Liverpool City Region has achieved a lot and there is a lot to build upon. With the right leadership, capacity and ambition, it could achieve even more in future.
**Foreword**

We were delighted on behalf of our two universities to support this report on 'The State of Liverpool City Region: Making the Most of Devolution'.

We believe that devolution to Liverpool City Region is a crucial development at a very important time in this country as we attempt to rebalance our economy by developing and harnessing the powers of our great cities.

Our universities are anchor institutions which already make a major contribution to the Liverpool City Region economy and our own fates are intimately connected with that of the city region. We are determined to help make it even more successful in future.

We hope that this report's honest and robust analysis and recommendations will stimulate reflection, but more importantly, action on the many challenges and opportunities Liverpool City Region faces.

We agree with its authors that the city region has achieved a great deal in the recent past – and that with the right leadership, capacity and ambition it could achieve even more in future.

We would like to thank the many individuals and institutions in the city region and beyond who collaborated with this project. We hope that we and our universities can continue to work together with them in future to continue Liverpool City Region’s progress.

This is the beginning not the end of an important journey for Liverpool City Region. We look forward to taking part in it with optimism and confidence.

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Acknowledgements

This report about Liverpool City Region and devolution was not easy to write. It was a moving target, timing was tight and the issues involved are sensitive and can divide opinion. But we have tried to be honest, fair and constructive.

We could not have produced the report without the help and support of many colleagues. We wish to thank our Vice-Chancellors, Professors Janet Beer and Nigel Weatherill, for their intellectual and practical support throughout. We believe their leadership and commitment to working in partnership on city regional matters sets an important example for future behaviour across Liverpool City Region.

We are grateful to the members of the Project Advisory Group – David Brown, former Chief Executive of Merseytravel, Ged Fitzgerald, Chief Executive of Liverpool City Council, Mike Palin, Chief Executive of St. Helens Borough Council and David Parr, Chief Executive of Halton Borough Council. They supported and challenged us but did not attempt to influence unduly our judgements and recommendations.

We are especially grateful to the many colleagues inside and outside the city region who so generously gave their time and wisdom to us in many interviews and meetings. Literally there would be no report if they had not been willing to share their reflections openly with us. We identify these colleagues in the Appendix. We hope we have accurately reflected their views of where the city region now stands, where it needs to go next and how it needs to get there.

Nicola Christie from LCR LEP was enormously helpful in providing us with quantitative material and guiding us through that treacherous terrain. Lisa Smith and Martin Thompson at Liverpool City Council also did sterling work on that front. Jenny Oswell, Janis Morgan and Kirsty Smith from the University of Liverpool did a superb job of designing the report.

We are acutely conscious that this is the beginning not the end of the story. Many more city regional issues will need to be addressed systematically in future than we have done in this initial report. This is an architecture for improvement not a blueprint for future success. But we hope we have started an important discussion which will be continued. Of course all errors of omission or commission are ours alone.

Michael Parkinson, Richard Evans, Richard Meegan, Jay Karecha
“Liverpool City Region needs to be ambitious and compare its performance to the very best places in the UK, Europe and beyond”

What and who is this report for?

This report was conducted jointly on behalf of the Vice-Chancellors of Liverpool John Moores University and the University of Liverpool. It is the universities’ independent contribution to the debate about the future of Liverpool City Region (LCR) at a crucial moment in its development. This report should be seen as the beginning not the end of an important, continuing conversation. It assesses where the city region now stands, where it should go next, how it should get there and how devolution might help. It draws on a wide range of evidence from many people and sources in the UK and beyond. It tries to be honest but constructive. Some of its messages are hard hitting. But we believe Liverpool City Region is grown-up enough to recognise its challenges and decide to do something to tackle them. It is addressed to all the leaders in the city region – public, private and voluntary – not just to the six local authorities or their elected leaders. There is cause for optimism – if realism. Liverpool City Region has achieved a lot and there is a lot to build upon. With the right leadership, capacity and ambition it could achieve more in future.

Where are we now?

Liverpool City Region is at a crucial moment

This is an important time for Liverpool City Region as it acquires new powers, responsibilities and resources from national government through devolution. It has been through a long and quite difficult process of change but arguably has emerged in better shape economically, socially, physically and politically than for a very long time. During the last decade Liverpool City Region has become a good news story – one of genuine progress from difficult beginnings and of increased ambition and achievements. It made some improvements on the key drivers of performance – skills, diversity, connectivity, innovation and place quality and had some real success in the boom years. It achieved a substantial amount of physical regeneration especially around Liverpool city centre. The baseline is higher and the trend is positive. But the challenges should not be underestimated. Liverpool’s rise was from a low baseline and other places have also improved. And the recession has had an impact. The city region is not where it wants and needs to be yet. It must not be complacent about its recent achievements. Liverpool City Region needs to be ambitious and compare its performance with the very best places in the UK, Europe and beyond. The gap between them and us is still big and could get bigger. The city region leaders will need to set their standards high if they are to succeed.

Headline performance

The headlines on LCR’s performance are the following. There is a wealth gap. The city region’s GVA per capita is around three quarters of the national figure and the second lowest figure of 11 second-tier city regions. There is a jobs gap – with low employment and high unemployment levels, especially for young people. There are a relatively low number of jobs in relation to its working age population – a ‘low jobs density’. There are high levels of long-term sickness. The city region has significant higher than national proportions of workless households. It is relatively low on higher level skills and has a high share of workers with no qualifications.

There is a productivity gap. Despite the recent growth in output, the level of economic inactivity contributes to a significant productivity gap in comparison with the national and other second-tier city regions in relation to population. The gap narrows, but is still significant, in relation to the workforce. Its industrial structure is still weighted towards public sector employment and is only moderate on scientific-technical sectors. But it does have some potentially strong niches in the latter. And the public sector has contracted and the private sector grown in recent years. Its business birth and death rate is below the national average and it has a relatively low survival rate of businesses in recent years, although the latest figures show some relative improvement. There is an income gap with relatively low household incomes, partly reflecting economic inactivity and greater dependence on benefits and state pensions as a source of income. There is a poverty gap – the city region still contains some of the country’s most economically and socially disadvantaged neighbourhoods.

What is to be done?

Liverpool City Region leaders will need to help create, attract and retain better jobs; raise skill levels and retain skilled people; increase connectivity; encourage more innovation; improve place quality and in particular address the problems faced by people and places excluded from the economic success it has had. However the position is difficult but not impossible. Liverpool is not uniquely challenged by these issues. Other UK core city regions have similar problems and challenges. There is no cause for unrealistic optimism – but nor for undue pessimism.

Devolution could help – despite cuts

Devolution is a tool not a strategic ambition. But if well planned and delivered it could help the city region to make progress. Although there is continuing austerity and cuts in national money, government is offering city regions an opportunity to take some control of their own destinies and free themselves from the alleged yoke of national control. From 2017 Liverpool City Region’s Combined Authority and an elected City Region Mayor will receive powers and responsibilities which have real potential to affect our future economic performance. They include skills, employment, housing and planning, transport, innovation, business growth and support, energy and environment, culture and European funding. It will get new fiscal powers and extra resources long term. But getting ready to deliver devolution successfully is crucial. So is the next 18 months. It will require sustained collective leadership and significantly increased capacity.
What is the mood music in LCR? Realism but genuine optimism!

The prospects of successful delivery of devolution will depend upon the capacity, willingness and commitment of the key partners involved. There is a remarkable degree of consensus on the big issues: how much Liverpool City Region has improved in the past 15 years, what its outstanding challenges are, who needs to do what better or differently in future. There is considerable optimism within the city region about its future, despite wider national and global economic uncertainty. The views of scene players from outside the city region are actually more positive than some within.

Strategic capacity and leadership – do we have enough?

City regional commitment and confidence is much higher. But on our key tests – awareness of achievements and challenges, strategies and business plans to exploit assets, capacity to deliver and commit to the city region – we have much more to do. There is great realism amongst key players about how far we have come and still have to go. In both cases it is a long way. Second, although many believe we know what our key assets are, there is less belief that we have clear investment strategies and business plans to deliver them. Third, there is a real worry whether we have enough capacity to deliver a city regional agenda in future. Finally, although the vast majority of partners believe the city region matters and support the principle, they also believe that not enough partners and places have demonstrated enough commitment. There are substantial concerns about for example, levels of trust, commitment, collaboration, coherence, capacity and delivery across the city region. However, the devolution opportunity has focussed attention on these weaknesses. There is a growing realisation of our current limitations and a willingness to change things. Again the prospects are challenging but not intractable.

What can we learn from Greater Manchester?

Manchester is the market leader in achieving devolution. Liverpool City Region is a different place, but many of the key principles of Manchester’s success are relevant to it. These principles include the need for stability of leadership, building trust between local authorities, making the city region central not peripheral, agreeing upon the importance of the core city as the city regional centre, involving the private sector at the heart of decision-making, planning long term, maximising economic assets, winning friends in government, developing a firm evidence base and investing in city regional capacity.

Despite government cuts, devolution matters: reformed public services, more opportunities, greater productivity

Devolution to the city region is not the deck chairs on the Titanic. It could shape the way in which our public services will be delivered in future – at what quality and price. It is an opportunity through public sector reform to improve the quality of services at city regional level, meeting the needs of firms and families better than we currently do. Despite the substantial cuts in national government resources to the city region and the economic, social and institutional pressures they bring, devolution remains a prize worth having.

Strengthening partnership – this affects everyone

The city region and devolution are not about local authorities. The messages apply to the leaders of all the sectors in the city region – the private sector, the universities, colleges and schools, the hospitals, the trades unions, the professional associations and the voluntary sector – not simply to the elected leaders or officials. Our economic fates are intimately connected. We are connected by strategic interests. We need to work together more. The city region will not be successful unless it is a collective effort.

Generate more leadership

The city region must generate increased leadership to define, drive and deliver a more successful economic future. But leadership does not reside in or come from a single individual or organisation. It can come in many forms. Even with an elected city region Mayor, Liverpool will need all its leaders to stand up and be counted if the new agenda is to work.

Create greater trust and honesty

Attitudes and values will be as important to future success as institutions and tools. Trust, honesty, cooperation are crucial to successful city region working. There will need to be greater trust between all partners – the local authorities and their leaders, the public and private sectors, the city region and government. Such trust is growing in Liverpool City Region. But we need more of it.

Where are we going next?

Key messages for the leaders of Liverpool City Region

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Commit more to the principle of a Liverpool City Region

More hands and minds will have to be won and it is the obligation of the city region leaders to do this. There are still too many territorial and personal tensions. The city regional leaders need to make a greater effort to increase understanding of and support for the principle. At present it seems too much like a narrow concern of six local authority leaders rather than something which could improve the economic prospects of people who live and work in the region.

Reduce institutional complexity, increase clarity with a single, simpler economic narrative about ‘Boats, Beatles, Brains, Barrage’

LCR needs fewer competing organisations and fewer initiatives. It needs a compelling, shared narrative about its long term future which goes beyond particular projects, processes or people. It needs robust investment and business strategies which will link its existing economic assets – ‘Boats, Beatles, Brains and Barrage’ – to a long term development strategy based on clear market analysis.

Improve communication – win more friends and influence more people at home and abroad

LCR leaders need to have a more assertive strategy for cultivating the interest and support of the potential investor class from outside the city region. We need a clear, simple offer of achievements and opportunities which is promoted more coherently and consistently.

Collaboration – work better with a more coherent private sector

LCR will need to go more with the grain of the market and depend less upon declining public resources in future. It must develop more robust working relationships between the public and private sectors. But the private sector must also generate a more coherent, powerful voice which promotes a clearer economic narrative about the future.

Accountability – make clear who does what between local authorities, Combined Authority, LEP

The city region needs to establish clearer about the relationship of the local authorities, the Combined Authority, the LEP and the private sector more generally. At the moment there is too much public uncertainty about who does what and who is responsible for what. The LEP will need to be clearer about its future role, leadership, capacity and priorities.

Connect with and contribute more to the North and national growth agendas

LCR needs a clearer view of its contribution to the Northern Powerhouse, the UK PLC and internationally in Europe and beyond. Liverpool should spell out more systematically what it brings to the table, how it complements other parts of the north and the UK, how it will help improve national productivity and what its infrastructure and investment needs will be in the next decade.

Challenge existing strategies and create credible business plans

The city region needs to adopt a more robust system for examining and challenging its economic development strategies and develop a pipeline of projects which will come on stream in the coming decade. At present, city regional wide decision-making systems, with the notable exception of transport, are not robust enough to do this. There are too many strategies which are not sufficiently detailed or exposed to challenge. Too many are pitched at the lowest common denominator so as not to offend different parts of the city region. There needs to be greater realism and honesty about the long term prospects of places and sectors.

Look further forward and outward

The city region needs to look further forward and outward. It should do fewer ad hoc reactive things and do more forward looking strategic analysis. Also the economic debate is too internalised and needs to be more externalised. The city region, should build on its International Festivals for Business and be much more systematic, consistent and long term in its international strategy.

Create an organisation to generate better intelligence, analysis, arguments

LCR needs to have better, market-facing and future-oriented intelligence about trends and opportunities nationally and internationally. It needs to do more in-depth analyses of the challenges that LCR will face in the next decade and think innovatively about the opportunities in, for example, the fields of health, food security, energy security, wellbeing, work, leisure and employment.

Delivery, delivery, delivery

The city region needs much greater dedicated executive capacity to deliver programmes and projects at a city regional scale, given the range of responsibilities and tasks involved in devolution. At the moment there is simply not enough experienced professional capacity within the LEP, the six local authorities or the Combined Authority. This must be addressed immediately. There is no point having powers, plans and priorities if we do not have enough of the right people to deliver them.

Create an LCR Task Force of our best and brightest

We should create a LCR Task Force incorporating people with the experience, skills and enthusiasm to focus on the key issues facing the city region in the coming months, working alongside those already in the Combined Authority and local authorities. In the private firms, universities, the hospitals and the voluntary sector there is a wide range of talent who might value contributing to the development of a city regional agenda. In particular, it must involve young people who we need to be committed to Liverpool City Region because they believe they will have good life chances here.
Carpe diem – or just do it!

This report has shown that Liverpool City Region faces many significant economic and social challenges and it still compares unfavourably with many city regions in the UK and beyond. But it has also shown that it is moving in the right direction. It is much better compared to what it was. It needs now to close the gap with other places. It has also shown that devolution can help us in this. But it is not a silver bullet. All the city regional leaders now need to seize the opportunity presented by devolution and tackle the issues this report has raised. Because they are the issues the people who live and work in the city region have told us matter!

The next 18 months are critical. The last thing the city region needs to do is find itself in spring 2017 with lots of new powers and responsibilities but no plans or people in place to put them into action. The crucial thing is to generate the capacity to deliver. The universities are willing and prepared to help in that process. Other institutions have expressed similar commitment to this agenda. This should be the beginning of that continuing conversation about our future. There is much to be discussed but even more to be done. The effort is great – but the prize is greater. The collective hard work must start now.
City regions are back
This is an important time for city regions in the UK. It is an even more important time for Liverpool City Region (LCR) as it acquires new powers, responsibilities and resources from national government through devolution. The city region has been through a long and quite difficult process of change but arguably has emerged in better shape economically, socially, physically and politically than for a very long time. During the last ten years, Liverpool City Region has become a good news story – one of genuine progress from difficult beginnings and of increased ambition and achievements. A series of major investments, projects and events has helped improve both its own self-image and its external image. It has begun to find new economic niches. It has found a new economic confidence. It has generated more successful civic and political leadership. It has made better use of its indigenous assets with significant growth in some key sectors. The port and the visitor economy are both booming and expanding. There have been major investments in infrastructure projects across the city region. World leading companies including Unilever, Jaguar Land Rover, Merck, NSG (Pilkington), Novartis and Sony have made major investments in the city region. There has been significant investment in new hospitals. The universities are growing and are more engaged in city regional affairs. The benefits of the hugely successful European Capital of Culture year in 2008 and the International Business Festival in 2014 are still being felt. Liverpool city centre, a key driver of investment and jobs for the city region, has been regenerated. Liverpool is taking its place as one of the UK’s increasingly self-confident, city regions with a big potential contribution to make to the northern and national economy.

But there remains much to do. The city region’s journey will be a long one. City regions are in fierce competition with each other nationally and internationally to attract talent, private and public investment, infrastructure and prestige projects. Also austerity has challenged some of the progress which Liverpool City Region made during the boom. Nevertheless the mood amongst many people, places and economic sectors is positive. But LCR is not where it wants and needs to be yet. The city region leaders know this and are trying to make the changes that will get it there. This report provides a snapshot of the progress LCR has made so far, how far it still has to go and who needs to do what better or differently if it is to get there. It explores what needs to be done if devolution of new powers and responsibilities to Liverpool City Region is to be delivered successfully.

City regions at the heart of government policy
Of course Liverpool is not alone in facing these changes. During the past decade city regions in many countries have emerged from a period of decline to find new economic, political and cultural roles. They are increasingly recognised as the dynamo of national economies not economic liabilities – ‘the wealth of nations’. They are not drags on our competitiveness to be bailed out by public funds but the essential drivers of a modern economy with crucial agglomeration assets in an increasingly globalised world. Some are centres of strategic decision-making, exchange and communication. Many have concentrations of intellectual resources in universities and research institutions, which encourage high levels of innovation. Many have achieved substantial physical regeneration, especially of their centres. They have substantial cultural capital, an increasingly important source of economic growth and job creation. The achievements of the UK’s core city regions in the last ten years have confirmed their potential. Although they do not perform as well as the best competitors in Europe or indeed London, their contribution is already big and with the right investment and policies could be bigger. The economic future of the UK is intimately tied up with the prospects and futures of its leading city regions. If they don’t work, the economy won’t work and we won’t work.

Rebalancing the UK economy makes city regions even more important
The performance of city regions is crucial to the current attempt to rebalance the UK – economically and spatially. City regions will be core drivers of this strategic ambition. Our work on Europe has demonstrated that countries which have high performing second tier cities beyond the capital city also have high performing economies. By contrast, those which keep their economic eggs in one basket tend to under-perform or are at potential risk. The UK, because of the institutional, economic, and financial dominance of London, is one of the latter. However, it has recognised this reality and, if belatedly and slowly, moving in the other direction. It is moving some responsibilities and powers – if not yet enough resources – out of Whitehall and Westminster directly into the local hands of those whose economic fate and futures are at stake. It is also moving to a different form of governance where decisions are taken at the level of the functional urban economy – the city region – rather than at narrow administrative local government boundaries. Local authorities are simply too small to operate successfully in a rapidly changing global economy. At present, the UK has 19th century government, based on 20th century boundaries to manage a 21st century economy. It won’t work – and we can’t and won’t stay here. So Liverpool City Region has an important opportunity to contribute to this debate about the future economic geography and productivity of the UK. It can’t afford to waste it.

Devolution and elected city region mayors
National policy is also changing. Government has recognised the contribution of city regions to the national economy and that their prospects of success are better if they are given greater control over the policies that affect them as places. It is negotiating with city regions to see if they can manage significant parts of the public sector better than national government itself. Although there is continuing austerity and cuts in the flow of national money to them, city regions are being offered an opportunity to take some control of their own destinies and free themselves from the alleged yoke of national control.

The new agenda is challenging
But government policy has created dilemmas as well as opportunities. It is a moving target and the architecture is still emerging. The impact of devolution deals, city regional governance and the Northern Powerhouse is not yet clear. However, it is challenging for those involved. First, as usual, different parts of government have different motives and ambitions, which can complicate change. Second, the principle of devolving to a wider city regional rather than a local authority level is different from traditional ways of doing things. This presents cultural challenges to many people and places. Third, city regions are being asked to do new things in new ways at the same time as they are experiencing big cuts in their basic budgets from government. This also creates large challenges. Fourth, national government’s belief in market forces and a radically reduced state sector presents particular challenges in city regions where the market is weaker or has disinvested and where public sector intervention to encourage and incentivise private investment remains important to economic performance. Fifth, government is pursuing two related – but in principle separate – policy agendas. The first is devolution of responsibilities – which virtually everyone wants. The second is new forms of governance, including directly elected city region Mayors. This is a much more contested issue. Any devolution deal with government is conditional upon introducing an elected city region mayor – so there is a price for the prize. Many city regions are trying to calculate the relative costs and benefits of both before they decide what to do. Again this can create difficulties between national government and city regions and within them. Finally the whole process is being driven very fast by government, which places strains upon emerging city regional decision making systems. They have to respond to government on issues where local agreement has not yet always been reached. This creates institutional, political and capacity challenges. Liverpool City Region is involved in all these complexities and challenges.
The Liverpool City Region devolution agreement

The elements of Liverpool City Regions devolution agreement are now clear. It offers greater powers and responsibilities from 2017 to the Combined Authority and an elected city region Mayor which have potential to affect the city region's future economic performance. For example, they will have greater responsibilities and powers over skills, employment, housing and planning, transport, innovation, business growth and support, energy and environment, culture and European funding. To help deliver these responsibilities, the city region will acquire some new fiscal powers with the creation of a Single Investment Fund which will combine in a single pot a range of existing city regional and national funds. Government will top up those funds with a contribution of £30m annually for 30 years. The transfer of responsibilities and funds will be phased. And obviously many details of the new arrangements will be worked out in the period up to May 2017 when the Mayoral election will take place. So the next 18 months are critical.

How will Liverpool respond to devolution?

Different places are at different points in their ability to respond to devolution. This report looks at how well positioned Liverpool City Region is to respond – economically, socially and strategically. It looks at how well its economy has performed recently during the boom and the recession and compares it with similar places in the UK and Europe. It briefly reviews the strategies it has been developing to shape its economic and social future. It examines the views of a series of key players inside and outside Liverpool City Region to understand the reasons for its current performance and how it might change and improve in future.

What is the mood music in LCR? Realism but genuine optimism!

The prospects of successful delivery of devolution will depend upon the capacity, willingness and commitment of the key partners involved. Here, there is cause for real optimism. Our discussions with key players have revealed a remarkable degree of consensus on the big issues: how much Liverpool City Region has improved in the past 15 years; what its outstanding challenges are; who needs to do what better or differently in future. There is considerable optimism within the city region about its future, despite wider national and global economic uncertainty. The views of some players from outside the city region are actually more positive than some within. In particular the view from government, in significant contrast perhaps to its recent views about Liverpool City Region, is a positive rather than a negative one. Ministers want and need Liverpool City Region to perform well in future if government is to deliver its devolution and Northern Powerhouse agenda. LCR's opportunity to capitalise upon that goodwill should not be underestimated or missed.

Devolution matters – but is not the only driver of success or concern of this report

However, devolution is a tool not a strategic ambition – a necessary but not a sufficient condition of success. Devolution may help you get where you want to go – but in itself it is not the final destination. And that final destination for LCR must be an economically successful, sustainable city region. Many of the issues raised in this report deal with the longer term issues involved in achieving that – as much as the current devolution debate. These longer term issues will have to be addressed by the city regional leaders if devolution is to make a real difference to its future progress.

City region leadership includes everyone – not just the local authority elected leaders

It is crucial that we recognise that the city regional leadership does not simply mean the elected leaders of the six local authorities. They are just one – if an important – part of it. The issues raised in this report are for the whole city regional leadership – public, private and voluntary sector. Indeed the need for that wider city region leadership to rise to the occasion collectively is one of the critical messages of this report.

What does success look like? The characteristics of a successful city region

This report is about Liverpool City Region's policies, performance and prospects. But many in this study asked us to paint a picture of what success would look like and in particular the characteristics of successful city regions so that we can assess and compare Liverpool's current status. The next chapter of this report does this, distilling key messages from a range of work we have done for governments and city regions in Europe and the UK in recent years.
2.1 We define a successful city region quite simply as a place where people want – and have an opportunity – to work, live and play. What are the characteristics of those places? There are many views but our work suggests six things really matter. Successful city regions have more rather than less of the following features: economic diversity; skilled human capital; innovation; connectivity; place quality; and the strategic capacity to deliver long term development through good governance and leadership. We explain why these things matter in this chapter before showing in later chapters how Liverpool City Region performs upon them.
Economic diversity matters

2.2 The city regions which are most successful in responding to economic change are least dependent on a single sector. Those that depend entirely upon a single sector – whether old-fashioned coal, steel, shipping or new-fashioned financial services, culture or computers – are most vulnerable to the vagaries of global economic forces. Economic diversity matters. A successful city region will have strength in global and local firms, large and small, manufacturing as well as services, the old as well as the new economy. It will constantly seek to diversify its economic base pushing into different sectors – but not indiscriminately. City regions need to diversify and to deepen existing strengths. They can’t build on strengths where none currently exists. The trick is to work with what they have but modernise. There is a continuing debate about the merits of old versus new-economies. The lesson from Europe is that both matter. For example, German cities are the most successful in Europe and still have the highest proportion of manufacturing. The challenge for city regional decision-makers is to focus on the elements of their economy where they have strength and they can control and to create and sustain a competitive business environment which will both attract and retain firms.

Human capital, skilled workforce and productivity

2.3 A skilled workforce is a critical feature of city regional productivity. Modern economies increasingly depend upon knowledge intensive sectors, even within manufacturing. Policy makers and businesses typically rate this as the most significant single success factor. Comparative analysis underlines the relationship of skilled workers to innovation and economic performance in successful city regions. Increasingly city regions need people who have the skills that businesses want. It involves vocational as well as traditional academic education, so colleges as well as universities matter. However, a crucial factor is not simply the presence of a skilled workforce but the relationship between the suppliers and consumers of that labour in the universities, colleges, research institutes, government and private sectors – the so-called triple helix. The challenge for city region policy makers is to understand properly and respond effectively to the needs and potential of their labour markets.

Innovation and the knowledge economy

2.4 Innovation and the knowledge economy are perhaps the most crucial characteristic of a successful city region. Innovation is the introduction of new or changed processes, services or forms of organisation into the market place. The OECD estimates that, in the past 30 years, more than half the total growth in output of the developed world resulted from innovation. And since most economic activities are concentrated in city regions, knowledge and innovation are two of the most significant drivers of the productivity and competitiveness of city regions. Four features lead to urban competitiveness: investment in modern, knowledge based physical equipment, investment in research and education, investment in innovation; labour productivity. In all of these, knowledge and innovation are closely linked, the main drivers of place competitiveness. And successful city regions make innovation not a single idea or a product but a key feature of the way they organise their affairs and do their business. An open innovation system is the key to success.

Connectivity – internal and external

2.5 Connectivity is also crucial. It is partly physical – trains, planes, motorways, ICT – and part cultural having international connections. The most successful city regions have the physical and electronic infrastructure to move goods, services and people quickly and efficiently within and between cities.

External connections are important since exporting remains critical to success. So airports, ports, road and rail infrastructure are critical. They facilitate face-to-face communication, which has been supplemented but not replaced by technological communication. However, connectivity is not simply physical. It has a cultural dimension. A significant feature of successful European city regions is the importance they attach to internationalisation and having ‘foreign policies’. Successful places have invested significant effort in international networking to raise their profile, gain new allies, expand market share, influence decision-makers and learn new strategies and practices. City regional leaders need to do these things consistently and should not be deterred by austerity from learning from the most successful places abroad. As anchor institutions, universities and colleges which are both local and global and connected to wider intellectual and economic markets, have an important role to play in this process.

Place quality matters

2.6 People typically move to cities to get jobs – preferably good ones. But often they stay because of the quality of life there. Smart decision-makers understand the significance of attracting and retaining skilled workers to their cities. And they recognise that the quality of life for workers and their families is an increasingly important factor. So places with the assets of a good environment, distinctive architecture, cultural facilities, quality housing stock and access to natural amenities attempt to preserve and improve them. This can help drive up land values which in turn makes private sector investment and development more likely. This improves the scale and quality of city regions’ physical offer – office, retail, leisure, residential – which in turn encourages economic growth. But place quality is not simply about the physical or natural environment. Its wider social dimension – social cohesion and social capital – is also critical. So the quality of public services in a city region – education, health, housing, transport, culture and welfare – is a crucial dimension of place quality and hence success. City regional leaders need the resources and policy levers to be able to invest in and improve those services if their city regions are to succeed.

Strategic leadership and governance capacity – city regions can help themselves

2.7 City region leaders’ room for manoeuvre is affected by wider forces like globalisation, long-term economic changes and national policies and performance. City regions cannot simply reinvent themselves. But they can lead. They must start from where they are in terms of economic and social structures. Economic competitiveness strategies have to be fashioned and implemented – they do not just emerge. And they take a long time to develop and put into practice. Leadership in its widest sense is crucial to this process. Successful city regions have the leadership and strategic capacity to exploit their assets to develop new economic futures for themselves, their businesses and residents. The experience of successful European city regions underlines: the importance of leaders in shaping strategies or influencing key programmes; the significance of partnerships between key players in the public and private sectors; the significance of having allies to influence the decisions of national governments. Successful city regions have effective political and administrative leadership, long term commitment to strategic agendas, the ability to reconcile shifting agendas, the willingness to take calculated risks and the capacity to actively involve public and private sector partners. Although they are clichés, the experience of successful city regions emphasises the importance of vision, leadership, partnership and mature politics.
What makes for working successfully across a city region?

Tackling these barriers typically requires political compromise which in turn requires good leadership. For example, it requires:

- **Cooperation** – the leadership style of the key players is crucial, they must cooperate with partners;
- **Tolerance** – the larger city must not bully the surrounding, smaller places and should recognise that all places contribute and all must derive benefits from greater collaboration;
- **Trust** – there must be political trust that all places will benefit and none will be exploited;
- **Time** – working together for long term goals has few instant rewards and often political costs for elected leaders of local authorities. It is not an easy nor a quick fix;
- **Delivery** – success benefits from delivering successful common projects, however modest in scale;
- **Capacity** – robust delivery systems help decision making;
- **Incentives** – especially from higher level governments help places work together.

At the moment Liverpool City Region has too many of the barriers and not of enough of the critical success factors of a successful, robust city region, as we will show in some detail later.

**Political maturity and grown up leadership**

The messages to our city regional leaders from successful European city regions include the following. Successful city regions have a degree of political maturity often based on self-confidence gained from a track record of delivering their strategic ambitions. City regions have to start from where they are, not where they might want to be. They do what they can, when, where and how they can. They build vision, strategy, partnership leadership and trust. They generate political support for a big idea. They build organisational capacity. They take incremental steps in the same direction. They understand it is not a quick fix and stick at it long term. Crucially, successful city regions have mature politics and strategic leadership. In the next part of this report we assess how far Liverpool City Region has travelled along this path in developing the characteristics of a successful city region. It has clearly improved. But how far has it got to go?
3.1 Liverpool City Region has shown real improvement during the past 15 years. The political mood music around the place is as good as it has been in many years. But is this optimism borne out by reality? We try to answer this question in this section presenting detailed quantitative evidence about the city region’s performance during the boom and the bust years since the late 1990s.

3.2 We do three things. First, we assess the degree to which LCR really is a single economic unit or not. We look at where people live, work and what they earn across the city region. And we show that Liverpool City Region is not six disconnected local authorities but an integrated economy where jobs and economic activities in the different areas are connected and have an important impact on each other. So working at city regional level makes simple economic sense. Second we look at the city region’s performance during the boom years 1997-2007. Here we show the real improvements in jobs, productivity and population the city region made in the boom. In the third section we look at the city region’s current performance on the key drivers which we identified in Chapter 2 comparing it with other places in the UK and Europe. This shows, despite the improvements it has made, the extent of the challenges LCR faces in comparison with similar city regions in the UK and continental Europe.

A. The city region is an integrated labour market— but with fuzzy boundaries

3.3 The Combined Authority provides a governance structure for the greater part of the Liverpool functional city region. The six local authorities together have a labour market of over half a million full-time equivalent workers, with the core city Liverpool having the largest share and Halton the smallest (Figure 3.1). Something like 86% of these workers live within the city region itself and they move around the six local authority areas for their jobs. More Knowsley commuters, for example, work in Liverpool than stay in the local authority. Although more Sefton commuters stay to work within it, nearly a quarter of them travel to Liverpool from their jobs. Even in Wirral, although most residents work in the local authority area, 18,000 (15%) still commute to Liverpool. This is over four times the figure of 4,200 commuters who travel in the opposite direction from Liverpool to the Wirral.

Figure 3.1: FTE employment in Liverpool City Region, 2014

(a) Numbers

(b) Percentage shares

Share (%) of total FTE employment in LCR by district, 2014

Liverpool, 38.7
Knowsley, 10.8
Halton, 9.7
St. Helens, 10.3
Sefton, 14.3
Wirral, 16.2

Source: Business register and employment survey
3.4 Map 1 shows the number of people moving between the different local authorities for work. People in all six LCR boroughs move across boundaries for work. It also shows the importance of Liverpool as a source of jobs for the wider city region. More workers commute into it than go out in the opposite direction. However, it is a symbiotic relationship. The city of Liverpool feeds the city region workforce. But Liverpool’s firms need the inward commuters – and the other districts need the city’s workplaces for jobs. However, the city region is not hermetically sealed. Many of its residents, especially in Halton and St. Helens work outside Liverpool City Region and have people coming from outside Liverpool to work in their areas. So the natural economy is even bigger than the one captured by the city region boundaries. But the key thing is that the different parts of the city region are connected by work and jobs. They need each other.

3.5 The importance of the regenerated Liverpool city-centre for jobs – and its dependence on workers from across the rest of the city region – is clearly illustrated in Map 2. This shows flows of workers to and from Liverpool city-centre. Blue is inward and red outbound. The scale and extent of the inward flows to jobs are striking.

Travel to work patterns reflected in earnings

3.6 The movement of people between local authorities to find work is also shown by the differences in workplace and resident earnings within the city region. Both categories of earnings vary across the city region (Figure 3.2). Wirral residents have the highest median gross pay and Sefton the lowest. None of the city region’s residents have median earnings above the national.

3.7 The difference between workplace-based and residents-based earnings shows the way in which earnings travel between different parts of the city region and beyond. Residents in St. Helens, Sefton and Wirral earn on average more than their local workplaces pay. This means that some of their residents are taking higher earnings from jobs in other parts of the city region or beyond. Residents of Knowsley, Halton and Liverpool on average have earnings below the levels of pay of their workplaces. This shows these local authorities are providing higher paid jobs for people from within the city region and beyond who work there but don’t live there. The labour market extends beyond individual local authority boundaries.

Map 1: Commuting flows to jobs between Liverpool and the other city region local authorities and the rest of England & Wales, 2011

Map 2: Commuting flows to jobs to and from Liverpool city-centre

Figure 3.2: Workplace versus resident earnings – median gross weekly pay (£) for full-time workers, Liverpool City Region local authorities, 2015

Source: Annual Survey of Hours and Earnings

Source: DataShine Commute, UCL CASA

Table: Workplace and resident earnings – median gross weekly pay (£), Liverpool City Region local authorities, 2015

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>Workplace-based</th>
<th>Resident-based</th>
<th>Difference</th>
</tr>
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<tbody>
<tr>
<td>Sefton</td>
<td>666</td>
<td>607</td>
<td>59</td>
</tr>
<tr>
<td>Knowsley</td>
<td>646</td>
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<td>56</td>
</tr>
<tr>
<td>St. Helens</td>
<td>566</td>
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<td>Halton</td>
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<td>-24</td>
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<tr>
<td>Wirral</td>
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<td>518</td>
<td>10</td>
</tr>
<tr>
<td>Rest of England &amp; Wales</td>
<td>532</td>
<td>520</td>
<td>12</td>
</tr>
</tbody>
</table>
3.11 The recession and austerity years have slowed employment growth. Between 2009 and 2014, FTE employment in the city region grew at just above a quarter of the national rate and below the rates of London and nine other second-tier city regions (Figure 3.5).

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**Figure 3.3: Total Employees, GB and Liverpool City Region, Indexed, 1984-2014 (1984 = 100)**

**Figure 3.4: Total Employees, Liverpool City Region local authority districts, Indexed, 1984-2014, 1984=100**

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**Source:** Census of employment – employee analysis; Annual employment survey employee analysis; Annual business inquiry employee analysis; Business register and employment survey

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**Figure 3.5: FTE employment in Liverpool City Region & other city regions, % change 2009-2014**

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**Source:** Business register and employment survey

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**B. Liverpool City Region’s renaissance in the boom and performance in the bust**

3.8 Liverpool City Region had a good boom. Its economic renaissance can be seen in its recent increases in jobs, output and population after decades of decline. But austerity has hit it.

A strong recovery in jobs in the boom – but growth slowed by recession

3.9 In the difficult years, between 1984 and 1996, employment in the city region fell by 12%. Recovery started in 1997, and in the next six years employment actually grew faster than the national rate (Figure 3.3). In the eleven years leading up to the recession in 2008, employment increased by 15%. And even after six years of recession and austerity, employment in the city region in 2014 was still 19% higher than it had been in 1996.

3.10 Of course the recovery varied between the six local authorities. (Figure 3.4) Employment in Halton, Sefton and Wirral actually grew up to the late 1990s while Liverpool, St Helens and Knowsley lost jobs. But this pattern has been reversed since the late 1990s. There has been marked recovery in Liverpool, St Helens and Knowsley especially. All were hit by the recession and only Halton and Knowsley currently have employment levels above those at the onset of recession in 2008. Employment levels are back to pre-recession levels in Liverpool and Wirral but have still to recover in Sefton and St Helens.

3.11 The recession and austerity years have slowed employment growth. Between 2009 and 2014, FTE employment in the city region grew at just above a quarter of the national rate and below the rates of London and nine other second-tier city regions (Figure 3.5).
3.14 As with employment, output growth varied across the city region. Liverpool, Halton, Knowsley and St Helens actually grew at the national average (5.6%) between 1998 and 2013. Sefton and Wirral grew less strongly, averaging only 3.1% and 2.8% per annum respectively. This relative performance held in both growth and recession and austerity years.

3.15 Growth in GVA per capita – a general wealth index – has been particularly positive. In the national growth years, it grew faster than the national rate. After a relative slow down post-recession, it nevertheless grew faster than the national rate over the last decade and a half. (Figures 3.8 and 3.9).

3.12 GVA in the Liverpool City Region economy has grown on average by 2.9% annually over the past decade. This was below the national growth rate of 3.7% overall – although above it in a number of years. (Figure 3.6)

3.13 Output in the city region actually grew in the first year of the recession while there was a significant fall nationally. It subsequently fell, bottoming out in 2011-2012, three years after the lowest point in the national growth rate. This lag partly reflects the city region’s relatively high dependence on the public sector, which only began to be significantly affected by austerity measures after 2010. While the city region did rebound strongly in 2013, with a growth of 2.6%, over the period as a whole it ranked eleventh of the capital and 12 second-tier city regions (Figure 3.7).

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A recovery in population

Just as employment and output have picked up, so too has population. After years of continuous and severe decline through the 1980s and 1990s there has been an upturn since the early 2000s and notably since the 2008 recession (Figure 3.12). Population has increased by just over 31,000 since 2001, an increase of 2.1%, although significantly lower than the rate for England as a whole (9.3%) and London and second-tier city regions (Figure 3.13).

However the growth was from a relatively low base and has slowed since the recession, even though higher than in five other city regions (Figure 3.10).

Workforce productivity has grown less than nationally over the recession years and at a rate below all but one of London and second-tier city regions (Figure 3.11).

3.18 But population growth again varies across the city region. The fastest growth has been in the core city Liverpool, which grew by (7.1%) between 2001 and 2014. It was followed by Halton (6.6%) and Wirral (1.9%). By contrast, population was static in St. Helens (0.2%) and fell in Knowsley (-3.2%) and Sefton (-3.3%).

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C. Where does Liverpool City Region stand now? How does it perform and why?

3.20 We have seen that Liverpool City Region made some important gains during the boom. However the recession hit it as did all other core city regions. And Liverpool’s gains were from a relatively low base. So despite improvement, the city region faces significant economic and social challenges. We discuss these in this section. We first look at Liverpool’s performance on a range of economic indicators to show how it compares with other city regions in the UK and in Europe. The key performance challenges are output, productivity, employment and income. After that we look at the city region’s performance on the key drivers of performance we identified in Chapter 2 – economic diversity, skills, innovation, connectivity and place quality – which help explain why the city region is performing as it does.

The headlines

3.21 The headlines on LCR’s performance are the following. There is a wealth gap. Despite the recent growth in output, the level of economic inactivity contributes to a significant productivity gap with the national and other second-tier city regions in relation to population. The gap narrows, but is still significant, in relation to the workforce. Its industrial structure is still weighted towards public sector employment and relatively low on scientific-technical sectors. Although it does have some potentially strong niches in the latter. And the public sector has contracted and the private sector grown in recent years. Its business birth and death rate is below the national average and has a notably low survival rate of businesses in recent years – although the latest figures show some relative improvement. There is an income gap with relatively low household incomes, partly reflecting economic inactivity and greater dependence on benefits and state pensions as a source of income. There is a poverty gap – the city region still contains some of the country’s most economically and socially disadvantaged neighbourhoods.

Output too low

3.22 Liverpool City Region ranks sixth of the 12 second-tier city regions in terms of total GVA, which is one sixteenth of the size of London and just under half the size of Birmingham and Manchester city regions. LCR slips to eleventh in the ranking of second-tier city regions, in terms of GVA per capita. Its figure is just over three-quarters the national and a half that of the capital city region (Figure 3.14). There is a productivity gap. Despite the recent growth in output, there is a productivity gap with the national and other second-tier city regions in relation to population. The gap narrows, but is still significant. In relation to the workforce, its industrial structure is still weighted towards public sector employment and relatively low on scientific-technical sectors. Although it does have some potentially strong niches in the latter. And the public sector has contracted and the private sector grown in recent years. Its business birth and death rate is below the national average and has a notably low survival rate of businesses in recent years – although the latest figures show some relative improvement. There is an income gap with relatively low household incomes, partly reflecting economic inactivity and greater dependence on benefits and state pensions as a source of income. There is a poverty gap – the city region still contains some of the country’s most economically and socially disadvantaged neighbourhoods.

Liverpool lags behind similar European City Regions

3.24 To provide a wider European perspective on the city region’s performance, we compared it with a group of European city regions of similar size between 1 and 2 million, and five other port city regions. Two of the latter are much larger – Barcelona and Hamburg, and three much smaller – Belfast, Cork and Turku. In terms of total GDP, the city region is 22nd in the group. It ranks 30th in terms of GDP per capita (Figure 3.15). It lags behind most UK city regions and the majority of its European comparators. It still has a long way to go.

Figure 3.14: Wealth – GVA per capita, £, 2013

Source: ONS

Figure 3.15: GDP in PPS per capita, 2012

Source: Eurostat
A. Is Liverpool City Region economically diverse enough?

But good productivity

Liverpool’s position improves when looking at workforce productivity measured by GVA per hour worked. The gap with the national rate is far narrower. It ranks fourth of the second-tier city regions, with a figure 92% of the national rate – and three quarters that of London (Figure 3.16). Liverpool’s workforce is productive. The trouble is that not enough people are working. There are not enough jobs.

Jobs density low – too few jobs

The combination of a low employment rate and net out-commuting is reflected in a relatively low ‘jobs density’, the number of jobs per working age population. Only Bristol, Edinburgh and Leeds of the second-tier city regions have above national figures for jobs density. Liverpool City Region with Sheffield has the lowest figure (Figure 3.17). Within the city region, Liverpool has the highest job-density and Wirral the lowest – a reflection in part of commuting rates.

The drivers of competitiveness. Where does the city region stand?

So far we have presented the city region’s recent economic performance. We next try to understand this by looking at its standing on the key drivers of urban competitiveness that we identified in Chapter 2: diversity, skills, innovation, connectivity, and place quality. It highlights a number of the underlying structural challenges that the city region’s economy faces.
3.29 The city region is relatively specialised in four service sectors: education in ‘knowledge services’, health and social care, public administration and defence, and transport and storage (Figure 3.19a). It also specialises in three medium-high technology manufacturing sectors – pharmaceuticals, chemicals and automotive – and in a resurgent low-medium technology manufacturing sector, shipbuilding. With 45,000 FTE employees, education accounts for 42% of FTE jobs in the ‘knowledge services’ sectors (Figure 20b). The three other service sectors in which the city region specialises – health and social care, public administration and transport and storage – together account for 146,000 ‘other service’ jobs, 46% of the total for ‘other services’. The four manufacturing sectors in which the city region specialises are much smaller in employment terms. But they are nevertheless of real importance in terms of government policy for re-balancing the national economy. Automotive with 6,000, chemicals with 4,900 and pharmaceuticals with 3,200 FTE employees. Shipbuilding and marine engineering has recovered to employ 1,300.

3.30 Liverpool City Region is in many ways an integrated as well as a diverse economy. The different local authority districts offer complimentary specialisms and strengths (Map 3). At the core, Liverpool brings public sector strengths in education, public administration and health. It brings private sector strengths in financial and business services, digital and creative services, hotels and restaurants in the ‘visitor economy’ and, in manufacturing, pharmaceuticals. Sefton also has strengths in public administration, health and education and financial services and the visitor economy. For Knowsley, it is manufacturing and particularly the automotive industry based around Jaguar Land Rover’s Halewood plant and surrounding cluster of component manufacturers. St Helens brings the glass and non-metallic mineral production of NSG (Pilkington) and strengths in transport and logistics. Halton also has strengths in transport and logistics alongside chemicals and pharmaceuticals manufacture and scientific research and development at Darasbury. Wirral brings shipbuilding, food and drink, chemicals and pharmaceuticals manufacturing and engineering to employ 1,300.

3.31 The city region LEP has identified a number of growth sectors on which to build the port and logistics, advanced manufacturing notably the automotive, chemicals and pharmaceuticals sectors, the ‘knowledge economy’ notably life sciences and health care and the digital and creative sector, financial and professional services, low carbon and the visitor economy. Map 4 shows the distribution of these sectors across the city region and some of the key district specialisms: port and non-port logistics (Liverpool, Sefton, Wirral), St Helens and Halton), manufacturing (Knowsley, Liverpool, St Helens and Wirral), knowledge economy (Liverpool, Halton and Wirral), financial and professional services (Liverpool and Sefton), low carbon (Sefton and Wirral), and the visitor economy (Liverpool, Sefton and Knowsley).
Is Liverpool’s public sector too big? Not as big as it was.

It has sometimes been argued that the Liverpool City Region economy is too public sector dominated. In part that is an over-simplification. The kind of public sector jobs – for example high or low value added – is important. That said, the balance has been changing in the recent austerity years. 20,400 FTE Jobs were lost in the public sector in the city region and 25,900 gained in the private sector, a net gain of 4,500 jobs. Liverpool City Region had the third highest loss of public sector jobs after Bristol and Newcastle upon Tyne – nearly 16%, one and a half times the national fall. By contrast private sector jobs grew by just 7% – below the national but above five other second-tier city regions (Figure 3.20).

The public-private sector rebalancing varied within the city region, with the biggest public sector job losses in Liverpool, Sefton and St Helens. The biggest increases in private sector jobs were in Knowsley, Halton and Liverpool (Figure 3.21).
Does the city region create enough new firms?

3.36 A diverse economy should also be able to create new firms. How does Liverpool perform? The city region ranked fifth of the second-tier city regions in terms of the average number of active enterprises operating in the recession and austerity years, 2009-13. During this period, its net birth and death rate of enterprises was above five other second-tier city regions. But it was still below the national rate and only around a quarter of the rates in London and Edinburgh (Figure 3.23).

And it had the lowest survival rate for enterprises set up in the recession year, 2008 of all city regions.

3.37 This performance was qualified, however, by the positive net birth and death rate in 2013. The city region had the highest rate of all the city regions and one and a half times the national rate, suggesting a degree of post-recession resilience (Figure 3.24).

Self-employment

3.38 The rate of self-employment is another measure of enterprise activity, often being the first step into entrepreneurial behaviour for many people. The rate in Liverpool City Region has improved over recent years. The proportion that is self-employed has increased from 8.8% in 2004 to 11.0% in 2014. But it still lags the UK average of 13.9%.

Does the city region create enough new firms?
3.42 Despite recent improvements, the city region has a long-standing deficit of people with higher level qualifications and an above average proportion of people with no qualifications. It remains the second worst performing of London and the second-tier city regions in terms of the former (Figure 3.27) and the third worst performing in terms of the latter (Figure 3.28).

B. Are Liverpool City Region’s skill levels good enough?

3.39 A skilled workforce is a critical feature of successful city regions. Modern economies increasingly depend upon knowledge intensive sectors, even within manufacturing. Despite significant ‘knowledge assets’, the city region is still low on science, research, engineering and technology occupations and high-level qualifications and high on ‘no qualifications’. In part this is the historical legacy of its industrial past that did not encourage the development of high-level, technical skills. So the city region faces a real challenge in its skills base and especially, if its ambitions are to be met, in developing and retaining skills in the ‘knowledge economy’. It is well below the national average on residents employed in science, research, engineering and technology professions – ranked 9th of the 10 LEP areas covering second-tier city regions.

Graduate retention

3.40 The city region performs relatively well in retaining its students who graduate from its universities. The latest figures show that nearly 48% of students who studied in the city region found employment in it, the fourth highest of the Greater London and second-tier city region LEP areas (Figure 3.25).

3.41 There are still not enough graduate jobs to retain all the students who study in the city region. Figure 3.26 shows that the city region universities trained more students than could find employment in the city region. LCR needs to create more graduate level jobs to absorb those it educates and also to attract graduates from outside.
3.43 However, there are signs that skills levels are improving. There has been significant progress in GCSE attainment rates in recent years. Although there are substantial differences within LCR, with Wirral having attainment rates well above national and Knowsley, in particular, well below (Figure 3.29).

C. Is Liverpool City Region innovative enough?

3.44 This is perhaps the most crucial characteristic of a competitive city. Innovation is the introduction of a new or changed process, service or form of organisation into the market place. LCR faces many different challenges on this driver. For example, Figure 3.30 shows business enterprise expenditure on R&D. Liverpool ranks eighth, below four of the seven London city region LEP areas and two of the 10 second-tier city region LEP areas. But it is higher than many other city regions.

3.45 Figure 3.31 provides European comparisons of patenting activity for a range of European city regions. Liverpool City Region ranks 26th of the 43 and 5th of the 8 UK city region comparators. A breakdown of the figures shows the city region falling further down the rankings when ‘knowledge economy’ patent applications are isolated: 33rd for ‘high tech’; 35th for ICT and 29th for ‘bio-tech’.

Source: Department for Education

Source: ONS

Source: Eurostat

Source: Eurostat

Source: ONS

Source: Department for Education
3.47 As Figure 3.34 shows Liverpool lags many other UK city regions on the number of people employed in small- and medium sized enterprises (SMSEs) which are knowledge intensive business services.

Figure 3.33: Innovation – science & technology sectors share (%) of FTE employment, 2014

Figure 3.34: SMSE employment by Knowledge Intensity of Business Services (without London)

Source: Business register and employment survey

Source: UK Innovation Survey; Enterprise Research Centre Analysis (2015)
3.48 The city region also lags behind in terms of employees in SME firms in the creative industries Figures 3.35 and 3.36.

3.49 By contrast the city performs well on the percentage of product innovating SMEs (Figure 3.37).
3.51 Connectivity – the airport

The city region's connectivity has been greatly enhanced by the recent expansion of the airport. In 2014, it handled nearly six times the number of passengers than it did 17 years earlier—a growth rate that massively outstripped national growth. Growth has been hit by the recession, however, and passenger numbers still have to recover to their pre-recession peak (Figures 3.38 and 3.39).

D. How well connected is Liverpool City Region?

3.50 The most successful city regions have the physical and electronic infrastructure to move goods, services and people quickly and efficiently within and between them. External connections are important since exporting remains critical to success. How well connected is the city region?

3.52 While its airport is still relatively small, the city region does have the added benefit of relatively easy access to its near neighbour and third largest national airport, Manchester, within 40 minutes' drive (Figure 3.40).

3.53 The port remains a vital part of the city region's economy, central to the logistics industry and the Atlantic Gateway project. Figures 3.41 and 3.42 shows the dramatic recovery in port traffic since 1987, after an equally dramatic fall from the mid-1960s. As nationally, growth has been hit by the 2008 recession and, after a brief recovery 2011-12, traffic is still below the 2005 peak.
Accessibility to city centre train stations

Liverpool has advantages over many similar UK city regions in terms of ease of access to city centre rail stations. Figure 3.44 shows, more people in the city region can get by car in 30 minutes to Liverpool’s main train station Lime Street than is the case in many other large city regions.

Connectivity – road infrastructure

The city region is comparatively well served by motorways and dual carriageways (Figure 3.45). A new river crossing under construction in Halton and various road improvement schemes funded by the Single Growth Fund will improve connectivity.

Connectivity – rail and buses

Connectivity within the city region shows a mixed picture (Figure 3.43). The use of buses has declined dramatically by 40% since deregulation in 1987. By contrast, investment in the quality of the city region rail network has led to an increase of 52% in passenger numbers since 1998. It is relatively easy to move around the city region by train.
Connectivity – export intensity

3.58 For all its connections, the city region still has the lowest proportion of its employment in export intensive industries of all the second-tier city regions (Figure 3.48).

Connectivity – broadband

3.57 The picture on broadband connectivity is mixed. The city region ranks fourth of second-tier city regions in superfast broadband availability and average download speed (Figure 3.46). But it falls to sixth in take up of lines (Figure 3.47).

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Figure 3.46: Superfast Broadband Availability, % of premises, by LEP area, 2014

Figure 3.47: Take-up of lines > 30 Mbit/s (number of lines) by Local Enterprise Partnership area, 2014

Source: OFCOM

Figure 3.48: Share (%) of total employment in export intensive industries, 2010

Heritage – good

3.61 Heritage is an important element of place quality and place identity but it is difficult to quantify. The RSA has done this in the shape of its Heritage Index, which brings together over 100 indicators of local heritage assets and activities. The data range from indicators of the historic built environment, museums and industrial heritage through parks and open space, landscape and natural heritage, local cultures and memories to general measures of tourism and employment in heritage industries. Table 3.1 brings together the results for the city region, showing the ranking of the six local authorities. Overall, Liverpool, Sefton and Wirral rank in the top third of all English local authorities. Liverpool is the highest ranked of England’s largest cities outside London in the Index, because of its strengths in museums, landscapes and natural heritage and local cultures. Sefton and Wirral are both highly ranked for their landscape and natural heritage. However imperfect, the Index does show the city region’s comparative strengths in place quality.

Weaknesses in place quality

3.62 Liverpool has huge assets culturally and physically. But it also has a series of social and economic challenges which lower its place quality and could be a deterrent to further growth and success. There is an income gap – relatively low household incomes, in part reflecting economic inactivity and greater dependence on benefits and state pensions. There is a poverty gap – the city region still contains some of the country’s most economically and socially disadvantaged neighbourhoods.
3.65 Within the city region, only Sefton’s unemployment rate is below the national level. Liverpool and St Helens have the highest unemployment rates, both 1.7 times the national rate (Figure 3.51).

3.66 Youth unemployment is particularly high. The city region has the highest youth unemployment rate of London and the second-tier city regions: 6.9 percentage points above the national rate (Figure 3.52).

Employment rate and economic activity

3.63 Despite the recent small increase in jobs, the employment rate remains the lowest of London and 12 second-tier city regions and 6.8 percentage points below the national (Figure 3.49).

Unemployment

3.64 The failure to generate enough jobs is also reflected in unemployment rates. The city region has the second highest unemployment rate of London and the second-tier city regions. Although the gap is nowhere near as big as it was in the 1970s and 1980s, it is still 1.4 times the national rate (Figure 3.50).
3.67 Sefton, again, is the only LCR local authority with a youth unemployment rate below the national. Wirral has the highest rate, almost twice the national average (Figure 3.53).

3.68 The city region has the second highest proportion of its economically inactive population suffering from a long-term illness among London and second-tier city regions – 30%, 1.4 times the national average. All the six city region local authorities have greater than national proportions of their economically inactive populations suffering from long-term sickness. Knowsley has almost twice the national figure.

3.69 Economic inactivity is inevitably reflected in the numbers of workless households. Liverpool City Region currently has the highest proportion of workless households of London and the second-tier city regions (Figure 3.54). Within the city region all six local authority districts have above national proportions of workless households, notably so in Liverpool St Helens, Knowsley and Wirral. Liverpool in fact has the highest percentage of workless households of all local authorities.

3.70 In 2013, Gross Domestic Household Income in Liverpool was £15,140 the eighth lowest of London and the second-tier city regions, 86% of the national figure and just over two thirds that of London (Figure 3.55). The city region’s dependence on benefits and state pensions is greater than all but one of London and the second-tier city regions.

3.71 The latest English Index of Multiple Deprivation (IMD) 2015 provides a stark picture of the extent of deprivation in the city region. LCR is the most deprived LEP area nationally. The level of deprivation varies between local authorities in the city region. Knowsley and Liverpool are the most deprived and Wirral and Sefton the least (Figure 3.56). The most disadvantaged neighbourhoods are found in north Liverpool, south Sefton, east Wirral, central St Helens and east-central Halton (Map 5).
Life expectancy

3.72 Life expectancy in the city region – for both males and females – is still below the national average with the biggest gap for those born in Liverpool (Figure 3.57).

Map 5: Deprivation in Liverpool City Region Index of Multiple Deprivation 2015

Deprivation percentile among all English LSOAs where lowest is most deprived
0.1 – 2.0
2.1 – 5.0
5.1 – 10.0
10.1 – 20.0
20.1 – 40.0
40.1 – 60.0
60.1 – 100.0

Areas shown are Lower layer Super Output Areas (LSOAs)

Figure 3.57: Life expectancy at birth (years) males and females – LCR LAs and England, 2012-2014

Source: ONS

Sources: Boundaries downloaded from the UK Data Service. Contains Ordnance Survey data © Crown copyright and database right 2015.
Cuts to the city region’s budgets will affect place quality

The city region is being offered a package of measures in a devolution deal by government which could help it address some of the place quality challenges we have identified here. Nevertheless, another dimension of national policy has to be taken into account, since it could have a significant impact upon the city region’s overall place quality. There are huge pressures on local government services from continuing cuts in their budgets from central government.

The city region’s relatively low average incomes are reflected in relatively low house prices. Only Newcastle upon Tyne and Sheffield have lower median house prices than Liverpool (Figure 3.59).

The city region’s relatively low average incomes are reflected in relatively low house prices. Only Newcastle upon Tyne and Sheffield have lower median house prices than Liverpool (Figure 3.59).

Within the city region, this cut is matched by Knowsley (Figure 3.60). The two city region local authorities that are the highest ranked in the national Index of Multiple Deprivation have to contend with disproportionately heavy cuts to their funding from central government.

3.77

The six city region local authorities have together experienced £650 million in cuts to their expenditure as part of the Government’s plans for deficit reduction. This figure is equivalent in value to that of the first Merseyside Objective One programme (1994-1999). Liverpool has had the most extreme cut, the largest of all the core cities (Figure 3.60). The city region’s housing offer. There have been improvements, including the scale of new-build, the attempt to address housing decline in the inner core, the investment in social housing with stock transfer and the creation of a market for city centre living. But the quality, age, location and type are limited. For example, 68% of properties across the city region are currently in the low Band D or above. There are 16,400 long-term empty homes (Figure 3.58).
So what is the balance sheet for Liverpool City Region?

3.78 This chapter has shown in great detail, the challenge that Liverpool City Region will face in future, regardless of its devolution deal with national government. It has had successes. LCR does function relatively well as an integrated labour market. It has a range of complementary economy strengths. It did have some real success in the boom years. It has achieved a substantial amount of successful physical regeneration especially around Liverpool city centre. So the baseline is higher and the trend is positive. But it started from a low base. And, it does lag on many of the key drivers of economic competitiveness. Liverpool City Region leaders will have to address many policy sectors in an effort to increase productivity and to reduce poverty and inequality. To do this they will need to help create, attract and retain better jobs; raise skill levels and retain skilled people; increase connectivity; encourage more innovation; improve place quality and in particular address the problems of people and places excluded from the economic successes it has had.

3.79 However the position is difficult but not impossible. And Liverpool is not uniquely challenged by these issues. Much of our evidence has shown that other core city regions have similar problems and challenges. Table 3.2 pulls together that evidence in a single form. It shows there is no cause for unrealistic optimism – but nor for undue pessimism.

3.80 Of course there are limits on what the city region public sector leaders can achieve on their own. They will need the support of the private and voluntary sectors. They will also need national government to play its part, since many of the policy levers to change the city region’s performance are not under local control. Devolution, by giving more local control over some of these levers, could make an important contribution to improving the prospects of LCR. In the next chapter we turn to the views of these different players of the challenges facing the city region and how things could be done differently or better in future.

Table 3.2: Where does Liverpool City Region stand? – A summary

<table>
<thead>
<tr>
<th>City region</th>
<th>GVA pc 2013</th>
<th>GVA per hour worked (64)</th>
<th>Job density (per 1000)</th>
<th>Net birth &amp; death rate per 100 active enterprises 2013</th>
<th>High level skills NVQ4+</th>
<th>No qualifications</th>
<th>Employment rates 2014-15</th>
<th>Unemployment rates 2014-15</th>
<th>Youth unemployment rates 2015</th>
<th>% workless households 2014</th>
<th>Income GDHI pc £s 2013</th>
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<tr>
<td>London</td>
<td>35,476</td>
<td>37.1</td>
<td>0.90</td>
<td>6.4</td>
<td>45.7</td>
<td>7.4</td>
<td>62.2</td>
<td>17.9</td>
<td>13.4</td>
<td>23,350</td>
<td></td>
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<td>Edinburgh</td>
<td>29,081</td>
<td>32</td>
<td>0.86</td>
<td>4.8</td>
<td>49.8</td>
<td>6.4</td>
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<td>4.8</td>
<td>12.3</td>
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<td>Bristol</td>
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<td>30.4</td>
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<td>4.3</td>
<td>41.2</td>
<td>5.6</td>
<td>65.2</td>
<td>5.9</td>
<td>13.6</td>
<td>12.7</td>
<td>17,564</td>
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<tr>
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<td>0.85</td>
<td>4.6</td>
<td>20.6</td>
<td>9.8</td>
<td>70.9</td>
<td>7.6</td>
<td>19.5</td>
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<td>32.2</td>
<td>11.2</td>
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<tr>
<td>Newcastle upon Tyne</td>
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<td>8.0</td>
<td>18.2</td>
<td>15.0</td>
<td>15,397</td>
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<tr>
<td>Liverpool</td>
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<td>27.3</td>
<td>0.68</td>
<td>5.6</td>
<td>21.4</td>
<td>12.3</td>
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<td>8.4</td>
<td>24.4</td>
<td>24.2</td>
<td>15,960</td>
</tr>
<tr>
<td>Sheffield</td>
<td>17,567</td>
<td>26.5</td>
<td>0.68</td>
<td>3.5</td>
<td>26.6</td>
<td>10.4</td>
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<td>7.9</td>
<td>22.6</td>
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<td>9.0</td>
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<td>6.1</td>
<td>16.5</td>
<td>16.0</td>
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</tr>
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</table>

Notes: City regions ranked by GVA per capita 2013. Traffic light colouring: green = better than national; the remainder of the distribution is split in two: amber-top half including median value and red-bottom half below median value.
4.1 So far we have discussed the economic and social performance of Liverpool City Region. We have shown there has been some significant improvement during the past 15 years. The city region moved on considerably in that period. But it was from a low baseline and other places have also improved. And the recession has had an impact. So the scale of the challenge remains substantial. On five drivers of performance – skills, diversity, connectivity, innovation and place quality – Liverpool City Region has made some progress. But there is further to go in this section we explore Liverpool’s performance on the sixth key driver – strategic decision making capacity. We discuss how a series of leading players inside and outside the city region assess its achievements and challenges, how well placed it is to respond to them and who needs to do what better or differently in future.

4.2 This section is based on interviews with over 70 key players from the public, private and community sector from within Liverpool, the North and London. The interviews were on a Chatham House basis so views are reported but not attributed to individuals. We identify the interviewees in Appendix 1. It also draws upon the views we heard from several hundred people from all sectors of the city region during a series of public and private meetings. So we are confident we have captured the position of a representative cross-section of the players in the debate in the text we use a list of direct but unattributed quotes to make points powerful. These quotes represent a substantial strand of opinion – not a single unrepresentative voice. They reflect the views of the many not the few.

4.3 In our discussions we explored five key questions with senior players:

1. Do we know how far the city region has come in recent years and how far it has to go?
2. Do we understand our economic assets and have robust investment strategies and business plans to deliver them?
3. Do we have sufficient capacity to deliver those plans and aspirations?
4. Is there enough commitment to the principle of Liverpool City Region?
5. Who needs what better to deliver a more successful Liverpool City Region?

4.4 This report has not assessed in detail every current and recent strategy that has been written for the city region. There are too many of them – which is part of the problem. Nevertheless we have carried out a high level review of many of them as a context in which to locate current views. So again we are confident we are focussing upon the key strategic and policy issues that the city region faces. However, we will argue later that the city region should in future review its many existing strategies to see how realistic, relevant and well evidenced they are.

4.5 The headlines

To anticipate the story and guide the reader through this section, the headline messages are the following. First, there is great realism amongst key players about how far we have come – yet how far we have still to go. In both cases it is a long way. Second, although many believe we know what our key assets are, there is less belief that we have clear investment strategies and business plans to deliver them. Third, in particular there is a great concern whether we currently have enough capacity at city region level to deliver a city regional agenda in future. Finally, although the vast majority of partners believe the city region matters and support the principle, they also believe that not enough partners and places have demonstrated enough commitment. There are substantial concerns about for example, levels of trust, commitment, collaboration, coherence, capacity and delivery across the city region. We explore these themes in more detail next.

A. How Far Have We Come and How Far Have We to Go? Much Done But Much to Do

‘The image of the city is transformed. The environment has been transformed. Tourism, the port, the city centre are huge achievements. But we have too few businesses in the city. We have too many areas of deprivation. We lack high quality office availability. And we need better travel networks.’

Private sector leader

4.6 There is widespread agreement within and without the city region across all the different sectors about how far the city region has come in recent years – but how far it still has to go. There is agreement the city has undergone a dramatic transformation. The port, the waterfront, Liverpool are now commonly acknowledged as major transformations. The success of the port and the contribution of the universities, the hospitals and the visitor economy are well recognised. But everyone recognises that other places have similarly improved so the gap is not necessarily closing.

‘I don’t see the outcome of the investment. There are lots of grants for many projects. But I don’t see spades in the ground. In Manchester there are millions going in to the area around the airport, the Etherad, in tower blocks in Salford, the factory area. I don’t yet see the volumes and values of the investment in Liverpool like that.’

Private sector leader Manchester

4.7 Everyone is agreed productivity levels are too low. Skill levels are too low. Employment is too low and unemployment too high. Rental levels are too low. The housing market is too homogenous. Connectivity especially outside the UK is not good enough. Too many parts of the city region have not shared in the prosperity. There is a real concern that the achievements of the recovery have not been translated into the lives of too many ordinary people, some of whom live very close to the regenerated Liverpool city centre.

‘The statistics hide the gaps within the city region. You can obviously see the developments in Liverpool in the city centre and waterfront. Manchester is still ahead but it feels like we have closed the gap. But across the city region, loads of people have been left behind. We are plugging away, getting our patch up to the league tables. The realities may have changed. But the same people and places are stuck in the same place.’

Business association leader

A city region for young people?

4.8 More specifically there are worries whether the next generation of young people can see, and will get an opportunity to be successful in, the LCR in future. Devolution has to show how a successful city region will translate into a fairer more sustainable place for all people.

‘We need to have a clear view about how young people will benefit from the emerging opportunities in, for example the creative and digital industries and give them a real choice to succeed in these industries rather dealing in stuff they should not be involved in.’

Liverpool investor

But confidence is higher

‘The big shift is in confidence levels. We do not ring any more.’

Private sector leader

4.9 So, while there is extensive pride in recent achievement and considerable optimism about future prospects, there is also a degree of realism about the economic, social and environmental challenges the city region still faces. But the mood is wildly different from a decade ago. The places, the economy, the people all seem more successful and more confident in their mood.

‘I am optimistic about the future. There is momentum. But we must capitalize upon it.’

Private sector leader

And Liverpool is different.

‘The city has huge international traction. There is a vibrancy and idiosyncrasy simply not found in other provincial cities. We have got something really substantial to draw upon internationally.’

Academic leader

4.10 Perhaps at the end of the day the really powerful message that comes across is that key players recognise that Liverpool is different from, if not better than, other places. And those differences, which rest on its people and their character – are real potential economic assets.

‘Liverpool is cool and investors want to be associated with cool. Make them a business proposition.’

London investor
B. Are We Clear Enough About Our Assets? Do We Have Robust Investment Strategies and Business Plans to Deliver Them?

‘Our biggest challenge is our biggest opportunity. We have a huge array of assets. But they are not catalogued, they are not exploited, they are not interlinked and they are not communicated properly.’

Economic development organisation leader

4.11 There has been no shortage of economic development plans for Liverpool City Region, going back to EU Objective One funding and the even earlier Merseyside Integrated Development Operation in 1983. The origins of current economic development strategies can be found in responses to the Labour Government’s promotion of sub-national and specifically city regional economic development. Some of the LEP’s strategic ambitions can also be detected in Sir Michael Hobstein and Sir Tony Leach’s report ‘Reducing Britain: Policy or Ships?’, so the city region’s strategic priorities are not brand new. There has been a consistent message about what assets should be the basis of the economy. The LEP has developed the majority of them to their most recent level.

‘I am not sure we understand clearly what our assets are and where we are going. How will the universities develop? What are the real opportunities in digital and creative? What is happening in advanced manufacturing? We need to understand these sectors better and anticipate change and development more.’

Professional association leader

4.12 The LCR LEP has three economic development objectives: to accelerate the rate of growth; improve productivity; rebalance the city region economy towards the private sector. It has developed four broad sectors – SuperPort and logistics, the visitor economy, the knowledge based industries, advanced manufacturing – which would provide a clear long term investment and development path for those assets. A more collective, integrated approach to this area would help realise the potential of these assets in terms of welfare, wealth and job creation. Many of the institutions are doing good work within their own boundaries. But LCR needs to make connections and synergies across those institutional boundaries to win a bigger prize. The failure to fully develop the Knowledge Quarter in Liverpool is an illustration of that weakness. It has many individual assets, a brochure and a Mayoral Development Zone Board. But it does not have enough capacity, resources, institutional buy in or governance. It has not failed. But it has failed to do as much as it could and should. The city region needs to get a much more robust understanding of the opportunities, synergies and action plans to deliver on this potentially high performing area. That is where its few really world class assets are in health and life sciences.

‘We play the reactive game well. But we are not proactive enough. Take innovation. We need more Sensor City and Material Innovation Factory projects. We do not exploit the hospitals well enough. We need a stronger narrative on innovation. The Knowledge Quarter is a lost opportunity. There is a lot of talking and not a lot of action. Somebody needs to put their hands in their pockets.’

Academic leader

4.13 Figure 4.1 illustrates shows the sophistication, ambition but also the complexity of current LEP strategies for the city region. Most partners’ concern with LCR strategies is however about the extent to which they have been robustly developed, market tested and turned into deliverable projects. The greatest concern is that overall there has not been sufficient investment of time, effort or resources to implement the strategies. They remain more at the level of aspirations than of delivery.

Building on ‘Brains’ enough? – the knowledge economy and innovation

‘We can be a world leader in a few things – infectious diseases and the personalised medicine agenda, paediatrics – and it is really critical we build on these. The big thing is the life science sector and we must grasp it. But we also have to get away from an institutional mind-set and work across the city region.’

Health organisation leader

4.14 There is a clear recognition that Liverpool City Region has a huge range of assets in the knowledge based industries, advanced manufacturing and health sectors that include Daresbury and Hartree in Halton, Unilever in the Wirral, the four universities and the hospitals, which are currently being rebuilt. There is huge potential in all these fields with computing, big data, personalised medicine, infectious diseases, paediatrics. However, it is clear that the scale and potential of those sectors have not been sufficiently appreciated or integrated into a coherent plan, which would provide a clear long term investment and development path for those assets. A more collective, integrated approach to this area would help realise the potential of these assets in terms of welfare, wealth and job creation. Many of the institutions are doing good work within their own boundaries. But LCR needs to make connections and synergies across those institutional boundaries to win a bigger prize. The failure to fully develop the Knowledge Quarter in Liverpool is an illustration of that weakness. It has many individual assets, a brochure and a Mayoral Development Zone Board. But it does not have enough capacity, resources, institutional buy in or governance. It has not failed. But it has failed to do as much as it could and should. The city region needs to get a much more robust understanding of the opportunities, synergies and action plans to deliver on this potentially high performing area. That is where its few really world class assets are in health and life sciences.

‘We play the reactive game well. But we are not proactive enough. Take innovation. We need more Sensor City and Material Innovation Factory projects. We do not exploit the hospitals well enough. We need a stronger narrative on innovation. The Knowledge Quarter is a lost opportunity. There is a lot of talking and not a lot of action. Somebody needs to put their hands in their pockets.’

Academic leader

Figure 4.1: Liverpool City Region strategic priorities and programmes

Source: Liverpool Local Enterprise Partnership
4.15 But there is still a belief that LCR has still not fully explored the real opportunities in some of the sectors. In particular the low carbon sector and the opportunity around a self-sufficient energy economy based on the River Mersey has not been clearly articulated and embraced by the city region leaders. But there is already huge capacity and greater potential there.

‘We do not see the low carbon agenda clearly enough. We are too fragmented. We don’t have major global companies involved in it yet. There are huge opportunities, with the river, to become the first energy efficient city. But to get there it can’t be business as usual. We have to think and organise differently. There is a huge prize to gain.’

Private sector leader

4.16 A constant theme in our discussion was not the shortage but the plethora of strategies. We were told by investors and by government that the city region needed to be clearer and more focused about what its offer was.

‘You need to ask what is your value to the UK now and in the future. It is clear what nuclear means to Cumbria. What are the three or four things LCR brings to the party? Don’t try to be all things to all people. Identify them and then get the story and get the brand. People will then deliver and trust.’

Private sector leader Manchester

4.17 There are also concerns that while the big four LEP sectors do play to real or potential strengths of LCR they also miss other, more ordinary activities that could be equally significant in terms of making the city region a more desirable place to live and work. The care industry is a huge area, which will become more important as the population ages. Equally the voluntary sector has been calculated to employ thousands of people and generate more GDP than some of the key sectors identified in the LEP documents. We need to see how and where they fit in future city regional economy, especially since both are under huge financial pressure because of austerity. And both affect the welfare and jobs of many at the bottom end of the income distribution.

4.18 Others have argued the need to look at other sectors where we have strengths and potential which will become major issues in future. LCR needs to be more creative and inventive when thinking about the future economy and what it might mean for us.

‘We need a single hymn sheet. We need a document which goes beyond projects to show our future pipeline, how we will contribute, what are our assets and how they fit in with government plans.’

Private sector leader

4.19 A recurring theme was the need for the city region to become cleverer about mobilising and maximising money as public sector resources already have been and will continue to be dramatically cut. The view is that there are substantial amounts of private and public sector resources around which need to be better explored and captured. Autonomy makes this approach increasingly critical.

‘We need to ask about financing things locally. Can we capture the individual wealth or the local pension funds to invest in local projects? Can we do green bonds for infrastructure? We need to ask the universities and the hospitals how they can spend their investee resources better in the ways our local economy needs to create local jobs and make a bigger local difference.’

Voluntary sector leader

4.20 The largest concern about the city region agenda is essentially about capacity and delivery. There is a widely held view that the city region is better at writing strategies than delivering them.

‘We are very good at creating endless strategies and bad at delivering. We prefer talking to acting. We go to lots of different dinners with the same set of people at the chairs. It can be a strength but it is also a weakness.’

Academic leader

4.21 This becomes a real concern when the new city region agenda has to be delivered, since many believe that neither the LEP, the local authorities nor the Combined Authority have got sufficient resources to implement a powerful city region economic development agenda. Many believe the key issue is to discuss and agree a plan and ensure there are enough good people involved in the city region agenda to successfully deliver it.

‘The key to devolution must be delivery. We need to create an organisation with more capacity. We need executive capacity to make things happen and we need better quality people. Or devolution will fail.’

Private sector leader

4.22 The public sector has lost capacity because of large budget cuts. However, there is still huge capacity in the institutions across the city region. Many of them including the hospitals, universities, private firms, development agencies have expressed a willingness to commit some to help develop and deliver the city region agenda. There should be a discussion about whether and how those offers could be turned into reality, through an LCR Task Force or Commissions focusing upon key future LCR challenges.

‘We need to mobilise the talents across the city region, get the team in and let them focus upon the big issues and the opportunities. They need to generate the ideas, test the projects, and bring forward a pipeline of projects.’

Private sector leader
D. Is There Enough Commitment to the Principle of Liverpool City Region?

Belief in LCR is growing

4.23 Building identity, collaboration and trust in a city region is easy to say and difficult to do. Liverpool is not alone in this. All the UK core city regions are working on these challenges. In fact Liverpool has come some way along the road, even if it still has further to go. Trust is beginning to build. Collaborative working is developing. Relationships are more robust and stronger. That is agreed and welcomed. However, key partners believe LCR has further to go before it can successfully operate as a city region.

But more hearts and minds have to be won

4.24 The key question is whether the different parts of the city region believe they’re part of a single place with a common future and identity? The vast majority of partners recognise the potential significance and value of working at a city regional level. But they believe that a common identity has not yet been achieved and that not all communities and leaders are fully committed to the principle of Liverpool City Region. In fact Liverpool City Region does not yet pass the pub test. And that is the responsibility of the leadership class.

4.25 Many argue that the city region leaders have not invested enough time and energy in educating and persuading the public of the value of the city region. They have not shown how all parts could benefit from working together in a city region. There are two parts to this argument. The first is that, in a global economy, individual local authorities are simply too small to be successful on their own and will fall behind their competitors. The second is that important functional economic linkages already exist, which could and should be strengthened to everyone’s advantage. That case has yet to be made simply and compellingly so that the wider public understands what is at stake in this debate.

Private sector leader

4.26 The case for the city region has not been won. It is seen as an administrative convenience. We are still far too organised and seen through the lens of the individual local authorities.

4.27 What is the right positioning for LCR?

4.28 Whatever the challenges and risks it is clear that the city region leaders need to address the public concerns about these issues and persuade them why devolution is necessary and why it will be of benefit. As one player said:

‘The public will catch up with the significance of devolution and say to the political leaders – will you please sort yourselves out because Rome is burning.’

Voluntary sector leader

Economic development organisation leader

Promoting an argument for city regional working – passing the pub test

4.25 We need a simple clear vision. We need to get people behind closed doors and agree what it is and get buy-in. This is what we want to do, this is who does what in the city region, this is what we want government support for.

Private sector leader

4.26 The leaders have not promoted or communicated the idea of the city region hard enough.

Academic leader

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Voluntary sector leader

Who wins, who worries? Actually everybody!

4.27 The view that Liverpool is the main driver of the city region will only be accepted if the distributional consequences of success are addressed to allay fears that the economic benefits would go to Liverpool alone. This means the economically dominant partner, Liverpool, must recognise the political challenges this presents to the other local authorities, especially to the backbenchers whose support local authority leaders need. It must make greater efforts to reassure the leaders and residents of the other local authorities that this will be a fair relationship where the economic value and interest of all parts of the region are recognised and protected. This will require greater political maturity across the entire city regional leadership class but especially within the local authorities.

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Voluntary sector leader
E. Who Should Do What Better or Differently in Future?

4.29 There is great agreement that more decisions that affect the city region should be made at local rather than national level. There is some evidence that policies are more effective and efficient when delivered locally. But even if devolution is a leap of faith, many argue that the position could not possibly be worse than it currently is. They believe that giving responsibility to the city region for decisions about skills, employment and business services and transport will encourage innovative ways of tackling challenges.

4.30 This is a key argument in the devolution debate. City region decision makers argue that the relatively poor performance on key indicators we showed earlier does not necessarily demonstrate that the city region itself is failing. They argue that in some cases they lack control over the levers that would allow them to improve performance. For example, skill levels are not high enough but decisions about skills targets are made at national level. The majority of partners insist the skill system and business services would be more relevant to local employers if the agenda was controlled at local level. Similarly, the city region currently has not created a city region wide planning framework which would allow it to make more strategic decisions about investment in employment or housing. But this is a function of the planning system which requires boroughs to plan for their own areas only rather than the wider city region. LCR policy makers are willing to accept responsibility for their own failings – but not for the failings of the national system which they have to operate.

Changing relationships and processes

‘We have come a long way in a very short period of time. But we have a hell of a long way to go. The main problem is institutional. The gap is enormous. We do not have the capacity or competence to be in the top ten city regions yet.’

Policy analyst

4.31 Nevertheless there are many things that could be changed in the way LCR manages its affairs that would increase its prospects of further success. There is a demand for greater clarity, simplicity, collaboration, coherence, external engagement and lobbying.

More collaboration between public, private and community sectors

‘We need much more trust. We need to end the culture of fear, mistrust and parochialism.’

Economic development organisation leader

4.32 More generally many argue that the city region needs to encourage greater collaboration between the public and private sectors and between the different parts of the public sector.

‘We need to pull together the public, private and community sectors, the local with the national. We are still not good at this. The 6 local authority areas are not in partnership. The LEP and the CA are not on the same wavelength. We should adopt the Manchester model and role in private and agree in public.’

Economic development organisation leader

4.33 The private sector believes it has not been sufficiently involved in decision making about the city region.

‘The private sector is tolerated – provided it is not too demanding. It is not embraced. The local authorities do not accept the private sector has a part to play. The exclusion from the devolution debate is just one example of the wider story.’

Multinational company leader

4.34 However it can be argued that the private sector itself is as diverse and divided as other sectors. It has a number of membership organisations which, by competing for members are not able to bring a single private sector voice to the table.

‘The private sector needs to have a greater voice in the debate. But we still need a more coherent private sector. The devolution process has encouraged that process of finding a collective voice. And we are desperate to help the leaders deliver on the agenda.’

Liverpool based investor

4.35 We have a lot of private sector expertise which we do not use properly. We need to find a way that the private sector can mobilise and represent. We do not have that body yet. There are too many membership organisations which compete.’

Private sector leader

Anchoring institutions should punch their weight

‘The Universities need to be playing a more strategic role. They are too much on the periphery. We want them to be more centre stage’

Local authority leader

4.36 There is also a wish for the Universities to play a greater role in the development of LCR. They already are major players but many believe they could contribute more to the debate and delivery.

‘The universities are hugely respected for their valued outputs and their students. But I don’t see too many business to business relationships. They could play a bigger and richer role in the city region in generating growth and wealth. In Manchester the University is hugely and strategically involved. It may be happening in Liverpool but I do not see it.’

Private sector leader Manchester

More clarity and simplicity – where is our hymn sheet?

‘The city region is needed because it has to be bigger and then it can be a single brand. We must simplify the landscape which is overcrowded and confused. Resources are there but they are working against each other.’

Private sector leader

4.37 There is a constant refrain that there are simply too many organisations competing in the same space across the city region which creates uncertainty in the minds of external investors and government about who speaks for Liverpool City Region. There is not a single strategy or vision which clearly spells out the business case for Liverpool and the contribution it will make in future to the northern and national economy. It also means that there are competing messages, which, although not necessarily contradictory, are not well aligned. There is not a single hymn sheet. And this wastes scarce resources.

‘We need a more joined up better inward investment offer. We do not have a clear plan to sell Liverpool. We should get one and sell it in Westminster.’

Private sector leader

Doing more for the Northern Powerhouse and UK PLC

‘We need to have much stronger physical, intellectual and institutional links with Manchester and the north. Liverpool itself is still not big enough to gain the agglomeration advantages we need to compete internationally.’

Policy analyst

4.38 Everyone accepts that Liverpool City Region needs to improve its economic performance and become more successful. But there is also recognition that it must increase and promote its contribution to the national and northern economies. It is particular important that the city region can demonstrate to government how its continuing renaissance will contribute to the government’s wider Northern Powerhouse agenda.

‘The government both wants and needs Liverpool to succeed in the Northern Powerhouse – and believes it will. We are impressed by how far it has come. But we need the city region not just to think about its own future but how it plays into and contributes to the northern and UK economy.’

Senior civil servant

4.39 This recognition is not confined to Liverpool itself. The government and key northern partners are also very concerned that Liverpool punishes its weight more both on the northern and national stage. They need Liverpool to deliver, as much Liverpool needs them.

‘We need to get LCR right but put it into wider northern context. How do we collaborate as well as compete across the north? We are still losing out to the south and have to address that. And we need to get a clear strategy and an agreed pitch to government on this.’

Health sector leader

More confidence, more ambition

‘We have a world class offer but not a world class industry. Why don’t we make an international centre of excellence in the catering and tourism industry? Get the best people to run it and get people to come from all over the world. We need more ambition. It is crackers we don’t have a five star hotel.’

Business association leader

4.40 A constant thread through our discussion is that the LCR needs to be both more confident in its approach to the economy and, as a consequence, willing to take greater risks in doing that work.

‘We need to have greater confidence to take a risk and try different things in the economy. The risk appetite is not there. It will be scary if we take on new things. But we have to trust individuals and institutions to take a chance and fail if necessary.’

Private sector investor
Winning friends and influencing people in high places

4.41 Many argue the city region needs to promote its case more coherently and more consistently with Westminster and Whitehall.

‘Liverpool needs a more distinctive voice in London. Other places sell themselves better. You do not blow your own trumpet enough. You should have more confidence in your achievements and your potential contribution.’

Senior civil servant

4.42 The need for the city region to win friends in high places and lobby more effectively also applies nearer home.

“We lack the powerful links with the corporate sector. We have to do much more of that high profile stuff. We do not cultivate our customer relations enough. We miss too many tricks.”

Local authority official

The balance sheet – what is our strategic decision making capacity?

4.43 We have argued that the ability of leadership to deliver long term strategic development is crucial to city region success. We have shown here that Liverpool has a long way to go in this area. Relationships are improving. Commitment and confidence is higher. But on our key tests – awareness of achievements and challenges, strategies and business plans to exploit assets, capacity to deliver and commitment to the city region we have much more to do. However, the devolution opportunity has focused attention on these weaknesses. There is also a realisation of our current limitations and a willingness to change things. Again the prospects are challenging but not insurmountable. To illustrate how the city region might achieve some of the changes required we next look at the experience of Greater Manchester, which is the acknowledged market leader in city regional governance. What could we learn from its experience that would be relevant to Liverpool City Region?
5.1 We were asked to look at how the world outside the city region sees us and, in particular, to reflect upon the experience of the Greater Manchester City Region. It has led the debate about city regions in the UK for almost two decades. National government has recognised this by giving it the earliest and most expansive devolution deal so far. There are always sensitivities in Liverpool about discussing Manchester’s achievements. Of course, Liverpool City Region must not obsess about its neighbour, because Liverpool has wider markets and targets to exploit. But nor can it self-indulge and simply ignore what has happened down the M62. Manchester may have a different past, economy, geography and leadership model. Nevertheless there are enough similarities that Liverpool can interpret Manchester’s experience through a specific Liverpool lens. Mature places are willing to learn from others rather than simply copying them. So in this section of the report we distil the key messages from Greater Manchester about building a robust city region.

5.2 A number of features distinguish Greater Manchester from many other UK city-regions. First, Manchester City Council has had clear consistent leadership with only two leaders and effectively one Chief Executive for over twenty years. Second, they have engaged the private sector consistently in partnership working since the late 1980s. Third, they have consistently tried to respond to and even lead national government agendas and win friends in high places. Fourth, they had consistent leadership committed to city region level partnership from the late 1990s building upon but going beyond the successful regeneration of the Manchester city centre.

5.3 The success of its city regional agenda was encouraged by a variety of factors. The leadership of Manchester City Council became less aggressive with the surrounding local authorities as it became more self-confident of its own successes. The destruction of the city centre by the IRA bomb, when thousands of workers from outside Manchester could not get into work in the city, underlined to the other local authority leaders how dependent their own borough’s economy was on Manchester. It reinforced the need to work together collectively. The role of Lord Peter Smith, leader of Wigan, was crucial in providing leadership from a smaller local authority in favour of city-region working. And the rebuilding of the city centre bound the private sector even further into the decision making processes about the future of Manchester. But the agreement and collaboration rested on recognition of mutual interest not necessarily on mutual admiration.

5.4 A key feature in Manchester city region is that all organisations attempt to and are encouraged to sing from the same hymn sheet. Whenever you hear a speaker from Manchester, whether a third tier office in a local gathering or a city leader on a distinguished international platform, they always say the same thing about the city region, its achievements and challenges. It has become a mantra which eventually the world believes – and acts upon. They work hard to ensure those principles flow through all organisations. There is very regular discussion at a wide variety of levels from Chief Executives downwards, which means that the principles operate consistently and coherently rather than simply at a few key meetings when the Leaders meet.

5.5 Obviously it is not always sweetness and light across the Manchester city region. There are many differences of opinion and tensions within the territory. But Manchester leaders have worked hard to keep arguments inside the tent. ‘Manchester fights in private but once a line is reached it is always held – with the media and with government. Liverpool has its fights on the front page of the Echo.’

5.6 Manchester leaders are clear about the need to go with the grain of the market and to develop a robust private rather than public sector model of the city region. Manchester’s love affair with the private sector began in 1987 when Margaret Thatcher won her third general election and the then leader Graham Stringer decided to run up the white flag and get the private sector construction and banking players into a partnership with the council. The IRA bomb reinforced that relationship. And it has continued since then. We have tried to create a private sector model of the economy. That will help us as we go into the next period of public sector cutbacks. I have always thought that Liverpool’s dependency on the public sector and Europe was a short term cosmetic advantage for it, but in the longer term a real disadvantage.’

Stability, leadership, consistency
‘We have thirty years of working together with consistent leadership.’
Local authority official

Sing from the same hymn sheet
‘We have worked very hard for a long time at building agreement on our shared priorities and sharing them across all the family partners. We put our best officers not the weakest on city region working. They give us quality.’
Local authority Chief Executive

Create a private sector growth model
‘We have had a long term relationship with business for twenty years. It is our job to make their job easy. We are accessible to them. We are honest with them.’
Local authority Chief Executive

Keep trouble in the family
‘Manchester fights in private but once a line is reached it is always held – with the media and with government.’
Economic development organisation leader
Stay onside with government

‘Manchester always tries to make an offer to government. If we do ear back or want to tackle poor neighbourhoods we always try to show how this helps the government or the Chancellor. We are very fleet of foot and we try to work with different government psyches.’

Local authority senior official

5.7 Manchester has tried to cultivate good relationships with governments of different persuasions. It always asks how Manchester can help government deliver its strategic ambitions. It focuses on offers to government as much as asks from government. It has cultivated good working relationships between politicians but between its professional officers as well. Staff have been seconded to central government departments including, crucially, the Treasury. In turn civil servants have spent time working in Manchester. This means that they have understandings and relationships which help them address and resolve issues and differences. And the strategy pays off in terms of promoting Manchester’s interests.

‘We have good relationships with key bits of government which has transformed relationships. It means we can have serious off the record conversations and can pick up a phone to sort an issue.’

Economic development organisation leader

Do long term thinking and planning

‘We have done strategy for over a decade. Liverpool City Region does not do strategy. We will respond to the current crisis not as part of a short term cutting panic but as part of a decade plan to reduce dependency.’

Local authority Chief Executive

5.8 Manchester has always done long term thinking. It is said that the current Chief Executive wrote the strategy for Manchester in a pamphlet in 1983 where he outlined the significance of the city centre, the universities, the airport and tram. He has spent the past thirty years delivering that simple ambition. Long term thinking, planning and continuity are crucial.

Make the city region central not peripheral

‘The city region is an integral part of the strategy not an add-on for our local authority. You’ve got to spend more time with the “family” to make it work.’

Local authority Chief Executive

5.9 The city region has been a key part of the Manchester psyche in recent years. It kept the Association of Greater Manchester Authorities together after the abolition of the County Council in 1986. And, after it achieved its ambition of developing the city centre in the 1990s, it naturally turned to the challenge of making the city region a bigger player.

‘We had to work together. Manchester city is very under-bounded. We knew we had to cross local authority boundaries to make the economy work. And unlike many other places we are monocentric. We don’t have other economic power bases to compete with Manchester.’

Local authority officer

Create the same hymn sheet – the Manchester Independent Economic Review

‘The MIER transformed a perfectly decent voluntary partnership into something which will drive us forward in the future. It started to help individual authorities believe in the idea of Greater Manchester being a world class city region. It gave us a good kicking when it was needed. It showed us how to raise our game. Why can’t Liverpool do that?’

Local authority Chief Executive

Greater Manchester leaders have worked hard to create a single narrative for the city region – a hymn sheet that everyone can stick to. In particular, the Manchester Independent Economic Review in 2007 provided an objective analysis of the opportunities and challenges of the city region, identified where it was not working properly and gave it honest independent advice about where it needed to work better together. It underlined the need for the local authorities to hang together rather than separately. It showed where their different local authority plans contradicted the wider city regional agenda. The document became the story that all public and private sector partners use when planning their activities. And a key thing about the MIER was that it was independent.

‘The MIER was fundamental. It linked for the first time economic growth with public sector reform. Until then they were cohabiting but unseemly bedfellows. It made starkly clear the links between housing, and transport and that we would be wasting money on troubled families if we did not change those connections. The GM strategy was turned into a plan. It showed us bad land here, population there, houses here and no transport to connect them. It changed us to a much more joined up approach. And, since it was independent, it would make us look pretty stupid if we did nothing about it. The politicians lapped it up and said – let’s make the changes.’

Private sector leader
Win government money

5.11 The MIER helped Manchester win allies in government. It had powerful evidence and arguments when it made cases to government in general and the Treasury in particular. And it got government money.

‘MIER not only gave us a story inside the region. It was crucial with government. When we go to them they can see we have a powerful analysis and argument. It makes it easier to win our case. Government likes an evidence base.’

Economic development organisation leader

‘It cost a million but I think we have got £200 million back from government.’

Local authority officer

And they have continued in this vein, building an evidence base to win friends in high places – and their resources.

Keep up the evidence and the argument

‘We have a serious evidence base, do serious analysis and are taken seriously by government. Liverpool does have good pockets of evidence on individual issues from individual places. But it does not have the coherent, long term or independent analysis that we did and do.’

Economic development organisation Chief Executive

5.12 Manchester has built upon the MIER and has invested substantially in its economic and intelligence capacity. For example, 10 local authorities now support the Commission for the New Economy, which does the city region’s long term strategic thinking, research and analysis amongst other things. In turn it is part of wider city regional machinery grouped under the umbrella of the Manchester Growth Company. Estimates of the resources invested in this wider city regional agenda through these bodies vary. But the figure typically cited is £10 million annually.

What does Liverpool City Region look like from the other end of the M62? It has important assets which they and the north need

‘Liverpool assets are far richer than ours. I’d give my right arm to have those assets in Manchester. We can’t understand why it is not flying.’

Economic development organisation leader

‘Liverpool will be critical to the Northern Powerhouse. Bluntly we could do it without Sheffield. But we could not do it without Liverpool. It is partly its location and partly its physical assets. The port, the heritage and the universities are much stronger than in Sheffield. It is question of being bold and stepping up with realistic ideas that are of value and will happen. Liverpool must play in the Northern Powerhouse.’

Private sector leader Manchester

5.14 Also Manchester wants Liverpool to succeed and to work with it not compete with it, for wider northern and national purposes. There is as little interest in Manchester competing with Liverpool as there is in Liverpool for competing with Manchester. The example of Peel – which is a major asset holder in both cities and the places in between them – underlines the potential of collaboration between the two, especially through the Atlantic Gateway, which embraces Liverpool’s SuperPort and emphasises Liverpool’s contribution to the Northern Powerhouse.

‘The Liverpool leadership must continue to lead and see the big story. The risk is that the financial pressures upon the councils will lead them to take their eye of the bigger city region picture and get stuck on internal issues. That would be a long term loss.’

Private sector leader Manchester

5.15 We have presented the experience of Greater Manchester not to put down Liverpool’s achievements so far. Indeed as we have seen in the previous section, Manchester still faces as many social and economic challenges as Liverpool does. Rather it is to point out some of the essential messages about building collaboration and trust at city region level around a compelling economic case. Very little of this is rocket science. But it should underline the benefits of that approach. Liverpool City Region is a different place but many of the key principles of Manchester’s success are relevant to it. These include: stability of leadership, building trust between local authorities, making the city region central not peripheral, agreeing upon the importance of the core city as the regional centre, involving the private sector at the heart of decision-making, planning long term, maximising economic assets, winning friends in government, developing a firm evidence base, investing in city regional capacity.

CHAPTER 6.

SO WHAT ARE THE KEY MESSAGES FOR THE LEADERS OF LIVERPOOL CITY REGION?
6.3 Attitudes and values will be as important to future success as institutions and tools. Trust, honesty, cooperation are crucial to successful city-region working. We have shown how they matter in the wider European scene and how Manchester focused on those issues. In particular, there needs to be greater trust between all partners – the local authorities and their leaders, the public and private sectors, the city region and government. Such trust is growing in the city-region. But we need more of it. It is crucial to success.

6.4 The city-region will require increased leadership to define, drive and deliver a more successful economic future. But it can come in many forms. Leadership does not reside in or come from a single individual or organisation. Liverpool City Region will need its leaders to stand up and be counted if the city region agenda is to work. All will need to take a more expansive view of the role they play and the places in which they play it. We will all have to abandon the attitude that ‘I do my bit and you do yours’. The anchor institutions – the universities, colleges, hospitals, and research organisations will need to relate to each other in different ways. It will require a cultural change by many different players. It will not be quick and it will not be easy. But it is necessary.

6.5 All the partners we spoke to believe leadership is crucial to delivering a successful city region. In fact an elected city-region mayor was top of relatively few people’s agendas. Nevertheless everyone said that since an elected mayor is the only game in town, the city-region leaders must embrace it. For virtually everyone the prize was worth the price. But clarity about the role of an elected mayor and their relationship with and accountability to other public and private sector organisations was required. In fact a mayor could end up rather less powerful than some want but some fear. A mayor’s powers and accountabilities should be shaped to the city region’s circumstances. Clarity about the role would help reassure sceptics.

Devolve to deliver: reformed public services, more opportunities, greater productivity

6.6 To become more successful the city regional leaders will have to resolve a series of challenging economic and social problems. A devolution deal could help them to address many – if not all – of them. For example, LCR needs to increase the basic skills of many people to either attract new high quality jobs to the city region or to give those people a chance of getting such jobs or creating their own. Many, if not all, argue that placing responsibility for skills with the city region is more likely to deliver those which local employers want. There are too many unemployed people in LCR. Devolution will bring more control over DWP programmes and budgets, which should increase the effectiveness of employment programmes and help people into jobs. Similarly, the city region needs to generate about 17,000 new firms to match the national average. Devolution will bring greater local control over business services to firms and could help close that gap. The city region needs better, higher quality, more efficient transport so that people, goods and services can be got into, around and out of the city region more effectively. City-region control over transport will help this. Finally, the city region needs a clearer story about its future development, which would outline what kinds of industries will be developed where; where people will live in what kinds of houses; how they will get from where they live to where they work and play. The devolution proposal for a single spatial strategy for the city region should aid this process. So the devolution prize is worth having – and worth striving for.

Devolution to the city region is not the deck chairs on the Titanic. It could shape the way in which our public services will be delivered in future – at what quality and price. It is an opportunity, through public sector reform, to improve the quality of services at city regional level – meeting the needs of firms and families better than we currently do. This will be increasingly important as public sector cuts reduce the money that will be spent locally.
anyway. City regional resources should be used jointly to create more investment, more facilities and better infrastructure so that its residents can benefit from economic opportunities right across the city region. Already, many cross local boundaries every day. The archetypal city region resident might have been born in Liverpool, grown up and gone to school in Knowsley, studied at Liverpool John Moores University, live on the Wirral, work in Halewood, have a partner working in Chester, shop in Liverpool 1, support St. Helens rugby team, enjoy the beaches of Sefton or the golf courses of the Wirral and send their children to a college in Sefton or the University of Liverpool. People have multiple identities. Being proud of your local community and identity does not mean being parochial in the city region, or indeed the global economy. We have to work at different scales in a global economy. The city region leaders should make it easier, and more natural, for more people to identify with and work at Liverpool City Region scale.

Commit more to the principle of a Liverpool City Region

However, many inside and outside the city region, often those whom we depend upon for investment, do not believe that we are genuinely committed to and operating from a single hymn sheet about Liverpool City Region. They are not convinced we are putting the wider interests of the city region before the interests of particular parts of it. They think there are still too many territorial and personal tensions. This may not be welcome news but it must be recognised. City region leaders will all need to collaborate more in future. They must also do more to promote the value of the city region and make firms and families understand it is in their interest to work at this level. They don’t have to love the idea. But they need to recognise it is in their interest, because it will affect their opportunities to live and work within the city region. The city regional leaders need to make a greater effort to increase understanding of and support for the principle. At present, it seems too much like a narrow concern of six local authority leaders than something which could improve the economic prospects of people who live and work in the region. More hearts and minds will have to be won and it is the responsibility of the leaders to do this.

Clarity – create a single, simpler economic narrative about ‘Boats, Beatles, Brains, Barrage’

LCR needs a compelling shared narrative about its long term future which goes beyond particular projects, processes or people. It needs robust investment and business strategies which will link its existing economic assets – whether it is ‘Boats, Beatles, Brains or Barrage’ – to a long term development strategy based on clear market analysis. This should help the city region become less reactive, chasing ad hoc, initiatives and pots of money and more proactive about its longer term strategic ambitions.

Collaboration – work better with a more united private sector

LCR will need to go even more with the grain of the market and depend less upon declining public resources in future. More specifically, it must develop more trust and robust working relationships between the public and private sectors. But that is a two way street. Just as the public sector does not always speak with the same voice, nor does the private sector. It needs a more coherent, powerful voice which generates and promotes a clearer economic narrative about the future. However, that process is being encouraged by the devolution debate itself. The original devolution proposal to government was primarily prepared by the local authorities in the Combined Authority. However, some frustration with that process led the private sector to organise itself more coherently. This framed a more coherent single position for the private sector and allowed it to engage with the local authorities upon it. There is a real prospect that the need to deliver a sustainable devolution model will encourage the process of genuine public-private sector collaboration.

Accountability – make clear who does what between local authorities, Combined Authority, LEP

The city region needs to establish greater clarity about the relationship of the local authorities, the Combined Authority, the LEP and private sector more generally. At the moment, there is too much uncertainty about all of those issues. It has an opportunity to build a more unified structure. It will also need to work in a more strategic way, for example, to start setting a long term agenda for the Liverpool City Region. The LEP will need to be clearer about its future role, leadership and capacity as well as its priorities. There needs to be a sustained discussion and negotiation on these issues now.

Improve communication – win more friends and influence more people at home and abroad

LCR needs a compelling shared narrative about its long term future which goes beyond particular projects, processes or people. It needs robust investment and business strategies which will link its existing economic assets – whether it is ‘Boats, Beatles, Brains or Barrage’ – to a long term development strategy based on clear market analysis. This should help the city region become less reactive, chasing ad hoc, initiatives and pots of money and more proactive about its longer term strategic ambitions.

Connect with and contribute more to the northern and national growth agendas

LCR needs a clearer view of its contribution to the north, the UK PLC and internationally in Europe and beyond. In particular it should spell out how it will connect to the Northern Powerhouse, what it brings to the table, how it complements other parts of the north, and what its infrastructure and investment needs will be in the next decade. It should also develop a clearer picture of how Liverpool will connect to Greater Manchester City Region in future. For example, at the moment their labour markets are too self-contained. We need people to be able to work and live in both these places easily. So a fast efficient public transport train system between the two could become a strategic goal. The city region has been primarily concerned with its internal affairs and decision making. This is understandable given the economic challenges it has faced. But LCR leaders need now to be making wider links as well – regionally, nationally and globally.

Challenge existing strategies

The city region needs to develop a more robust system for examining and challenging its economic development strategies. At present there are too many strategies, which are not sufficiently detailed and not sufficiently exposed to challenge. Too many drop to the lowest common denominator, so as not to offend different parts of the city region. There needs to be greater realism and honesty about the long term prospects of places and sectors. This will require greater analytical and political capacity. The city region will also need to become better at recognising the strengths of different areas of the city region and to build upon them – rather than claiming all the same contribution. We need more credible strategies to attract public and private sector investment.

Create credible investment strategies and business plans – economic place making

The city region needs to develop more systematic long term investment strategies and develop a pipeline of projects which will come on stream in the coming decade. At present, its city regional decision-making systems, with the exception of transport, are not robust enough to do this. Transport remained a statutory regional responsibility after the abolition of the Metropolitan County Council. As a result, it has robust systems to look at sectoral needs, opportunities and risks and systems to allocate resources and investment intelligently at a city regional level. The city regional transport plan shows how transport is connected to the wider economy and also how different parts of the city region are connected. This is simply not the case for example, housing or employment. With devolution, LCR will have to create decision making systems which will allow intelligent planning and resource allocation across a wider set of policy areas. As well as an economic development plan, LCR needs a spatial strategy which spells out who will do what where in the economy, who will live where and how people and jobs will be connected within the city region. Liverpool City Region needs to take economic place making more seriously.

Look forward further and outward

The city region needs to look further forward and outward. It should, for example, do more forward looking strategic analysis. Also the economic debate is too internalised and needs to be more externalised. The city region should build upon the experience of its International Festivals for Business and be much more systematic consistent and long term in its international strategy. If it does these things it will have a clearer view of what it needs to concentrate upon in future and the implications, for example, infrastructure investment, skill requirements, relations between universities, research and health agendas.

Create an organisation to generate better intelligence, analysis, arguments – and win investment

The city region has a lot of data which enable it to compare its performance over time and in relationship to other places. We have shown this in this report. In future, that database should be more systematically managed, with fewer organisations involved and less duplication and variation. However, more important, LCR needs to have a better, market-facing and future-oriented intelligence about trends and opportunities domestically and internationally. It needs to do more in depth analyses of the challenges that LCR will face in the next decade and think innovatively about the opportunities in, for example, the field of health, food security, energy security, wellbeing, work, leisure and employment. Liverpool City Region needs to become more self-aware and better informed about its changing environment and develop more sophisticated economic strategies and approaches to markets. In Greater Manchester, this work for the 10 local authorities is undertaken by the Commission for the New Economy. Manchester argues that this investment of time and money in strategic analysis and policy options pays off in discussions with government and the private sector and wins it investment. Better evidence and arguments can help influence political and policy decisions. Liverpool should create an institution capable of doing this work. This report, with joint working between the two universities and the LEP, illustrates what is possible.
6.18 The city region needs much greater dedicated executive capacity to deliver programmes and projects at a city regional scale, especially given the range of responsibilities and tasks involved in devolution. At the moment, there is simply not enough experienced professional capacity within the LEP, the six local authorities or the Combined Authority. The nature, scale and quality of that capacity must be addressed immediately. There is no point having powers, plans and priorities if we do not have enough of the right people to deliver them. We would be programming to fail. This is a major challenge that the city region leaders need to address immediately, so that the city region is ready to deliver.

Maximise existing capacity immediately – share staff

6.19 Given budgetary pressures, it will need some partnership working and staff from existing organisations to work together more coherently across the fields of skills, transportation, employment programmes, businesses services and economic development. In particular, immediate decisions about future staffing for the Combined Authority should be aligned with the needs and expertise currently within the LEP. There is no point duplicating staff within the two organisations while their future strategic relationship is being clarified. For example, Sheffield was the second city region to get a devolution deal. This is not a surprise since it has had a joint team of a dozen people drawn from the LEP and Combined Authority working for some time on the city regional agenda. This is an important message. Also the Chief Executives of the six local authorities must play a major role in the development of city regional agenda. It must be a key part of their future roles not just an addition to their day job.

Generate new dedicated executive capacity

6.20 In the medium term by spring 2017 there must also be more executive capacity at city regional level, with dedicated staff whose only concern is to deliver the city region agenda. Different models are available. The GLA in London and Greater Manchester in different ways have developed extensive capacity to deliver city regional working. Liverpool City Region leaders should immediately start to develop a plan which would identify the skills and people it needs to deliver programmes. It may create a single powerful economic development agency if an elected mayor emerges after 2017 which could lead on transport, skills, housing, inward investment and marketing.

Create an LCR Task Force of our best and brightest – generate enthusiasm

6.21 But even if this happens, it would probably be two years before there are people on the ground to deliver. In the meantime, the city region leaders should consider developing capacity by mobilising the talents of people working across the city region. In the private firms, universities, the hospitals, trades unions and the voluntary sector there is a wide range of talent who might value contributing to the development of a city regional agenda. In particular, it must involve young people, who we need to be committed to Liverpool City Region because they believe they will have good life chances here. We should create an LCR Task Force incorporating people with the experience, skills and enthusiasm to focus on the key issues facing the city region in the coming months. It should work alongside those already in the Combined Authority and local authorities. Perhaps Michael Heseltine could be persuaded to help create such an animal as he did in different crises times in 1981. Many senior figures in the major institutions across the city region have expressed a willingness at least to explore such a proposal so that talent from their organisations could be mobilised. LCR leaders must generate enthusiasm, momentum, commitment and ideas for the project – now.

Carpe diem – or just do it!

6.22 This final section has identified a lot of actions that Liverpool City Region leaders must undertake to improve their long term economic prospects. But this is meant to be constructive not negative. There is a lot to be positive about. The city region has emerged from longer-term structural change and from the impacts of recession and austerity and is making progress in a series of areas. There are huge potential synergies and gains to be made, even if the challenges should not be underestimated. Liverpool City Region has a track record of delivering. The city region has made big strides in developing the infrastructure to work effectively as a city region especially with the SuperPort, with many of its internal transport connections and with the second River Mersey crossing, which is now under construction. It has successfully transformed the waterfront and city centre. It has made major investment in creating a business district, an improved retail and cultural offer. It has delivered a major European programme. It has delivered in the past. It can do so in the future.

6.23 The city region leaders have a lot to be getting on with straight away if they are to use the opportunity of devolution to create a place where people can happily live, work and play. They need to build greater trust within the city region between the local authorities and between the public and private sectors. They need to develop robust relationships with partners outside the city region, especially with Greater Manchester and key parts of government including the Treasury. They need to generate a series of medium and long term economic opportunities which LCR can realise. They need to increase both the quality and quantity of those working on the city region agenda so that there is a realistic hope of successfully delivering its long term economic ambitions. They should recognise that this is not a local authority concern, but must be embraced by all the partners and sectors. They must develop processes and relationships that will deliver the cultural change these things will need.

6.24 All the city region leaders now need to seize the opportunity presented by devolution and tackle the issues this report has raised. Because they are the issues the people who live and work in the city region have told us matter! This report has not produced a set of pat, simple answers. Rather, it has identified concerns for the leaders to resolve. They need to develop a process so that the individuals and organisations who contributed to this report can continue to contribute constructively to its development. The process of consultation generated real interest in and enthusiasm for the city region agenda. People recognise it is important and want to remain engaged. They should be encouraged and helped to do so. The next 18 months are critical. The last thing the city region needs to do is to find itself in spring 2017 with lots of new powers and responsibilities but no plans or people in place to put them into action. The crucial thing is to generate the capacity to deliver. The universities are willing and prepared to help in that process. Other institutions have expressed similar commitment to this agenda. The hard work must start now.

Carpe diem – or just do it!
This report reflects the views of a large number of people whom we interviewed individually or worked with in small groups on this project. We are extremely grateful to them for their help.

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Copies of the report can be accessed at:
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