

PROFESSIONAL
LIVERPOOL



PROFESSIONAL & BUSINESS SERVICES IN LIVERPOOL CITY REGION

BASELINE REPORT & STRATEGIC PRIORITIES



JULY 2018

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FOREWORD

We are pleased to be able to introduce the very first Professional & Business Services (PBS) Baseline Report which helps to provide an analysis of the critical matters affecting the sector in our City Region. Through a series of workshops and interviews we have also developed a set of strategic priorities to help us understand and reflect collectively on the challenges and enable us to measure future growth in the sector.

The Report follows on from the Liverpool City Region Growth Strategy: Building our Future, written in 2016 and comes one year on from our first Metro Mayor taking post in May 2017. We are in the midst of Brexit, however business confidence appears to be remaining steadfast, despite the uncertainty of the Customs Union and what mechanisms will ultimately be in place come 2021. Business momentum behind the Northern Powerhouse continues to grow with a recognition that together we can achieve a lot more with a single voice – and that is a theme we would like to see carried to the very heart of our Liverpool City Region.

The challenges are wide ranging and we have tried to engage with the many local stakeholders from across the City Region to present a robust list of strategic priorities to support careers awareness and aspiration among school pupils, talent retention, improved local skills and qualifications, new jobs, more businesses, improved long-term business survival and increased GVA.

This is crucial for the wider City Region economy, given that PBS acts as the main enabler to the growth for every sector. The PBS Board has led on the report however this is only the first step: to successfully address the priorities and achieve optimum results we need the combined effort of our enterprising and supportive City Region stakeholders – each one of you reading this report will have a role to play.

We look forward to working with you for the benefit of our students, employees and employers.

A very big personal thank you to all organisations who have supported the development of this Report:

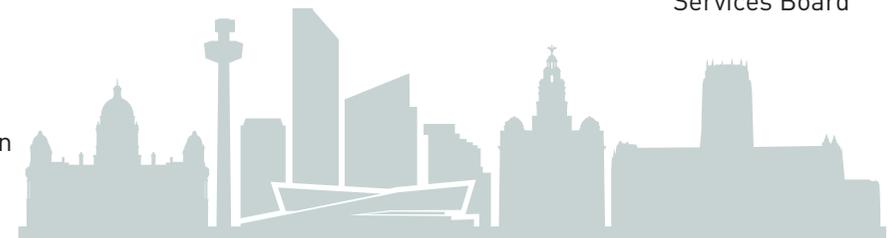
Active Profile / Arup / Beaufort Financial / Capital & Centric / DLA Piper / DSG Chartered Accountants / Grant Thornton / Halton Chamber of Commerce / Hill Dickinson / Invest Liverpool / Jackson Lees / K2 Architects / Knowsley Chamber of Commerce / KPMG / Langtons Professional Services Limited / Liverpool City Region Local Enterprise Partnership / Liverpool & Sefton Chambers of Commerce / Liverpool Hope University / Liverpool John Moores University / Liverpool Law Society / Lloyds Banking Group / Plegmund Ltd / Professional Liverpool / PWC / Quilter Cheviot / REM People Consulting / Sefton Education Business Partnership / University of Liverpool Management School / Wirral Chamber of Commerce



Asif Hamid MBE
Chair
Liverpool City Region LEP



Steve Stuart
Chair
Professional & Business
Services Board



PROFESSIONAL & BUSINESS SERVICES IN LIVERPOOL CITY REGION



Largest sector for GVA @

£8.4bn

Source: ONS (2016)



107,000 jobs

Source: ONS (2016)



Accounts for circa **1/4** of all firms in LCR

Source: ONS (2017)



Expertise in legal & accounting (including maritime)



Wealth management – largest sector outside the South

Source: ONS (2016)

Circa 7,000 first year university students on PBS-related courses



Source: HESA (2016/17)



41% growth in PBS business numbers between 2010 & 2017

Source: ONS (2017)

20,000 new jobs forecast over next 20 years

Source: Oxford Economics (2016)



Recognised as a financial centre of excellence

Source: UKTI, 2016 (now DIT)

6.2 million people live within one hours drive



400,000 sq. ft. grade A office space to be developed in city centre by 2021

Source: Oxford Economics (2016)



63% growth in start-ups from 2011-16

Source: ONS (2016)



£5bn GVA growth from 2016-36

Source: Oxford Economics (2016)

Liverpool City Region

EXECUTIVE SUMMARY

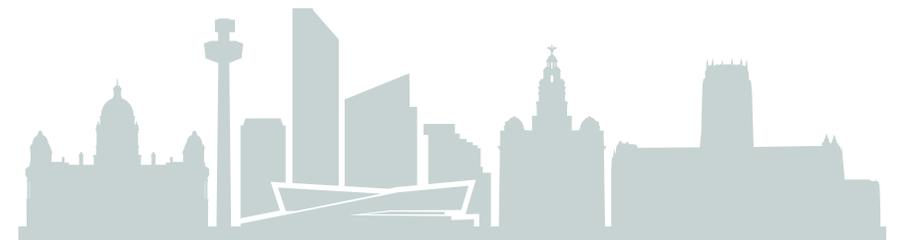
This report provides a baseline review of the Professional & Business Services (PBS) sector in Liverpool City Region, along with strategic priorities focus to support its future growth. It has been produced on behalf of the Local Enterprise Partnership and its PBS Board. The main findings and challenges to emerge from the baseline review can be summarised as follows:

- PBS is one of the most important sectors in Liverpool City Region. It supports an estimated 107,000 jobs in 12,000 companies and generates more than £8billion per annum in gross value added (GVA) – making it the largest sector in terms of GVA. Business numbers in the PBS sector have also grown strongly - up by 41% between 2010 and 2017, compared to 23.5% across all sectors.
- The City Region has a number of specialisms within PBS, notably in wealth management and maritime. Research has shown that the maritime sector is 4.5 times more concentrated in the City Region than the national average.
- Around 20,000 jobs are forecast to be created in the PBS sector in Liverpool City Region over the next 20 years and the challenge is for the City Region to achieve employment growth in sectors that have higher levels of productivity.
- The City Region has a significant future labour pool at its universities, with the challenge being to create the jobs to encourage graduates to stay in the area long-term. Supporting skills development in the PBS workforce is also important, which can help improve skill levels of existing City Region residents.
- Of those PBS firms selling products or services, more than half have their primary market outside the City Region. This outward facing perspective needs to continue.
- The City Region needs to see more businesses created to catch up with the North West and England density statistics, and improve 5-year survival rates to improve the number of long-term viable businesses which continue to prosper.
- More co-ordination around school and business engagement is required.

The strategic priorities focus on five issues facing the PBS sector:

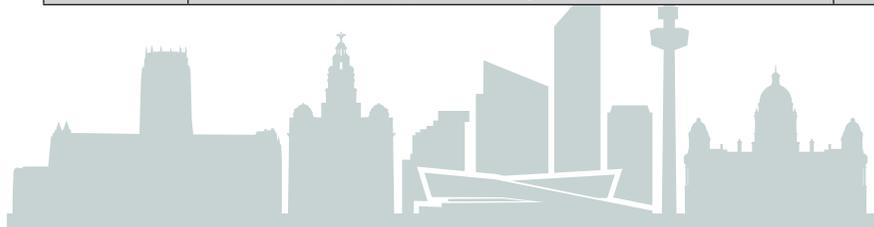
1. Promoting the sector: Developing collateral to promote locally, nationally and internationally as well as cross-sector.
2. Supporting schools to achieve the Gatsby benchmarks and developing closer public/private sector relationships.
3. Access to finance & business base: Establishing an active investor network and creating a digital tech/life sciences fund to boost the sector.
4. Developing a target list of sector relevant footloose companies and exploring the role of north-shoring in growing the target sectors.
5. Commercial space: Boosting the supply of Grade A office space.

The table overleaf presents the priorities to help grow PBS in Liverpool City Region. Sub-groups from across the City Region will be formed on each issue to progress the actions. The intention is for the sub-groups to include representatives from: Liverpool City Region LEP; the PBS Board; Local Growth Hub; Professional Liverpool; Liverpool Commercial BID; Liverpool Law Society; (PL); Universities; Chambers of Commerce; colleges; all six constituent councils of the City Region; and schools.



Proposed Strategic Priorities

Issue	Priority	Timescale to	Measures of Success	Responsibility
Promoting the sector	Use and share the key messages and infographics from the baseline report (updating data annually) and other collateral to engage a local, national & international audience with a consistent narrative, and inform and promote City Region place marketing collateral	Sept 2018	<ul style="list-style-type: none"> • Increased media coverage • Involvement in focused knowledge development and cross-sector networking events (c.12 pa) • Businesses and talent attracted to the City Region • Student places at events 	Public/private sector partnership (including Professional Liverpool, Chambers of Commerce, Commercial BID, Downtown, the universities, the Liverpool Law Society, etc.)
	Work with existing bodies to identify a calendar of focused knowledge development and cross-sector events for PBS stakeholders to speak at			
	Galvanise the diaspora to promote the City Region as a destination through existing networks such as university alumni, ambassador programmes and Liverpool in London	Dec 2018		
Skills & talent retention	<p>Develop a framework for a number of pilot programmes that:</p> <ul style="list-style-type: none"> • Support an agreed number of schools to reach the Gatsby benchmarks by 2020 by enabling encounters with employers, providing mentors and work experience through the Careers Leaders, Senior Enterprise Co-ordinator, HE/FE and PBS businesses • Deliver two PBS business led knowledge development events to teachers to support them in the provision of careers guidance • Co-develop a mentoring and work placement pilot for PBS businesses to support undergraduates and improve talent retention • Co-develop a pilot for PBS businesses to support primary schools to expose pupils to a range of PBS role models 	Dec 2019	<ul style="list-style-type: none"> • Graduate retention increases for PBS students (Note – target to be set once new data become available in 2018/19) • Number of work experience placements and mentors • Number of employer encounters at schools and HE/FE 	LEP, Growth Hub, Senior Enterprise Co-ordinator, Careers Leaders, HE/FE, PBS businesses, Chambers of Commerce, Commercial BID, Professional Liverpool, the Liverpool Law Society



Proposed Strategic Priorities

Issue	Priority	Timescale to	Measures of Success	Responsibility
Access to finance & business base	Increased business numbers and 5-year business survival rates in line with national average	April 2020	<ul style="list-style-type: none"> Support start-ups to increase from 73 per 10,000 working age population to 93 (the NW average) over next 5 years Number of SMEs who trade out with City Region Establish an active investor network to connect with businesses 5-year business survival moves in line with national average over next 3-5 years (currently 42% in LCR vs 44% in England) 	Private sector led with LEP support
	Identify and support existing initiatives which target "scale-up" businesses, especially firms trading with areas outside the City Region		<ul style="list-style-type: none"> Share of small/medium/large PBS companies as proportion of total PBS business base (currently 11.5%) increases by 1.5 % points over next 5 years Creation of a tech/digital/life sciences fund (patient capital with investments of £3m+) to invest in scale-ups the City Region 	Public/private sector partnership, Growth Hub
Inward investment	Develop a target list of sector relevant footloose companies	December 2018	<ul style="list-style-type: none"> Target list agreed & signed off 	Public/private sector partnership with support from Department for International Trade
	Explore how the City Region can capitalise on north-shoring	April 2020	<ul style="list-style-type: none"> Businesses attracted to the City Region 1 HQ attracted 	
Commercial space	Boosting the supply of Grade A office space and creating a vision for the mixed use Commercial Business District	February 2019	<ul style="list-style-type: none"> Create a Spatial Regeneration Framework for the Commercial BID 	Public/private sector, with LCC, LEP and BID leading on the SRF
	Articulate the strength of the City Region as a place for business to counter negative language and mindsets		<ul style="list-style-type: none"> Increased media coverage on the PBS sector 	



1. INTRODUCTION

The Liverpool City Region Local Enterprise Partnership (LEP) has prioritised a number of growth sectors of genuine strength and economic opportunity to enable the City Region to expand and create jobs. In conjunction with its Professional & Business Services (PBS) Board, the LEP has commissioned research to look at the City Region's strengths in the sector, identify the challenges it faces and develop high-level strategic priorities to identify the main areas which the PBS Board should be focusing on over the next three years. Pegasus Group was commissioned to undertake the research, which has included the following steps:

- **Review of existing literature:** This includes research undertaken by the University of Liverpool in 2017. The University's research outlined the baseline position of the sector and included consultation with PBS stakeholders, helping to establish key issues to focus on. Other literature reviewed as part of the analysis includes; IPPR North's report on professional services in the Northern Powerhouse economy, published in November 2016; and the LEP's regional growth strategy.
- **Data analysis:** Building on the University of Liverpool's research, a review of the Liverpool City Region economy was undertaken to present the current position of the PBS sector. The data analysed includes: employment (past and future trends); business numbers; business start-ups; business survival and density; gross value added (GVA); wages; and student numbers. Where applicable, benchmark geographies are analysed for comparison purposes.
- **Stakeholder consultation & workshop:** An additional round of stakeholder consultation was carried out with members of the PBS Board, Professional Liverpool, Liverpool Commercial BID, Liverpool Law Society representatives from Higher Education Institutions (HEIs), Chambers of Commerce and the LEP to get their views on the current and future position of the PBS sector in Liverpool City Region. The main findings to emerge from the research were then presented at a workshop held in April 2018, enabling stakeholders to start shaping the emerging strategic priorities for PBS.

The remaining sections of this report provide the evidence base upon which the strategic priorities have been developed.



2. STUDY AREA

The analysis presented in this report covers the Liverpool City Region geography, which has 6.2 million people living within 1 hour's drive and is comprised of the following local authorities:

- Halton
- Knowsley
- Liverpool
- Sefton
- St Helens
- Wirral

The City Region has linkages with other areas such as Warrington, Cheshire West & Chester and West Lancashire, which would create a larger functional economic geography. However, the City Region has been used as the principal focus of the analysis to ensure it aligns consistently with the Local Enterprise Partnership and Combined Authority geographical definitions.



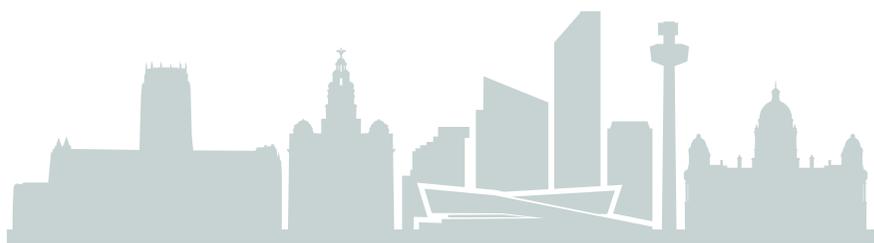
Figure 1:
Liverpool City Region



3. DEFINING THE PBS SECTOR

PBS is a broad sector and includes a wide range of activities, including: banking and investment; insurance and pensions, legal services and accounting; real estate activities; and management consultancy. PBS is also a cross-cutting sector, and companies operating within it are likely to be providing services to businesses in many other sectors. There is no universally accepted definition of PBS. Drawing on research undertaken by IPPR North¹ and analysing how areas such as Greater Manchester and Leeds City Region define the sector, the following definition has been used. It is based on standard industrial classifications produced by the Office for National Statistics and will enable the performance of the sector to be tracked over time in Liverpool City Region:

- **Activities of head offices; management consultancy activities**
- **Translation and interpretation activities**
- **Financial service activities, except insurance and pension funding**
- **Insurance, reinsurance and pension funding, except compulsory social security**
- **Activities auxiliary to financial services and insurance activities**
- **Real estate activities**
- **Legal and accounting activities**
- **Rental and leasing activities**
- **Employment activities**
- **Security and investigation activities**
- **Services to buildings and landscape activities**
- **Office administrative, office support and other business support activities**
- **Activities of membership organisations**



¹IPPR North (November 2016) – Business Skills: Professional Services in the Northern Powerhouse Economy

4. OVERVIEW OF THE PROFESSIONAL & BUSINESS SERVICES SECTOR

This section presents analysis on:

- Existing employment, business numbers and gross value added (GVA) in PBS.
- The distribution of PBS jobs in the City Region.
- Benchmarking the City Region's PBS sector with other areas.
- PBS sub-sectors – broken down by employment size and GVA per job.
- Employment and GVA forecasts for PBS in the City Region.
- PBS concentrations and opportunities in the City Region.



PBS in Liverpool - Jobs and GVA

In 2016, there were 107,000 jobs in the PBS sector in Liverpool City Region (see Table 1). The economic output (gross value added) generated by PBS in Liverpool City Region was around £8.4billion in 2016, making it the largest sector in the City Region for GVA.

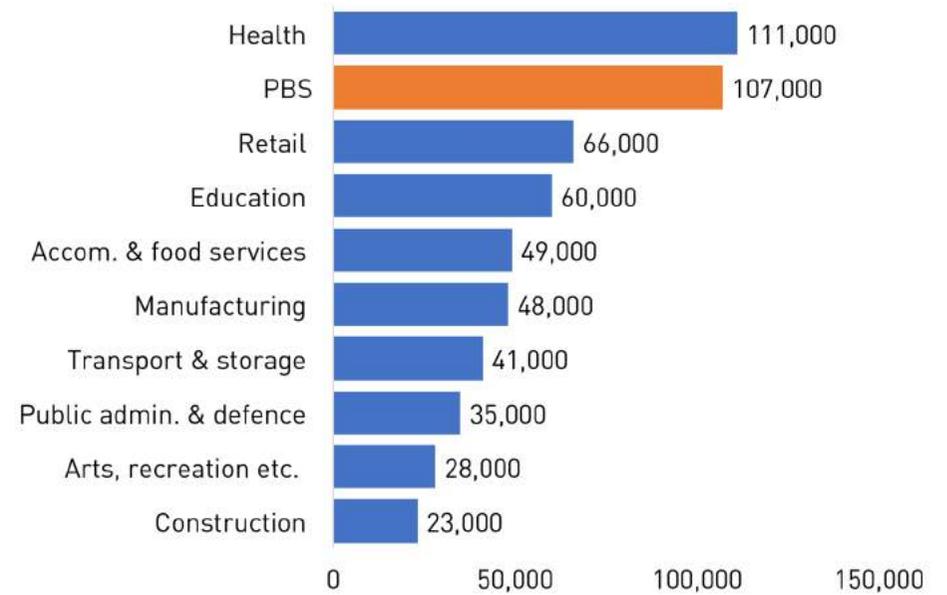
Table 1: PBS Jobs and GVA

	Liverpool City Region
Jobs (2016)	107,000
PBS share of total jobs (2016)	17.0%
GVA (2016)	£8.4billion
PBS share of total GVA (2016)	27.3%

Source: ONS

In terms of employment in the City Region, the PBS sector is the second largest, below only health (with 111,000 jobs). No other sector outside the top two in the City Region employs more than 100,000 people, as shown in Figure 2.

Figure 2: Employment by sector in Liverpool City Region, 2016



Source: Business Register and Employment Survey (BRES)



PBS in Liverpool - Business Base

In 2017, there were 12,000 PBS businesses in Liverpool City Region. Between 2010 and 2017 the number of PBS businesses in the City Region grew by around 41.0%, representing 3,500 additional companies. Growth in total business numbers across all sectors in the City Region was lower (23.5%) over the same time frame, showing how strongly the PBS sector has performed. PBS accounts for almost 25% of all firms in the City Region.

Table 2 breaks business numbers in PBS down by size. It can be seen that companies in the PBS sector are generally smaller, with just over 88.0% (10,600) of firms employing 0-9 people in the City Region. This compares with 81.6% of firms in this size band across all sectors. A similar picture is evident for the North West and England. While micro firms account for the highest proportion of PBS companies in the City Region, 11.5% (1,380) employ more than 10 people. This highlights the importance of not simply having a blanket approach to business support, as micro firms will have different needs to small, medium and large companies.

Table 2: Breakdown of business base by size, 2017

Business size by number of employees	Liverpool City Region		North West		England	
	PBS	All sectors	PBS	All sectors	PBS	All sectors
Micro (0-9)	88.4% (10,610)	81.6% (42,105)	89.2% (63,490)	83.3% (257,395)	90.1% (595,245)	84.8% (2,287,135)
Small (10-49)	9.0% (1,080)	14.5% (7,485)	8.5% (6,075)	13.5% (41,610)	7.8% (51,810)	12.2% (330,185)
Medium (50-249)	0.5% (240)	3.3% (1,720)	1.8% (1,280)	2.8% (8,695)	1.6% (10,890)	2.5% (68,605)
Large (250+)	0.5% (65)	0.5% (275)	0.5% (345)	0.4% (1,355)	0.4% (2,600)	0.4% (10,420)

Source: ONS



Distribution of PBS Jobs in 2016

Figure 3 shows the distribution of PBS jobs across Liverpool City Region. Unsurprisingly, there is a concentration of employment in Liverpool city centre. The south of Liverpool also has a concentration of PBS jobs, as does Birkenhead on the Wirral and the centre of Knowsley.

There is also a substantial concentration of PBS jobs in the south east of Halton, which reflects the presence of Daresbury Science & Innovation Campus.

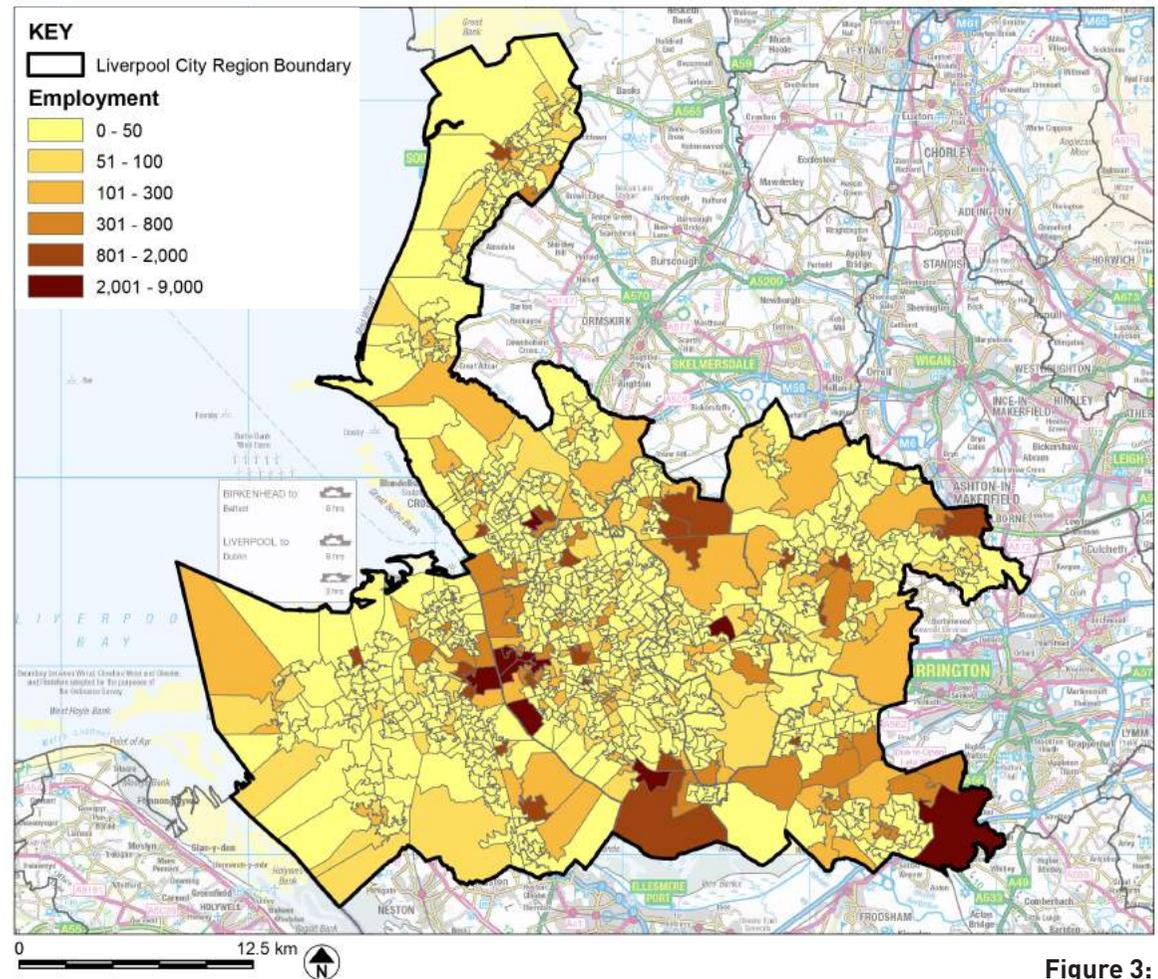


Figure 3:
Distribution of PBS employment
in Liverpool City Region



Benchmarking PBS

In absolute terms, the PBS sector in Liverpool City Region is smaller than in many other parts of the country. Table 3 shows PBS job numbers for selected LEP areas, with the City Region behind the likes of Leeds City Region and Greater Manchester.

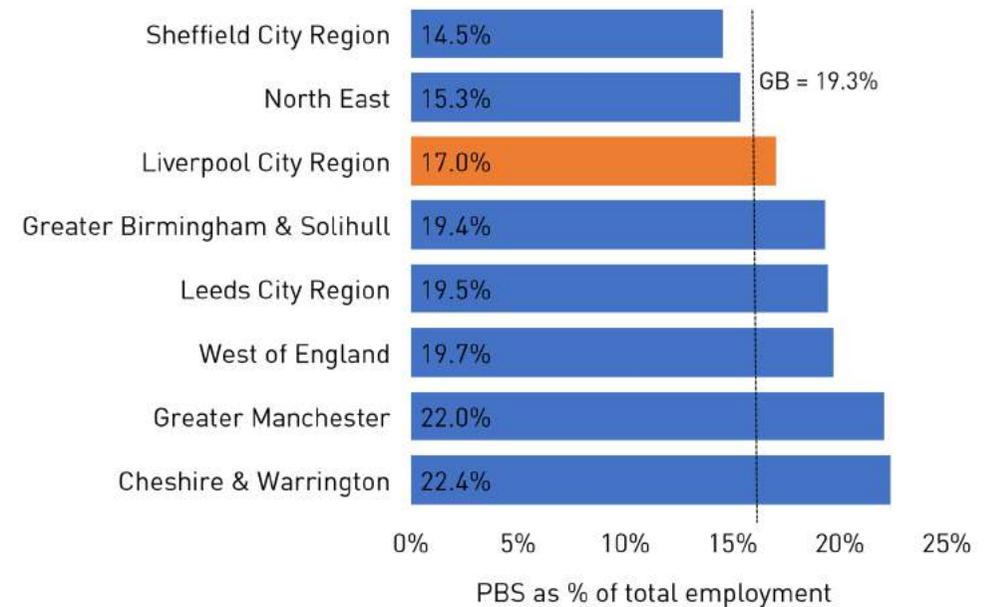
Table 3: PBS employment in selected LEPs

	PBS Jobs, 2016
Greater Manchester	285,000
Leeds City Region	270,000
Greater Birmingham & Solihull	181,000
North East	123,000
West of England	116,000
Cheshire and Warrington	112,000
Sheffield City Region	111,000
Liverpool City Region	107,000

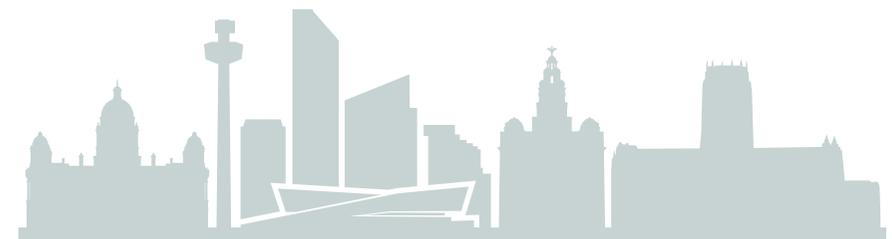
The PBS sector accounts for around 17.0% of all jobs in Liverpool City Region, above the likes of Sheffield City Region, but below a number of other LEP areas and the national average of 19.3%. The long-term aim for the City Region should be to close the gap with the national average.

PBS accounts for the highest share of total employment in Cheshire and Warrington (22.4%), followed closely by Greater Manchester (22.0%). Figure 4 shows the different shares by area.

Figure 4: PBS employment share in selected LEPs, 2016



Source: Business Register & Employment Survey



PBS Sub-Sectors – Jobs

The largest PBS sub-sector is “employment activities”, which includes recruitment agencies. It accounts for 17,000 jobs in Liverpool City Region. Legal and accounting activities is the second largest PBS sub-sector, supporting 16,000 jobs (see Table 4 for further details).

Between 2010 and 2015, PBS employment in Liverpool City Region increased by 11.9%, equating to just over 11,000 new jobs. This was significantly higher than the growth in total employment in the area of 3.4% over the same timeframe. Both of the two sub-sectors mentioned above have been major drivers of PBS growth in Liverpool City Region, with jobs in employment activities increasing by 20.0% (3,000 jobs) from 2010-15 and legal and accounting employment growing by 13.3% (2,000 jobs).

Table 4: Employment in PBS sub-sectors, 2016

	Liverpool City Region
Employment activities (including employment placement agencies & temporary employment agencies) ²	17,000
Legal and accounting activities	16,000
Activities of head offices; management consultancy activities	12,000
Services to buildings and landscape activities	12,000
Financial service activities, except insurance and pension funding	10,000
Real estate activities	10,000
Office administrative, office support and other business support activities	10,000
Other	20,000
Total	107,000

Source: Business Register & Employment Survey

Note: Figures may not sum due to rounding

² The employment activities category comprises of three subsectors. The largest sub-sector in the City Region is “temporary employment agency activities”, with 13,000 and 30,000 jobs respectively. In this sub-sector, the individual workers supplied to clients are employees of the agency rather than supplied on a ‘contract for services’ basis. This means that the employees may not necessarily be classified in the sector in which they are working on a temporary basis.

PBS Sub-Sectors – GVA

Table 5 shows estimated GVA per job for the different PBS sub-sectors in 2016 in the City Region and UK. The highest GVA per job in the City Region is in financial service activities (£70,000 per annum), significantly above the average for all sectors of £42,000 p.a. Four other sub-sectors have a higher than average GVA per job, although six are below average. This includes employment activities (£28,000 p.a.), which is the largest PBS sub-sector in the City Region in terms of job numbers.

Table 5: GVA per job in PBS sub-sectors, 2016

	Liverpool City Region	UK
Financial service activities	£70,000	£103,000
Activities auxiliary to financial services	£65,000	£98,000
Insurance, reinsurance and pension funds	£57,000	£72,000
Activities of head offices	£46,000	£52,000
Activities of membership organisations	£42,000	£54,000
All sectors	£42,000	£47,000
Office administrative, office support	£37,000	£39,000
Rental and leasing activities	£37,000	£37,000
Legal and accounting activities	£36,000	£41,000
Employment activities	£28,000	£28,000
Security and investigation activities	£27,000	£31,000
Services to buildings and landscape	£21,000	£23,000

Source: Liverpool City Region LEP/Oxford Economics



Future Growth of PBS – Jobs

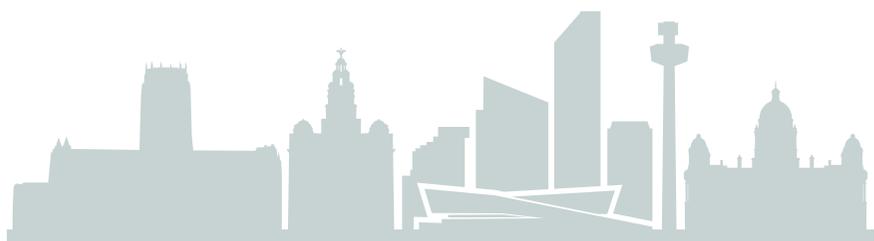
Over the 20 years to 2036, PBS employment in Liverpool City Region is forecast to increase by 20,000 jobs, equating to an increase of 0.8% per annum. Employment in PBS in the North West and the UK is forecast to increase by 128,000 and 1.3 million respectively between 2016 and 2036, representing a slightly higher annual increase of 0.9% (see Table 6).

When looking at the PBS sector's share of the total projected employment growth, it is expected to account for nearly two thirds (65%) of all jobs growth from 2016-26 in Liverpool City Region. This is higher than the North West region (53%) and the UK (42%) – emphasising the importance of the sector to supporting future growth in the area. Clearly if the wider LCR economy does not perform as well as expected, this could have a knock-on effect on PBS, especially for many of the sector's smaller firms.

Table 6: Forecast change in employment, 2016-36

	Liverpool City Region	North West	North West
Change in PBS employment	£20,000	128,000	1,309,000
Total jobs change	£30,000	242,000	3,130,000
PBS share of jobs change	65%	53%	42%
% change in PBS jobs p.a.	0.8%	0.9%	0.9%

Source: Oxford Economics - LCR LEP



Future Growth of PBS – Economic Output

Gross value added (GVA) in the PBS sector between 2016 and 2036 is forecast to increase by £4.6billion, equivalent to an annual change of 1.9%. This is slightly lower than the annual increases forecast for the North West and UK of 2.0% and 2.2% respectively. Total GVA in Liverpool City Region is forecast to increase by £12.8billion over the same time period (see Table 7).

PBS is expected to account for 36% of the total forecast increase in GVA in the Liverpool City Region from 2016 to 2036. With PBS jobs accounting for 65% of total employment change (see Table 6 on page 12). This suggests that jobs growth will be in lower value added sectors.

Table 7: Forecast change in gross value added, 2016-36

	Liverpool City Region	North West	North West
Change in PBS GVA	£4.6bn	£27.1bn	£349.6bn
Total GVA change	£12.8bn	£73.8bn	£882.9bn
PBS share of GVA change	36%	35%	40%
% change in PBS GVA p.a.	1.9%	2.0%	2.2%

Source: Oxford Economics - LCR LEP



PBS Concentrations & Opportunities

Looking at PBS in further detail, the City Region has expertise in a number of sub-sectors, in particular:

- **Wealth & asset management:** Liverpool City Region has a long tradition as a centre for the wealth and fund management industry. Moreover, the City Region is home to the largest centre for wealth management outside London. Key companies include: Rathbones, Barclays Wealth, MAM Funds, Quilter, Investec Wealth & Management and Shore Capital.
- **Maritime services:** The City Region has a long-standing specialism in maritime-related activities. Mersey Maritime, the representative body for the sector in the City Region, has calculated a location quotient of 4.5 for the sector – i.e. it is 4.5 times more concentrated than the national average. Of significance to PBS, within maritime the City Region has specialisms in non-life insurance and legal activities. Key companies include: Maersk, ACL, Bibby Group, Cargill, CMA CGM and Stobart Group.

The City Region has strengths in other sectors, creating opportunities for PBS companies:

- **Digital:** The City Region is home to the STFC Hartree Centre at SciTech Daresbury, which houses the most powerful supercomputer in the UK dedicated to industrial R&D. There are also plans to link to the Hibernia fibre optic cable, which runs beneath the Atlantic from North America and comes ashore at Southport.
- **Science & innovation:** Focused on: infection; materials chemistry; and high performance & cognitive computing. Ongoing developments at Knowledge Quarter Liverpool will further enhance the offer, which includes Sensor City – the focal point for sensor technology innovation and development in the UK.
- **Advanced manufacturing:** The City Region is home to a diverse mix of companies including Jaguar Land Rover, Unilever, Pilkington, Ineos and Astra Zeneca, alongside Getrag, Johnson Controls and ABB. The City Region is also home to LCR4.0 initiative, which helps SMEs to increase productivity and de-risk innovation. It has been recognised by government as an exemplar of best practice.
- **Low carbon & energy:** Around 1,400 low carbon businesses are located in the City Region, which has been designated as a Centre for Offshore Renewable Engineering (CORE Status) by the government. There are plans to create a tidal barrage, while the City Region is also home to the world's largest offshore windfarm.



5. SKILLS & EDUCATION

This section presents analysis on:

- Student numbers on PBS-related courses at the University of Liverpool, Edge Hill University, Liverpool John Moores University, Liverpool Hope University and the University of Chester.
- Graduate retention.
- Skill levels of Liverpool City Region's resident working age population (16-64). It should be noted that this analysis is not PBS-specific. It relates to the entire population of the area.
- Results from the 2017 Liverpool City Region Employer Skills Survey, undertaken by Wavehill on behalf of the Combined Authority. The analysis focuses on the results for the PBS sector.

Higher Education Students

In 2016/17, there were around 7,000 first year students studying courses relevant to the PBS sector at the University of Liverpool, Edge Hill University, Liverpool John Moores University, Liverpool Hope University and the University of Chester. This includes undergraduates and postgraduates. As shown in Table 8, student numbers have increased since 2014/15.

Over the three years shown in the table, more than 20,000 students started studying PBS-relevant courses – a large potential labour source for the City Region.

The courses outlined in Table 8 are not an exhaustive list of subjects relevant to the PBS sector. Many other courses, for example geography, can lead to employment in the sector, meaning the potential labour pool is likely to be significantly higher.

Table 8: First year HEI students on courses relevant to PBS sector (UG & PG)

	2014/15	2015/16	2016/17	Total
Maths	560	580	560	1,700
Planning	160	160	190	510
Politics & economics	410	550	690	1,650
Law	1,680	1,220	1,360	4,260
Business & administrative studies	3,830	3,910	4,270	12,010
Total	6,640	6,420	7,070	20,130

Source: HESA – data cover UoL, LJM & LH, Edge Hill & Chester



Graduate retention

High skilled workers are an important asset for the City Region as it seeks to grow its economy. One way of looking at this issue is to analyse the graduate retention rate of universities – the number of students who remain in the area to work after leaving university. Data provided by the University of Liverpool and Liverpool Hope University allows for analysis of graduate destinations from two of the City Region’s higher education institutions in 2015/16. The data relate to students studying courses relevant to the PBS sector (see Table 8 on page 15) and the analysis shows that:

- At the **University of Liverpool**, approximately one-third of graduates on PBS-relevant courses who move into employment do so in the City Region. Of the two thirds moving into employment elsewhere, prominent locations include London, Greater Manchester, Cheshire and Yorkshire. Graduate retention at the University for all courses is higher at around 41%, although this in part can be explained by the high number of medical students who often stay in the area after qualifying.
- At **Liverpool John Moores University**, approximately half of graduates on PBS-relevant courses who move into employment do so in the City Region. Other common destinations for these graduates include other parts of the North West, Yorkshire and Humber, the West Midlands, Wales and London.
- At **Liverpool Hope University**, just over 55% of graduates on PBS-relevant courses who move into employment do so in the City Region. Given the University attracts a higher proportion of students from the North West, this finding is not surprising.

For the City Region as a whole, the challenge is for it to generate the type of jobs that can ultimately increase the rate of graduate retention by reducing the flow of graduates to other parts of the country. It should be noted that the data collected on graduate destinations changed as of December 2017. This applies to all UK HEIs and while it does not alter the challenges facing the City Region, it does mean that setting any targets as part of the resulting strategic priorities won’t be immediately possible.



Resident Qualifications

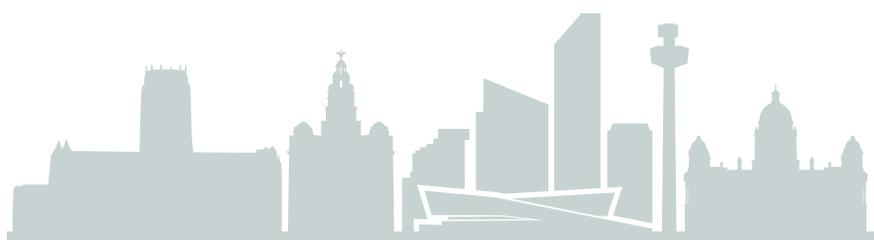
Looking at the area as a whole, data for 2017 shows that Liverpool City Region has a lower proportion of residents aged 16-64 with a degree level qualification or higher (NVQ4+: 31%) than the UK average (38%). In 2012, around 25.5% of residents aged 16-64 in the City Region had an NVQ4 or higher, meaning that the proportion of people with higher level skills increased by almost six percentage points between 2012 and 2016. This was faster than the corresponding rise seen across the UK as a whole (an increase of 4.4 percentage points). The City Region still has a high proportion of people with no qualifications (11%) compared to the national average (8%), however. Table 9 shows skill levels of working age residents in the City Region.

Looking at qualifications by age in more detail, around 28.0% of residents aged 20-24 in the City Region have a degree level qualification or higher as of 2017. This is below the UK average of 30.3%. The City Region is below the UK in terms of higher level qualifications across all other age bands (25-29, 30-39, 40-49 etc.). This makes it critical to not only focus on retaining younger cohorts leaving the universities, but to support existing residents to improve their skills.

Table 9: Employment in PBS sub-sectors, 2016

	Liverpool City Region	UK
NVQ4+	31.3%	38.4%
NVQ3 only	17.2%	17.0%
Trade Apprenticeships	3.0%	3.2%
NVQ2 only	20.4%	16.0%
NVQ1 only	11.4%	10.7%
Other	5.5%	6.8%
None	11.3%	8.0%

Source: Annual Population Survey, January-December 2017



Employer Skills Survey

Wavehill conducted a survey of more than 1,800 employers in LCR from June to September 2017. Data collected from the survey can be broken down by into the LCR Priority Sectors, which includes PBS. Key points to note from the PBS results are summarised below:

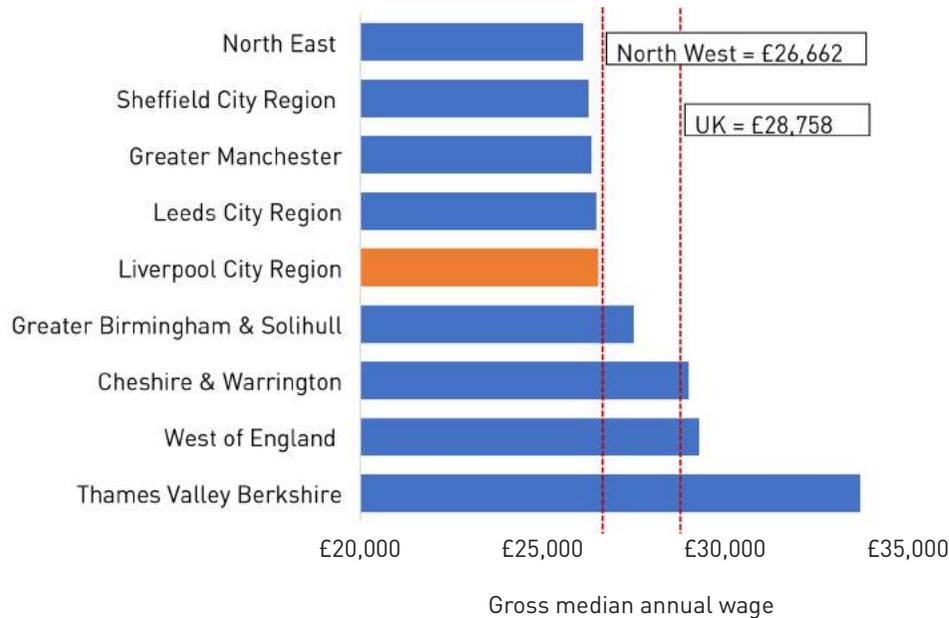
- **Main markets:** Of those who sell products or services, 52% of PBS firms reported their primary market is outside the LCR, higher than the survey average (42%), which highlights the outward looking and commercial drive of the sector.
- **Hard to fill vacancies:** Large PBS businesses are much more likely to experience vacancies that are difficult to fill due to skills shortages. Around 62% reported it was difficult to fill vacancies because of shortages in technical skills specific to the sector/role, much higher than the survey average (48%). Those who cited a lack of technical skills were asked to detail what these were; skills related to administration and finance were cited by approximately one-fifth of respondents, five of whom mentioned accountancy skills specifically.
- **Skills shortages by occupation type:** The main professions shortages in the PBS sector were in professional occupations (32%) and technical & associate professional occupations (31%) which are substantially higher than shortages for those respective professions survey-wide (18% and 17% respectively).
- **Skills gaps in existing workforce:** Around 20% of PBS businesses had staff who they felt were not proficient in their roles (in line with the survey average). The most common skills gaps were specialist skills or knowledge needed to perform roles (52% compared to a survey average of 47%), basic communication skills and knowledge of how the organisation works (both 35% compared to survey averages of 32% and 26% respectively).
- **Apprenticeships:** 21% of businesses in the sector employ apprentices, below the survey average of 26%. Of the businesses that do not, 49% felt that there were no barriers to employing them (compared to a survey average of 38%). Of business that do employ apprenticeships, the average number of apprentices was 3.2, similar the survey average of 3.4. Around 21% businesses planned to employ apprentices in the next 12 months (24% survey average) and 14% were planning to up-skill employees through apprenticeships (in line with the survey average).
- **Investment in training:** Almost half of the PBS businesses surveyed (41%) did not have an annual training budget (above the survey average of 38%), 44% reported they did have a budget and the remaining 15% were unsure. An estimated 79% of businesses had trained staff in the last year (slightly below the survey average of 84%) and the most common types of training organised were job specific (91%) and health & safety (64%). Of those who had undergone training, only 56% of PBS businesses reported staff accessing external training – substantially lower than the survey average of 79%.
- **Work experience & placements:** 22% of PBS businesses had offered placements or internships in the last 12 months (24% survey average). 41% of those who did not would consider doing so in the future (34% survey average). This is a positive finding to emerge from the survey, with a relatively high proportion of PBS companies indicating that they would be willing to engage with the idea of offering work experience and placement opportunities in the future.



6. WAGES

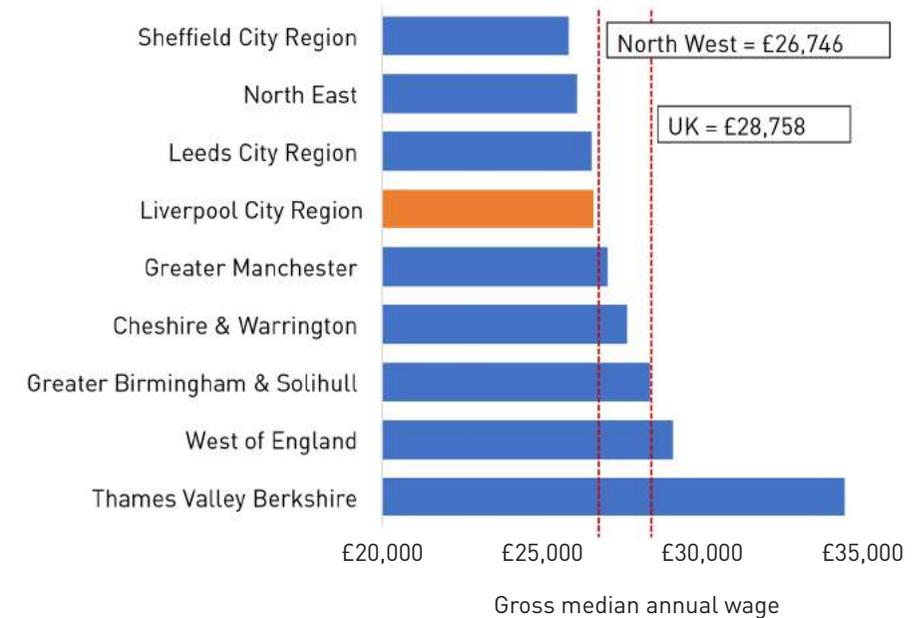
The gross median annual wage for residents in Liverpool City Region is £26,523 – higher than both Greater Manchester and Leeds City Region. The gross median annual wage for workers in Liverpool City Region is £26,577 – above Sheffield City Region, the North East and Leeds City Region, but slightly below Greater Manchester (£27,028). The City Region is virtually in line with the North West for annual wages, as shown in Figures 5 and 6³.

Figure 5: Gross median annual pay for full-time employees in selected LEPs – residence-based, 2017



Source: Annual Survey of Hours & Earnings

Figure 6: Gross median annual pay for full-time employees in selected LEPs – workplace-based, 2017



Source: Annual Survey of Hours & Earnings

³ Data on wages by sector at a City Region level are not available. The wages discussed in the analysis relate to all sectors and the median figures are used, which reduces the risk of low/high salaries skewing the data.

7. BUSINESS START-UPS, DENSITY & SURVIVAL

This section presents analysis on:

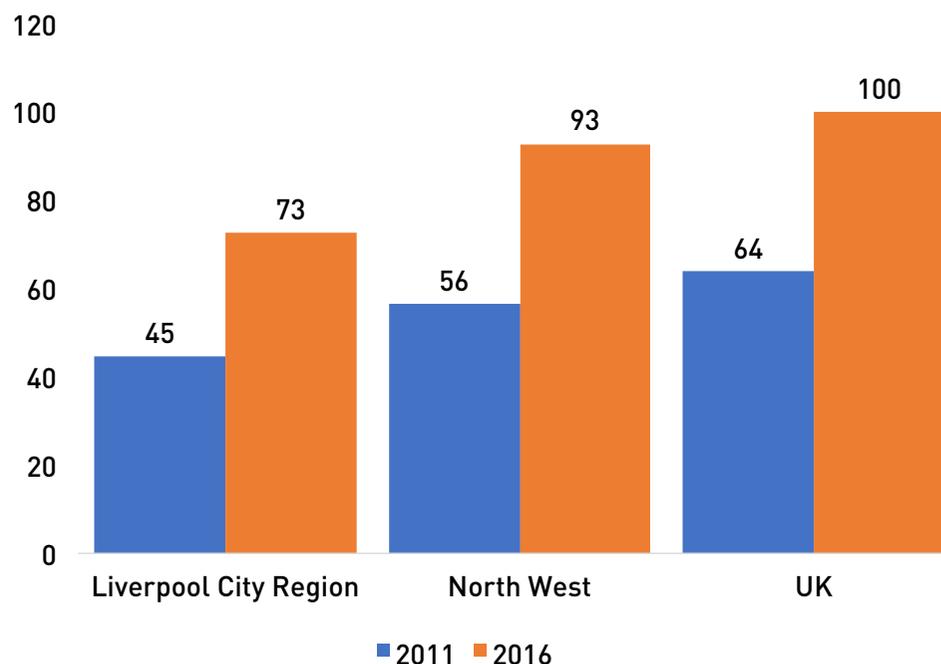
- **Business start-ups in the City Region and selected benchmark areas between 2011 and 2016.**
- **Business density in the City Region over the last five years.**
- **1-year and 5-year business survival rates in the City Region.**

Business Start-ups

In 2016 there were approximately 73 business start-ups per 10,000 resident working age population in Liverpool City Region. Figure 7 shows the data in further detail, highlighting that the City Region has historically lagged behind the North West and UK in terms of new business starts. However, between 2011 and 2016 business start-ups per 10,000 resident working age population grew by 63% in Liverpool City Region, compared to 57% in the UK, so the gap is beginning to close.

Research published by the Enterprise Research Centre⁴ in February 2016 found that Liverpool is home to a bigger proportion of fast-growing firms than anywhere else in the UK, with the number of fast-growing firms based in Liverpool increasing by 56% between 2009 and 2015. To be classified as “fast-growing” they must have increased staff numbers by at least 20% over the last three years and employ a minimum of ten people.

Figure 7: Business start-ups per 10,000 resident working age population



Source: ONS – Mid-year Population Estimates and Business Demography

⁴ ERC (February 2016) - Spatial Incidence of High Growth Firms



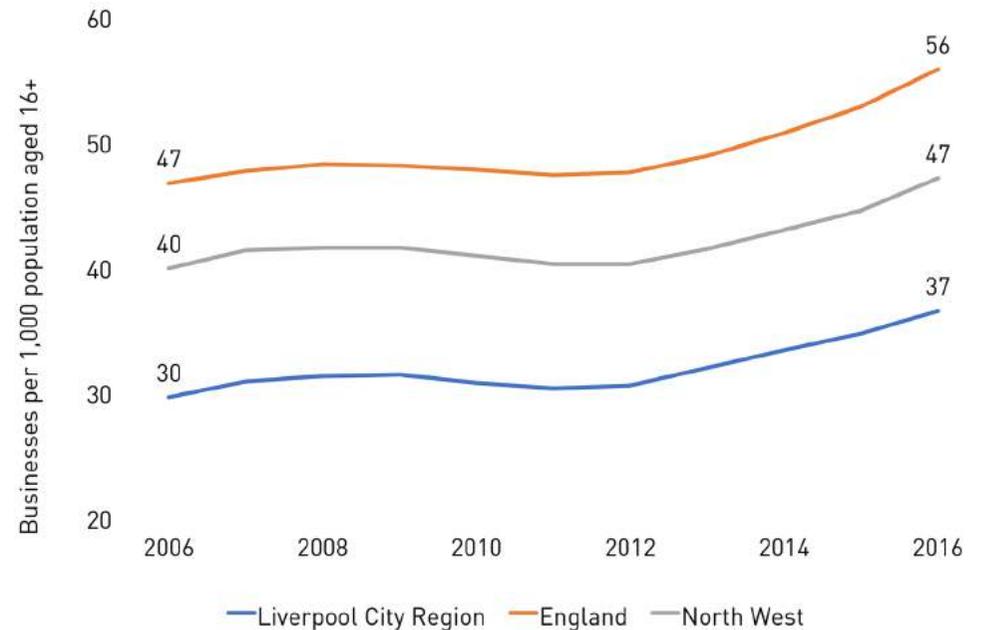
Business Density

In 2016 there were approximately 37 businesses per 1,000 people aged 16+ in Liverpool City Region, up from 30 in 2006.

Figure 8 shows the data in further detail and it is clear that the City Region has consistently lagged behind regional and national trends in terms of business density. In England, business density currently stands at around 56 companies per 1,000 population aged 16+, up from 47 in 2006. The North West business density rate is lower at 47 firms per 1,000 people aged 16+, however this is still well above the Liverpool City Region average.

The clear implication from this analysis is that the City Region needs to increase the number of businesses operating in the area.

Figure 8: Businesses per 1,000 population aged 16+, 2006-16



Source: Calculated using data published by ONS



Business Survival

Tables 10 and 11 show 1-year and 5-year survival rates by the start date of companies respectively. It can be seen that the 1-year survival rate in Liverpool City Region has remained virtually in line with regional and national trends over the last decade. For example, 96% of firms started in the City Region in 2016 were still operating after 12 months, compared with 97% in both the North West and England. Looking at longer term survival (five years), 42% of companies which started trading in the City Region in 2011 were still operating five years later. This is slightly below the national average of 44%, but similar to the regional average of 43%. A key issue for the City Region is that it needs to see an increase in the number of firms surviving in the long-term.

Table 10: 1-Year Survival Rates by Start Date of Company

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
England	97%	95%	92%	91%	87%	93%	91%	94%	92%	90%	97%
NW	97%	96%	94%	92%	87%	93%	92%	94%	93%	91%	97%
LCR	96%	94%	94%	91%	87%	93%	92%	95%	93%	92%	96%

Source: ONS, Business Demography

Table 11: 5-Year Survival Rates by Start Date of Company

	2006	2007	2008	2009	2010	2011
England	45%	44%	41%	42%	41%	44%
NW	43%	44%	40%	41%	40%	43%
LCR	40%	40%	37%	40%	38%	43%

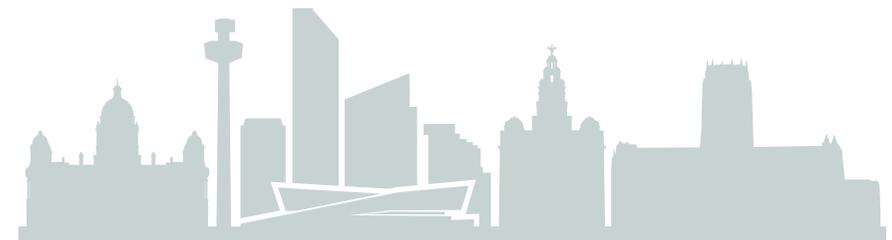
Source: ONS, Business Demography



8. CONCLUSIONS FROM DATA ANALYSIS

- **Current position:** PBS is one of the most important sectors in Liverpool City Region. It is the largest sector in terms of GVA, the second largest in terms of employment and it accounts for nearly one quarter of all businesses. The City Region has a number of concentrations within PBS, notably in wealth management and maritime. The cross-cutting nature of PBS means that opportunities are likely to arise in other sectors which the City Region has expertise in, including: digital; science; advanced manufacturing; and low carbon & energy. The number of PBS companies has grown substantially in recent years, however firms in the sector tend to employ fewer people when compared with the City Region's entire business base. PBS in the City Region also accounts for a smaller proportion of all jobs than in many other areas, notably Greater Manchester and Leeds City Region. Growth of existing PBS firms (those employing 0-9 people and 10+) needs to be supported and the potential to attract new companies to the area should be explored.
- **Future growth:** In absolute terms, jobs growth in PBS is expected to be substantial in the City Region over the next 20 years and it is forecast to account for almost two thirds (65%) of new employment created between 2016 and 2036. However, it is only expected to account for 36% of new GVA created, suggesting that many of the new jobs are likely to be in lower value added occupations. The challenge for the City Region is to achieve jobs growth in sectors that have higher levels of productivity.
- **Skills & qualifications:** The City Region has a significant future labour pool at its universities, with the challenge being to create the job opportunities to encourage graduates to stay in the area long-term. Engagement between businesses and students will be important in this respect. The City Region is below the UK in terms of higher level qualifications across all age bands (20-24, 25-29, 30-39, 40-49 etc.). This makes it critical to not only focus on retaining younger cohorts leaving the universities, but to support skills development in the current PBS workforce in order to improve skill levels amongst all age groups in the City Region and address skills shortages within the sector. Better support and co-ordination of employer encounters at school is also needed. In addition, schools in the City Region should be supported to achieve the Gatsby benchmarks, which are eight career guidance benchmarks developed as part of a government review into career guidance in 2017.
- **Wider business base:** The City Region lags behind other parts of the country in terms of business start-ups and density across all sectors. While it performs in line with regional and national trends in terms of 1-year survival, 5-year survival remains an issue when considered against the national picture. The City Region needs to increase the number of businesses operating in the area which are able to grow in the long-term.

The response to the challenges outlined above is provided on page ii in the strategic priorities table.



9. CONSULTATION & WORKSHOP FINDINGS

Research undertaken by the University of Liverpool in 2017 included 22 interviews with stakeholders in the PBS sector in Liverpool City Region. A number of messages about the sector emerged from this consultation process, relating to issues that included: marketing & communications; skills; access to finance; and infrastructure.

Using the findings from the University's research, Pegasus Group undertook an additional round of stakeholder consultation in February 2018. Along with the data analysis, the findings were then presented at a workshop held in March 2018, where stakeholders began helping to develop and inform the strategic priorities to address the main issues identified by the consultation process.

Stakeholders involved in helping to inform the research include: The PBS advisory board of the LEP; the universities; Professional Liverpool; the LEP; the Combined Authority; the Commercial BID; Chambers of Commerce; Arup; DLA Piper; Hill Dickinson; DSG Chartered Accountants; Beaufort Financial; Jackson Lees; Lloyds Banking Group; and KPMG.

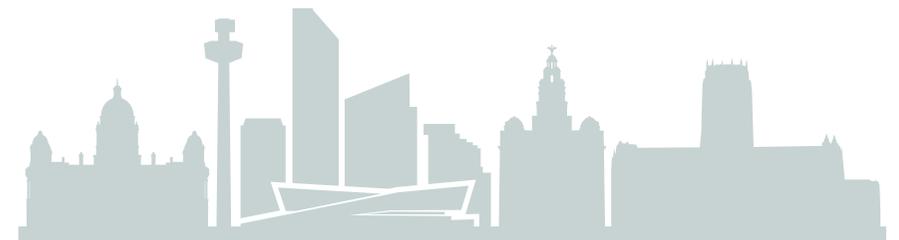
The following five issues were consistently identified during the consultations and workshop, each of which is discussed in turn on the next few pages.



Promoting the Sector

The main points to emerge around promoting the PBS sector can be summarised as follows:

- **Liverpool has a strong image internationally which could be further capitalised on. The City Region needs to do more to promote itself nationally (as a place to live and work) and a far stronger “brand image” needs to be developed for the PBS sector.**
- **When promoting the sector, it is important to consider who the audience is. Messages for an international audience need to be targeted towards promoting inward investment, whereas local messages need to be focused on helping to develop/retain existing companies based in the City Region, and attract new firms from elsewhere in the UK. Where applicable, messages need to highlight the work being undertaken across all parts of the City Region to grow the PBS sector in Halton, Knowsley, Liverpool, Sefton, St Helens and Wirral. The City Region needs to be promoted with one voice – joined-up thinking is required. Collateral is needed in order to promote the sector. Reliable and robust statistics are required, which are also straightforward to understand.**
- **The City Region needs to be promoted with one voice – joined-up thinking is required. Collateral is needed in order to promote the sector. Reliable and robust statistics are required, which are also straightforward to understand.**
- **Emphasising the quality of life offer in Liverpool City Region is key and so too is demonstrating that the City Region has access to talent, both immediate and future.**
- **The City Region’s diaspora needs to be galvanised to promote the sector, particularly in London and the South East.**



Skills & Talent Retention

The main issues identified by stakeholders in relation to skills and talent retention are:

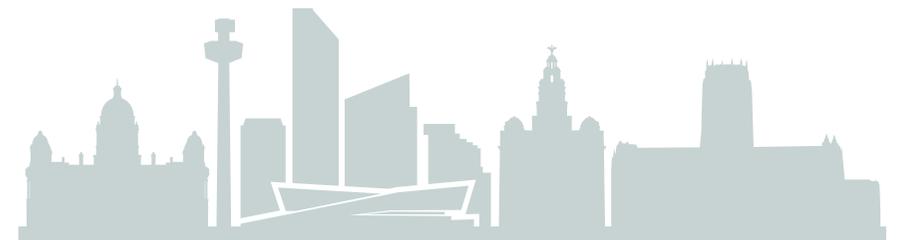
- **The City Region has a significant pool of labour, with more than 6 million people living within one hour's drive of the city centre. Retaining talent is an issue, however, as is upskilling the existing workforce. The number of graduates from related courses at universities in the City Region provides the area with a substantial future workforce. Closer relationships are needed between businesses and universities and more needs to be done to encourage graduates from the universities to develop their career in the City Region as opposed to elsewhere, while the role played by apprenticeships is becoming increasingly important.**
- **There is already a significant amount of work being undertaken to try and improve skills and talent retention in the City Region. This activity needs to be mapped, which would help to give a clear picture as to what stakeholders are doing.**
- **The role of mentoring is important for the City Region. A mentoring panel could be developed amongst interested stakeholders, helping to create “a city of mentors”.**
- **The public and private sectors need to be fully engaged in order for any intervention(s) to be successful.**



Access to Finance & Business Base

Stakeholders identified the following issues in relation to access to finance:

- **A lack of finance can act as a barrier to growth for companies. Support is needed to help businesses develop their workforce, invest in new products/services, target new markets etc.**
- **For any intervention to be successful, it is critical that companies and individuals know who the right people to go to are.**
- **The role of digitisation and advising growth technology businesses is becoming increasingly important.**
- **Establishing an active investor network is important for the City Region. There are lots of funding options out there, but everything needs to be joined up. This can help increase the number of deals done, money invested etc.**
- **The creation of a technology/digital & life sciences fund could boost the PBS sector in Liverpool City Region. The visibility of such a fund would be key in ensuring its success.**
- **Private equity funds should be encouraged to invest in Liverpool City Region from other parts of the country – including Leeds, Manchester, London etc.**



Inward Investment

The following issues were identified in relation to inward investment:

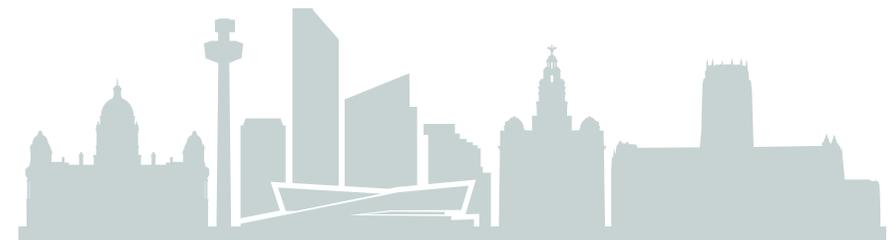
- **Having a one voice agency which is focused and targeted against a short, medium & long-term inward investment plan is key. The agency needs people who can create relationships with inward investors, which can help increase the number of long-term relationships created, conversions etc.**
- **As part of a long-term investment plan, more needs to be done to encourage the City Region's diaspora to sell the area. Diaspora in markets such as London, China, New York and Malaysia need to be identified and could be the initial focus for activity.**
- **A better understanding of the factors influencing location choices of people and businesses is required.**
- **The role of north-shoring has risen to prominence in recent years and this is something that the City Region could capitalise on, by promoting to people and businesses outside the area the City Region's quality of life, skills and proximity to markets.**



Commercial Space

Issues raised by stakeholders in relation to commercial space focused on:

- A clear view to emerge is that the City Region lacks grade A office space, which is holding the PBS sector back. This issue is already being addressed, with agreement reached in March 2018 to deliver the £200m Pall Mall scheme in Liverpool's Commercial Business Improvement District (BID). The scheme will deliver approaching 400,000 sq. ft. of new office space.
- The focus for commercial space should be on the city centre to start with, before expanding to the wider City Region.
- The creation of a Spatial Regeneration Framework (SRF) for the Commercial BID would help in providing a framework for further grade A office space. A strategy and vision is required for the BID – which would help support the development of a successful daytime and night time economy.
- There needs to be a figurehead responsible for the commercial district in Liverpool. Similar to the role of the Knowledge Quarter CEO, this would provide a single point of accountability and someone to take ownership of the commercial district's offer.







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