



**MEETING OF LIVERPOOL CITY REGION
LOCAL ENTERPRISE PARTNERSHIP
STRATEGIC BOARD**

AGENDA

DATE: Thursday, 3rd December, 2015

TIME: 8.30 am

VENUE: LEP Boardroom, 12 Princes Parade, Liverpool L3 1BG

**LIVERPOOL CITY REGION
LOCAL ENTERPRISE PARTNERSHIP
STRATEGIC BOARD**

AGENDA

1. DECLARATIONS OF INTEREST

Board members to declare any interests in items under consideration.

2. MINUTES OF THE LAST MEETING

To consider the minutes of the last meeting held on 22nd October 2015.

(Pages 1 - 10)

3. CHAIRMAN'S REPORT

To receive an update report from the Chairman and updates from Board members representing the LEP on the following external bodies:-

(Pages 11 - 14)

(a) **ATLANTIC GATEWAY**

(Pages 15 - 18)

(b) **MERSEY WATERS ENTERPRISE ZONE**

(Pages 19 - 22)

4. LEP SUB-BOARD UPDATES

(a) **EMPLOYMENT AND SKILLS**

To receive a presentation and also a paper on the Skills for Growth Priorities 2015-16.

(Pages 23 - 74)

(b) **INNOVATION**

To receive a general update presentation and a paper on the Science and Innovation Audit.

(Pages 75 - 80)

(c) **INTERIM DIGITAL/CREATIVE BOARD**

(Pages 81 - 82)

5. **POLICY UPDATE**
(Pages 83 - 88)
6. **DEVOLUTION**
(Pages 89 - 98)
7. **STRATEGY SESSION**
(Pages 99 - 116)
8. **SKILLS CAPITAL INVESTMENT FUND - LOW CARBON STRAND UPDATE**
(Pages 117 - 122)
9. **EUROPEAN STRUCTURAL AND INVESTMENT FUNDS (ESIF) 2014-2020 PROGRAMME: LCR ESIF STRATEGY UPDATE**
(Pages 123 - 128)

10. ANY OTHER BUSINESS

The next meeting of the Board is to be held on 4 February 2016 at 8.30am in line with the proposed dates of meetings for 2016 (all starting at 8.30am) as follows:-

4 February
17 March
21 April
9 June
21 July
15 September
20 October
1 December

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Agenda Item 2

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

At a meeting of the Liverpool City Region Local Enterprise Partnership Strategic Board held in the LEP Boardroom, 12 Princes Parade, Liverpool L3 1BG on Thursday, 22nd October, 2015 at 8.30am the following Members were

PRESENT: Robert Hough CBE (Chairman)
Chris Bliss
Kath Boullen MBE
Councillor Phil Davies
Amanda Lyne
Councillor Rob Polhill
Alistair Poole
Neil Sturmey
Professor Nigel Weatherill
Kate Willard

APOLOGIES: Mayor Joe Anderson OBE
Richard Else
Councillor Barrie Grunewald
Asif Hamid
Councillor Ian Maher
Councillor Andy Moorhead

IN ATTENDANCE: Mark Basnett Liverpool City Region LEP
Tony Wade Liverpool City Region LEP
Alan Welby Liverpool City Region LEP
Andrew Bilsborrow Knowsley MBC

162. DECLARATIONS OF INTEREST

A Member of the Board declared the following situational conflict in the agenda item shown:-

Director	Minute No.(s)	Nature and Extent of Interest
Councillor Phil Davies	169a	Board Member – Maritime and Engineering College North West

163. MINUTES OF THE LAST MEETING

The minutes of the meeting of the Strategic Board held on 10th September 2015 were received as a correct record and signed by the Chairman.

164. CHAIRMAN'S REPORT

The Board considered the following verbal updates that were given by the Chairman at the meeting:-

- (a) With reference to minute 160(b), the Chairman reported that the LCR bid to the Innovate UK 'Internet of Things' had not been successful. He indicated that 40 bids had been submitted and complimentary

feedback had been received regarding the City Region's first class submission.

- (b) He reported that Kath Boullen's term of office as a Board Member had recently expired and she had been offered, and accepted, a 2 year extension to her term of office from 2nd August 2015.
- (c) The success of the Devolution consultation event, held at the Rum Warehouse on 17th September was highlighted by the Chairman. He reported that there were over 120 attendees present predominantly from the private sector. A clear mandate was given to proceed with the discussions to get the best devolution deal for the City Region.
- (d) A brief update was given on the LEP Network Conference Dinner, on 19th October, and the Conference held the following day. In particular, the Chairman highlighted a speech by Patrick McLaughlin MP, Secretary of State for Transport, who had pointed out that Devolution was an evolving 5 year journey which, whilst a gamble, offered great opportunities and was a risk worth taking. At a fringe event, the next day, the opportunities IFB 2016 presented for the promotion of Growth Hubs were discussed.

It was **agreed** – That the report be noted.

165. STATE OF THE CITY REGION REPORT

The Board received a presentation by Professor Michael Parkinson CBE on the progress made with regard to the production of the State of the Liverpool City Region Report as part of a collaborative research project between Liverpool and Liverpool John Moores Universities. The aim of the report was to provide :-

- a quantitative assessment of LCR's recent past and achievements;
- a review of current policies and projects; and
- an assessment of the long- and short-term forces that will impact upon LCR during the next decade and a discussion of alternative desirable futures - and ways of delivering them.

In this respect, Professor Parkinson's presentation gave a response to the following questions:-

- **Why now?** – Exciting times for the City Region – Devolution and the Northern Powerhouse.
- **Why Us?** – Universities are anchor institutions, have the expertise of a team with national and international credibility and have offered the service on a pro-bono basis.
- **Why does it matter?** – Will provide an opportunity to attract investment, realise opportunities, gain trust and win friends, help the region to be more self-aware and successful, build on collaboration and help 'win hearts and minds'.

- **What are we doing?** – Reviewing Strategy and Policy documents, undertaking a quantitative analysis of the performance of UK and European City Regions and undertaking interviews with ‘the grown ups’.
- **When will we be doing it?** – From August to November to align with the current Devolution and Northern Powerhouse debates. A draft final report would be produced before the Chancellor’s CSR Statement with a public launch anticipated early in the New Year.
- **How are we getting on?** – Representatives of Government, Private and Voluntary sectors responsive to the ideas. Quantitative work and interview processes almost complete with discussions with 6 local authority leaders to be concluded shortly. Managing expectations is crucial to delivery.
- **What Might be in the Report?** – An analysis of what makes a successful City Region and how can the LCR get there. Where does the region currently stand. What do the key players think now and where do they want to be in the future. An indication of the LCR’s USPs (the 4 B’s – Boats, Beatles, Brains and Barrage). Final messages from the Universities.
- **What’s in it for You?** – Early messages set out in a document that will provide a robust, independent, constructive and honest assessment of the key principles, relationships, processes and priorities. An indication of the areas where the LCR has to do more – clarity, focus, simplicity, consistency, coherence, ambition, confidence, credibility, communication, accountability, collaboration, commitment, trust, capacity and delivery.

The Board had a discussion on the issues raised in Professor Parkinson’s presentation. In this respect, the following issues were raised by Board members:-

- Kate Willard referred to need for the City Region to clearly articulate ‘Why we are better together’ and asked if the region could build upon the experiences of other key City Regions. In response, Professor Parkinson referred to the lessons that could be learnt from Greater Manchester in terms of what they do and how they do it with a consistent leadership team, that includes in discussions experts from the relevant field. A family approach is adopted with any rows taking place in private but a united front conveyed in public. In addition, the resources deployed by Sheffield bid ensured that that region was next in line.
- Kate Willard felt that currently the Not for Profit Sector was not being engaged with properly and as a result, the City Region was missing a trick with regard to poverty related issues. Professor Parkinson confirmed that the voluntary sector had expressed its unhappiness and felt excluded from the process.
- Councillor Phil Davies recognised that the need for culture change was a fundamental golden thread. Whilst such change was happening, more

emphasis was required in Professor Parkinson's final report of the unprecedented funding cuts the public sector faces over the next 5 years and the enormous challenges for local councils as a result of the changes to the Business Rates regime and the phasing out of the Rate Support Grant. He pointed out that the big challenge was to ensure that the Devolution deal provided the maximum compensation for the huge reduction in public sector resources. In addition, capacity to deliver was a key issue with the City Region having to work smarter, and collectively, to maximise the value of the City Region pound.

- The Chairman pointed out that there was a clear collective desire to make Devolution happen and, in this respect in order to maximise the opportunities, further work was required to:-
 - Prioritise, produce clear evidence and the needs and identify the capacity to address them;
 - Ensure that the Devolution deal was affordable in a time of austerity;
 - Set out how it is to be delivered and ensure it happens; and
 - Engage with the voluntary sector and ensure its voice is heard.

The Board then had a discussion on the City Region's Devolution submission. In this respect, the following issues were raised by Board members:-

- Neil Sturmeay sought confirmation that all 6 local authorities were fully behind the bid. Councillor Davies indicated that the 6 Leaders met on a weekly basis and there was a strong collective desire to secure the best deal for the City Region. He gave an update on the progress made and indicated that the original submission had been concentrated down into 4 key priority area and had been well received in discussions with Government which, for the first stage, were set to be concluded by the end of October. The next phase of negotiations would go on well beyond the CSR announcement in November.
- Amanda Lyne pointed out that potentially the full devolution process could take over 20 years and accepted that difficult governance decisions would have to be taken on the basis of the initial 'prize' with no clear indication of the potential benefits over the next 20+ years.
- Chris Bliss highlighted a recent discussion with a high profile figure in the private sector who had stated, and believed, that the City Region's bid had failed and devolution would not proceed. As a result, he felt that it was essential that a positive message on the actual position was conveyed at every opportunity. In this respect, Councillor Davies referred to the recent negative press speculation and highlighted how difficult it was to refute such articles when they include quotes from un-named sources. He also highlighted the media activity, on television and local radio, undertaken by both Mayor Anderson and himself.

- Professor Weatherill felt that rather than wait for the outcome of the bid, the City Region should work more collaboratively on policy areas such as waste and environmental sustainability in order for the region to make significant progress and send out a powerful statement of its intent. Councillor Davies pointed out that capacity was the main stumbling block.
- Kath Boullen highlighted the difficulties she had encountered in attempting to engage with St Helens' businesses, who appeared to show little interest in devolution. Neil Sturmey also pointed out how difficult it was to get the message across to micro-businesses. Kath Boullen asked if there was a short, clear, concise document which summarised 'Why we are better together' that could be used in such engagement. The Chairman pointed out that such a single narrative had been available for some time which could be used as the template in such discussions. In addition, information was available on the new Combined Authority devolution deal website www.liverpoolcityregion-ca.gov.uk. Councillor Davies also indicated that he would ask Ben O'Brien, of Kenyon Fraser the Devolution engagement consultants, to contact her.

It was **agreed** –

- (i) That Professor Parkinson CBE be thanked for his informative presentation; and
- (ii) that both the Liverpool University and John Moores University be thanked for the significant piece of work being undertaken in the Strategy of the City Region.

166. POLICY UPDATE

The Board considered a Policy report that provided an update on recent developments across the UK, the North and the City Region including Devolution, Skills and Private Sector Jobs Growth.

It was reported that with regards to LCR's devolution bid, a letter from the 'Group of 12', setting out the private sector support of the bid was in the course of preparation.

It was **agreed** – That the report be noted.

167. EUROPEAN STRUCTURAL AND INVESTMENT FUNDS 2014-2020 PROGRAMME: LCR ESIF STRATEGY UPDATE

The Board considered a report that sought agreement to the revisions required to the LCR ESIF Strategy, including the elements relating to JESSICA, and also provided an update on other key issues.

The Board also considered the full LCR ESIF Strategy document, Annex 1, that was circulated separately to the agenda papers.

Neil Sturmev sought confirmation that partners were comfortable with the decision not to proceed with a second JESSICA due to the impact of the recession on the first scheme and the future upturn in developer confidence. In response, it was confirmed that partners were comfortable with the decision and felt that the proposal was an appropriate route to take.

Professor Weatherill referred to the full strategy document and felt that there was minimal reference to region's universities. In response, it was indicated that the references to the Knowledge Quarter would be fleshed out to specifically reference the universities where appropriate.

It was **agreed** -

- (i) that the content of the report be noted together with the comments of Professor Weatherill;
- (ii) that the revisions to the LCR ESIF Strategy as set out in section 3.4 of the report now submitted and set out in full in Annex 1 to the report, be approved;
- (iii) that the proposed use of those funds released as a result of the decision to not proceeding with a second financial instrument or JESSICA fund, as set out in sections 3.5 to 3.8 of the report, be approved;
- (iv) that the LCR's position on the ERDF outputs allocated to the City Region by CLG, be approved; and;
- (v) that the response to Government on outputs, as set out in section 3.10 of the report now submitted, be noted.

168. LEP SUB BOARD UPDATES

(a) Manufacturing

The Board considered a presentation by Alistair Poole, Chair of the Making-It Board, that:-

- Set out the background to the establishment of the Making-It Board and set out details of its membership;
- Indicated that the manufacturing sector made a contribution of £3.2bn to the LCR economy, provided 14% of its GVA and involved over 49,000 jobs;
- Detailed the challenges to be faced and an outline of the Board's approach to them; and
- Outlined the development of LCR 4.0 – the Industrial Internet of Things , the fourth industrial revolution which will have a massive influence on manufacturing industries.

Following its consideration of the presentation, Board members :-

- Highlighted the need for the City Region to actively exhibit the skills and processes that are available in order to encourage entrepreneurship in the manufacturing sector; and

- Welcomed the opportunities that a system of hub-shared management would present in order for SME's to fully embrace the future opportunities LCR 4.0 will present.

It was **agreed** – That Alistair Poole be thanked for his informative presentation and the work of the Board be commended.

169. SKILLS CAPITAL INVESTMENT FUND

(a) Sites and Premises (Strand 1 - Stage 2) Assessment Recommendations

The Board considered a report that:-

- set out the appraisal outcome of the Full Application stage for the 4 Expressions of Interest stage under the Sites and Premises Strand of the Skills Capital Investment Fund that was approved, from a strategic investment perspective, by the Board at its meeting held on 4th June 2015;
- indicated that, as part of the process, the 4 applicants had submitted Full Applications for final appraisal and investment decision on 4th August 2015; and
- set out an overview of the 4 applications received together with the key risks and issues in relation to the implementation of an investment fund of this nature together with the proposed mitigation actions.

Kate Willard highlighted the need for a broad spectrum of training and support for those organisations who are not fully conversant with the required bidding processes to ensure that skills capital funds are fully utilised.

It was **agreed** –

- That the outcome of the appraisal process for Skills Capital Sites and Premises (Strand 1 – Final Stage) full applications, as set out in sections 3 and 4 of the report now submitted, be noted;
- that the recommendations made for the final investment of £3,351,765, subject to the approval of the Combined Authority and the due diligence process, for the projects under the Sites and Premises Strand, be welcomed;
- that the overall financial position of the Sites and Premises strand, as set out in section 5 of the report now submitted, be noted; and
- that the risks and proposed mitigation actions, as set out in section 7 of the report now submitted, be noted.

(b) Low Carbon Strand Update

The Board considered a report which indicated that:-

- the City Region's Business Case, which set out the strategic and investment case for the Low Carbon Strand of the Skills Capital

Investment Fund, had recently been approved by BIS subject to confirmation of a revised timetable, that had also been submitted; and

- (b) provided a synopsis of the Implementation Plan that had been drawn up based on the agreed Assurance Framework arrangements for Skills Capital but tailored to the Low Carbon element.

The Chairman, on behalf of the Board, placed on record his thanks to those members of the Low Carbon Team for the work undertaken on the initiative.

It was **agreed** –

- (i) That the Implementation Plan be endorsed and the LEP Executive be authorised to work with the Combined Authority and Employment and Skills Board colleagues to implement the application and appraisal process; and
- (ii) that it be noted that details of the recommended allocations of funding to Colleges, arising from the process, are to be submitted to the next meeting of the Board, on 3rd December, for final approval.

170. FUNDING PROGRAMMES

The Board considered a report that gave an update on the Liverpool City Region Growth Deal and Growing Places Fund implementation.

Neil Sturmev sought an update on the progress made on the provision of a single investment 'one-stop-shop' approach to Capital Commissioning. In response it was indicated that a Commencement Business Plan had been submitted to the local authorities but its progression was tied up in the Devolution discussions.

It was **agreed** –

- (i) That the progress being made on implementation of Growth Deal approved projects, and the update on the Growth Deal Programme for 2016/17 funding which is subject to the Comprehensive Spending Review, be noted;
- (ii) that the opportunity provided by delivery of Growth Deal projects to promote both the LEP and Combined Authority be noted and the development of a Growth Deal Brand Guidelines and Communications protocol for the City Region led by the LEP Communications Team, be approved;
- (iii) that the arrangement being made for the Annual Conversation with government on Growth Deal delivery and other local growth programmes, be noted; and
- (iv) that the progress being made on implementation of Growing Places Fund, be noted.

171. ALAN WELBY

The Chairman reported that Alan Welby was attending his last meeting of the Strategic Board prior to taking up a new post at Liverpool John Moores University.

On behalf of the Board, the Chairman took the opportunity to place on record his thanks to Alan for his contribution to the LEP, over the last four and a half years, in particular in his capacities as Executive Director – Key Growth Sectors and for Strategic Economic Development and wished him well in his new post.

In response, Alan took the opportunity to thank individual Board members and his Executive Director colleagues for the help and support provided during his time at the LEP.

Minutes 163 to 171 received as a correct record on the 3rd day of December 2015

Chairman of the Board

(The meeting closed at 11.06am)

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Chairman's Report

LEP Board Meeting 3 December 2015

Author:
Robert Hough
Liverpool City Region LEP

- 1 The signing of the Devolution Agreement was a momentous step in the development of the Liverpool City Region's economic and social development opportunities and governance.

Congratulations should go to the Leaders, the Mayor and to their Officers, who fashioned a substantial and complex deal tailored to the needs of the City Region. The importance of being part of the first wave of City Regions to have negotiated such a Deal is a great credit to all concerned. Not only does it deliver great economic benefits (and, in particular, from the £30M over each of the next 30 years from the Single Investment Fund), but also the real opportunity and, indeed, expectation of "more to follow" as the City Region's track record develops. The Combined Authority for Greater Manchester and its wider structure has been in place for around 15 years; ours, in practical terms, for less than 2 – progress has therefore been enormous.

Beyond that, the benefit from being part of this first wave – and on a timetable expected to trigger in May 2017, the same as Greater Manchester, who announced its deal 12 months ago – is massive, a clear vindication of a City Region which has got its act together and can see the bigger picture.

The LEP has, of course, played a vital role in the process, intelligently informing certain parts of the Deal, particularly around Economic Development and Energy. More than that, it has been the conduit which has helped to galvanise the views of the private sector, the Group of 12 (G12). The importance of this private sector Group acting cohesively in a way that has never happened before is another sign of the developing maturity of the City Region, as well as recognition of the LEP's role as the lead body to feed in those unified views into the Devolution process and particularly through the LEP representative on the Combined Authority. I am confident that this process will continue to develop in the months ahead as the Devolution agenda and its Asks mature.

- 2 The new architecture reflecting the impact and benefits of Devolution still has to be agreed and, in particular, the role of the LEP within it. At the risk of over-simplification, my views on the key elements remain about:

- (a) Meaningful and substantive central capacity.
- (b) Increased collaboration on the key central themes.
- (c) Appropriate evidence.
- (d) Focus on delivery.
- (e) Focus on pace.
- (f) Keep it simple.

The exact nature of the LEP's role in this new world needs careful thought and, in particular, the need to recognise the special contribution the LEP continues to make in the area of Strategic Economic Development and also around the Key Growth sectors, based on its unique members' model.

- 3 The recent Strategy Day for the LEP was a great success, spelling out the challenges and opportunities for the LEP in the months ahead.

Our structures and purpose will depend to a degree on some of the issues referred to at 2 above, but again, the mantra of "Pace, Delivery and Keep It Simple" will apply.

- 4 I recently attended a meeting (with the Mayor, MerseyTravel and private sector representatives) with Lord Adonis, who was making his first visit out of London in his newly appointed role as Chairman of the National Infrastructure Commission. The opportunity was taken to impress on Lord Adonis the following points:

- (a) The vital importance of the High Speed connection for HS2 into Liverpool, both serving the Liverpool City Region as a major economic conurbation, as well as to provide extra capacity for freight from the enlarged Port of Liverpool.
- (b) The Northern Powerhouse cannot work effectively unless the Liverpool City Region, with its particular roles to play as a major northern city and sea port, participates fully.
- (c) A proposal was put to Lord Adonis for a route which would combine both a High Speed spur off HS2 to Liverpool City Centre as well as forming part of the East-West HS3 scheme.

5 The terms of Chris Bliss and Kate Willard as Board Members of the LEP expired on 23 October 2015 and 7 November 2015 respectively. The position, having been considered by the Remuneration and Appointments Committee and unanimously supported, it is proposed that Chris Bliss is appointed for a further term of three years and Kate Willard for a further term of two years from the date of the expiration of their initial terms – to avoid a single termination date, Chris, having initially served for two years and Kate for three years.

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Atlantic Gateway General update: LCR LEP November 2015

The next AG Board meeting will take place in January 2016 therefore this paper provides an interim update on core activities.

AG Team

I am pleased to announce that Amy Barkatali has joined the AG team on secondment from Grant Thornton. Amy joined the team at the start of September and will be playing a lead role on several areas of work over the next few months including:

- communications;
- stakeholder relationships and management;
- infrastructure priorities;
- KPI development and management; and
- business planning.

Amy is a chartered accountant who has a background in infrastructure projects working across the public and private sector. Amy will also play a lead role in further developing the communications and business case for investment in logistics and freight throughout AG, working closely with Superport.

KPIs

An electronic survey will be issued to AG Board members and other key partners, including LCR LEP, in November 2015 which will inform the development of AG's KPIs and first set of benchmarks.

This is an important opportunity for partners to provide feedback to AG and ensure that AG is accountable and is focused on measuring its impact. Results are expected in early 2016 and will be shared with partners.

Infrastructure priorities

Arup is leading the work to identify AG infrastructure priorities. The approach is focused on establishing a long list of potential infrastructure priorities based upon consultation with LEPs, AG Board members and key relevant stakeholders. AG-wide priorities will then be considered and agreed by the AG Board based upon consultations and evidence gathered by Arup.

Consultations are underway and it is evident that LEPs are at different stages in identifying and agreeing infrastructure priorities. Greater Manchester (GM) has agreed its top 4 priorities and have approved these at a Combined Authority and LEP level. A draft LCR infrastructure priorities paper has been produced and the Combined Authority Regeneration Directors Group is due to consider these on the 2nd December on behalf of the LCR. C&W has also agreed its priorities and is awaiting approval.



A cross LEP/AG group has been set up which will be supplemented by representatives from the Combined Authorities. LCR is due to consider its officer representative on the 2nd December.

It is important that, in establishing infrastructure priorities, a common set of criteria is agreed by key partners which sets out the method by which priorities are identified and which will result in a list of clearly identified AG priorities of cross-LEP importance. Infrastructure priorities should clearly demonstrate they will:

- be of pan-LEP importance;
- require coordinated action across AG area;
- be of an importance that will unlock economic growth across the AG area;
- focus on those priorities that will deliver the greatest economic benefit for the AG and the wider Northern Powerhouse; and
- focus on the agreed AG thematic areas as agreed with the 3 LEPs in AG (infrastructure including transport, freight and logistics and science and technology).

Given the above criteria, LCR's draft infrastructure priorities for discussion by the Regeneration Directors include:

- Transport for the North priorities – particularly transport infrastructure with improved connections to other core cities (including the Strategic Motorway Network and HS2/HS3), that supports business growth and improves port access and freight connectivity to maximise on investment in L2;
- the freight and logistics sector including supporting the multi modal connectivity opportunity of Superport and key associated strategic sites;
- key strategic science sites and the associated enabling infrastructure;
- low carbon economy with a focus on the infrastructure to deliver energy and resource efficiency, renewable energy generation and distribution, sector/supply chain support; green infrastructure provision; and sustainable urban mobility; and
- the area's EZs including Daresbury and Mersey Waters and any future EZs.

Arup will report to the AG Board on key priorities in January 2016 and a set of specific projects will be identified underneath each priority. The role of AG will be identified for each priority and project. An updated AG Business Plan will be produced in 2016 based upon the revised priorities and projects.

Each LEP is involved in the prioritisation process via individual consultation, workshops and AG Board meetings. Key outputs produced by Arup will be shared with each LEP. This will also feed into the work of the Infrastructure Commission as its role develops.

Science and innovation (S&I)

SQW was commissioned in Summer 2015 to review potential collaboration opportunities across AG to strengthen the long term development of the S&I sector. The first phase of consultations have already taken place and have highlighted a number of issues and



opportunities which will be considered be a smaller number of focus groups including LEPs, to develop specific propositions and actions.

A Steering Group has been established, led by John Downes (Langtree Group) and includes David Parr (Halton Council) and John Whaling (LCR), to oversee and guide this work which includes senior representation from each LEP. SQW is due to report at the end of December on specific opportunities and actions including anticipated roles for various lead players in the sector.

BIS has recently announced a series of science audits (competitive tendering process) to identify S&I priorities which are expected to inform future government investment programmes. Discussions have taken place about the advantages and disadvantages of a pan-AG approach to submissions. It is likely that due to geographic and commercial clusters, that GM will create a GM (including East Cheshire) submission. Discussions continue to take place as to the preferred geography for other parts of AG. Submissions are required by the end of January, therefore a decision is required by early December as to the preferred coverage for a LCR (or wider) submission.

Communications

AG has secured additional communications support from United Utilities and is working with partners on a new communications strategy and action plan. This also includes web redevelopment, improved project information for use by AG, partners and UKTI, enhanced communications on logistics and freight across AG, further events coverage and increased cross-working with partners. AG presented at several events at MIPIM UK and chaired the session on retailing and logistics which featured LCR LEP and Knowsley Council.

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Mersey Waters Enterprise Zone - External Body Representative Report

LEP Board Meeting 3 December 2015

Author:
Heather Jago
Liverpool City Region LEP

Presented by:
Asif Hamid
Deputy Chair and LCR LEP
Representative on the Mersey Waters
EZ Board

SUMMARY FOR LEP BOARD

The MWEZ is one of the 24 Enterprise Zones designated across the country and one of three in Liverpool City Region - the others being Sci-Tech Daresbury and Liverpool City. This EZ boundary covers both the Wirral Waters and Liverpool Waters programmes being developed by the Peel Group.

In 2014 Mersey Waters EZ was identified by Government to be underperforming however it is now starting to deliver on the ground with two key projects completing this year - the new campus building for Wirral Met College (Sept 2015) and Tower Wharf(Contact Company)(Oct 2015).

From an area suffering market failure and decline, the MWEZ is now starting to deliver real progress on the ground. This year a 5 year Business Plan and project pipeline have been agreed by the EZ Board and a bespoke Investment Fund to assist delivery and remove barriers to development in Wirral Waters, funded by Wirral Council.(One of few such funds that exist nationally.)

Moving forwards the main focus for the zone is to ensure strategic support at City Region level for the programme and its priorities including the development and refinement of the project pipeline to show a strong track record for delivery. In addition a more focused marketing and communication strategy is needed to build upon recent project completions and key milestones (eg Wirral Met College; the Contact Company; William Jessop House Planning Approval etc) all of which have helped improve the zone profile and helped demonstrate progress to Government. Finally a key component of the EZ success will be its ability to ensure the right skills are available to meet demand from potential investors and the Board and Working Group are working together to clarify the EZ specific barriers to achieving this to inform the city region employment and skills strategy.

It is crucial the LCR LEP remain a presence on the Mersey Waters EZ Board given the gathering momentum and that the LEP representation helps steer and assist both the strategic positioning of the EZ within the city region and to help it to develop a stronger track record for delivery moving forwards.

Further information:-

PROGRESS IN 2015

This year the MWEZ Working Group and MWEZ Board have achieved the following:-

- Developed the MWEZ Business Plan (2015-2020). This sets out the vision for MWEZ; a 5 year pipeline of projects to be delivered within this 5 years and the outputs and outcomes it will achieved. This was considered by Board in May 2015.
- Provided regular monitoring returns to DCLG at quarterly stages throughout the year to DCLG and reported on progress to the EZ Board.
- Establishment of a Risk Management Framework and reporting process through the Working Group and Board.
- Prepared an outline approach to marketing the MWEZ based on an audit of current activity.
- Overseen completion of two projects on site within the EZ :-
 - Wirral Met College Campus (September 2015)
 - Tower Wharf - Office development.(October 2015)
- Established a 5 year project pipeline for the zone including regular project update reports on key issues for project delivery.

Since the last report to the LEP Board in September, the MWEZ has progressed the following:-

- Held a half day awayday at which it explored in more detail barriers to delivery and EZ status and strategic positioning within the LCR.
- Provided a quarterly return to DCLG on progress for July -Sept period
- Working Group has explored in more detail the EZ approach to :-
 - Skills development to align with business investment demand.
 - Marketing and Promotion of the EZ programme as part of the City Region offer.
 - Developing sector related investment approach to ensure adds to the existing City Region offer.
- Wirral Council working with Peel and LCR LEP approved in November 2015 an Investment Fund to assist with key project delivery within Wirral Waters. The Investment Fund includes within its governance arrangements an Investment Fund Panel within which it has identified a representative from the LCR LEP, the Wirral Investment Board and Wirral Council. Wirral are now in the process of establishing the operational structure for the fund.
- Agreed a draft Programme for 2016 based on the Awayday actions and Board discussion.

NEXT STEPS 2016

The 2016 Board Programme for MWEZ Board identifies a number of key work elements to be progressed by the Board and through the MWEZ Working Group:-

- Strategic positioning and focus moving forward and building upon momentum of recent completions to start to develop a clear narrative for the EZ based upon its key sector strengths and opportunities for investment. This includes reviewing the EZ delivery within the context of Combined Authority aims and objectives and its potential contribution to the aims of the Northern Powerhouse which aims to rebalance the economy.
- Agreeing an approach to marketing and communication for the MWEZ based on:-
 - Key sectors which the EZ wish to focus on;
 - Promotion of market propositions which will articulate the investment opportunities and assets the EZ has to offer working with LCR LEP and UKTI and the Combined Authority.
 - Continue to work within current protocols for managing investment within LCR.
 - Provide input to key events and marketing opportunities in 2016 including IFB 2016.
 - Develop and refine the project pipeline for the EZ to enable it to take advantage of funding opportunities available and as a result develop a strong track record for delivery.
- Skills Development - developing an approach to skills development and capturing employment opportunities generated within the MWEZ, including looking at specific sectors it wishes to target.
- Infrastructure - Agree a programme of infrastructure projects to support delivery within the EZ.
- Investment Strategy - develop the investment strategy for the EZ building upon the emerging Capital Commissioning Framework, Wirral Investment Fund and the Combined Authority Single Investment Fund.

- Continuing to liaise with DCLG on National EZ issues which could improve the MWEZ performance and delivery. This includes coordinating input from and BIS/UKTI/HCA and other strategic government support to assist with delivery in the MWEZ.



Skills for Growth Priorities 2015/16

LEP Board Meeting 3 December 2015

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1. Purpose

- 1.1 The purpose of this report is to table the Liverpool City Region Skills for Growth Priorities 2015/16 for the LEP Board to endorse and commit to implementing a number of actions in support.

2. Recommendations

- 2.1 The LEP Board is recommended to:

- (a) Endorse the Liverpool City Region Skills for Growth Priorities 2015/16 and associated action plan;
- (b) Commit to delivering the actions set out at 7.2; and
- (c) Advise on the most appropriate method(s) to facilitate wider private sector engagement to support the implementation of the actions set out at 7.3.

3. Background

- 3.1 Over recent years, the Liverpool city Region Employment and Skills Board has produced a suite of Skills for Growth documents. The purpose of this is work to clearly communicate the current and future skills needs of businesses to schools, colleges, training providers and universities to inform curriculum planning, new training provision and the design of employment and skills policy and programmes.

- 3.2 The Skills for Growth documents have taken three sets of information as their basis:-

- National and local statistics, to give a quantitative view on the trends and movements in the labour market;
- Insight from local employers, to give a qualitative view of current trends (this has been focused around the agreed Growth Sectors using the Local Enterprise Partnership (LEP) Panels and Boards to provide input); and
- Understanding of the imminent and longer term opportunities and developments in the City Region and beyond e.g. impact of opening of Liverpool 2 container terminal.

- 3.3 To date, 7 sector based documents have been produced which outline the current and future skills needs for that specific sector e.g. SuperPort, Life Science, Digital and Creative. These are complemented by an annual baseline review which looks to draw out the key labour market trends across the City Region as a whole and produce clear skills priorities for that particular year. This takes into account any changes in national policy, which this year includes the introduction of an Apprenticeship levy and the announcement of Area Based Reviews for post 16 providers.

- 3.4 These documents provide a useful planning tool for colleges, learning providers and universities and formed the basis of the Jobs for Tomorrow careers materials, which were developed to aid careers education and information, advice and guidance. They also provide an important evidence base to inform commissioning activity in the City Region, such as Skills Capital and European funding.

4. Current labour market position in Liverpool City Region

- 4.1 There are significant growth opportunities for the City Region in the medium term, spearheaded by the planned £12bn private sector investments and supported by the £1bn public sector investment secured through the Growth Deal. Coupled together, these provide the potential for long term and sustainable improvements in economic growth and productivity in support of the Northern Powerhouse and rebalancing the economy. Achieving this level of

growth is not certain but raising the level and relevance of skills to reflect employer demand and boost productivity is key to improving the attractiveness of the labour market to business investors. The City Region needs to ensure that it has the skills required to support businesses to take full advantage of these growth opportunities.

- 4.2 The City Region has a long standing skills gap to national rates, which restricts opportunities for local residents and businesses alike. This has an impact on an individual's ability to earn and progress in work and can restrict businesses from increasing their economic growth or improving their productivity. The gap widens at Level 3+ (A level equivalent) and Level 4+ (First year degree onwards), and is exacerbated with age, with older people much less likely to have qualifications than young people.
- 4.3 The employment rates in the City Region have been generally positive in recent years with the current rate standing at 65.1%. The number of young people out of work has also fallen by over a third. However, there remains a gap with national employment rates which has not narrowed. In addition, there are concerns about the quality of the jobs on offer, with an increasing proportion of vacancies being for part time and flexible roles.
- 4.4 Health-related unemployment currently accounts for 70% of the 140,000 residents on out of work benefits, and an increasing proportion of unemployed residents (almost three-quarters) have been out of work for more than a year. The nationally designed employment programmes for such residents are not working as effectively as elsewhere, which means that residents in the City Region are not getting the support that they need to help them into work.
- 4.5 The numbers of apprenticeship starts are broadly in line with national trends, with more apprenticeship starts per resident in the City Region than nationally: residents aged over 25 most likely to start an apprenticeship. The proportion with advanced or higher level apprenticeships has been increasing but this is not happening quickly enough.
- 4.6 The work of the City Region's Apprenticeship Hub, promoting the availability of apprenticeships and improving the quality and range of what is on offer, has been important in this. This role around promotion and brokerage will become even more important over the next couple of years, as the changes to apprenticeship funding are implemented, and as the Government seeks to achieve its target of 3 million apprenticeship starts in this Parliament.
- 4.7 There have been a number of changes to enrolment patterns in further education in recent years in response to Skills for Growth reports, with engineering, retail, science and health and care seeing significant increases since 2011/12. These correlate well with the City Region's growth sectors, particularly around SuperPort and Advanced Manufacturing.
- 4.8 The City Region has been working closely with businesses to enable them to better inform curriculum planning and delivery, to ensure that their needs are being delivered. This must be balanced with their responsibility to support this development through employer co-investment. The Skills for Growth funding available through the Growth Deal will be based around this shared responsibility and it is expected that this will be enhanced should an appropriate devolution deal be agreed with Government.
- 4.9 The number and proportion of young people in receipt of out of work benefits has been reducing significantly over recent years. The delivery of the European funded Youth Employment Initiative activities (due to start in 2016) is expected to see this decrease further.

5. National policy context

- 5.1 There is a strong focus from within Government to improve the productivity levels of businesses in the United Kingdom, and thus improve overall productivity levels. There is an important role for skills development to play in this, as improved levels of skills will contribute (along with other factors) to the increase in productivity levels. There remains the challenge to

create growth in sectors of higher skill, higher value and higher pay, which will contribute to an overall improvement in productivity in the City Region.

- 5.2 As part of the new Government's Emergency Budget in July 2015, the Chancellor announced the intention to introduce a new Apprenticeship levy. The levy will aim to incentivise Apprenticeship starts within large employers, in order to help meet the Government's pledge of creating 3 million new Apprenticeships by 2020. This is alongside the changes in Apprenticeship funding which will see the funding routed to employers rather than providers.
- 5.3 Government has announced a rolling national programme of Area Based Reviews of post 16 education provision, with the clear objective to provide an opportunity for institutions and localities to restructure their provision to ensure it is tailored to the changing context and designed to achieve maximum impact. These reviews should deliver institutions which are financially viable, sustainable, resilience and efficient, and deliver maximum value for public investment. The offer should reflect each area's educational and economic needs and providers should have strong reputations and greater specialisations.
- 5.4 The skills budget has seen significant reductions in recent years, with the Adult Skills Budget seeing an overall reduction of around 20% in this year. These are unprotected funding allocations and there is a real risk of significant additional reductions in the Spending Review, once the detail of Departmental budgets and allocations are made known.
- 5.5 The devolution of powers and funding to local areas is a significant development and progress on the City Region's discussions with Government is reported elsewhere. The additional powers and resources being devolved to the City Region should make it easier for the City Region to achieve its longer term skills and employment ambitions.

6. Skills for Growth Priorities 2015/16

- 6.1 The Skills for Growth Priorities 2015/16 document is attached at Appendix One. This provides an overview of Liverpool City Region employers' current and future skills needs and sets out a range of actions for the Combined Authority, LEP, business and education providers, that will ensure the City Region can respond to these identified needs and take advantage of future economic growth opportunities.
- 6.2 One of the regular observations put forward is that there are too many priorities for skills, and different bodies have different priorities depending upon their perspective. To counter this and to be clear with all stakeholders, the Skills for Growth Priorities 2015/16 sets out the key generic skills priorities for the City Region for this year. These generic skills priorities, based on in-depth analysis and business engagement, are set out as follows:-

Generic Skills Priorities for 2015/16

- Customer service, for staff working in front line customer service roles: this continues to be identified by the Visitor Economy Board and is critical for the City Region, particularly with the next International Festival for Business taking place in 2016;
- Science, technology and mathematics at all levels: there is a need for all residents to have a sound basis in mathematics and an increasing need at technician, graduate and postgraduate for general science and specific technology skills;
- Practical logistics: with the logistics developments linked to the Liverpool 2 container terminal, there is an increasing need for entry level warehouse skills (e.g. pickers and packers) and drivers of heavy good vehicles;
- Digital skills, to ensure that residents can use technology and to build upon the higher level expertise in the City Region, based around Scitech Daresbury and the cluster at the Baltic in Liverpool in particular;
- Project management, which underpins good business practice and particularly construction sectors;

- Leadership and management across all levels and particularly for small and medium enterprises; and
- Underpinning employability skills that enable residents to contribute in the workplace (e.g. team working, literacy).

6.3 The generic skills priorities are in addition to the detailed sector specific skills priorities, which have been set out in the Skills for Growth Agreements. Based upon projections of growth and replacement demand, the key areas for focus in 2015/16 are as follows:-

- Intermediate and advanced Apprenticeships in Engineering Manufacture, Warehousing and Storage, Logistics Operations and Construction;
- Advanced and higher Apprenticeships in Engineering Manufacture, Electrical Trades, Polymer Processing and Metal Processing and Allied Operations;
- Level 3 technical skills in engineering technician, welding roles, and for electricians, marine staff; and
- Digital and technology solutions professional.

6.4 Skills providers will be encouraged to reflect these priorities in their curriculum planning and delivery. Organisations providing careers education and information, advice and guidance (i.e. schools, colleges, universities) will similarly be encouraged to reflect this in their provision. The Employment and Skills Board will hold them to account for their delivery but is unable within the current system to do so formally. It is expected that this can be strengthened through the agreement of a devolution deal with Government.

6.5 The priorities will also be used to inform commissioning decisions where there is local decision making.

7. Headline Challenges

7.1 In addition to these priorities for skills, there are a number of headline challenges that businesses, learning providers and public agencies will need to address to enable the City Region to secure the growth opportunities and deliver an impact for businesses and residents. These are:-

Skills for Growth Headline Challenges 2015/16

- Enhance links between business and education / training, so that curricula are informed by the current and future needs of businesses;
- Improve careers, information, advice and guidance, so that everybody receiving advice and guidance obtains informed and accurate advice;
- Make it easier for business to invest in workforce skills, so that productivity can be improved, growth can be delivered and businesses take a shared responsibility for skills investments;
- Promote progression of individuals, so that they are not locked into entry level jobs but can instead enhance their skills, contribute more in the workplace, increase their earning potential and support improvements in productivity; and
- Tackle long-term worklessness, enabling residents to receive the support they need to get into work and take advantage of the opportunities available.

7.2 To deliver these challenges will require a concerted effort from a number of organisations, including the Combined Authority, LEP, education providers and businesses. The action plan enclosed at Appendix Two sets out key responsibilities for a range of tasks across different organisations, which includes the following specific actions for the LEP and its' Board:-

- LEP Sector Panels to have, as a minimum, an annual focused discussion on the implementation of the Skills for Growth actions (lead tbc);

- LEP Strategic Board to write to schools, colleges, training providers and universities to Encourage institutions to include business representation by communicating clear benefits of doing so (supported by officers in the City Region Employment and Skills team); and
- Targeted campaign to articulate the business benefits of workforce development, through the LEP Company and the Apprenticeship Hub (supported by Apprenticeship Hub and officers in the City Region Employment and Skills team).

The Board are asked to commit to delivering these actions in 2015/16. The Employment and Skills Board will monitor the implementation of this plan.

7.3 As part of the consultation process for the development of this action plan, the following outline actions were identified for businesses:-

- Actively promote business benefits of providing work experience and inspiration opportunities;
- Continue to ensure employer skills needs are articulated clearly to schools, colleges, training providers and universities;
- Effectively communicate with and provide support to employers relating to relevant development opportunities;
- Promote the benefits of businesses creating and taking on apprentices; and
- Continue to promote to businesses the benefits of releasing staff to engage with school and college governing bodies.

The Board are asked to consider the most appropriate methods and routes to facilitate wider private sector engagement to support the implementation of these actions set out at 7.3 in order to scale up this area of work.

8. Communication Issues

8.1 To ensure effective dissemination of the Skills for Growth Priorities 2015/16, Employment and Skills Board members will publicise the final version to local partners for information including training providers, employers and other stakeholders. The final document will be available for download via the Liverpool City Region Combined Authority and Local Enterprise Partnership websites. There are specific actions for the LEP Sector Panels and Boards which will support the communication of these priorities.

8.2 The information contained within this report will be communicated widely to delivery partners through existing networks.

9. Conclusion

9.1 This report has tabled the Liverpool City Region Skills for Growth Priorities 2015/16 for approval. These will be used to inform the planning of curriculums in learning providers and form the basis of future commissioning decisions.

Appendices

Appendix One – Skills for Growth Priorities 2015/16

Appendix Two – Implementation Plan to be monitored by Employment and Skills Board



Liverpool City Region Skills for Growth Priorities 2015-16

Introduction

Liverpool City Region is an area with strong economic assets and a unique geography, which have helped to create an economy of £27bn. Economic performance has accelerated over the last 5 years, with the City Region being one of two areas nationally to record growth in both years of the downturn. Economic output per person has increased but there remains a gap of £6bn to national levels.

There are unparalleled opportunities for the City Region in the medium term, spearheaded by the planned £12bn private sector investments and supported by the £1bn public sector investment secured through the Growth Deal: the construction of the Liverpool 2 Container Terminal and the Mersey Gateway Bridge are at the vanguard of these investments. Coupled together, these provide the potential for long-term and sustainable improvements in economic growth and productivity in support of the Northern Powerhouse and rebalancing the economy.

Achieving this level of growth is not certain but dependent on a range of factors including; the full delivery of major investment schemes in business and infrastructure; the ability of businesses to successfully compete within changing international market conditions and not least, the availability of high quality skills within the City Region labour market. Raising the level and relevance of skills to reflect employer demand and boost productivity is key to improving the attractiveness of the labour market to business investors.

There are a number of potential areas of mismatch between future demand for skills and current supply of skills and the Skills for Growth work has already begun to address this e.g. logistics, catering and science. An assessment of existing data and projections will only get us so far and ultimately it will be a culture of genuine collaboration between businesses and learning providers that will bring supply and demand together.

The Skills for Growth Priorities 2015/16 alongside specific Skills for Growth Agreements will support and further challenge existing curriculum planning within the context of our local economy and its opportunities for growth. These products draw on national data, local intelligence and local insight to stimulate a discussion on current training supply to inform provider plans. This will help to support a dialogue to identify where there are areas of oversupply of vocational training and where there is insufficient volume or gaps in the currently available curriculum offer.

Learning providers therefore need to pre-empt this by focusing on developing the skills needed to fuel economic growth and productivity improvements locally. Otherwise the City Region will not meet this demand, inhibiting our growth and requiring employers to import talent from elsewhere. Those charged with supporting residents into work must also be aware of the current and future needs of businesses, whether at entry level or more advanced.

There is also a critical role for those with responsibility for careers education and the provision of information, advice and guidance. This must be based on the current and future needs of local employers. The rich information contained in this document and the Skills for Growth Agreements, together with the Jobs for Tomorrow careers materials, is a sound basis for this to happen.

Skills solutions need to be designed to contribute to increases in economic productivity. This cannot be accomplished by operating remotely from the actual economy. Employers need to be engaged and embedded in the design process, and become the architects as well as consumers of skills services. The central challenge for Liverpool City Region is not just more qualifications but an intelligence-led redesign of provision able to further contribute to higher value business activity and output.

This task can only come from active collaboration and communication between employers, learning providers and welfare to work providers. The challenge is to create a skills and employment environment where responsibility for the curriculum offer, design and delivery of learning is appropriately shared between learning providers and employers. This requires an enhanced set of relationships and improved communication to ensure that curriculum planning responds directly to the articulated skills needs of businesses within the City Region.

The relationships are already there and in some areas very good: these need to be enhanced and taken to a new level across all sectors across the City Region as a whole so that we universalise that best practice in seeking deep connections between employers and providers of learning and welfare to work services. This will enable residents to take advantage of the opportunities available, to enable businesses to flourish and to allow the whole of the City Region to benefit. This will also have a wider impact on rebalancing national economic performance as a key driver of the Northern Powerhouse.

The Combined Authority is committed to improving the skills system to ensure that training matches current and future employer needs within the City Region. This will be achieved not by the imposition of targets or performance frameworks but through creating an environment of collaboration where articulated demand combines with robust labour market intelligence and regular local insight to inform curriculum design and provider business planning. This approach is reflective of the dynamic skills market within the City Region. Delivering Skills for Growth will involve raising awareness and focusing action on what is needed to further add value and improve skills and employment outcomes for the City Region.

Executive summary

Economic context

The £27bn economy of the Liverpool City Region has seen strong growth in recent years. The City Region has also improved the economic output per resident, which currently stands at £17,852, but there is still an overall gap to the national rate of £21,860. The overall gap has also narrowed, with a 24% reduction since 2011. An increase in the skills levels of residents would contribute towards a further and more rapid narrowing of this productivity gap.

There are approximately 1.5 million residents in the Liverpool City Region, a population which has not grown in recent years as much as that nationally. The national trend of an aging population is evident and there is a specific local issue with the reduction of 16 and 17 year olds in the coming years: projections suggest that there will be an 11% reduction between 2015 and 2020. This will have an impact on businesses and learning provision in the coming years and will be essential to ensure that young people have the skills that businesses require.

The City Region has a long standing skills gap compared to national rates, which restricts opportunities for local residents and businesses alike, with the gap widening at Level 3+ (A level equivalent) and Level 4+ (First year degree onwards). The gap is exacerbated with age, with older people much less likely to have qualifications than young people.

The employment rates in the City Region have been generally positive in recent years with the current rate standing at 65.1%. However, there remains a gap with national employment rates of some 7% and there is a need to address specific issues. In particular: health-related unemployment currently accounts for 70% of all benefit claims and an increasing proportion of unemployed residents (almost three-quarters) have been out of work for more than a year. In addition, there are concerns about the quality of the jobs on offer, with an increasing proportion of vacancies being for part-time and flexible roles, as elsewhere.

Skills gap

There remain significant skills gaps at all levels between the City Region and national rates. There is an attainment gap between the City Region and nationally for performance at GCSE's and A-levels, although this is narrowing. Young people in the City Region are more likely to go to College at age 16 than nationally and less likely to go to University at age 18.

There have been a number of changes to enrolment patterns in recent years, with engineering, retail, science and health and care seeing significant increases since 2011/12. These correlate well with the City Region's growth sectors and are in direct response to previous Skills for Growth recommendations.

Apprentices are valued by employers in the City Region and they continue to invest in their development. The numbers of apprenticeship starts are broadly in-line with national trends, with more apprenticeship starts per resident in the City Region than

nationally: residents aged over 25 are most likely to start an apprenticeship. The proportion of advanced or higher level apprenticeships has also been increasing although this is still lower than what would be expected. There are also a large number of businesses involved in offering apprenticeships to their staff.

Skills for Growth approach

Since 2012 the City Region has developed and published a series of Skills for Growth Agreements. Based around the identified growth sectors, these business-led documents clearly set out the current and future skills needs of businesses. To date, the following agreements have been published:-

- Visitor Economy;
- SuperPORT and Logistics;
- Advanced Manufacturing;
- Life Sciences;
- Financial and Professional;
- Low Carbon; and
- Digital and Creative.

Skills Priorities for 2015/16

Based on the feedback from businesses, business networks, Colleges and training providers, the following have been identified as generic skills priorities for Liverpool City Region for 2015/16:-

- Customer service for staff working in front line customer service roles: this continues to be identified by the Visitor Economy Board and is critical for the City Region, particularly with the next International Festival for Business in 2016;
- Science, technology and mathematics at all levels: there is a need for all residents to have a sound basis in mathematics and an increasing need at technician, graduate and postgraduate for general science and specific technology skills;
- Practical logistics: with the logistics developments linked to the Liverpool 2 container terminal, there is an increasing need for entry level warehouse skills (e.g. pickers and packers) and drivers of heavy goods vehicles;
- Digital skills, to ensure that residents can use technology and to build upon the higher level expertise in the City Region, based around Scitech Daresbury and the cluster at the Baltic in Liverpool in particular;
- Project management, which underpins good business practice and particularly construction sectors;
- Leadership and management across all levels and particularly for small and medium enterprises; and
- Underpinning employability skills that enable residents to contribute in the workplace (e.g. team working, literacy).

These are in addition to the detailed sector specific skills priorities which have been set out in the Skills for Growth Agreements. Based upon projections of growth and replacement demand, the key areas for focus in 2015/16 are as follows:-

- Intermediate and advanced Apprenticeships in Engineering Manufacture, Warehousing and Storage, Logistics Operations and Construction;
- Advanced and higher Apprenticeships in Engineering Manufacture, Electrical Trades, Polymer Processing and Metal Processing and Allied Operations;
- Level 3 technical skills in Engineering Technician, welding roles, and for Electricians, Marine staff; and
- Digital and technology solutions professional.

All providers of skills development and training are asked to reflect these in their curriculum offers. Through 2015/16, providers will be asked to identify how they have done so and to report this to the Employment and Skills Board.

Headline Challenges

There are a wider set of challenges to be addressed to create a skills environment where responsibility for the curriculum offer, design and delivery of learning is appropriately shared between business, learning providers and welfare to work providers. This requires a new set of relationships, improved communications and a shared commitment across the whole employment and skills system.

Headline Challenges

The headline challenges for those involved in the employment and skills system are:-

- Enhance links between business and education / training, so that curricula are informed by the current and future needs of businesses;
- Improve careers, information, advice and guidance, so that everybody receiving advice and guidance obtains informed and accurate advice;
- Make it easier for business to invest in workforce skills, so that productivity can be improved, growth can be delivered and businesses take a shared responsibility for skills investments;
- Promote progression of individuals, so that they are not locked into entry level jobs but can instead enhance their skills, contribute more in the workplace, increase their earning potential and support improvements in productivity; and
- Tackle long-term worklessness, enabling residents to receive the support they need to get into work and take advantage of the opportunities available.

Skills for Growth - The story so far



2. Policy context

Productivity

There is a strong focus from within Government to improve the productivity levels of businesses in the United Kingdom, and thus improve overall productivity levels. There is an important role for skills development to play in this, as improved levels of skills will contribute (along with other factors) to the increase in productivity levels. Productivity in the City Region is largely determined by the composition of the economy, with Advanced Manufacturing and Visitor Economy amongst those contributing higher productivity levels in the City Region than elsewhere. There remains the challenge to create growth in sectors of higher skill, higher value and higher pay, which will contribute to an overall improvement in productivity in the City Region.

Skills Funding

Government's continued focus on Apprenticeship provision along with ongoing spending pressures means that Colleges and training providers have seen further reductions in their non-Apprenticeship funding settlements for 2015/16. Local estimates suggest that, in total, the City Region's biggest Colleges are facing an overall funding cut of 14% from 2014/15 to 2015/16 and a reduction of almost 25% in their total Adult Skills Budget. There are concerns that these cuts will reduce the City Region's capacity to address its historic skills gap and improve the economic competitiveness of its residents and businesses. Within this funding environment, skills provision in the Liverpool City Region will need to be able to respond to business requirements and Skills for Growth recommendations in a timelier manner. This will ensure that City Region economic priorities remain at the heart of skills provision and the skills of residents will be responsive to future economic opportunities.

Apprenticeship levy

As part of the new Government's Emergency Budget in July 2015, the Chancellor announced the intention to introduce a new apprenticeship levy. The levy will aim to incentivise Apprenticeship starts within large businesses, in order to help meet the Government's pledge of creating 3 million new Apprenticeships by 2020. At time of writing, Government are currently consulting on the implementation and scope of the levy and, through this process, the Liverpool City Region are continuing to ensure that the views of local residents, training providers and employers are reflected in the final policy.

Area based review

Government has announced a rolling national programme of area based reviews of post 16 education provision, with the clear objective to improve the resilience of organisations providing further education: they are expecting that there will be fewer and larger organisations delivering in the future. This is an integrated review across Government and local areas and will set out a plan for organisations in each area to implement. This is also expected to lead to an increased degree of specialism in institutions in each area.

Big Ticket targets

In 2014, the Liverpool City Region Employment and Skills Board developed a series of high level, 'Big Ticket' targets and aspirations for 2020. Ensuring these targets are met will require collective action across the City Region and will remain the focus of the Board's work. These targets and aspirations continue to inform the City Region's emergent devolution proposals and the ongoing commissioning of the 2014-2020 European Social Fund programme.

Employment and Skills targets and aspirations for 2020

- Close the employment gap by half with the rest of the country
- Close the NVQ Level 3+ skills gap by 1/3 with the rest of the country
- Increase the take-up of Higher / Advanced Apprenticeships by 40%
- Tackle health-related worklessness by helping those who can work into employment

Devolution

The Liverpool City Region has a long term ambition to maximise the economic potential of businesses and residents, and to significantly reduce the gap between the City Region and the national average in terms of skills levels and welfare dependency. As part of its emergent Devolution Deal, the Liverpool City Region Combined Authority has developed a range of employment and skills 'proposals' regarding the devolution of funding and powers to enhance economic growth. These proposals will create a flexible, responsive, financially resilient and fully integrated employment and skills system in the Liverpool City Region: ensuring residents and business can better access the skills needed to boost productivity now and in the future.

Skills Capital Investment Fund

Implementation of the Liverpool City Region Growth Deal has continued to progress since the deal was first published in July 2014. This included the launch of a £41m Skills Capital Investment Fund for Colleges and skills providers, and a new low carbon fund for Colleges. Administered by the Liverpool City Region Combined Authority, these funds will be used to upgrade skills training facilities across the City Region, helping to meet employer demands for skills training by improving the quality of the learning environment, and enhancing the job prospects of learners. The deployment of this Fund will be guided by the recommendations of the area based review.

European Social Fund

The Liverpool City Region's EU Structural and Investment Funds Strategy for the 2014-20 programme sets out the proposed spend of the €221.9m allocation for the Liverpool City Region. Liverpool City Region's 2014-2020 European Social Fund 'Inclusive Economy' and Youth Employment Initiative allocation of more than £97m is being utilised to procure a wide range of additional activity that will help adults and young people across the City Region tackle social exclusion and improve their skills levels. These activities provide a clear opportunity to assist residents into sustainable employment and increase local productivity: ensuring that they are able to take advantage of this opportunity will be key to driving economic growth across the City Region.

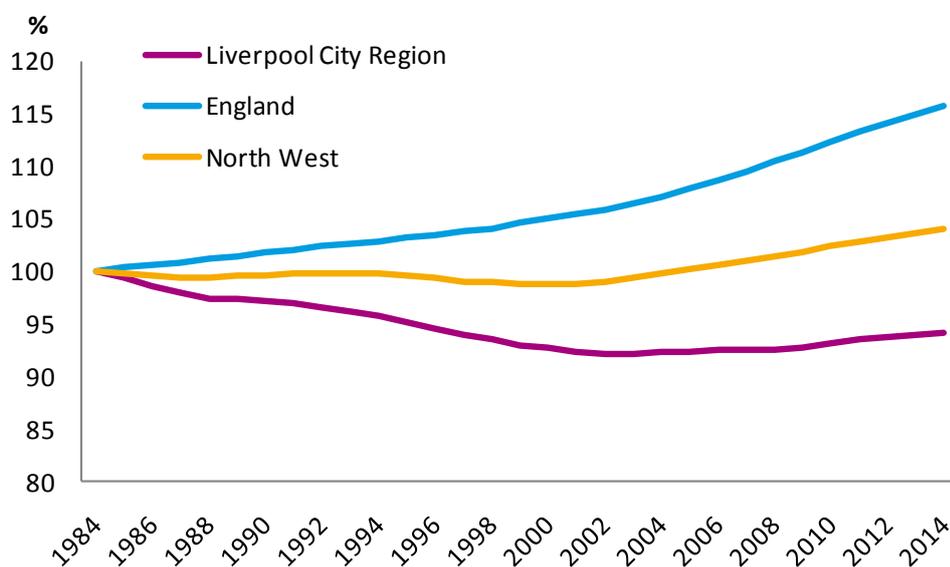
3. Economic context

Population

There are currently around 1,517,500 residents in the Liverpool City Region, of whom around 970,000 (64%) are of working age. The local population structure remains broadly similar to both the North West and England, although the City Region's exposure to an ageing workforce continues to be an issue with a smaller proportion of residents aged below 15 years.

The Liverpool City Region's overall population fell between 1983 and 2003, in contrast to the growth seen nationally over the last 30 years. Figure 3.1 shows that, since 2004, the City Region's population is growing: although at a slower rate than seen across England.

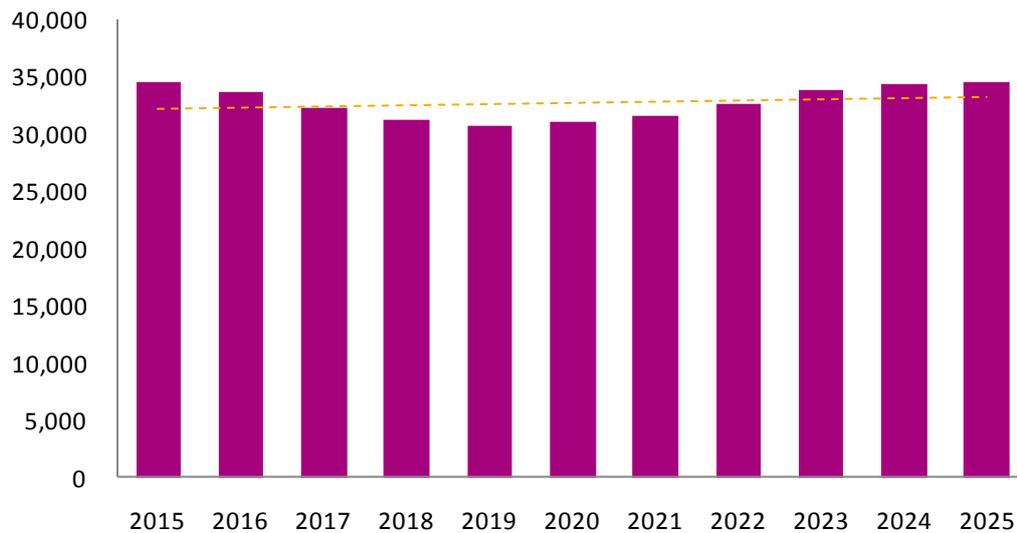
Figure 3.1: Liverpool City Region population change index



The Liverpool City Region has historically been characterised by a marginally larger female population compared to male population: as reflected by a working age resident female population of 493,100 compared with 477,700 working age males. However, the younger 0-15 population group shows a divergence from this with 138,000 males compared with 132,300 females, suggesting that future workforce demographics could vary.

The population rate of young people aged 16 and 17 is an important indicator for the future shape of the labour market. Figure 3.2 projects the 16 and 17 year old population in the Liverpool City Region over the next ten years: showing an 11% reduction in the number of 16 and 17 year olds between 2015 and 2019, followed by a five year period of population growth (12% increase between 2020 and 2025). This, combined with the trend of an ageing workforce, is likely to have a longer term impact on the working age population and means that there is a pressing need for a higher proportion of the City Region's 16 and 17 year olds of the next five years to develop the right skill types required by local employers.

Figure 3.2: Liverpool City Region population projections (16 and 17 year olds)



Skills

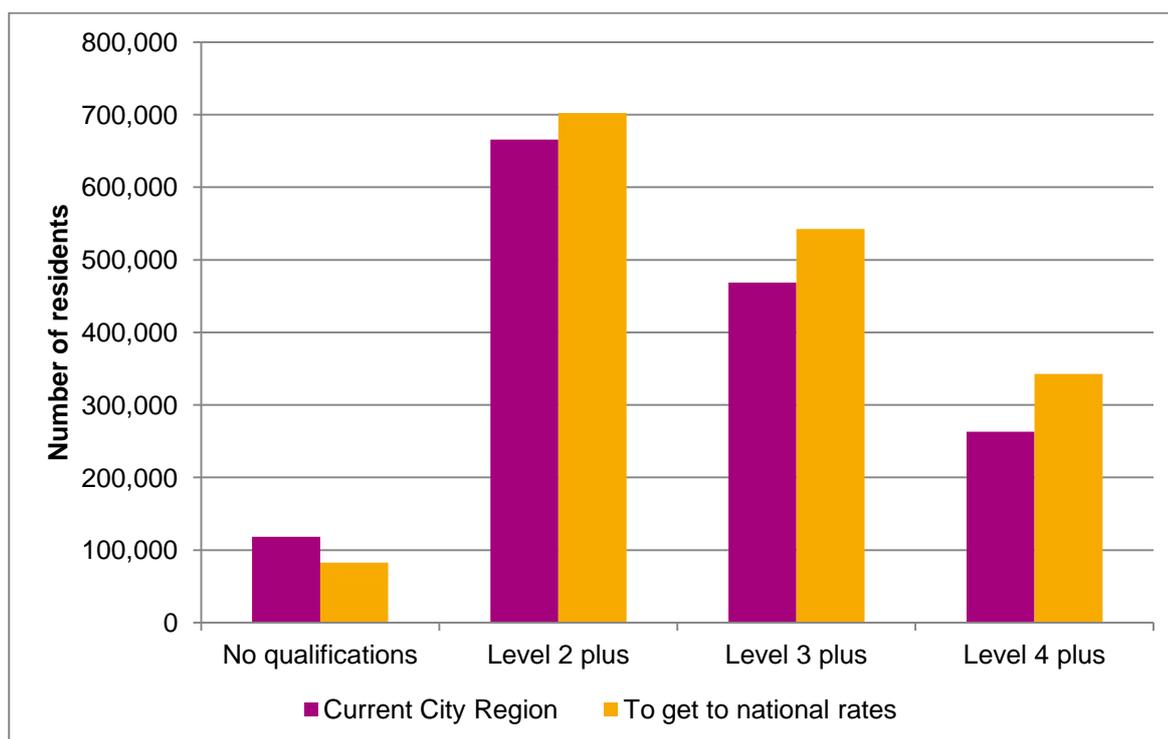
Raising the skills levels of young people and adults remains a priority for the Liverpool City Region. The Skills for Growth Annual Report 2013 set out a key challenge to create a high skills equilibrium, where high level qualification and high skilled jobs are mutually reinforcing. The Liverpool City Region Employment and Skills Board's ongoing Skills for Growth work highlights the increasing importance of young people developing the type and level of skills in post-16 education in order to effectively compete for jobs, develop sustainable careers and realise their economic potential.

The City Region continues to make progress in achieving this, with the proportion of working age residents with NVQ Level 3 and 4 qualifications both rising by at least 8% points between 2004 and 2014.

Since 2008, the Liverpool City Region's overall skills base has continued to grow with current levels amongst the highest recorded. However, the gap with the England average has also increased over this time period. As shown in Figure 3.3, in order to achieve parity with national levels, the City Region would currently need:-

- 35,556 fewer residents with no qualifications;
- 36,445 more residents with NVQ Level 2+ qualifications;
- 73,939 more residents with NVQ Level 3+ qualifications; and
- 79,638 more residents with NVQ Level 4+ qualifications.

Figure 3.3: Liverpool City Region skill levels (2014)



The deficit in skills across all levels, and particularly at NVQ Levels 3 and 4, significantly restricts opportunities for residents in the City Region to effectively compete for jobs in local growth sectors, develop sustainable careers and recognise their economic potential.

Younger people are generally better qualified than older people who continue to be more likely to lack qualifications. Recent research from the UK Commission for Employment and Skills (UKCES) identifies the Liverpool City Region as having one of the country's highest rates of employer support for young people in regards to offering work experience and other opportunities. Ensuring that local employers are further engaged in the design and delivery of learning and that learners can access practical learning opportunities remains a priority for the Liverpool City Region. It is expected that this would be addressed through the agreement of a devolution deal with Government for the City Region to reshape the local skills system in this light, and to more fully engage employers in this work.

Six out of ten residents in the City Region with no qualifications are aged between 40 and 64. However, the proportion of 40 to 64 year olds in the City Region without qualifications has fallen from 35% to 27% between 2011 and 2014. This suggests that local efforts to improve adults' basic skill levels have been effective within this age group: a key concern for growth sector employers facing replacement demand issues, identified in the City Region's Skills for Growth Agreements and UKCES Employer Skills Survey 2014.

Employment

Figure 3.4: Liverpool City Region employment rate (2004 -2014)

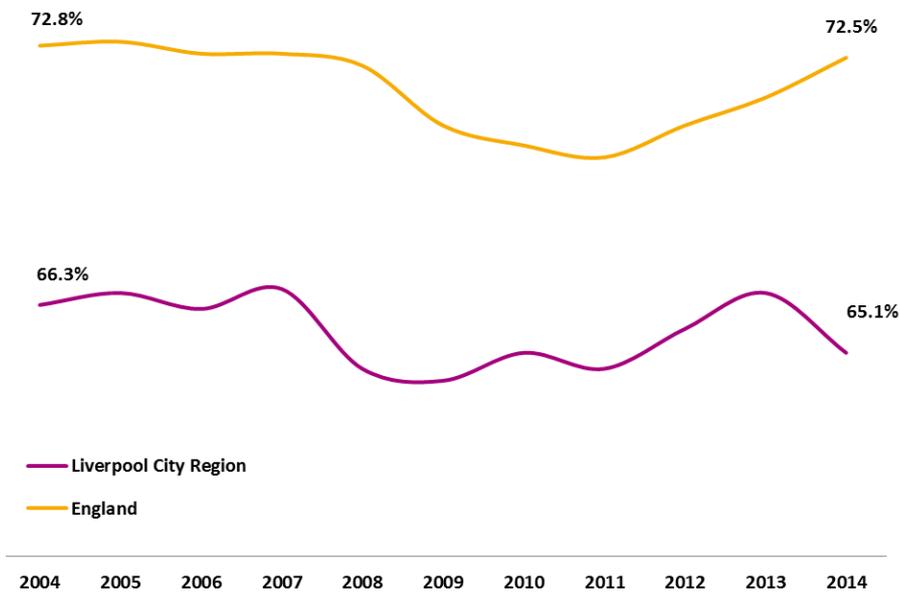


Figure 3.4 shows that, over the last ten years, the Liverpool City Region's employment rate has remained lower than the England average. Currently, around 625,700 local residents are in work: accounting for approximately two-thirds of the working age population, compared to more than 72% nationally. Latest analysis shows that, in order to close this gap, the City Region would need an additional 68,000 residents in employment.

There are currently around 142,000 Liverpool City Region residents in receipt of an out of work benefit. This accounts for almost 15% of the City Region's working age population, compared to a national rate of less than 10%. Of these residents, around 100,000 are currently in receipt of Incapacity Benefit or Employment Support Allowance (IB/ESA), accounting for more than one in ten of the City Region's working age population. In comparison, the IB/ESA claimant rate across England is 6% - meaning that Liverpool City Region residents are almost twice as likely to be out of work due to ill health: a trend that has persisted over a number of years.

Figure 3.5: Liverpool City Region benefit claimants, by age (2008 -2015)

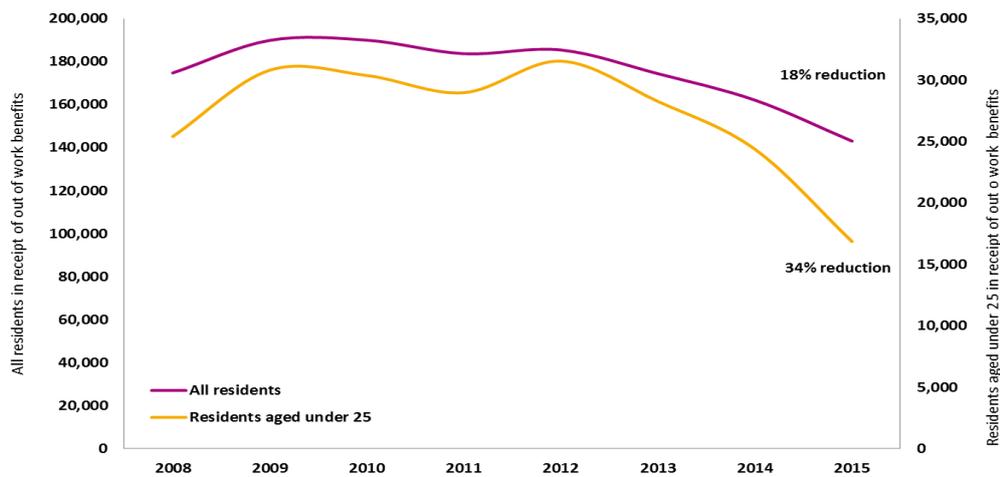
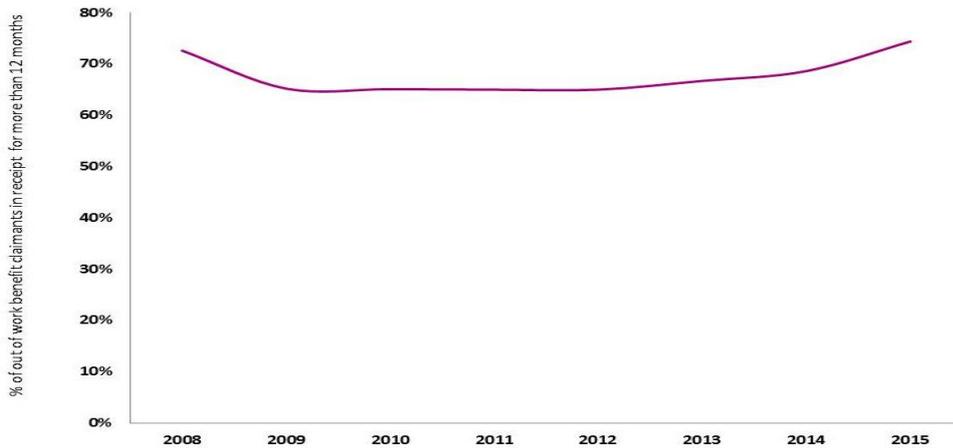


Figure 3.5 shows that, since 2008, the overall claimant rate across the City Region has fallen from almost 175,000 residents to around 142,000. This reduction of around 18% for all benefit claimants rises to 34% for those aged below 25, suggesting that unemployed young people have been twice as likely to find work as those aged above 25 over the last 7 years. The Liverpool City Region’s EU Structural and Investment Funds Strategy for the 2014-20 programme has identified a £45m Youth Employment Initiative allocation which, by tackling social exclusion and raising skills levels, will ensure younger residents can be supported in realising their economic potential.

Despite these improvements, long-term unemployment trends continue to undermine the Liverpool City Region’s economy, with almost three-quarters of all claimants in receipt of out of work benefits for more than a year. Figure 3.6 shows that, since 2008, this proportion has increased slightly and, in the last 3 years, has risen from 65%. There are currently more than 106,000 City Region residents who have been out of work for over a year and the Liverpool City Region’s long-term unemployment rate remains significantly higher than the national average. The nationally commissioned programmes have not been sufficiently locally focused to enable residents to benefit from them. It is expected that co-design and co-commissioning of the replacement programmes between the City Region and Government (agreed through a devolution deal) would improve their local focus and delivery.

Figure 3.6: Liverpool City Region benefit claimants, over 1 year (2008 -2015)

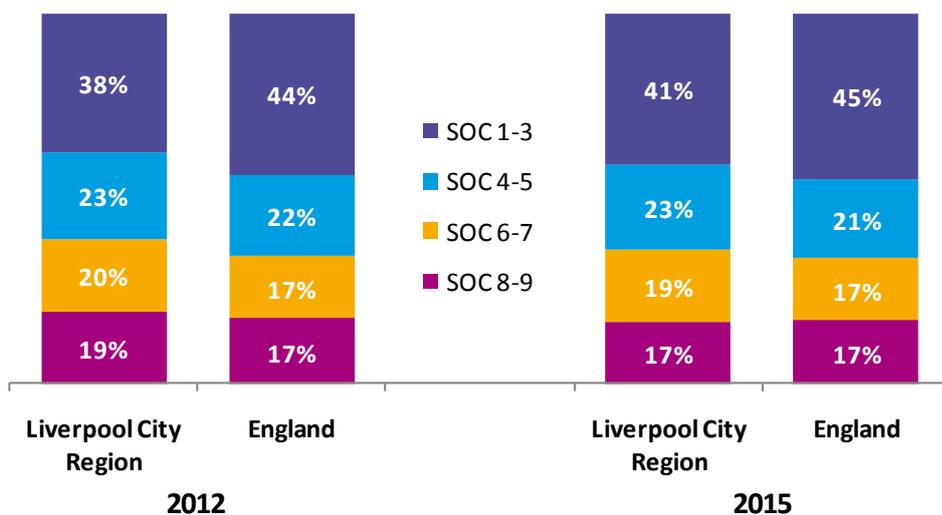


The Business Register and Employment Survey (2013) shows that there are around 594,900 jobs in the Liverpool City Region: this represents a loss of around 6,900 jobs from the previous year, of which 3,100 were private sector jobs, and 3,800 public sector jobs.

The primary sectors of employment continue to be public administration, education and health; distribution, hotels and restaurants; and banking, finance and insurance services; collectively comprising 68% of employment across the Liverpool City Region. Jobs in manufacturing and construction represent a further 16% of all employees.

Further analysis of the Annual Population Survey shows that the occupational structure of Liverpool City Region employees has previously been characterised by a deficit of higher-level occupations. However, Figure 3.7 shows that, between 2012 and 2015, the City Region has seen increased numbers of higher level occupational roles, as the gap with national continues to close.

Figure 3.7: Liverpool City Region employment by occupation (2012 -2015)



Productivity

The Liverpool City Region is currently a £27bn economy with economic output of the Liverpool City Region (measured through Gross Value Added: GVA) increasing by 7.5% in the 5 years leading up to 2013, and 33% in the 10 years leading up to 2013. GVA per head in the Liverpool City Region is currently £17,852, which is around £4,000 lower than the average across all Local Enterprise Partnership areas and 10th lowest in the country.

Figure 3.8 shows the Liverpool City Region compared with other LEP comparator areas: with local GVA per head higher than the Sheffield City Region, North Eastern and Lancashire, but remaining below Greater Manchester, Leeds City Region and Cheshire and Warrington. Despite this, GVA per head in the Liverpool City Region increased by 81% between 1997 and 2013: meaning that productivity grew faster in the Liverpool City Region than all other comparator areas in that period.

Figure 3.8: Liverpool City Region GVA per head gap (2013)



Productivity in the Liverpool City Region is impacted on by the occupational structure of the local economy and whilst part of the output gap with England can be explained by differences in employment and economic activity rates, a significant proportion is due to the industrial and occupational structure within the City Region. The City Region continues to have a deficit in higher-level occupations compared with England as a whole, and average earnings across all levels of occupation in the City Region are lower than the national average.

A focus on increasing skills at NVQ Level 3 and above will be important to enable access to higher level occupations: creating a high skills equilibrium and raising productivity levels of the Liverpool City Region. Creating high quality professional and technical routes to employment is a priority if the City Region is to increase the number of residents with NVQ Level 3 technical skills aligned to the local growth sectors.

However, as shown earlier, the Liverpool City Region needs an additional 74,000 working age residents with NVQ Level 3 skills in order to just “catch up” with the national average. Local analysis suggests that the City Region’s NVQ Level 3 skills gap could have an

annual local economic impact of up to £105m and contribute to potential fiscal savings to Government of up to £70m a year.

Proposed actions

Align local and national resources to deliver integrated and effective local employability support that provides a tailored, dignified service for those who need extra help	Liverpool City Region Combined Authority
Promote the shaping of local employment support by providing work placements and work experience and inspiration opportunities for unemployed residents	Liverpool City Region LEP and business networks
Effectively communicate the benefits of workforce development to businesses	Liverpool City Region Combined Authority, Liverpool City Region LEP
Effectively communicate with and provide support to employers relating to relevant development opportunities (i.e. Growth Hub, Skills Capital)	Liverpool City Region LEP, Liverpool City Region Combined Authority
Establish a Liverpool City Region Growth Hub to co-ordinate and provide local business support, including skills development and training brokerage provision	Liverpool City Region Combined Authority
Work with businesses to identify and develop relevant training provision that addresses employers' skills needs	Schools, colleges, training providers and universities
Work with Government to improve back to work support in the Liverpool City Region	Liverpool City Region Combined Authority, Government

4. Closing the skills gap

GCSE achievement

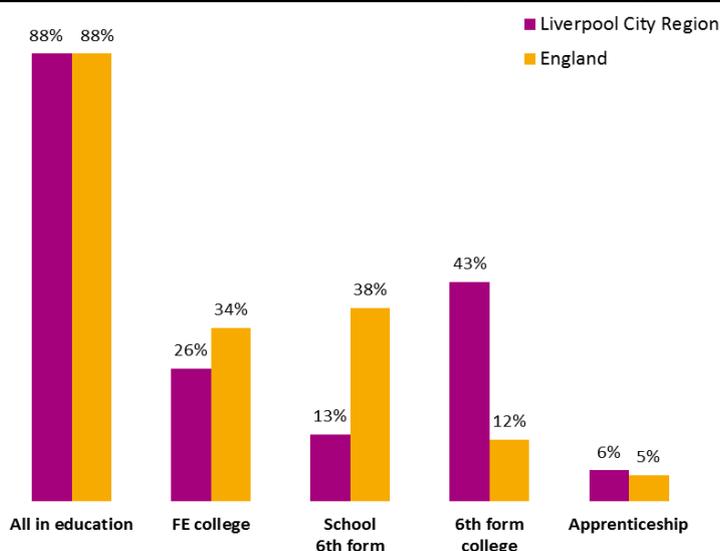
GCSE performance in the City Region had been improving in recent years at a rate faster than the English average. However, following national reforms to the assessment of Key Stage 4 qualification system, 2013/14 results have seen a national fall in GCSE attainment. This has had an amplified effect on young people in the Liverpool City Region, with larger proportional falls in success rates across the City Region between 2012/13 and 2013/14 than seen nationally.

There is variation in GCSE attainment across the Liverpool City Region which, overall, remains lower than the national average. In 2013/14, around 53% of year 11 leavers in the City Region achieved both an English and Maths GCSE at grade A*-C (or equivalent) compared to 57% England.

Local insight suggests that poor GCSE results, (specifically with regard to English and Maths) can hold back advancement into further education and achievement of Level 3 qualifications. As highlighted earlier, the City Region currently needs an additional 36,400 residents with GCSE equivalent qualifications. The City Region's Skills for Growth work supports local findings from UKCES Employer Skills Survey 2014 that highlights a desire from businesses to help their staff 'catch up' with Level 2 English and Maths qualification. The provision of good quality careers education and information advice and guidance to pupils remains a need, as this provides encouragement and motivation to achieve qualifications.

In keeping with national trends, latest data shows that around nine out of ten school leavers in the Liverpool City Region go on to further study. However, Figure 4.1 shows that City Region learners are more than three times more likely to study at a 6th Form College. Local insight from a range of stakeholders supports recommendations from the Skills for Growth Annual Report 2013/14 regarding a need to communicate the clear benefits of vocational education to learners and their peers.

Figure 4.1: Destinations of Liverpool City Region GCSE leavers

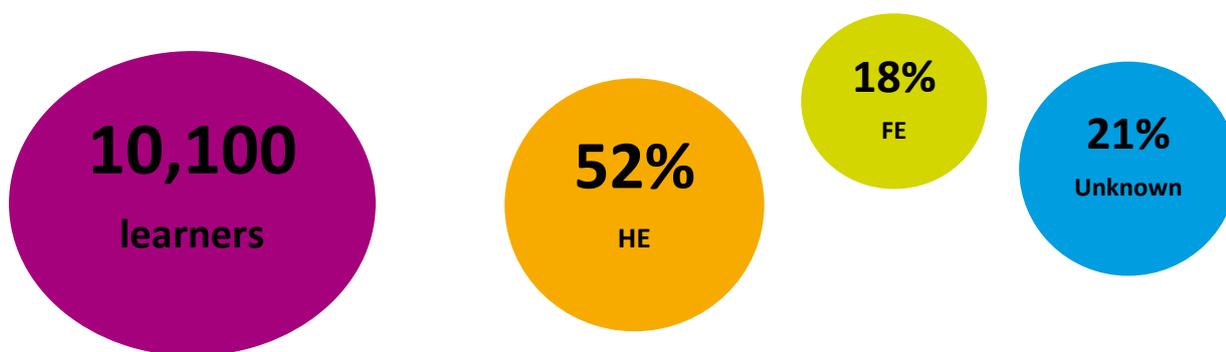


A Level achievement

The number of people entering A Level subjects has remained consistent between 2012/13 and 2013/14 with 6,321 young people entered for at least one A Level in 2013/14. Attainment at A Level has been relatively steady in the Liverpool City Region over recent years but between 2012/13 and 2013/14 there has been a moderate fall in achievement of AAB grades or better.

Figure 4.2 shows that of the 10,100 students who entered an A Level or equivalent qualification in 2011/12, 69.8% continued in education in 2012/13 – down by 4% compared to the previous year. The proportion who progress onto an Apprenticeship has remained consistent at around 5%, while more than half progressed onto a Higher Education Institution, though this has fallen by 7% from the previous year.

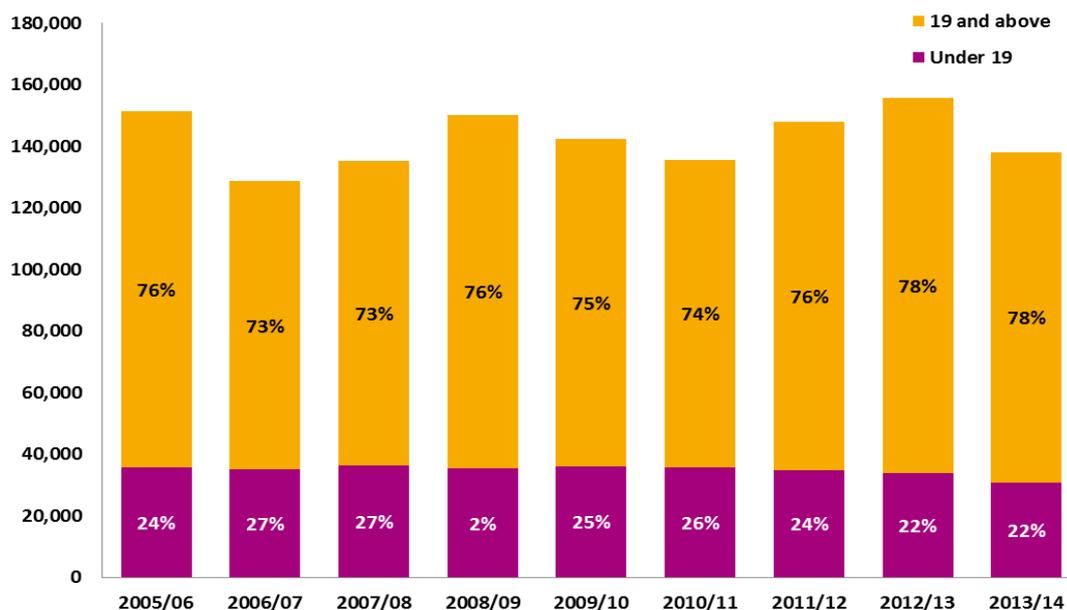
Figure 4.2: Destinations of Liverpool City Region A-Level leavers



Further Education

In 2013/14, there were around 138,000 Further Education enrolments by Liverpool City Region learners (defined as learners with a home postcode within the Liverpool City Region) which, as shown in Figure 4.3, is a 12% fall in participation from the previous year and one of the lowest levels since 2010/11. There was a peak in participation in 2012/13, with almost 156,000 learners across the City Region engaged in Further Education learning. The chart also shows that participation fell for learners aged, both, under and over 19 years of age. Currently, around eight out of ten learners are aged above 19, a rate that has grown from 74% since 2010/11.

Fig 4.3 FE learner participation - Liverpool City Region residents (2005/06 - 2013/14)



When considering participation trends, understanding the uptake of provision aligned with the City Region’s growth sectors will help quantify future labour market skills supply within these sectors and the responsiveness of local learners and training providers to these opportunities.

Further analysis of the learner data shows that, despite the fall in participation between 2011/12 and 2013/14, learners across the Liverpool City Region are increasingly studying subjects with strong links to growth sectors and volume employers. Figure 4.4 shows significant increases in provision with strong links to a range of growth sectors: notably Advanced Manufacturing, SuperPORT, Life Sciences, and Financial and Professional Services.

Fig 4.4 Participation change by selected Sector Subject Area (2011/12 - 2013/14)

Sector Subject Area - Tier 1	2011/12 – 2013/14 change %
Engineering and manufacturing technologies	21%
Health, public services and care	61%
Retail and commercial enterprise	31%
Science and mathematics	22%

Engineering and manufacturing technologies

‘Engineering and manufacturing technologies’ provision is of particular importance to the City Region’s SuperPORT and Advanced Manufacturing growth sectors and many of the broader skills developed in these subjects are valuable to employers in a range of sectors. The pronounced increase in overall enrolments between 2011/12 and 2013/14 is noteworthy and is strongly linked to the increase in NVQ Level 1 and Level 2 qualifications in ‘Transport Operations and Maintenance’ – an important framework for the SuperPORT growth sector.

Enrolments for this provision by younger learners have, in keeping with the broader 'Engineering...' Sector Subject Area (SSA) trends, risen by 300% in the 3 year period shown; suggesting that the Liverpool City Region's emerging workforce are becoming increasingly qualified to take advantage of the economic opportunities that the SuperPORT sector brings to the City Region. Further analysis shows the number of enrolments by learners aged below 19 have increased in the same period.

Health, public services and care

Figure 4.4 shows a 61% increase in enrolments in the 'Health, public services and care' since 2011/12. Further analysis of the increase in enrolments from 2011/12 to 2013/14 shows a distinct contrast from previous trends; with learners now more likely to be aged below 19 and undertaking NVQ Level 1 provision. Although not identified as an economic growth sector, the high levels of current and projected employment in the health and social care sector means that better understanding the changing enrolment trends in this SSA is likely to be of continued importance in the future.

Retail and commercial enterprise

The Liverpool City Region has seen a 31% participation increase in enrolments in the specific 'Warehousing and distribution' provision since 2011/12 with participation around 3 times higher in 2013/11 than in 2008/09. This is a further sign of encouragement regarding City Region learners' skills in the SuperPORT sector with huge increases in enrolments for 'Warehousing and distribution' (330% between 2011/12 and 2013/14) often focussing on 'Award in Warehousing and Storage': allowing learners to develop industry-specific skills such as using equipment to move goods in logistic facilities and the picking, assembling, placing and wrapping of goods.

Further analysis shows that residents aged 19+ are most likely to enrol in the 'Warehousing and Distribution' provision but, in keeping with the workforce replacement demand issues highlighted in the SuperPORT Skills for Growth Agreement, it is encouraging that around 1 in 3 of these enrollees are below 25. Enrolments in Entry Level and NVQ Level 1 provision are central to these increases and, as set out in the SuperPORT Skills for Growth Agreement, ongoing, in-work training will be important for residents wishing to progress within their careers and take advantage of the sector's forecasted growth.

Science and mathematics

When considering employer demand for STEM (Science, technology, engineering and mathematics) skills in a range of sectors across the economy, it is encouraging to note that the volume of enrolments in 'Science and mathematics' SSA has steadily increased in the Liverpool City Region between 2011/12 and 2013/14. Further analysis shows that this is a continuing trend over the last 5 years and that, while participation has increased at all levels, NVQ Level 2 has seen the biggest increase (more than 50%) in this period. Increased enrolment by learners aged 19 and above has been key to this upward trend which: particularly encouraging given the long-standing skills gap for older residents in the City Region.

It is encouraging to note the increases in learning relating to the City Region's economic growth sectors but insight from growth sector employers suggests that, in order to truly allow residents to develop the skills they need to take advantage of future economic growth opportunities, training provision for all age groups in the Liverpool City Region needs to respond to business requirements in a more timely manner. It is expected that this would be addressed through the agreement of a devolution deal with Government for the City Region to reshape the local skills system in this light.

Apprenticeships

Businesses value Apprenticeships, and businesses find an increase in growth and productivity if they invest in Apprenticeships. In 2013/14, more than 16,000 Liverpool City Region residents began an Apprenticeship. As shown in Figure 4.5, this is a 12% fall from the previous year and almost 30% drop since from 2011/12 and is in keeping with national trends which show similar levels of reductions following a peak in starts in 2011/12. Further analysis suggests an expected increase in the number of Apprenticeship starts expected in 2015/16 will show an increase in the 2014/15 academic year.

Local insight suggests that an additional factor in the reduced number of Apprenticeship starts could be the increase in smaller businesses now offering Apprenticeships across the City Region. In 2013/14, employers with less than 30 staff took on six in ten of every Apprentice that started, with anecdotal evidence suggesting that most small employers hired one Apprentice at a time. The proportion of larger firms (i.e. those with more than 100 employees) hiring Apprentices has fallen from almost one in three to less than one in four since 2011/12, potentially reducing the rate of multiple Apprenticeship starts. As detailed earlier, the Government's introduction of an Apprenticeship Levy for businesses with more than 250 employees aims to increase Apprenticeship take up amongst larger employers and it be important for the Liverpool City Region to monitor its impact following its implementation in 2017.

Fig 4.5 Apprenticeship starts by age (2005/06 - 2013/14)

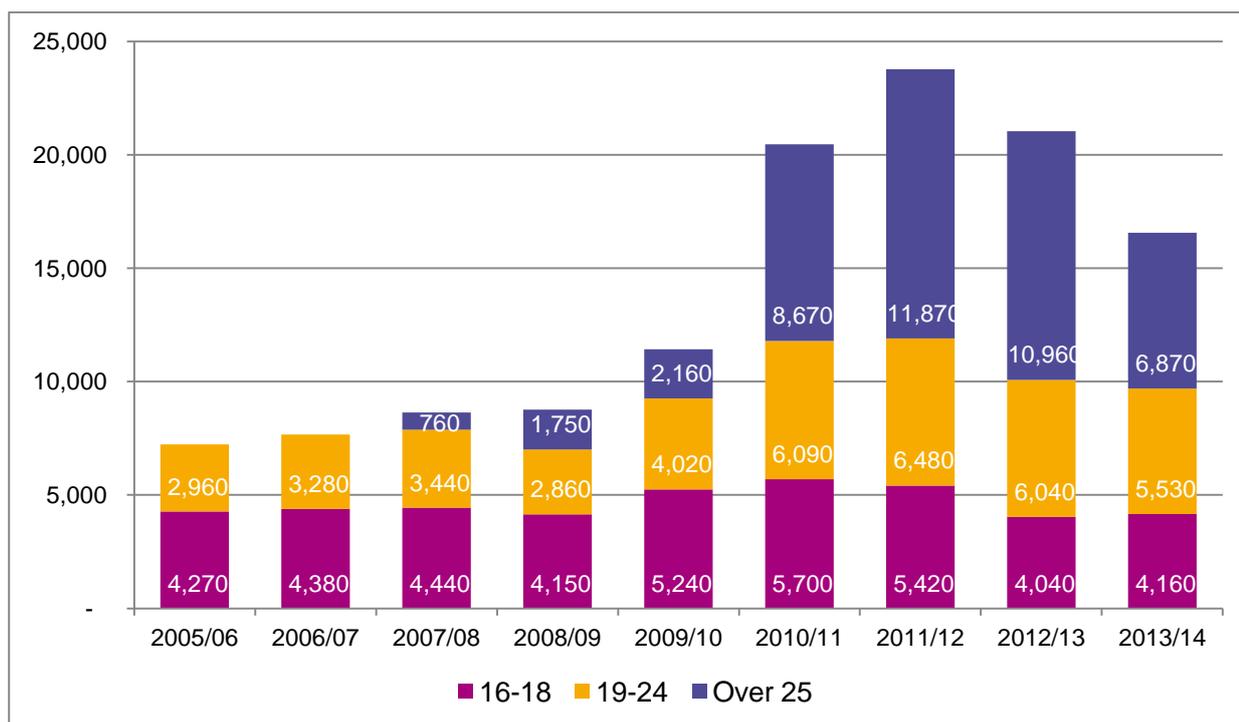
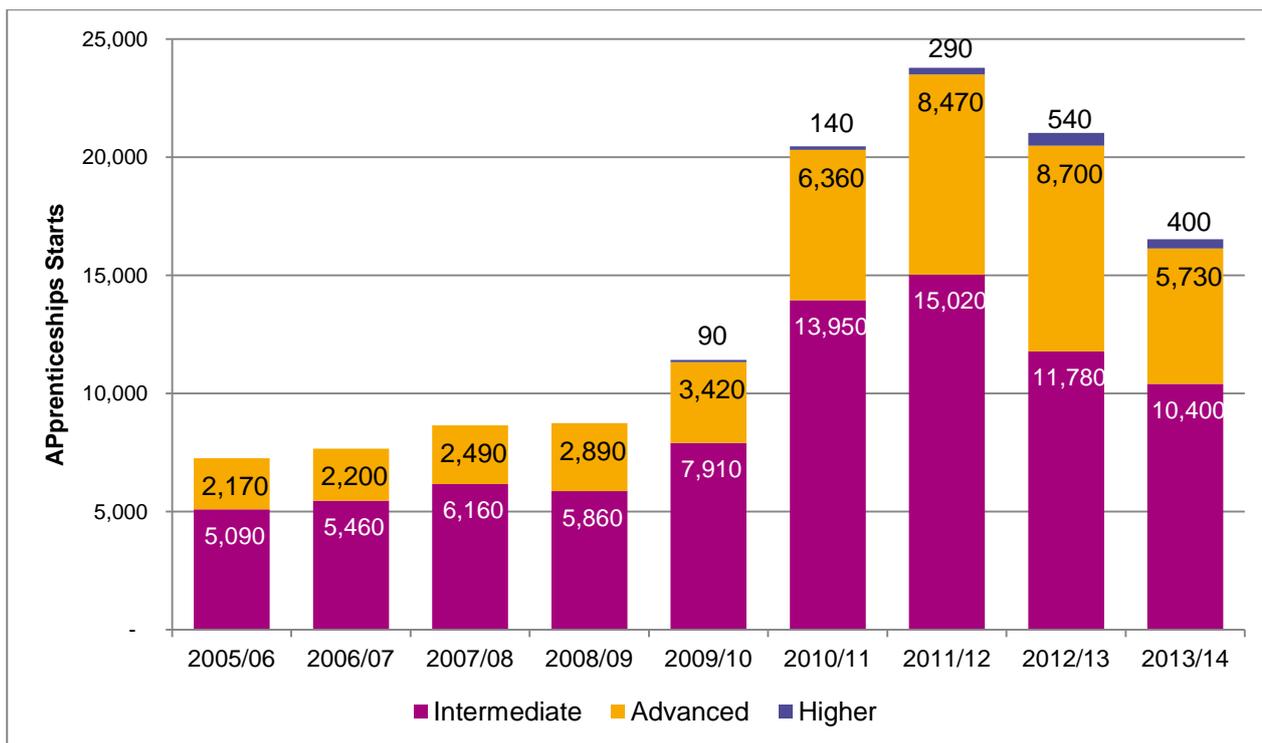


Figure 4.5 shows that, in keeping with national trends, residents aged 25 and above have remained the most likely to undertake an Apprenticeship in the Liverpool City Region since 2010/11. However, the proportion of Apprenticeship starts by residents aged below 24 has increased in the same period, currently accounting for around 57% of all starts. In particular, this increase has been driven by the increasing proportion of 19-24 year olds who, in 2012/13, accounted for almost a third of all starts. Since 2010/11, there has been an increase in the proportion of Apprenticeship starts by males in the Liverpool City Region but, in keeping with longer term trends, women remain responsible for more than half of all starts: particularly in Advanced and Higher level provision.

Overall, Intermediate level Apprenticeships (i.e. those equivalent to NVQ Level 2) remain the most popular amongst Liverpool City Region learners and employers. Figure 4.6 shows that, in 2013/14, Intermediate starts accounted for more than 60% of all starts – around 10,000 residents. However, with the exception of 2013/14, a long-term trend shows an annual increase in the amount of Advanced and Higher Apprenticeships (equivalent to NVQ Level 3 and 4, respectively).

Local analysis of latest provisional Apprenticeship data suggests that this trend is continuing with an increased number of Advanced and Higher Apprenticeship starts expected in 2014/15.

Fig 4.6 Apprenticeship starts by level (2005/06 - 2013/14)



Apprenticeship provision has long been recognised as a key driver in tackling the Liverpool City Region’s skills gap and analysis of 2013/14 starts data shows that this continues to be effective. Around four out of ten new Apprentices did not have NVQ Level 2 skills when they started their Apprenticeship: rising to over half of all Intermediate starts.

As a result, over 6,500 residents with below NVQ Level 2 qualifications have started an Apprenticeship in the last 3 years, giving them the opportunity to develop sector-specific skills in a workplace environment.

When considering the type of Apprenticeships that Liverpool City Region residents are undertaking, Figure 4.7 shows that ‘Business, Administration and Law’ frameworks have consistently remained the most popular. Related frameworks have accounted for more than one in three starts since 2009/10: driven predominantly by starts by under 25 year olds on Business Management frameworks, with around two-thirds of all starts at an Intermediate level.

From 2010/11 to 2013/14, Apprenticeship starts relating to Health and Social Care have remained the second most popular: overtaking Retail and Commercial Enterprise Apprenticeships. Residents aged 25 and above are more likely to start on these frameworks, with around six out of ten starts at Intermediate level.

Fig 4.7 Apprenticeship starts by level (2009/10 - 2013/14)

	2009/10	2010/11	2011/12	2012/13	2013/14
Business, Administration and Law	3,860	6,930	8,620	7,750	5,870
Construction, Planning	1,000	960	640	530	630
Engineering and Manufacturing ...	1,220	2,940	2,840	2,150	1,790
Health, Public Services and Care	1,810	3,810	4,950	5,200	4,000
Leisure, Travel and Tourism	900	1,030	1,100	850	580
Retail and Commercial Enterprise	2,230	3,830	4,160	3,380	2,880
Total	11,020	19,500	22,310	19,860	15,750

One of the key benefits of Apprenticeships is the opportunity for employers to develop provision that responds directly to their current and future business needs. In keeping with Further Education trends discussed earlier (and in addition to the high level summary in figure 4.7), a range of specific frameworks related to the City Region's key economic growth sectors have remained popular since the initial launch of the Skills for Growth work.

Proposed actions

Deliver Skills Capital Investment Funding to ensure training premises and equipment respond to current and future employer needs	Liverpool City Region Combined Authority
Develop personalised and impartial careers advice programme embedded within all learning	Schools, colleges, training providers and universities
Ensure local business presence is meaningfully represented on institutional Governing Bodies	Schools, colleges, training providers and universities
Establish a Liverpool City Region Careers Hub to align all local careers, information, advice and guidance	Liverpool City Region Combined Authority
Identify clear vocational pathways for skills shortage areas and support schools, colleges, training providers in encouraging and supporting learners through these pathways	Employer networks, individual businesses
Implement and disseminate Jobs for Tomorrow material to learners and parents	Schools, colleges, training providers and universities
Provide businesses with a stronger say in the development and implementation of training provision to ensure it addresses their skills needs and working practices	Schools, colleges, training providers and universities
Provide ongoing Skills for Growth insight to ensure growth sector skills needs are clearly communicated to schools, colleges, training providers and universities	Liverpool City Region Employment and Skills Board
Work with businesses to identify and develop relevant training provision that addresses employers' skills needs	Schools, colleges, training providers and universities
Work with Government to empower local employers to co-commission responsive Apprenticeships, Traineeships and other skills provision	Liverpool City Region Combined Authority, Government
Work with Government to ensure National Careers Service resource and priorities are aligned with the Liverpool City Region Careers Hub	Liverpool City Region Combined Authority, Government

Work with Government to reshape local skills system to be more responsive to employer and economic growth priorities.	Liverpool City Region Combined Authority, Government
Encourage businesses to work with schools, colleges, training providers and universities to develop work experience and inspiration opportunities for learners	Liverpool City Region LEP and business networks
Work with the Careers Hub to communicate skills needs to schools, colleges, training providers and universities	Liverpool City Region Local Enterprise Partnership (LEP), individual businesses,

5. Employer skills needs in the Liverpool City Region

As part of the development of the Skills for Growth work, a wide range of growth sector employers identified a number of consistent themes regarding current and future skills needs in the Liverpool City Region. The Skills for Growth work highlights clear employer demand for digital skills and the 'upskilling' of many of their current staff to at least NVQ Level 2 in English and Maths to enable them to progress within their careers and take better advantage of the economic growth opportunities facing the City Region.

The UKCES Employer Skills Survey 2014 and further insight from employers also identified a need for staff to develop NVQ Level 3 technical skills in fields broadly related to the respective growth sector. In particular, employers in the City Region's Knowledge Economy and SuperPORT sectors re-emphasised the importance of STEM (Science, Technology, Engineering and Maths) skills for staff; both for the technical understanding of relevant scientific and engineering processes but also for the development of project management and problem-solving techniques strongly associated with this provision.

The value of these organisational skills was referenced by employers across all sectors along with a need for current and potential staff to be able to exhibit their attention to detail and analytical skills. When considering the broader, employability skills considered in demand, employers highlighted their requirement for skills provision to develop the effective communication and interpersonal skills of learners and for staff to be able to demonstrate their enthusiasm for the respective sector.

These skills need to be embedded within young people as early as possible, and there is an important role for schools and communities to play in ensuring that this happens. The inclusion of a wider group of skilled and experienced individuals in governing bodies of schools would help with this, as well as schools placing as much emphasis on achievement of skills as they do attainment of qualifications.

In addition to this, employers were clear that demonstrable and relevant work experience was increasingly important for staff of all ages and that the sector-specific, competency-based Apprenticeship frameworks available at a range of levels were of extremely beneficial in helping residents and businesses develop their skills base and effectively compete in the Liverpool City Region's growth sectors.

Based upon the feedback from employers through LEP Panels and Boards, feedback from employers through surveys, a review of the expected opportunities (such as the opening of the Liverpool 2 Container Terminal), feedback from those working with businesses and insight from colleges, learning providers and Universities, it is proposed that the following are the generic skills priorities for Liverpool City Region for 2015/16:-

Generic Skills priorities for 2015/16 for Liverpool City Region

- Customer service for staff working in front line customer service roles: this continues to be identified by the Visitor Economy Board and is critical for the City Region, particularly with the next International Festival for Business in 2016;
- Science, technology and mathematics at all levels: there is a need for all residents to have a sound basis in mathematics and an increasing need at technician, graduate and postgraduate for general science and specific technology skills;
- Practical logistics: with the logistics developments linked to the Liverpool 2 container terminal, there is an increasing need for entry level warehouse skills (e.g. pickers and packers) and drivers of heavy good vehicles;
- Digital skills, to ensure that residents can use technology and to build upon the higher level expertise in the City Region, based around Scitech Daresbury and the cluster at the Baltic in Liverpool in particular;
- Project management, which underpins good business practice and particularly construction sectors;
- Leadership and management across all levels and particularly for small and medium enterprises; and
- Underpinning employability skills that enable residents to contribute in the workplace (e.g. team working, literacy).

Proposed actions

Provide ongoing Skills for Growth insight to ensure growth sector skills needs are clearly communicated to schools, colleges, training providers and universities	Liverpool City Region Employment and Skills Board
Work with the Careers Hub to communicate skills needs to schools, colleges, training providers and universities	Liverpool City Region Local Enterprise Partnership (LEP), individual businesses,
Provide businesses with a stronger say in the development and implementation of training provision to ensure it addresses their skills needs and working practices	Schools, colleges, training providers and universities
Clearly articulate current and future skills needs as part of long term approach to workforce planning	Liverpool City Region LEP and business networks

6. Growth sector skills needs in the Liverpool City Region

The Skills for Growth Agreements set out the collective aspirations of key employers in specific sectors, and provide a mechanism for employers and providers to review and design training that contributes to the competitiveness of the City Region economy.

A summary of each agreement is provided in this section.

Fig 6.1: Key growth sector locations across the Liverpool City Region



Visitor Economy

Visitor Economy employers identified a need to improve communication, destination awareness and interpersonal skills of (current and future) staff and a requirement to increase levels of in-work training.

The Agreement highlights employers' demand for skills provision to expand the availability of:-

- High standards of culinary skills to develop the City Region's future chefs;
- Industry-standard customer service skills (i.e. World Host);
- Language skills that reflect the City Region's visitor markets;
- Management skills including financial and people management; and
- Interpersonal and broader employability skills (i.e. teamworking).

Specific Visitor Economy Skills needs

- Intermediate Apprenticeships in Rail Services, Licensed Hospitality, Cabin Crew and Technical Theatre;
- Intermediate and Advanced Apprenticeships in Hospitality and Catering, Retail, Travel Services and Customer Service;
- Advanced Apprenticeships in Leisure Management, Facilities Management; and
- Higher Apprenticeships and foundation degrees in Management.

SuperPORT

There is an ongoing need to ensure that NVQ Level 2 skills are expanded amongst the sectors' current workforce and that, in particular, existing employees have the correct, sector-focussed information technology skills needed to succeed in a changing industry.

Specific SuperPORT Skills needs

- Intermediate Apprenticeships in International Trade and Logistics and Commercial Moving;
- Intermediate and Advanced Apprenticeships in Engineering Manufacture, Warehousing and Storage, Logistics Operations and Construction; and
- Higher Apprenticeships and foundation degrees in Business Management.

Employers in the sector identify a need to improve leadership and management skills at all levels within their workforce and, as a result, have recommended that skills provision in the Liverpool City Region responds to this need by offering higher level technical and management skills to learners of all ages. In addition, businesses highlight the need for colleges and training providers to offer sector-specific provision that will respond to industry demand for:-

- Workboat operatives;
- Sub-surface engineering;
- Business and process control managers; and
- Drivers and logistics operative staff.

Advanced Manufacturing

This highlights an ongoing demand for STEM (Science, Technology, Engineering and Maths) skills at all levels within the industry and the importance for colleges and training providers to ensure learners can apply these skills in a workplace environment. In addition to technical skills in Engineering and Manufacturing subjects at NVQ Level 3, Advanced Manufacturing employers highlight the importance of project and process management techniques, problem-solving skills and attention to detail that are closely associated with STEM provision.

In order for current and future employees to be able to succeed within the sector, there is a need for colleges and training providers to ensure that their provision allows learners to develop an understanding of new, industry-standard technologies and techniques (i.e. Lean principles). In addition to these in-demand skills, employers in the sector emphasised the importance of broader, employability attributes and the need for provision at all levels to encourage team working, pro-activeness and effective communication skills.

Financial and Professional Services

Broader employability skills and attributes (including problem-solving techniques, effective communication skills, business ethics and enthusiasm) are key to succeeding within the sector and training provision in the City Region should encourage and develop these skills amongst learners. It also emphasises the continuing importance of entrepreneurial and enterprise skills (such as commercial awareness, presentational skills and flexibility) in a sector with increasing opportunities in consultancy and other non-traditional employment formats.

In regards to valuable technical attributes, employers in the Financial and Professional Services sector identify analytical and research skills, experience in project management techniques and an ability to adapt to and make best use of specialist technology (i.e. bespoke software) as essential to ensuring learners can succeed in the industry and should therefore be a key part of training providers' offers in the City Region.

Specific Financial and Professional Services Skills needs

- Relationship Manager (Banking);
- Licensed Conveyancer;
- Actuarial Technician;
- Financial Services Administrator;
- Paralegal; and
- Chartered Legal Executive.

Specific Advanced Manufacturing Skills needs

- Intermediate and Advanced Apprenticeships in Composite Engineering, Process Manufacturing, Engineering Manufacture, and Improving Operational Performance;
- Advanced Apprenticeships in Operations and Quality Improvement, Engineering Manufacture and Metal Processing and Allied Operations;
- Advanced and Higher Apprenticeships in Engineering Manufacture, Electrical Trades, Polymer Processing and Metal Processing and Allied Operations.
- Higher Apprenticeships in Engineering Manufacture, Project Management and Business Innovation and Growth;
- Wider higher education qualifications in STEM subjects, Business Management and Leadership.

Colleges and training providers need to develop their strategic relationships with the sector to ensure that their offer is based on relevant, competency-based frameworks and can offer learners work experience opportunities (something that is currently identified as a specific challenge in the sector).

Low Carbon

Employers in Low Carbon sector continue to reiterate the ongoing demand for STEM (Science, Technology, Engineering and Maths) skills at all levels within the City Region's Knowledge Economy and the need for training providers to ensure learners can develop a range of operational and technical skills in a number of key areas.

There is a need for schools, colleges, training providers and universities to provide learners with the various skills to address gaps in specific job roles relating to low carbon processes and products. These gaps include:-

- Operational skills relating to marine staff, machine and waste operatives, waste plant staff; and
- Technical skills for maintenance technicians, welding and electrical trades

Specific Low Carbon Skills needs

- Level 1 and 2 skills in manufacture process, metal work, drivers and warehousing roles;
- Level 3 technical skills in engineering technician, welding roles, and for electricians, marine staff;
- Level 4 skills in process engineering, chemical science and software development; and
- Level 5+ skills in production management, geology and for a wide range of engineering roles (i.e. civil, process, mechanical and aeronautical).

There are also a number of higher level skills relating to mechanical, electrical and manufacturing production processes. If successfully embedded into local training provision and effectively marketed to learners, this provision would allow residents to compete within more specialist, competitive and lucrative low carbon career roles such as heat-pump installation and wind farm maintenance.

Employers highlight a further need for local provision to respond to industry demand in 'upskilling' employees working in traditional construction roles to ensure that, alongside their existing skills, they are able to adapt to new, low-carbon practices and remain competitive in the industry.

Life Sciences

The variety of sub-sectors within the industry all require a versatile workforce that is highly skilled with the right mix of technical skills, academic knowledge and vocational understanding able to respond to company needs. Employers also emphasise the importance of higher level technical cross sector roles such as bioinformatics and health economics, as well as a wider scientific skill set. These wider skill sets include the need for:

- A common scientific understanding;
- Appropriate statistical and mathematical knowledge and ability;
- Strong interdisciplinary collaboration;
- Adaptability, technical prowess and commercial awareness; and
- Broader leadership and management skills.

Life Sciences employers highlighted specific recruitment demand for a number of specific roles including engineers of any kind, formulation chemists, process technicians and clean room operatives. For learners considering scientific studies careers within laboratories, skills requirements include supporting the discovery and development of new products and

accuracy and good record keeping in delivering medical and other testing services. For factory-based roles operating the large scale processes that produce a company's products and providing quality and process control to manufacturing operations, quality assurance and diagnostic skills remain important.

Specific Life Sciences Skills needs

- Advanced Apprenticeships relating to Laboratory Technician, Science Manufacturing Technician, and Science Industry Maintenance Technician roles; and
- Higher Apprenticeships in Life Sciences and Chemistry.

Effective interpersonal and communication skills and proven industry experience are identified as key for new recruits and employers have identified their preference for a competency based approach and, in particular, the concept of bundling desired competencies together when designing and developing skills provision. This in keeping with wider feedback from the industry that emphasises a clear need for new vocational entry routes in to Life Sciences, with a focus on expanding Apprenticeships and Higher Level Apprenticeships to tackle significant replacement issues.

Digital and Creative

The challenge for schools, colleges, training providers and universities both nationally and within the Liverpool City Region is to develop a skills offer that is both credible and responsive to the specific needs of the market. Feedback from Digital and Creative employers highlights their valuing of competence over qualifications (which can complicate wider skills planning) and the need for skills provision to naturally broaden their knowledge alongside developing particular expertise.

However, Digital and Creative businesses are clear that they value interdisciplinary team working skills across technology platforms, strong creative and design skills and the ability to explain ideas to clients. These 'fusion' skills can often involve technical computing and creative skills to create new digital products and services and are identified as essential drivers of the Digital and Creative industry. Other, key market drivers of demand that the Agreement recommends training providers should embed in their offer include:

- Coding – While specialist programmers will continue to be in high demand, understanding coding and the ability to use programming skills has a wide range of applications in digital and creative media careers;
- Design – artists and graphic/computer aided design that cross over and contribute to the development of digital products (i.e. websites and apps). This ranges from animation and visual effects to marketing and website development;
- Business management – awareness of and contribution to business objectives including commercialisation of products, analytical skills and performance management; and
- Computer security, data protection and cloud computing awareness.

Specific Digital and Creative Skills needs

- Digital & Technology Solutions Professional;
- Assistant Technical Director;
- Junior 2D Artist (visual effects);
- Bespoke Tailor and Cutter; and
- Fashion Studio Assistant.

Proposed actions

Provide ongoing Skills for Growth insight to ensure growth sector skills needs are clearly communicated to schools, colleges, training providers and universities	Liverpool City Region Employment and Skills Board
Work with businesses, schools, colleges, training providers and other stakeholders to deliver Skills Shows in the future and communicate labour market insight	Liverpool City Region Employment and Skills Board
Implement and disseminate Jobs for Tomorrow material to learners and parents	Schools, colleges, training providers and universities
Ensure all provision includes a clear element of employability provision and careers guidance	Schools, colleges, training providers and universities

7. **Headline Challenges**

Since the publication of the first Skills for Growth Annual Report in 2012, there have been a consistent set of headline challenges for all parts of the employment and skills system to respond to. As part of the production of this document, these have been reviewed to determine whether they are still valid, as summarised below:-

Challenge	Position
Raise skills levels at all ages	This remains a key action with an increasing skills gap at Levels 3 and 4. The action has been split to reflect the different roles that residents and businesses have to give greater focus and clarity.
Increase employer ownership and engagement	Employer ownership and engagement are fundamental to a successful skills system, with the action being refocused. This will now build on the Skills for Growth work, which sees businesses clearly identifying their priorities for action.
Involve employers in curriculum reviews	This has been embedded within learning institutions, as was evidenced in the Skills for Growth Annual Report 2014 e.g. Getrag Ford and Riverside College reviewing Advanced Manufacturing.
Improve the relevance and accuracy of careers education and information advice and guidance	This remains a key action and has not been helped by the plethora of new initiatives launched by Government and public agencies.
Tackle youth unemployment	Youth unemployment has reduced overall by 1/3 and there has been a significant reduction in long term young unemployed residents. The additional European funding allocated to supporting young people into work (to be spent between 2016 and 2018) will further support this reduction.

Headline Challenges

The following are proposed for 2015/16:-

- Enhance links between business and education / training, so that curricula are informed by the current and future needs of businesses;
- Improve careers, information, advice and guidance, so that everybody receiving advice and guidance obtains informed and accurate advice;
- Make it easier for business to invest in workforce skills, so that productivity can be improved, growth can be delivered and businesses take a shared responsibility for skills investments;
- Promote progression of individuals, so that they are not locked into entry level jobs but can instead enhance their skills, contribute more in the workplace, increase their earning potential and support improvements in productivity; and
- Tackle long-term worklessness, enabling residents to receive the support they need to get into work and take advantage of the opportunities available.

The detailed actions against these challenges are set out in Appendix One and progress will be reported regularly to the Employment and Skills Board and Combined Authority.

Appendix One: Skills for Growth Headline Challenges 2015/16

Enhance links between business and education / training	Responsible
Identify clear vocational pathways for skills shortage areas and support schools, colleges, training providers in encouraging and supporting learners through these pathways	Employer networks, individual businesses
Ensure local business presence is meaningfully represented on institutional Governing Bodies	Schools, colleges, training providers and universities
Encourage businesses to work with schools, colleges, training providers and universities to develop work experience and inspiration opportunities for learners	Liverpool City Region LEP and business networks
Work with Government to reshape local skills system to be more responsive to employer and economic growth priorities	Liverpool City Region Combined Authority, Government
Deliver Skills Capital Investment Funding to ensure training premises and equipment respond to current and future employer needs	Liverpool City Region Combined Authority
Provide ongoing Skills for Growth insight to ensure growth sector skills needs are clearly communicated to schools, colleges, training providers and universities	Liverpool City Region Employment and Skills Board
Improve careers, information, advice and guidance	Responsible
Establish a Liverpool City Region Careers Hub to align all local careers, information, advice and guidance	Liverpool City Region Combined Authority

Work with Government to ensure National Careers Service resource and priorities are aligned with the Liverpool City Region Careers Hub	Liverpool City Region Combined Authority, Government
Work with the Careers Hub to communicate skills needs to schools, colleges, training providers and universities	Liverpool City Region Local Enterprise Partnership (LEP), individual businesses
Work with businesses, schools, colleges, training providers and other stakeholders to deliver Skills Shows in the future and communicate labour market insight	Liverpool City Region Employment and Skills Board
Implement and disseminate Jobs for Tomorrow material to learners and parents	Schools, colleges, training providers and universities
Develop personalised and impartial careers advice programme embedded within all learning	Schools, colleges, training providers and universities
Make it easier for business to invest in workforce skills	Responsible
Establish a Liverpool City Region Growth Hub to co-ordinate and provide local business support, including skills development and training brokerage provision	Liverpool City Region Combined Authority
Work with businesses to identify and develop relevant training provision that addresses employers' skills needs	Schools, colleges, training providers and universities
Clearly articulate current and future skills needs as part of long term approach to workforce planning	Liverpool City Region LEP and business networks

Effectively communicate with and provide support to employers relating to relevant development opportunities (i.e. Growth Hub, Skills Capital)	Liverpool City Region LEP, Liverpool City Region Combined Authority
Work with Government to empower local employers to co-commission responsive Apprenticeships, Traineeships and other skills provision	Liverpool City Region Combined Authority, Government
Promote progression of individuals	Responsible
Work with Government to reshape local skills system to be more responsive to employer and economic growth priorities.	Liverpool City Region Combined Authority, Government
Effectively communicate the benefits of workforce development to businesses	Liverpool City Region Combined Authority and LEP
Provide businesses with a stronger say in the development and implementation of training provision to ensure it addresses their skills needs and working practices	Schools, colleges, training providers and universities
Tackle long-term worklessness	Responsible
Work with Government to improve back to work support in the Liverpool City Region	Liverpool City Region Combined Authority, Government
Align available resources to commission integrated and effective local employability support that provides a tailored, dignified service for those who need extra help	Liverpool City Region Combined Authority
Ensure all provision includes a clear element of employability provision and careers guidance	Schools, colleges, training providers and universities
Promote businesses shaping local employment support by providing work placements and work experience and inspiration opportunities for unemployed residents	Liverpool City Region LEP and business networks

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Headline Challenge	Enhance links between business and education/training			
What	How	When	By whom	How measure
Ensure employers have a greater say in skills provision	Annual focused discussion on Skills for Growth implementation	Ongoing	Tbc with LEP sector panels	Discussion takes place
	Contact providers and businesses to collate and publish best practice examples	One each to be uploaded each quarter	Jon Pitt, working through ESB	Number of case studies received and published
Ensure local business presence is meaningfully represented on institutional Governing Bodies	Encourage institutions to include business representation by communicating clear benefits	Quarter 1 2016	LEP Strategic Board, supported by Rob Tabb, to write to schools, colleges, training providers and universities	Number of institutions with business representation on Governing Bodies (esurvey)
Work with Government to reshape local skills system to be more responsive to employer and economic growth priorities	Ensure any Area Based Review includes strong employer focus	Quarter 2 2016	Liverpool City Region Combined Authority Government, co-ordinated by Sue Jarvis	Successful implementation of any Area Based Review recommendations
Ensure training premises and equipment respond to current and future employer needs	Deliver Skills Capital Investment Fund and related strategy	2016-17	Liverpool City Region Combined Authority and ESB, co-ordinated by Karon Brownbill	Successful deployment of Skills Capital Investment Fund and creation of sustainable learning facilities
Further engage learners in identified skills needs through practical application (i.e. STEM, English, Maths, Digital)	Deliver Skills Show 2016 for KS4 learners	2016-17	ESB, supported by John Corish and Jon Pitt	Events held
	Consider potential for Skills Festival aimed at KS2/3learners			

Headline Challenge	Improve careers information, advice and guidance			
What	How	When	By whom	How measure
Ensure consistent and locally-aligned focus within IAG provision	Ensure any Area Based Review responds to need for improved IAG	Quarter 2 2016	ESB, supported by Sue Jarvis	Successful implementation of any Area Based Review recommendations
Align all local careers, information, advice and guidance	Establish a Liverpool City Region Careers Hub	Quarter 2 2016	Liverpool City Region Combined Authority, co-ordinated by Sue Jarvis	Effective Careers Hub in place
Ensure resident of all ages can access up-to-date, impartial careers advice through a variety of methods	Explore potential for English and Maths Skills for Growth Agreements	Quarter 1 2016	ESB, supported by Rob Tabb	Publication of documents
	Explore potential for developing Skills for Growth Agreements for key sectors of large employment (e.g. Health and Care).	Draft available Quarter 1 2016	ESB, supported by Rob Tabb	

Headline Challenge	Make it easier for business to invest in workforce skills			
What	How	When	By whom	How measure
Work with Government to empower local employers to co-commission responsive Apprenticeships, Traineeships and other skills provision	Establish a Liverpool City Region Growth Hub to co-ordinate and provide local business support, including skills development and training brokerage provision	Quarter 1 2016	Mark Basnett on behalf of the Liverpool City Region Combined Authority and LEP	Effective Growth Hub in place
	Ensure any Area Based Review identifies continued scope for Apprenticeship growth	Quarter 2 2016	ESB, supported by Sue Jarvis	Successful implementation of any Area Based Review recommendations
Encourage Apprenticeship growth amongst local employers	Identify Apprenticeship Ambassadors within key growth sectors	Quarter 1 2016	Siobhan Saunders, Apprenticeship Hub	Number of Ambassadors
	Increase engagement events with schools to widen knowledge of Apprenticeships	2016-17	Siobhan Saunders, Apprenticeship Hub	Number of events held and reported quarterly
	Develop local campaign aimed at employer which clearly articulates business benefits of providing Higher/Degree Apprenticeship	Quarter 3 2016	Siobhan Saunders, Apprenticeship Hub	Increased take up of Higher/Degree Apprenticeships

Headline Challenge	Tackle long term worklessness			
What	How	When	By whom	How measure
Work with Government to improve back to work support in the Liverpool City Region	Explore local, household-based approach to address long term worklessness	Quarter 2 2016	Liverpool City Region Combined Authority, Government, supported by Anne Ainsworth	Production of business case
	Develop, align and report locally-relevant KPI measures (inc destinations)	Quarter 1 2016	Employment and Skills Board, supported by Rob Tabb	KPI dashboard reported regularly to ESB

Headline Challenge	Promote progression of individuals			
What	How	When	By whom	How measure
Work with Government to reshape local skills system to be more responsive to employer and economic growth priorities	Develop and agree focused devolution proposals	2016-17	Liverpool City Region Combined Authority, Government, supported by Sue Jarvis	Reshaped system in place
Effectively communicate the benefits of workforce development and progression	Targeted campaign to articulate businesses benefits of workforce development	Quarters 1 and 3 2016	LEP, supported by Apprenticeship Hub and Rob Tabb	Launch/delivery of targeted campaign
	Communicate Apprenticeship frameworks and respective benefits	Ongoing	Siobhan Saunders, Apprenticeship Hub	
	Clearly communicate the impact that Universal credit implementation will have on businesses and their employees	2016-17	Sue Riley, DWP	
Ensure employers have a greater say in skills provision	Annual focused discussion on Skills for Growth implementation	Ongoing	Tbc with LEP sector panels	Discussions take place

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Science and Innovation Audit

LEP Board Meeting 3 December 2015

Author:
John Whaling
Liverpool City Region LEP

Presented by:
Jonathan Hague
Chair, Innovation Board

1. BACKGROUND

The government's intention to commission Science & Innovation Audits was announced by Jo Johnson, Minister for Universities and Science, in Summer 2015.

This builds on the recommendation from Sir Andrew Witty's October 2013 review of universities and growth, for places to drive economic growth and productivity by focusing on their particular (research-driven) assets and capabilities that offer actual or potential competitive advantage. This equally accords with the EU "Smart Specialisation" approach to targeting support for research and innovation, as enshrined in European Structural and Investment Fund (ESIF) programmes.

Science and innovation funding in the UK is currently disbursed via national competitions on the basis of explicitly rewarding and magnifying demonstrable excellence, as opposed to any attempt at geographic spread or economic rebalancing. The SIA documentation confirms that this approach will continue.

Although numerous rich research and innovation datasets exist, these are currently held by individual funding bodies, and insufficiently exploited by government and external users alike. Combining these with other sources such as patent and citation databases, plus "bottom-up" local data, knowledge and experience, is viewed as an optimal means to identify existing and emerging clusters of nationally and internationally significant research excellence and innovation that can drive future growth.

2. OBJECTIVES & FOCUS

The express objectives of the SIAs are to pilot the fuller use of datasets in order to:

- Identify and validate areas of potential global competitive advantage across the UK
- Inform the UK's future science and innovation strategies
- Provide an evidence base for strategic decision making on local innovation priorities
- Strengthen future bids for local investment
- Foster collaboration between universities and local businesses, local authorities and LEPs.

The data and analysis generated will also boost the work of the new Smart Specialisation Advisory Hub, which has been tasked with building the evidence base and developing a community of best practice around smart specialisation in England.

The SIAs will also examine how investment in science and innovation leads to local productivity, focusing on science and research excellence, science and innovation assets, facilities and capabilities, industrial strengths and capacities (existing, nascent and emerging disruptive technologies), collaboration arrangements, engagement between the research base and business community, coherence with existing/planned activities to support research and innovation including the development of local infrastructure.

3. SIA APPLICATION REQUIREMENTS/PROCESS

The government will **resource** an external contractor to provide the requisite capacity to deliver the audits, e.g. collating and analysing datasets, plus validating, exploring and publishing hypotheses and the final narrative report.

SIA applications take the form of a consortium-based **Expression of Interest (EOI)**, addressing the following:

1. Consortium composition, roles and geographical scope of the partnership

NB. Consortia should include at least one University, Research Institute or publicly fundable research body; plus relevant innovation organisations (e.g. Catapult); plus at least one LEP or Local Authority.

While audits are intended to focus on particular geographic areas, this must be of sufficient scale to enable activity of global significance, and can be across national or economic boundaries. Consortium partners can come from elsewhere in the UK.

2. Proposed areas of research and technology focus

NB. proposals can be based on research beyond the traditional sciences if there is clear innovation potential

3. Resourcing and delivery arrangements within the set timescale

4. Strategic fit between the audit locus and respective economic context and plans.

The **timetable** is as follows:

- 29 January 2016: Deadline for first round EOIs
- March 2016: Decisions on highest priority proposals & start date for SIAs
- April–June 2016: Completion of SIAs
- Summer 2016: Second call for EOIs opened.

NB. The guidance mentions that “Applications received early that score highly against the criteria detailed... may be invited to start an audit early and act as pathfinders for the first set of audits”.

4. LCR CONTEXT

The Liverpool City Region has an exceptional array of differentiating assets. By the same token, the LCR innovation ecosystem and economy at large suffer from notable challenges, at the heart of which is productivity and the attendant need to improve “deal flow” and the commercialisation of knowledge, ideas and intellectual property.

Meanwhile, the UK approach to the allocation of research funding – i.e. focused on excellence and via national competitions - in practice disfavours the LCR (and wider national economic rebalancing objectives). This is clearly born out in BIS’s own July 2015 report into the geographic distribution of public research and innovation expenditure¹.

Recognising the potential to harness its differentiating assets in order to redress structural challenges and generate economic growth, LCR partners, led by the LEP, produced a dedicated Innovation Plan in late 2014. This is a strategic advocacy document for UK and EU innovation funding/investment purposes, as well as the commissioning framework for LCR 2014-202 ESIF Innovation funding, and has been signed off by both the Combined Authority and LCR LEP Boards.

Driven by a high-level, multi-sector Innovation Board (see *Annex 1*) chaired by Unilever’s Vice President of Open Innovation, the Plan focuses on 4 “smart specialisation” focused sectors: Advanced Manufacturing – Blue/Green Economy – Digital/Creative – Health/Life Sciences. It moreover highlights a series of inter-linked, collaboration-based projects of (inter)nationally significant

¹ Research Council expenditure per capita in the North West is approximately 2.5 times less than in London, the South East and East, less than half that in Scotland, and 40% less than the England average
Higher Education Funding Council grants per capita to the North West are only roughly 2/5 of the level in London and 26% below the UK average
Innovate UK funding per capita accorded to the North West is around 60% below the England average, only 1/3 that in East Midlands 1/5 of that in the South West, and 1/9 of that in the NE.

scale and impact, centred on an “innovation exchange”, and aimed at maximising the City Region’s distinctive competitive capabilities and accelerating economic growth.

Even more presciently, the Plan is currently being reviewed in order to reflect developments and opportunities over the last 12 months. The primary mechanism for this is an inventory of singular and/or nationally or internationally significant LCR innovation assets (see *Annex 2*) just collated; this also sets out a revised list of focal projects for future strategic advocacy and funding purposes. Moreover contact has recently been made with the Smart Specialisation Advisory Hub with a view to holding a workshop in the LCR in December or January.

At the same time, the LCR² is a core partner in an ongoing cross-LEP Atlantic Gateway Science study involving Manchester and Cheshire, aimed at identifying areas of common potential for collaborative action across all 3 LEP areas. The main initial finding has been to highlight 4 spheres of priority activity - Advanced Materials, Life Sciences & Health Innovation, Energy & Associated Engineering, High Performance Computing & Big Data – which largely accord with those in the LCR Innovation Plan. Following a pause linked to the publication of LCR and Cheshire/Warrington devolution proposals, the study is now entering its final phase, just as the SIA guidance has been issued.

5. KEY ISSUES & OPTIONS

FOCUS: the guidance implies a broad-based contextual approach, as well as explicitly requiring the identification of specific areas of technology/research to focus on.

A notable gap in the LCR Innovation Plan as it stands is the absence of up-to-date high level metrics and targets, which a SIA could usefully redress.

While we have already identified four focal smart specialisation sectors, it would make sense to be more explicit about specific niche sub-specialisations within these sectors, and use the SIA process to translate these into fully fledged globally significant investment propositions.

By the same token, ensuring that the whole is greater than the sum of its parts, and maximising the potential of the LCR’s key assets/capabilities, rests on realising the Innovation Exchange concept at the heart of the Innovation Plan, and this should arguably be a key focus for the SIA also.

GEOGRAPHY: SIAs are described in the guidance as “in essence deep dives in particular geographical areas” and the first round is clearly geared towards geographic rather than thematic coverage. Whereas earlier indications hinted at greater emphasis on potential cross-boundary collaborations, the tone/language of the final guidance seems more “locally” focused, whereby an LCR-focused SIA might be appropriate. This would clearly facilitate maximising the work and momentum on the LCR’s own competitive advantages etc. as set out in the Innovation Plan and recent asset inventory.

By the same token, the ongoing Atlantic Gateway study provides a ready platform for a potential cross-LEP approach that might stand a greater chance of success of being approved.

Urgent dialogue is underway. This suggests that a tripartite full Atlantic Gateway approach could be too broad, while Great Manchester is pursuing a joint approach with Cheshire East. Dialogue is therefore underway via Jon Hague/John Whaling with Cheshire West about a possible joint EoI.

DEVELOPMENT & DELIVERY: there will be considerable work involved in developing and agreeing the consortium-based EOI, however the LCR has the advantage of a dedicated, active Innovation Board in place, coordinated and supported by a dedicated post at the LEP. This provides a ready consortium and vehicle for overseeing EOI development and SIA delivery, however a dedicated operational task and finish partnership group will be required to author the EOI, and manage the SIA delivery process if successful.

² Represented by the Chief Executive of Halton Council, plus the LCR LEP

TIMING: the relatively advanced nature of the smart specialisation focused LCR innovation approach suggests that the LCR should seek to be in the initial pilot wave of SIAs. Moreover the guidance reference to the possibility of being a “pre-pilot” would favour the LCR position; any such EOI would in practice need to be submitted by Christmas.

RESOURCES: BIS will provide dedicated capacity via consultancy to collate/analyse/report on the evidence base, although more detail is required as to what this means in practice. Meanwhile, as above, some human resource currently resides within the LEP to coordinate the development and delivery of the SIA.

Some dedicated operational partner support will be nevertheless be required, while this also present an opportunity to consider what other requirements there may be (e.g. to publish an updated executive summary LCR Innovation Plan, as well as the SIA itself) and, depending on the focus, what other tasks might usefully be run in parallel with the SIA process, and whether ESIF Technical Assistance may be required.

While the LEP’s role is clearly to lead/coordinate/add value to the innovation agenda and wider economic development/growth etc. initiatives of benefit to the LCR, additional resource – i.e. consultancy support - will be required to author a “pre-pilot” bid in view of the timescale. The University of Liverpool has offered to lead and cover the cost of this, in tandem with an exercise to update the assessment of its economic value to the region.

6. RECOMMENDATIONS/NEXT STEPS

In summary, the overall aim of the SIAs is to provide a robust evidence base in order to identify and validate where existing and growing research excellence is coupled with emerging innovation strengths that offer potential global competitive advantage, and so underpin future investment decisions to realise that potential.

The pre-existence of an Innovation Board, with a detailed Innovation Plan, and very recent innovation asset inventory, therefore puts the LCR in an ideal position to deliver and benefit from a pilot SIA – not least in terms of redressing the current disadvantage re. national innovation funding competitions - one that will also usefully inform subsequent SIA areas.

The recommendations are therefore:

- To approve and actively embrace the opportunity to submit an EOI and ideally as a pre-pilot, i.e. submit by Christmas, in order to gain first mover advantage
- To endorse the focus being primarily on a LCR footprint – building on the existing LCR Innovation Plan plus associated recent Innovation Asset Inventory - but potentially also incorporating a wider geography
- To endorse ongoing urgent dialogue with the other 2 LEPs involved in the Atlantic Gateway study in order to identify and agree a suitable geography for the SIA
- To approve the offer from University of Liverpool to cover the cost of consultancy to prepare the pre-pilot Expression of Interest (in tandem with work to assess the University’s economic value to the region), subject to direct LEP input
- For the LCR Innovation Board to be charged with strategic oversight of the process from an LCR perspective, and agree that a dedicated sub-group of relevant partners (e.g. the 2 Universities, STFC, plus Liverpool and Halton Councils) be established for operational development and delivery purposes, supported and coordinated by dedicated LEP resource
- To confirm willingness to host a Smart Specialisation Advisory Hub workshop ASAP to address key issues and frame the EOI
- To consider any additional resource requirements and implications.

- To recognise that individual organisations (e.g. Unilever, UoL, LJMU, STFC) may be involved in more than one bid, that specialist sub-sectoral bids may follow in subsequent SIA rounds (e.g. potentially re sensor technology or materials innovation or e-health etc.), and agree LEP support for these in principle, with the proviso that respective details will be forthcoming for Board consideration.



Interim Digital/Creative Board

Board Meeting 3 December 2015

Author:
Kate Willard
Liverpool City Region LEP

1. **Proposal**

That the Board supports the establishment of an interim Creative/Digital Sub Board.

2. **Executive Director Lead**

Mark Basnett supported by John Whaling.

3. **Background**

The aligned Digital and Creative sectors are a priority sector for the LCR LEP. It presents an anticipated huge potential for sustainable growth through both building on the existing digital/creative strengths of the City Region – identified as one of the 4 focal “smart specialisation” sectors within the LCR Innovation Plan - and through exploiting major new commercial opportunities. Following the current practice of establishing sub boards to support growth in our identified priority sectors, we propose the establishment of an interim sub board whose key initial tasks will be to:

- Review work done to date on this agenda and bring forward relevant findings/ideas/evidence
- Identify key strengths and distinctiveness in the City Region digital/creative sectors
- Identify key challenges and opportunities for the City Region digital/creative sectors
- Identify the optimum function/scale/strategy/KPIs for a formal sub board of LCR LEP, plus basic sector development resource requirements
- Make detailed recommendation to the LCR LEP Board for the formation of a final sub board by 31st March 2016 including membership, processes and all attendant governance

4. **Interim Sub Board**

It is proposed that this is comprised of the members of the current working group on this matter, ie.

- Jessica Cecil, Controller of “Make It Digital”, BBC
- Lou Cordwell, CEO of Magnetic North, & Digital Lead for Manchester LEP
- Jon Corner, CEO of both River Motion Group and The Landing Media City UK, plus Chair of Media City UTC
- Angela Walsh, Business Development Manager, STFC Hartree Centre
- Prof. Nigel Weatherill, Vice Chancellor & Chief Executive, LJMU
- Jo Wright, Executive Director, FACT
- Kate Willard
- Mark Basnett
- John Whaling

This initial group will be supplemented with up to five other private sector representatives, one of who will represent micro businesses or be a representative of the micro business community. It is anticipated that this interim sub board will meet three times over the proposed interim period to 31st March 2016.



Policy Update

LEP Board Meeting 3 December 2015

Author:
Matthew Cliff
Liverpool City Region LEP

Presented by:
Gillian Bishop
Liverpool City Region LEP

1. PURPOSE

- 1.1. This paper provides an update to the Strategic Board on recent policy developments across the UK, the North and the City Region.

2. RECOMMENDATIONS

- 2.1. The Board is requested to **note** the report.
- 2.2. The Board is requested to **endorse** the proposal that the LEP contributes, via Merseytravel, to a single response from Transport for the North in response to the Government's call for evidence on northern infrastructure needs.
- 2.3. The Board is requested to **endorse** the preparation of a pre-pilot bid for a Science and Innovation Audit.

3. DEVOLUTION

- 3.1. Three devolution deals with Northern city regions have been agreed alongside Liverpool's prior to the Comprehensive Spending Review. In the Sheffield City Region, North East and Tees Valley a new, directly-elected mayor will act as Chair to the Combined Authority. Sheffield and the North East have agreed a funding allocation of £30m per year over 30 years; Tees Valley will receive £15m per year over the same period. The deals share a number of common features with the Liverpool City Region arrangement. An overview of headline commitments are set out in the Annex; more specific features are outlined below.
- 3.2. Sheffield: As part of its infrastructure proposals, the Combined Authority will manage a Key Route Network of local authority roads on behalf of the Mayor. As Liverpool, Sheffield will be offered Government advice to put forward a Science and Innovation audit proposal. Government has also committed to working with the City Region on its ambitions for a national Institute for Infrastructure in Doncaster and an Advanced Manufacturing District.
- 3.3. North East: The North East mayor will gain similar powers to their Liverpool counterpart on business rates supplements to fund infrastructure. This will be dependent on the agreement of the local business community via the LEP. Specific commitments on infrastructure include joint responsibility for the rollout of broadband across the North East and ensuring that 95% of the population can access 4G.
- 3.4. Tees Valley: Under the Tees Valley deal, the Government has appointed Lord Heseltine to chair a new Inward Investment Initiative with a specific remit to attract foreign investment and boost the region's international profile.

4. NORTHERN POWERHOUSE

- 4.1. Transport for the North (TfN): Transport for the North appointed Merseytravel's Chief Executive/Director General, David Brown, as its new Chief Executive in October. TfN is currently in the process of appointing an independent Chair, which it expects to announce before the end of 2015. The Government has reiterated its commitment to make TfN a statutory body by 2017. It is envisaged that other sub-national transport bodies, including one for the Midlands, may be created once Royal Assent has been received.
- 4.2. TfN will publish an initial Northern Transport Strategy in March 2016. This will focus on enhancing connectivity between city regions to transform the Northern economy. A key element of TfN's emerging strategy is TransNorth Rail (HS3) – a new, electrified east-west high-speed railway linking Liverpool, Manchester, Leeds, Sheffield, Newcastle and Hull. A Liverpool Area Regional Study will be carried out to meet the objectives of a 20-minute journey time to Manchester, a 30-minute journey time to Manchester Airport and a

connection to the HS2 network. The LCR is also leading a Freight and Logistics workstream for TfN.

4.3. Drawing on the strategy, TfN has been tasked with the Department for Transport to identify and prioritise potential schemes for a programme of investment in inter-city connectivity, both rail and road, by Budget 2016.

4.4. National Infrastructure Commission (NIC): A new, independent National Infrastructure Commission will assess long-term infrastructure needs across: roads, rail, ports and airports; digital and broadband; energy, waste and water; and flood defences. Chaired by Lord Adonis and with Lord Heseltine amongst its Commissioners, the NIC will initially focus on:

- plans to transform the connectivity of the Northern cities, including TransNorth Rail
- priorities for future, large-scale investment in London's transport infrastructure
- investment in energy infrastructure and how this can meet future demand

4.5. The NIC will work with TfN in respect of the first priority above. An NIC call for evidence on 'connecting northern cities' was recently announced, with a deadline of 8 January 2016. Key questions include:

- To what extent are weaknesses in transport connectivity holding back northern city regions?
- What cost-effective infrastructure investments in city-to-city connectivity could address these weaknesses?
- Which city-to-city corridor(s) should be the priority for early phases of investment?
- With a focus on ports and airports, what are the key international connectivity needs likely to be in the next 20-30 years in the north of England?
- What form of governance would most effectively deliver transformative infrastructure in the north, how should this be funded and by whom?

TfN plans to provide one collective response for the North. Merseytravel has proposed that it will co-ordinate a City Region submission to support TfN and has invited the LEP to contribute.

4.6. A single northern response provides the opportunity to present one coherent and compelling assessment of connected infrastructure needs to Government. It is therefore recommended that the LEP Board endorse the approach outlined above. LEP Board members are invited to consider the questions above to help Merseytravel prepare an informed, collective contribution from the City Region.

5. GROWTH AND PRODUCTIVITY

5.1. The LEP has agreed with members of the Combined Authority that it will lead the delivery of a new Growth Strategy for the City Region; KPMG is committed to making an in-kind contribution to the project. Further detailed updates and milestones will be provided to the Strategic Board in due course.

6. SKILLS

6.1. Government recently announced an Area Reviews process to reshape the FE sector in the light of reduced Government funding and to ask how it could do more to address skills gaps faced by employers. Working closely with LEPs has been highlighted as an important area of focus, in view of the devolution agenda and the ambition for colleges to become hubs of professional, technical and vocational education.

6.2. Under the Liverpool City Region devolution deal, a review is likely to begin in April 2016. The review will be chaired by the Combined Authority and will include all post-16 education and training provision. It is expected that the review will lead to the development of a local

skills strategy. Wave 1 reviews have already begun. These include Greater Manchester, Sheffield City Region and Tees Valley.

7. HOUSING AND PLANNING

- 7.1. Brownfield sites: Announcing the NIC, Government reiterated its commitment to legislate for automatic planning permission in principle on all brownfield sites on the 'brownfield register'. The measures form part of the Housing Bill, which will aim to deliver 1m homes by 2020.
- 7.2. Growth & Housing Fund: A new Growth & Housing Fund (GHF) has been launched by Highways England to invest £100m in road improvements schemes. The fund will focus on 'shovel-ready' development sites that are being held back by highway improvements. Highways England anticipates investing up to £5m capital per scheme; all proposals will require at least 50% match funding. It is expected that, from 2016, c.£20m will be released per year through to 2021. The fund is open to local authorities, Local Enterprise Partnerships and the development community.

8. KEY SECTORS

- 8.1. Innovation: Under the City Region's devolution deal, the Government will offer Liverpool a dedicated Smart Specialisation Advisory Hub workshop. As an advance opportunity, the City Region has been invited by Government to put forward a pre-pilot bid for a Science and Innovation Audit (SIA) before the end of the calendar year. SIAs have been launched to:
- validate areas of potential global competitive advantage across the UK
 - provide an evidence base for decision-making on local innovation priorities
 - foster collaboration between LEPs, universities, business and local authorities

The City Region is well-placed to respond, given the established presence of the LEP's Innovation Board and its Innovation Plan. A funded SIA would strengthen the Innovation Plan by developing metrics and could be used to set out investment propositions around the City Region's distinctive areas of specialisation. The Board is therefore asked to endorse the preparation of the pre-pilot bid.

9. LOCAL GROWTH DEAL IMPLEMENTATION – ANNUAL CONVERSATION

- 9.1 BIS Local will lead a formal conversation with all LEPs once a year to review progress on growth deal delivery over the previous year and to confirm LEP's ambitions for the following year. Where relevant the annual conversation may also pick up other local growth programmes – for example city deals and devolution deals. For 2015/16 this will be held in December to follow the Spending Review and the reporting of the first two quarters of metrics data. The date for the Liverpool City Region for the Annual Conversation is Tuesday 8 December 2015. In subsequent years, BIS may bring this forward to enable them to issue grant offer letters earlier, offering more certainty.

The annual conversation is a two way conversation enabling a shared understanding of how each LEP is progressing with delivery on key local growth programmes, and areas where Government can do more to support delivery. Looking ahead BIS will also want to make sure LEPs are prepared for Growth Deal delivery the following year. BIS will also want to discuss the next year's allocation and spend profile, delivery milestones and expected programme outputs.

The meeting will have representatives from the LEP, Lead Authorities, Accountable Body and BIS Local. Following the Conversation BIS will write an official note of the conversation covering key points and any agreed actions which will be sent to LEPS, and the accountable body. Gillian Bishop will update the Chair of the Strategic Board following the Annual Conversation, and will provide a briefing for wider Board members.

Annex: Overview of Northern City Region Devolutions Deals

Power / responsibility	Sheffield City Region	North East	Tees Valley	Liverpool City Region
Investment / fiscal				
Single Investment Fund	'an ambition'	✓	✓	✓
Powers for supplement on business rates to fund infrastructure		✓		✓
Infrastructure				
Devolved and consolidated local transport budget	✓	✓	✓	✓
Franchised bus services / delivery of smart ticketing	✓	✓		✓
Franchised rail services		✓		n/a
Other	✓ Key Route Network of local authority roads, managed by CA	✓ Broadband rollout across NE / ensure 4G available to 95% of population		
Strategic planning				
Single Statutory City Region Framework	✓	✓		✓
Mayoral Development Corporation(s)	✓	✓	✓	✓
Land Commission		✓	✓	✓
Joint Assets Board	✓			✓
Skills				
Area-based review of 16+ skills provision	✓	✓	✓	✓
Devolved 19+ adult skills funding from 2018/9	✓	✓	✓	✓

Power / responsibility	Sheffield City Region	North East	Tees Valley	Liverpool City Region
Employment				
Co-designed employment support for harder-to-help claimants	✓ SCR to bring forward pilot proposal on intensive support for those furthest from the labour market	✓	✓	✓
Business Support				
Joint working with UKTI	✓	✓	✓	✓
Devolved delivery of national business support programmes from 2017	✓	✓	✓	✓
Other		✓ Devolved responsibility for rural growth		✓ IFB 2018 and 2020
Innovation				
Advice on Science and Innovation audit	✓ SIA will support development of SCR Advanced Manufacturing Innovation District	✓		✓
Other	✓ Work to deliver Institute for Infrastructure in Doncaster			



Devolution

LEP Board Meeting 3 December 2015

Author:
Gillian Bishop
Liverpool City Region LEP

1. PURPOSE

- 1.1. This paper provides an update to the Strategic Board on the devolution agreement for the Liverpool City Region.

2. RECOMMENDATIONS

- 2.1. The Board is requested to **note** the report and **endorse** the agreed recommendations of the Combined Authority of its meeting on the 20 November 2015 as outlined in Section 12 of this report.
- 2.2. The Board is requested to **endorse** the proposal that the LEP continues to fully support the devolution agenda going forward.

3. DEVOLUTION AGREEMENT - EXECUTIVE SUMMARY

- 3.1 On 17 November 2015, the Chancellor announced that a proposed Devolution Agreement had been reached (subject to Council ratification) with Liverpool City Region (LCR), which was signed by the five local authority Leaders, Mayor of Liverpool, and the Chair of the Local Enterprise Partnership. The Agreement delivers a major transfer of resources, powers and responsibilities from Government to the City Region, alongside governance changes to adopt a directly elected City Region Mayor.
- 3.2. City Region Leaders and the Mayor of Liverpool have negotiated hard to secure the best possible package of devolved powers and resources for the City Region.
- 3.3. The proposed deal gives the City Region greater control and influence over approximately £3bn of national funding over 5 years alongside increased powers and responsibilities in the key areas of; economic development, transport, employment and skills and housing and planning. This will enable elected members, together with their communities and local businesses, to make more decisions locally which would otherwise have been made in Whitehall.
- 3.4. The chance to bring powers and resources down from Government directly to the City Region is important to all local authorities in the context of on-going austerity. Having local decision-making powers over significant areas of national government expenditure is a much better position to be in than having priorities for local services and funding determined by Whitehall officials and Government Ministers in London.
- 3.5. The key elements secured in the proposed Agreement include:
 - Establishment of a Single Investment Fund that draws together City Region and national funding streams as a single pot to invest in economic growth. This will be made up of a range of budgets to be determined after the Comprehensive Spending Review, including any successors to Local Growth Fund, Regional Growth Fund and Growing Places Fund. Instead of bidding for such funding streams, the commitment is for such funding to be given to the City Region as a flexible multi-year settlement;
 - The Single Investment Fund will also benefit from an additional £30m annual allocation over the next 30 years, equating to £900m of total investment which the City Region can use to invest in projects to create jobs and drive forward economic growth;
 - Longer term certainty over the Special Rail Grant to the City Region which will allow the procurement of new trains for the Merseyrail network, replacing existing rolling stock with newer, faster trains with greater capacity;
 - A devolved and consolidated multi-year transport settlement;

- The ability to franchise bus services in the City Region to achieve an improvement in the local bus offer to residents and businesses;
- Devolution of the Government's business support services which will enable the City Region to provide a fully integrated and locally delivered business support service;
- Greater control over the skills system, including full devolution of the Adult Skills Budget which will enable the City Region to address the mismatch between the supply of skills and the needs of employers;
- The ability to co-design future employment support programmes with Government to ensure that they address local needs and to develop a new household approach to supporting residents into work;
- Strategic planning powers to accelerate economic growth and housing development and give clarity and certainty to potential developers. This includes the establishment of a Mayoral Development Corporation with the power to establish Mayoral Development Zones to aid the development and delivery of the City Region's key strategic sites;
- Recognition of the unique asset and potential of the River Mersey including a commitment to consider a business case for a tidal power scheme for the River Mersey/Liverpool Bay area which could ultimately generate low carbon energy for business and consumers; and
- Support for a place based strategy for culture and creativity, a statement of support for the City Region's ambition for a National Migration Museum and the exploration of options for a sustainable and viable business model for National Museums Liverpool.

3.6. The deal is the first step in a long term devolution journey towards a genuine place based relationship with national government which will, over time, provide for significant influence or control over all public expenditure in our local areas. It also reinforces the role of the City Region at the heart of the "Northern Powerhouse" and recognises the unique and significant contribution the City Region can play in driving forward the economy of the North.

3.7. The proposed deal is subject to the agreement of individual local authorities. Endorsement is also being sought from the Combined Authority and Local Enterprise Partnership. All Local Authorities approved the Devolution Agreement on the 19 November, the Combined Authority approved the Devolution Agreement on the 20 November 2015.

4. THE PROPOSED DEVOLUTION AGREEMENT

4.1. The six Liverpool City Region Local Authorities have a long and successful history of collaboration. This economic area is the scale at which most day to day economic interactions take place and where the benefits of joint working in areas such as transport, housing, key economic sectors and the provision of labour market support are realised.

4.2. Collaborative working has evolved over the years and culminated in the establishment of the Liverpool City Region Combined Authority in April 2014, which provided strong and effective governance for the City Region and has responsibilities covering; strategic transport, employment and skills, housing and economic development.

4.3. A highly effective partnership with business leaders has also been established through the LEP, ensuring our business community is able to play a full part in helping to shape the strategic direction of Liverpool City Region.

4.4. The City Region's achievements have been significant and include a highly successful Growth Deal agreement in July 2014 with on-going delivery of strategically important transport schemes and a programme of skills capital funding to improve skills

infrastructure in the City Region. Through the Combined Authority, the City Region is making an effective input into the Northern Transport Strategy, which has the aim of radically improving connectivity across the five northern City Regions, to support agglomeration and to accelerate growth, as part of the Northern Powerhouse agenda.

- 4.5. Liverpool City Region has a critical contribution to make to the Northern Powerhouse. With the River Mersey and Superport we have unique economic assets that can help transform the northern economy. The Superport has the potential to provide lower cost and competitive trade links for businesses and consumers across the North, backed by multimodal logistics that combine sea, rail, freight and air. The River Mersey has the potential to be a major producer of renewable energy for the north and unlock the green infrastructure needed to put the City Region at the leading edge of the green economy. The City Region is also well positioned to be at the heart of an advanced manufacturing network across the North with our science and innovation strengths at Daresbury and Liverpool Knowledge Quarter and world class firms like Jaguar Land Rover, Getrag, Unilever, Pilkingtons, Ineos Chlor and Cammell Laird.
- 4.6. Despite these strengths, the City Region's £23.1bn economy continues to struggle to reach its economic potential. GVA per head in the City Region is only 75% of the national average and this gap has remained largely unchanged over the last decade. As a result, the City Region suffers from an £8.2bn output gap compared to nationally.
- 4.7. With present Liverpool City Region governance arrangements, it would not be possible to achieve the significant increase in powers, functions and resources from Government which are fundamental to addressing these challenges and to exploit the significant economic opportunities which exist.
- 4.8. The proposed Devolution Agreement is the first step to achieving much greater resources and responsibilities from Government and this is set out in summary form below.

4.9. Economic Development

The draft Agreement sets out a range of additional resources and powers which the City Region can use to drive forward economic growth and make local decisions on those investments and issues which will best drive forward the local economy. These include:

- (i) The Liverpool City Region Single Investment Fund which will draw together City Region and national funding streams to deliver an ambitious programme of investment across the City Region which will accelerate economic growth. It will be a flexible multi-year settlement including any successors to funding streams such as Local Growth Fund and Regional Growth Fund which the City Region would normally have to bid for. This will give the City Region the ability to allocate funding more effectively to locally determined priorities and in support of a planned and longer term investment programme;
- (ii) In addition, the Single Investment Fund will benefit from an additional £30m a year funding allocation over 30 years, in order to unlock the economic potential of the River Mersey and Superport as well as maximise the opportunities from High Speed 2 (HS2);
- (iii) The creation of a Mayoral Development Corporation with powers to designate our key sites as Mayoral Development Zones and accelerate economic growth and housing development;
- (iv) Government will work to devolve control and responsibility for business support services to allow the City Region to provide a fully integrated, locally delivered and demand led service to businesses. In addition, the Agreement provides for greater control and influence over UKTI trade resources and also inward investment activities;

- (v) Agreement to build on the success of the International Festival for Business (IFB) 2014 and 2016 and establish IFB as a vital feature of the international business calendar in 2018 and 2020;
- (vi) Support for Liverpool's cultural and creative strengths including greater alignment of cultural and creative funding, support for the ambition to realise a National Migration Museum as well as plans to work to establish a sustainable business model for National Museums Liverpool;
- (vii) Recognition of the unique asset and potential of the River Mersey including a commitment by the City Region to the cleanest River standard by 2030 and a discharge free Mersey by 2040. The deal also commits Government to consider a business case for a tidal power scheme for the River Mersey/Liverpool Bay area which could ultimately generate low carbon energy for businesses and consumers; and
- (viii) The City Region will exercise greater control over €220m of European Funding for 2014-2020 through Intermediate Body Status.

4.10. Transport

The Agreement offers the City Region the opportunity for greater control over local transport decisions and over key elements of the transport network including:

- (i) Responsibility for a devolved multi-year transport budget, details of which will be agreed as part of the Spending Review;
- (ii) the ability to franchise bus services in the City Region, subject to the emerging Buses Bill;
- (iii) powers for the Combined Authority to manage a Key Route Network of local roads on behalf of the City Region's Mayor from May 2017;
- (iv) a long term Special Rail Grant (SRG) settlement for the Merseyrail network, to support Merseytravel's on-going procurement of new trains on behalf of the Combined Authority;
- (v) the ability to manage the local rail network in alternative ways (e.g. the transfer of Merseyrail station assets to the Combined Authority), subject to a satisfactory business case;
- (vi) in addition, Government will continue to work with the Combined Authority in its review of the Mersey Tunnels tolls, which will consider options to reduce the cost of tolls and the role of the tunnels in supporting growth and investment; and
- (vii) the Government also recognises and supports the City Region's crucial role in supporting the Northern Powerhouse, and notes that the Liverpool City Region will work with 'Transport for North' to bring forward proposals that could enhance the capacity of Liverpool Lime Street, together with options for strategic road and rail investment and the roll-out of smart ticketing across the North of England.

4.11. Skills and Employment

The Devolution Agreement gives the City Region more local decision making powers and responsibility over skills provision and employment support. This will ensure that the training and skills being developed are relevant to the needs of local employers and will enable our businesses and residents to have the skills to be able to compete for jobs and improve growth and productivity. The Agreement includes:

- (i) Responsibility for chairing an area based review of 16+ provision to start in 2016;

- (ii) Full devolution of the Adult Skills Budget from 2018/19;
- (iii) The City Region will work collaboratively with Government to help local businesses to create more and better quality apprenticeships;
- (iv) The creation of a Careers Hub for the City Region, which Government have committed to work with, to draw together the disparate initiatives on promoting careers and to act as a repository for high quality careers materials;
- (v) Co-design and co-commissioning of employment support programmes by the City Region and Government to make sure that they meet our local needs; and
- (vi) Commitment to work together on a business case for an innovative household based approach to support residents into work.

4.12. Housing and Spatial Planning

As part of the Devolution Agreement, the City Region will be able to utilise strategic planning powers to help speed up economic growth and housing development. Specifically the agreement includes:

- (i) Development of a Single Statutory City Region Framework supporting the delivery of strategic housing and employment sites. This requires the unanimous agreement of constituent councils of the Combined Authority;
- (ii) Creation of a Mayoral Development Corporation and ability to designate key strategic sites as Mayoral Development Zones;
- (iii) Power to be consulted on and/or call in planning applications of strategic importance to the City Region, subject to the consent of the relevant Local Authority; and
- (iv) Establishment of a Land Commission to support the better coordination and release of public assets with the aim of increasing sites for economic growth, housing and improved communities.

5. GOVERNANCE

- 5.1. The proposed Devolution Agreement sets out the additional powers, control and resource which the City Region will assume from central government. It does not assume powers from constituent local authorities.
- 5.2. While establishing a clear commitment to greater City Region working, the Agreement builds upon the economic opportunities and strengths across the whole City Region. It also recognises the importance of the unique identity and history of individual communities which make up the City Region.
- 5.3. The package of devolution agreed so far gives the City Region greater control and influence over approximately £3bn of national funding over 5 years. In order to secure the greatest levels of control and influence over such resources, Government has consistently demanded a mayoral model of governance. This requirement will not change and without it, Liverpool City Region will not pass the test of direct accountability to enable it to take on central government functions.
- 5.4. The proposed Agreement will therefore be implemented through a governance structure of a directly elected Mayor that provides strong leadership, whilst protecting the integrity and the existing role and functions of local authorities. The mayoral model is part of the LCR Combined Authority, thus maintaining the integrated approach to governance which the City Region has worked consistently to develop.

- 5.5 The Governance principles which the City Region will adopt are outlined in Appendix 2 of this report and demonstrate the safeguards that have been built into the arrangements. The Mayor will act as the Chair of the Combined Authority and Members of the LCR Combined Authority will provide a supporting and advisory function to the Mayor and the Combined Authority.
- 5.6 The Liverpool City Region Mayor will be required to consult the Combined Authority on his/her strategies, which it may reject or amend if two thirds of the constituent council members agree to do so. The Cabinet will also examine the Mayor's spending plans and will be able to reject or amend his/her plans, if two thirds of the members agree to do so.
- 5.7 The Mayor and the LCR CA will be scrutinised and held to account by the Combined Authority Scrutiny Panel.
- 5.8 Subject to the necessary legislation being in place, it is anticipated that Mayoral elections will take place in May 2017.

6. NEXT STEPS AND IMPLEMENTATION

- 6.1 All Liverpool City Region Councils considered and approved these proposals on 19 November 2015 at their respective Council Meetings. The Combined Authority approved the proposals on 20 November 2015 with the LEP Strategic Board being asked to endorse these proposals and subsequent decisions on 3 December 2015.
- 6.2 There will then be a period where the necessary legislative arrangements are made by Government, to allow for a directly elected Mayor for the City Region. The Cities and Devolution Bill will require Royal Assent and subsequently an LCR Order will be laid by the Secretary of State to give effect to the necessary legislation to enable Mayoral elections to take place in May 2017. A separate "Buses Bill" is planned for introduction later in the current parliamentary session.
- 6.3 The City Region will be required to co-operate with Government to ensure the necessary statutory requirements are met and to secure timely and accurate input for drafting the Statutory Instruments.
- 6.4 As outlined in paragraph 62 of the proposed Agreement, implementation plans will be required for individual elements of the Agreement and over the coming weeks and months and officers from the City Region will work with Government to prepare such plans. This will be managed by LCR Chief Executives.
- 6.5 The powers and resources to be devolved to Liverpool City Region are not exhaustive. Liverpool City Region will be able to add to them as discussions with Government are progressed. The focus of the proposed Agreement has been on what can be achieved quickly and those areas which have financial implications that need to be considered in advance of the Government's Spending Review 2015. The proposed Agreement includes reference to continuing discussions to consider further areas for devolution to the City Region.

7. FINANCIAL IMPLICATIONS

- 7.1 All financial implications of the proposed Agreement relate to the devolution of resources from central government to the City Region. There are no resources being taken from individual local authorities as part of the proposed Agreement.
- 7.2 The Agreement includes the following headline financial implications:
 - (i) An additional £30m of investment for economic growth for 30 years, equating to £900m total additional investment. This is subject to 5 yearly gateway assessments as set out in paragraph 61 of the proposed Agreement;

- (ii) A devolved and consolidated transport budget (subject to the Government's Spending Review);
- (iii) A commitment for Government to establish a single pot of government funding to invest in economic growth. The details of which will be determined following the CSR. This is in addition to those funds already committed to the City Region e.g. £207m of Local Growth Funds;
- (iv) Greater influence and decision making over a range of national programmes including the Work Programme, 16+ skills funding, Adult Skills budgets and potentially housing funds . Although such budgets will still sit formally with Government Departments in the immediate future, the City Region can direct and influence how these will be spent; and
- (v) On-going consultation on the Government's proposed business rates reforms.

7.3. All additional and directly devolved funding streams will be managed by the Combined Authority and the newly elected Mayor for the City Region. The Combined Authority Treasurer and City Region Finance Directors will explore the detailed implications and conditions of all of these funding commitments with Government, in particular HM Treasury Officials over the coming weeks and months as further detail is provided by Government, post the Spending Review 2015.

7.4. It will be for the City Region itself to agree the arrangements for how these resources will be managed and allocated as part of the implementation plans referred to in paragraph 62 of the draft Agreement.

7.5. The Agreement also commits the Combined Authority to:

- (i) Continue to set out proposals for how local resources and funding will be pooled;
- (ii) Agree overall borrowing limits with HM Government;
- (iii) Agree a process to manage local financial risk relevant to the proposals in the draft Agreement; and
- (iv) Continue to progress service transformation amongst local authorities including streamlining back office functions and sharing data and services.

7.6. Officers will engage with Government officials to set out how these commitments will be implemented on an individual basis. At that point the detailed financial implications on any individual proposal will be set out for the Combined Authority to consider and agree.

8. LEGAL IMPLICATIONS

8.1. The implementation of the proposed Agreement is subject to the enactment of the necessary legislation; the Cities and Devolution Bill and to the parliamentary approval of subsequent secondary legislation. Government are working to a legislative timetable for elections for a directly elected City Region Mayor to take place in May 2017.

8.2. It is currently stated within the draft Cities and Devolution Bill that each constituent council of an existing Combined Authority is required to consent to any order establishing a directly elected Mayor and that if one constituent council does not consent then that council must be removed from the Combined Authority.

8.3. The Constitution of the Combined Authority will require amendment to reflect the new governance arrangements which will be accepted as part of the Devolution Agreement. Amendments to the Combined Authority constitution need the unanimous agreement of the Combined Authority Constituent Members and as such all amendments will be put to the Council and LCR Combined Authority for agreement.

9. ALTERNATIVE OPTIONS CONSIDERED

9.1. Option 1: Not agree the devolution deal on offer from Government.

This would place the City Region at a real disadvantage compared to those areas that have secured a devolution agreement which includes greater funding and powers from Government. The City Region would be left to compete for funding from a much smaller pot which has had resources top sliced for those areas which have successfully negotiated devolution deals. The City Region would have no ability to agree its own spending priorities. It would be faced with the reality of continuing to do “more with less”; and having to weather further future spending cuts which face the public sector without any flexibility or additional resources which the devolution deal offers to the City Region. Government have also indicated that there is a small window of opportunity for devolution agreements in line with their Spending Review timetable. Therefore there would be no possibility for the City Region to negotiate a similar deal at a later date should it not reach agreement with Government at this time.

9.2. Option 2: To negotiate a significantly reduced devolution deal without a Directly Elected Mayor arrangement.

Government require strong governance proposals in place for those areas which are seeking the maximum level of devolution. Without a directly elected Mayor, Government has been clear that the level of resources and powers on offer would be substantially less and as with (9.1) above would place the City Region at a distinct disadvantage with other comparable areas. The Cornwall devolution deal is an example of how the Government has devolved comparatively fewer powers to areas that do not pursue a directly elected Mayor.

10. TIMESCALE FOR ACTION

- 10.1. As indicated previously, the powers and resources set to be devolved to Liverpool City Region are not exhaustive or final. Liverpool City Region will be able to add to them as discussions with Government are progressed. The focus of the Agreement has been on what can be achieved quickly and has financial implications which need to be considered in advance of the Government’s Spending Review.
- 10.2. Some elements of the Deal, as set out in Appendix 1 will be implemented from April 2016, where legislation is not required and devolution is to the LCR Combined Authority. These elements will require work to be started immediately and progress on this will be reported regularly to the Combined Authority.

11. ENGAGEMENT/CONSULTATION

- 11.1 The Liverpool City Region Combined Authority’s consultation on the four prioritised areas for negotiation with Government (economic development, transport, employment and skills and housing and planning) took place between 21 September 2015 and 2 November 2015.
- 11.2 The consultation framework adopted incorporated three levels of engagement – corporate, area and political.
- 11.3 For each priority, a lead Chief Executive was identified to manage the consultation process with key stakeholders.
- 11.4 Targeted public engagement has taken place with thematic stakeholder groups including business representatives and key strategic Boards to inform the scope of the City

Region's proposals. Feedback was extremely helpful and those who engaged in the process were supportive of the approach being taken.

- 11.5 A website - www.liverpoolcityregion-ca.gov.uk was set up to support consultation which was promoted by each local authority. This included website updates social media, newsletters and internal communication channels. The website provided an outline narrative of the proposals and approach. It also incorporated a feedback facility. In addition, internal communication channels were utilised.
- 11.6 Of the responses received to the feedback facility referred to above, over 70% were supportive of devolution with recurring themes of:
- Improving transport infrastructure and public transport accessibility;
 - Accelerating house building and physical regeneration;
 - Ensuring residents can develop skills needed by employers;
 - Reducing inequality across the City Region;
 - Capitalising on the value of the City Region's cultural sector; and
 - Increasing local sovereignty and autonomy over funding.
- 11.7 A small proportion of responses raised concerns about devolution with specific reference to the risk of:
- Increased shared services and reduction in public sector jobs;
 - Loss of local accountability;
 - Loss of identity of areas within the City Region.

12. COMBINED AUTHORITY RECOMMENDATIONS:

At the meeting of the Combined Authority on the 20 November 2015, the following recommendations were agreed:

- a) Approval of the Liverpool City Region Devolution Agreement as outlined in Appendix One and agreement to adopt a Directly Elected Mayor with effect from May 2017 based on Governance Principles outlined in Appendix Two;
- b) Noted that the Governance Principles will be incorporated into a formal constitution and will be subject of a further report in due course;
- c) Agreement to explore with Government further opportunities for devolution, noting that any proposals will be presented to future meetings of the Combined Authority for consideration and approval before being implemented; and
- d) Reserve the right to withdraw from the Devolution Agreement if Government fail to deliver on the proposals as outlined in the Devolution Agreement attached in Appendix 1.

Appendix 1: Devolution Agreement –

https://www.liverpoollep.org/wp-content/uploads/2015/11/Liverpool_devolution_deal.pdf

Appendix 2: LCR Devolution Governance –

<http://councillors.knowsley.gov.uk/documents/s37473/Supplementary%20Appendix%20Two%20-%20Proposed%20Devolution%20Agreement%20Liverpool%20City%20Region.pdf?StyleType=stand&StyleSize=none>



Strategy Session

LEP Board Meeting 3 December 2015

Author:
Kate Willard/Gillian Bishop
Tony Wade/Mark Basnett
Liverpool City Region LEP

Presented by:
Gillian Bishop/Kate Willard
Liverpool City Region LEP

1. **PURPOSE**

- 1.1. This paper provides an overview of the outcome of the LEP Strategy Day held on the 11 and 12 November 2015, and outlines the next steps to deliver the mandate from the Combined Authority for the delivery of a single Growth Strategy for the Liverpool City Region by April 2016.

2. **RECOMMENDATIONS**

- 2.1 The Board is requested to **note** the report and **endorse** the agreed actions and next steps as set out in section 3.5 to ensure that the single Growth Strategy for the Liverpool City Region is delivered by April 2016 as agreed with the Chair of the Combined Authority and Lead Chief Executive for economic development in conjunction with the LEP Strategic Board.

3. **OUTCOMES AND WRITE UP FROM THE LEP STRATEGY SESSION**

3.1 **Integration and Improvement - Background and Context**

The Liverpool City Region, Local Enterprise Partnership (LCR LEP) is operating in a dynamic environment. Current discussions and the likely imminent 'in principle' decisions around devolution, the bedding down of the Combined Authority, the potential introduction of a Metro Mayor and the overall reform of public services in the light of public sector cuts, combined to focus our strategy debate on the following:

- The necessary integration of economic and growth strategies to deliver a powerful and coherent Growth Strategy for the City Region;
- The necessary integration of delivery mechanisms to ensure meaningful and sustainable economic growth in the City Region;
- The necessary attendant Business Planning for growth to reduce risk, report effectively and continuously improve performance.

The findings of our work in these Strategy Sessions is now being fed into ongoing work with the Combined Authority and KPMG which will lead to the delivery of a single Growth Strategy for the City Region.

3.2 **Structure and Summary Conclusions**

3.2.1 **LCR LEP Sub Boards: 11th November**

The focus of the working dinner on the 11th was a review of our sub boards, and we were joined by the Chairs of the Low Carbon, Superport, Making It, Visitor Economy, Innovation and Employment and Skills Sub Boards.

Following interventions from our guest Chairs, debate was focused on the following:

What are the key achievements of this past twelve months that your sub board has either delivered or played a key role in?

What challenges have you had - if any - in terms of trying to operate as a LEP sub board to help deliver economic growth?

What one thing would you change about the internal process or functionality of your sub board to make it work better?

What one thing would you change in relation to external relations to improve the workings and/or impact of your sub board?

3.2.2 **Sub Boards: Summary Conclusions**

Clarity; the need for a single clear strategy, business plan and reporting framework. These elements were identified as being fundamental to our ability to take the required 'joined up

approach' and to provide the focus for resource to enable the translation of innovation and creativity into workable commercial propositions.

Capacity; the need to understand resource requirements, match strategy driven KPIs to delivery resource and to promote employee engagement, retention and succession planning.

Communication; the need to communicate effectively internally and externally within a structured and target driven communications plan.

Broader contextual comment:

- We are working within a global market, strategies and impacts need to be measured within in this, whilst also acknowledging local, sub-regional, regional and national influencers and impacts.
- There is extensive competition in almost every area of the growth agenda.
- What is our brand and how can we align brand and brand values to add value to the City Region proposition?
- The skills agenda needs clarification and the role of LCR LEP confirmed (within an emerging 'single growth engine').
- We need to be ambitious and distinctive in our growth proposition.

3.3 A Single Growth Strategy - Thursday 12th November

3.3.1 "What do we need to take into consideration in developing a single and compelling economic strategy for the City Region?"

The focus of this discussion was to take forward the commitment to develop a single city region strategy, to consider key issues from the 'sponsors' of the single strategy; the Combined Authority and LEP Strategic Board members, and provide a mandate for a future Strategy Workshop session supported by the lead Chief Executive Ged Fitzgerald, LEP Executive team, regeneration directors and KPMG.

The session commenced with a 'provocation' or presentation, which is attached at Appendix 1 for information. The key sections of the presentation were:

- Where are we now - The starting position for our single City Region wide economic strategy
- Who else is doing this, and what does it look like?
- Likely economic policy drivers across each of our priority sectors
- Issues for consideration in developing a single City Region wide economic strategy
- Discussion and agreement of focus and next steps

The discussion then centred around 4 key questions

- **Single vision & USP** – what is our vision and what is our unique 'offer'; in Northern Powerhouse and Globally (what are we world class at?)?
- **Timelines:** What do we want to achieve and by when? 5 years to 2020 or a longer time horizon?
- **Success:** What does this look like, and how will we know when we have got there, what difference will we have made?
- **Collective agreement:** How do we secure full commitment and support of all relevant parties?

The key comments and views from each of these discussions are summarised below:

Discussion 1: Collective agreement: How do we secure full commitment and support of all relevant parties?

- Create a strategy which "binds" stakeholders together, which has mutual interest
- Be clear on who is commissioning the work - Secure a mandate and endorsement from

the combined authority and the LEP Strategic Board, for development of a single city wide growth strategy to be undertaken by the LEP Executive.

Discussion 2: Single vision & USP – what is our vision and what is our unique ‘offer’; in Northern Powerhouse and Globally (what are we world class at?)?

- Vision is for LCR to be the “front door of the Northern Powerhouse”
- Focus on our assets and what LCR is recognised for; Boats, Beatles, Barrage and Brains
- Focus on what the world thinks we are good at, not just what we think we are good at
- Understand what we would like to be world class at
- LCR is the “strength of place” although acknowledgement that this cannot be a USP
- LCR needs to change perceptions about the City region – increase profile and reputation
- Understand our implications and tensions – be clear that it is about “us”, focus that binds us together “there is only one bus!”
- Develop a narrative which reinforces the evidence base – build on previous success

Discussion 3: Timelines: What do we want to achieve and by when? 5 years to 2020 or a longer time horizon?

- Focus should be on developing a mind-set, culture change, not just timescales
- Long term planning with short term delivery

Discussion 4: Success: What does this look like, and how will we know when we have got there, what difference will we have made?

- Define what people will be saying about us in 5 years’ time
- Clear measurables around economic targets; visitor numbers, employment, business growth. Metrics linked to growth
- Develop equity across the city in terms of growth
- 5* World Class Hotel
- X number of Nobel Prize winners
- Leadership – effective governance, delivery and performance
- Create a clarity of the impact of public spending – use the GM example
- Trust across the City
- Ensure skills and young people as drivers for growth are integral into strategy and success

3.3.2 Summary Conclusions

Commissioning of a City wide growth strategy by the Combined Authority and LEP Strategic Board by the LEP Executive for delivery in 6 months

Vision to build on City region core assets and strengths underpinned by a clear narrative and evidence base. Focus on global and world class

Long term strategic plan with clear short terms deliverables

Success and performance to be framed around clear measurables linked to a delivery and performance plan for the City region.

3.4 “Our priority sectors and what we need to do to help them be effective in delivering growth?”

How important is precise priority sector definition?

What is or should be the international dimension?

What are the opportunities for pan-LEP working?

Is our knowledge/engagement with the priority sector about in the right place at present?

How do we measure achievements?

- We need to build our evidence base on these key sectors – but we know what they are
- Our sense of place is unique and connects the various substantial elements of our sector strengths
- We have a powerful international brand in Liverpool that we need to more fully leverage
- We should work across boundaries where it makes sense to and particularly where it is commercially sound to do so
- Our reliance on public funding to achieve ambition can hold us back – we need to further develop commercial sources of funding and delivery
- We should look at co-investment from public sector to enable this development

3.4 **Summary Conclusions**

- Understand our strengths and weaknesses in each sector with a clear supporting evidence base
- Devise plans through sector boards to realise those things that we are or could be great at in each sector and report progress to LEP Board
- Develop commercial approach to resources and delivery
- Produce a detailed delivery plan based on what is doable
- Get on with it!

3.5 **Strategy Sessions: Phase I Outputs delivery**

3.5.1 **Written Report**

To create and circulate a single written report and approved set of actions from the two sessions. Circulation to attendees week commencing 23.11.15.

3.5.2 **Confirmation of Combined Authority engagements**

Mike Palin to report back on consideration of this matter by Combined Authority on 20.11.15.

3.5.3 **“Single Growth Strategy” strategy workshop**

Set for 10.12.15.

3.5.4 **Business Plan**

Work ongoing to establish parameters for this business plan in relation to the emerging ‘single growth engine’.

3.5.5 **New Financial Instruments**

Grant Thornton and LCR LEP to deliver a report on new financial instruments for growth.

3.5.6 **Strategy Tracker (new Board reporting)**

Under construction, implementation January 2016.

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Strategy Session City Region Economic Strategy 12 November 2015

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Overview of Presentation

- Where are we now - The starting position for our single City Region wide economic strategy
- Who else is doing this, and what does it look like?
- Likely economic policy drivers across each of our priority sectors
- Issues for consideration in developing our single City Region wide economic strategy
- Discussion and agreement of future focus and next steps

Where are we now - The starting position for our single City Region economic strategy

- **Commitment to develop a single city region economic strategy**
- **Strong and committed leadership – Combined Authority Leads**
- **Solid strategic foundation:**
 - Growth Prospectus/SEP; Liverpool City Region Growth Deal
 - c14 Supporting Sub Strategies & Documents on LEP Website
- **Vision (s)**
 - **Growth Prospectus** - *A globally connected City Region delivering sustainable growth, opportunity and prosperity for people and businesses.*
 - **Making It:** - *A global manufacturing hotspot with the smartest networks, talent, technology and investment*
 - **Liverpool City Region Innovation Plan 2014-2020** - *By 2020 the Liverpool City Region will have:*
 - *A well connected and co-ordinated innovation environment that supports and attracts the very best in business, investment and people which leads on taking ideas to market*
 - *International recognition for innovation in our four priority clusters of excellence*
 - *A track record of delivery of key innovation programmes of scale and significant economic impact.*

Where are we now - The starting position for our single City Region economic strategy

- **Strategic Focus** as outlined in Growth Deal - focus on four priority areas:
 - Creating a Liverpool City Region Freight and Logistics Hub
 - Liverpool City Centre
 - Low Carbon Liverpool City Region
 - Skills and business support to enable growth
- **Investment:** Secured Significant investment to deliver strategic ambitions
 - £264m Growth Deal
 - £700m Road Investment Strategy – for schemes identified in the Growth Plan
- **Committed Partnerships** across the City Region
- **External support & capacity** - KPMG
- **Platform for exciting future** – Devolution, Northern Powerhouse, International Growth, and lots more!

Who else is doing this?

- **Manchester** – Clarity of Vision, Evidence base (MIER), “Capital of the North”
- **USA** – Philadelphia & Pittsburgh – CLES
- **Northern Ireland Economic Strategy**

Philadelphia “The innovative city”

Pittsburgh “The liveable city”

- A strong local state has an important role in stimulating and enabling economic opportunity;
- Mayoral leadership is important at a city level in the United States; but the approach in Philadelphia is one which balances economic growth considerations whilst addressing some of the huge inequality challenges facing the city;
- Economic development in the United States is not just about inward investment and tax breaks; instead it is about growing from within a local economy and offering existing business and entrepreneurs with the opportunity to innovate;
- Risk is an important word in local economic development policy; places need approaches which are reflective of local circumstances and where people working in local government take risks.

- Places can take advantage of their industrial past and have a strategy to rejuvenation which encompasses economic, social and environmental concerns. The key is engaging the inward investors with the more socially conscious institutions and working collaboratively;
- Local tax raising and redistribution powers can contribute significantly towards local economic and community development;
- BIDs have a key role in providing services and improvements in localities where the local state is not as strong as in others.

“Priorities for sustainable growth & prosperity”

Overarching goal – “Improving the economic competitiveness of the NI economy”

Strengthening competitiveness through **export led economic growth**

Strategic Framework Key Drivers

1. **Stimulating Innovation & Creativity** (e.g. R&D and absorption capacity, wider innovation, business to business, HE/FE collaboration)
2. **Improving Employability & the Level, Relevance & Use of Skills** (e.g. Improving relevance/quality of education/ training, increasing skills levels and tackling barriers to employability)
3. **Competing in the Global Economy** (e.g. Attracting FDI, growing/diversifying markets – building on sectoral strengths)
4. **Encouraging Business Growth** (e.g. Entrepreneurship, social economy, low carbon economy, competitive sectors, access to finance, planning & tourism)
5. **Developing Economic Infrastructure** (e.g. Transport links, energy, telecoms, tourism product, water & sewage)
6. **Improving Employment Opportunities & Employability** (e.g. Promoting employment & labour market participation & addressing wider barriers to employment particularly those facing our young people and the inactive)
7. **Promoting Employment** (e.g. Protecting sustainable jobs & promoting investment offering accessible job opportunities in areas of disadvantage).

“Priorities for sustainable growth & prosperity”

Key Development Milestones –

1. Establish an Economic Advisory Group & Remit:
 - Review of Economic Policy
 - Benchmark performance
2. Assessment of economic context – strengths, opportunities & challenges
3. Build working partnerships – Vision & Strategic Framework consultation and buy-in
4. Undertake prioritisation of projects/actions
5. Review resource/capacity requirements
6. Develop comprehensive Action Plan – establish responsibility/commitment of all partners
7. Ensure implementation accountability
8. Establish performance indicators/targets (Now Annual Reports)
9. Undertake regular performance monitoring & circulate results

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Likely economic policy drivers

Commitment through the Northern Powerhouse:

- Emerging Economic Narrative
- Transport Investment / Transport for the North/ Multi-Modal Freight Strategy for the North – North to function as a single economy
- Road Investment Strategy Phase 2
- Connectivity to regional airports
- Connected Health Cities across the North of England

National Infrastructure Commission – George Osborne commits to £100 billion in infrastructure spending by 2020 – 30 October 2015. “Getting Britain Building”

Skills

- Skills – Area Reviews
- Skills Budget Reviews (16-18yrs/Adult)
- Government commitment to apprenticeships – large employer levy

LCR submission for New Enterprise Zones

Trade - Closer ties with emerging markets, BritExit? – trade/business impact

CSR?

Issues for consideration in developing a single City Region wide economic strategy

- **Clarity of a single vision** – what are our vision and priorities for future LCR economy – what's our destination?
- **Why LCR:** What is our USP and 'offer'?
- **Springboard for success:** Build on great success and current future plans
- **Timelines:** What do we want to achieve and by when? 5 years to 2020 or a longer time horizon?
- **Evidence base:** What have we got and what do we need to update or gather?
- **Success:** What does this look like, and how will we know when we have got there, what difference will we have made?
- **Capacity & Resources:** What have we got and what do we need to achieve our vision and ambitions?
- **Collective agreement:** Full commitment and support of all parties

Areas for Discussion

- **Single vision & USP** – what is our vision and what is our unique ‘offer; in Northern Powerhouse, & Globally (what are we world class at)?
- **Timelines:** What do we want to achieve and by when? 5 years to 2020 or a longer time horizon?
- **Success:** What does this look like, and how will we know when we have got there, what difference will we have made?
- **Collective agreement:** How do we secure full commitment and support of all relevant parties?

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Skills Capital Investment Fund – Low Carbon Strand Update

LEP Board Meeting 3 December 2015

Author:
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Presented by:
Mark Basnett
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1. Executive Summary

- 1.1 This paper provides an update on the progress of the Low Carbon Strand of Skills Capital Investment Funding and a request to endorse the recommendations of the Skills Capital Investment Panel. It explains the appraisal process and the outcomes leading to the recommended allocation of grants to colleges that will result in the full utilisation of the round 1 allocation for 2015-16.
- 1.2 The LEP Board has previously considered the proposed approach for Round One of the funding, which was for £1.5m of funding to be allocated in 2015-16 to eligible Further Education Colleges in the Liverpool City Region, to be invested in measures which would improve the energy performance and energy management of their building estates.
- 1.3 FE Colleges have signed up to an Energy Management Commitment, which will encourage joint working between the LEP Low Carbon Team and the College to seek best value from investment. A levy of 3% of the grant value will be paid per annum for 5 years. This reflects and is generated by the anticipated energy savings that will be achieved and will fund ongoing aspects of this joint working.
- 1.4 The FE Colleges have now submitted applications for grant funding, and the LEP Low Carbon Team, as the technical advisers, have undertaken an appraisal of their submissions, following an initial gateway appraisal. Recommendations were submitted to the Skills Capital Investment Panel and presented at a meeting on 23 November.
- 1.5 This report summarises the information presented to the Skills Capital Investment Panel on 23rd November 2015 which accepted and approved the recommendations presented to it for onward submission for investment decision by the Combined Authority on the 18 December 2015.
- 1.6 **Recommendations**, the LEP Board is asked to;
 - a) Note the outcome of the appraisal process for applications to the Low Carbon Skills Capital Fund at section 4;
 - b) Note the recommendations in principle for Low Carbon Fund (Strand 4) investments, as set out in section 5, (subject to clarification and due diligence process);
 - c) Note the risks and proposed mitigation actions in section 6;
 - d) Endorse the recommendation of the Skills Capital Investment Panel and commend the Combined Authority to make the grant allocations that currently total **£1,413,129**. Further clarification of a small number of issues with 2 colleges may allow the full value of **£1,500,000** to be taken up.

2 BACKGROUND AND GOVERNANCE

- 2.1 The Skills Capital Investment Fund is an integral element of the Local Growth Fund which is deployed through the Growth Deal process. The Liverpool City Region has secured an allocation of £41.1m Skills Capital within the £232m announced in the Growth Deal in July 2014. The Skills Capital allocation is split across 4 key strands of activity as set out in Table A.

Table A: Skills Capital Investment Fund Allocations

Investment Strand	2015/16	2016/17	Total
1.Sites and Premises	£8.6m	£15m	£23.6m
2.Improved Facilities	£2m	£2m	£4m
3.Equipment	£1m	£6m	£7m
4.Low Carbon Fund	£1.5	£5m	£6.5m
Total	£13.1m	£28m	£41.1m

- 2.2 The business case for the Skills Capital Low Carbon Fund (strand 4) was approved by the Combined Authority in August 2015 with the Lead Officer Employment and Skills given delegated authority to commission activities under the Strand. The Low Carbon Team at the LEP are heading up the operation of the scheme and providing technical expertise on this strand. The LEP Board previously agreed that round one of the Fund (£1.5m in 2015/16) will be commissioned using an allocation based approach.
- 2.3 Round 1 of the Fund is open to the 7 Further Education Colleges within the Liverpool City Region and the allocation methodology recommended by the Low Carbon Team uses a weighting approach for the distribution of the funds. 60% of the allocation is based on the indicator of *gross internal floor area* of FE Colleges (representing a measurement of the relative sizes of FE Colleges estates) and a fixed amount 40%.
- 2.4 As part of the City Region Assurance process governing the administration of Growth Deal monies, award of funding requires the submission of a proposal by applicants and an award is resultant on the outcome of an appraisal process. The appraisal process has the same format as other skills capital strands and includes an educational, financial and technical appraisal.

3. LOW CARBON FUND (STRAND 4) OVERVIEW

- 3.1 The Low Carbon Strand will support investment in improved energy systems within Further Education (FE) Colleges building estates. This is a pioneering national project for Skills Capital, predicated on the idea that savings in running costs for FE Colleges will make more funding available for learners in the long run. The City Region expects that FE Colleges will demonstrate an Energy Management Commitment as evidence of their readiness for Low Carbon Strand Skills Capital Investment.
- 3.2 Round One of funding will support three 'Fast Track' categories of activity. These activities will establish a shared Liverpool City Region baseline of energy management capability and enable the overarching aims of the Low Carbon Strand in future years.
- 3.3 The Year One Funding is available for 3 specific areas of Low Carbon investment. FE Colleges have responded to a recommended profile of spending across these three categories and have been allowed to re-profile according to their need, the proposed allocations as compared to the original profile are set out below:
- 24% of investment in Energy Metering (v.s 30% initially profiled)
 - 55% of investment in Low energy lighting (v.s 40% initially profiled)
 - 21% of investment in Other quick win investments from a short list (v.s 30% initially profiled)

- 3.4 The Low Carbon Strand can provide up to 100% of eligible project costs subject to the following undertakings:
- Applicants satisfy gateway criteria, and adequately evidence all expenditure
 - Applicants will be signatories to an Energy Management Commitment
 - Applicants will pay a 3% Levy on the funds provided, for 5 years, payable in advance to support CA administration and Low Carbon Unit costs
 - Applicants will involve the City Region Low Carbon Unit in project delivery & monitoring
- 3.5 A total of seven applications were received for Strand 4 (Low Carbon) projects to the stated total project value of £1,431,129.
- 3.6 However, please note the above is based on the information initially submitted by applicants. Following the assessment of the applications, recommended funding amount for each application may in some cases be modified during clarification sessions for reasons outlined in section 6.
- 3.7 Profiled allocations vs. submitted bids for allocations are as shown in Table B:

Table B: Low Carbon Strand Round One Applications Submitted

ELIGIBLE FE COLLEGES	ALLOCATION	APPLICATION	% DIFF
HUGH BAIRD COLLEGE	£202,450	£202,450	100%
KNOWSLEY COMMUNITY COLLEGE	£213,540	£190,727	89%
CITY OF LIVERPOOL COLLEGE	£305,320	£259,522	85%
RIVERSIDE COLLEGE HALTON	£168,260	£168,000	100%
SOUTHPORT COLLEGE	£172,070	£172,070	100%
ST HELENS COLLEGE	£268,760	£268,760	100%
WIRRAL MET. COLLEGE	£169,600	£169,600	100%
TOTAL	£1,500,000	£1,431,129	95%

4. LOW CARBON FUND (STRAND 4) APPRAISAL OUTCOMES

- 4.1 The Liverpool City Region Low Carbon Team have completed the appraisal of the above FE Colleges applications for funding.
- 4.2 Findings of the appraisal were considered by the Skills Capital Investment Panel, on the 23 November 2015 and they have supported the recommendations.

Appraisal Process

- 4.3 All of the applications scored sufficiently well to warrant investment and a summary of the key appraisal outcomes are below:
- All applicants reflected the aspiration of the Low Carbon Strand to reduced operational running cost in order to make more funds available for learners in future;
 - All applicants included examples of added value from the investment;
 - Examples were included in most applications demonstrating how the low carbon projects can be used to support learning within the college environment and within the wider community e.g. to support the electrical syllabus and energy management courses;
 - All applicants have committed to an Energy Management Plan and have agreed to the levy payment and have submitted the necessary supporting documents;

- All but two applications have put forward projects for the utilisation of their full allocation.

4.4 From a financial appraisal perspective all of the 7 FE Colleges have made previous applications to the Skills Capital Investment Fund and as such have been subject to a financial appraisal by the Skills Funding Agency under these rounds. The Low Carbon Strand is not seeking match funding so a further appraisal of college(s) finances has not been deemed necessary.

4.5 All applicants have indicated that they intend to spend the grant funds within the financial year 2015-2016. However, there is still a risk that projects might overrun and this will need to be tightly monitored by the low carbon team and Merseytravel (Accountable Body).

Clarification Issues

4.6 The appraisal process has highlighted a number of minor clarification issues across all of the projects. These issues will be resolved as part of the due diligence process and before a grant agreement is issued.

4.7 As indicated in point 3.7 Table B not all of the colleges have come forward with projects that cover their full allocations of funding. However, it is recommended that these colleges have scope to uplift their budgets to the maximum allocation provided they provide supporting information and demonstrate senior management approval.

4.8 The LEP Low Carbon Team is discussing these issues immediately with both colleges to establish if the remaining funding that has been allocated to them can be taken up. This will lead to a revised proposal being submitted.

5. INVESTMENT RECOMMENDATIONS

5.1 Subject to the satisfactory resolution of the above clarification issues, the Skills Capital Investment Panel approved in principle (and subject to a due diligence process) the submission of all 7 FE College applications to the total value of £1,431,129 for investment under the Skills Capital Low Carbon Fund.

Financial Position

5.2 If the above recommendations are supported this would result in the following indicative financial position for the Low Carbon Fund:

Table C

2015/16 LOW CARBON FUND	MAXIMUM BUDGET	TOTAL PROJECT VALUE	% Allocated
TOTAL	£1,500,000	£1,431,129	95%

5.3 However, the Panel also instructed the LEP Low Carbon Team to further explore with Liverpool City College and Knowsley College the opportunity to revise their proposals to maximise the allocation they have been given. If this can be done and a revised proposal submitted and appraised as suitable by the end of November the financial investment recommended will increase to the full £1.5 million.

6. RISKS AND MITIGATION

6.1 There are key risks and issues with implementing an investment fund of this nature, as set out at Table D below.

Table D: Skills Capital Investment Low Carbon Fund key risks and mitigation actions:

Risks	Mitigation Actions
Timescale risk of expenditure within financial year, as recommended in the implementation plan and advised to applicants	Tight programme management will be required by the LEP Low Carbon Team in conjunction with Merseytravel and the City Region Employment and Skills Team
Operation of the Low Carbon Strand Levy. Payment of Levy is proposed on five year profile. At least one applicant has not interpreted it this way.	Discuss with FE Colleges at Energy managers forum including an option to pay full amount in year one if agreed by all Colleges.
Some overlap of project submissions with ongoing capital projects	Discussions with applicants on a case by case basis to be carried out. Option to uplift specifications of technology, but only where this does not mix match funding from a previous skills capital source

7. CONCLUSION

- 7.1 This report has set out the proposed investment package for the Skills Capital Low Carbon Fund (Strand4) which is recommended to the Skills Capital Investment Panel (subject to clarification of a number of issues) for submission to the Employment and Skills Board in its advisory role and to the LEP Strategic Board and the Combined Authority for investment decision.

Contact Officers:

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**European Structural and Investment
Funds 2014-2020 Programme:
LCR ESIF Strategy Update**

LEP Board Meeting 3 December 2015

Author:
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Presented by:
Tony Wade
Liverpool City Region LEP

1. PURPOSE

- 1.1 This report provides an update for the LEP Strategic Board in relation to the ESIF Strategy and associated matters.

2. RECOMMENDATIONS

That the LEP Strategic Board:

- **note** the contents of the report

3. BACKGROUND

- 3.1 This section of the report provides the Strategic Board with an update on current developments.

- 3.2 Finalisation of the ESIF Strategy: The revised ESIF Strategy as agreed by the LEP Strategic Board was presented at the ESIF Committee on 9th November. This was signed off and delegated authority given to the joint Chairs (Robert Hough and Cllr Phil Davies) to agree the final version. The only amendment now is the insertion of the final ERDF and ESF allocations, which are being finalised by Government.

- 3.3 The Board should be aware that the Government has carried out further analysis in light of the completion of the national ERDF and ESF Operational Programmes regarding the notional allocations between priority axes for each LEP area. This has meant that ERDF has been moved into priority axis 4 (Low Carbon) from priority axes 1 (Research and Innovation), 3 (SME support) and 6 (Environment/Green Infrastructure). A small move of money (euros 330k) between ERDF and ESF has also been made by Government. The ESIF Committee discussed this shift at some length and emphasised that the city region would continue to work towards fulfilling the ESIF ambitions and that we wished to see a reinstatement of the original priority axes allocations. A written submission on this matter was made by Alan Welby (attached as annex 1).

- 3.4 At this moment, we understand that it is unlikely that government will be able to accommodate the requests and the financial table within the ESIF Strategy will be revised to reflect the allocations issued by DCLG and DWP respectively. Going forward, call texts will need to be drafted in such a way that LCR priorities can be delivered as agreed. The EU team will be working closely with DCLG to ensure that the revised allocations to priority axes do not undermine the delivery of the agreed ESIF Strategy. It is likely that there will be an opportunity to look at the indicative priority axes allocations at the mid term in 2018 or 2019.

- 3.5 SUD Strategy: As the Board will recall, this was submitted at the end of September. DCLG has now assessed the submissions across the core cities. The LCR submission was highly regarded and only minor amendments have been requested (quantification of proposed outputs is the main one). This work is being led by Merseytravel and will be completed by the 4 December deadline. Discussions on how this fits into the LCR Devolution deal are ongoing and the SUD Strategy is suitably caveated to take account of this. The launch and calls are scheduled for the first quarter of 2016.

- 3.6 ESIF Delivery: further progress has been made in terms of the two stage ERDF process (outline and full application) since the last Board meeting. A further 8 ERDF applications have now passed the local strategic fit at the full application stage. This includes the BIS Enhanced Business Growth Services products, the three local business support projects (LCRIBS, NewMarkets2 and the Enterprise Hub) and the Low Carbon Eco Innovatory. DCLG is working towards formal grant offer letters to be signed by applicants in December. A

further 4 ERDF outline applications were also considered by the ESIF committee, of which 3 will be invited to full applications.

An additional 7 ERDF outline application assessments will be ready to go to the ESIF Committee on 17th December and pending the outcome of the Local Strategic Fit Assessment, 4 of these could go to seek approval to progress on to the full application stage. The other 3 did not meet the DCLG Gateway assessment criteria.

The ESF package is taking somewhat longer than anticipated, due to a large number of queries being raised by DWP. We have requested that the ESIF committee see the whole package to ensure that it is coherent and aligned with the agreed framework, developed by the ESB and signed off by the ESIF committee; this will happen at the next ESIF Committee, planned for 17th December. Work is on going in relation to delivery through the DWP and SFA opt-in routes, and the Big Lottery Fund opt in procurement is now under way. We should be in a position to provide a fuller overview of this at the next Board meeting.

- 3.7 Future Calls: It is anticipated that the only imminent call will be for ESF Higher level Skills, in line with the package signed off by the ESIF Committee earlier in the year, based on advice from ESB. We are not currently planning any ERDF calls.
- 3.8 Pipeline Development: The EU Team is currently pulling together a comprehensive overview on the developing pipeline across all the portfolios (or priority axes) to ensure that relevant ERDF calls can be developed for early 2016. Together with approvals and projects currently going through the full application process, this work will allow us to identify gaps and develop appropriate cross priority axes integration.

4. CONCLUSION

- 4.1 The report has provided the Strategic Board with an update on the ESIF Strategy and delivery.

Annex 1: Response to DCLG regarding the proposed ERDF allocations across Priority Axes September 2015

DCLG issued ERDF allocations and outputs to LCR on 14 September 2015. Following a careful analysis of the proposed allocations across the four priority axes in relation to the LCR ESIF Strategy, we **would ask** DCLG to relook at the Priority Axes allocations of ERDF funds for the city region.

First, we are seeking clarification as to why the ERDF allocation is now approximately €330k smaller than our planning assumption.

Second, and more importantly, the DCLG allocations between the priority axes are significantly different from our planning assumptions, which has underpinned the LCR ESIF Strategy and subsequent calls since early 2014. The CLG allocations reduces PA1 by €1m, PA3 by €2.5m and PA6 by €0.3m. Conversely, PA4 has been significantly increased by €3.6m (see table below).

This arbitrary shift away from PA1 and PA3 in particular, will severely undermine our ability to deliver the step change in the local economy, agreed by all partners as necessary. The proposed ERDF allocations will reduce funding for growing businesses, innovation and employment generation across the majority of the city region economy and give an undue emphasis to PA4 investments, which are now focused solely on energy and cannot target SMEs across LCR and our agreed growth sectors (bio/life sciences; logistics, marine and maritime; advanced manufacturing; creative content and digital capabilities) and the wider transition to a low carbon economy as envisaged in our portfolio approach. We request that €1m is re-allocated to PA1 and €2.5m re-allocated to PA3 from PA4.

The reduction in PA6 has the effect of rendering this almost irrelevant. This is clearly not the case in relation to its integral part of the proposed SUD and we request that money is re-allocated from PA4 to re-instate its value to €1.2m.

The ERDF PA4 is now wholly focused on energy and GHG reductions and, while we do see investments in PA4 as an important component of our ERDF investments, the LCR ESIF strategy was drawn up on the assumption that this would cover a much wider range of potential investments to support the shift to a low carbon economy. We have also already experienced problems with approvals for projects in PA4 at outline stage and having a higher allocation will only compound these problems. We request that the PA4 allocation is reduced to accommodate the re-instatement of PA1, PA3 and PA6 as set out above.

We remain committed and aim to utilise ERDF in line with the LCR ESIF Strategy, which was agreed by Government in line the table below.

**Liverpool City Region
October 2015**

DCLG ERDF ALLOCATIONS vs. LCR ESIF PLANNING ASSUMPTIONS: ANALYSIS OF IMPACT

COMPARISON BETWEEN DCLG ALLOCATIONS (14 SEPTEMBER 2015) AND LCR ESIF					
€	DCLG			LCR ESIF original application	Impact of DCLG proposed ERDF Priority Axes
	More Developed	Transition	TOTAL	TOTAL	
PA1	2,060,986	23,748,292	25,809,278	26,862,883	-1,053,605
PA3	4,500,673	59,037,612	63,538,285	66,047,656	-2,509,371
PA4	3,479,739	37,195,570	40,675,309	37,081,514	3,593,795
PA6	100,109	707,847	807,956	1,167,951	-359,995
TOTAL	10,141,507	120,689,321	130,830,828	131,160,004	-329,176

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