



**Liverpool City Region**  
Local Enterprise Partnership

# **Liverpool City Region Deal with Government**

**9 May 2012**

## **Foreword**

On behalf of the business and civic leadership in the Liverpool City Region, we are pleased to submit this proposed City Region Deal to Government.

The Liverpool City Region's economy has closed the gap on national performance in recent years, but there remains a significant challenge to continue this. Working together, our businesses have identified the potential for additional GVA of £2bn and 100,000 jobs over the next 10 years, an opportunity unparalleled in the country. The role of Government and the public sector is to support and facilitate this growth where it is needed.

The asks of Government included in this proposal will help businesses to accelerate their growth and will make a significant contribution towards the rebalancing of the national economy.

There is a commitment from business and civic leaders in the City Region to take the once in a generation opportunity that is before us: this Deal proposal allows Government to match that commitment.

Robert Hough  
Chair, Liverpool City Region  
Local Enterprise Partnership

Joe Anderson  
Mayor of Liverpool and  
Chair, Liverpool City Region Cabinet

## Executive Summary

Liverpool City Region, with its population of 1.5 million people and £20 billion economy, is a key player in the £120bn North West regional economy. A powerful private and public partnership exists between the Local Enterprise Partnership (LEP), City Region Leaders and newly elected Mayor of Liverpool focusing on the City Region's natural economic strengths of the Super Port, Advanced Manufacturing, the Low Carbon, Knowledge and Visitor economies. This provides the platform to accelerate economic growth across this City Region and the wider Atlantic Gateway, rebalancing the economy and creating opportunities for investment and jobs.

The deal presented in this document seeks to fully capitalise on those assets, build on the impetus of the Liverpool City Mayoral Deal and deliver on the objectives set out within the Atlantic Gateway Business Plan. As Lord Heseltine and Sir Terry Leahy noted in their report for Government, rebalancing Britain has to be more than a slogan. We are committed to make that a reality and have been ruthless in ensuring that our Liverpool City Region Deal reflects and complements our plan, the recommendations of Lord Heseltine and Sir Terry, to enable the Atlantic Gateway to become a genuine corridor for growth and rebalance the national economy.

In achieving our vision and objectives, we must ensure that this success reaches all parts of the Liverpool City Region. This includes addressing some long term structural issues that will hinder our growth, including low business density, significant skills gaps, relatively high levels of unemployment, and relatively low productivity.

The 6 areas set out in our proposal to Government connect and deliver national and local priorities within the Liverpool City Region. They are:

- A Minister for the Atlantic Gateway with support of a designated Whitehall team to drive forward this unique opportunity;
- A international Business Festival of the North which showcases and celebrates the huge array of business opportunities to Europe and the rest of the World - delivering real inward investment across the Liverpool City Region and the North of England;
- Creation of one of the world's premier Green city regions by 2020 by having the world's cleanest urban river and a genuine centre for offshore renewable that capitalises on the business opportunity of offshore wind, renewable energy and the green economy;
- Enhanced support for the internationally recognised science, technology and innovation work in the City Region;
- The creation of the UK's first Skills for Growth Bank – a business owned mutual that provides financial and practical tools for our businesses to nurture the high skilled workforce our economic growth demands; and
- Putting transport at the heart of economic development to enable and build on strategic projects such as the Mersey Gateway as well as rigorously making the case for the Liverpool City Region to be connected to HS2.

## Introduction

The Liverpool City Region economy was founded on international trade. The City Region is connected to global markets, through its ports, airports and by its many multinational companies. The Port of Liverpool is one of the largest ports in the country and has the opportunity to regain its position as the premier trading centre for the North of England. World leaders, including Unilever, Jaguar Land Rover, Maersk, NSG (Pilkington), Novartis, Iberdrola and Sony, are major investors in our business friendly and cost competitive environment. Alongside this, the competitiveness of local firms on an international basis will be key in determining the City Region's future economic prospects.

Four key sectors identified for their potential to create new jobs and new opportunities – the Visitor Economy, the Low Carbon Economy, the Knowledge Economy and the SuperPort – remain at the heart of the City Region's economic development strategy. In addition, the Atlantic Gateway, a strategic growth corridor stretching from Super Port on the Mersey along the Manchester Ship Canal into the heart of Manchester represents a unique investment opportunity of international importance. The creation of Enterprise Zones in Daresbury, Wirral and Liverpool Waters, plus the Mayoral Enterprise Zone, will assist delivery of ambitious schemes within the City Region.

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.

*Lord Heseltine/Sir Terry Leahy  
Rebalancing Britain: Policy or Slogan?*

As an illustration of the Liverpool City Region's ambition, development and infrastructure schemes already in the pipeline include:

- Liverpool and Wirral Waters (planned £10bn private investment).
- International Trade Centre (planned £200m private investment).
- New Deep Water Port on the Mersey (planned £150m private investment).
- Expansion of Daresbury Science and Innovation Park (planned £600m private and public investment);
- Mersey Gateway Bridge (planned £450m PFI investment);
- Expansion of the Mersey Multimodal Gateway (3MG); and
- New Royal Liverpool University Hospital and Bio Campus (£500m PFI investment).

The Liverpool City Region has:

- A track record of delivery, including the 2008 European Capital of Culture celebrations delivering £800m economic benefit to the area and the £1bn private sector led transformation of Liverpool City Centre;
- A decade of strong economic performance, with major new projects in the pipeline: a reliance on traditional industry has widened with private sector investments such as Liverpool ONE, Pilkingtons, Peel International Trade Centre and Jaguar Land Rover strengthening the economic base;
- Improved educational attainment and a focus on skills for business, with a 30% increase in GCSE attainment since 2006;

- Investment in infrastructure to encourage growth including an extensive metro rail network and the planned £450m Mersey Gateway bridge;
- A distinctive cultural and tourism offer, with the highest concentration of cultural and heritage venues in a UK city outside of London;
- An internationally significant knowledge base, building on the strengths of the 4 Universities and the Daresbury Science and Innovation Campus; and
- A growing low carbon economy and high quality environment.

### **The inherent opportunity**

The positive and dramatic changes of the last few years, with over £5bn invested in new infrastructure (e.g. £1bn Grosvenor investment in Liverpool ONE, £30m Liverpool City Council and ERDF investment in the Arena and Convention Centre) are clearly visible. There is now an opportunity for the City Region to improve its economic performance and long-term prospects for the benefit of all with a projected 100,000 jobs to be created over the next 10 years (Merseyside Economic Review 2012). To create a globally competitive City Region, our shared economic objectives are to:

- Develop the City Region's role to be an international trade gateway to and from the UK, as part of the wider Atlantic Gateway corridor for growth;
- Rebalance our economy to accelerate the rate of economic growth;
- Create a place where business want to invest and where people want to work and live;
- Be recognised as a City Region with knowledge and demand responsive 'Skills for Growth'; and
- Become a genuinely green and sustainable City Region focused on green jobs and renewable energy generation.

In order to seize these opportunities, Government is asked to designate a Minister for the Atlantic Gateway, with the support of a dedicated Whitehall team, to ensure that all the agencies of Government and the North of England are completely aligned with realising these developments.

### **Governance and accountability**

Over the past decade the private and public sector have made significant progress in closing the performance gap of the City Region with the rest of the UK economy, reclaiming our position as a competitive and resurgent City Region. This long standing arrangement was recently reinvigorated with the formal establishment of our LEP bringing together business and civic leaders. Complementing this model of strategic leadership is the emerging governance arrangement for the newly elected Mayor of Liverpool, together with a clear accountability to the electorate of the other 5 authorities within the functioning economic area via the City Region's Cabinet of Leaders.

The LEP itself is a private sector membership body with over 350 business members. Linked policy areas impacting on economic growth, such as Housing and Planning, are considered elsewhere rather than in these Deals. However, it is our intention to work with all the partnerships under the umbrella of the LEP and City Region Cabinet to ensure their economic impact is recognised and a key factor in their investment decisions.

It is still too early in the transition to provide details of how the specific powers of the Mayor of Liverpool will relate to the LEP and connect to the wider economy, but this will be worked through over the coming months. Much of this will rely on a shared understanding of the scale of the opportunity as well as the economic challenges facing the City Region, and effective working relationships.

## **Atlantic Gateway and International Festival of Business**

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 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. 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.

### **International Festival of Business in the North**

Liverpool's history is intertwined with trade, maritime and related services. The area's transformation over the last decade, and the scale of improvement in the business environment has fueled our confidence to once again put the city on the international stage. Our experience hosting Capital of Culture, participation in the International Exposition in Shanghai and the Liverpool Embassy in London have formed the foundations for this proposal.

It is a priority of Government to rebalance the economy of the country and to promote strong, sustainable and balanced growth. There is a Government target to double annual UK exports to £1trillion by 2020. There is more trade than ever going through the Port of Liverpool and can exploit further with the new £150m deep water berth being built in the Port of Liverpool funded through private funding. This will allow the largest ships in the world to once again visit Liverpool and use it as an access point not just for the Atlantic Gateway but for the country as a whole.

To capitalise upon this opportunity, the City Region wishes to stage a major international trade event for the North in June 2014 across both banks of the Mersey: this will provide an enormous opportunity to continue this positive momentum and build the business profile of not only the Liverpool City Region but the North of England. The event should be of sufficient scale to provide a step change in business performance, as Capital of Culture 2008 changed the perception of the City.

An International festival of business in the North, provides the opportunity to promote our vision that the Mersey once again becomes a key global trading centre showcasing the Enterprise Zones in the City Region and the wider Atlantic Gateway and the North as a whole, supporting the reconnection to global growth markets, notably USA, China, India, Europe and South America.

The event will showcase across four key growth dimensions: Trade (focusing on: Knowledge; Low Carbon; Creative / Digital; Port Logistics; Investment; Higher Education; Tourism and Visitor Economy). It will build upon the opportunity presented by the Atlantic Gateway, SuperPort Development, International Trade Centre, improved City Centre Commercial Base, Freeport, key City Region sectors and Daresbury Science and Innovation Campus.

The estimated cost of £15m for the Festival will be met in part by private sector contributions (£5m) and local public sector support (£5m): Government are asked to contribute £5m subject to a satisfactory business case. The Festival will have a very tangible benefit and legacy and is expect to generate at least £100m in additional trade.

The City Region would return the £5m Government contribution if this target was not achieved.

The event will be hosted in a hub of three locations at the core of the City Region: the hugely successful Arena and Convention Centre Liverpool, the International Trade Centre Wirral and a proposed iconic investment centre in North Liverpool (what is this and what will the legacy be?). Alongside this, the City Region will work with SMEs to ensure that they are export ready and prepared to seize the opportunities the Festival presents. Ian, we need to be clear as to what Government will get for its contribution.

### Science, technology and innovation

The Atlantic Gateway has a clear focus on science, technology and innovation, and the Daresbury Campus is at the heart of the Gateway. Daresbury Science and Innovation Campus (DSIC) is one of only two centres in the UK (along with Harwell Oxford) for 'big scale' science. The critical importance of the development of the DSIC for the long-term economic growth of the North and the UK as a whole is well-known. It is complementary to the Manchester and Liverpool economies along the Atlantic Gateway, providing a collaborative, innovative and entrepreneurial science and business environment. The importance of significant science assets and the DSIC campus model acts as a powerful magnet for over 100 high growth knowledge and international companies. These include IBM, BAe Systems, Perkin Elmer and Rapiscan Systems, with over 100 technology companies already on site. These companies have grown by 37% per year over 4 years.

The Liverpool City Region is clear that innovation must be at heart of securing growth and improving productivity, linked to trade and export of goods which can also be manufactured here. Business and research led work is under way within the City Region, but there is a need for additional support if opportunities are to be seized.

Complementary to Daresbury, the Liverpool Knowledge Quarter (LKQ) is a remarkable concentration of internationally renowned, high quality knowledge economy assets and activity. The institutions which form the core of the Liverpool Knowledge Quarter – including the Universities, Royal Liverpool University Hospital and Liverpool School of Tropical Medicine – support more than 14,000 fulltime equivalent jobs. However, the LKQ currently is not well enough known. The impending redevelopment of the Royal Liverpool University Hospital and expansion of the internationally renowned School of Tropical Medicine provides an opportunity to accelerate the development of this strength for the benefits of the national economy.

City Region Offer to Government	City Region Ask of Government
<ul style="list-style-type: none"> <li>• Deliver a National Enterprise Conference in Liverpool in Spring 2013</li> <li>• Deliver the International Festival of Business in June 2014, providing 2/3 cost from private and local public sources.</li> <li>• Generate a return on the investment of Government of more than £100m over five years.</li> <li>• Commission additional export support for SMEs to prepare themselves for trade opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Appoint a Minister for the Atlantic Gateway with the support of a dedicated Whitehall team to remove blockages to growth</li> <li>• Endorse and actively support the delivery of the event as a major focal point of UK business and investment strategy, providing a letter of support from the Prime Minister.</li> <li>• Commit Senior Ministerial attendance to the Festival</li> <li>• Fund £5m to the overall cost conditional upon the achievement of agreed level of economic impact.</li> </ul>

	<ul style="list-style-type: none"> <li>• Commit senior Civil Service time to the delivery of the project</li> </ul>
<ul style="list-style-type: none"> <li>• Implement the Daresbury master plan, a Joint Venture with the Science Technology Facilities Council and Langtree Group to invest £600m and create 12,000 new jobs</li> <li>• To attract and support investment in world class science (namely, accelerator science, computational science and super-stem) at Daresbury</li> <li>• Deliver the Investment and Action Plan for the LKQ Mayoral Development Zone and flagship projects including the Liverpool Bio Innovation Campus, redevelopment of the Royal University Teaching Hospital and expansion of the School of Tropical Medicine.</li> <li>• Create an innovation hub to strengthen and enhance existing support measures</li> <li>• Increase SME access to centres of R&amp;D and innovation expertise</li> </ul>	<ul style="list-style-type: none"> <li>• To commission, supported by the Minister for Science, an audit of science investment in the UK, north of England and Daresbury</li> <li>• Continue to invest in Big Science capability and ensure the national and international significance of continuing activity of the Daresbury Science and Innovation Campus</li> <li>• UKTI to prioritise the Liverpool Knowledge Quarter (together with the emerging Liverpool Creative Digital initiative) for inward investment marketing and have a presence in the area</li> <li>• Support the development of a vibrant innovation cluster in the city region through a coherent and integrated package of private and public sector support for IP driven business growth.</li> <li>•</li> </ul>



## Development of the Low Carbon Economy

The Liverpool City Region has successfully placed the development of a Low Carbon Economy at the centre of its economic future. Forward thinking strategies taking advantage of opportunities in areas such as offshore wind, marine energy and smart city projects are resulting in significant investment and job creation – existing investment currently supports over 9,000 jobs and £1.2bn of value in the City Region.

Our City Region has an ability to lead the UK's transition to a low carbon economy building on its distinctive natural resources, location and skills base. The River Mersey and its infrastructure are a unique and essential asset in delivering the low carbon agenda and the expansion of the Liverpool City Region Offshore Wind hub and smart city activity will create further private sector led investment, jobs and increased international export opportunities, whilst also delivering direct benefits to local businesses and communities.

The opportunities exist for the City Region to accelerate and increase private sector investment in the low carbon industries still further. Private sector input has helped shape a series of specific asks of Government which will deliver demonstrable business growth impacts. This can be achieved by Government working with City Region partners in two key areas:

- Piloting an effective and efficient regulation system for low carbon activity that reduces delay and costs without compromising regulatory objectives;
- Enabling and accelerating private sector investment in key infrastructure projects.

At a time of recession, the UK has a significant opportunity to attract investment and deliver jobs within the growing global market for offshore wind supply which is estimated to be worth £75 billion by 2020, supporting up to 70,000 jobs globally (UK Renewables). Private sector companies within the Liverpool City Region are well positioned to seize the economic opportunities presented by the imminent investment in the Irish Sea Round 3 Wind Farms – with 1,000 turbines planned resulting in 1 construction job per turbine installation alone (Parsons Brinckerhoff), the job creation opportunities arising from this, the maintenance requirements and from further supply chain developments are immense and furthermore, sustainable. This would make a significant contribution to rebalancing the economy spatially and sectorally.

However to take advantage of these opportunities, and to be able to compete effectively with established German and Danish companies, businesses tell us that we need to remove the burden of unnecessary national bureaucracy. Improving the regulatory process would shorten the timescales for deciding planning applications and reduce the financial burden on the private sector, thereby increasing the attractiveness of the UK for investment. **Wirral to add timescales for planning applications. egs of where we have missed out on investment due to these planning constraints?**

Without compromising regulatory objectives, there is a clear opportunity for the City Region to work with government agencies such as Natural England, the Environment Agency and the Marine Management Organisation to accelerate project delivery. There are 40 projects within the Government's National Infrastructure Plan 2011 that have been granted the status of a 'nationally significant infrastructure project'. This means that they will be prioritised by Government Agencies in respect of being taken forward in terms of pre-application identification, collaboration and support for resolution of issues. We wish

to be granted this priority status in respect of an aggregation of the city region's low carbon projects, such are the opportunities available.

The EU Water Framework Directive aims to bring all inland and coastal water to 'Good Ecological Status' by 2015, but only a quarter of English water bodies achieve this, and the Mersey is not one of them. The opportunity exists to commit to a more radical option, with the aim to make the Mersey the world's cleanest river in an urban setting by 2045. The Mersey could in this way become the centrepiece of a city at the leading edge of environmental best practice nationally. 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 City Region one with unparalleled and sustainable natural environment and quality of life.

<b>City Region Offer to Government</b>	<b>City Region Ask to Government</b>
<p><b>Regulatory Pilot Zone</b></p> <ul style="list-style-type: none"> <li>• Work with Marine Management Organisation, the Environment Agency, Natural England and the Civil Aviation Authority to progress the regulatory Asks.</li> <li>• Make available local environmental studies / data to government agencies to support their decision making.</li> <li>• Work with community and voluntary sector to engage them in gathering environmental evidence.</li> <li>• Identify and share best practice in respect of reducing unnecessary bureaucracy at a local level. This will inform future Government policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Instruct regulatory agencies (Marine Management Organisation, the Environment Agency, Natural England and the Civil Aviation Authority) to respond to consultation requirements on all low carbon planning applications within the LCR within 13 weeks in line with the Government's Red Tape Challenge and to report by exception to Minister for Atlantic Gateway.</li> <li>• Agree a common evidence base with the City Region acceptable to all regulatory bodies.</li> <li>• Pilot the Environmental Account Manager within the LCR.</li> <li>• Grant the 'nationally significant infrastructure project' status to the aggregation of the LCR low carbon projects to gain priority support from Government agencies</li> </ul>
<p><b>Accelerating Investment</b></p> <ul style="list-style-type: none"> <li>• Commission a LEP Project Board to plan how the River Mersey can become the world's cleanest urban river by 2045</li> <li>• Work to access appropriate funding streams to enable investment which will support UK businesses to grow and diversify to take advantage of the Irish Sea Round 3 offshore wind opportunities.</li> <li>• Work with businesses to develop an aggregation of projects to enable them to attract investors.</li> <li>• Use innovative financial models that promote recycling of funds e.g. Growing Places, Regional Growth Fund and Chrysalis (JESSICA).</li> <li>• Develop a pipeline of green investment opportunities</li> <li>• Realise the City Region's potential to become a leader in renewables</li> </ul>	<ul style="list-style-type: none"> <li>• Designate the City Region as a strategic partner for the Green Investment Bank.</li> <li>• Grant Enhanced Capital Allowance status to part of the Cammell Laird site as an extension of the existing Enterprise Zone.</li> <li>• Set up a cross Government Task Force to explore and advance the Mersey Tidal Power Project.</li> <li>• Adopt a single funding approach (green growth budget) for DECC and BIS funding e.g. ECO Innovation</li> <li>• Partner and invest staff resources in an LCR Smart City Board vehicle to attract matching private sector funding to implement the Sustainable Energy Action Plan for the City Region.</li> </ul>





## Growth

The Liverpool City Region has significant opportunities for growth over the next 10 years, with a projected 100,000 new jobs being created. Many of the measures highlighted elsewhere in this Deal will make significant contributions to this objective. The economic potential of the Liverpool City Region goes much further and there are specific blockages or issues that could be resolved, which would support that improvement in investment, productivity and job creation.

### LEP to add XXX table with sectors and basis for projections XXX

Government has recognised the challenge of business growth in the current market. A plethora of new financial products are being introduced to the market either directly funded by Government, or in partnership with banks and private investment companies. The City Region also has a notable number of business support products being delivered via Local Authorities and other bodies, primarily funded by ERDF matched against local resource. Local Authority partners, with the LEP, have recognised that there is the opportunity to coordinate this activity more and maximise the outcomes of national delivery by better linkages between the local and national products. The City Region would like to test out with Government the focusing of that support, as well as considering routes for accessing external finance for businesses. It is estimated that an improvement in focused business support would lead to an additional £xm GVA and y jobs.

Companies in the City Region have benefited from Regional Growth Fund monies, including £xm to Y for z and £am to b for C. The LEP and Councils are developing a £Xm programme bid to support the growth outlined in this proposal, which is anticipated to attract an additional £Ym investment, create Z jobs and create a further £Am GVA.

### Advanced Manufacturing

There are 3,008 manufacturing companies in the Liverpool City Region employing nearly 35,000 people. They are spread across the economic area with significant job concentrations in Liverpool, Wirral, Knowsley, Halton and St. Helens. City Region companies, organisations and Universities are involved in the full cycle of activities, from research, design, development and production through to logistics, after-sales service, maintenance and repair and end-of-life management. Traditionally, manufacturing has been concentrated through discrete sectors such as automotive, marine, aerospace and chemicals. More recently, there has been a focus and emphasis on generic technologies which can drive manufacturing across such sectors (e.g. composites, nanotechnology, additive layer manufacturing and silicon electronics). Companies in this area are well placed to take advantage of trade and export through the international logistics links.

Key barriers and challenges include:

- Ensuring that City Region companies are able to access and exploit new technologies from local, national and international sources
- Addressing sustainability and increasing scarcity of energy and other resources;
- Exploiting the potential for future convergence e.g. across the manufacturing and digital sectors through digital manufacturing including additive layers manufacturing;
- Supporting the skills and education systems to understand, anticipate and respond to challenge of competitive, high value manufacturing;
- Supporting companies to develop niche and competitive products for new export markets; and

- The need to strengthen the supply chain within the City Region.

### European funding

Liverpool City Region has a proven track record in managing and operating ERDF programmes. In the current 2007-2013 programme, we have invested £207m ERDF, have a current pipeline of £32m in development, with £15m remaining. Notable examples include:

- The Low Carbon Economy REECH (Renewable Energy and Energy Efficiency in Community Housing) project, awarded £7.7m ERDF, securing an additional funding of over £18m. The project is increasing the number of Low Carbon Goods and Services companies, combating fuel poverty in the poorest areas of the City Region, reducing carbon emissions and providing employment opportunities.
- The Museum of Liverpool, which attracted £3.5m ERDF towards the £71m total project cost, exceeded its profiled target of 750,000 visitors.

Current arrangements for the management of EU funding are fragmented and disjointed, with the Structural Funds in the UK managed by various Government departments which all use different and un-connected operational programmes, governance arrangements, administration structures, and application / claims / payment / audit processes. Our experience during 14 years of Objective One funding is that outcomes are improved by taking an integrated partnership based approach to investment. This entails combining and consolidating ERDF and ESF with local and national investment to create greater impact and ability to leverage funds. The resultant joining up of partners, funding streams, and timescales focuses resource on priority actions / outcomes, resulting in more effective delivery, improved results and reduced costs.

As a potential transition region the Liverpool City Region will receive a substantial allocation of ringfenced EU funding for the 2014 – 2020 and the City Region has the experience, expertise and capacity to directly manage this resource. Delegating EU funding to the City Region as a separate Operational Programme is the most effective way of ensuring this EU funding is directed at LEP strategic priorities, it will maximise opportunities for local match funding, complement the Liverpool Mayoral Deal, and be a practical demonstration of Government’s localism agenda. It would also lead to a programme that was much more targeted on local priorities and deliver at least 10% efficiencies in programme running costs.

<b>City Region Offer to Government</b>	<b>City Region Ask of Government</b>
<ul style="list-style-type: none"> <li>• Co-ordinate existing business support activity through the Business Hub</li> <li>• Work with Chambers of Commerce to extend business to business mentoring</li> <li>• Work with suppliers of existing services (e.g. High growth support) to maximise impact in City Region</li> <li>• Commission additional activity to</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledge the hub as a focal point through which Government engages with the City region of its support to business to assist coordination</li> <li>• Pilot new business investment support projects within the City Region</li> <li>• Channel Government backed finance vehicles through the hub</li> </ul>
<ul style="list-style-type: none"> <li>• Implement Advanced Supply Chain Initiative with Birmingham, Black Country and Coventry LEAs</li> <li>• Work with TSB to High Value Manufacturing Landscape</li> <li>• Develop of University Technical College for Manufacturing</li> <li>• Facilitate Private Sector Manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>• Designation of the City Region as a Pathfinder Region for Advanced Manufacturing</li> <li>• Engage in the roll out of City Region version of High Value Manufacturing Landscape</li> <li>• Support the development of a evergreen fund for Supply Chain companies building on the AMSCI</li> </ul>

Forum	<ul style="list-style-type: none"><li>• Support a £18million 3 year Liverpool City Region Advanced Manufacturing Uplift programme for 400 targeted companies.</li></ul>
<ul style="list-style-type: none"><li>• Deliver a RGF programme bid</li></ul>	<ul style="list-style-type: none"><li>• Support the RGF programme bid</li></ul>
<ul style="list-style-type: none"><li>• Deliver a dedicated Operational Programme for the City Region, and is willing to become Managing Authority to achieve this.</li></ul>	<ul style="list-style-type: none"><li>• Delegate the EU funding for 2014 - 2020 for the City Region for agreed investment priorities.</li></ul>

## Skills and Employment

### Introduction

To build momentum and capitalise on the City Region's growth opportunities we must also focus efforts to equip businesses with a skilled workforce able to compete in the global market. Significant progress has been made so far by bringing business, civic and provider leadership together through the City Region's Employment and Skills Board (ESB) to take on our biggest challenges and to begin to transform the performance and efficiency of the system to drive the growth of the economy.

The impact we have had can be seen in the closing of the Level 2 qualification gap against the GB average, from 6% in 2004 to just 2% in 2010. In April 2011 our ESB set the challenge of creating 10,000 Apprenticeships for young people in just 12 months. Against difficult labour market conditions this target was achieved in under 11 months.

But the City Region needs to be even more ambitious. We are already increasing the depth and breadth of provider and business partnerships with 'Skills for Growth' Agreements - deals between businesses, schools and providers to deliver Skills for Growth priorities. As a LEP we know that we need to do much more and are looking to Government give the freedoms and flexibilities to reshape the City Region's skills and employment system to release the significant growth potential we have.

### Our Challenges

Current economic conditions for Liverpool City Region businesses are particularly tough. Bold steps are being taken to maximise growth opportunities and this gives the potential to create 100,000 jobs in the City Region over the next decade. To unleash this potential, businesses need to be in the driving seat and leading the transformation of our employment and skills system to ensure it delivers the skills businesses need to grow.

The City Region is working hard and making progress in overcoming some long term structural issues. Low business density, significant skills gaps, high levels of unemployment, and relatively low productivity remain major constraints on growth.

Our skills gap is amongst the most pronounced in the UK which is a drain on productivity and growth potential. 43% of the City Region's businesses report specific skills gaps. This is particularly acute in growth occupations such as Engineers and Chefs. To meet England averages we would need:

- 16,060 more Level 2 qualifications;
- 48,159 more Level 3 qualifications
- 67,065 more Level 4 qualifications; and
- 28,234 fewer people with no qualifications.

It is not just the sheer scale of this skills gap but the disjoint between training given to individuals and the skills needed by businesses. Enrolments remain high for sectors in structural decline and low for industries experiencing growth. For every individual that enrolls on a Maritime Course there are 46 people enrolling on Hair and Beauty Courses (2009/2010). The rebalance of skills investments is not moving at the same speed as our economic rebalance. Unless businesses have a stronger role in determining skills investments this will continue to inhibit growth.

Public funds alone will not be enough in unlocking the step change in skill levels we need. Current mechanisms for co-investment are inefficient as businesses spend their money



with different service providers than Government. To obtain greater impact we need to get public and private investments working together.

Our skills gap and historically low job density translate into significant challenges around worklessness. Across all age groups, unemployment and benefit dependency remains much higher in the Liverpool City Region than almost anywhere else. This is particularly acute in the challenges facing young people trying to get a foothold in the labour market, the youth unemployment rate is nearly 50% higher in the City Region than the England Average.

### **Current Employment and Skills Investments**

We estimate that public sector investment in jobs and skills totals around £200m per year, coming from a variety of local, national and EU funding streams and creating a service provider base of over 400 organisations. If this investment is to be translated into tangible economic growth it cannot be anything short of high performing.

Current arrangements for the management of EU funding in the City Region are fragmented, disjointed and compartmentalized across four separate Whitehall Departments. The result is that most of the EU funding in the current 2007-13 programme has been used by Central Government for top-down initiatives with limited opportunity for local partners and the ESB/LEP to influence the type of activity or the means of delivery.

Information on what works is also far from transparent – limiting our collective ability to buy the best performing services to help our people get back to work. Currently the ESB is overseeing local investments of £12.6m to tackle worklessness through ESF. If, along with Government and Work Programme Primes, we were able to share what works, we would all be better placed to invest more effectively.

### **A Deal to Deliver *Skills for Growth***

The proposed City Region Deal for Employment and Skills will deliver the following:

- **The Skills for Growth Bank** - an employer-owned mutual to simplify skills funding through grants and loans to businesses. Unlocking £20m skills co-investment from the Private Sector and allowing businesses to reshape the skills system to deliver 6,000 Apprenticeships, help 7,400 people into work
- **The Skills for Growth Bank Marketplace** – a price and quality comparison website to provide a simplified open and competitive marketplace empowering employer choice. Reducing the cost of public skills investments by at least 10% per outcome achieved
- **A Labour Market Information Service** – to embed a shared vision of future job and skills needs across Schools, Jobcentres, Colleges and Providers
- **A 5% performance uplift in employment programmes** – through targeted support, challenge and supply chain transparency
- **An increase in the economic relevance of skills investments** – by unit price upgrades/downgrades and delivering the biggest concentration innovation coded skills developments in England
- **The re-unification of European Funds** – to focus on investing in what works and is needed locally and delivering an integrated 'Operational Programme' for the Liverpool City Region
- **Reduce youth unemployment by half in three years** – by Government supporting directly (and through its contracts) the recommendations of an ESB commissioned Youth Unemployment Task Force.

<b>City Region Offer to Government</b>	<b>City Region Ask of Government</b>
<ul style="list-style-type: none"> <li>• Create and mutualise the ‘Skills for Growth Bank’ with businesses following successful award of Employer Ownership funding</li> <li>• Create ‘The Marketplace’ – an online price and quality comparison tool for skills training and co-investment (part of the Employer Ownership proposal)</li> <li>• Deliver high quality labour market information to employment and skills providers (including schools)</li> <li>• Continue to resource governance arrangements that bring supply and demand together</li> <li>• Challenge all deliverers of skills and employment services to perform better</li> <li>• Devise a dedicated Liverpool City Region Operational Programme for EU funding post 2013</li> <li>• Undertake either Managing Authority or Intermediary Body status as appropriate to manage devolved ERDF and ESF Ringfence</li> <li>• Invest our own and European resources in the creation of services around the mainstream offer</li> </ul>	<ul style="list-style-type: none"> <li>• Approve the LEP’s application for Employer Ownership Pilot Funds to create the UK’s first Skills for Growth Bank Mutual</li> <li>• Formally recognise the ESB as the single voice and strategic lead for employment and skills</li> <li>• Ring-fence a City Region volume of Financial Incentives for Apprenticeship job creation</li> <li>• Instruct the SFA to work with the ESB to use price as lever to make the the skills market more responsive to economic needs</li> <li>• Pilot an approach to ‘Innovation Coding’ as to free providers to respond quicker to growth</li> <li>• Share with the ESB transparent and timely provider performance information</li> <li>• To devolve EU funding for 2014 - 2020 for the City Region for agreed investment priorities</li> <li>• Pilot the approach to Loans and Support for young entrepreneurs in the Liverpool City Region – preferably through our Skills for Growth Bank</li> <li>• Give cross-departmental support to the creation and recommendations of an ESB Youth Unemployment Task Force</li> <li>• DWP to work with the ESB to agree resource priorities (including targeted outreach work and the Flexible Fund)</li> </ul>

## **Improving Transport Connectivity**

The Liverpool City Region has considerable potential for economic growth and a bespoke offer in terms of transport infrastructure, systems and skills.

This offer includes: the SuperPort incorporating major logistics hubs such as 3MG, the Atlantic Gateway and the proposed Mersey Gateway; an extensive motorway network providing links to all other parts of the UK and Europe; Manchester International Airport and Liverpool John Lennon Airport, one of the fastest growing airports in the country; the Mersey Tunnels; Mersey Ferries; comprehensive local bus networks; and a strategic rail network that links both passengers and freight to all other parts of the country. The City Region also has an enviable history of successfully delivering transport schemes and initiatives.

The City Region's vision is to ensure these assets are developed sustainably and to their true potential, so as to ensure all its communities have access to jobs and education; and to enable businesses to thrive because of their ability to move people, goods and services quickly and efficiently both within the UK and overseas.

We must also ensure that our Enterprise Zones have the necessary transport infrastructure in place to allow them to reach their full potential for job creation and become centres of national and international renown.

To do this, the City Region must ensure that all transport activity is effectively coordinated and that decision making is fully joined up at the strategic level, with any current real or perceived 'disconnects' being removed. Transport must meet the needs of both the public and private sector and it must be integral to LEP decision making, underpinning the City Region's key priorities. The City Region also sees itself leading a multi-agency transport group with Network Rail and Highways Agency to ensure the agencies regulating and delivering transport infrastructure work collectively and collaboratively, to remove delays and bureaucracy.

It is self-evident that HS2 would benefit Liverpool enormously if the city is directly on the HS2 map. This is particularly relevant in respect of the capacity for, and the movement of, freight, goods and people. Should this not be possible, reassurance from government is sought that Liverpool's rail connectivity to London and the south east will be substantially enhanced via 'classic-compatible' high speed running into Liverpool, to ensure that Liverpool's economic competitiveness is not disadvantaged in relation to Manchester and other areas.

There remains a need for long term economic rebalancing and transformation, to make significant and enduring changes in the competitive balance of the North. Government, in conjunction with Network Rail, are asked to expand and accelerate the scope for the Northern Hub rail project, to better connect Liverpool, Manchester and Leeds. There is also a need to work with DfT, northern PTEs and northern local authorities on the development of a single Northern Rail franchise with devolved powers to the PTEs concerned to operate and to develop services.

The Access to the Port of Liverpool study considered the implications of port expansion on the local transport network, and the potential for transfer of port related traffic to rail water and other transport modes. Alongside options of rail based and water based transport, which will need to be developed in partnership with the DfT, there will still be a need to

provide a long term highway intervention. One of the key recommendations of the study is therefore an 'ask' of Government to provide the HA with a remit to investigate the feasibility of infrastructure improvements to the trunk road network around the North Liverpool Docks. This would be with a view to implementing a preferred solution post 2020.

City Region Offer to Government	City Region Ask of Government
<ul style="list-style-type: none"> <li>• Review transport governance and establish a single strategic transport body for the City Region by 31/12/12.</li> <li>• Produce a coherent transport strategy to support the wider economic development and growth of the LCR.</li> <li>• Establish a Local Strategic Transport Investment Fund combining:               <ul style="list-style-type: none"> <li>(i) Transport assets based finance.</li> <li>(ii) European funding.</li> <li>(iii) Current Government transport allocations.</li> <li>(iv) Private sector contributions.</li> </ul> </li> <li>• Lead the multi-agency Transport Group to include Network Rail and Highways Agency.</li> <li>• Deliver the following current major schemes:               <ul style="list-style-type: none"> <li>- Mersey Gateway</li> <li>- Thornton/Switch Island</li> <li>- Merseyside LTP priorities</li> <li>- Halton LTP priorities</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Fund and support the delivery of the interventions recommended in the Access to the Port of Liverpool Study (including directing the Highway Agency to proceed to the next stage of scheme development).</li> <li>• Fund and support the delivery of the Northern Hub (including platform lengthening at Liverpool Lime Street).</li> <li>• Fund and support the delivery of the Halton Curve.</li> <li>• Support a High Speed 2 link direct to Liverpool.</li> <li>• Support a multi-agency Transport Group.</li> <li>• Delegate local major scheme funding to the City Region</li> </ul>