 2020. To achieve this we must eliminate the present gap between public spending and tax generated which we calculate to be £4.7bn a year. This Plan seeks to create the platform for fiscal self-reliance not simply by seeking access to available resources from the Local Growth Fund, but through the development of a new "place based" partnership with Government to drive public sector reform and further align local and central growth programmes.

Financial Proposals
Our bids to the Local Growth Fund total £399.1m.

- £204m relates to our Major Transport Investment Programme which has been prioritised in the context of supporting our growth strategy.

- £110m relates to Transport Minor Works which has been similarly prioritised, in addition to a further £5m LTF 2015/16 capital funding.

- £47.9m is match funding to strengthen the skills provider base to support the supply of labour with the skills our employers require.

- £7.2m is to enhance and expand our Growth Hub services to meet the needs of businesses.

- £10m is GM's contribution to an Investment Fund, to be developed jointly with Cheshire East to support Life Sciences in direct response to the Government's Task Force requirement to support the transition of Alderley Park into a regional Life Science cluster following the withdrawal of Astra Zeneca and to support Life Science activity generally. This funding will be matched by private sector investment and will only be drawn down following the approval by the Task Force and the Government of a detailed Business Plan.

- £20m will be the public sector's contribution to the privately-led funding of the Graphene Engineering and Innovation Centre to fill a critical gap in the eco-system for graphene development and application in the UK.

These financial bids are specifically designed to support the transport and connectivity requirements of GM; further develop our business support and skills capacity to meet the needs of employers; and fill gaps in the region's Life Science offer and the eco-system associated with Graphene.

Additional Growth Proposals
The Plan sets out additional proposals for development with Government as part of the Growth Deal process.

Business Support

- Better align the National Growth Accelerator programme with the Growth Hub to deliver significant additional returns on investment;

- Develop and implement new services in partnership with UKTI to expand International Trade services;
- Provide expanded Trade Finance to support exporting and job creation;
- Ensure that GM Business Finance can deliver for Government it's own business finance programmes; and
- Improve the international competitiveness and profile of GM's key sectors through joint GM/UKTI sector promotion campaigns in key markets, including both marketing and in-market support.

Apprenticeships
- Co-design with BIS and SFA proposals to vary weighting and/or employer cost contribution levels for Apprenticeships in GM to drive both demand and supply more effectively in occupations key to the future growth of GM.

Transport
- To work with Government to develop a funding mechanism to accelerate the development of Piccadilly Station, and investment in associated local access measures and at Manchester Airport to ensure that GM is HS2 ready;
- Government support for Rail North proposals that give oversight for rail franchising in the North to local partners;
- A collaborative arrangement with DfT that can secure freedoms and flexibilities around current regulations and funding structures for local highways authorities;
- A collaborative working arrangement with DfT that can secure freedoms and flexibilities around current regulations and funding structures for local bus services.

Reform Proposals

The Plan also builds upon the announcement in the Autumn Statement that Government would welcome public service reform proposals through Growth Deals so that local public services will be given the same long-term indicative budgets as Departments. GM proposes two major initiatives - one relating to Complex Dependency through scaling up of our work with Troubled Families, with a sharper focus on employment; and the second relating to the reform of health and social care provision at scale across the conurbation to co-design and co-deliver the most ambitious programme of in-hospital reforms in the history of the NHS. Reforming the way that Early Years services are delivered is an integral part of our approach to both complex dependency and integrating health and social care.

GM is ultimately looking for a deal with Government to support reform over a full Spending Review period, involving long-term budgetary certainty for five years, covering significant blocks of spend, where GM can retain savings related to reform over that period, underpinned by an agreement to share risk and reward, with devolved accountability. This would ideally cover complex dependency and health and social care integration over the full period from the next Spending Review, expected Autumn 2015.

Delivery

GM brings to the partnership with Government a number of important attributes; a clear and concise focus on priorities based upon evidence; a strong LEP which promotes collaboration with neighbouring areas around shared priorities; and in the GMCA stable, effective and efficient governance across all strategic policy areas, with the clearest possible focus on delivery, working closely with other public service providers to achieve our ambitions. The reform proposals presented in the Plan also provide not only shared risk and reward investment proposals but critically, the platform for effective accountability over the investment of public funds.

INTRODUCTION AND CONTEXT

This plan for Growth and Reform in Greater Manchester builds on a long history of collaboration: policy making in Greater Manchester is underpinned by a common commitment to all its communities, driven by a shared ambition to increase the prosperity of the people of Greater Manchester. Our city region has become increasingly interconnected over time, including labour, housing and retail markets, transport networks, cultural attractions, education and training opportunities and the provision of public services. Working at the geography of the city region makes sense. The Manchester Independent Economic Review[1] was a remarkably comprehensive and robust economic analysis undertaken of a city and found that, outside London, Manchester is the city region which, given its scale and potential for improving productivity, is best placed to take advantage of the benefits of agglomeration and increase its growth. The MIER identified a number of key strategic issues that we must address to maximise the growth of the conurbation, including improving transport connectivity, addressing worklessness, up-skilling our residents and improving early years provision. Our response to that analysis was the Greater Manchester Strategy, first published in 2009.

However, the circumstances in which we operate have changed drastically since that first strategy was written. The global economic downturn has created unprecedented and extremely difficult economic conditions, making delivery of our ambitious growth objectives more challenging than ever. Reductions in public spending, which will continue for the foreseeable future, mean that we must change the way that public services are delivered. This is why last year we produced a fresh analysis of our priorities and refreshed and repositioned the Greater Manchester Strategy around the twin themes of Growth and Reform. Stronger Together[2] sets out a series of strategic priorities to secure the sustainable economic growth of the conurbation and to enable the residents of Greater Manchester to access the opportunities that such growth presents to access and progress through work.

Those priorities include delivering an investment strategy based on market needs, revitalising our town centres, taking an integrated approach to infrastructure planning, improving connectivity, placing GM at the leading edge of science and technology, supporting business growth with a strong, integrated offer, improving our international competitiveness and reforming the way that public services are delivered to build independence and raise the productivity of our residents.

This Growth and Reform Plan is our proposal to work with Government to design and deliver growth and reform at a new level. The vision is for Greater Manchester to become a financially self-sustaining city, closing the gap between the tax that is generated through growth and the cost of delivering public services. The strength of our leadership (both political through the GMCA and private sector through the LEP, working as one for the benefit of GM) means that Greater Manchester is uniquely positioned to achieve that vision.

Reform of health and social care will improve productivity by helping more people to become fit for work, to get jobs, better jobs, and stay in jobs. It will also help to manage the demand on services created by an aging population, closing the £1.1 billion financial gap facing health and social care in GM over the next five years. Addressing issues of complex dependency by applying the principles of the Troubled Families approach will help those further away from the job market to move towards and thus into jobs and the low paid into better jobs. Reform of Early Years provision is a key component of both health and social care reform and increasing the productivity of parents and, in the future, their children.

Such reforms must be wholly integrated with our efforts to create the conditions for growth and job creation, investing in our businesses and maximising growth in those key sectors in which we have competitive advantage; in creating quality places through the development of

[1] http://www.manchester-review.org.uk/
[2] http://www.agma.gov.uk/gmca/gms_2013/index.html

new housing and the regeneration of neighbourhoods and through the provision of critical infrastructure.

Our approach seeks to create a platform for fiscal self-reliance in Greater Manchester, based on a new relationship with Government that enables local authorities to discharge their place-shaping role to create high quality places that attract and retain more productive people and businesses and reforming the way that public services are delivered to improve outcomes for our people. Creating jobs and growth without reforming services or transforming places will not reduce the costs of dependency. Economic inactivity amongst the working age population is one key cause of Greater Manchester's productivity gap. In order to maximise the benefits from the economic investment it is critical that there is investment to connect GM residents to that growth and to address both the productivity drag and to reduce the costs of public services.

We have worked with the Core Cities to understand the international evidence that demonstrates the relationship between the ability of cities to drive growth, the levels of local financial control and the freedom to make policies that match the needs of places. This was set out within the Core Cities Growth Prospectus, which outlines a series of proposals that together would enable the Core Cities to drive the national economy and become financially self-sustaining. We are continuing to develop a series of evidence based propositions for the delivery of our ambitions as they relate to creating jobs and growth and the reform of public services.

We have strengthened and reorganised our governance and delivery structures to ensure that we're well positioned to deliver our ambitions. In April 2011, Greater Manchester established the first Combined Authority in the country, providing stable, efficient and effective governance of our strategic agenda. The GMCA has formed a robust partnership with our Local Enterprise Partnership, empowering business leaders to determine local economic priorities to drive job creation and growth. That partnership is widened and deepened by the involvement of business, other public services and wider partners through the strategic Commissions or Boards established to act as a focus for collaborative working of key conurbation-wide policy agendas, such as planning and housing, health and well being and low carbon.

We have reviewed and restructured the "Manchester Family" of organisations, including Manchester Solutions, New Economy, MIDAS and Marketing Manchester, to ensure that the work of these organisations supports the delivery of the Greater Manchester Strategy's priorities. A new group structure, operating as the Manchester Growth Company, is overseen by a Group Board which is a public-private partnership between the CA and LEP. A new three-year Business Plan sets out how the Manchester Family of organisations will deliver our strategic objectives. We have a dedicated GM Public Sector Reform Team (a legacy of our Community Budget pilot) and the expertise of New Economy in cost benefit analysis to support districts and partners to co-design, develop and implement the new delivery models and investment models that will enable us to reform the way that public services are delivered to improve outcomes for our people.

We are confident and resilient in our approach to addressing our collective challenges and in seizing the opportunities that are presented to us.

In 2012 the Combined Authority secured a City Deal with government, setting out a range of bespoke agreements between the government and the GMCA relating to skills and local economy, a low carbon hub, business transport, trade and investment, housing and transport.

We have established a GM investment framework for growth, including the establishment of a GM Evergreen Fund, which will be used to fund major developments and a £1.5 billion Greater Manchester Transport Fund (GMTF) investment programme. We have devolved responsibility for the allocation of Regional Growth Fund resources and the Growing Places

Fund. Through a robust assessment process that prioritises projects on the basis of GVA and employment benefits we have awarded funding to enable GM businesses to grow and will continue to work with Government to innovate to maximise the resources available to invest and the impact of that investment.

We have piloted new ways of delivering public services through Greater Manchester's status as a Whole Place Community Budget Pilot to produce business cases to reduce the complex dependency which lies behind long term worklessness and low skills and to reform health and social care, focusing on increasing productivity. The business cases for reform in each of these areas are now being implemented as part of a five year programme of PSR across GM and we are working closely with Government to develop the new delivery models, and the evidence required to support the implementation of those models, to achieve efficiencies and improve the impact of public services.

Our approach to growth and reform can only be co-designed with Whitehall. We are seeking a new relationship with Government to enable us to achieve our ambitions. This Growth and Reform Plan seeks to provide the platform for that new relationship.

OUR EVIDENCE

Unarguably, Manchester's performance has been strong over past decades, even over the recent years when faced with recession. Despite economic conditions, Manchester has shown itself to be a robust economy, generating £51 billion per annum in GVA, 4% of the national economy. And whilst the national picture remains uncertain, Manchester's jobs are predicted to rise by more than 7% over the next decade.

With a strong, diversified economy we will continue to generate jobs within sectors such as financial and professional services, hospitality and tourism, logistics, energy and environmental technologies. Professional, technical and scientific business numbers grew by 3.3% in the past year, while the number of information and communication businesses has grown by 4%. And our forecasting work shows that jobs in those sectors will continue to grow between now and 2023 – around 23,000 new jobs in professional, technical and scientific sectors. We will focus our energy on those sectors that offer most potential growth for Manchester and add greatest value to the UK economy. We will exploit our potential through our understanding of Manchester's comparative strengths and assets, including those in relation to innovation. In 2d materials, life sciences and healthcare, where we already have proven, world leading strengths and where we continue to go further to ensure the greater commercialisation of our R&D. In the creative and digital sector, where developments such as MediaCityUK and the Sharp Project are acting as a catalyst to increase the quality of the businesses already here and to attract new talent and creative entrepreneurs.

But whilst our economy has grown, our skills base and productivity has not kept pace, and we have not been able to reduce dependency or close the gap between the tax that is generated here and the cost of public services. Our productivity gap is in part due to lower skill levels and lower levels of economic activity than the South East: 11.6% of people in GM have no qualifications, compared to 9.9% nationally, and 31.0% of people in GM have a degree level qualification or higher – more than the North West figure of 30.3% but less than the national average of 34.2%. If we are to fulfil our growth potential, we must address that gap.

Greater Manchester is currently a "cost centre" for the UK, requiring over £22 billion of public spending but only generating £17.8 billion in taxes. The cost of providing public sector services is becoming increasingly unsustainable, with a greater proportion spent on the costs of dependency and less on opportunities to increase growth and reduce the demand for reactive services.

GM SPEND

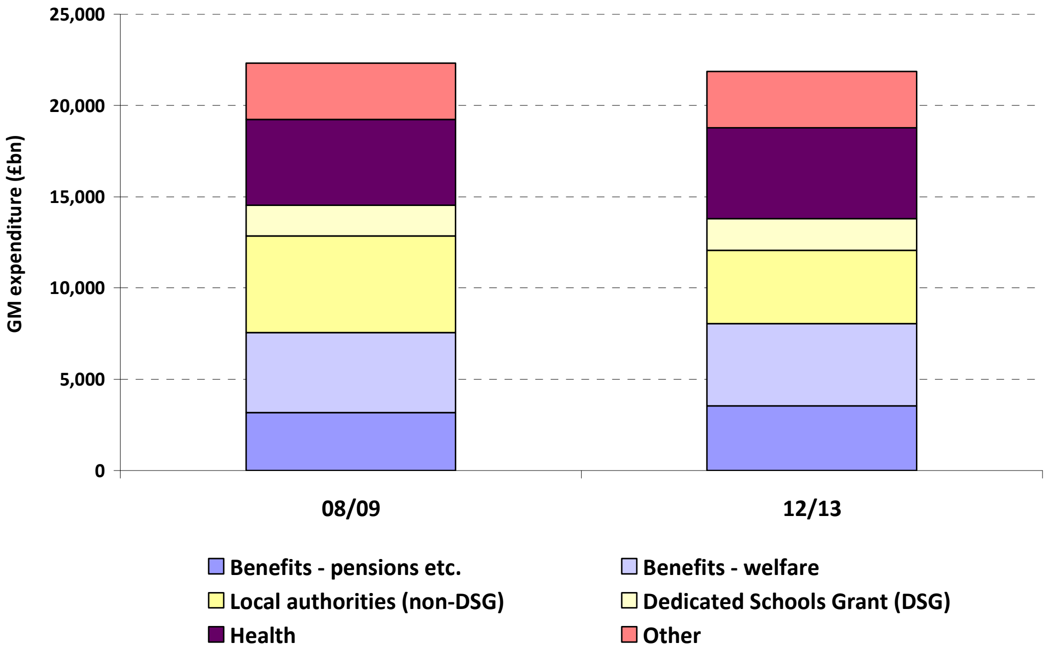
As part of the financial analysis for the Public Service Reform programme, we have mapped out all of the spending on public services in Greater Manchester, in order to understand where expenditure currently goes, and the potential areas for making savings.

This has involved a detailed analysis of all government agency expenditure, based on the published accounts for each department. Some of the analysis has been taken from financial statements of agencies that are geographically based purely in Greater Manchester – e.g. the 10 Local Authorities, Greater Manchester Police, and the Primary Care Trusts (now Clinical Commissioning Groups). Other budgets have been apportioned to Greater Manchester based on demand. For example, Ministry of Justice expenditure is managed nationally, and has been allocated based on levels of recorded crime in Greater Manchester compared to national levels. Benefits spend, while administered locally is recorded on a regional basis, so we have been able to detail the spending on different benefit types across Greater Manchester.

In total in Greater Manchester, the public sector spent £22,460m in 2012/13, including both revenue and capital expenditure. The key building blocks of this spend are shown in Figure 1 below along with a similar profile of spending in 2008/09. Total spending has stayed virtually the same in real terms, despite the reductions in funding to public services but the proportions of spending have changed, with large reductions in Local Authority (non-Dedicated Schools Grant) funding offset by increases in health spend, pensions and welfare benefit spend.

For each element of spend for each government agency, we have assessed the proportion of spend which is proactive (i.e. designed to reduced dependency on the state in the short, medium or long term) or reactive as a result of poor outcomes occurring, such as responses to crime, unemployment or unplanned hospital admissions. Of the £22bn of expenditure, approx £7bn is reactive spend, and therefore has the potential to be reduced by better focussed and targeted proactive spend. The two largest areas of spend in this reactive category are welfare benefits and health and social care spending. Therefore, the key to reducing the £22bn will be to work with Government to drive down these costs through better management of demand.

Figure 1: Total public sector expenditure



GM TAX TAKE

The other side of the public financing equation is the amount of income generated from taxes to pay for public spending. Estimating tax take for a sub-region such as Greater Manchester is more difficult as most taxation is collected nationally, and only figures for council tax and business rates can be easily determined for Greater Manchester. However, it is possible to estimate the taxation derived from Greater Manchester individuals and businesses by assuming that this is proportional to Gross Value Added (GVA).

In 2012, Greater Manchester generated GVA of £50,991m. Nationally taxation rates are approximately 35% of GVA, so using this proportion, we estimate that GM delivered approx £17.8bn of taxation revenue to the exchequer.

THE GAP BETWEEN TAX AND SPEND

Based on this analysis, we estimate the gap between public spending and taxes generated to be £4.7bn. Our aspiration is to close and then eliminate that gap by 2020, so GM becomes a net contributor to the national economy. But we can only do so if we maximise investment in our growth priorities, supporting the private sector to drive growth and helping businesses to do better and therefore pay more tax. And we must reform the way that public services are delivered to reduce barriers to productivity and reduce the need for spending on reactive services. In Greater Manchester there is a significant opportunity for Government and GM to jointly develop and deliver an approach that will have a long-term and permanent positive impact on the growth of both Greater Manchester and the UK as a whole.

OUR AMBITION

This Growth and Reform Plan seeks to create a platform for fiscal self-reliance. Our proposals are not simply about access to resources, although those resources are crucial to the delivery of a number of strategic priorities that are fundamental to the success of Greater Manchester. We are seeking a new relationship with Government.

We are working to better understand both spend and tax take to produce a true picture of how resources are aligned to outcomes. We are seeking to work with Government to understand the inter-dependencies of budgets and to examine how different funding streams can be accessed in a coordinated way to facilitate the delivery of the component parts of our strategy in a planned, sequential manner. This is a process that must be developed jointly and that will be incremental in its application, but this Growth and Reform Plan seeks to create the platform for that new relationship. The partnership between the GMCA and the LEP, and the partnership between Greater Manchester and Government puts us in an ideal position to develop a truly place-based partnership.

The vision is for Greater Manchester to become a net contributor to the national economy. The new relationship that we are seeking with Government will enable local authorities to discharge their place-shaping role to create high quality places that attract and retain more productive people and businesses and to reform the way that public services are delivered to improve outcomes for our people.

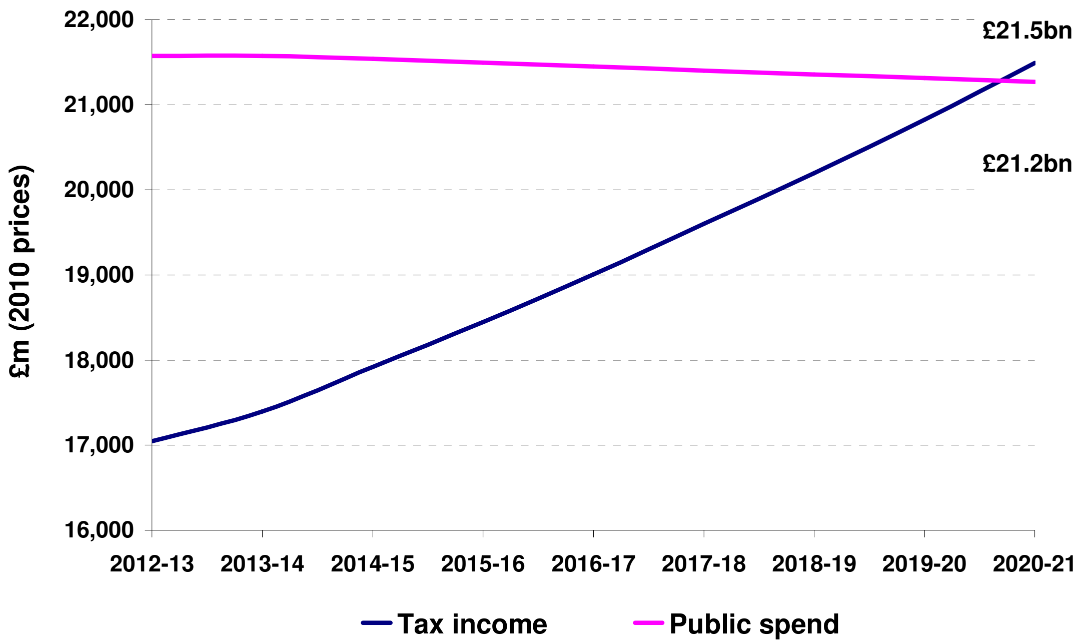
We believe it is essential to tackle supply and demand together, something that has never been done before in this context or at this level. Manchester is not a stranger to firsts – the world's first industrial city, we were also, as a result, one of the first to have to deal with post-industrial decline and to come out the other side, building a knowledge based economy and focusing on regeneration projects that have delivered a genuine economic legacy.

Our public service reform programme places Greater Manchester in an ideal position to respond to the opportunities announced in the Autumn Statement. During 2014/15 and the first part of 2015/16, we will test working examples of reform in relation to issues of complex dependency, health and social care integration, and early years. Work Programme Leavers is an innovative working example that will apply the principles of reform to supporting a cohort of people with complex barriers to work. We will generate stronger evidence of the impacts on growth, people and public spending. This evidence will inform public service reform within GM partners' own budget planning for 2015/16 and 2016/17, and implementation across GM at much greater scale from 2015/16.

Before the time of the next Spending Review (which we anticipate to be Autumn 2015), GM will have stronger evidence to inform a potential deal with Government on growth and reform. This will enable significant acceleration of the pace and scale of reform, benefitting both Government and GM. The elements of the deal could include, longer term budgetary certainty, ideally for the full period of a Spending Review from 2015 to 2020, on a par with Government departments, the ability to retain savings achieved through reform in a place for longer, GM sharing risk and reward with Government, and greater devolution of accountability for supporting growth and reducing the need for public spending.

We firmly believe that our ambition of fiscal self reliance is a realistic one, as demonstrated by Figure 2 below.

Figure 2: Closing the gap



The Greater Manchester Forecasting Model (GMFM) forecasts an anticipated year on year growth rate in tax income of between 2.1% and 3.2% over the period, amounting to a net uplift of some 26% over the eight years from 2012-13, and resulting in tax income of an estimated £21.5bn by 2020-21.[3]

The savings we could achieve through our reform programme have also been charted, to show the contribution that ongoing reductions in public expenditure could make to narrowing the gap and ultimately moving GM to become a net contributor to the national exchequer.[4] Delivering this level of reduction will require significant scaling up of our work on complex dependency and health and social care integration.

There will be a number of cost pressures in GM over this period on public spending. Demand for public services is increasing as the population grows and people live longer. Our reforms will shift spending away from reactive services to proactive place-based spending focused on early intervention. We acknowledge that there is a limited net reduction in overall public spend but our analysis demonstrates that we will reverse the direction of travel and tackle the rising costs of public services. This is crucial to achieving our vision of financial sustainability in Greater Manchester. Unless we are able to reduce economic inactivity rates amongst the working age population we will never be able to address the productivity gap that currently acts as a drag on the Greater Manchester economy.

If empowered to take control over the levers and resources which impact on our ability to deliver economic growth and to improve the quality of life for local residents, by 2020/21 we estimate that tax take in Greater Manchester will have risen to £21.5bn and public expenditure will have fallen to £21.2bn.

Our aspiration to secure the financial self-sustainability of Greater Manchester is ambitious but achievable.

[3] 2010 prices. Tax income data are derived from GVA projections developed for GMFM by Oxford Economics in December 2013; a 35% multiplier has been used to convert GVA into estimated taxation revenue.

[4] In line with the GVA data, the public spend data have been restated at 2010-11 prices. As outlined in the main text, reduced spend on out-of-work benefits and savings from roll-out of the Intensive Community Orders initiative have been set against a fixed baseline expenditure of £21.6bn (2010-11 prices) to estimate how total public spend might change once these savings have been realised.

OUR APPROACH

Our approach seeks to create a platform for self-reliance in Greater Manchester that will position local authorities to undertake their place-shaping role to create high quality places that attract and retain more productive people and businesses and reform the way that public services are delivered to improve outcomes for our people.

On the growth side we have made good progress by investing in infrastructure, skills and businesses. These investments have made GM resilient to the worst effects of recent recessions – as demonstrated by GVA for 2012 increasing more quickly in Greater Manchester than anywhere outside London and the South East. We have invested in supporting our businesses to expand, innovate and diversify, and have attracted significant inward investment in sectors where we have global distinctiveness, such as creative and digital, science and innovation and financial and professional services. We have diversified the employment base over the last few years, and we now have the potential to create another 80,000 jobs over the coming years to 2020[5]. Our innovative approach to investment (set out in more detail below) has and will continue to support growth and further improvements in GVA, productivity, employment and earnings by ensuring that funding is recycled wherever possible in order to maximise the impact of the funding over several investment cycles. It is a model that is replicable across GM, building on the development of the Earnback model for transport investment and ideally positioning Greater Manchester to maximise the benefits arising from the introduction of single pots such as the Local Growth Fund.

However, we recognise that generating growth and jobs will not be sufficient to close the gap or deliver our second priority, of ensuring all residents can contribute to and benefit from growth. We also need to reform our public services to help all residents be independent and self-reliant, connecting our communities to economic growth. This means reducing levels of worklessness and improving residents' skills, and tackling the complex barriers to independence that many people face. 260,000 GM residents are out of work and claiming benefit, with as many again claiming working tax credits. The proportion of Greater Manchester residents with no qualifications is significantly higher than the national average. Building on our Whole Place Community Budget pilot, the GM Public Service Reform programme involves more integrated, intelligent, evidence-led approaches to these complex challenges in order to sustainably reduce demand for expensive, reactive public services.

We can make significant progress towards reducing the deficit by 2020 by:

Investing in growth, for example:

- We want to work with Government to develop a new financing model that would support a range of projects for which more traditional funding approaches do not work well and where central and local government priorities converge. The initial case study relates to accelerating HS2 at Piccadilly but it is envisaged that the model could be adapted to have a wider applicability - for instance for developing town centres. In line with the recommendations of the HS2 Task Force report we have been working to develop proposals that would accelerate development at Piccadilly, to ensure that the city is HS2 ready and establish connectivity between the new "Gateway" and the rest of the city region, thereby exploiting the additional capacity released by the Northern Hub over the next 5 years and realising the benefits of growth as early as possible. We have a strong evidence base which shows that there is the potential to create 30,000 net additional jobs in the immediate vicinity of the station but that this will require early work to align and coordinate investment, bringing forward capital investment. Without this, not only

[5] Greater Manchester Forecasting Model 2013 http://neweconomymanchester.com/downloads/2707-TNE-33-Greater-Manchester-Forecasting-Model-2013-pdf

are the benefits not realised early but the whole area is at risk of blight and disinvestment for a 25 year period.

Reforming our public services, for example:

Supporting more unemployed residents into work and enabling them to progress into higher skilled (and higher paid) roles is a key priority of our reform programme. Economic inactivity rates – mainly ill-health related – amongst the working age population is one key cause of Greater Manchester's productivity gap. In order to maximise the benefits from the economic investment it is critical that there is investment to connect GM residents to that growth and to address both the productivity drag and to tackle the rising costs of public services. We want to work with Government to deliver the priorities for reform and on sharing the risks and rewards of this work:

- *Complex Dependency*: by supporting troubled families towards independence and self-reliance and broadening this work to intervene earlier and tackle the root causes of complex dependency, we are aiming to reduce the number of residents on out of work benefits in GM by 12%. This equates to a reduction from 260,000 in 2012 to 227,000 in 2020. This could save £267m per year in direct benefit payments alone by 2020. Some of this reduction will be achieved as the economic cycle leads to recovery and growth across Greater Manchester, but we also need to focus investment in the structural reforms needed to support some of our hardest to reach residents into sustained employment.
  - *Cyclical changes*: we expect that levels of out of work benefit claimants will reduce from 260,000 to 244,000 in GM by 2020 as the economy recovers, without significant additional intervention. This is 6% of the 12% and can save £134m per year by 2020;
  - *Investment in structural reforms*: there will be 60,000 people who are not expected to enter employment following a work capability assessment (i.e. ESA support claimants) - by applying our principles of reform to the remaining stock and flow of ESA claimants, and JSA claimants with complex barriers to work, we estimate that we can support an additional 4,000 a year back to work. This is the remaining 6% of the 12% by 2020 and can save £134million;
  - In addition GM would look reduce the cost to the exchequer even further by applying the principles of reform to improve the sustained off flow of JSA therefore reducing the likelihood of these individuals reaching long term unemployment and repeat spells on benefits;
  - We have evidence of similar results achieved by intensively supporting our most Troubled Families by integrating public services around families and individuals. The GM Work Programme Leavers approach is a unique working example of applying the principles of reform to a key cohort of people with multiple, longstanding barriers to work. WPL aims to support 15% of 5,000 individuals back to work, who have been on the Work Programme for two years and not found work, and who have complex health needs. Our work on complex dependency will broaden and deepen these approaches to much larger cohorts.

- *Reforming Health and Social Care*: health and social care services represent one third of Greater Manchester's public services and are central to our plans for service reform. Helping cohorts with complex health needs will support our ambitions on tackling complex dependency, helping people to stay in work and reducing worklessness. Investing in integrated out of hospital, primary and community care models at scale, built around the specific needs of individuals and families, will make a significant contribution to closing a c £1.1 billion financial gap facing health and social care in GM over the next five years (alongside efficiencies), and to the GMS ambition of reducing premature mortality by 18 per cent.

To reform services at this scale, GM needs a different deal with Government over the next Spending Review period. Our priority for reform in 2014/15 is to generate stronger evidence that will convince Government to develop a different deal from 2015/16 to 2020. This would involve multi-year budgets for public services, places able to retain savings achieved through reform, deals to share risk and reward, and devolution of accountability, as set out in more detail in our asks.

OUR APPROACH TO GROWTH

Our track record clearly demonstrates that we can deliver jobs and growth. We are addressing market failure and the reality that many new and growing businesses are unable to access finance. We are investing to ensure that our offer is informed and driven by investor demand, offering value-based, flexible workspaces that meet the changing demands of investors in locations where the market wants to go. We are putting in place the technology offer to support innovation in business products and service delivery across the public and private sectors, supporting the development of creative clusters and centres of research and development. We are supporting our key sectors, those in which we have a competitive advantage such as Health and Life Sciences, Financial and Professional Services, Creative and Digital, to leverage our assets to grow those sectors further. The discovery of Graphene at the University of Manchester is a global growth opportunity.

Our approach to delivering growth is underpinned by our innovative approach to investment, focused on generating returns that can be recycled and reinvested, maximising the value of every pound spent.

Greater Manchester has been at the forefront of this agenda from the outset. Our approach builds on the unique Greater Manchester Transport Fund (GMTF), established in 2009, which combines central government transport funding and significant local borrowings. The GMTF is supporting a £1.5 billion investment programme of targeted transport measures, which will be completed in 2016, specifically prioritised for their ability to support increased sub-regional productivity and growth, whilst also securing improved access to employment from our most deprived areas and carbon benefits at a programme level.

An Investment Fund for Property and Infrastructure

The Greater Manchester Investment Fund (GMIF) is a virtual pool of c£100m of RGF2, RGF3 and Growing Places monies, held by the GMCA and directed at supporting economic growth across Greater Manchester. GMIF is also closely linked to other externally managed funds such as the North West Evergreen Fund and the GM Loans Fund, giving a Fund of Funds of approximately £160m.

From the 2014-20 ERDF programme (£195m in total) we propose to invest £106.5m into Financial Engineering Instruments (FEIs), which have already been the subject of detailed ex-ante appraisal - £59m into Evergreen (JESSICA) (which includes £9m grant), £32m in the NW Fund (JEREMIE), £15m into a Low Carbon Investment Fund and £0.5m into a Local Impact Fund. This investment into FEIs is an integral part of our European Structural Investment Plan and we have ensured that the FEI investment is directly aligned to EU thematic objectives.

We are also seeking to provide a platform that encourages other partners to invest in the fund, including public sector partners such as the GM Pension Fund, and private sector investors, including banks and venture capitalists, thereby increasing the amount of funding available to support GM investment priorities. To date, the funds have leveraged a total of £170m, £145m of which is private sector investment, with the remaining £25m coming from the public sector.

Whilst there are specific requirements attached to each element of the GMIF, the overarching objective is the creation or safeguarding of jobs, with a secondary objective of recycling funding wherever possible in order to maximise the impact of the funding over several investment cycles. This approach was endorsed by Government as part of the GM City Deal agreed in April 2012.

It is a radical approach with the potential to deliver growth at a pace unachievable if we were to only focus on delivering individual funding streams. Projects to the value of £101.4m have been approved to date, which are forecast to create or safeguard 8,700 jobs. Our success in deploying capital has driven an expansion of our project pipeline and a corresponding increase in funding requirements: our Evergreen and Growing Places Funds are almost wholly committed and we are exploring opportunities to leverage these infrastructure-focussed funds. Further, we are developing a game-changing funding offer to complement existing and forthcoming funding streams. Our ambition is to create a fund with an investment capability of £500m. In conjunction with recycled Evergreen and other GMIF funds there is a potential opportunity to source a EIB facility in order to present a comprehensive funding offer to project applicants of senior and mezzanine debt, equity–style finance and grant funding for projects.

In addition we have ambitious proposals to work with Government to develop a new model of local-central financing that will support delivery of long term transformational investment that drive economic growth over the long term.

By prioritising projects on the basis of economic and employment benefits we have been awarded funding that will better support the growth of GM businesses. By recycling that funding wherever possible we are further able to maximise our impact. Airport City has been designated an Enterprise Zone; MediaCityUK is a national hub for digital and creative industries; and we have secured investment in transformative initiatives such as the establishment of the National Graphene Institute and the Sharp Project. We have brought forward key strategic sites such as Kingsway, Cutacre and Ashton Moss, and are investing in transport links to open up more strategic sites to the North of the conurbation. We are developing unique and lasting plans for the revitalisation of our town centres, including the provision of value-driven flexible work space, access to high-speed digital connectivity and integrated public services, the development of creative clusters, strengthening the links with education establishments and creating pathways to business incubation and job creation. We have created the UK's first Low Carbon Hub to pioneer new ways to deliver a low carbon economy and we have successfully worked with other cities to make the case for greater investment in the North on the basis that it will help to grow the UK economy as a whole. Our investment in a 21st century transport system, including the expansion of the Metrolink and our support of Northern Hub rail schemes, demonstrates our determination to continually improve the transport offer, and to encourage the development of further transformative proposals such as the devolution of rail franchising and the development of High Speed Rail.

Updated GVA data for 2012 indicate that this approach is bearing fruit. Greater Manchester's GVA rose from £49,461m in 2011 to £50,991m 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.

OUR APPROACH TO REFORM

For Greater Manchester to reach its economic potential, we need to support more unemployed residents into work and enable them to progress into higher skilled (and higher paid) roles. Economic inactivity rates – mainly ill-health related – amongst the working age population is one key cause of Greater Manchester's productivity gap.

Across GM, we are currently spending far too much on the costs of failure, much caused by issues of complex dependency. The analysis set out earlier in this Plan shows that despite the level of budget cuts to public services the total level of spending across GM has not reduced, with decreases in spending by local authorities, the police and others, offset by increases in the costs of welfare benefits and to a lesser extent, acute care.

In order to maximise the benefits of our investment in growth it is critical there is also investment to connect GM residents to that growth and to address both the productivity gap and to tackle the rising costs of public services.

Work Programme Leavers is an example of tackling complex dependency issues whereby the principal metric for measuring success will be reducing worklessness. Complex dependency in future will have a sharper focus on employment than the Troubled Families approaches to date. This will be driven by improvements in delivery models, in which employment support services are more effectively integrated with other public services, key workers being better prepared to support employment as well as help to stabilise families/individuals.

Our work on public service reform to date has involved applying core principles, based on Troubled Families ways of working:

- deploying interventions with a strong evidence base;
- integration, sequencing and prioritisation of public services to form bespoke packages of support, coordinated by key workers; and
- integration of services on a whole family basis, not just for individuals.

All of our work is underpinned by a commitment to generating strong evidence, building on our leading work to develop a Cost Benefit Analysis for reform, with Treasury and other departments. We are also developing new investment models alongside new delivery models to enable those partners that benefit from reform to jointly invest, and realise a return as demand for expensive, reactive services is reduced. Over time, the savings generated from decommissioning the services no longer required will be reinvested in further scaling up.

The Local Development Fund for 2014/15 will support:

- the first phase implementation of Living Longer Living Better (LLLB) which creates the evidence for decommissioning (particularly, but not solely in the acute sector);
- the continuation of the three integrated care schemes in Central, North and South Manchester;
- the funding of part of the ‘alliance contracts’, linked to achievement of agreed performance metrics;
- LLLB ‘Programme Management Office’ contributions are not captured in the above table as decisions are awaited from partner organisations to continue to support the recently proposed governance structures for 2014/15. When fully approved, this would increase the resource by £50k per partner (offset by planned commitments).

Investment must be focused upon the contribution of the new care models towards the activity stretch targets, as unless these are achieved there will remain significant financial pressures across the health and social care economy.

We are developing proposals for two types of fund to accelerate public service reform:

- *Development funds*: which will provide resources to pump prime the implementation of reform propositions. The aim is to develop a pipeline of reform propositions to the point they are ready for investment. We will use the development funds to generate the evidence base required to give partners the confidence to invest, and decommission existing services no longer required as we reduce demand. The GM localities will hold their own development funds, and contribute to a GM fund that supports those programmes where we are sharing risk and reward with Whitehall, such as Work Programme Leavers. To support integration of health and social care, we will bring together the Better Care Fund with other resources to create local development funds. Development funds will, wherever possible be aligned with LEP 2014-2020 European funding. £24m of the ESF programme will be dedicated to providing support onto the ladder into work and into sustained employment for those with complex dependencies.

- *Investment funds*: over time and through the support of the development funds, we will develop an investment fund for reform. This will be a recyclable fund through which resources are invested and savings accrued for further investments on an on-going basis.

Based on the GM Strategy priorities, our two big ticket items for reform are tackling issues of complex dependency and integrating health and social care. We want to work with Government to deliver the priorities for reform and on sharing the risks and rewards of this work.

Tackling Complex Dependency
Tackling issues of complex dependency is a key priority. This involves scaling up the principles of public service reform that are showing evidence of success with Troubled Families to broader and deeper cohorts, with a sharper focus on work and skills as the way to change lives forever, increasing productivity and reducing the cost of public services permanently. Early years in part overlaps with complex dependency but our approach is set out separately below for clarity.

It is demonstrated that The Troubled Families programme leads to savings for a broad range of partners, including Local Authorities, Greater Manchester Police, Housing Providers and Health partners. Recent findings from the evaluation in Manchester working with 294 families identified significant reductions in reoffending (73% in total, 35% net of deadweight and optimism bias), reductions in police call outs (86%/43%), domestic violence (64% / 21%), Children in Need status (64% / 26%), mental health improvements (64% / 38%), and exclusions from school (58% / 31%). Applying similar approaches to a much broader cohort through our work on complex dependency could make significant savings.

During 2014/15, GM has already committed to work intensively with subsets of the complex dependency cohort to gather stronger evidence. These include:
- Scaling up the existing 8,090 Troubled Families from the first phase of the national programme with a focus across GM on gathering stronger evidence of the impacts on a range of outcomes including employment, offending, health and school attendance;
- Implementation of the Work Programme Leavers programme, which will evidence the effectiveness of a better integrated, more intensive support for 5,000 GM Employment and Support Allowance (ESA) claimants who have been on the Work Programme for two years and not found work;
- Developing and testing new models of integrated out of hospital care for a cohort of adults of working age with complex health needs, who are also within complex dependency cohorts – as set out in the accompanying annex on health and social care integration;
- Working with Offenders. Firstly by rolling out Intensive Community Orders for 650 young adult offenders per year aged 18-25 across GM. Through intensive rehabilitation and support of prolific offenders in the community, this has lead to 27% gaining employment, and a more than 50% reduction in the severity and frequency of offending. Rolling out the programme could save around £58 million per year by 2020 principally from lower costs of criminal justice and policing. Secondly by developing and testing a whole system approach to women offenders which seeks to reduce reoffending and create safer homes and families. Thirdly by developing and testing new models of integrated working with families linked to Organised Crime.

Reforming Health and Social Care
Health and social care services represent one third of Greater Manchester's public services and are central to our plans for service reform. We estimate that under 'business as usual' the GM health and social care economy faces a financial challenge of £1,075 million over

the five years to 2017-18. This is based on comparing projected growth in demand for health services and ongoing reductions in funding. The challenge facing health partners constitutes over two thirds of this sum, at an estimated £742 million; the adult social care challenge facing local authorities accounts for the remaining £333 million.

The GM Combined Authority, NHS England local Area Team and the Association of Greater Manchester CCGs have recognised and embraced the scale of financial challenge, increasing demand, and the inherent opportunities to improve the quality of care and outcomes for our citizens. There is significant overlap with the complex dependency proposition for the under 65s, in particular those with long-term conditions, adults with mental health problems, adults with drug/alcohol addictions, and adults with chaotic lives.

NHS partners and local authorities (including 22 commissioners) have agreed a robust, sustainable and politically defendable programme of community based care. Working across primary and social care services, this programme of integrated out of hospital reforms will maximise outcomes, access and experiences for Greater Manchester residents. The Better Care Fund process has further supported integration.

Our approach integrates acute sector reconfiguration, integrated care and primary care changes within one programme to ensure that local organisations refer people to services that are appropriate for their condition(s) and personalised care can be delivered to agreed clinical standards and protocols. In light of varying need and priorities for the 2.6 million population of Greater Manchester, target cohorts for new models of care are currently being defined locally. All localities will prioritise older people with long-term conditions, the frail elderly, and adults at the end of their lives. Adults of working age with complex health needs are a significant cohort in several localities, and directly overlap with the broader complex dependency cohorts outlined above. This emphasises the importance of health interventions to improving productivity, both helping to keep people in work and to removing some of the barriers to work.

New delivery models follow the principles of reform, and there are common elements across GM. In particular:

- multi-disciplinary teams (MDTs) that bring together health and social care providers from different agencies to develop a single care plan around the patient, and prioritise early diagnosis and case finding, single assessments, and provision of aligned services. In most instances, GPs are centrally involved in leading and/or co-ordinating MDT provision;
- 24/7 health and social care triage and rapid response services, to provide swift and appropriate intervention at times of high need or crisis;
- central resource centres or hubs that provide a single point of contact for patients, and promote 'community assets' including voluntary and community sector provision and self-care.

Our Health and Social Care integration programmes will reduce hospital admissions and costs to the acute health sector through greater coordination and preventative support and treatment in the community. For example, in Wigan, integrated neighbourhood teams are providing bespoke packages of support for those at high risk of readmission to hospital. Initial evidence from one year of working with 2990 such individuals has demonstrated a 41% reduction in non-elective admissions, 38% reduction in A&E attendance, and a 17% reduction in outpatient attendance. Applying these approaches at scale could help to reduce premature mortality as outlined in the GMS, and make a significant contribution to the £1.1 billion financial gap facing health and social care over the next 5 years, alongside efficiencies. Supporting cohorts with complex health needs will also support our ambitions on tackling complex dependency and reducing worklessness.

Initial modelled assumptions for planning purposes suggest that integrated health and care reforms could realise gross savings in the region £145 million over five years to 2017/18, a relatively small proportion of the £1,075 million gap. This is a gross estimate, and does not take account of cashability, upfront investment required or double running costs.

Improving Early Years

Success in the early years is fundamental to GM's strategic ambitions of sustainable economic growth, and connecting people to that growth, by turning off the tap of future dependency. The evidence demonstrates that without the right support, these children are more likely to engage in anti-social behaviour by the time they are teenagers and leave school with poor qualifications. The new delivery model for early years is a holistic approach to improving school readiness through integration of public services for parents and children, investing in evidence-based interventions and decommissioning those with a poor evidence base, targeting support for those that need it, fundamental development of our workforce, improving how we share information and gather intelligence. Our Early Years programme, which will impact on school readiness and parental employment, reduce the need for Special Educational Needs support in schools, and reduce health costs.

Detailed modelling by Social Finance shows the other partners receiving fiscal benefits include schools, health, criminal justice and police, local authorities. There could be significant longer term benefits from higher earnings and employment as the children enter the labour market, of up to £400 million additional GVA.

During 2014/15, we are planning to test the model at reasonable scale across GM, in order to generate stronger evidence of the impact on key proxy measures. We are looking to test the model with around 8,000 children during 2014/15, to inform staged implementation across GM for all children from 2015/16, starting with all births in that year, then all 0-2 year olds the following year, and all 0-4 year olds by 2018/19.

OUR POLICY ASKS

This Plan is not simply a bid for funding. We are seeking a new deal with Government to ensure that the resources available to Greater Manchester (European, national and local) are targeted appropriately to maximise impact. We want to change the relationship with Whitehall to act as an exemplar for doing things differently. We recognise that this is a process that has to be co-designed and will be incremental in its application. Our asks in this Growth & Reform Plan seek to create the platform for that new relationship. Our asks are summarised below.

Public Service Reform
Our Plan builds upon the announcement in the Autumn Statement that Government would welcome public service reform proposals through Growth Deals so that local public services will be given the same long-term indicative budgets as Departments. GM proposes two major initiatives - one relating to Complex Dependency through scaling up of our work with Troubled Families, with a sharper focus on employment; and the second relating to the reform of health and social care provision at scale across the conurbation to co-design and co-deliver the most ambitious programme of in-hospital reforms in the history of the NHS. Reforming the way that Early Years services are delivered is an integral part of our approach to both complex dependency and integrating health and social care.

GM is ultimately looking for a deal with Government to support reform over a full Spending Review period, involving long-term budgetary certainty for five years, covering significant blocks of spend, where GM can retain savings related to reform over that period, underpinned by an agreement to share risk and reward, with devolved accountability. This would ideally cover complex dependency and health and social care integration over the full period from the next Spending Review, expected Autumn 2015.

Business Support
Our asks in relation to business support seek to develop an enhanced working relationship with BIS, UKTI and the TSB in relation to business support, better integrating resources in a geographically and policy focused way to deliver improved outcomes:

- better aligning the National Growth Accelerator programme with the Growth Hub to deliver significant additional returns on investment;
- develop and implement new services in partnership with UKTI to expand International Trade services;
- provide expanded Trade Finance to support exporting and job creation;
- ensuring that GM Business Finance can deliver for Government it's own business finance programmes; and
- improve the international competitiveness and profile of GM's key sectors through joint GM/UKTI sector promotion campaigns in key markets, including both marketing and in-market support.

Apprenticeships
We are seeking to co-design with BIS and SFA proposals to vary weighting and/or employer cost contribution levels for Apprenticeships in GM to drive both demand and supply more effectively in occupations key to the future growth of GM.

Transport
Our asks in relation to transport are:

- to work with Government to develop a funding mechanism to accelerate the development of Piccadilly Station, and investment in associated local access measures and at Manchester Airport to ensure that GM is HS2 ready;
- for Government support for Rail North proposals that give oversight for rail franchising in the North to local partners;
- a collaborative arrangement with DfT that can secure freedoms and flexibilities around current regulations and funding structures for local highways authorities;

- a collaborative working arrangement with DfT that can secure freedoms and flexibilities around current regulations and funding structures for local bus services.

These asks are now set out in more detail below.

PUBLIC SERVICE REFORM

The integration of growth and reform is critical to our approach. Our proposals build on the announcement in the Autumn Statement that Government would welcome public service reform proposals through Growth Deals and that local public services will be given the same long-term indicative budgets as departments. We are seeking to work with Government to design how this could work in practice.

Based on the GM Strategy priorities, our two 'big ticket' items are tackling complex dependency (which focuses on worklessness and low skills) and health and social care integration. Early years is part of both complex dependency and health and social care but our approach is set out separately below for clarity. Further details are set out in Annexes A, B and C.

Our priority for reform in 2014/15 is to gather stronger evidence about the impacts on key outcomes and spending. From 2015/16, we need to be implementing reform at much greater scale across the conurbation. This is essential to meeting our GMS priorities on growth as well as reform – ensuring people have the skills they need to access growth opportunities, supporting our employers to be more productive, significantly reducing worklessness, and sustainably reducing public spending.

GM is ultimately looking for a deal with Government to support reform over a full Spending Review period, involving long-term budgetary certainty for five years, covering significant blocks of spend, where GM can retain savings related to reform over that period, underpinned by an agreement to share risk and reward, with devolved accountability. This would ideally cover complex dependency and health and social care integration over the full period from the next Spending Review, expected Autumn 2015.

Complex Dependency

The key ask of Government is to continue the process of co-designing complex dependency with GM. That involves jointly developing the working examples set out in this paper that will generate stronger evidence during 2014/15, both in GM and other places, including the other Core Cities and London, the original Whole Place Community Budget areas and those involved in the Public Services Transformation Network.

This would be underpinned by commitments from Government to continue to work with GM and those other places on both the preparatory work needed to implement more radical system changes to public finances that will support reform from 2015/16, including multi-year budgets, and new models of devolved accountability and on the enablers of reform where there are barriers that can only be reformed nationally, including:

- specific data sharing issues that cannot be bridged locally, in particular, health and employment data;
- systems of regulation and inspection that encourage partners to deal with whole families and all issues affecting individuals, rather than on single issues – this is a key driver of professional behaviour on the front line;
- supporting workforce reform.

GM also wishes to work with Government to co-design a number of other delivery models for subsets of the complex dependency cohort during 2014/15:

- GM has already expressed strong interest to DCLG for being an early adopter for the next phase of the national troubled families programme, generating evidence to inform national implementation. GM wishes to start working with around 10,000 families during 2014/15;

- There is an opportunity, supported by Nick Clegg and Norman Lamb, to develop proposals to support individuals with mental health conditions to obtain and remain in employment. These proposals are based on better segmentation and stratification of claimants, closer integration between mental health and employment support providers, and increasing access to a wider range of therapies. This project aligns closely with our thinking around ESA Work Programme objectives, and with the wider complex dependency agenda.

- Building on Work Programme Leavers and the above proposal around mental health, to support an extended cohort of 17,500 ESA claimants into employment over two years – not just those leaving the Work Programme. We are looking to test whether a better integrated, more intensive model of support can lead to improved levels of employment, health and skills. Evidence from this example could inform future options for the successor arrangements to the current Work Programme contracts, for example co-commissioning or carve-out arrangements for those cohorts with complex needs who would benefit most from an integrated approach to overcoming barriers to work. It would also build on the risk /reward share models developed as part of the Work Programme Leavers programme.

- GM to test - at scale and prior to rollout - the impact of Universal Credit for our most vulnerable residents, as outlined in the Local Support Services Framework. We suggest working with a subset of the 130,000 GM residents who claim working tax credits – those who experience low pay, no pay cycles, and also face other issues of complex dependency (e.g. health issues, child development). The aim is to support more residents to find work, stay in work, and progress in work by improving their skills;

- To support the above proposals, GM wishes to test whether match funding of the mainstream Adult Skills Budget (ASB) with future GM ESF funding can support better skills provision that improves outcomes for residents and employers, at a time when the funding in this area is shrinking. Currently the impact of BIS skills interventions on the labour market performance of learners is not well understood. This proposal would help BIS, SFA and DWP to build the evidence base and better understand spend, delivery, impact and long-term destinations. It would also avoid duplication between ESF and mainstream provision and supports the Government priorities around rigour and responsiveness of providers along with providing a mechanism for testing different PbR mechanisms.

Health and Social Care Integration
Greater Manchester is seeking to continue working closely with Government to reform health and social care at scale across the conurbation by 2020, jointly overcoming national and local barriers to integration to co-design and co-deliver the most ambitious programme of in-hospital reforms in the history of the NHS – Healthier Together.

We are seeking the following support from Government in order to integrate health and social care at the scale and pace required:
- *information & data sharing*: sharing of information and data will not only allows us to plan and commission services more effectively but will enable us to target services more effectively at specific cohort groups;
- *choice and competition*: to provide greater clarity, understanding and confidence in the process upon which new models of integrated care are designed, developed and delivered;
- *long-term budgetary certainty*: necessary to encourage all partners to invest in reforms that will take time to reduce demand (aligned to CCG 5 year Strategic Plans), provide sufficient evidence for further investment and decommissioning of existing services;

- *incentives to save (year-end flexibilities)*: to enable places to achieve and retain savings in their place until the improvements are fully sustained, rather than being reallocated nationally;
- *performance targets and outcomes*: localities must be encouraged and empowered to 'do the right thing' and take risks rather than to adopt a risk-averse attitude to 'doing it right';
- *workforce*: the ambitions for integrated health and care demand entirely new roles and radically different ways of working with greater flexibility at the local level.

Early Years
GM wishes to jointly develop and invest in this new way of working with all key partners, including Government as one of the main beneficiaries. Our work will determine whether the new approach will improve school readiness and support parental employment more than current arrangements. We will collect early evidence of impact on outcomes for children and their parents, linked to fiscal impacts. The key ask of Government is to jointly invest in developing and testing the new model in GM during 2014/15. This would enable both GM and Government to generate stronger evidence about the impacts of the model on key proxy measures. The evidence base for the model is very strong but it has not been implemented at scale in the UK.

Second, is to support strategic conversations between GM and GM schools, to explore options for schools co-investing in the model on a sustainable basis during implementation from 2015/16. Some schools in GM already invest in early years but this investment is small-scale and is under pressure from schools facing uncertainty about how they should continue to invest beyond their organisation in models that benefit them. Clear messaging from Government to support schools to make informed decisions on how to invest in early years is needed. This should build on the announcement in Budget 2014 for £50 million for an early years pupil premium, to help improve outcomes for the most disadvantaged three and four year olds in government funded early education.

Third, is for Government to support a number of enablers of the model including moves towards a single inspection framework for all early years (children and parent) services.

BUSINESS SUPPORT
Greater Manchester is the UK city region outside of London most likely to be able to increase its long term growth rate, access international networks, enjoy stronger connections with the rest of the world and contribute significantly to continued economic recovery. It is also the only city region that has the scale, breadth and maturity in its business support infrastructure to be able to deliver Government economic policy at a local level.

Despite the strength of GM's business support infrastructure we are of the view that if the infrastructure and services were strengthened further, and, critically, better integrated with national activity, we could realise more quickly GM's economic potential. This is the basis of the financial asks within this Plan, set out later. It should be noted however that these financial asks are minimal; our more fundamental request of Government is to form a new strategic partnership which strengthens our increasingly joint approach to supporting business growth.

We wish to build on the existing strong relationships with Government departments to develop a new partnership, which moves away from the previous funding of ad-hoc initiatives and moves towards a more holistic and integrated approach to business growth. With a limited new financial investment from Government to supplement GM's own investment and assets, combined with access to ERDF resources, GM will benefit from a complete business support infrastructure and become a full, Government delivery partner. We can help Government better deliver its programmes and objectives and, at the same time, align these to GM needs and opportunities in a way which maximises the return to the GM and national economy.

Our focus for this approach is in the following three areas:

- *Business Growth Hub*: limited financial investment of £7.2 million over 3 years will strengthen GM's business support offer and infrastructure and plug existing gaps in relation to specialist innovation support and sector development. This will also enable GM to support BIS in the relationship management of GM's medium sized businesses, including delivery of Lord Livingston's initiative to engage with such businesses to drive up exporting activity and engage more effectively with GM's foreign owned companies. There is also an opportunity to better integrate the national Growth Accelerator programme within the Growth Hub model to deliver a much improved return on the Government's current investment.

- *Business Finance*: GM Finance has a substantial and enviable track record of delivering alternative finance products to SMEs in GM and beyond. There is an opportunity for Government to utilise this successful model to deliver its own business finance programmes by significantly increasing the availability of suitably priced capital and appropriate guarantees to GM Finance for onward lending.

- *Trade and Investment*: there are substantial gains to be made from a stronger partnership between UKTI and GM which would have the opportunity to respond to market demand for enhanced support to exporters and to more effectively integrate inward investment promotion, lead generation and management.

Further information on our financial bid for business support is provided later in this report. In addition to a limited financial investment, we would like to work with Government to co-design the following initiatives:

Growth Accelerator
The Growth Accelerator national programme is poorly aligned with the Growth Hub. We wish to work with Government to explore how the aims and objectives of the Growth Accelerator programme can be better integrated into the local Hub model to ensure a comprehensive and joined up package of support for businesses. This should include consideration of Government investing its national Growth Accelerator resources in the local Hub model.

GM already has a mechanism to engage with the business client base through its advisors that could be extended at a lower cost. It has events and local marketing mechanisms that could be extended at a lower cost to BIS with the offer consequently better supported and understood by local partners. Additionally, intelligence on clients could be brought together through a single mechanism that would be shared with BIS.

By building on the investment that has already been made in the Growth Hub, GM would be able to meet and exceed the existing return the Growth Accelerator investment by at least 25%.

International Trade
We have delivered UKTI's international trade service through our company, ChamberLink Ltd. for many years. Close working with Government has resulted in strong take-up by companies in Manchester and across the North West; we have also made good progress on the number of new exporters.

Our proposition is to review with UKTI the current offer and consider emerging market feedback on the need to extend support to include pre-Passport to Export services and deepen support for existing, medium sized business (MSB) exporters. We expect to deploy ERDF resources to support pre-Passport to Export services.

We are keen to support an increased focus on MSBs and are willing to invest our own resources. This would be alongside the value of the UKTI delivery contract and ERDF to increase the effectiveness of international trade services. We are keen to ensure that additional investment complements existing UKTI delivery and expect that this will involve jointly deploying new resources in pursuit of MSB support. Given the progress and impact of the Business Growth Hub and our delivery of the UKTI trade service, we do feel there are better ways in which, in the future, we can target and support the region's MSBs. Overall we want to significantly grow the value of exports of many of our existing and most successful exporters.

The deepened support for existing MSB exporters would provide specialist advice for experienced exporters/investors with links to the High Value Opportunities programme, Investment Services, Export Champions, external consultants, market/sector/international specialist services, FCO and Overseas Business Networks.

The proposition would be delivered by GM's existing International Trade team. The pre-Passport programme will create links and referrals into UKTI, EEN, CCNW, A2F, Growth Hub, MAS, Academy, HE/Language & Cultural Advisor, regional sector cluster groups or development offers and other relevant ERDF programmes. The existing exporters programme would involve the utilisation of specialist consultants who would cover high growth and priority markets/sectors and specialist areas such as joint ventures. They would be recruited from a consultants panel which would be procured via OJEU which would also enable them to work on related ERDF programmes.

The new service will:

- enable the International Trade team to work with a larger number of potential exporters;
- build capacity in GM companies;
- ensure that companies maximise the opportunity for support through UKTI's product portfolio;
- provide continued support via specialist consultants for more experienced exporters/investors beyond the UKTI development programme offer;
- ensure a continued focus on GM priority markets.

Trade Finance

We welcome the Budget 2014 announcements concerning UK Export Finance. We have made great efforts to increase the availability of finance to business in Manchester and beyond. Our business finance lending operation is now disbursing £1.5m per week to support new and existing businesses. We are in early discussions with UKEF colleagues as to how we can better integrate the UKEF and our finance offers to support more businesses to export. We wish to work with UK Export Finance to address gaps in trade finance for GM's exporters; our delivery of such new products would assist in increasing the value of GM's exports and be delivered as part of the overall business finance offer in association with UKEF.

Business Finance

GM Business Finance aims to significantly increase the scale and availability of loan funding to SMEs over the medium term. Our target is to provide in excess of £50m of lending and quasi-equity to GM's SMEs each year. The most significant obstacles to this are the price of capital and the availability of a guarantee mechanism to cover the level of risk appropriate to the client group supported. The proposition, therefore, is for Government to provide appropriately priced capital (either grant or loan at 0% to 2%) and access to an effective guarantee mechanism, covering 75% of each loan, with the claim cap set at a higher level (30%).

GM Finance, utilising its existing products and infrastructure to increase impact and test new approaches, would utilise this additional lending capability to penetrate the market further and provide additional funding to significantly more businesses with a viable business plan but without the track record or collateral necessary to attract new bank support. The combination of appropriately priced capital and an effective guarantee is central to achieving this goal.

Historically, each £1m of loan investment has created or preserved 200 jobs. In addition, this proposition would demonstrate the effectiveness of an increasingly scaled public/private approach to finance and business support.

Inward Investment: Core Sector Campaign Support
Benchmarking against other European peer cities and studies in target markets has highlighted that there is still a clear perception gap internationally regarding Greater Manchester's strengths in specific sectors and as a business location overall. Therefore, GM is investing heavily in large scale sector promotion campaigns to build on current success. UKTI support for these campaigns both in supporting/funding marketing initiatives but also potential sector specialist and in-market support is vital for their success in order to address the above perception gap and therefore maximise the contribution to UK Plc.

The campaigns are:

(a) Technology Media and Telecommunications – Building on the international success of Tech City and as the largest Technology Media and Telecommunications cluster outside London, GM is building a complementary proposition that will attract new business not bound for Tech City, but also follow on investment from companies who have initially sited in Tech City/London. It is important that GM plays a central role in UKTI's Sector Advisory Group programme to promote an additional 5 clusters in the UK and the wider work being undertaken by the Creative Industries Council and associated bodies.

(b) Manchester Science Corridor – GM now has an unrivalled collection of science assets with The Corridor, Medipark and Alderley Park able to offer a diverse range of expertise and facilities for Life Science sub-sectors such as medtech, cancer care, e-health and stratified medicine. This is proving to be a highly attractive proposition to potential inward investors, however, profile is still limited outside the UK and therefore a significant boost is required for it to fulfil its international potential.

(c) Graphene/Advanced Materials – GM is at the centre of the UK advanced materials research base, with the National Graphene Institute and follow on facilities providing world class research facilities and capabilities around commercialisation and IP development.

(d) Financial Services – Manchester is the premier UK nearshoring location, balancing financial services talent, scalability, infrastructure and connectivity at a highly competitive cost point making it incredibly low risk. GM is also seeing emerging opportunities around Fintech.

Each of the sector propositions will be formed under an attack brand with significant investment from GM that we would want to see match funded at a national level in terms of marketing spend as was the case with the Tech City model. These propositions would be delivered by promotional campaigns both in the UK – to existing investors/national accounts – but also in 4 key international markets: US, Europe, India and China to capture new inward investment.

GM would like to see dedicated UKTI resource, both sector specialist and in-market sector managers dedicated or even seconded in to these campaigns to add front end capacity to raising profile and driving lead generation to identify investment opportunities. This would also extend in to the Global Entrepreneurs programme, where Manchester can offer a highly competitive and connected European base, with substantial business support availability at a local level to facilitate growth of new FDI start-ups. To further support the above, GM would look to drive visits and connectivity from US venture capitalists in to accelerator and high growth company programmes in the city region to improve funding competitiveness and rate of growth.

The outcomes from this approach would be as follows:

- Improve international companies' knowledge of the wider UK's world class propositions;
- Improve the effectiveness of account management and increasing the potential for reinvestment as well as new business;
- Create hundreds and potentially thousands of new jobs;
- Attract large quantities of additional investment projects in to the UK and primarily the North of England;
- Contribution of significant economic impact/GVA and aiding the rebalancing of the national economy.

APPRENTICESHIPS

Greater Manchester shares Government's desire to grow the volume and quality of Apprenticeships, recognising the critical role that they play in raising productivity and enhancing career prospects.

Eighteen months ago we established the GM Apprenticeship Hub, working with employers, young people, providers, funding agencies and local authorities to stimulate demand for apprenticeships from employers and learners, while building the capacity of our provider base to deliver in a changing labour market. We have invested in developing the strongest suite of labour market intelligence of any LEP area to get clear sight of the occupations where apprenticeships require further market-making activity. Through our skills capital plans we will provide industry-standard facilities and 'live' training environments to assist employers, providers and apprentices to succeed.

However, we believe that more can be done to accelerate GM's market-making activity in apprenticeships, and have two key 'asks' of Government focused on strengthening demand from SMEs and on addressing shortages in key value-adding occupations:

Flexing funding to address shortages in value-adding occupations

We want to test whether flexing apprenticeship funding is an effective method for growing apprenticeship markets to address labour market failures in value-adding occupations within a LEP area. Analysis of primary research with employers and our labour market demand- and supply-side intelligence tells us that there remain a number of key labour market failures that are holding back advances in productivity and growth.

Working with the grain of Government's plans to reform future apprenticeship funding, we propose to work with employers – potentially aligned to apprenticeship trailblazer activity – to grow the market in specified frameworks at advanced and higher levels where the supply of skilled labour is weak – such as electrical engineers, skilled machine operators and a range of digital and creative roles. BIS research indicates that the Exchequer benefit of each additional level 3 apprenticeship is between £55,000 - £80,000 over the lifetime, not counting benefits to employers and the apprentice themselves.

Two models are proposed for further development at this stage. These are:

a) Extend the maximum price that Government will pay for specified apprenticeship frameworks. By raising the maximum price, further investment can be drawn into the apprenticeship from Government and employers thus better enabling providers to stimulate supply. As an example, raising the maximum price of an apprenticeship from £10,000 to £12,000 at a Government contribution rate of 75% would raise the state's investment from a maximum of £7,500 to £9,000, while the maximum employer contribution rises from £2,500 to £3,000, drawing greater investment into a priority framework.

b) Extend existing plans to provide additional state investment, currently solely for 16-17 year olds and the smallest employers, to all employers but only in specified frameworks that are clearly linked to value adding occupations that are key to GM's future productivity.

A statistically-significant number of apprenticeships (estimated at around 1,000) would need to be included in this pilot for evaluation purposes. However, the overall costs of flexing funding in this fashion appear marginal when compared to economic and fiscal benefits that will accrue (see above), especially at a time when significant reductions are being made to the Adult Skills Budget with limited Government influence over the type of delivery that providers will prioritise as a result.

A GM/Government pilot to test engaging SMEs in future apprenticeship funding model
Our second apprenticeship 'ask' is that Government works with GM to co-design a pilot to test how smaller employers can best engage with new methods of funding apprenticeships, as proposed by the Richard Review recently. In doing so, GM LEP is keen to generate learning and evidence that can influence the successful implementation of future apprenticeship funding models nationwide.

It is proposed to build upon the success of the existing Greater Manchester Employer Ownership of Skills project and our City Deal tax incentives pilot. EOS was devised to raise the skills levels and to ensure that skills matched business needs for a diverse range of growth sectors. For each of these sectors, Growth and Innovation Fund resources have already been invested to create Employer Skills Groups (ESGs) comprising a wide variety of GM businesses of all sizes and at all stages of development, to articulate skills and competences that sectors need to develop and grow.

This pilot will bring the EOS infrastructure and experience together with the GM tax incentives project, originally planned to offer a mimicked tax rebate to small employers (under 50 staff) who do not currently invest in skills. Again, Government has already invested in this activity via the City Deal and our intention is to align this activity more closely with the new direction of travel on skills funding in light of the Richard Review.

Taken together, we plan to provide a platform for engaging up to 800 SMEs in skills, narrowing GM's productivity gap and testing future models of apprenticeship funding ahead of planned implementation in the next Parliament.

In engaging with employers, we propose to develop a twin track approach – both spatially (GM) and sectorally-defined, with a focus on wealth creating industries such as engineering and manufacturing, working with SEMTA. Independence and objectivity are at the heart of the model: to be effective it must earn the trust of the small business community.

There will be four key elements:

1) Skilled and experienced staff will reach out to those SMEs who have not been engaged in any structured or funded training to assist the businesses to identify their current and future skills needs. This will result in the development of a detailed workforce development plan. GM Chamber of Commerce will provide this service, working with experts such as SEMTA to assist.

2) Employers will also be encouraged to join forces with other like minded businesses with which they have needs in common, that collectively they might develop new Apprenticeships and/or qualifications. Intelligence emanating from these ESGs will inform future development.

3) Once the workforce development plan has been agreed the agency will source the training and negotiate the best possible deal for all parties.

4) The employer then pays the full price for the training and the Agency arranges for Manchester City Council (as the accountable body for the tax incentive funding) to repay the employer the proportion that has been subsidised in staged amounts, thus mimicking the Government's proposed funding model.

TRANSPORT

Greater Manchester has been at the forefront of transport delivery and governance reforms that have secured efficiencies and better aligned transport services with the city region's wider growth agenda. This Growth and Reform Plan offers the scope to develop new models of working across our local highways, rail and bus networks.

Highways Reform in Greater Manchester

The effective management of the Greater Manchester highway network is critical to the achievement of GM Strategy growth. This is reflected in the initial highways coordination functions that were granted to TfGM in 2011, through the establishment of GMCA, and the encouragement of initial collaborative models, which have been established since then, to deliver both service improvement and efficiency savings.

Greater Manchester partners are now committed to build on the unique transport governance and delivery arrangements here to establish optimal models of devolution that secure the efficiency benefits of service delivery at scale, whilst retaining a local highways provision that is responsive and accountable to local communities so as to:

- provide a new level of integration and secure economies of scale to ensure that priorities are addressed at a strategic economy-wide level;
- secure a depth of skills and organisational capability that improves overall service provision and enhances resilience in responding to planned and unplanned events;
- progress collaboration with the Highways Agency to establish effective arrangements in advance of the Agency's transition to a publicly-owned corporation from 2015;
- meet the challenges of maintenance funding limitations to ensure the long-term reliability of the GM network;
- develop and promote one consistent highways investment pipeline for Greater Manchester that maximises GMS outcomes;
- improve communication with, and information for, all road users; and
- increase reliability and consistency of service delivery to all road users to support enhanced access to employment and markets, including ensuring the efficiency of freight and logistics in GM.

In 2013, DfT established the Highways Maintenance Efficiency Programme (HMEP) with the target of delivering "15% savings by 2015 and 30% or more by 2020, transforming delivery so that roads and services are improved." Our highways reform programme represents a major area for collaborative working between Government and Greater Manchester in support of shared HMEP principles and objectives for efficiency and growth through public service reform.

Since the establishment of GMCA and TfGM in 2011, DfT has welcomed and supported the coordinated governance and delivery arrangements that we have put in place for a range of transport services at the city region level, from policy development and strategic highways coordination to the provision of road safety and travel choices programmes. We see significant opportunity to now establish Greater Manchester as an accelerator for highways reform under our proposed Growth Deal.

In doing so, Government will be able to demonstrate the benefits of its policy framework in the LEP area with the greatest growth potential outside London and across a network of 9,000 km local highways and 200km Highways Agency routes, which faces a particularly complex array of challenges in managing the local, commuter and strategic demands in supporting growth.

Therefore, we are seeking a collaborative working arrangement with DfT that allows for a partnership review of:

- current regulations and funding structures for local highway authorities, so as to identify any freedoms or flexibilities that may assist in enabling GM to deliver services efficiently as one place;
- highways funding regimes, with a view to identifying opportunities to best align local and national funding streams in support of shared growth objectives;
- and opportunities offered by the Government's Highways Agency reform programme to integrate and align priorities across the local and national highways networks in Greater Manchester.

In advance of the agreement of the final GM Growth Deal in July, a work programme has been established to enable the preparation of a high level business case to establish the potential strategic, economic and financial benefits that could be secured in operational, technical, back-office and management dimensions of highways services. The outcome of this work will ensure that our final reform priorities are in those areas where the greatest impact can be achieved in both the short and longer term. It is proposed that an appropriate DfT representative should join this process to July, so as to enable a shared view to be developed on the final nature of the Growth Deal proposition for joint working thereafter.

Rail Reform in the North of England

Greater Manchester's rail network has been a major supporter of economic growth, particularly in promoting the benefits of agglomeration in and around the Regional Centre. This picture has been replicated across the North of England, where in total the economy accounts for around 25% (over £300 billion GVA) of national output.

Both locally and regionally, the rail network has been a critical factor in securing improved connectivity within and between the Northern sub-regions and, in particular, the dominant city regions. Growth in the use of rail in the North, especially into major centres, has outpaced that in the South East and other parts of the country, despite the impact of the recession; and, since 2004/05, Northern Rail revenue has grown by 41%.

Looking to the future, the Northern rail system has the opportunity to offer considerable further support to our growth potential by:

- establishing new Northern and Transpennine franchises that are built on the premise of strong growth with commercial models that enable this growth to be realised and met through effective planning for train capacity and network performance;
- establishing a clearer relationship between rail service provision and other local transport services in the interests of presenting an integrated offer to the travelling public; and
- aligning local and national spending programmes to establish clear priorities for station and train quality; and
- utilising the new capacity that will be delivered through the Northern Hub investment programme to support projected growth in rail commuter and freight demand, and establishing a clear and consistent view on the further opportunities offered by HS2 in terms of new connectivity needs and priorities for the use of released network capacity.

This understanding forms the basis for the ground-breaking Rail North/DfT partnership structure, which was agreed in principle with the Secretary of State for Transport in November 2013, with the shared objectives of:

- growing the railway to maximise the benefits of infrastructure investment and linking this to railway efficiencies;

- having a platform for determining investment priorities within the Partnership;
- risk and reward sharing between members of the Partnership, including the potential for revenue or profit-sharing mechanisms that could allow reinvestment into rail services ; and
- a partnership structure that allows the balance of risk to change over time.

Through this Growth Deal, Greater Manchester and our Rail North partners are seeking to ensure ongoing Government support and funding for the partnership, its principles and its objectives. By enshrining the Rail North partnership in a series of Northern Growth Deals, we can ensure that it remains as a pan-regional priority for Government and local partners across all Northern LEPs growth strategies and establish a clear mechanism to ensure that decisions on franchise implementation are taken on a clear understanding of their impact on shared growth objectives.

Bus Market Growth and Reform in Greater Manchester
An effective local bus market is a critical factor in promoting sustainable and inclusive growth that benefits all parts of Greater Manchester, particularly within our communities with highest levels of benefits dependency. Locally, bus travel still accounts for four in every five public transport journeys, buses have an absolutely central transport role in supporting both the overall growth and reform agendas. It is a transport mode with excellent low carbon credentials, that reduces congestion and is flexible enough to respond to the city region's changing economic geography and to changes in the way public services, such as post-16 education and training, are delivered.

Since 2000, the Greater Manchester authorities have invested heavily in new bus passenger facilities, with the largest programme of modern interchange development outside London, and bus priority measures through our Quality Bus Corridor programme and now the forthcoming Leigh Busway and Cross City Bus investment schemes that will be complete over the next two years. We have also seen significant capital investment in improved fleet by bus operators. We aim to build on these programmes through the Growth Deal investment proposals set out in this submission.
However, we recognize that capital investment alone will not enable out bus system to respond to growth in the way that we have seen on rail and tram systems since 2000. Bus commuting to the Regional Centre, in particular, has remained stubbornly static in the face of growth and investment since the start of the century. We cannot allow that to continue if we are to enable our prime driver of economic growth to achieve its potential without the threat of congestion.

We want to develop practicable market reforms to ensure it more effectively supports our wider growth and reform ambitions. We see this as a shared challenge between Greater Manchester and Government, which will require us to challenge the limits of the current legislative environment that defines bus provision outside London, so as to ensure that it does not constrain our ability to sustain long-term models of bus market growth with private sector bus operators.

Therefore, building on early foundations established under the 2012 City Deal, we propose the establishment of a partnership with DfT to challenge the structural constraints of the current bus market framework in GM and develop an ambitious shared vision for bus travel and sustained bus market growth that will fully contribute to the economic, social and environmental well-being of GM, including:
- a simple fares and ticketing system, which encourages patronage growth, easily enables multi-modal travel and provides for affordable travel;
- a core bus network for GM that is promoted to commuters, business and inward investors as a consistent part of the city region's transport infrastructure in the same way as our fixed track network;

- a bus market that is responsive to the needs of our social priorities, particularly young people in a modern training environment requiring flexible travel between education, training and work opportunities; and
- a sustainable revenue system across public and private sector partners that can provide patronage growth, fair returns for operators and network stability.

Getting Ready for HS2

The transport investment programme set out later in this document as part of our financial ask of the Growth Deal process provides a strong framework to address key connectivity and growth priorities for the remainder of this decade. However, our Growth Deal also needs to consider the planning and investment relationship between GM, Government and our partner agencies to ensure that we fully capitalise on the unique opportunity that HS2 will present to accelerate growth across the city region and rebalance the economic geography of the country.

The debate on HS2 now is not about whether HS2 will bring significant economic benefits, but how they can be maximised. The HS2 Growth Taskforce report, *High Speed 2: Get Ready,* provides a strong framework here. We will embrace the Taskforce's recommendations by developing an HS2 Growth Strategy to ensure that our city region, and its transport network, our people and our businesses are ready to maximise the opportunities for economic growth, through a clear roadmap to HS2, establishing greater connectivity between the new "Gateway" and the rest of the city region, thereby exploiting the additional capacity released by the Northern Hub over the next 5 years and realising the benefits of growth as early as possible.

Getting our City Region Ready for HS2 - The Development and Regeneration Potential of HS2

The forecast economic potential of HS2 for GM can only be turned into reality if the local conditions are right. This will require strategic decision-making and long-term planning to facilitate the local growth potential around the proposed HS2 stations at Manchester Piccadilly and Manchester Airport and its Airport City Enterprise Zone. In each case this is about more than local growth; it is also about maximising the productivity gains from HS2 which means national as well as local benefits.

Locally, we have already mobilised to bring this about. At Piccadilly, the Strategic Regeneration Frameworks for the adjacent Piccadilly and Mayfield areas have been reviewed in the light of the HS2 proposals. This work identifies the potential for commercial development that could secure up to 30,000 additional jobs, alongside scope for greater housing opportunities and wider renewal across a key focus of regeneration for the city centre. However, the achievement of the full potential on offer here will only be determined by the final design and scope of station facilities that are provided at Piccadilly Station; and the ability to accelerate the delivery of these facilities.

Therefore, through our Growth Strategy, we will set out a blueprint for early transformation of the station and its surroundings by 2026 or earlier to accelerate adjacent development and productivity. We will also be seeking opportunities to secure early delivery of additional conventional rail capacity to facilitate additional classic services and improved connectivity to the masterplan area. In addition, our intention is to ensure that investment is sequenced efficiently across Northern Hub, Metrolink investments and HS2 to avoid duplicated costs and excessive constraints to adjacent regeneration.

At Manchester Airport, HS2 offers further significant scope for jobs and productivity growth. Locally, again, we have worked to unlock this potential, with GMCA and Manchester Airports Group (MAG) having given an "in principle" commitment to make a local funding contribution towards the costs of the new station, in recognition of the long-term economic returns that investment would bring. However, there must be a level playing field with other similar HS2 investments and that the role of local funding contributions, justified on the basis of anticipated growth in the Enterprise Zone in the future, should be balanced alongside the funding of appropriate Airport infrastructure that would be avoided.

Drawing on the precedent of the Battersea/Nine Elms deal, Greater Manchester and MAG see such a deal including an agreed package of investment necessary to deliver a fit for purpose Airport Hub and to unlock the surrounding development which would deliver the contribution towards the station's costs to an agreed timetable for this investment that helps to reduce costs and potentially advance revenues. To achieve this, we have proposed an appropriate approach to land value capture that secures a meaningful contribution towards investment costs whilst avoiding a risk to the pace of development or a distortion of competition between airports, recognising that Manchester is not the only airport to benefit from access to HS2; an extension of the existing Airport Enterprise Zone to cover the development and wider rateable value increases generated by the provision of an airport station and associated infrastructure, with these revenues being made available towards the costs of the agreed investment package; and an appropriate degree of risk sharing between the Local Authorities and central Government.

Getting our Transport Network Ready - HS2 and Local Connectivity
The Taskforce has rightly concluded that "HS2 needs to be at the heart of an effective transport network which spreads the economic benefits of the project as widely as possible". GM has embarked on the development of a future Local Transport Plan (LTP4), which we aim to publish later this year, to establish a clear local transport investment roadmap to HS2 in the city region that prioritises the most effective local connections into our future HS2 termini at Piccadilly and Manchester Airport that will:

- maximise businesses' access to the valuable markets of London, the Midlands and the South East through the enhanced services offered by HS2, so as to allow businesses in GM to access existing markets at a lower cost, and to extend their reach to new markets further afield;
- give our businesses access to a wider and deeper pool of labour through improved services on the classic rail network that is made possible by the capacity HS2 frees up, and provide GM residents and wider commuters with the ability to access a wider range of employment opportunities;
- improve businesses' access to their customers, by expanding GM's footprint for example, in leisure, retail and conference travel, and enabling greater access by visitors, not just to the locations directly on the HS2 network but to key all key centres of growth potential across the city region; and
- enable the capacity freed up by HS2 to support significant growth in rail freight to deliver additional cost savings to businesses across GM and the North, supporting in particular the significant regional growth potential offered by Atlantic Gateway.

In addition, we strongly share the view of David Higgins, as set out in the *HS2 Plus* report that HS2 offers significant potential to promote a vibrant North from east to west, encompassing Greater Manchester alongside the Leeds, Sheffield City Regions and Liverpool city regions – an area that contributes more than £140bn GVA (2012) to the UK. We will build on strong planning relationships across the Northern LEP areas, as established through programmes such as Rail North, to establish the optimal pan-regional transport solutions to maximum the Northern economic potential offered by HS2.

Getting Our People and Businesses Ready - Securing the Skills and Supply Chain Benefits for Greater Manchester and the UK
HS2 offers the UK and GM huge opportunities to develop a 20-plus year strategy to maximise the benefits that the investment will bring, and embed expertise in the construction of high-speed rail that offers significant export potential for the UK. Through its business base and its strong governance, supported by reforms and programmes agreed with Government through the 2012 City Deal, Greater Manchester is well placed to contribute to, and benefit from, the catalytic effect on employment and skills that HS2 can make upon our

economy. Compared to other parts of the UK, Greater Manchester has expertise in a number of sectors relevant to HS2's construction and operation.,

Supply chain development activity – promoted by Government, supported by GM and local business – needs to begin now. We welcome the Government's intention to develop a national procurement strategy for HS2, recognising the range of agencies that will need to be aligned in their delivery to secure best practice, integrated delivery and, critically, to enable the nation to respond in a competitive way. A similar approach was developed for the Olympics with some success, but we will need to ensure that the HS2 project fully learns from that experience to ensure that the outcomes are maximised this time

GM, with the support of the Growth Taskforce, is committed to working with DfT and HS2 Ltd to ensure that a clear plan is established within a coherent national framework to increase the capacity of the appropriate sectors to absorb increased demands, so as to reflect the lead time required to mobilise at this scale. Led by its Business Growth Hub and building on the success of local firms in securing work in the run-up to the 2012 Olympics, we can help to identify the businesses best placed to benefit from HS2 sub-contracts, and to develop the technology, expertise and track record required to access a significant share of the investment in HS2.

A similar approach is required on skills. In GM, we are ready to develop skills requirement forecasts with HS2 Ltd for the short/medium and long-term to underpin a long-term labour market programme between GMCA/GMLEP, further/higher education institutions and future employers, so as to develop a pipeline of talent to meet the demands of HS2.

OUR FUNDING ASKS

As outlined above, Local Growth Funding is part of our much wider approach to investment and the projects outlined here are priorities to be delivered as part of that wider approach. Each proposal will have a significant impact in its own right: however, as we have emphasised we are keen to work with Government to understand better the inter-dependencies of budgets and to examine how different funding streams can be accessed in a coordinated way to facilitate the delivery of the component parts of our strategy in a planned, sequential manner.

Our financial bid focuses primarily on the transport priorities agreed through our LTB prioritisation process and endorsed by the GMCA and the LEP along with the funding required for a minor schemes programme to support local regeneration and growth priorities. We have a prioritised list of major transport schemes totalling £310 million, plus a programme of minor works that requires further investment of £200 million, which collectively offer economic potential in the order of £300m additional GVA per annum. We are seeking Government support to bring forward the entire programme of works, to enable us to sustain the city region's growth potential to 2021. Our other financial asks relate to skills capital, business support, the establishment of a Life Sciences Fund (a joint initiative with Cheshire East and support for the Graphene Engineering Innovation Centre. These are summarised below.

Transport

- Enhanced funding of £204 million (£314 million in total) to enable all GM LTB major schemes investment priorities to be delivered. Our major schemes investment priorities have developed following extensive analysis of costs, deliverability, value for money, strategic fit and economic impact;
- A further minimum £110 million (c £200 million in total) to provide for a reasonable minor schemes programme to support local regeneration and growth priorities, in addition to a specific £5 million submission for 2015/16 LSTF capital.

Skills Capital

- Funding in the region of £25.7 million for 2015/16 and £22.2 million for 2016/17 to support priority schemes that respond to known estate renewal issues and support enhanced employer involvement in shaping both new facilities and the curriculum offer;
- We have developed the capacity within our programme for additional investment should circumstances allow it.

Business Support

- Funding of £5.7 million over three years to develop and support core Growth Hub activities that are able to respond to, and exploit opportunities from, the economic upturn;
- £1.5m over three years to aid capacity development in industrial sector and innovation support.

Skills and Life Sciences Fund

- Funding of £10m as GM's contribution to an Investment Fund, to be developed jointly with Cheshire East to support Life Sciences in direct response to the Government's Task Force requirement to support the transition of Alderley Park into a regional Life Science cluster following the withdrawal of Astra Zeneca and to support Life Science activity generally. The Cheshire and Warrington LEP are requesting similar funding, with the total public sector contribution of £20 million to be matched 1:1 by private sector investment. Local Growth Funds will only be drawn down following the approval by the Task Force and the Government of a detailed Business Plan.

Advanced Manufacturing

- Funding of £20 million to support inward investment to Graphene Engineering Innovation Centre.

TRANSPORT

GM has consistently placed connectivity and transport at the heart of our economic strategy. The GM Transport Fund, which was established in 2009 as a key component of the first GM Strategy, demonstrated this by committing almost £800 million of local borrowing as part of a £1.5 billion fund. The GMTF is supporting a programme of transport priorities identified for their significant potential impact on output (GVA), which is now being delivered through to 2016. This multi-modal programme, including light rail, road, bus interventions, park and ride and a heavy rail stations programme, reflects GM's overarching and critical objective of economic growth that is at the heart of the GM Strategy.

As part of the 2012 City Deal, GMCA agreed the principle of an Earn Back model with Government, which builds on the GMTF approach of increasing self-sufficiency in delivering infrastructure investment. The Earn Back model uses a formula, to provide a long-term revenue stream to support further long-term investment, subject to additional GVA being created as a result of our primary GMTF commitments; and it will remain as an important funding backdrop to the additional growth-based investment priorities that we are seeking to establish through the future Growth Deal.

Funds have already been agreed through the Earn Back formula for re-investment into a further local transport scheme, the A6 to Manchester Airport Relief Road, which will offer congestion relief and connectivity benefits in and around the Airport City Enterprise Zone. GM remains actively engaged with Government on opportunities to extend the model in support of the Trafford Park Metrolink extension, which is Greater Manchester's primary transport investment priority, to extend the conurbation's highly successful light rail system through one of Europe's largest industrial parks to the retail and leisure sectors around the Trafford Centre.

These major spending programmes have also been complemented by innovative travel promotion initiatives and a renewed approach to the way in which we view local, sustainable and active travel options as further components of an effective economy. We have developed a unique programme of Travel Choices measures, focussed on supporting businesses and job-seekers, which will help to ensure that the benefits offered by our current investment programmes and future plans are fully realised. Alongside this, we have embraced technology, from electric vehicles and broadband to smart ticketing and information systems, so as to establish our credentials as a leading smart city of the future. Through strong support for the Local Sustainable Transport Fund and our Cycle City Ambition Grant, we are repositioning cycling as a long-term element of the commuting mix in GM, with an ambitious target of 10% mode share by 2025.

Through this Plan, we will continue to focus investment on the city region's strategic transport network to further enhance local, national and international connectivity. Our approach to transport strategy is not driven by hard economic analysis alone, albeit that all of the priorities set out in this Plan are supported by strong evidence of their transport and wider economic benefits. As the diagram below demonstrates, our transport planning processes are shaped by a clear understanding of how effective connectivity can directly enable growth, productivity and sustained prosperity in a manner that also meets the low carbon challenge.

Vision		**_By 2020 the Manchester city region will have pioneered a new model for sustainable economic growth based around a more connected, talented and greener city-region, where all our residents are able to contribute to and benefit from sustained prosperity and a good quality of life._**		
		Growth and Reform		
Goals	_To achieve this vision, the transport strategy needs to:_	**Facilitate and support regeneration and economic growth / Improve access to opportunities**	**Improve the quality of life, health and make travel safer and more secure across GM**	**Reduce transport emissions and make transport more resilient**
Challenges	_These are the key GM transport challenges:_	▪ Reduce congestion ▪ Increase the catchment of employment areas and town centres ▪ Reduce the wider cost of travel ▪ Enhanced image of GM for investors and visitors	▪ Ageing population ▪ Easier access to key facilities ▪ Increase use of healthier transport options ▪ Improve safety of travel	▪ Increase the proportion of trips by sustainable modes ▪ Improve Air Quality ▪ Reduce CO2 emissions from vehicles ▪ Mitigation of adverse environmental impacts and climate change
Solutions	_We will do this by:_	▪ Improving reliability of journey times on key corridors ▪ Increasing non-car trips to town and city centres at peak times ▪ Facilitating efficient freight access ▪ Improving the public transport journey experience ▪ Providing sustainable access to major new developments ▪ Providing fast, high capacity public transport on key corridors ▪ Enhancing interchange opportunities ▪ Ensuring value for money transport investment	▪ Providing non-car access to employment, education, healthcare, retail and recreation ▪ Improving the physical accessibility of the network ▪ Ensuring the affordability of public transport ▪ Raising awareness of travel options ▪ Reducing barriers to walking and cycling ▪ Reducing the number and severity of accidents	▪ Encouraging more use of sustainable modes of travel ▪ Reducing the need to travel ▪ Encouraging the uptake of low emission vehicles ▪ Reducing emissions in areas of poor air quality - AQMA ▪ Reducing the impact of transport noise in 'important areas' ▪ Mitigating the impact of new infrastructure on biodiversity

We welcome the opportunity offered by the Growth Deal process to carry forward our approach to the devolved management of transport funds to best meet local priorities, as established by the GMTF. We warmly welcome the Government's initiative in this regard, which has enabled us to develop a strong blend of large and small scale investment measures that consistently meet the growth challenges set out earlier in this Plan without the constraint of the ring-fences that have applied in the past.

A full Transport Strategy and Investment Plan is submitted in support of this headline Plan (Annex D), which sets out the context, challenges and opportunities, driven by the priorities within the GM Strategy, which we will address through our transport investment programme.

A Prioritised Programme for Growth

Through our experience in co-designing transport and economic strategies, we have a clear understanding of the role of effective and reliable transport networks in connecting businesses with their supply chains, their customers, and their labour markets; and in controlling costs, promoting competition and spreading opportunity.

Our strategy and investment programme has been developed in dialogue with our key transport partners to ensure that we are making best use of this funding opportunity to deliver shared growth objectives in partnership, in addition to building upon the strong foundations established through our current GMTF, LSTF and CCAG investment programmes. In particular, our investment strategy will add significant value to:

- The Northern Hub rail investment programme, by further expanding the capacity for passenger rail services in the Regional Centre (at Salford Central Station) and establishing improved local access and passenger facilities in targeted commuter localities;
- The emerging Highways Agency Route Based Strategy priorities for GM, by complementing the current HA pinch-point programme and supporting key local highway investment measures that improve the flow between strategic and local highway systems;
- The continued development of Manchester Airport as the nation's foremost international air facility outside London and the heart of the Airport City Local Enterprise Zone, for which £800 million investment has already been secured, through improved local access measures to maximise the impact of the new Metrolink extension and fourth rail platform at the Airport Ground Transport Interchange; and
- The investment of local bus operators in new bus fleet and smart-ticketing equipment through further bus priority and interchange facilities.

Collectively, across the major schemes and minor works programmes, set out below and in greater detail in the accompanying Transport Strategy and Investment Plan, we will build upon the £1 billion-plus productivity benefits offered by our current GMTF investment, and the further potential associated with investment such as the Northern Hub, to secure enhanced employment and economic impacts in the order of 4,500 jobs and £300 million GVA p.a.

In preparing the programme, GMCA and GMLEP have combined through the GM Local Transport Body to oversee a rigorous review of major investment priorities, which have been challenged for their costs, deliverability, value for money, strategic fit and economic impact, to develop a prioritised programme, as summarised below, that will offer a significant early contribution to the GMCA/LEP's growth strategy.

Greater Manchester Growth & Reform Plan Transport Major Schemes

South Heywood M62 J19 Link Road
A new link road from M62 junction 19 to unlock access to existing and planned employment sites, including the Heywood Distribution Park/Simplified Planning Zone, and future housing and employment development in the South Heywood area.

Wigan A49 Link Road
A vitally important strategic link providing a connection from the J25 of the M6 motorway network to Wigan Town Centre and strategic sites, which will act as a catalyst for further economic development and growth.

Salford Central Rail Station
Improved passenger facilities and additional platforms to maximise the benefit of Northern Hub investment and serving increased demand in a key regeneration area of the Regional Centre.

City Centre Transport Strategy – Inner Relief Route improvements - Regent Road
Major re-configuration at the western gateway to the Regional Centre to reduce delays on the most congested point of the Inner Relief Route, thus improving journey time reliability.

Wigan M58 Link Road
A new link from Junction 26 of the M6 (with the M58 and A577) into west Wigan and Wigan town centre from the M58 and assist in the delivery of a major employment site, Pemberton Park

City Centre Transport Strategy – Inner Relief Route improvements - Great Ancoats Street
To facilitate development and reduce congestion around eastern section of the Regional Centre's Inner Relief Route.

Wigan Gateway - Hub - Phase 1
A significant enhancement of the bus station to confirm its presence and sense of place, in order to support the wider delivery of commercial/economic development within Wigan town centre.

Stockport Town Centre Major Scheme
A package of measures to transform the accessibility and connectivity to and around Stockport town centre by all modes and to ease congestion for buses and general road traffic, as part of an ambitious new vision and development framework for investment in the town centre.

Ashton Town Centre Interchange
Development of a new interchange facility within Ashton Town Centre replacing the current 'island' style waiting shelters with a single high quality interchange building, incorporating bus and Metrolink within one site to create an attractive public transport gateway to the retail and commercial offer.

Stockport Interchange
Development of a new bus station to provide improved integration with both the town centre and rail station at this major transport hub and focus for economic regeneration.

Route 8 Bus Rapid Priority
A comprehensive package of bus priority measures on Bus Route 8 (Bolton to Manchester) to address constraints to bus commuting through this growth corridor to key destinations, including the Regional Centre, particularly from those areas with limited rail connectivity.

Metrolink Service Improvement Package
Fleet and infrastructure enhancements to support enhanced connectivity at the Greater Manchester level, improving access to jobs, leisure and services for residents and for businesses.

In July 2013, DfT confirmed that the devolved major schemes allocation for Greater Manchester was to be £110m from 2015/16 to 2020/21, with the LEP having the opportunity to secure additional funding through the competitive element of the Local Growth Fund. Whilst our core allocation is welcome, to maximise Greater Manchester's contribution to the UK growth strategy, we are seeking enhanced funding of £204 million from the LGF to enable our full major scheme investment priorities to be delivered to enable us to sustain the city region's early growth potential.

In addition, we have set clear outcomes for an integrated programme of smaller investment schemes that elicit the significant value that these schemes can have in unlocking specific transport constraints to growth and enabling more sustainable commuting patterns from door to door.

GM has a strong track record of integrated transport planning and network development that has promoted a significant shift from commuting by car to key employment centres, notably the Regional Centre, in support of sustainable growth. Crucially, our success to date has come from integrated solutions that blend local measures and mass commuter transport systems to provide an alternative that is attractive for modern commuters and defines GM as a place to do business.

A prioritised programme of smaller investment measures has been developed through a policy-driven exercise to establish a growth-led minor works programme. This programme is critical in ensuring a robust investment pipeline of smaller transport measures to provide the local infrastructure that is an essential component of locally driven growth, including:

- targeted town and city centre transport improvements, such as improved transport interchanges in key local regeneration areas and traffic management measures, to support the economic renewal of our key local centres of activity and growth potential;
- enhanced local access measures to support first/last mile access to major schemes, including the Metrolink system, which will have trebled in size by 2016, enhanced local rail links and Cross City Bus routes, so as to maximise the realised impact of primary investment in sustainable commuting solutions;
- improved bus priority measures on key commuter routes to complement market development work with bus operators through the Greater Manchester bus partnership and smart travel promotion initiatives;
- local pinch point access to key development and employment growth sites, including the Airport City EZ; and

- further measures to promote Greater Manchester as the foremost cycle city region outside London to support phases 2 and 3 of the Greater Manchester Cycle City programme agreed with Government.

The formula that will determine Greater Manchester's core ITB allocation (from the ring-fenced £258 million per annum) over the period 2015/16 to 2020/21 is yet to be set. However, based on a per capita allocation this is likely to be in the order of £90-100 million over the six year period, suggesting the need for at least a matched level from the competitive element of the LGF. To maximise Greater Manchester's contribution to the UK growth strategy, we are seeking additional funding of £110 million for our minor works programme from the competitive element of the LGF, in addition to £5 million LSTF capital funding for 2015/16, which will complement a parallel £5 million bid that we have made to the 2015/16 LSTF revenue competition.

SKILLS CAPITAL

With a working age population of 1.7 million two thirds of whom are educated to NVQ Level 2 or above the city region is already well placed to take advantage of future growth. Nevertheless the challenge remains to ensure that skills remain relevant, that the learner provision is aligned closely to employer needs and that the economy is not constrained in its ability to grow by low skills. To make progress the city urgently needs to ensure it provides individuals with relevant skills for the future, whilst tackling long-standing and complex skills issues across its key economic sectors.

Low skills explain most of the productivity gap between GM and the national average. Furthermore, low levels of skill help explain why, in Greater Manchester, economic activity is lower, why unemployment is higher, and why pay tends to be lower than national norms. Nationally, 9.7% of residents do not have any recognised qualifications. In GM, the figure is 11.6%. At the other end of the skills spectrum, 34.4% of people nationally have a level 4 qualification or higher. In GM, the figure is 31%. The median weekly wage, nationally, is £402.50. In GM, it is £384.30. There are also over 300,000 families claiming tax credits, of which 230,000 are in work, at a cost of £1.5 billion each year – another symptom of a labour market with significant concentrations of low pay. There is a substantial skills gap that limits the economic potential of GM. The root causes of the city regions skills challenge are numerous, including limited employer investment in skills and participation in shaping provision; skills funding being insensitive to shifting labour demand; weak careers advice and guidance especially for young people; uneven vocational pathways and weak integration of skills and employment policy and funding.

Addressing these challenges lies at the heart of the city region's strategy for growth and reform – of which the development of high class learning facilities plays an important role. A strong skills provider base is key to enabling Greater Manchester to achieve its growth and reform ambitions, better enabling the supply of skilled labour to meet current and future employer demand.

Industry-standard learning facilities have a major role to play in enabling the supply of labour to meet the changing needs of our labour market. They can help to secure greater employer and learner participation, acting as a catalyst for improved curriculum design and delivery, while also contributing to local regeneration.

The Greater Manchester LEP's Skills and Employment Partnership (SEP) has, therefore, developed a Skills Investment Capital Plan for Greater Manchester which provides a strategic response to the skills challenges facing the city by focussing investment on those sectors, geographies and client groups where the best impact and return on investment can be achieved.

In developing this plan the Partnership has focused on not only how pressing estate condition issues will be addressed, but also how proposals align to the specific skills priorities for Greater Manchester. In particular, the plan considers how investment will contribute to meeting employer demand in GM priority high growth and high employment sectors, as well as increasing access to skills and training for NEETs and those furthest from the labour market.

The opportunity to develop a capital plan on a Greater Manchester LEP basis has also provided an excellent route for promoting collaboration and specialisation amongst providers, particularly colleges. The intention ultimately is to support the establishment of skills centres of excellence in Greater Manchester's key growth sectors: addressing current and future skills gaps via quality training provision from best-in-class facilities.

A portfolio of projects amounting to £119m total investment have now been identified for which we are seeking £25.7m match funding in 2015/16 and £22.2m in 2016/17. We have assessed and prioritised these submissions to ensure both immediate impact as well as a pipeline of projects for the future. However, we have built into our programme the capacity for additional investment should circumstances allow it, and would welcome a discussion with Government in the event that further resources are available.

Our proposals are set out in detail in Annex E and provide:

- **a balanced sectoral and geographic spread** across Greater Manchester involving the majority of the FE Colleges, focussed on the Greater Manchester priority sectors and articulating local need in the wider sub regional context both geographically and in terms of identified skills requirements;
- **strong alignment to meet the needs of strategic investments** such as HS2, Airport City, MediaCity and Logistics North Bolton;
- a significant reduction in **the proportion of the FE College estate classed as RICS category 'C' (repair needed) and 'D' (inoperable)** by 43,109 m2, equivalent to around half the existing category 'C' and 'D' estate in GM's FE colleges
- **new town/city centre facilities contributing to the wider regeneration agenda** as well as improving access to learning, particularly for those reliant on public transport;
- a strategic response to the important and growing **STEM agenda** is also addressed through a number of proposals from colleges, private providers and the private sector providing state of the art facilities for advanced manufacturing and engineering;
- a strategic response to the need for **hospitality skills** in North East Manchester
- **strong employer involvement in shaping the provision**. This includes curriculum influence and industry standard equipment as well as increased numbers of Traineeships and Apprenticeships forming a key component of most bids;
- a third of the proposals will be offering **a 'live' learning environment** to facilitate entry to, and up-skilling of the workforce. These will provide up to date facilities to mimic a working situation and provide the bridge into employment or to higher level skills;

- emphasis on **inclusion and progression** agendas by providing pathways for those currently excluded in the labour market or joining it for the first time; and
- a significant **reduction in the proportion of the FE estate that is classed as poor** in Greater Manchester.

BUSINESS SUPPORT

Enhancement and expansion of core Growth Hub functions to provide growth services to businesses
City Deal Wave 1 provides funding for specific Growth Hub services in relation to business start ups, mentoring, access to finance and digital technology; the Hub has now engaged over 10,000 businesses in this regard. However, it does not support initial client engagement, relationship management and generic growth advice which is a core function of the Hub and requires significant expansion if the full potential of the Hub is to be realised. Additional funding of £5.7m is required to enable GM and BIS to achieve their shared ambition to bring local support together within the Growth Hub, further develop the Hub model and new services for roll out across other geographies and simplify the overall offer to clients with enhanced take up of national, as well as local, products.

Funding of £1.9m per year for 2014/15 – 2016/17 will:
- provide 950 companies with a comprehensive package of growth support;
- create or safeguard 1,250 jobs;
- achieve a GVA impact of £50m per annum.

A joint programme with the Technology Strategy Board to provide SMEs in GM with specialist advice and assistance with product and process innovation and to increase the uptake of TSB products in GM from its current 1.7%
Since 2010, GM firms have only benefitted from 1.7% of TSB investment across the UK even though GM accounts for 3.6% of all UK firms. Supporting innovation is a key feature of the GM Strategy and GM's ESIF and this objective should be delivered by better integration of GM business support activity and TSB products. A small dedicated team within the Growth Hub would focus on driving the uptake of TSB products and would work with national teams to develop new programmes that are aligned to local specialisms. A joint delivery plan would be agreed with TSB together with a joint monitoring and evaluation framework.

Funding of £250,000 per year for 2014/15 – 2016/17 will:
- provide 115 companies with in-depth product and process innovation support;
- create or safeguard 80 jobs;
- achieve a GVA impact of £3m per annum;
- increase the annual take-up of TSB funding in GM by 25%;
- develop and deliver 3 locally-focussed Launchpads (each estimated at £1m).

A small team of sector focussed business advisors to deliver tailored business support in sectors which are priorities for GM and align with the national sectors emerging through the National Industrial Strategy
There is a clear strategic need for GM to introduce sector specific development programmes to enhance existing priority sectors (e.g. health and life sciences, financial

and professional services, creative and digital, advanced manufacturing) and emerging growth sectors (e.g. grapheme, low carbon). A small team employed within the Growth Hub, and working to a joint delivery plan and monitoring and evaluation framework agreed with BIS, would enable such focus.

Funding of £250,000 per year for 2014/15 – 2016/17 will deliver:

- a co-designed model to accelerate the implementation of jointly agreed sector priorities;
- leveraging of BIS national funding of local resources and development of models for roll out across wider geographies.

GREATER MANCHESTER AND CHESHIRE LIFE SCIENCE INVESTMENT PROGRAMME

Following AstraZeneca's decision to disinvest in its global R&D site at Alderley Park, a Taskforce was established by Government to oversee the sale of the site, and develop a renewed strategy for life sciences in the North West. This has been underpinned by strong collaboration between Greater Manchester and Cheshire to support this crucial regional priority. In response to the Taskforce's work and recommendations, Greater Manchester and Cheshire LEPs have jointly identified investment in the Life Sciences sector and ecosystem as a key priority to drive economic growth.

The Alderley Park Taskforce emphasised the potential to use the world class assets that exist in Manchester, Cheshire, and the surrounding areas to develop a stronger, more connected cluster and generate additional economic output for the UK. Without this intervention, the decision by AstraZeneca to leave the North West will result in serious and lasting damage to the life sciences activity in the region. It also concluded that Government needed to provide tangible support to ensure that the opportunities that existed were realised.

The UK has one of the most significant and productive life sciences industries in the world, comprising of 4,500 high-tech, innovative and highly diverse companies generating a turnover of £50bn nationwide. This sector is growing faster that the UK economy as a whole and the Government's Office for Life Sciences predicts growth of 36% by 2016.

Greater Manchester and Cheshire already account for 23% of all life sciences employment in the UK and support a high concentration of highly skilled and entrepreneurial scientists. It also benefits from world class academic and R+D institutions including the University of Manchester and Alderley Park, a significant cluster of healthcare related institutions and facilities such as the Christie Hospital, and a strong manufacturing base with several large scale bio-manufacturing plants. With a growing SME base, the region already demonstrates an impressive track-record in life science company expansion and growth, with company numbers growing by 86% over the period 2002 to 2012.

The Government Taskforce led work to analyse how best to maximise the opportunities and benefits of the significant cluster that exists. The Taskforce concluded that there was a real opportunity to build on the existing assets and create a cluster of national significance that would add not just to the local economy but would have impact at national level. Specialist world class facilities at Alderley Park would be at the heart of a wider ecosystem but there needed to be far greater emphasis on harnessing the assets that exist both in terms of institutions, facilities and people, and supporting business growth by start ups, spin outs and business expansion through inward investment attracted by the scale and strength of the cluster.

The successful sale of Alderley Park to MSP to create a biosciences hub is a good starting point and represents a transformational opportunity for the sector. However, without wider changes to support the development of the sector there is a significant risk that AstraZeneca leaving the region will still result in long term economic damage through loss of skills, scale and excellence needed to support a life sciences cluster.

An in-depth independent study produced by SQW for the Taskforce recommended that there needs to be a range of support in place to harness the assets that exist and create a stronger cluster. These include:

- the size and nature of existing assets in the region mean that any growth needs to progress in a coherent, complementary and mutually reinforcing fashion. Therefore, it is essential that an evidenced strategy for the integrated development of the cluster is developed;
- effort and resource should be invested in attracting high profile international companies to the cluster, and in evidencing that the region is ‘open for business’;
- the diversity of the assets in the cluster means that there is a significant opportunity for the sector to come together to add value and support the growth of SMEs by sharing valuable management, leadership, and international experience across the community. In addition to this, the concentration of both highly experienced scientists and graduates in the region offers an opportunity to create a value-adding mechanism in supporting and nurturing start-ups through knowledge transfer and mentoring.

Cheshire and Greater Manchester fully support these conclusions and are aware of the critical part that the life sciences sector can play in the economy of the area. In line with the three key tenets of the Government’s UK Life Science Strategy and the recommendations of the Alderley Park Taskforce, the Greater Manchester and Cheshire and Warrington LEPs are seeking to establish a £40m Greater Manchester and Cheshire Life Science Investment Programme, which will aim to build a UK life science ecosystem; attract, develop and reward talent; and overcome barriers to promote innovation.

We are proposing the following actions:

Creation of a £40m investment fund that will support growth of life science businesses and will fill existing gaps in provision:

- Establish a working group, comprising of sector experts both regionally and nationally, to develop a detailed business plan for approval by both the Taskforce and Government to develop the full business case for the Investment Fund before any funding is drawn down. This would include detailed analysis of gaps in provision for particular stages of business development and growth, the economic case for intervention, criteria, scale of investment, governance, and fund management. This will grow on the region’s established experience in managing and delivering investment funds through activities such as the Growth Hub and Evergreen Fund;

- An early action of the group will be to investigate the mechanisms of similar funds in the Golden Triangle and Wales, and we will draw on the experience of other funds such as these as the business model develops;
- Work with partners across the sub-region to identify a clear pipeline of investment-ready companies, beyond the 7 already identified.

Strengthening the existing ecosystem in the sub-region through networking and mentoring:
- Establish a mentoring programme to link the high concentration of “home grown” highly skilled scientists (particularly from the AZ alumni community) to graduates, SMEs and start-ups to encourage business development and growth;
- Work with the University of Manchester to develop dialogue between SMEs and leading academics, in line with the findings of the Witty Review.

Align existing resources for business support with the requirements of the sector:
- Work with existing business support provision and industry specialists to ensure that existing provision is relevant and accessible to the sector;
- Deliver a sector specific acceleration programme to work with business at early stages of developing business plans to strengthen their position and catalyse business development and growth.

In the absence of support from the Local Growth Fund the proposed quantum of private sector investment leverage for the £40m programme would fail to be realised. A recent BIS report identified a significant decline in the availability of both debt and equity funding for SMEs since 2007, with no visible signs of recovery, and a number of structural market failures are identified as restricting the ability of SMEs to access finance**.** A recent NESTA report identifies that venture capital activity has now seen an overall 40% reduction over the past two years, with a shift in funding towards larger deals and more established companies.

In addition to the decline in traditional funding sources, the investment into early stage life science companies is heavily biased towards the South East of England, with 73% of investment going to the 43% of companies in that region. As a result of this market failure, good quality business opportunities are underfunded or fail to attract any funding at all. A targeted investment fund across Greater Manchester and Cheshire will seek to address this inequality, and enable the region to capitalise on the high level of potential start-ups and latent SME growth. Without LGF investment, the investment fund will not materialise to the extent possible, and the market opportunity for start-ups and SMEs will be missed. This is of paramount importance as AstraZeneca staff begin to take redundancy in advance of the firm’s disinvestment at Alderley Park. This will result in a high concentration of highly skilled and entrepreneurial scientists looking to develop new business ventures in the area. Should the actions identified not be effectively in place to meet demand, this significant opportunity will be missed, to the detriment of the UK life science ecosystem as a whole.

The nature of the global life science sector in the face of significant economic pressures is changing the way that the industry functions away from the traditional ‘big pharma’ model. As open innovation is increasingly adopted, there are competitive pressures for companies to be able to develop strategic partnerships involving research, business, and clinical practice.

So as to avoid simple displacement from other regions, the investment criteria of the fund will require that any re-location is essential for a business's growth. The Fund will, therefore, not apply to every business.

By strengthening the GM and Cheshire Life Science ecosystem through improved linkages between these elements, and provision of £40m of specialist funding, it is inevitable that companies will be attracted to locate within this ecosystem where they can be encouraged to grow and flourish. A strengthened cluster existing in partnership with established clusters in the Golden Triangle and central Scotland belt, will widen the benefits of agglomeration across the UK, and will strengthen the national sector's position globally as a developed and flourishing location for investment and growth.

ADVANCED MANUFACTURING

Graphene is a game-changing UoM discovery. Its properties make it one of the most important breakthroughs in recent times. Early applications are already on the market. Amongst numerous applications, graphene has the potential to rejuvenate the whole electronics industry as silicon approaches the limits of its performance. It also has diverse biomedical applications. In the short-term, graphene's mechanical strength and ease of chemical modification offer new composite materials for light-weight transport, better batteries and energy storage, bendable gadgets, coatings, conducting ink, and ultra-high frequency electronics. Between these extremes exist hundreds of potential applications that are being developed.

UoM has the largest knowledge base in graphene, and its derivatives, globally and the most productive centre for graphene research (Nobel Prize 2010) and applications. UoM also holds a wide range of strategically placed patents and is engaged in partnership with many companies. To date UoM has attracted over £100m of research/industrial grants in the area of graphene, graphene derivatives and 2D materials, and hosts the National Graphene Institute. The university has started to attract inward investment with the first Chinese backed company (Bluestone) setting up its European production and marketing headquarters in Manchester.

We very much welcome the Government commitment in the 2014 Budget to support the establishment of a Graphene Innovation Centre as part of the UK's catapult network, providing SMEs with access to cutting-edge equipment for research and development of novel graphene products.

The **Graphene Engineering Innovation Centre (GEIC)** is a 'centre-piece' £60m capital investment which will fill a critical gap in the ecosystem for graphene development and application in the UK. The GEIC will complement the UK National Graphene Institute which will come on-line in the first quarter 2015. It will be placed at the core of the globally leading knowledge base at The University of Manchester (UoM), providing the required infrastructure to accelerate future graphene applications to market and will strengthen the UK's international leadership position in graphene research and development, allowing collaborative UoM and industry programmes of application.

The GEIC will contain substantial pilot production facilities and will be the world's leading test-bed for graphene process engineering and scale-up. It will be the place where we will develop graphene applications, attract major business interest, develop IP from basic science projects and link with international programmes for research project support such as the €1 billion Graphene Flagship which will fund discovery research and therefore build further the platform for the GEIC.

The research and development within the GEIC will focus on all applications and manufacture of graphene, its derivatives and other 2-D materials within the Technology Readiness Levels (TRL) 4-6. It will specifically concentrate on industrial process and scale-up across numerous sectors leading to commercial opportunities. Through UoM's industrial strategy, projects will be generated by market 'pull' which will become more significant as graphene applications are taken to market, as well as technology 'push' from fundamental work being carried out in the UoM and National Graphene Institute. The GEIC will also attract additional academic partners around the world allowing fundamental research from the global science base to translate through the GEIC to market effectively, efficiently and safely.

The GEIC will accommodate leading academics, from a range of engineering and science disciplines, working closely with industrial partners. It will extend the activities of UoM's National Graphene Institute, which is likely to be at full capacity when it comes on-line in 2015. It will also attract further investment into Manchester from spin-out companies, licensing and relocating of industrial activities and will allow training of academic and technical staff together with PhD students.

The total capital cost (building and initial equipment) of the GEIC is £60m. £40m has been secured from private sources provided that the other £20m is funded. UoM will provide the land, own and run the facility, and provide the basic running costs (e.g. facilities, but excluding costs of research projects) which are estimated at £2m per year. Based on the current track record of UoM it is expected that over £9m per year of research and development work will be attracted, which will be carried out within the GEIC (by 2018). A start on site is anticipated in March 2015 with completion due in March 2017 and the building fully functional in July 2017. A minimum of £10m will be spent on equipment.

COLLABORATION WITH OTHER LEP AREAS

The economic geography of Greater Manchester means that collaboration amongst districts is essential to achieving our strategic ambitions. However, we also recognise the importance of Greater Manchester as an economic driver for the North West region and as a gateway for the North of England.

We are working with partners in Merseyside, Lancashire, Cheshire, Cumbria, Yorkshire, the Core Cities and beyond and with universities, businesses, the airport and other public agencies on a number of strategic initiatives that will bring benefits to the wider region and to the UK as a whole. Examples include:

SCIENCE
As one of the region's strongest suits globally, the North West LEPs are collaborating on a range of initiatives, informed by an analysis of our science assets and complementary research and delivery strengths. Our proposal to establish a joint Life Sciences Fund with Cheshire East is a prime example of this collaborative approach and has been developed in response to the anticipated Alderley Park Task Force recommendation that Government supports a fund of this type. We have also worked collaboratively on life sciences via Atlantic Gateway and worked very closely with the North West Business Leadership Team on North West Science and Technology and Innovation Report that will be launched in early 2014. This report describes the critical mass of science and technology activity in the North West, with Manchester at its heart as well as the potential exploitation of these assets to drive economic growth at scale. This cooperation extends to sites, including Sci Tech Daresbury, where members of the GM LEP are engaged in co-governance of the facility to ensure it receives the required levels of investment and benefits are maximised for the region. As the place where the discovery of Graphene took place and as leader in research fields such as aerospace and nuclear, Manchester is an important driver of this sector for the whole region.

EAST-WEST CORRIDOR
Greater Manchester is working closely with colleagues in Cheshire & Warrington, Merseyside, West and South Yorkshire and Humberside to examine the areas in which our economies are inter-related and therefore the added value of joint work and a long term planning approach from LEPs, local government and national government to drive jobs, growth and inward investment. This work is being progressed along an East-West corridor, including the Atlantic Gateway area and within the broader context of the HS2 strategy. We are clear that opportunities exist for joint projects to exploit the economic potential, particularly building on assets in relation to:

- Life Sciences/Big Science (e.g. Liverpool Science Park, Sci Tech Daresbury, Alderley Park, Corridor Manchester)
- Logistics/Freight (e.g. Liverpool 2, Port Warrington, Port Salford)
- Wider infrastructure (e.g. HS2, Northern Hub, Manchester Airport)
- Digital and Creative (e.g. Media City)

The Growth Deal process will be used to pursue such joint initiatives as appropriate. Rail franchising has been identified as an immediate priority. Collaboration amongst the 33 ITAs across the North of England has led to the development of proposals for assuming oversight of the Transpennine and Northern Rail franchises through an SPV – Rail North. This will allow for greater local control and decision-making, including about investment priorities. There is significant potential to increase economic benefits and capitalise fully on infrastructure investments such as Northern Hub.

GROWTH AND REFORM

Manchester has worked with the Core Cities for many years to make the case for the role of cities in delivering national economic growth. This includes international evidence for the relationship between the ability of cities to drive growth, the levels of local financial control and the freedom to make policies that match the needs of places. The Core Cities Growth Prospectus published in November 2013 sets out a series of proposals that together would enable the Core Cities to drive the national economy and become financially self-sustaining. We are now developing evidence based propositions which will underpin the delivery of our ambitions as they relate to creating jobs and growth and the reform of public services.

GOVERNANCE AND ACCOUNTABILITY

Greater Manchester has an unparalleled history of collaboration. Whilst it developed from the AGMA model of voluntary collaboration between its constituent local authorities over a 20 year period, the GMCA is a statutory body with its functions, powers and responsibilities set out in legislation. These functions include all the transport functions previously undertaken and overseen by the former GM Integrated Transport Authority, plus a series of economic development and regeneration functions.

The GMCA provides for stable, effective and efficient governance and an unparalleled platform for Government to devolve powers to as part of the Growth Deal process.

As an Authority, the GMCA comprises the Leaders or the Elected Mayor of each of the ten constituent councils in Greater Manchester (or their substitutes). The establishment of Leader Portfolios in 2012 has ensured ownership of our strategic priorities and clear accountability for delivery, with Leaders working collectively to drive the development of our strategic approach and the delivery of the ambitions set out in this Plan.

Our Local Enterprise Partnership sits at the heart of Greater Manchester's governance arrangements, ensuring that business leaders are empowered to set the strategic course, determine local economic priorities and drive growth and job creation within the city region. The LEP is supported by our Business Leadership Council, a bespoke Greater Manchester arrangement which brings together further skilled and experienced private sector leaders to explore key strategic issues in depth, offering insight, guidance and constructive challenge as we take forward our strategic ambitions. Both the LEP and the BLC have been fully involved in the development of our public service programme, as well as our growth agenda, with both overseeing the development of the proposals that came out of the community budget pilot into a programme of public service reform.

To support the work of the GMCA and the LEP and to help deliver the Greater Manchester Strategy, a number of strategic commissions or boards have been established to act as a focus for collaborative working on key, conurbation-wide policy agendas. These include the Planning and Housing Commission, the GM Health and Wellbeing Board, the Police and Crime Panel and the Low Carbon Hub. Each commission or board is formed from a mix of elected members and representatives from the private sector, other public sector agencies and the third sector.

Our GM Investment Board is crucial to our integrated approach to investment. Reporting to the GMCA and GM LEP, the GM Investment Board provides strategic leadership in the development, delivery and monitoring of the Greater Manchester Investment Strategy and oversight over GM investment funding streams.

Below the formal structure of the GMCA and under-pinning the wider array of Greater Manchester organisations, a Wider Leadership Team of senior officers has been established which meets twice monthly. This consists of the Chief Executives from the ten district authorities plus similar level representation from GM Police, GM Fire and Rescue Service, TfGM, New Economy and from other bodies as appropriate. It acts as a senior officer team for both the GMCA and the AGMA Executive Board, ensuring that conurbation-wide business is well managed and effectively co-ordinated with all other activity with a Greater Manchester ambit. This level of officer involvement has proved to be important in providing leadership on key priorities and in helping to ensure that decisions are efficiently and effectively followed up with delivery.

Delivery of our growth agenda is driven by the “Manchester Family” of organisations, including Manchester Solutions, Marketing Manchester, MIDAS and New Economy. The management and operation of these organisations has recently been integrated to form a new Group, ensuring greater alignment of the Group’s functions with political leadership and driving cross-Group integration, growth of the business and efficiencies. The Manchester Family business plan has been aligned to the priorities set out in the Greater Manchester Strategy.

Whilst the reform agenda will be implemented primarily at district level, from neighbourhood up, GM will need to support districts in the delivery of reform at scale and with greater consistency if our case for greater freedoms and flexibilities is to have the credibility of evidence. We are therefore working to establish a Public Services Reform Centre of Excellence to support districts and partners to co-design, develop and implement new delivery models. The CoE will provide capacity and expertise to support the development of investable propositions and new investment models and to support enabling workstreams that will benefit all districts and their partners, such as research and evaluation (including cost benefit analysis), workforce development and intelligence systems.

One of the keys to the success of GM arrangements is that they have evolved from the 'bottom' up, ensuring ownership and commitment from all constituent members and that they continue to meet the requirements of the GM agenda as it develops. Our arrangements will continue to evolve to ensure that they are fit for purpose in the light of the freedoms and flexibilities that we are seeking as part of the growth deal. The GMCA has recently embarked on a review of GM governance to ensure that the current arrangements that have now been in place for three years are effective, efficient and accountable, and to ensure that we are well placed to deliver the ambitious priorities set out in the Greater Manchester Strategy and our Growth and Reform Plan.