



Liverpool City Region All-Party Parliamentary Group

Research Paper No.1

A Prosperity Plan for Levelling Up the Liverpool City Region

February 2022

Context

The UK is by most measures one of the most regionally unequal OECD nations. Since the early 20th century, and particularly since the 1980s, the economy has diverged between a handful of high-growth, high-productivity regions (primarily in London, the South East and North East Scotland), and the rest of the country. While many city centres have witnessed repopulation and physical regeneration since the 1990s, this has not necessarily coincided with increases in productivity and wage growth: Manchester, Liverpool and Birmingham are three of the top 10 most deprived local authority areas according to the 2019 Indices of Multiple Deprivation (IMD). In addition to these economic inequalities, there are wide disparities on quality of life issues not only between regions but within local authority areas. In Wirral, for example, there is an 18-year gap in healthy life expectancy between the best and worst performing wards.

The Levelling Up White Paper

The Levelling Up White Paper, published earlier this month, represents an attempt to flesh out the Government’s regional development strategy and address these disparities. It proposes 12 missions that will define the levelling up agenda, with each of the following targets set for 2030.

Figure 1: Levelling Up missions

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| Productivity & Infrastructure | Increase pay, employment and productivity in every area of the UK, with each region containing a ‘globally competitive city’. | Increase domestic spending on R&D outside the Greater South East by at least 40%. | Bring local public transport connectivity closer to the standards of London. | Achieve nationwide gigabit-capable broadband and 4G coverage, with 5G coverage for the majority of the population. |
| Public services | Ensure at least 90% of children in England achieve the expected standard in reading, writing and maths. | Increase the number of people completing high-quality skills training to 200,000 in England each year. | Narrow the gap in Health Life Expectancy between areas and increase HLE by five years by 2035. | Improve wellbeing in every area of the UK, reducing the gap between top performing and other areas. |

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| Community | Increase people's pride in the place in which they live. | Increase the number of first-time house buyers in all areas and reduce the number of non-decent rented homes by 50%. | Reduce homicide, serious violence and neighbourhood crimes, focusing on the worst-affected areas. | |
| Local leadership | Agree a devolution deal with every area that wants one, with powers at or approaching the highest level of devolution and a simplified, long-term settlement. | | | |

The White Paper will be followed up with a “comprehensive process of engagement and informal consultation”, in which it is anticipated local authorities, combined authorities and elected mayors will play a major role.

The Liverpool City Region Plan for Prosperity

The Plan for Prosperity, published in January 2022, sets out how Liverpool City Region Combined Authority (LCRCA) and local partners will deliver a prosperous and economically, socially and environmentally sustainable city region. Prosperity is defined as being “wider than traditional measures of economic growth”. The concept incorporates measures such as: health; wealth and opportunity; business creation and productivity; quality of employment; and the natural environment. The plan is high level and aims to provide a holistic and long-term vision for the LCR economy that will inform policy preparation, investment decisions and project pipeline development. It also explains how LCRCA will work collaboratively with the Government to build prosperity. The plan includes three strategic priorities:

1. An inclusive city region where levelling up means no one and no place is left behind
2. Pioneers of the Green Industrial Revolution
3. A global, confident and outward looking city region

To achieve these priorities, the plan proposes four pillars of the city region economy that should be strengthened and enhanced:

1. Maximising the impacts of innovation for people, places and businesses
2. Turning people's potential into prosperity
3. Thriving, sustainable and resilient places
4. Integrated infrastructure for a connected city region

The plan is based on evidence and insight developed from the Local Industrial Strategy which included consultation with 2,500 members of the public and over 300 stakeholders from industry, academia and the social economy.

This paper sets out a series of questions for APPG members to consider in responding to the Levelling Up White Paper, with a focus on how prosperity can be developed in Liverpool City Region and how local and city-regional plans play into the national priorities set out in the paper.

Rebalancing and renewing the economy

Key question: how can Liverpool City Region develop a distinctive high-innovation, high-productivity, inclusive economy?

The development of 'globally competitive' cities and city regions is central to the Government's vision for levelling up, rebalancing prosperity, and renewing the national economy. But in order to meaningfully narrow existing productivity and prosperity gaps, and not just prevent them growing any wider, places like LCR will have to not only compete with successful national and international comparators, they will have to actually *outperform* them for a sustained period of time.

The scale of this task cannot be understated. Many communities still bear significant scars from deindustrialisation, and current economic models are again threatened by challenges such as Brexit, the COVID-19 pandemic, automation and climate change. To overcome this, places such as LCR must find ways to create, attract and maintain stable sources of value creation – new products, industries, trades and jobs – that will help to close productivity and employment gaps over the long-term. This will be necessary for LCR to both compete internationally and develop meaningful prosperity for local residents.

The strategy offered in the Levelling Up White Paper points primarily to growing the knowledge economy across the UK, with a mission to increase public investment in R&D outside the South East by at least 40% by 2030, as well as a commitment to pilot three new Innovation Accelerators in Greater Manchester, the West Midlands and Glasgow City Region. LCR is well placed to deliver on this priority too, with an ambitious target that R&D investment should be equivalent to 5% of LCR GVA by 2030.

Growing the knowledge economy, however, requires overcoming significant barriers. In addition to its inherent vulnerability to disruption and devaluation (think Nokia and Blackberry after the introduction of the iPhone), knowledge economy activity also tends towards intense concentration: a few monopolistic firms (Google, Apple, Amazon) operating in a few geographic locations (London, New York, Silicon Valley). Unlike previous transformations in production, such as that associated with the first industrial revolution, the knowledge economy "cannot be reduced to a stock of readily transportable machines and procedures and easily acquired abilities"¹. This makes it much more difficult for firms and places outside these existing concentrations of knowledge economy activity to compete for talent, develop ideas, and attract investment.

The challenge of diffusing knowledge economy activity beyond existing concentrations is further compounded by the extent to which many firms across the economy are disincentivised from investing in innovative technologies while labour remains cheap and flexible. Currently, one in five jobs in Liverpool City Region pays below the Real Living Wage, with many of these jobs characterised by precarious contracts. The high concentration of these jobs in LCR entrenches inequality and hinders the transition to a more high-skill, high-productivity, low-carbon economy.

More specific detail will be needed from the Government to explain how the opportunities of the knowledge economy can be spread throughout the UK. The LCR Plan for Prosperity identifies particular strengths in: high performance computing and AI; infection; material chemistry; low carbon technologies; culture and creative industries; and the social economy.

¹ [Imagination Unleashed - Democratising the Knowledge Economy \(nesta.org.uk\)](https://www.nesta.org.uk/publications/imagination-unleashed-democratising-the-knowledge-economy)

Support will be needed at all levels of government to nurture these opportunities and APPG members may wish to consider what ‘asks’ it will have for the UK Government over the coming years to help develop innovative, exporting businesses and create good, stable jobs in these sectors. Particular assistance will be required for energy intensive firms to decarbonise their business models as LCR and the UK seek to meet urgent Net Zero targets. This will be critical to delivering an economy that is globally distinctive, meaningfully inclusive, and more resilient to technological, economic, and environmental change over the long-term.

Strengthening LCR’s economic foundations

Key question: how can Liverpool City Region promote meaningful shared prosperity for all people and places?

Prosperity is about more than growth, productivity, and innovation. It’s about quality of life, quality of place, and widespread opportunity. Levelling up LCR’s economy cannot happen without first strengthening the assets, infrastructures and institutions that determine whether people and places can effectively contribute to, and benefit from, the local economy.

The Levelling Up White Paper recognises that many places are caught in vicious cycles, where entrenched challenges undermine the local foundations for economic prosperity and lead to persistently poor outcomes across a range of social and economic metrics. This acknowledgement is particularly relevant for LCR, where we know there are long-standing, deep-rooted, and interconnected challenges associated with deprivation, low skills, and poor health that continue to hold people and places back:

- A third of all City Region lower super output areas (LSOAs) are in the most deprived decile in the UK.
- More than half the private homes in LCR were built before 1940, often to low standards, and 60% of properties have an EPC rating of D or below.
- Across LCR almost one in four people are reported as having a limiting long-term illness or disability, with poor mental health a particular concern.
- Over 50% of LCR pupils do not achieve the expected education standard at age 16, with low levels of Maths and English attainment creating particular problems as students leave education and enter the jobs market.
- Issues with transport connectivity, affordability, and reliability limit access to employment, and contribute to high car dependency, congestion, and poor air quality.

Both the Levelling Up White Paper and the Plan for Prosperity recognise the urgency and necessity of addressing not just the symptoms of such challenges, but their root causes. Strengthening the multiple foundations of prosperity in Liverpool City Region will be vital if it is to create, attract, and sustain higher-value, higher-productivity economic activity over the long-term and close performance gaps with the rest of the UK. It will be important, too, to promote the health, wealth, and wellbeing of people, communities, and the natural environment, and deliver an inclusive, Net Zero future.

As identified in the Plan for Prosperity, local approaches to community wealth building, public service innovation, and physical regeneration will be necessary to developing the resilience, power, and potential of all people and places in LCR. However, coordinated, structural interventions to strengthen the economy will also require a significant reversal of austerity and the retrenchment of (local and national) state spending seen across the UK over the last 12 years. Local authorities in LCR, in particular, saw on average a 28% reduction in their core spending power in the decade 2010/11 to 2019/20, reducing the capacity of local government to arrest critical social and economic challenges in local communities and provide necessary public services effectively.

Reversing the impacts of austerity may, however, require a renewed conversation about how the UK will in future create, tax, and redistribute wealth in a way that more meaningfully benefits the places that are currently held back from realising their full potential.

Devolution

Key question: What additional powers and resources does LCR need to achieve the Plan for Prosperity?

The White Paper includes a commitment to expanding devolution, establishing a devolution framework for England. The mayoral combined authority model (MCA) is identified as the preferred structure for devolution and future devolved powers may include increased control over business rates. The White Paper also reemphasises support for bus franchising. However, there are no firm commitments on future sources of funding for local and combined authorities. The UK Shared Prosperity Fund will total around 40% less per year than was received from EU Structural Funds. This cut is likely to fall particularly on places such as LCR that were not designated in the most recent round of EU funding as 'less developed' regions, as the Government has committed to maintaining funding for Scotland, Wales, Northern Ireland and Cornwall.

While the commitment towards enhancing and stabilising devolved structures across England is welcome, more work is required to ensure local and combined authorities have the tools and resources to develop local economies and establish the foundations for prosperity. England is highly centralised compared to most European nations and local leaders in LCR and other English city-regions have fewer powers than leaders in similar sized cities, particularly in terms of raising income and building infrastructure.

In responding to the White Paper, APPG members will need to consider:

- What powers does LCR aspire to hold that it does not currently?
- Given continuing funding constraints, how can local leaders ensure the foundations for prosperity in LCR are developed? What additional resources are required to achieve the goals set out in the Plan for Prosperity?
- Looking further ahead, what aspirations should LCRCAs have to increase fiscal autonomy, for example through retention of business rates, workplace parking levies, congestion charges etc?
- How can local leaders play a larger role in delivering levelling up in LCR, whilst powers and funding remain constrained? Does the approach to delivery set out in the Plan for Prosperity go some way to sketching this out?

About the Heseltine Institute for Public Policy, Practice & Place

The Heseltine Institute is an interdisciplinary public policy research institute which brings together academic expertise from across the University of Liverpool with policy-makers and practitioners to support the development of sustainable and inclusive cities and city regions. Through high impact research and thought leadership, knowledge exchange, capacity building, and evidence based public policy, the Institute seeks to address key societal challenges and opportunities pertaining to three overarching themes: 21st Century Cities, Inclusive and Clean Growth, and Public Service Innovation.

For more information visit <https://www.liverpool.ac.uk/heseltine-institute/>

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