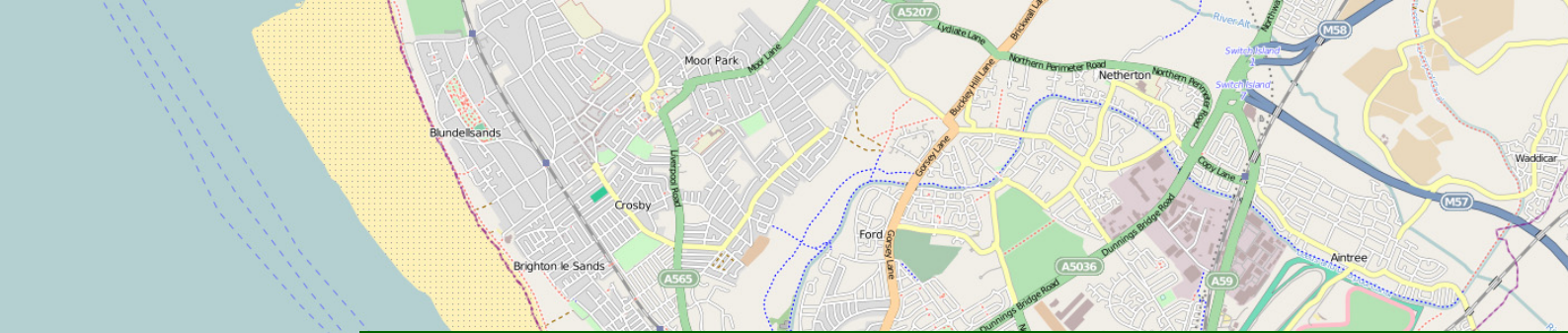
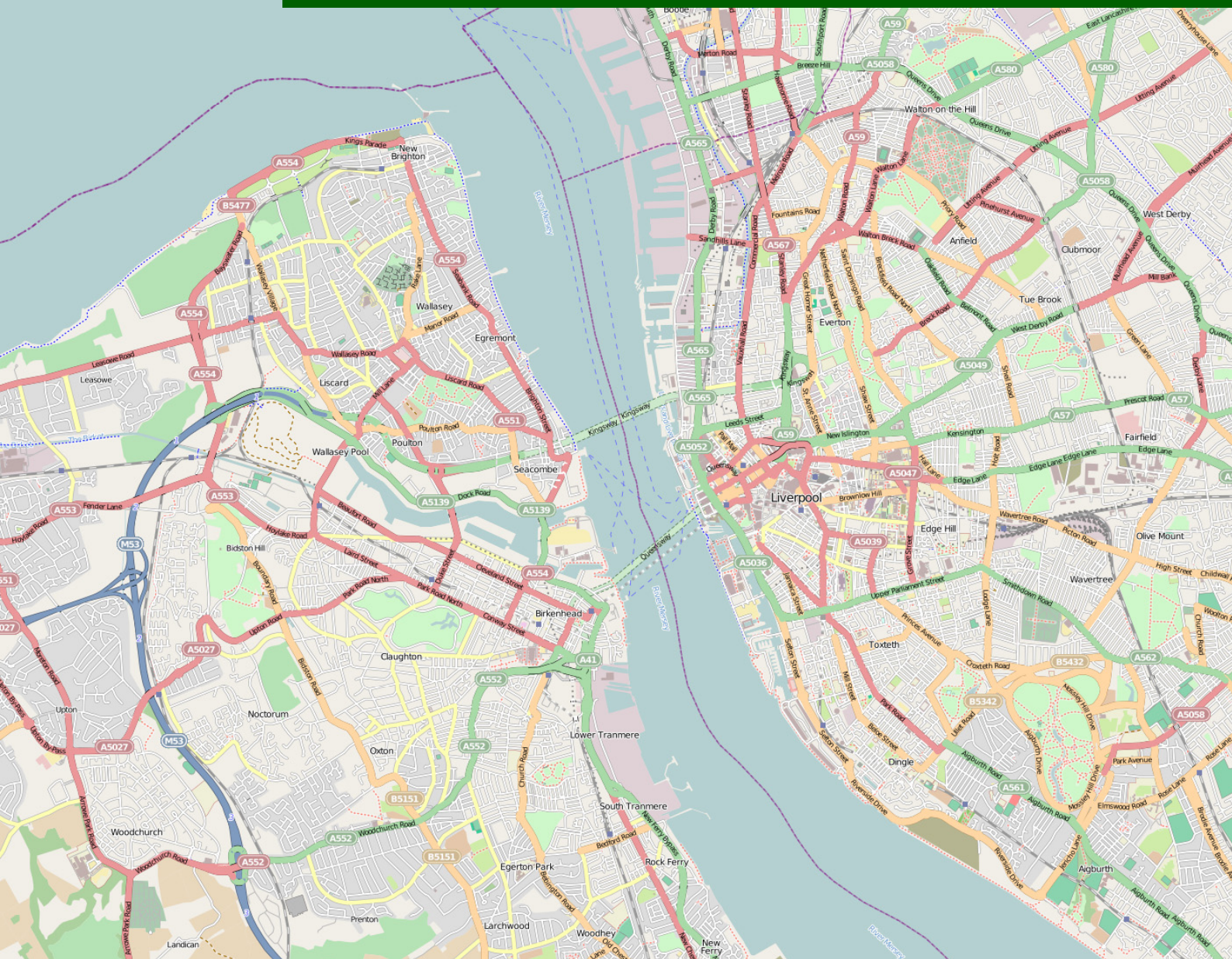




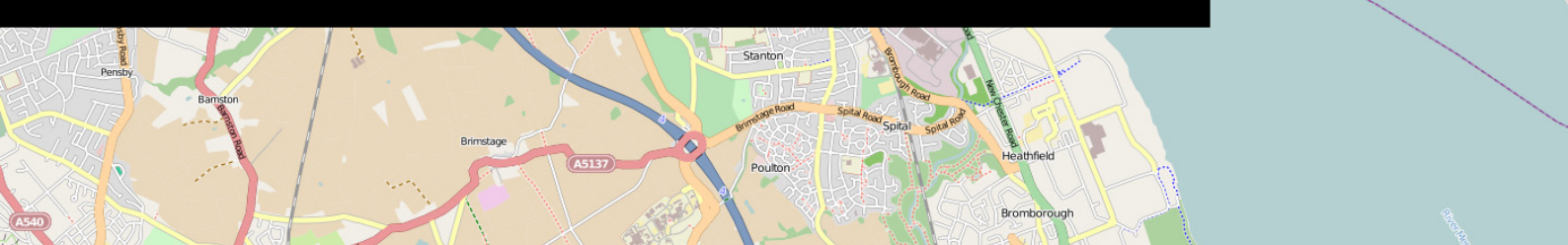
# REBALANCING BRITAIN: POLICY OR SLOGAN?

## Liverpool City Region - Building on its Strengths: An independent report.



The RT Hon the Lord Heseltine CH and Sir Terry Leahy.

October 2011





| <b>Contents</b>                            | <b>Page number</b> |
|--------------------------------------------|--------------------|
| <b>Introduction</b>                        | <b>3</b>           |
| <b>Key Report Recommendations</b>          | <b>12</b>          |
| <b>Driving Enterprise and Growth</b>       | <b>18</b>          |
| <b>Inspired Leadership</b>                 | <b>36</b>          |
| <b>Brand Liverpool</b>                     | <b>43</b>          |
| <b>World Class Infrastructure</b>          | <b>53</b>          |
| <b>A Roadmap to Prosperous communities</b> | <b>67</b>          |

## Introduction

You asked us to engage with the Local Enterprise Partnership (LEP) in Merseyside and produce a report that considers the opportunities available there for growth in the City Region over the next 10-20 years. We have had discussion with a wide range of stakeholders across the region to help us in our thinking and we are particularly grateful for the assistance of Liverpool City Council, the other local authorities in the city region and from businesses and community groups who have helped us to prepare this report.

Both of us, in our different ways, have known Liverpool and its city region over many decades. This has given us a perspective against which to prepare this report.

The first conclusion that emerges – and with growing strength - is that the opportunities, and the self confidence of those who seek to grasp them, are of a different and altogether more encouraging nature than would have been reflected in a snapshot of such opinion in the 1970s and 1980s.

A simple fact reflects the change. Liverpool is not the source of despair it once was: since 2000, Liverpool's economy has grown faster than that of the UK<sup>1</sup>. It was this background that gave us the confidence to look for ways to build on existing achievements. We sought to identify the strengths underlying this widely felt sense of confidence.

The analysis centres on three simple questions. Who? How? What?

- **Who** is in charge and could be encouraged, incentivised or enabled?
- **How** can change be brought about?
- **What** should or could happen as a consequence?

**Take first the Who?** The economic area of the Liverpool region as defined by the newly formed Local Enterprise Partnership is comprised of six local authorities (Liverpool, Knowsley, St Helens, Wirral, Sefton, as well as nearby Halton) each with its own political leader.

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<sup>1</sup> (<http://www.statistics.gov.uk/statbase/Product.asp?vlnk=14650>)

A constructive (albeit voluntary) arrangement has evolved to bring together the six leaders who are thus able to coordinate the power and responsibilities of their respective authorities but there is no statutory framework to support this endeavour. Astride this is the LEP, a hybrid body consisting of representatives of the private sector and other important local bodies. The local authority leaders are themselves members. Certainly there is a clear development remit but LEPs have virtually no money, no planning powers, no land assembly powers and are dependent for their administrative capability on staff from the local authority.

We believe that to spearhead the transformational invigoration of the local economy the Government needs to execute its commitment to a directly elected mayor with chief executive powers. The Government's present plans relate to Liverpool itself. We believe there would be a wide welcome if the plans were adjusted to create a directly elected leader across the six districts. The person concerned would need the necessary powers and resources appropriate for such a task and to incentivise the private sector to make its contribution. Any success achieved within the Liverpool LEP area would, of course, have significant beneficial consequence over a much larger travel to work area. We discuss this in Chapter 2.

**So we move to the How?** There is an immediate problem. In arguing for a major devolution of power, responsibility and personal identity to a local authority it seems perverse to then prescribe what they should do. In practice this is less of a dilemma than it seems because already in existence is an armoury of weapons that could be used in these circumstances. For various reasons – and we suspect most of them flow from the decisions or lack of them by central government – these weapons are used sparingly or hardly at all. Local authorities have compulsory acquisition powers, planning powers and can own land. These can be combined within the framework of an urban development corporation to create discrete management and private sector skills. Parliament can expedite major proposals with a Special Development order.

Over the years success has been achieved in turning round areas of historic decline or social deprivation with a range of initiatives such as Enterprise Zones, City Challenge and Housing Action Trusts. So if the weapons are to hand, how is it that so little evidence exists of their consistent long-term use?

A significant part of the answer must lie in the inconsistency of central government policy. Governments like initiatives that can be proclaimed as a 'new' approach. Often such initiatives have a price tag and are thus under the ever watchful eye of the Treasury in its search for economy. Ambitious ministers invent and reinvent their own mark on territory before they move on. Over many decades power and initiative have shifted under governments of all persuasions from provincial England to its capital city and its bureaucracies. What they have they hold.

**So to the “What”.** ‘This is easily stated. It is the rebalancing of the government of England. The process is now, in our mind, inevitable. The creation of devolved bases of power in Scotland, Wales and Northern Ireland and the creation of a high profile Mayor of London reveal in stark contrast the vacuum of responsibility and powers in the municipalities of England. Whether it be called North South Divide or anything else it is widely apparent. No one should underestimate the strength of the forces pulling the economic might of the United Kingdom to the economic region of the South East. Indeed in its extreme there are those who argue that it makes economic sense to keep developing the South East and allow activity to become more concentrated there. In the end, it is said, congestion will create costs that will encourage a rebalancing. Long before that the political resentment of those who perceive themselves to have been abandoned and the nimbyism of those watching their fields replaced by concrete will have taken their political toll.

We believe that there needs to be a high priority commitment by government to bring about an historic rebalancing. Liverpool is the subject of our report. Other cities will have different strengths and opportunities. In passing we refer to Liverpool as the city region including all 6 boroughs and encompassing the LEP area. We believe in marketing terms Liverpool is a world class brand and as much of the city's future must depend on its capacity to market itself, it would be perverse to do other than embrace the wider area within an identity recognised across the globe.

The Government has by its creation of LEPs and the appointment of a Minister for the Cities moved significantly towards an acceptance that change is on the agenda. We will come in a moment to the projects that might be part of this rebirth of Liverpool.

But first to central government itself. Ministers are appointed to functional departments. Each has its branch office to advance its specific responsibilities based on the individual regions. The language is about specific grants, ring fencing, this or that initiative,

statistics of houses built, crimes committed or circulars dispatched. Some officials know much about some of the parts but no department is responsible for articulating the success or otherwise of Liverpool.

The Government should undertake a major devolution of responsibility to local government, encourage diversity of administration, distribute capital allocation by competition, reward success and concentrate itself on the spread of best practice. In a sentence the Government should recreate local government. The success or not of Liverpool depends on local leadership both political and from the business community. This report sets out the need for greater devolution and the potential benefits from doing so.

The hardest part of the 'What' is its unpredictability. Our perspective is that of a quarter century. There will be huge opportunities. Overseas investments, relocation opportunities, new markets, unpredicted demands will all contain the opportunities of tomorrow. But host societies must compete to attract these investment opportunities to their location and they must compete in an intensely competitive environment. The upfront costs of such competition are inevitable and often substantial. Company Directors with investment want to see a good supply of appropriate space ready for occupation not be offered promises about clearing yesterday's toxicity. Land assembly and preparation are part of the sales technique in the battle to attract the investor.

Such forward planning is not only about specific sites. Liverpool needs a master plan for the city. Those making the investment judgement will ask many sensible questions about local housing, schools, entertainment and environment. Liverpool scores well on some of these as we describe in our chapter 'Brand Liverpool' but there are blemishes.

The post war imperative to rebuild one of the most heavily bombed cities in the UK led in part to a supply of housing too large for today's much reduced population. 168,000 people have left Merseyside since 1980 alone<sup>2</sup>. The consequences are still there - 11,000 empty houses and large areas of cleared sites. Plans are needed that think long term about housing needs, anticipate and provide space for business growth within a holistic plan for a sustainable 21<sup>st</sup> century city region.

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<sup>2</sup> ONS Official Labour Market Statistics available at [Nomisweb.co.uk](http://Nomisweb.co.uk)

There would remain the acute aspects of what is called today's broken society. Any reader of Britain's newspapers knows of Toxteth and what they know is unacceptable. The reality may have improved but the image remains and is reflected in many other parts of England's urban areas - frightened residents, largely unemployed and a gang culture beyond any apparent control. For too long governments have looked away. That is set to change. We cannot avert our gaze for another twenty five years. The Government is putting in place policies for the sink schools, welfare dependency and a National Citizenship Service.

The present policies form the basis for a long term solution to our forgotten sink communities but to make them work will require coordination of the public services responsible under identified leadership. Someone should be in charge and inter departmental bickering and turf wars must be firmly suppressed. There are many areas of north Liverpool such as Anfield, Norris Green or Croxteth which would make ideal places to use as a model of regeneration. We discuss this further in Chapter 5 A Roadmap to Prosperous communities..

The Mersey is Liverpool's heart. Over centuries its contribution has taken different forms but economically its might and location are inseparable from any perspective of Liverpool's future. In sharp contrast to its more despondent features, the port is now servicing the biggest tonnage of freight in its history.

In 1981 the Mersey was an open sewer. It is now the cleanest it has been since the Industrial Revolution, and could be the foundation of huge economic potential. However, the river still falls far below the required standard. The EU requires Member States to aim to bring all inland and coastal water to 'Good Ecological Status' by 2015. Only 27% of water bodies in England and Wales currently achieve this - and the Mersey is not one of them. The demand for clean water will be a growing and increasingly urgent feature of this century across the world.

Should Britain set the pace, adopt a world class standard of a river into which no discharges will be permitted in 25 years time? There are costs but most capital processes involved in the present level of discharge will - within the ordinary course of things – have to be replaced anyway in such a timescale. It becomes a question of setting standards well in advance, encouraging the growth of new technologies and creating an expert base from which a growing world demand can be met. This, in

tandem with a truly multimodal port and logistics offer, unique opportunities for renewable energies and new markets in eco and liner tourism could ensure Liverpool restores its place as one of Europe's great cities. We set this out in Chapter 4 – World Class Infrastructure.

A major catalyst for change and a developing contributor to excellence on Merseyside are its academic institutions. Liverpool has a wealth of assets in this area: Three universities, the School of Tropical Medicine, Daresbury Science and Innovation Centre (one of only two in the country), and the proposed 'Bio-Innovation' campus at the Royal Liverpool Hospital. Their purpose must primarily be the pursuit of academic excellence and the equipping of successive generations for the careers of their choice but universities increasingly exploit their talents and assets to support economic growth.

Every opportunity should be explored. For example Bill Gates has recently contributed £189m to the School of Tropical Medicine. Liverpool city region and the wider area has such strength in the knowledge economy and must use all of its assets more affectively to create private sector spin outs. Daresbury and the Royal Liverpool are already doing this but must be supported to do far more. This report is about using assets to the greatest possible affect and it is clear that there is so much potential. We discuss the academic strengths of Liverpool in Chapter 1 - Driving Enterprise and Growth.

There is emerging a better educated, more prosperous and larger world population. The UK should seek to gain the largest share it can of world tourism. Liverpool is now the UK's 6th largest tourist destination. It is equipped to do better. If one historic warehouse, the Albert Dock, saved from destruction thirty years ago can attract 6m visitors a year, what can a city served by the Mersey with the highest number of listed buildings outside of London and a World Heritage Site which is home to the Royal Liverpool Philharmonic, the Museum of Liverpool, Liverpool and Everton FC, Tate North, the Beatles, Royal Birkdale and Aintree achieve?

Our explorations revealed that there is not one single publication drawing together these remarkable strengths. There is not one coordinating body whose task it is to tell the world why it should come to Liverpool. We set out this opportunity in Chapter 3 – Brand Liverpool.

Broad estimates predict that through three growth sectors, the Port, the knowledge economy and tourism, 95,000 jobs could be created by 2020. It is our view that if the



recommendations of this report are accepted this is the very least that could be achieved.

| SECTOR                         | ESTIMATED JOBS CREATED BY 2020 |
|--------------------------------|--------------------------------|
| Super Port <sup>3</sup>        | 21,000                         |
| Knowledge Economy <sup>4</sup> | 60,000                         |
| Tourism <sup>5</sup>           | 14,000                         |
| <b>TOTAL</b>                   | <b>95,000</b>                  |

We make no attempt to distinguish between one sector of job creation and another. Liverpool is traditionally seen as a service sector economy but the remarkable success of Jaguar, Pilkington and Unilever warn against a narrow focus. If there are opportunities go for them. Everyone else will. The first step is to exploit the strengths of the existing companies. The LEP should galvanise each sector to encourage more of their diaspora to locate in the area. Local sourcing should be an agenda item and in this context the procurement budgets of the public sector should be mobilised..

A well rehearsed example of regional rebalancing is the movement of significant numbers of public employees out of London. As a nation we seem quite happy to contact Swansea for our driving licences or Sheffield for our pensions. For very human reasons some public employees initially don't want to move but that is social nimbyism as there are few serious arguments that all of the present Whitehall needs a London base. One option that merits serious consideration is the location of the Government's new Green Investment Bank. There are many candidates but Liverpool's banking history and current success in sectors such as wealth management and insurance makes it an obvious choice.

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<sup>3</sup> Superport Action Plan: Delivering Economic Growth 2011-2020 available at: [http://public.edition-on.net/links/3058\\_super\\_port\\_action\\_plan.asp](http://public.edition-on.net/links/3058_super_port_action_plan.asp)

<sup>4</sup> Liverpool City Region's Knowledge Economy: delivering new opportunities for growth. Summary 2011-2020 available at: <http://www.merseyside.org.uk/dbimsgs/KE%20SUMMARY%20DOC%20FINAL%20pdf.pdf>

<sup>5</sup> Liverpool City Region Visitor Economy Strategy to 2020 available at: [http://www.merseyside.org.uk/dbimsgs/TMP\\_Visitor%20Economy%20Summary%20Strategy.pdf](http://www.merseyside.org.uk/dbimsgs/TMP_Visitor%20Economy%20Summary%20Strategy.pdf)

Neither of us have any doubt about the rectitude of the present government's determination to maintain a tight control of the national economy and retain an acceptable and confidence building balance. Even if the Government threw its whole weight behind all the ideas we have outlined the short term financial consequences would be very limited. Costs there certainly will be but the early years - and therefore, hopefully, the years of tight public expenditure – will be years of planning, consultancy and preparation. Certainly that has been the earlier experience elsewhere.

In order to galvanise every resource, local authorities should be given every incentive to realise assets with the promise that cash raised from the private sector can be recycled by that authority. Existing capital programmes should give priority to schemes that stimulate gearing from the private sector. To provide the initial capital to finance the localism to which the Government is committed, top slicing an appropriate part of existing capital programmes should provide resource to programmes in the principal provincial cities.

There is significant opportunity for Liverpool to grow and become an example of what could be achieved. The real contribution that the Liverpool city region could play is in reducing the over dependence on the UK economy on London and the South East.

Our report concentrates on the Liverpool city region and consequently the investment proposals directly affect that area. However, the economic consequences that would flow from the continued revitalisation of Liverpool would be felt over a much wider travel to work area. Any examination of existing travel to work patterns indicates that the benefits would be felt extensively in the towns and villages of South Lancashire and North Cheshire including Ormskirk, Skelmersdale, Warrington, Chester and Deeside.

Inherent in this report is the conviction that we not only need a significant devolution of power from central to local government but that we should encourage a more entrepreneurial spirit in that local administration.

Our report urges support for many existing local initiatives. Not all of them will advance to completion. This is not a matter of criticism. In the private sector it is the normal experience to be active in the pursuit of many initiatives at the same time in the knowledge that many of them will fall by the wayside, But for every one that falls the hunt is on for a replacement. That is the enterprise culture and it is as important in the public as it is in the private sector. The disciplines of decision making in the private sector

usually eliminate the non viable early in the process. Local leaders should be enthusiastic in the examination of new ideas if appropriate but disciplined in their early rejection if not.

A handwritten signature in black ink, appearing to read 'The Rt Hon The Lord Heseltine CH'.

**THE RT HON THE LORD HESELTINE CH**

A handwritten signature in black ink, appearing to read 'Sir Terry Leahy'.

**SIR TERRY LEAHY**

## KEY REPORT RECOMMENDATIONS

Liverpool has accomplished a great deal, but much more remains to be done for it to achieve its full potential. The following key recommendations combine ideas that have real potential to generate growth. These are not 'pie in the sky' ideas but practical suggestions as to how the city region can build upon its existing strengths and shape its future to ensure that it remains competitive and prosperous.

Liverpool needs to be bold in its ambition. It has great potential and it needs to capitalise on this.

### Driving Enterprise and Growth (Chapter One)

- Immediate priority should go to developing the proposed Bio-Innovation Centre to provide growth-stage space, a proof of concept lab, business support centre and incubator (see 1.3.5)
- Liverpool should build on its growing reputation as a creative hub by creating free Wireless Fidelity (WiFi) and Superfast Broadband connections across the central business district. (see 1.3.6)
- The Government should support the Daresbury Science and Innovation Campus for major scientific infrastructure projects and choose it as the ideal location for the next generation light source project. (see 1.3.8)
- Liverpool should set out how it will become one of the best places to start a business in the UK, building on its strengths such as availability of high-quality land, relatively low start-up costs, availability of skilled labour, its plans for growth, and its excellent internal and improving external connectivity. (see 1.4.1)
- The LEP should ensure that there is city-region wide business support, building on the successful Business Advocates model developed by St Helens Chamber of Commerce, and work with national agencies to develop a Liverpool-specific business support offer that complements national products. (see 1.4.3)

- Public bodies and national agencies across the Atlantic Gateway region should be flexible and supportive in helping bring vital new investments by Peel and other companies to swift fruition. (see 1.6.1)
- The Government should respond as helpfully as possible to any proposals from Liverpool Vision to kick-start new commercial development in the city centre. (see 1.6.3)
- Liverpool city region partners should adopt a master planning and strategic approach to harness development across the two Enterprise Zones and Central Business District, with processes in place to avoid local displacement. (see 1.6.4)

## **Inspiring Leadership (Chapter Two)**

- A metro Mayor is the best single solution to the leadership gap that currently afflicts the city region and constrains its growth. In the meantime, the Government should push ahead with its plans for City Mayors. (see 2.1.7)
- We recommend that Liverpool city region and neighbours jointly commission an economic study to inform the development of a unified vision for growth. (see 2.2.2)
- The six Liverpool local authorities should develop a strategy for maximising business rates and options to pool retained business rates so as to support high return programmes that deliver strategic growth priorities. (see 2.4.5)
- We commend the idea of an integrated city-region Chamber of Commerce, drawing on the strengths of Liverpool and St Helens Chambers and Professional Liverpool. (see 2.5.3)

## **Brand Liverpool (Chapter Three)**

- The expertise and resources of Liverpool Vision and The Mersey Partnership should be harnessed within a single city regional body responsible for inward



investment, tourism and strategic economic planning and development. (see 3.1.5)

- The wider urban region needs unified branding and marketing for both tourism and inward investment purposes, building on Liverpool's global profile as well as reflecting the diverse assets of the urban region. (see 3.1.8)
- National and local government must continue to work together to resolve the impasse on cruise liners being allowed to start and end their journeys in the heart of the city. (see 3.2.7)
- Liverpool city region should match the inward investment spend of city regions like Manchester and Birmingham, ensuring it has the right numbers of dedicated staff, budgets and resources. (see 3.3.6)
- The attraction of significant overseas investment to the Atlantic Gateway should be a national priority for UKTI and Government given the potential contribution impact on national growth and economic rebalancing. (see 3.3.9)
- The so-called 'Liverpoolian Diaspora' should be provided with a formal structure and opportunity to help their home city region with investment leads, expertise, advice and intelligence. (see 3.3.11)
- Government should provide a lead to the private sector in demonstrating that it successfully conducts high level national business in Liverpool, with more senior civil servants and high level functions based in Liverpool. (see 3.3.12)
- The Green Investment Bank should be based in central Liverpool, to benefit from its track record in the sector and the cost and quality of life advantages such a location confers. (see 3.3.13)
- Government should endorse in principle the proposal that Liverpool should host an International Expo on behalf of the nation, representing not just itself but the wider Atlantic Gateway and north of England, and provide appropriate national financial support for such an event. (see 3.3.15)

## World Class Infrastructure (Chapter Four)

- Government should offer in-principle and practical support for the Atlantic Gateway proposition, including senior level engagement and co-investment. (see 4.2.7)
- Liverpool City Region and Government should work closely to ensure that the strategic infrastructure, and necessary environmental protection, is in place to support Liverpool's renaissance as a major Post Panamax European port, for example improving rail freight and strategic road access at Seaforth and dredging for post Panamax ships. (see 4.3.6)
- Government should revisit a policy which appears to support the use of European rather than UK public funding for port infrastructure. (see 4.3.7)
- In the short term, Government and Network Rail should accelerate and expand the scope for the Northern Rail hub project, to better connect the eight million people of Liverpool, Manchester and Leeds. The Second Mersey Crossing project also is essential and should now be constructed as soon as possible. (see 4.4.6)
- Government should establish a Task Force comprising representatives from relevant Departments, experts and private companies to establish how a multi-purpose Mersey Barrage can be funded and how the River Mersey can become the worlds cleanest river in an urban setting. (see 4.5.8)
- Government should amend the currently proposed High Speed Two route so it connects to both Manchester and Liverpool directly, in the same time frame and to the same standard. Government should commit to assuring Liverpool's historic parity with Manchester for travel time to London and thereby avert harmful competitive disadvantage to Liverpool in attracting inward investors. (see 4.6.5)
- Liverpool region should clarify its vision for transport. The advent of the LEP, and the potential for DfT to devolve local major scheme funding to the LEP area, provides the opportunity to resolve outstanding governance issues in relation to

Halton, and offers the opportunity to work more closely with neighbouring LEPs to develop a single fully integrated local transport strategy and Local Transport Plan. (see 4.6.8)

### **A Roadmap to Prosperous Communities (Chapter Five)**

- Liverpool City Region needs an ambitious and departmentally integrated approach to tackling worklessness which unites the work of different authorities, departments, and agencies to tackle the interconnected issues of unemployment, worklessness and poverty in its most deprived areas. Critically, this approach must have a sharply economic edge: building skills, self-reliance, employability, self-employment, local procurement and business growth as well as addressing wider housing and social needs. (see 5.1.4)
- In tandem with DWP proposals for the Work Programme and Community Action Programme, Liverpool should run pilots that require benefit claimants to take part in community based work in order to receive their benefits. This could include using vacant land to create the concept of a Garden City and using derelict houses as employment opportunities for the unemployed to develop construction skills. (see 5.3.5)
- Knowsley Council, together with the Department for Education and others, should analyse why educational attainment lags behind that of the rest of the city region and explore options for improvement. They should report their findings for public debate within six months. (see 5.4.1)
- The Government should conduct a pilot experiment with Liverpool LEP to see how best to increase local influence over skills training. (see 5.5.6)
- Liverpool's LEP should support the development of University Technical Colleges (UTCs) and formally promote the model as a method of providing the vocational skills required to drive industry across the city region (see 5.5.10).
- Liverpool partners, along with central government and local providers and local industry should undertake a feasibility study into the establishment of a Hospitality Skills Academy (see 5.5.11).

- The Liverpool School of Tropical Medicine already works with the Department for International Development but we recommend that they should develop this relationship further offering scholarships to Doctors from overseas and establishing outreach establishments in appropriate countries. (see 5.5.12)
- The City Region needs to take a new and more economic approach to housing policy that takes into account the outcome of the independent economic review and invites the private sector to develop new models of private/public sector partnership. (see 5.6.4)

## CHAPTER 1 – DRIVING ENTERPRISE AND GROWTH

### KEY RECOMMENDATIONS

- Immediate priority should go to developing the proposed Bio-Innovation Centre to provide growth-stage space, a proof of concept lab, business support centre and incubator (see 1.3.5)
- Liverpool should build on its growing reputation as a creative hub by creating free Wireless Fidelity (WiFi) and Superfast Broadband connections across the central business district. (see 1.3.6)
- The Government should support the Daresbury Science and Innovation Campus for major scientific infrastructure projects and choose it as the ideal location for the next generation of science infrastructure such as the proposed light source project. (see 1.3.8)
- Liverpool should set out how it will become one of the best places to start a business in the UK, building on its strengths such as availability of high-quality land, relatively low start-up costs, availability of skilled labour, its plans for growth, and its excellent internal and improving external connectivity. (see 1.4.1)
- The LEP should ensure that there is city-region wide business support, building on the successful Business Advocates model developed by St Helens Chamber of Commerce, and work with national agencies to develop a Liverpool-specific business support offer that complements national products. (see 1.4.3)
- Public bodies and national agencies across the Atlantic Gateway region should be flexible and supportive in helping bring vital new investments by Peel and other companies to swift fruition. (see 1.6.1)
- Government should respond as helpfully as possible to any proposals from Liverpool Vision to kick-start new commercial development in the city centre. (see 1.6.3)
- Liverpool city region partners should adopt a master planning and strategic approach to harness development across the two Enterprise Zones and Central Business District, with processes in place to avoid local displacement (see 1.6.4)

## 1.1 The place

**1.1.1** This report concerns the economic future of a large urban region centred on Liverpool. For convenience, we will call this region Liverpool or Liverpool City Region in this report, unless we refer specifically to the “City of Liverpool”.

**1.1.2** We are not drawing lines on maps for this report, indeed a feature of big cities is that their sphere of influence varies according to the activity in question, and changes over time depending upon the strength of the local economy. At its core, the Merseyside conurbation, and what is now called Liverpool City Region, has a population of around 1.5 million, centred on the City of Liverpool<sup>6</sup>. However, as the map shows, the economic region is bigger, including areas of population dispersal such as Skelmersdale and Winsford, and important Merseyside industrial towns such as Ellesmere Port. So for the purposes of this report we must go wider than the formal city region, as is also the practice of local experts such as The Mersey Partnership and of the Mersey-Dee Alliance.



<sup>6</sup> ONS Official Labour Market Statistics available at [Nomisweb.co.uk](http://Nomisweb.co.uk)



**1.1.3** The extent of the region can be observed through such things as the catchment areas of the city centre shops, and of specialist health and education facilities, the circulation area of the regional daily newspapers and location of listeners to local radio stations, the spread of the Merseytravel train network and travel to work flows, the spread of housing markets, and the areas served by sports, entertainment and cultural facilities. These variously delineate an urban region centred on Liverpool that spreads from Wrexham and Flintshire to Chester, Warrington, West Lancashire and across to Southport. In total this urban region has a population of some 2.3m<sup>7</sup>, similar in scale to the biggest metropolitan areas outside London including Birmingham, Leeds and Manchester. Large and specialist employers in Liverpool typically draw a bit wider, from places such as Wigan which is a half hour commute, creating a labour market with around 3 million people.

**1.1.4** Plainly this area includes proudly independent and distinct communities (and isn't simply one big city plus suburbs), but this is the economic area that inward investors consider when they appraise labour availability, premises and land, connectivity and local consumer markets. It is also the real geography for individuals seeking work, education and leisure opportunities. The prospects for all these communities are bound together, even if very local identities, affiliation and local government structures haven't encouraged a co-ordinated approach. As outlined later in this report, we are clear that a lack of co-ordination, co-operation and leadership within the wider Liverpool region has held back growth and led to diminished living standards and job prospects. Indeed, now the formal Government regions have been dismantled it is imperative that neighbouring areas voluntarily cohere and co-operate, and that the City of Liverpool settles into a new role not just as a regional centre but as a regional leader.

## **1.2 Background to current under-performance**

**1.2.1** The Liverpool City Region underperforms compared to others with noticeably low levels of employment, productivity and business formation and relatively high levels of unemployment which translate into relatively low scores on such measures as "Gross Value Added" (GVA). The City Region has been incapable of generating sufficient jobs for its population, making it a net exporter rather than importer of people and creating

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<sup>7</sup> ONS Official Labour Market Statistics available at [Nomisweb.co.uk](http://Nomisweb.co.uk)

“urban implosion” effects in some places with surplus housing and collapsing local markets.

**1.2.2** The population change of Liverpool city itself reveals starkly the underlying economic decline outlined above, falling by 14% between 1981 and 2010 during a period when the national population rose by some 10%. However, most of the decline took place in the 1980s and 1990s, stabilising and then gently increasing since 2000<sup>8</sup>. Other areas in the core also demonstrate significant population loss, for example 14% fewer residents in Knowsley, and 9% fewer people in Sefton and Wirral. This is not purely a “City of Liverpool” issue but one for the entire City Region.

**1.2.3** Population has only risen in those parts of the city region with better land availability and better motorway connectivity, notably Warrington, which saw its population rise by 17% between 1981 and 2000. Indeed, Warrington was the only part of the urban area where population grew faster than the national average<sup>9</sup>, and Warrington continues to attract activity from the urban core, for example Liverpool’s regional postal sorting office.

**1.2.4** Business density is too low with relatively high rates of business closure: there are only 32 businesses per 1,000 people in the core city region compared to a national average of 42 per 1000<sup>10</sup>. Self employment is also low - in 2006, only 6.8% of working age people were self-employed in Liverpool compared to 9.3% nationally.

**1.2.5** Later on we explain how GVA has for some years risen faster than average, and how population losses have been stemmed, at least in Liverpool itself. Encouraging as this data from the past decade is, it is not sufficient in scale to bring Liverpool up to the national average and so concern at the causes of, and remedies to, its under-performance remain.

**1.2.6** The causes were multiple, but fundamentally the economy of Greater Liverpool was about as badly structured as it is possible to be:

- The city centre hosted Liverpool-based banking, insurance, trading, stock-broking, business and financial services companies that since the 1950s have

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<sup>8</sup> ONS Official Labour Market Statistics available at [Nomisweb.co.uk](http://Nomisweb.co.uk)

<sup>9</sup> Ibid

<sup>10</sup> TMP Economic Review (2011).

been almost entirely taken-over by larger London-based companies. There has been no requirement for retaining a base in Liverpool as part of the approval for such take-overs, for example Barclays took over Britain's largest non-London based Bank in 1969 (Liverpool-based Martins Bank) but now have a very small presence in the city. Additionally, the city centre was a major base for maritime related services and Britain's maritime sector has contracted sharply due to flags of convenience;

- The wider industrial belt of the city region suffered in the same way as much of the rest of the North and Midlands, for example the loss of local steel production at Shotton, the loss of electronics and general manufacturing, coal mining around St Helens and the major reduction of shipbuilding at Birkenhead. Important local manufacturing companies merged and moved their bases elsewhere (for example the "Beecham" in Smith Kline Beecham and "Lever" in Unilever originate from Greater Liverpool companies);
- The port reduced in size, partly in response to changing trade patterns, whilst mechanisation drastically reduced its labour requirements. This created particular problems over insufficient demand for low skilled labour in communities nearest to the docks in Bootle, north Liverpool and Birkenhead;
- New industries, enticed through regional assistance, sometimes thrived and remain, but many either closed down or left for lower-cost or higher subsidy areas – with so-called "branch plant" syndrome being diagnosed as a new problem. Liverpool region was unable to match the level of subsidy or aggressive marketing that rival locations in Ireland, Northern Ireland, Scotland and Wales enjoyed, and consequently didn't obtain the highest quality or more sustainable inward investments of that era.;
- Business, finance and professional services began to "regionalise" operations, closing district offices and concentrating these in a smaller number of locations. This benefited some cities, such as Leeds and Manchester, but not slightly smaller neighbouring cities such as Liverpool and Sheffield. Liverpool competed head-on with neighbouring Manchester for jobs and sometimes failed in that competition due to a poorer reputation as a business location and an air of being somewhere on the slide rather than on the up;
- Successful local companies tended to be in slower growing sectors, meaning they did not pick up the slack of companies who had left or cut employment numbers. Traditional reliance upon large employers left a culture where many

people lacked the experience, confidence or resources to start up their own businesses. Business formation was and remains too low.

**1.2.7** These structural causes of economic decline inevitably influenced local politics, society and culture, which had to cope with the impacts in terms of deprivation and unemployment:

- Population loss was uneven, with “brain drain” leading to the loss of graduates (who didn’t return after graduating elsewhere) and the formation of a large Diaspora of those who moved to London, the South East, and overseas, in search of work;
- The political and social reverberations of this major economic decline jolted external perceptions and investor confidence, creating a seemingly vicious circle wherein Liverpool was overlooked for new investment and consequently lost further population. Indeed, Liverpool became almost a national symbol of urban blight, which created a quite unbalanced reputation that would take decades to shrug-off;
- This in turn nurtured a “balkanised” attitude by some in local government, with surrounding areas cutting ties with Liverpool which they perceived as a tainted brand. Some started to compete against their neighbours, eg for housing and jobs, rather than reap the benefits of collaboration within the economic region. Of course, ultimately their fate was inextricably tied up with that of their neighbours and they too suffered population and economic decline, and there is very little difference between problems afflicting authorities such as Wirral, Sefton, Liverpool and Knowsley. Internal competition within the core and wider region has been very damaging, with electorates not necessarily aware of the economic costs they suffer if their local council wishes to “go it alone”;
- As in all our big cities (including London), localised areas of particular decline witnessed disaffection, social exclusion and the growth of ingrained worklessness, with generations of people lacking employment and new generations lacking the confidence to complete education and find work. Renewal activities in deprived areas tended to concentrate more on social welfare (for example housing and health) than on tackling worklessness;
- The city and surrounding areas became increasingly less capable of managing their own fate, due to increased control by national Government of large areas of

public policy (eg skills and further education) and reliance upon regeneration and renewal funding that, although necessary, distracted attention from the need to grow local businesses and encourage enterprise. Ambitions shrank, and the wider area lost a sense of its capability to compete as a big urban region in all sectors.

### **1.3 Business strengths and opportunities**

**1.3.1** Despite the serious economic weaknesses outlined above, Liverpool's economy still contains significant strengths upon which it can now widen and accelerate growth. Of particular note are:

- **Advanced manufacturing** with around 34,000 people working in 3,000 firms in the core city region and many more in the wider urban region. There are strong research links to higher education in areas such as energy and environmental technologies, advanced engineering and to the important local motor manufacturing sector. Assets include Jaguar Land Rover at Halewood, Vauxhall at Ellesmere Port, Toyota in Flint, BAE (Airbus wings are made less than 10 miles from Liverpool city centre in Broughton), National Bio-manufacturing Centre in Speke, the Daresbury centres for Virtual Engineering and Engineering Technology, and companies such as Getrag and Pilkington in St Helens.
- **Life sciences** account for over 57,000 jobs, with important bases for pharmaceutical companies such as Eli Lilly, Novartis and Bristol-Myers Squibb. Liverpool's research strengths include three universities, six hospital trusts and the School of Tropical Medicine. Over 100 medical companies are based in the core city region, creating more than £300m GVA and over 5,000 jobs. Although a strength, Liverpool needs to lead the entire Atlantic Gateway area in this sector to achieve critical mass and begin to compete with stronger and bigger centres such as Boston and Singapore;
- **Creative and digital industries**, e.g. digital content, creative media, advertising, music and design provide 23,700 jobs in over 3,000 firms. There is a particular strength in computer games including Sony Studios and many local independents supported by research capacity from the universities, but again there is a need to develop further to develop critical mass and ensure this sector grows strongly in Liverpool;

- **Financial and professional services** are still a major asset with around 7,500 firms and 70,000 jobs, including specialisms in wealth management and insurance, but recent growth has not offset decades of decline and loss to places such as Manchester and London.

**1.3.2** The economic potential of one asset (tourism and culture) is detailed in the next chapter, but it is important to note other assets here:

- The Daresbury Science and Innovation Campus is an internationally recognised site for innovation in accelerate and computational science, home to a cluster of 5,000 scientists and 109 technology-driven businesses. Daresbury has a strong track record of business growth and very strong connectivity to Universities in both Liverpool and Manchester. The awarding of Enterprise Zone status supports major opportunities for growth in sectors such as energy and environment, advanced engineering, software, media and gaming, medical devices and pharmaceutical, the UKTI NorthWest regional team has recently relocated to Daresbury which may encourage firms located there to expand in overseas markets;
- Liverpool's Universities (Liverpool, John Moores, Hope, plus the School of Tropical Medicine), employ 8,000 people, have over 50,000 students, with research strengths in engineering, medicine, business, law, astrophysics, sport science, computer science, health, and, of global significance, tropical medicine and drug development;
- Liverpool Science Park, MerseyBio incubator, the Heath Business Park in Runcorn, Knowsley Industrial Park, Liverpool Innovation Park, and the National Bio-Manufacturing Centre and Liverpool Science Centre in Speke, close to Liverpool John Lennon Airport, which has been one of the fastest growing airports of the past decade;
- The Ports, Logistics and Maritime sector has over 1,700 firms and employs approximately 28,000 people. The Port of Liverpool is the largest Freeport Zone in UK and one of Northern Europe's top 20 container ports. It has trebled its volume of freight since 1985 and handles 5.3% of the total freight of UK ports. The Superport is projected to create a further 21,000 jobs by 2020, including many associated with the onward distribution through the Manchester Ship Canal. We say more about this in a later chapter;

- A strong presence and great potential in the low carbon and reverse manufacturing sectors. The Mersey Partnership have estimated that 12,000 additional low-carbon jobs could be created over next 5 years, including 3,000 in offshore wind, 1,500 in micro-generation and 1,500 in retrofitting business opportunities from developing the infrastructure needed to move towards a low carbon economy<sup>11</sup>.

**1.3.3** The three research intensive universities of Liverpool, Manchester and Lancaster, together with the teaching hospitals and Daresbury, represent a major opportunity and require long term science investment by Government. Specific projects of note are a new light source facility at Daresbury and the already developed Hartree Centre, a collaborative R&D Centre for computational science and engineering, delivering world-leading skills, tools and software. This project would capitalise on the strength of the local software industry with the potential to attract major international blue chip investment that would otherwise not come to Britain.

**1.3.4** Actions necessary to generate an estimated 58,000 additional knowledge economy jobs by 2020 include<sup>12</sup>:

- A longer-term strategic relationship between Daresbury and the public sector, including a city-region innovation hub – it is important that Liverpool city region embrace and support Daresbury as tightly as possible, building on the recent awarding of Enterprise Zone status. The Warrington and Chester areas also have much to benefit from Daresbury's success, as does Manchester;
- Developing sufficient space for incubating knowledge-driven start-ups and growing companies, expanding the Liverpool Knowledge Quarter, Daresbury, Liverpool Innovation Park, Liverpool Science Park (3<sup>rd</sup> Phase), Liverpool Science Centre and The Heath;
- Developing Technology Innovation Centres for commercialising leading edge research, collaborations and spin-outs;
- Maximising creative industry business with MediaCity:UK, ensuring that BBC procurement practice delivers on the commitment to develop providers across the

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<sup>11</sup> Low Carbon Economy Action Plan: Delivering Economic Growth 2011-2015. Available t [http://public.edition-on.net/links/3057\\_low\\_carbon\\_economy.asp](http://public.edition-on.net/links/3057_low_carbon_economy.asp)

<sup>12</sup> Liverpool City Region's Knowledge Economy: delivering new opportunities for growth. Summary 2011-2020 available at: <http://www.merseyside.org.uk/dbimgs/KE%20SUMMARY%20DOC%20FINAL%20pdf.pdf>



entire North and does not simply suck activities into Salford from elsewhere in the North;

- Attracting more finance and professional services companies to the financial district, with the **Green Investment Bank** being a prime example of the type of new institution that could benefit from such a location;
- Supporting the growth of low-carbon companies such as those involved in offshore wind, solar PV and other micro-generation; and

**1.3.5 RECOMMENDATION: Immediate priority should go to developing the proposed Bio-Innovation Centre to provide growth-stage space, a proof of concept lab, business support centre and incubator.** Additionally there would be meeting and networking spaces plus a Development Centre to help commercialise intellectual property and help companies become ‘investor ready’.

**1.3.6 RECOMMENDATION: Liverpool should build on its growing reputation as a creative hub by creating free Wireless Fidelity (WiFi) and Superfast Broadband connections across the central business district.** In this way it can position itself at the forefront of the digital revolution. Later phases could include north Liverpool, central Birkenhead and the Wirral and Atlantic Waters Enterprise Zones. This could make use of existing fibre-optic cabling but there is an opportunity to link up the fibre that is already distributed across the CBD into a more integrated layer, enabling businesses within the CBD to enjoy competitively priced Superfast Broadband. In addition there is also the potential to join into this network a comprehensive mesh of WiFi across the CBD using small WiFi routers located in public spaces. It may want to look to places like Helsinki, Seoul, Singapore, and Tallinn that have already taken this lead.

**1.3.7** We are dismayed but not surprised that national investment in world-class scientific infrastructure has, over a period of decades, been skewed so systematically and comprehensively towards the South East of England. This is a product, to a large extent, of Government decisions, and it is very hard to understand the scientific let alone economic rationale for such a bias towards one corner of the country. Liverpool and neighbouring Manchester were at the very heart of the development of particle physics and the Cockcroft institute at Daresbury is named after the Nobel prize winner Sir John Cockcroft. The point here is not to locate specialist facilities in areas that lack relevant

expertise, but Daresbury already contains a major concentration of such skills. Indeed, it is hard to imagine how we will rebalance the national economy unless we ensure that Daresbury receives due recognition in decisions about where to locate scientific facilities of national and international significance.

**1.3.8 RECOMMENDATION: The Government should support the Daresbury Science and Innovation Campus for major scientific infrastructure projects and choose it as the ideal location for the next generation of science infrastructure such as the proposed light source project.** Support should also be given to the proposed Hartree Centre, a collaborative R&D Centre for computational science and engineering, delivering world-leading skills, tools and software for UK Industry and Academia.

## **1.4 An Enterprising Culture**

**1.4.1** Liverpool needs to set its sights high with a strategy to become the best place in the UK to start and grow a business. It is only by aggressively seeking to achieve this that it will close the gap with the rest of the country, let alone move ahead of the average. Incremental increases in the number of businesses and levels of self-employment will not be enough. A radical culture change is needed to stimulate enterprise and entrepreneurial thinking – in all sectors, including the public sector. This also means existing businesses and employees challenging themselves to fully exploit new opportunities in markets and workplaces as much as support packages to help catalyse potential entrepreneurs. We want to be particularly clear on this point: enterprise growth is more important than anything else the local authorities and LEPs can do to create prosperity. **RECOMMENDATION: Liverpool should set ambitious aims to become one of the best places to start a business in the UK, building on its strengths such as availability of high-quality land, relatively low start-up costs, availability of skilled labour, its plans for growth, and its excellent internal and improving external connectivity.**

**1.4.2** It also means fundamentally considering how young people learn about enterprising behaviour and attitudes at school, college and university. A number of successful programmes exist to encourage enterprise in young people, but the availability and quality is patchy, in common with other relatively deprived areas. The presence of fewer successful business role models is also a common barrier for young

people. Successful enterprise support encourages young people to take an enterprising attitude and develop independent thought, drive, determination and business planning skills whatever their career choices. Not just encouraging a few young people with brilliant ideas and the application to match to start their own business. Building on successful programmes could involve grasping the opportunities of enterprise learning within free schools and academies, tailored to the key knowledge economy sectors for Merseyside. Possible examples include 'studio schools' for creative industries and the North London Academy 'hub' concept for nurturing young entrepreneurs.

**1.4.3 RECOMMENDATION: The LEP should ensure that there is city-region wide business support, building on the successful Business Advocates model developed by St Helens Chamber of Commerce, and work with national agencies to develop a Liverpool-specific business support offer that complements national products.** This involves hands-on support and signposting the full range of advice available to meet business needs. We are not making specific recommendations about what a local offer might include, but it could be such things as

- Mentoring potential entrepreneurs and existing businesses – to support more and more effective SMEs, to complement Business Coaching for Growth 10k SMEs and the British Banking Association's mentoring web portal. There is potential to build on the Liverpool business mentoring pilot that has trained 200 local unemployed people through 140 Chamber member businesses;
- Access to finance – e.g. support further development of the Merseyside Investment Fund (encouraging more banks to invest), venture capital, finance readiness training, meet the banker days, venture capital networks, possibly a Liverpool dragons den;
- Growth support – through the business advocate approach, encouraging businesses to invest in training, diversify their products and processes, seek new markets including export support – drawing down support and external funding where available;
- Business networks – develop business networks by introducing businesses to peers, supporting Liverpool supply chain relationships (e.g. through meet the buyer events, ready to supply training, alongside Contracts Finder portal for public sector procurement).

## 1.5 Regeneration and revival

1.5.1 Liverpool and its wider region have benefited from a wide range of regional and regeneration policies since the 1980s, and collectively there is evidence that these both arrested the decline and have also created a platform from which the City Region can now grow again. The aims have largely been around:

- Strengthening and diversifying the economy, to help it adapt to new industries and reduce reliance upon a narrow base of declining sectors;
- Improving the skills and entrepreneurship of the local labour force so it is both attractive to new employers but also capable of generating its own self-sustaining growth;
- Enhancing the environment and improving the appeal of the area to residents, businesses and visitors;
- Tackling the consequences of blight in specific areas that have led to collapsed housing markets and the loss of residents; and
- Improving the image of the area and investor confidence.

1.5.2 One of the most successful early interventions was setting up the Merseyside Development Corporation in 1979, taking responsibility for the £200 million redevelopment of the endangered Albert Dock, which is now home to Tate Liverpool and regarded as a national cultural asset. Nearly 1,000 acres of heavily contaminated land were reclaimed for the International Garden Festival, and 60 miles of new road and footpaths put in place. Around 22,000 jobs were created and nearly £700 million of private finance leveraged in. As an added incentive during the 1980s, planning requirements were relaxed and companies offered urban development grants and exemption from rates for industrial and commercial properties, Liverpool hosted a successful Enterprise Zone (EZ), in Speke, which helped spark the strong economic growth witnessed around the airport.

1.5.3 As an economically under-performing area, Merseyside qualified for Objective One status for European structural funds, some earmarked for regeneration, and continues to receive limited funds as it transitions away from the need for such support.

The area is likely to remain eligible for European structural funds in the next programme (from 2013) although it is likely the volume of funds available will be relatively modest. Of course, all these funds come with strings, limiting the ability of the city region to control its own fate.

**1.5.4** The Merseyside Objective One programme concentrated on business support, business growth, education and skills training, and regenerating the physical environment. Evaluation shows that £929m Objective One funding supported 1,801 projects between 2000 and 2008, helping create 40,000 jobs and nearly 16,000 business start-ups. Investments ranged from £50m towards the Echo Arena and BT Convention Centre to grants in the few thousand pounds towards home improvements or training for unemployed people in Sefton or Wirral<sup>13</sup>.

**1.5.5** However, despite such status and alongside much other public and private investment, including Liverpool One, and with the best endeavours of Liverpool Vision and The Mersey Partnership, the benefits of economic growth has not been felt across all neighbourhoods, and has not created the conditions to stimulate sustainable private investment in the way hoped for.

**1.5.6** Regeneration for cities and city regions tends to go in waves, spurred on as new generations of leaders react to changing circumstances and opportunities. A successful regeneration wave cannot be expected to entirely transform an economy, rather it takes it up a notch, leaving a legacy of assets and greater competitiveness.

**1.5.7** UK and international evidence suggests that regeneration waves are initiated and executed by charismatic, talented and committed local leaders. They will typically come from the public sector but will be collaborators who can empower and harness other leaders, for example in the business community, voluntary sector, faith groups etc. Critically, good quality local leadership will work co-operatively but assertively with central Government, representing an area in a constructive, hard-headed and consistent manner.

**1.5.8** There is evidence that private sector investors in particular are influenced by consistent civic leadership, and, given choice, prefer to invest in places with a shared vision rather than in places with a more contested or changeable attitude to growth.

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<sup>13</sup> EU & Merseyside 2000 to 2008: the Objective One Programme available at : [http://ec.europa.eu/regional\\_policy/newsroom/pdf/merseyside2008.pdf](http://ec.europa.eu/regional_policy/newsroom/pdf/merseyside2008.pdf)

This creates a challenge not just for Liverpool itself, but also for the wider urban region where local authorities have tended to view things from their own perspective rather than those of the wider urban region. Liverpool and the wider region are fortunate that they have, (somewhat belatedly in comparison to other city regions) got onto the page as regards co-operation. This plainly needs to be deepened and widened to yield big economic results, but it provides a platform to build on.

**1.5.9** Regeneration waves require stimulus, and these include high profile and often significant events and investments that change the perception of a place. These can be “mega events” such as the Olympics, which (at considerable expense to national and local governments) can leave an enduring legacy, or lower-cost events such as Liverpool’s highly successful 2008 Capital of Culture year, which helped transform the reputation of the city. However, there is quite rapid decay in the benefits each “mega event” delivers and it will be important that Liverpool considers future events that it can host. An important feature to note about mega-events is that the regenerative benefits start to accrue early on, indeed there is some evidence that Olympic candidate cities benefit even if they do not make the short-list or win the Games themselves.

**1.5.10** Other forms of stimuli are more directly within the gift of government itself, and are ones that not only inject significant investment into an area but which do so in a way that maximises multipliers, confidence and private sector investment. Decisions on the route of High Speed Two (HS2), for example, will have a major impact on which towns and cities become new hot spots for investment and regeneration, and which are seen as being a more peripheral in the new “space economy”. As discussed later, Government needs to ensure that Liverpool will be firmly on the High Speed Two map if it is to enjoy the much needed economic benefit - an indirect, slower or later link could badly damage local growth.

**Case study: Barcelona**

Liverpool may want to study other port cities that have grown in recent years to examine potential lessons learned. For example, Barcelona has been transformed from a declining industrial port city to an entrepreneurial and dynamic city with key strengths in creative and cultural industries. The awarding of the 1992 Olympics catalysed ideas from prior Greater Metropolitan Plans, including improvements to road and rail infrastructure, telecommunications, and radical regeneration of the waterfront area.

An Incubation centre for knowledge-driven SMEs and substantial conference and hotel facilities have developed since the Olympics, alongside a strong global brand for attracting investors, entrepreneurs and tourists. Other key success factors include strong leadership from the Mayor and City Council, a strong local development agency (Barcelona Activa) and Chamber of Commerce, eight universities and improvements in skills. Future priorities include strengthening university-business collaborations, particularly for ICT and life sciences, where research strengths have not yet been translated into business sector strengths.

**1.5.11** Government can also kick-start new regeneration waves with significant locational decisions it influences, funds or endorses, for example with the BBC move to Manchester/Salford, a £900m national investment that had an immediate transformative impact not just on Salford but on property values and investor confidence across Greater Manchester. There are very few such opportunities of this scale and value, and it will be important that Government and national public agencies consider Liverpool as and when they arise in the future. In the past decade or so there has been an element of “usual suspects” in some locational decisions that hasn’t helped Liverpool.

**1.5.12** Liverpool’s regeneration wave of the 1990s brought the city and wider region huge benefits and it was unfortunate that just as many assets came to market the global slow-down reduced investment and trade. It is therefore important to get dates in calendars for events, investments and decisions so that a new wave can be created and sustained. Regeneration and growth require impetus, momentum and confidence, and this is a vital time for Government to work with Liverpool on its future.



## 1.6 The City Centre, Liverpool Waters, Wirral Waters and Daresbury

**1.6.1 RECOMMENDATION: Public bodies and national agencies across the Atlantic Gateway region should be flexible and supportive in helping bring vital new investments by Peel and other companies to swift fruition.** There are many companies investing and supporting the long-term growth of the Liverpool regional economy, but of particular significance to the next wave of development will be Peel Holdings. They have invested in strategic infrastructure, for example investing £100m in moving Liverpool Airport from one handling half a million passengers a year to one handling over five million people a year. Their investments will be critical. Planning policy in particular needs to be responsive to the opportunities and imperatives of new growth.

**1.6.2** Another vital asset in creating and sustaining the next regeneration wave will be a good supply of commercial premises. Over the past decade Liverpool Vision has worked to expand the city centre commercial district so it has the right accommodation to attract inward investors and occupiers. They helped deliver 71,000m<sup>2</sup> of new Grade A commercial office space, the refurbishment of over 132,000m<sup>2</sup> of office space, and the letting of over 198,000m<sup>2</sup> together with new public realm and open space. This ensured a constant pipeline of supply to the market that attracted occupiers, although too many were public sector and not enough were private sector.

**1.6.3** However, with the recent completion of the latest office development in the city, 4 St Paul's Square, there is now no new office space in the pipeline for the commercial district and, overall, a diminishing supply of Grade A space. This is a major concern and means that, potentially, Liverpool will not be able to capitalise on general economic recovery and an improved reputation as a business location.

**RECOMMENDATION: Government should respond as helpfully as possible to any proposals from Liverpool Vision to kick-start new commercial development in the city centre.**

**1.6.4** Liverpool city region has two Enterprise Zone sites, based around the north Docks area of Liverpool (Liverpool Waters) and Birkenhead Docks (Wirral Waters) and Daresbury. Both Liverpool Waters and Wirral Waters plan to attract commercial and service sector employment on a large scale, and they will provide an extremely valuable and complementary offer to that of the commercial district of the city centre.

**RECOMMENDATION: Liverpool city region partners should adopt a master planning and strategic approach to harness development across the two Enterprise Zones and Central Business District, with processes in place to avoid local displacement.** It would not help the city region if commercial investment is simply displaced from one place to another, and the focus has to be on building complementary strengths and ensuring that inward investment and marketing is unified rather than competitive.

**1.6.5** Equally, business growth in these areas that does not reach the most deprived areas of North Liverpool, South Sefton and the Wirral will be a wasted opportunity. Each of these areas is very close to concentrations of unemployment, deprivation and inactivity, and it is important that the business, public and voluntary sectors work together to get local people of North Liverpool and South Sefton involved, providing the right skills and right knowledge, confidence and contacts to get some of the new jobs in the Enterprise Zone.

## CHAPTER 2 – INSPIRING LEADERSHIP

### KEY RECOMMENDATIONS

- A metro Mayor is the best single solution to the leadership gap that currently afflicts the city region and constrains its growth. In the meantime, the Government should push ahead with its plans for City Mayors. (see 2.1.7)
- We recommend that Liverpool city region and neighbours jointly commission an economic study to inform the development of a unified vision for growth. (see 2.2.2)
- The six Liverpool local authorities should develop a strategy for maximising business rates and options to pool retained business rates so as to support high return programmes that deliver strategic growth priorities. (see 2.4.5)
- We commend the idea of an integrated city-region Chamber of Commerce, drawing on the strengths of Liverpool and St Helens Chambers and Professional Liverpool. (see 2.5.3)

### 2.1 Empowered leaders

**2.1.1** Be it in public life or business the key to success is leadership. Local leadership in the City Region is making efforts to be more collaborative but the reality is piecemeal and slow. The City Region is held back by an enforced over reliance on central government and the hangover of “regional” structures that enfeebled its confidence as a regional centre in its own right. The city region does not have the flexibility and freedom to use its resources across a range of issues. For a generation, Liverpool like many of our great regional cities has not had the tools to be able to compete on a European and global stage.

**2.1.2** It is now widely accepted that cities and their regions require high quality leadership, management and co-ordination if they are to realise their potential for sustainable growth. City leaders require well designed structures, appropriate powers and resources in order to succeed. The evidence from the US, Europe and indeed from Britain is compelling in this regard: cities are complex and will not grow or thrive without

the right leadership, and good leaders require structures and resources to deliver results.

**2.1.3** British cities have been under-powered when compared to competitor cities in, for example, Germany and the United States. Government tightly controls what local authorities may and may not do, and, while successive Government's have attempted to empower local leaders, Whitehall lacks the confidence to devolve powers or budgets, or permit places to take risks or innovate. We are still pretty much "one size fits all" when it comes to managing English cities outside London.

**2.1.4** The consequence is that many of those involved in making our cities work spend too much time referring to, deferring to and seeking permission from Whitehall and Westminster in order to act. Local priority setting is constrained by priorities and budgets that are set in London. This is no doubt done for the best possible reasons: it may prevent some places from failing or making major mistakes, but it also limits ambition and success, and prevents local people and leaders gaining the confidence and experience to manage local affairs.

**2.1.5** We have seen how devolution to Scotland and Wales, and to the London Mayor, have worked because they have given powers and resources to areas that make sense, be it a nation or a large city. We have seen how cities like Hamburg, Bilbao and Atlanta have thrived with the benefit of well resourced and empowered city leaders. The challenge now is to empower our big city regions outside London to make similar strides. There is simply no reason why the bigger English cities such as Liverpool (which has over two million people in its wider economic region) cannot be trusted and empowered to run its own affairs in the way more successful cities in Europe and America have done for decades.

**2.1.6** Currently we have purely voluntary and somewhat piecemeal co-operation between the six local authorities in the core of Liverpool city region, and this is cumbersome and not entirely effective. Existing Districts are not incentivised to support city regional working because that sometimes means pooling decisions and resources and that can wound the civic pride and ambition of senior officers and elected members. It is often easier to say "we don't want to change" than it is to accept an improvement. The Local Enterprise Partnership, covering the same geography, is starting to provide a useful forum, with private sector involvement, but again this will not be sufficient to make

Liverpool City Region run as it should be run. There is also a need for more effective and empowered leadership.

**2.1.7** Currently there is no structure within which the necessary ambition for growth and development can be channelled and put into action. Liverpool City Council itself provides useful leadership, and the leadership of the neighbouring local authorities co-operate well, but collectively there is no powerful and credible voice to represent its people. **RECOMMENDATION: A metro Mayor is the best single solution to the leadership gap that currently afflicts the city region and constrains its growth. In the meantime, the Government should push ahead with its plans for City Mayors.**

**2.1.8** A Mayor would be able to bid for decentralised and devolved powers and budgets from the centre, offering the scale required to plan and deliver such services efficiently and effectively. They would be able to:

- Drive forward action on growth, economic development, inward investment, regeneration and renewal, transport, culture, tourism, business support and growth, training and skills, further education and the overall strategic planning required to make the city region work;
- Innovate, delivering services that are tailored to local rather than national needs, and find more effective and economical ways of achieving the desired outcomes;
- Nurture and harness the creativity and ambition required if the Liverpool city region is to catch-up with its peers in Europe and beyond: building the business case and support for the big projects that can transform the economic prospects of the area; and
- Represent the area with Government, with big businesses and internationally, having the profile and importance to open doors that are not often opened to the leadership of Districts councils.

## **2.2 A collective vision**

**2.2.1** Liverpool must come to a collective understanding and agreement as to its economic vision. And by this we mean the wider urban region and economy including places such as Skelmersdale, Ellesmere Port and Chester. The Manchester

Independent Economic Review (MIER) carried out in 2009 provides a good model to learn from and could usefully be adapted to the unique needs and potential of Liverpool.

**2.2.2** The shared evidence of MIER helped the 10 local authorities of Greater Manchester form priorities for strategic investment that benefit the entire city region. It helped partners recognise that Greater Manchester is an inter-connected series of labour markets and that the 10 local authorities need to organise themselves to reflect that economic reality. **RECOMMENDATION: We recommend that Liverpool city region and neighbours jointly commission an economic study to inform the development of a unified vision for growth.**

**2.2.3** The benefits of such an approach could be replicated in Liverpool. It would help partners recognise they are one economic area for all material purposes and all decisions in areas such as planning, transport, branding and inward investment should reflect this. At the moment there is no such understanding or consensus, although efforts have been made, particularly by The Mersey Partnership which has published high quality reports. It could also provide an analysis of what steps are required to accelerate growth. The first step would be to pull together an independent group of overseers to develop detailed terms of reference and take responsibility for overseeing the analysis. They would need to be of sufficient profile to bring credibility to the work, and with high level political support from the leaders not just of Liverpool City Region but of the neighbouring areas. Officials could offer to service the group, with academics and analysts appointed formally to undertake the detail of the study.

**2.2.4** Such a study could inform a collective economic strategy. Once a broad strategy is agreed, and there is a single vision that all can work towards, it will be possible for local communities, their local authorities and others to understand how each area can contribute to and benefit from growth. Instead of perceiving places, falsely, as independent, or competing, it will be possible to understand and measure the fruits that collaboration brings.

**2.2.5** However, to make this a reality, it will be important to make better use of planning approaches (including master planning) to nurture growth and development. Too often, land utilisation has been sub-optimal, with sites for development too small, and land that could have been used for business growth dedicated to low density housing development or other non-productive uses. Liverpool and the wider city region need an ambitious vision, therefore, to be followed up with an overall master plan that

shows just how and where new businesses and jobs will be generated and housed. This has to be the priority, because without greater numbers of high quality jobs, and additional businesses, the communities who make up the Liverpool region will remain relatively poorer than average.

## **2.3 Reaching across boundaries**

**2.3.1** While the priority must be for increased collaboration within the city region, Liverpool cannot ignore the wider context and opportunities that arise. Its historic relationship of competition and collaboration with Manchester is obviously critical here, and with the abolition of “North West” structures there is now a real opportunity to re-negotiate that relationship so it works better for both city regions. The reality is that in some areas both cities can and should continue to compete directly with each other, for example many inward investment opportunities could thrive equally well in either city (eg in financial and business services, broadcasting and media, digital software, Government posts). But there are also major areas where they could benefit by sharing, for example over higher education and science / knowledge economy sectors – areas where both have strengths and could complement each other’s activity.

**2.3.2** In Chapter Four we explain why we believe the Atlantic Gateway concept is crucial not just for Liverpool, but for the North and indeed the nation. But within that co-operative framework that is the Atlantic Gateway, Liverpool City Region needs to ensure it pulls its weight, contributes fully and in turn gets a good share of the higher quality investments. It would not be sensible or right for example to concentrate all new media jobs for the Atlantic Gateway area in Salford, which is the BBC’s current plan, or for all new warehousing or recycling jobs to be in Bootle. To co-operate within the Atlantic Gateway successfully, Liverpool City Region needs to be united behind a strong vision for Liverpool’s regional economy and strong city regional leadership.

## **2.4 Business Rates**

**2.4.1** We recognise that local government experienced a challenging Spending Review settlement, but changes to the local government financial framework do give Local Authorities new financial freedoms such as the ability to borrow for capital purposes, and to accumulate both revenue reserves and capital investments.



**2.4.2** The Office for Budget Responsibility forecast that UK local government capital spending will be around £20bn per annum in 2014/15, of which more than £11bn is from self-financed sources (including housing). In short, over the long term Local Authorities still have large resources if they are invested strategically and if they maximise opportunities available to them. In the case of the core Liverpool city region, in addition to revenue budgets of around £3.5bn in 2011/12, the six authorities have, as of March 2012:

- The authority to undertake more than £480m of additional prudential borrowing;
- Capital investments of more than £400m; and
- Non-schools revenue reserves of more than £250m

**2.4.3** Clearly there are many calls on these resources. But local leadership needs to consider how these can be maximised and better invested over the next 10/20 years in the future of the region.

**2.4.4** The proposed local retention of business rates will enhance incentives for Liverpool's local authorities to grow their business base. Much of the growth in business rates from 2013, above an agreed baseline, will be retained locally rather than recycled centrally by Government into Formula Grant – particularly for 'top up' authorities in the Liverpool city-region. The downside risk is that insufficient business growth will reduce local authority funding, albeit within nationally defined safety nets.

**2.4.5** **RECOMMENDATION: The six Liverpool local authorities should develop a strategy for maximising business rates and options to pool retained business rates so as to support high return programmes that deliver strategic growth priorities.** Ideally they should work with the local authorities of the wider urban region (eg West Lancashire) to create a stronger critical mass of investment funds that can achieve greater impact for all.

## **2.5 Business Leadership**

**2.5.1** Strong business leadership will be needed to build the enterprise culture Liverpool needs to grow. This applies across the full range of sectors and firm sizes, from start-up entrepreneurs to the biggest businesses. It is important that the Local Enterprise Partnership is genuinely business-led and has an effective, dedicated secretariat to turn aims into action. The six local Chambers of Commerce are moving

towards an integrated way of working across the city-region, including on business support and this should further strengthen the business voice.

**2.5.2** Later, in Chapter Three, we call for local business leaders to be better organised and more vocal in supporting the attraction of inward investment to the region. This is not a criticism of business leaders, simply an observation that in other regions there is a better organised and high level effort made to court, nurture and land new businesses. Liverpool is missing a trick.

**2.5.3 RECOMMENDATION: We commend the idea of an integrated city-region Chamber of Commerce, drawing on the strengths of Liverpool and St Helens Chambers and Professional Liverpool.** This would strengthen business and sectoral leadership, provide a more powerful voice within the Local Enterprise Partnership, and provide stronger representation for SMEs across the City Region.

## CHAPTER 3 – BRAND LIVERPOOL

### KEY RECOMMENDATIONS

- The expertise and resources of Liverpool Vision and The Mersey Partnership should be harnessed within a single city regional body responsible for inward investment, tourism and strategic economic planning and development. (see 3.1.5)
- The wider urban region needs unified branding and marketing for both tourism and inward investment purposes, building on Liverpool's global profile as well as reflecting the diverse assets of the urban region. (see 3.1.8)
- National and local government must continue to work together to swiftly resolve the impasse on cruise liners being allowed to start and end their journeys in the heart of the city. (see 3.2.7)
- Liverpool city region should match the inward investment spend of city regions like Manchester and Birmingham, ensuring it has the right numbers of dedicated staff, budgets and resources. (see 3.3.6)
- The attraction of significant overseas investment to the Atlantic Gateway should be a national priority for UKTI and Government given the potential contribution impact on national growth and economic rebalancing. (see 3.3.9)
- The so-called 'Liverpoolian Diaspora' should be provided with a formal structure and opportunity to help their home city region with investment leads, expertise, advice and intelligence. (see 3.3.11)
- Government should provide a lead to the private sector in demonstrating that it successfully conducts high level national business in Liverpool, with more senior civil servants and high level functions based in Liverpool. (see 3.3.12)
- The Green Investment Bank should be based in central Liverpool, to benefit from its track record in the sector and the cost and quality of life advantages such a location confers. (see 3.3.13)
- Government should endorse in principle the proposal that Liverpool should host an International Expo on behalf of the nation, representing not just itself but the wider Atlantic Gateway and north of England, and provide appropriate national financial support for such an event. (see 3.3.15)

## 3.1 Introduction

**3.1.1** Liverpool has a unique global brand. Over the past decade it has done much to build and exploit it. Liverpool is now the 6<sup>th</sup> biggest visitor destination in the UK<sup>14</sup> and the new conference centre is driving business visitor growth and aiding inward investment. But the city and region can and must do more. The city region needs to work with the wider community to coordinate its offer. From its world class golf courses to museums of international quality within a setting of a World Heritage Site, Liverpool has a unique offer that has yet to be fully exploited.

**3.1.2** Issues around brand and reputation are not straightforward, however, and Liverpool's reputation has acted both as an aid and a hindrance to growth and development. On the positive side, the city has a high and growing profile overseas that assists with tourism, inward investment and in the international conference and convention market. Some impact is even being made with China. But the reputation within Britain remains mixed, with residual stereotypes and out-dated associations with the worst aspects of urban decline.

**3.1.3** Elsewhere, particularly in England, there has been a tendency to view Liverpool as being smaller and more peripheral than it actually is, with few appreciating that the city region has some 2.3 million people. It has also been wrongly perceived as a place still locked in decline, (despite GVA growth having been exceptionally high in the past decade), and as a place with high crime, although statistics show it actually has the lowest crime rate of the biggest British cities. European Capital of Culture broke through some of the worst misapprehensions about the city, but many remain.

**3.1.4** Image and brand is also complicated. Although the city is able to project a strong image; there is no cohesive identity around the wider urban region - which contains distinct communities who often have little desire to be subsumed entirely within a "Liverpool" only identity. Local towns and districts have a distinct local character, but while it can be a strength, it can also degenerate into parochialism and result in poor co-ordination.

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<sup>14</sup> ONS, International Passenger Survey 2010

**3.1.5** This matters: a strong reputation and brand can be of great value in attracting significant inward investment (of which far more is needed) as well as for growing recognition as a visitor destination. A stronger identity is required locally to build the necessary co-operation between local authorities that currently don't always work together (for example those outside the LEP). It can affect recruitment and company growth, with local employers needing a stronger recognition of Liverpool's brand and reputation in order to attract the best recruits in the national labour market. It is also confusing and sub-optimal to have two organisations (Liverpool Vision and The Mersey Partnership) with over-lapping roles. **RECOMMENDATION: The expertise and resources of Liverpool Vision and The Mersey Partnership should be harnessed within a single city regional body responsible for inward investment, tourism and strategic economic planning and development.**

**3.1.6** Promoting inward investment to the city region should be straightforward, as it harbours a number of strengths over and above the business fundamentals of low costs, good accommodation, good transport and a big and highly skilled labour market. However, a particular challenge for those promoting inward investment has been reducing the gap between external perception and locally experienced reality - persuading individual authorities to co-operate fully for the common good. These strengths include:

- Liverpool's maritime UNESCO World Heritage status with world famous architecture including two cathedrals and one of England's most intact Georgian districts;
- A regenerated and compact city centre increasingly popular for weekend trips from Europe, with new parks, galleries, shops, hotels, restaurants and public places;
- Chester's Roman and Victorian heritage, a popular excursion for cruise liner visitors, and the main zoo for the city region;
- The greatest concentration of museums and art collections of national importance outside London, including Tate North and the new £70m Museum of Liverpool. The Liverpool Biennial is Britain's largest regular contemporary art event, and the John Moore's Painting Prize is one of the most valued art prizes in the country;

- A vibrant musical tradition including the highly regarded Royal Liverpool Philharmonic Orchestra, and the legacy of the Beatles which has become a major generator of overseas tourism;
- Centres of sporting excellence including football at Anfield and Everton, Aintree race course, and the Royal Birkdale and Royal Liverpool golf courses;
- Beaches, wetlands, sand-dunes, country trails and parks, river-side promenades and parks, including sites of national significance such as the Martin Mere wetland centre (in West Lancashire) and the University of Liverpool's Ness Botanical Gardens (in Cheshire West and Chester);
- Classic seaside towns strung across the Liverpool Bay coast from Southport to Rhyl;
- Major cultural events that combine the highest level of performance standards with active local participation and involvement, including African Oye (Europe's premier festival of African music and culture); Liverpool Gay Pride and Homotopia, Chinese New Year celebrations (centred on Europe's oldest Chinatown) and the annual Arabic Festival (the biggest in Britain).

**3.1.7** The cultural and environmental assets of Liverpool and its region are now widely recognised as being unusually strong, vibrant and diverse for a mid-sized European city. They combine elite standards of performance and exhibition with mass participation and the nurturing of local talent. Culture in Liverpool is characterised as being at an elite level without being socially exclusive, and the success of the European Capital of Culture was an important step in raising the profile of Liverpool and spurring greater private sector investment. Indeed, the bid succeeded in large-part because it reflected Liverpool's tradition of combining excellence with widespread participation.

**3.1.8** Within the city region there is now acceptance that Liverpool itself is the brand, but forging a complementary identity for the wider urban region is a challenge that is yet to be addressed. **RECOMMENDATION: The wider urban region needs unified branding and marketing for both tourism and inward investment purposes, building on Liverpool's global profile as well as reflecting the diverse assets of the urban region.** A combined approach is needed to achieve critical mass and deliver the desired mutual benefits for the wider region including Chester.

## 3.2 Tourism

**3.2.1** Tourism is an important and growing industry for Liverpool and the wider region, with an estimated value of around £1.3 billion a year. It directly supports about 23,000 jobs, creates increased passenger patronage (eg for the local airport and on train routes into the city, helping maintain demand for frequencies), and generates vital ticket sales for cultural and sporting events. Current forecasts are that tourism could be worth over £2bn by 2020<sup>15</sup>.

**3.2.2** Visitor numbers to Liverpool have grown strongly since 2004, and it has risen to 6<sup>th</sup> place nationally in terms of overseas visitor numbers<sup>16</sup>. This rate of growth suggests that Liverpool has a credible chance of entering the European “Top 20” list of city destinations by 2020, which would support growth in visitor stays and jobs of around a fifth on current levels. This is a key economic opportunity for the districts surrounding Liverpool as well as for the city itself and it is vital that they all contribute to and benefit from this opportunity.

**3.2.3** Business tourism has grown strongly since the BT Convention centre opened, and is forecast to grow further still as the market develops, and the proposed adjacent exhibition centre is built. Business visitors help balance the load for hotels and bring to the city professionals and entrepreneurs who may in the future influence decisions for investment. The conference centre is winning repeat businesses for international and national conferences, in part because delegates tell organisers that they enjoyed going to Liverpool for their conference and want to come back.

**3.2.4** Tourism is an industry that requires co-ordination, infrastructure, support and marketing. Liverpool City Region has benefited from the role of the Mersey Partnership in this regard, but as funding comes under pressure there is a need to consider how to safeguard such services in the future. The local authorities of the wider city region need to look hard at whether they can invest more in this activity, and certainly it seems hard to understand why any district would be spending resources to promote itself distinctly outside the remit of an overall city regional offer. Equally, new commercial models will be needed to help fund events and promote the wider city region as a place to visit.

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<sup>15</sup> Liverpool City Region Visitor Economy Strategy to 2020 available at:  
[http://www.merseyside.org.uk/dbimsgs/TMP\\_Visitor%20Economy%20Summary%20Strategy.pdf](http://www.merseyside.org.uk/dbimsgs/TMP_Visitor%20Economy%20Summary%20Strategy.pdf)

<sup>16</sup> International Passenger Survey data for staying visits annual data 1999-2010

**3.2.5** We take for granted now that Barcelona is one of Europe's top convention, business tourism and leisure short break destinations. Its reputation is strong in a wide range of markets and tourism has become a mainstay of the local economy. However, this was not always the case, and the city and wider region were overshadowed by other destinations until the city developed a strong, cohesive tourism development authority (Tourisme de Barcelona). Tourisme de Barcelona brought all the relevant public and private sector interests together to develop and market the visitor offer, and demonstrated that it is possible to exploit natural attractions strongly by this approach. While Liverpool doesn't have the weather that Barcelona enjoys, it has other assets that are attracting growing numbers of European weekend visitors and the potential is there for significant expansion with the right co-ordination and marketing.

**3.2.6** As regards the city centre offer, there is a need to broaden the range of visitor experiences, including more family oriented activity, and for indoor activities to ensure visitor appeal during the winter. A potential replacement for the Philharmonic Hall and a mooted new park in Everton both provide interesting new opportunities for further enhancing profile and visitor appeal.

**3.2.7** Finally, the recently built Pier Head cruise liner terminal in the city centre offers an excellent opportunity to support the growth potential in the tourism sector, and maximise visitor numbers. **RECOMMENDATION: National and local government must continue to work together to swiftly resolve the impasse on cruise liners being allowed to start and end their journeys in the heart of the city.**

### **3.3 Inward Investment**

**3.3.1** Liverpool and its wider region will remain heavily reliant upon inward investment as the economy rebalances and replaces declining sectors. "Grow your own" is vital, and growing existing businesses and encouraging local start-ups is of the utmost importance, as demonstrated by Liverpool's home-grown and highly successful computer games industry. However, Liverpool region needs, and can readily accommodate, a large number of quite significant inward investments if it is to rebalance and revitalise its economy. We are concerned that the current rate of "wins" is inadequate, and that the resources and structures in place to attract inward investment are insufficient to the task.



3.3.2 Even with its small inward investment service, the city region has shown it can compete successfully in highly competitive markets, for example:

- Oceans Connect is a leading outsourcing provider that is moving its global headquarters from London to Liverpool bringing 200 new jobs;
- ServiceSource International selected Liverpool for its second European service centre, creating over 250 jobs, citing the specialist knowledge economy skills as a draw;
- Maersk Line UK relocated its HQ from London to Liverpool; and
- Barclays Wealth is establishing a new wealth management centre, this being a sector where Liverpool has national expertise and presence.

3.3.3 However, there have not been anywhere near enough wins. In part this may be explained by the global downturn and a general lack of mobile investment in recent years, which is making it hard for all areas to attract inward investors. However, even during periods of relatively buoyant global trading conditions, Liverpool did not perform as well as it could and should have done. Image, reputation and brand were partly responsible, and that is stronger now than it was some years ago, but the structure and scale of organisation supporting inward investment for the city region is also at fault.

3.3.4 Currently, the inward investment support infrastructure is confusing. UKTI is the national body charged with the promotion of inward investment from overseas, and The Mersey Partnership (TMP) is the well-established inward investment agency for the city region. TMP however does not have a monopoly, and Liverpool city has now established, through Liverpool Vision, its own city-wide inward investment agency, with some innovative approaches such as the “Liverpool Embassy” in London. There needs to be a unified and compelling message about why the Liverpool region is an ideal place to locate and grow a business, and it is hard to deliver that with overlapping agencies.

3.3.5 There is a protocol to ensure that TMP and Liverpool Vision co-operate, and they worked well together in making a success of the Liverpool exhibition at the Shanghai Expo. The net result, however, is confusing to outsiders and sub-optimal, not because the individual organisations aren’t working well together, but because the structure isn’t designed to achieve impact. To make matters worse, local authorities within the core and wider city region also promote themselves individually, which

creates further confusion and weakens the overall chances of success. Certainly the closure of RDAs and appointment of PA Consulting as the agents acting for UKTI provides an opportunity to build on.

**3.3.6** Inward investment as an activity is precisely that: an investment. Done well it returns a significant yield in terms of jobs, new businesses, and (for local authorities) additional business rates. But it is an intensely competitive business where it is hard to gain an edge and win a place on short-lists. Some city regions (such as London, Birmingham and Manchester) invest more heavily than Liverpool in terms of staff and resources to research markets, cultivate contacts in the agencies who advise mobile investors, and proactively go out to win deals. **RECOMMENDATION: Liverpool city region should match the inward investment spend of city regions like Manchester and Birmingham, ensuring it has the right numbers of dedicated staff, budgets and resources.** All the districts of the wider city region (eg West Lancashire) should contribute to an effort that is proactive and sufficient in scale and professionalism to win against tough competition.

**3.3.7** Private sector engagement is also critical to win investment. Businesses often like to know that there are others who share their needs, and that there is an existing pool of staff and relevant expertise of which they can become a part of. There has been inadequate co-ordination of business input into inward investment for the city region and this needs to be addressed. Businesses will help if they are asked, but they need structures to understand when and how they can help.

**3.3.8** Liverpool Vision and the Mersey Partnership deserve praise for what they have achieved with meagre resources – for example in terms of relationships built in China for example that can be exploited in the future. The proposed International Trade Centre may further cement this work. UKTI is establishing a strategic relationship management unit (SRM) whose remit includes developing investor relations and attracting sovereign wealth funds for infrastructure investments etc. This means that there is a formal mechanism and government support to help in the attraction of institutional investors such as the Chinese who may invest in the Atlantic Gateway.

**3.3.9** Some institutional investors from countries such as China find entirely private sector control of infrastructure projects an unfamiliar concept, and look for evidence of Government support. In the absence of this, they can perceive such projects as being riskier investments than they really are. Consequently, government officials can play a useful role in encouraging investment in projects such as the Atlantic Gateway by being

at the table during negotiations etc, which is the type of role UKTI can play in supporting Liverpool's efforts. In Chapter Four we outline the national importance of the Atlantic Gateway. **RECOMMENDATION: The attraction of significant overseas investment to the Atlantic Gateway should be a national priority for UKTI and Government given the potential contribution impact on national growth and economic rebalancing.**

### **The Diaspora**

**3.3.10** Liverpool has an additional resource that is largely neglected when it comes to inward investment – its Diaspora. One feature of the population loss described earlier in this report is that there are lot of highly successful business and professional people with Liverpool origins who now live in other parts of Britain and the world. Many of these people retain not only relatives or friends in the city region but possess an abiding loyalty and affection for the place. Perhaps more so than for some other places, Liverpool seems to be a place that its sons and daughters retain a passion for. In some this manifests itself in terms of supporting a football club, but others want to do more.

**3.3.11** The Diaspora can help with inward investment, sometimes directly (if they are involved in producing short-lists for relocations) and more widely as being ambassadors for the city region within their company, sector or networks, capable of sharing market leads and intelligence that can benefit the city region. There is evidence from Scotland and Ireland that Diaspora can become commercially very important if they are organised in some way – meaning they need a structure, an organisation, and some kind of hook upon which to hang their willingness to help. In addition to better engaging the local private sector, the inward investment organisation/s for the city region need to provide a structure (eg website, events, network etc) for the Diaspora, and involve them. It's a valuable resource and currently it's just not being used. **RECOMMENDATION: The so-called 'Liverpoolian Diaspora' should be provided with a formal structure and opportunity to help their home city region with investment leads, expertise, advice and intelligence.**

**3.3.12** In the immediate term, national government has a role in providing support through its own investments and that of agencies or public bodies. It needs to consider the level and type of operations it runs in Liverpool. To rebalance its economy, Liverpool needs a stronger private sector, but it also needs higher level public service posts.

**RECOMMENDATION: Government should provide a lead to the private sector in demonstrating that it successfully conducts high level national business, with more senior civil servants and high level functions based in Liverpool.**

3.3.13 Another exciting opportunity is with proposals for a new Green Investment Bank, as such an investment in Liverpool would help catalyse further growth in the financial services. It would also benefit from links to the growing concentration of off-shore wind generation around the North-West of England and North Wales.

**RECOMMENDATION: The Green Investment Bank should be based in central Liverpool, to benefit from its track record in the sector and the cost and quality of life advantages such a location confers.**

3.3.14 A **Liverpool International Expo** is under consideration as an event that could create an important new wave of interest and investment not just in Liverpool but across the Atlantic Gateway and wider north of England. International evidence, for example from Barcelona, is that such exhibitions have a powerful catalysing effect in raising international profile as a business and investment location, although it is important to scale them appropriately to ensure that legacy is good value for money. Liverpool contains a variety of sites that are large enough to host an Expo, and this would help bring such a site to the market for long-term business use. Potentially with a theme of trading, and drawing on the Atlantic Gateway's trading and investment links with the BRIC economies, such an event could become a powerful milestone in the Government's cities, growth and rebalancing agendas.

3.3.15 **RECOMMENDATION: Government should endorse in principle the proposal that Liverpool should host an International Expo on behalf of the nation, representing not just itself but the wider Atlantic Gateway and north of England, and provide appropriate national financial support for such an event.** Although it is too early to know costs, they would be a tiny fraction of those invested in the London 2012 Olympics, and Liverpool would be justified in expecting national funding towards the costs with which it could then raise private sector support. Against stiff competition, Liverpool has been selected to host the prestigious Kauffman Global Entrepreneurship Foundation Conference in March 2012, expecting more than 500 delegates and 50 ministers from across the world. This would form a perfect opportunity to announce details for a Liverpool Expo and to create a new wave of investment and positive coverage for the city region.

## CHAPTER 4 – WORLD CLASS INFRASTRUCTURE

### KEY RECOMMENDATIONS

- Government should offer in-principle and practical support for the Atlantic Gateway proposition, including senior level engagement and co-investment. (see 4.2.7)
- Liverpool City Region and Government should work closely to ensure that the strategic infrastructure, and necessary environmental protection, is in place to support Liverpool's renaissance as a major Post Panamax European port, for example improving rail freight and strategic road access at Seaforth and dredging for post Panamax ships. (see 4.3.6)
- Government should revisit a policy which appears to support the use of European rather than UK public funding for port infrastructure. (see 4.3.7)
- In the short term, Government and Network Rail should accelerate and expand the scope for the Northern Rail hub project, to better connect the eight million people of Liverpool, Manchester and Leeds. The Second Mersey Crossing project also is essential and should now be constructed as soon as possible. (see 4.4.6)
- Government should establish a Task Force comprising representatives from relevant Departments, experts and private companies to establish how a multi-purpose Mersey Barrage can be funded and how the River Mersey can become the worlds cleanest river in an urban setting by 2030. (see 4.5.8)
- Government should amend the currently proposed High Speed Two route so it connects to both Manchester and Liverpool directly, in the same time frame and to the same standard. Government should commit to assuring Liverpool's historic parity with Manchester for travel time to London and thereby avert harmful competitive disadvantage to Liverpool in attracting inward investors. (see 4.6.5)
- Liverpool region should clarify its vision for transport. The advent of the LEP, and the potential for DfT to devolve local major scheme funding to the LEP area, provides the opportunity to resolve outstanding governance issues in relation to Halton, and offers the opportunity to work more closely with neighbouring LEPs to develop a single fully integrated local transport strategy and Local Transport Plan. (see 4.6.8)

## 4.1 Introduction

4.1.1 This report is about a city playing to its strengths, and, in the case of Liverpool, its prize asset is the River Mersey. The port has the potential to grow strongly and, as a source of energy, the Mersey has the potential to generate enough power for the whole city region. With a truly clean river, Liverpool has the opportunity to lead the world in the future of water treatment and technology. It is possible to imagine but impossible to calculate the investment in new technology companies that could be attracted.

4.1.2 It would of course take a generation to accomplish all of this. But Liverpool, with government support, needs to start now. We need to look at investments long term and recognise that the whole for many different projects are far greater than the sum of individual parts. That is a challenge to Government with its departmental structures and perspectives, but it's a challenge that needs to be faced up to and overcome to achieve the big things of which not only Liverpool but our other big cities are capable.

4.1.3 Liverpool's port and the River Mersey are in incomparably better shape today than they were thirty years ago. That confirms what history repeatedly tells us: the situation today does not mean the future is already written. Within a generation Liverpool could once again be a genuinely important global port. Within a generation the Mersey could be the cleanest river serving any urban region and have the best connected multi modal transport infrastructure in the country. Within a generation Liverpool could be at the heart of the highest performing region of the UK.

4.1.4 In this section of the report we concentrate on the Mersey as a source not just of local wealth to Liverpool, but as a national asset in which we need to invest and exploit for national economic and environmental gain. We highlight the genuinely exciting opportunities that the Atlantic Gateway concept presents, with the potential for the wider Liverpool – Manchester region to become a self-sustaining focus of national growth for an economy that is too reliant and too centred on London.



## 4.2 The Atlantic Gateway – Britain's second engine of growth

4.2.1 The economy of the Liverpool region developed primarily because of the River Mersey and its associated tributaries, rivers, canals and estuaries. Development was enabled by investment in infrastructure that enabled the natural assets of the Mersey to be exploited for shipping, trade, commerce, industry and leisure. The legacy of infrastructure is of immense value, with excellent connections within the city region (road, rail, underground, bridge, ferries) and with the wider world through the port, rail, motorway network and airport.



4.2.2 However, to remain competitive, and to grow, further investment is urgently needed. Such ongoing investment is the classic model for development of a large coastal city, where investment in infrastructure releases the latent potential for economic growth. For example, evidence from Hamburg and Rotterdam suggests that the combination of sustainable transport investment combined with port expansion and low carbon technology has made a significant contribution to GVA growth. The experience from Barcelona suggests that a reputation for transport sustainability/low carbon (combined with a strong cultural offer and a quality built environment) attracts entrepreneurs and business growth. Transport and associated infrastructure, particularly green infrastructure, is therefore a proven ingredient in supporting economic growth, and this lesson needs to be remembered in plotting a future course for Liverpool's

development. Liverpool should commit to being the sustainable transport/low carbon centre of excellence in the UK.

**4.2.3** For the purposes of infrastructure, it is important to see the wider geographic context. Liverpool is centrally located within the British Isles, part of a heavily populated region around the North and Midlands, and forms one end of the Trans-Pennine corridor spreading to Manchester, Leeds and Hull. Within the north, the area with the most concentrated economic mass and potential is the Mersey Basin, now referred to as the Atlantic Gateway. The Atlantic Gateway, comprising the two great cities of Liverpool and Manchester, is the UK's second largest economic area after London, and has been estimated to have the potential through infrastructural investment to generate an additional 250,000 jobs<sup>17</sup>. If anywhere in the UK can develop the critical mass and momentum to become an alternative growth pole to London, it is the Atlantic Gateway.

**4.2.4** The Atlantic Gateway is a place, a concept, an ambition, a proposition, and, increasingly, a plan:

- the **place** is a 35 mile corridor containing and connecting Liverpool and Manchester;
- the **concept** is that through strategic infrastructural investment, this corridor will become a major driver of national economic development and growth;
- the **ambition** is that the two great city regions of Liverpool and Manchester can, collectively, achieve a critical mass to move to a new level of growth and development not previously achieved by British cities outside London;
- the **proposition** is that private sector resources and drive, married to local public sector support, offer Government a compelling co-investment opportunity; and
- Atlantic Gateway also resembles a strategic *plan*, with its own senior Board comprising representatives of the three local enterprise partnerships to oversee its progress and delivery.

**4.2.5** The Atlantic Gateway area has the potential to become a permanent net contributor to national wealth, rather than a net recipient of taxes paid mainly in the South and East. There has never before been a credible proposition of that nature in

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<sup>17</sup> Atlantic Gateway: Accelerating Growth across the Manchester and Liverpool City Regions: Framework for a Global Growth Opportunity. Available at : <http://www.nwda.co.uk/media-library/publications/strategy/atlantic-gateway.aspx>



Britain, to achieve something decades of regional policy failed to achieve. Some of the strategic infrastructure projects required are highlighted in this section, and some involve Peel holdings who have been important investors in Liverpool's and Greater Manchester's infrastructure (£100m in developing Liverpool Airport, and £900m in creating MediaCity:UK at Salford as the UK's major media hub outside London.)

**4.2.6** It is important to note the broad private and public sector growth coalition that is emerging to support the Atlantic Gateway concept and deliver the required investment. If successful, and there is every reason to believe it can succeed, it puts within grasp a well connected economic corridor that would attract greater investment and trade from around the world, through:

- a modern, enlarged port providing more competitive trade links for the businesses and consumers of the North, Wales, Ireland and Midlands, in turn generating increased traffic, trade, investment and jobs in the wider region;
- a reinvigorated ship canal that delivers multi modal logistics combining sea, rail, freight and air, providing a level of competitiveness and sustainability unmatched in the rest of the UK;
- the best connected gateway in the UK, with fast, direct links, for both passengers and freight, to the North of England, London, Midlands and the South East, providing a credible and lower-cost alternative to congestion and high costs in the South and East. In other words, a serious contribution to national rebalancing that takes some of the burden off London and the South East.

**4.2.7** The Atlantic Gateway offers a vision to build a strategic development corridor combining the city regions of Liverpool and Manchester. **RECOMMENDATION: Government should offer in-principle and practical support for the Atlantic Gateway proposition, including senior level engagement and co-investment.**

## **4.3 Transformative port and green infrastructure**

**4.3.1** The ports of the Mersey are well-placed to benefit from increased global trading in the coming decades, and the economies of the North and Midlands need a more competitive and better-connected local ports. Currently, manufacturers in the North and Midlands pay a premium on transport costs due to over-reliance on southern

Ports, and that reliance also costs heavily in national transport infrastructure and pollution. The proposed investments range in timing and scale from some relatively small and urgently required ones (such as dredging the Mersey to take bigger freight and passenger ships) to truly transformative projects that would significantly improve national security of energy supply and bring new wealth to and from the Mersey as Europe's cleanest urban river.

**4.3.2** Liverpool's port has moved a long way from the bad old days as a declining, over-manned and loss-making concern: it has been growing, is now profitable and is in the top five nationally in terms of tonnage. It is poised to grow further as international trade increases, with the potential to create some 20,000 jobs in the wider city region<sup>18</sup>. Under the common ownership of Peel Holdings, the very nature of the Port has transformed, with a multi-modal model that spans the river and Manchester Ship Canal. In Halton, the 3MG multi model gateway distribution centre is growing rapidly with Regional Growth Fund support.

**4.3.3** It is worth noting also that maritime based manufacturing is also recovering. The resurgence of Cammell Laird in Birkenhead is an impressive private sector growth story, with over 1,000 people now employed on ship repair and new marine industries.

**4.3.4** **"Superport"** is the name for the overarching strategy for port-related infrastructure development. As can be seen in the table overleaf, "Superport" can be delivered in stages as individual projects, resources and market opportunities permit; Of particular urgency is work to dredge the Mersey and build berthing facilities for the new generation of post-Panamax ships. There are other investments that will require quick investment decisions, for example rail freight capacity is constrained on the West Coast Main Line and Trans-Pennine Lines and decisions are needed soon given the time such developments can take. The Highways Agency has identified port access as a high priority, with concern that a new road may be required as soon as 2020 to meet forecast demand.

**4.3.5** The Port of Liverpool can only expand onto a site that was itself reclaimed from the sea as a by-product of earlier dock building. However, this quite modern man-

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<sup>18</sup> Superport Action Plan: Delivering Economic Growth 2011-2020 available at: [http://public.edition-on.net/links/3058\\_super\\_port\\_action\\_plan.asp](http://public.edition-on.net/links/3058_super_port_action_plan.asp)

made site has received protected status because of its popularity with migrating birds and other wildlife. Peel Ports can work with Defra and Natural England on a biodiversity offsetting pilot - both as a means to mitigate the environmental damage caused by necessary port expansion, and to showcase the area as an exemplar for sustainable economic growth. It will be important for Government and its agencies to demonstrate that they support responsible growth and are flexible, pragmatic and swift in agreeing the necessary solutions.

**4.3.6 RECOMMENDATION: Liverpool City Region and Government should work closely to ensure that the strategic infrastructure, and necessary environmental protection, is in place to support Liverpool's renaissance as a major Post Panamax European port, for example improving rail freight and strategic road access at Seaforth and dredging for post Panamax ships.**

**4.3.7 RECOMMENDATION: Government should revisit a policy which appears to support the use of European rather than UK public funding for port infrastructure.** It would be anomalous and inefficient to use public funding to improve the inland connectivity of ports without also enabling public investment in vital port and estuarial infrastructure.

| ACTIVITIES                                                                                                                           | OWNER                                   | ESTIMATED DELIVERY DATE | ESTIMATED COST  | ECONOMIC BENEFITS TO 2020 |
|--------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------------|-----------------|---------------------------|
| Delivery of Liverpool Post Panamax facility in-river berth at Searforth (Sefton)                                                     | Peel Ports                              | 2014                    | £300m           | 4,300 jobs<br>£1.1bn GVA  |
| Expansion of Mersey Multimodal Gateway (3MG) major logistic operation at Ditton, Widnes                                              | Stobart Halton BC Prologis              | 2013                    | £92m            | 4,000 jobs<br>£1.3bn GVA  |
| Delivery of Liverpool John Lennon Airport expansion plans as per Airport Masterplan                                                  | Peel Airport Limited                    | 2030                    | £600m (to 2030) | 4,100 jobs<br>£1.5bn GVA  |
| Development of Mersey Gateway Port (Port Weston) Port facilities on Manchester Ship Canal with rail access and 30k sq ft warehousing | Stobart                                 | 2015                    | £50m            | 1,400 jobs<br>£450m GVA   |
| Langton in-river Roll-on/Roll-off terminal                                                                                           | Peel Ports                              | 2015                    | £12m            | 150 jobs<br>£43m GVA      |
| Delivery of Mersey Gateway Bridge                                                                                                    | Halton Borough Council                  | 2015                    | £431m           | 1,300 jobs<br>£210m GVA   |
| Development of key logistics sites along the Manchester Ship Canal                                                                   | Peel Ports                              | 2020                    | £75m            | 1,700<br>£430m GVA        |
| Provision of prime distribution sites and premises to meet demand generated by the market                                            | Liverpool City Region Local Authorities | 2030                    | £244m (to 2030) | 4,500 jobs<br>£1.1bn GVA  |

19

## 4.4 Seizing investment opportunities

4.4.1 Britain's approach to investing in major transport and other infrastructure has delivered much, including major projects such as the Channel Tunnel, High Speed One, new towns such as Milton Keynes and of course the London 2012 Olympic Games. However, the national approach to big projects has been criticised by some as piecemeal and slow. There is no grand plan, but, rather, a series of pragmatic decisions, case by case, on which big projects proceed and which are on the "back burner" or quietly dropped.

<sup>19</sup> Source: Superport Action Plan: Delivering Economic Growth 2011-2020 available at: [http://public.edition-on.net/links/3058\\_super\\_port\\_action\\_plan.asp](http://public.edition-on.net/links/3058_super_port_action_plan.asp)

4.4.2 Once a big proposed project is regarded as credible, its relative value for money becomes paramount. This is of course necessary and rational, not least given current constraints. But it's less rational if we only ever compare schemes one to another, or within silos, and it makes little sense if we want transport and communications infrastructure not just to catch-up with existing demand but also to drive future economic growth.

4.4.3 A challenge has been balancing the needs of Greater London and the South East with those of the rest of the country. Because the South East is considerably larger than any other area, with far higher levels of demand, infrastructure schemes involving London and the South East will almost always offer a better financial return and are more likely to be funded by Government. Smaller and less well performing areas are unlikely to secure major transport investment, and this then compounds their relative isolation from markets and lack of economic attractiveness. Hence we have Thameslink and Crossrail but as yet no fast electrified line linking Liverpool to Leeds. And it's not just transport, any area with significant infrastructural investment (including scientific research and development) can be as vulnerable to the same problem that London and the South East tend to win-out on a case-by-case basis.

4.4.4 There are difficult choices for Government. If the choice is always determined by the best return on individual projects we will see more schemes serving and linking London and the South East and too few sizable infrastructure schemes elsewhere. As the Greater London / South East region becomes ever more congested we will no doubt see more demands for big schemes to relieve congestion. But, if the choice was also influenced by the need for long term economic rebalancing and transformation, we could make significant and enduring changes in the competitive balance of the North. Liverpool and the Atlantic Gateway will be among the prime candidates for greater investment.

4.4.5 To be fair, Treasury have attempted to recognise this issue, for example through weighting regeneration benefits more highly in disadvantaged areas. The Government in its last budget made announcements about modest but useful rail investment in the Atlantic Gateway corridor. The challenge and the opportunity, however, is far greater in scale, and Liverpool city region is an example of an under-performing area that needs a more integrated and bigger scale of infrastructure investment to reach its potential. This same issue plays out in all sorts of decisions, for

example whether to invest in national R&D in the South East or in Daresbury, which we touch upon elsewhere in this report.

**4.4.6 RECOMMENDATION: In the short term, Government and Network Rail should accelerate and expand the scope for the Northern Rail hub project, to better connect the eight million people of Liverpool, Manchester and Leeds. The Second Mersey Crossing project also** is essential and should now be constructed as soon as possible. These are schemes of national importance and are long over-due. Given this, the Government's final confirmation of support for the Second Mersey Crossing on 3<sup>rd</sup> October is particularly welcome.

## **4.5 The Mersey as a source of national wealth**

**4.5.1** For the longer-term there are opportunities for the nation that are bigger still, in terms of the potential to transform the Liverpool region into an economic powerhouse of international significance. These include harnessing the Mersey to be a major producer of renewable energy and to create a green infrastructure that will propel Liverpool into the global premier league of green, attractive cities to invest and live in.

**4.5.2** For many decades there have been studies into the potential of harnessing England's two big west coast estuaries (The Severn and Mersey) for electricity generation. The benefits of barrages are fairly obvious, offering as they do a very long-term source of electricity that is as predictable as the tides and with a fraction of the carbon and other pollution downsides of fossil fuels. Additionally, if planned within a wider economic development framework (and not just one of energy generation) there are the potential for highly cost effective new transport paths (for rail, road, pedestrian, cycles, light rail etc) and for new recreational uses in the contained water behind the barrage. Regeneration experience such as that of Cardiff Bay demonstrates the impact that a more useable body of water present to the economy of a city.

**4.5.3** A Mersey Barrage is such a compelling idea that we really have to find out why previous studies have found it to be unaffordable. The problem seems to be short-termism in infrastructure planning, with funding methodologies requiring a return within 30 years, which makes no sense for the huge upfront costs of barrages that offer a payback over a longer period. (It is ironic that we still rely heavily on Victorian infrastructure that was paid for in some cases a century ago!).

4.5.4 Additionally, different Government Departments struggle to come together to support a long term vision that comprises energy, environmental improvement, transport, leisure and economic developments all based upon one large project. A Mersey Barrage, however, could be funded predominantly by the private sector if Government could devise a realistic and long-term framework for evaluating the overall investment. One that recognised the value of the non-energy benefits from such an investment including connectivity and economic growth. An energy-only scheme, although of great value to national energy supply and sustainability, would produce less economic and employment benefits to Liverpool and a barrage should therefore be considered in terms of the additional economic benefits it unlocks.

4.5.5 And, finally, there is the quality of the Mersey itself. For decades it was filthy, receiving the raw sewage and discharges of millions of people. With the creation of the Mersey Basin Campaign and significant investment, water quality has been transformed, and in 2002 oxygen levels reached a level that supported fish along its entire length. The EU Water Framework Directive aims to bring all inland and coastal water to 'Good Ecological Status' by 2015. However, only a quarter of English water bodies achieve this, and the Mersey is not one of them.

4.5.6 The opportunity exists not only to move towards the required minimum, but to commit to a more radical option. Such a policy requires a commitment that there will be no discharges and the elimination of other pollutants into the river after 2030; **with the aim to make the Mersey the world's cleanest river in an urban setting by 2030**. The Mersey could in this way become the centrepiece of a city at the leading edge of environmental best practice. This should be a trailblazer not just for the UK but for Europe and the world, and be regarded as a project of national importance. Green infrastructure supports sustainable economic growth, attracting investment, uplifting land values, and creating more attractive environments to live in, work in and visit. It also helps with resilience and moving to lower carbon lifestyles. Liverpool can make a major contribution to the country as a pioneer of greener, more sustainable and more prosperous urban living

4.5.7 Making the River Mersey the world's cleanest river in an urban setting is achievable in both technical and economic terms, especially with the use of new 'integrated catchment management' approaches. And, as water security becomes a major global issue, the attraction of having a global centre for improving and maintaining

water quality would be a huge economic asset, generating business and technological know-how that could be exported. The wider Atlantic Gateway area would need to share a commitment to such an aim, as it would require investment with a long payback time. However, such an aim could pay major economic dividends as well as making the region one with unparalleled and sustainable natural environment and quality of life. Vitally, the barrage would deliver on our renewable energy targets as well as accelerating growth in the north.

**4.5.8 RECOMMENDATION: Government should establish a Task Force comprising representatives from relevant Departments, experts and private companies to establish how a multi-purpose Mersey Barrage can be funded and how the River Mersey can become the worlds cleanest river in an urban setting.**

This is not solely about producing sustainable energy and an enhanced environment but also creating other wealth-creating infrastructure and business opportunities for British business.

**4.5.9** Existing funding models do not take account of the long term benefits of a multi-purpose barrage or of a clean river, and nor do they factor in the economic growth and business opportunities that would arise for British business to then export expertise around the world. To inform a Mersey Barrage / Clean Mersey Task Force, Government will need to bring together international, national and local expertise in regeneration, economic growth, planning, transport, environmental and energy expertise to map the potential benefits and produce a workable funding model involving Government and the private sector. A project of this scale and complexity cannot be progressed in silos or without significant commitment from Government.

**4.6 Improving Connectivity - within the region and with the world**

**4.6.1** Liverpool's strong public transport offer, combined with its relatively low levels of car ownership and congestion creates the opportunity for highly sustainable growth. The Institute for Transportation and Development argues that those cities able to meet the challenge of low carbon sustainability will leap ahead of others by attracting people who demand a healthy and culturally rich lifestyle.

**4.6.2** However, despite the strengths, within the wider region of 2.3 million people there are concentrations of under-employment and unemployment where people are not



able to access opportunities in places that are growing strongly and sometimes experiencing recruitment difficulties. There are also vulnerabilities, notably with the number of river crossings. Significant improvements are needed to reap the full agglomeration benefits of such a large and diverse urban region.

**4.6.3** The alleviation of congestion on the Mersey Crossing between Runcorn and Widnes through a Second Mersey Crossing is particularly important, and we welcome that this project has now received final sign off from the Secretary of State for Transport. It must now be constructed without delay.

**4.6.4** Liverpool's connectivity *with other areas* is central to improving its economic performance. The most important such connection is that within the 35 mile long Liverpool – Manchester corridor (the Atlantic Gateway). It is no exaggeration to state that the economic prospects for Manchester depend heavily on better connections to a growing Liverpool, and equally Liverpool's future prosperity depends on better connections to a growing Manchester. The route to London is also critical, and the timing and quality of that route is routinely included by companies assessing business locations for new investment.

**4.6.5** HS2 will benefit Liverpool if the city is directly on the HS2 map. It will not benefit Liverpool if journey times to London become half an hour longer than its nearest and strongest competitor for mobile inward investment from London (Manchester), instead of the current 1 minute time advantage. A revision to the currently proposed route is essential if the 2 million plus people and businesses of the Liverpool region are to benefit as strongly as the 3 million people and businesses of the Manchester region.

**RECOMMENDATION: Government should amend the currently proposed High Speed Two route so it connects to both Manchester and Liverpool directly, in the same time frame and to the same standard. Government should commit to assuring Liverpool's historic parity with Manchester for travel time to London and thereby avert harmful competitive disadvantage to Liverpool in attracting inward investors.** This more equitable plan will generate investor confidence in Liverpool as a prime location that is firmly and directly part of HS2 map rather than as a peripheral branch.

**4.6.6** It will be important to ensure that direct train services from London to places like Warrington, Runcorn, Wigan, Chester and Wrexham can be enhanced as a result of HS2, partly by releasing more capacity on the existing West Coast Main Line, and that

the needs of these places are considered to be as important as those of Liverpool city itself in developing a wider strategy.

**4.6.7** Liverpool needs to further develop its global connectivity. It has two local airports: its own is now in the UK top 10, handling 5 million passengers a year and has a particularly strong scheduled airline route to European centres which serves local business users and brings incoming business and leisure visitors to the region. Nearby at Manchester there are useful direct links to the United States and Dubai, but over the past decade Manchester Airport has lost long-haul routes to London, and British Airways now only provide feeder flights to Heathrow. In the absence of a northern hub or gateway capable of offering a good range of long haul direct flights, Liverpool needs better direct links to international hubs such as Amsterdam and Paris. It should also continue to seek direct New York flights (which smaller cities like Belfast, Newcastle and Bristol manage to sustain). The potential for HS2 to link to Heathrow should not be overlooked in this regard.

**4.6.8 RECOMMENDATION: Liverpool region should clarify its vision for transport. The advent of the LEP, and the potential for DfT to devolve local major scheme funding to the LEP area, provides the opportunity to resolve outstanding governance issues in relation to Halton, and offers the opportunity to work more closely with Neighbouring LEPs to develop a single fully integrated local transport strategy and Local Transport Plan.**

**4.6.9** It will be important that neighbouring authorities, including Warrington, West Lancashire and West Cheshire and Chester, proactively co-operate in all stages of this plan given the geographic footprint of such investments and the potential for synergy and, eventually, a wider joined-up plan for the wider city region.

## CHAPTER 5 – A ROADMAP TO PROSPEROUS COMMUNITIES

### KEY RECOMMENDATIONS

- Liverpool city region needs an ambitious and departmentally integrated approach to tackling worklessness which unites the work of different authorities, departments, and agencies to tackle the interconnected issues of unemployment, worklessness and poverty in its most deprived areas. Critically, this approach must have a sharply economic edge: building skills, self-reliance, employability, self-employment, local procurement and business growth as well as addressing wider housing and social needs. (see 5.1.4)
- In tandem with DWP's proposals for the Work Programme and Community Action Programme, Liverpool should run pilots that require benefit claimants to take part in community based work in order to receive their benefits. This could include using vacant land to create the concept of a Garden City and using derelict houses as employment opportunities for the unemployed to develop construction skills. (see 5.3.5)
- Knowsley Council, together with the Department for Education and others, should analyse why educational attainment lags behind that of the rest of the city region and explore options for improvement. They should report their findings for public debate within six months. (see 5.4.1)
- The Government should conduct a pilot experiment with Liverpool LEP to see how best to increase local influence over skills training. (see 5.5.6)
- Liverpool's LEP should support the development of University Technical Colleges (UTCs) and formally promote the model as a method of providing the vocational skills required to drive industry across the city region (see 5.5.10).
- Liverpool partners, along with central government and local providers and local industry should undertake a feasibility study into the establishment of a Hospitality Skills Academy (see 5.5.11).
- The Liverpool School of Tropical Medicine already works with the Department for International Development but we recommend that they should develop this relationship further offering scholarships to Doctors from overseas and establishing outreach establishments in appropriate countries. (see 5.5.12)
- The city region takes a new and more economic approach to housing policy that takes into account the outcome of the independent economic review and invites the private sector to develop new models of private/public sector partnership. (see 5.6.4)

## 5.1 Introduction

5.1.1 Liverpool's greatest strength is its people. Anyone who has visited the city can't help but admire the huge progress that has been made over the last 20 years; however, there remain deep-seated problems, particularly in areas like North Liverpool and South Sefton, where unemployment remains over 25%, worklessness is intergenerational and communities are held back by housing unfit for purpose.

5.1.2 For too long the city has lacked a joined-up strategic approach necessary to make a meaningful impact. Housing has been rebuilt, but skills have not been fully addressed. We have trained people without addressing the lack of employment opportunities. The challenge is not solely about raising housing standards or even about raising skills or attainment and qualification levels but creating jobs and rebuilding communities for the long term. There are households which have been workless for two or even three generations, and there are streets and blocks of housing where for someone to have a decent full-time permanent job is a rarity. The challenge is building local cultures where people expect to work, expect to be as self-reliant as possible, and where people understand the importance and necessity of making a valuable contribution to society.

5.1.3 Liverpool cannot fully complete its renaissance until it has tackled this problem. For this to happen it will require innovation and a public sector enterprise culture willing to take risks and be bold. A collective endeavour is needed to change the culture around welfare dependence - leaders and members of voluntary groups, community organisations, social enterprises, civic societies, political parties and faith communities need to unite so everyone can see how their perspective, their agenda and their talents can contribute.

**5.1.4 RECOMMENDATION: Liverpool city region needs an ambitious and joined-up approach to tackling worklessness which unites the work of different authorities, departments, and agencies to tackle the interconnected issues of unemployment, worklessness and poverty in its most deprived areas. Critically, this approach must have a sharply economic edge: building skills, self-reliance, employability, self-employment, local procurement and business growth as well as addressing wider housing and social needs.**

## **5.2 Deprivation and unemployment**

**5.2.1** Regeneration and renewal programmes have made a major impact on improving the quality of social housing and the physical environment in the most deprived areas. Despite this, in many streets a majority of households still do not include anyone who works. The employment rate in parts of Liverpool is 63.5 per cent compared to a national rate of 74.5 per cent. Converting those statistics into human terms means that about 200,000 extra jobs are needed to bring Liverpool in line with national levels.

**5.2.2** Eleven per cent of the city's population are living in the most deprived one per cent of all of England's neighbourhoods – around 85,000 people. This is found across the city, in places such as Anfield, Speke, Everton and Toxteth; but there are also significant problems of deprivation in districts such as Kirkby, Skelmersdale, Birkenhead, St Helens and Bootle. While people of all ages need gainful employment, of particular concern are the effects of inactivity on school leavers who fail to establish the routine and confidence that work, training and education instil.

## **5.3 Worklessness**

**5.3.1** Addressing the current number of workless is crucial. Current estimates are that the benefit costs for Liverpool Local Authority alone is over £315 million a year. For the LCR it would be in the order of £800 million a year<sup>20</sup>.

**5.3.2** Over many years governments have greatly expanded training course and employment opportunities. But no government has yet been prepared to face up to the fact that in virtually every initiative the option remains to opt for a life at the tax-payers expense with virtually no pressure to move back into legitimate economic activity.

**5.3.3** National government is now working on plans to make radical changes, to be introduced in 2013, which will mark a step change in the approach to dealing with this issue. We strongly support this policy. We do not underestimate the effect on communities that would follow from the implementation of such disciplined policies. We

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<sup>20</sup> Calculated using ONS Labour Market Statistics (NOMIS) data on out-of work benefits from ONS (2010) The Abstract of Statistics for Benefits, National insurance, Contributions and Indices of Prices and Earnings 2010 Edition

believe Liverpool is well suited for small-scale pilot schemes devised in partnership with local stakeholders including the private sector to explore the many practical issues that are bound to arise.

**5.3.4** The Government is scheduled to introduce the Community Action Programme, the next stage of the Work Programme, in 2013. A critical part of the long term success of this initiative will be determined by the jobs that will be on offer. The earlier the Government is able to experiment with such jobs the quicker we shall add to existing knowledge devised from numerous schemes over previous years, and the better the chance of success.

**5.3.5 RECOMMENDATION: in tandem with DWP proposals for the Work Programme and Community Action Programme, Liverpool should run pilots that require benefit claimants to take part in community based work in order to receive their benefits. This could include using vacant land to create the concept of a Garden City. We should also use derelict houses as employment opportunities for the unemployed to develop construction skills.**

**5.3.6** An idea worth pursuing is the concept of a Garden City. There are numerous small unkempt, unused sites often in areas of high unemployment that have been left vacant after housing clearance. They could be turned into community gardens. The skills required are relatively easy to acquire, the proximity to deprived areas reduces travel to work costs and it would be possible to associate a degree of personal ownership and responsibility to each site. The scheme would also involve the maintenance of pensioners' gardens. Supervision costs could be low especially if those in charge were recruited from the local long term unemployed.

**5.3.7** There is also scope in Liverpool to use the current overhang of unsuitable housing as a way of developing construction skills for the unemployed. The development of such a pilot scheme would allow local authorities (via housing associations) to purchase vacant housing currently held by private owners who are unable or unwilling to bring the houses up to a reasonable standard. Whilst this may require financial support from Government, it would provide a significant opportunity to try a more radical approach for the Work Programme and to offer a potential solution to the up- skilling of NEETS and ex-offenders who are not picked up by DWP's Work Programme. Many within this group do not have the GCSEs which would enable them to access formal apprenticeships, but this proposal would provide trainees with work-

based NVQ Levels 1 and 2 construction skills while at the same time enabling them to support their community.

**5.3.8** The city should also consider undertaking a pilot based on the Manchester Green Deal scheme. Under this scheme 9,000 council homes are receiving improvements such as solid wall insulation and better heating systems. The cost is then repaid by tenants with the money they save on energy bills, which could be up to £500 per year. It would be worth exploring whether this model could be combined with a mandatory work activity pilot where the workless could learn the labour intensive skills in what is a growing market.

**5.3.9** Such initiatives would fit more broadly with the need to ensure that investment in housing helps build skills locally, and contributes to increasing the employability of unemployed people. In this way it could address not only housing but employment, regeneration, and training. There are many wider benefits which could be achieved from these proposed schemes. Local people would gain the skills required to find work on other construction schemes, such as that at the Liverpool Waters Enterprise Zone site; a greater degree of social capital could be earned with those trainees earning a stake in their community, improving self esteem, developing a work ethic and deriving a sense of purpose. The community as a whole would also benefit from more attractive open spaces and better social housing.

**5.3.10 Another model worth consideration and one that crucially brings the private sector into these communities creating the jobs necessary to put people back into work is the Tesco “regeneration store” model and variants run by other stores including Sainsbury’s.** Tesco works through its Regeneration Partnerships programme at opening up new stores in disadvantaged communities where lack of economic opportunity has led to a range of social problems and low investment. The programme is targeted at local people unemployed for at least six months, and offers a guaranteed job if they complete a 6 week training course to prepare them for working in store. As well as job training, life skills training is also provided including bringing candidates up to nationally accredited standards in reading, writing, numeracy and fluency in English. This combined approach has not only been commercially successful it has helped to regenerate communities and created jobs for the long-term unemployed from local areas. This can act as a template for other businesses that are planning to open up new premises to look beyond the ‘safe’ areas and invest in economically deprived communities.

### **Case Study – Bringing Empty Homes Back Into Use in Wirral**

For several years Wirral Council has operated the HOUSED (Home Ownership Using Sustainable Empty Dwellings) project. Through this the local authority acquired vacant properties in sustainable areas, refurbished them to a high standard and sold them to first time buyers with a 10% discount.

‘On The Up’ will renovate a property owned by Wirral Council in Birkenhead free of charge. In just over 72 hours volunteers under supervision restored the property to a high quality standard at a cost of £2000. This project provides opportunities for ex-offenders to utilise skills they have developed in prison in live situations. ‘On The Up’ provides work experience opportunities for unemployed individuals, apprentices and young people, provides a cost saving, and reduces the effects that void properties have on our communities. The refurbishment works carried out have resulted in a property valued at £65,000 compared to a purchase price of £48,000.

## **5.4 Schools**

**5.4.1 RECOMMENDATION: Knowsley Council, together with the Department for Education and others, should analyse why educational attainment lags that of the rest of the city region and explore options for improvement. They should report their findings for public debate within six months.** Liverpool’s Schools have made excellent progress over recent years. At Key Stage 4 (GCSE) the Liverpool City Region is now in line with the national average with Liverpool achieving over 81% of young people gaining 5 GCSE’s or more at A\*- C compared to the national average of 75.3%. But while recognising the very challenging indices of deprivation, Knowsley secondary schools still underperform compared to other secondary schools in the Region.

**5.4.2** At Key Stage 2 (primary) LCR still falls behind the national average. Although the performance at Key Stage 4 would suggest that attainment has been addressed by the time students reach 16 this is again an area for concern. Again they should report



their findings for public debate within 6 months. Excellence in our schools is crucial for the city's future success. Local leadership should be prepared, while acknowledging that many head teachers are working extremely hard and effectively in challenging circumstances, to make the tough choices and introduce new leadership where necessary.

**5.4.3** Whilst improvement over recent years provides a sense of optimism for the future there remains the legacy of decades of underperformance. 5 good GCSE's provides the foundation for a sustainable career - whether it is progression on to higher education or an apprenticeship. Liverpool should therefore consider providing the opportunity for more adults to re-sit their GCSE's. Focusing on the core subjects, maths, English and science over a single year could give the 328,000 learners<sup>21</sup> without a level two qualification in the city region the opportunity for a second chance.

**5.4.4** Liverpool has made much progress across its education offer but there is still work to be done. What is clear is that without affective education for both young people and adults the city will be hampered in attracting inward investment. It will be less successful at fostering an enterprise culture and will make less of a contribution to the rebalancing of the British economy.

## **5.5 Skills**

**5.5.1** Despite significant investment in skills over the last decade it is clear that the skills system has not fully delivered – with the business community reporting that they can't get enough of the skills they require.

**5.5.2** The working age population of the city region has marginally fewer people with high level qualifications than the national average. There are more people of working age without any qualifications at all than in any other comparable region – although the picture continues to improve.

**5.5.3** While the quality of FE provision across the city is good and previous training and skills programmes for long-term unemployed adults have helped to get people back into work. Many have failed to achieve even a basic level of skills and are thus unable to gain a foot-hold in the world of work. Others have put their faith in skills training but

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<sup>21</sup> ONS Labour Market Statistics (NOMIS)

found that this didn't ultimately deliver them a job. The problem must be partly the quality and relevance of training provided, but difficult labour market conditions inevitably mean that some people were always unlikely to convert their new knowledge and qualifications into a job offer.

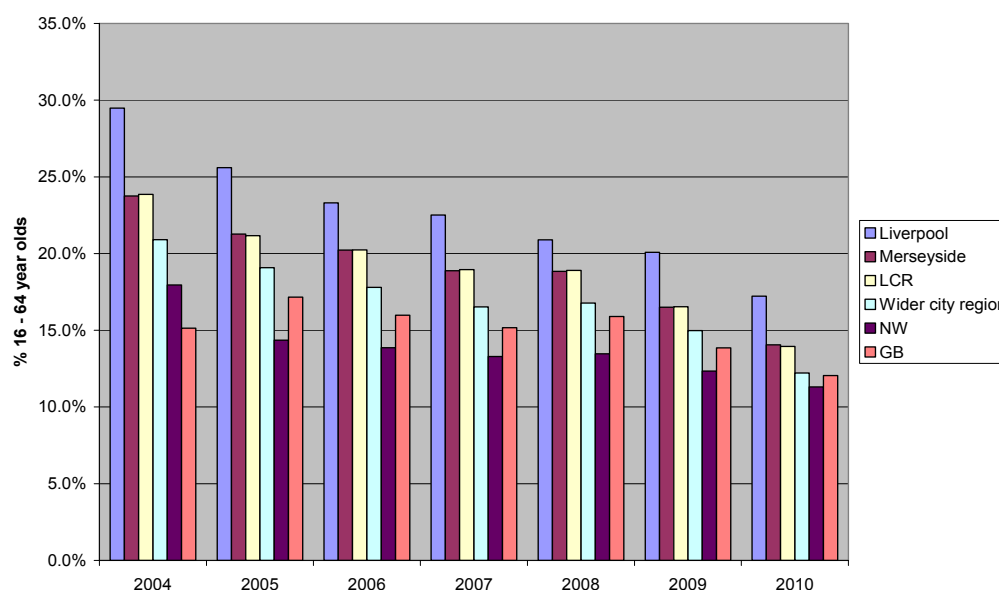
**5.5.4** Liverpool city region already has a city region wide Employment and Skills Strategy which highlights many of these issues. In particular it includes commitments to:

- Work with employers to focus investment upon their skills needs – including placements and internships;
- Build clear and effective career pathways for 14-24 year olds;
- Empower employers to drive improvements in skills and productivity;
- Help people make informed choices about learning and careers; and
- Simplify the employment and skills system to help individuals and employers access services more effectively.

**5.5.5** We welcome that the city region has a plan and that they recognise the importance of skills in raising productivity. But simply putting people on college courses will not by itself raise productivity. In providing skills we need to ensure that:

- Courses are at the appropriate level that stretch abilities or capabilities;
- Have the rigour required to help people really compete in the labour market (including numeracy and literacy);
- Are relevant to industry which has more input into curriculum design and more involvement before, during and after the course;
- Vocational courses equip people with the softer team-working, customer-focused and communication skills demanded by many employers; and
- Better information and informed intelligence careers guidance about prospects, and opportunities within the city region

Figure 5.1: Percentage of 16-64 year olds without any qualifications



**5.5.6 RECOMMENDATION: The Government should conduct a pilot experiment with Liverpool LEP to see how best to increase local influence over skills training.** Our starting point is that we don't want to waste time and money with any costly and bureaucratic re-ordering of the skills system. The lessons of the past 10 years is that time and money spent on moving the deckchairs is time and money that could have been spent on building a world class workforce, and helping some of the most vulnerable workers lead confident and productive lives.

5.5.7 The system is already highly devolved, to students and providers. So the challenge is how to ensure that we give the city region and its employers a stake in the system, while not compromising the freedoms of learners, providers, and the achievement of national priorities such as apprenticeships and basic skills. We do not wish to see this highly devolved system changed. However, we do not believe that the market on its own will deliver the skills necessary for local people to take up the future job opportunities set out in this report. There must therefore be a balance and the Liverpool city region should put a proposition to government as to how we achieve a closer relationship between the local providers and the LEP.

**5.5.8 If current pilots are successful, then introducing incentive payments should be considered; making 5 per cent of the provider's budget conditional on achieving a set of priorities agreed bilaterally between the providers and the**

**locality.** This would avoid any balkanisation of the skills budgets (which would compromise the achievement of national priorities on apprenticeships or basic skills) but would still give a powerful incentive for providers, employers and civic leaders to come together and shape their own skills future while maintaining the freedom of colleges and supporting greater simplification. To help shape priorities, a revitalized common strategy, based on an improved evidence base would be a way forward. In this regard, the LEP could call upon the experience and skills of the Further Education, community education and vocational skills trainers of the city region.

**5.5.9 RECOMMENDATION: Liverpool's LEP should support the development of University Technical Colleges (UTC) and formally promote the model as a method of providing the vocational skills required to drive industry across the city region.** There are a number of current initiatives which the Government, as well as local partners, should show their support. The North Liverpool Academy (NLA) and Liverpool Community College (LCC) each have plans to create University Technical Colleges (UTCs). The LCC plan is to train for environmental technologies and the "Superport", sponsored by companies including Arup and Peel. The NLA focuses on life sciences, with backing from the Royal Liverpool Hospital and Unilever to complement its Bio-campus.

**5.5.10** These schemes offer an alternative path for those young people still in the educational system. It offers an inspiring and motivating environment for young people with practical prospects and clearly mapped out progression routes built on valued skills and qualifications. Crucially they have the direct engagement with business. The UTC's would provide an opportunity for employers directly to influence the curriculum, and to work with young people from an earlier age.

**5.5.11 RECOMMENDATION: Liverpool partners, along with central government and local providers and local industry should undertake a feasibility study into the establishment of a Hospitality Skills Academy.** There is already a National Skills Academy programme that includes the NSA for Hospitality but a genuine practical example of a working hotel that offered work based learning to the highest standard would take this one stage further and support Liverpool in continuing to grow and improve its tourism offer. The training school needs to be in partnership with the private sector, provide a competitive offer and as much as possible be a going concern. This way, students would understand the impact of their service on the bottom line.

**5.5.12 RECOMMENDATION: The Liverpool School of Tropical Medicine is of global standing exemplified by the recent donation from the Bill Gates foundation. LSTM already works with the Department for International Development but we recommend that they should develop this relationship further offering scholarships to Doctors from overseas and establishing outreach establishments in appropriate countries to spread wider benefits of their research and knowledge.**

## **5.6 Housing**

**5.6.1** The post-war imperative to rebuild one of the most heavily bombed cities in the UK has led in some parts to a supply of housing that is too large for today's population. The consequences are still there – 11,000 empty houses and large areas of derelict sites. Yet there are up to 18,000 people on the current waiting list looking for social housing. And the residential offer of existing housing in areas such as North Liverpool is frequently poor - characterised by high levels of vacancies, an over-supply of terraced accommodation which is unsuitable for families, a weak owner-occupation market, and a small private sector rental market.

**5.6.2** Private landlords own properties which they have allowed to fall into disrepair and have no intention of restoring, believing that the cost of renovation would exceed market value in many cases. It is clear, therefore, that the supply of housing is not meeting the demand - and that the market is too weak to respond. In addition, government has failed effectively to join-up the issue of housing and use it as a lever to progress other areas of policy - most notably to tackle inter-generational worklessness and a low skills base. There is scope in Liverpool to trial a more comprehensive approach.

**5.6.3** Creating a city region where people actively choose to work, live and visit must be central to the ambition to compete with the best city regions in Europe. The housing market is therefore integral to economic performance, and without intervention, this problem area will continue to be unsustainable and will hinder the city region's economic recovery. One option would be to simply knock down vacant and unused housing and "green" over – an approach that has been taken in places such as Leipzig and Detroit in the area of "urban downsizing or rightsizing". But to do so would fail to

address the critical issue of providing enough good quality housing to meet the aspirations of local people and to attract in talent.

**5.6.4 RECOMMENDATION: The city region takes a more economic and new approach to housing policy that takes into account the outcome of the independent economic review and invites the private sector to develop new models of private/public sector partnership.** A more “economic” approach to housing policy should consider the scope of self-build and self-renovation schemes to tackle the over-hang of obsolete properties and the number of unemployed people in housing need. There is potential to match people able to inject “sweat equity” into a new home, and to acquire skills in the process, with currently obsolete housing stock. Co-operatives and social-enterprises are a useful way of organising such endeavours, and the strong voluntary and community sectors of Liverpool city region may have potential to help with such a programme.

**5.6.5** Arguably, in a city with high levels of unemployment, all social housing construction and renovation should help skill-up local unskilled or unemployed people. This should be done in partnership with the private sector - both the developers themselves as well as private owners of housing, so that there is an incentive to invest for the long-term. **There is also an opportunity to challenge the private sector to come up with innovative solutions as to what might be done with the vacant housing and how to reinvigorate the market.** One solution could be to engage architects in a competition to support good quality and innovative design (particularly in the area of low carbon or “green” housing), which would help refurbishment which is more cost-effective in comparison to wholesale knock-down and rebuild.

