

# Manchester City Council's Budget Consultation:

## A response from Steady State Manchester

The council's strategic overview paper starkly sets out the extent and implications of the savage cuts imposed by central government. This creates a very difficult task for the council, one in which whatever course of action is taken, there will be deplorable consequences for Manchester people. In what follows we focus on what we consider significant shortcomings in the strategies being proposed to deal with this crisis. This is not meant to be destructive, negative criticism but a contribution to developing an adequate strategy for an economically, socially and ecologically resilient city and local authority.

We do not disagree with the overall analysis of the unfairness of the government's cuts, nor with the argument that given present trends and without a significant change in approach, *"...by 2018/19, the Council will only be able to fund Children and Adult's Social Care, environment costs including waste, the transport levy and capital costs."*

However, it is from this point that we diverge. The council stakes its hopes on two factors,

- 1) **Economic growth**, facilitated by the council and its partners, will restore prosperity to the city, and improve the council's financial position.
- 2) **Public service reform**, and especially, the reduction in dependency of Manchester's population will reduce the demand for council services and also contribute to growth.

We will refer to these as **"The two wagers"**: **"Growth to the Rescue"** and **"Dependency Reduction"**.

### **Growth to the Rescue?**

Unfortunately, there are several problems with placing our bets on "Growth to the Rescue". We cover much of this in detail in

our recent report *In Place of Growth: Practical Steps to a Manchester Where People Thrive Without Harming the Planet*<sup>1</sup>.

1) **Any economy has to fit within the ecological limits imposed by the Earth and its planetary systems.** Already the safe limits for Greenhouse Gas Emissions (climate change), Biodiversity, and Nitrogen emissions have been crossed. To date no way has been found to make an economy so efficient in its resource use that there is no net growth in emissions as the economy itself grows.

2) **Growth does not necessarily bring prosperity.** Indeed the record to date is one of increasing inequality in incomes and increasing levels of structural unemployment consequent on the accelerated investment cycle. Put simply, the benefits of growth do not trickle down to all areas, and the disadvantaged areas of Manchester are particularly likely to experience the *dis-economics of growth*. This is particularly likely with a growth strategy that relies on flagship property development projects with little basis in the day to day economy that the city relies on.

3) **Growth does not bring increases in well-being,** at least once a certain level has been reached, one that was attained in the UK some 30-40 years ago.

4) **The prospects for a return to growth are not good.** Irrespective of the pro-cyclical impact of the present government's disastrous austerity programme, there are deeper reasons for the persistence of this depression and they have to do with the exhaustion of primary resources, of new markets and of new territories for the rapacious extraction of profit, which have been the real motor of growth for decades. So growth as a goal is beset with problems. Yet even if these serious problems could be dealt with, it is unclear just what the argument is linking increased economic growth with the council's finances. There may be an argument, but the council's papers do not rehearse it. There is no clear account of how growth will translate into either social and economic

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1 <http://steadystatemanchester.net/our-reports/>

gains locally, nor how it will bail out the council's budget. What is the hypothesised causal chain here? Maybe we can try to reconstruct it.

1) Perhaps increased growth will mean more liquidity in the local economy and that will translate into receipts to the council in the form of local taxes (rates, charges etc). But what are the calculations here? How much more revenue will be obtained?. If we assume that all of an unlikely 3% growth were to translate to a 3% increase in council receipts..... it doesn't look like nearly enough to offset either the increase in demand (ageing population, increased number of children due to the city's re-population...) or the scale of the present cuts, not to mention the likelihood of continuing cut-and-come-again "efficiency savings" under an unlikely return to previous fiscal business as usual.

2) Perhaps increased growth will mean a reduction in council expenditure. While there might be some benefits in terms of reduced family breakdown, homelessness, crime, and so on (as economic stress reduces), we'd want to see what modelling has been done of this in order to understand better the support for the wager of *Growth to the Rescue*. As it stands it looks a bit like wishful thinking.

### **Dependency Reduction**

Dependency reduction has been a mantra of social policy for a number of years. Over-dependency can be a problem, and one that is good neither for citizen nor State. But we need to be very careful to avoid imprecise and ideological thinking here.

There are two ideas at work in the hypothesis that dependency reduction can be achieved and lead to a reduction in local government commitments.

1) *Turn people into workers*. Manchester has high levels of unemployment. Manchester people are disadvantaged in terms of the international labour market. Therefore increase their skills, they get more jobs, more money flows into the city, the council has to spend less on the consequences of unemployment and social deprivation. But the limits of this

strategy need mapping. Everywhere else is, as it were, getting their population to stand on chairs so they too can be seen more readily by employers. What special trick has Manchester got to overcome this? More fundamentally, without changing the fundamental supply of jobs, this demand based strategy is flawed (and as we have seen, blanket economic growth is not the answer). It is also linked to a globalisation whose time is pretty much up and the idea that our future is one of aggressive competition in a global economy, rather than rebuilding a resilient locally focussed one.

There is a more sinister dimension to this ideology, that of taking away the benefits relied on by sick people and their families to maintain a reasonable standard of living. We don't think that is Manchester's game; instead it comes from successive central governments, but there is a real danger of collusion at that unclear boundary between real ongoing dependence and unnecessary dependence that is the unintended consequences of previous socially unjust policy.

2) *Make people more independent so they need a lower level of council-funded services.* This approach has already produced some savings, for example by the widescale implementation of "re-ablement" for older people (although the net impact is a little unclear given the need to discount the additional costs of 'up-stream interventions': on this basis the savings could be rather modest<sup>2</sup>). But as noted in the council's papers, the level of demand continues to increase in terms of numbers, and probably in terms of complexity and depth of need. Given this, the following statement looks rather optimistic, "*As reform reduces deprivation and dependency related demand, start to make safe and carefully planned reductions in spending on safeguarding.*"

Similar caution should be applied to the equivalent wager in the case of children and troubled families. Some improvements in effectiveness and efficiency of services should be anticipated but there is a danger of over-estimating their impact on council expenditure. Without the inclusion of an

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2 <http://www.york.ac.uk/inst/spru/pubs/rworks/2011-01Jan.pdf>

evidence-based scenario-modelling methodology in the reports it is rather hard to escape the conclusion that here too the council risks being seduced by wishful thinking.

## **Alternatives**

We do not disagree that the council needs to find other sources of income and to find ways to reduce pressure on its budgets. We disagree about how to do this.

We do not have the kind of resources the council might have been expected to count on to produce a strategically sound strategy in a short time, so all we can do here is suggest some lines for further exploration.

1) **Strengthen the city's day to day economy.** Elsewhere this has been called the Foundational Economy<sup>3</sup>. This is the economy of house building, refurbishment and retrofit (where the council is already done some good things), of food supply (look at the supply chains and get more of them into local economy, creating jobs, reducing emissions and increasing resilience), of transport (rather than an airport and HS2 that will haemorrhage resources from the city and region to London and elsewhere, focus on improving our local transport infrastructure), of energy (encourage community owned renewable energy, micro-grids, and do this on a bio-regional basis), of health, caring and education. Add to SSM's ideas about building the replacement, re-localised, economy as a guide, putting more substance on our skeleton. Rather than the mantra of overall economic growth, think in terms of selective development of those areas that yield most local and durable prosperity, maximising ecological safety.

2) **Develop a medium term strategy of community building** to increase interdependency, mutual aid, and solidarity among us all – what New Economics Foundation calls the 'core economy'. Maximising this will not give a quick result in terms of reducing costly social care provision but over time it really does have the prospect of reducing dependency. In any case we are going to need that solidarity as the world

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3 <http://www.lwbooks.co.uk/journals/soundings/pdfs/s52froudetal.pdf>

becomes a much scarier place when the climate crisis hits.

3) **Prepare a short term contingency plan that identifies other sources of funding and savings, "thinking outside the box"**. Neither of our previous proposals is going to help with the next two years' funding crisis, (any more than the council's two wagers will). So there needs to be radical and creative thinking now. Here are some suggestions to give an idea of the kind of thinking that is now necessary.

- **Use the proceeds from the sale of a 35% stake in Mcr Airport Group** not so MAG can buy another airport, but a) for the temporary and emergency funding of core services, and b) to establish a Green Investment Fund, that would also be a safe place for citizens' savings, as proposed in *In Place of Growth*.
- **Cut top salaries.** Can Manchester justify a ratio of SIXTEEN TIMES between the top and bottom MCC salary (not to mention the poverty wages in outsourced provision)? This is an equitable way share some of the pain. A sliding scale starting where salary attracts the 40% income tax rate would be one way to do it. Maybe start by making it voluntary and publish the names of those public spirited officials who've signed up.
- **Re-assess council tax bands** – This hasn't been done for years and would surely produce an increase in income from the higher bands – especially given that many houses have been improved over the years.
- **What about the reserves?** There was almost no mention of them in the budget papers. Reserves could be applied both to emergency funding and for re-investment in selected aspects of the basic economy that need stimulating and will deliver a return for the council (while adhering to the rules for probity and due diligence).

**Finally, the council needs to consider how long it can go on implementing the coalition's cuts.** When is our council going to stand up, along with others, for example by setting deficit budgets. What is Manchester's line in the sand, or will

we continue to suffer the death by a thousand cuts? There is no need to repeat the Liverpool fiasco of the 1980s if enough councils stand together. They can't send in the commissioners everywhere. Or maybe there are other creative forms of collective direct action that could be taken against the unelected austerity regime in Westminster. Surely that's councillors' democratic responsibility?

We'll say it again. We don't envy the council the decisions it has to make. But we do want to see a more grounded approach to this, not one that seems to combine wishful thinking with collusion with the unacceptable and undemocratic. Where decisions are to be made we want to see the option appraisals, and we want the council to use a broader basis for them with explicit modelling of social, economic and ecological consequences. Let the people help.