



CITY LEADERSHIP: GIVING CITY-REGIONS THE POWER TO GROW ADAM MARSHALL AND DERMOT FINCH

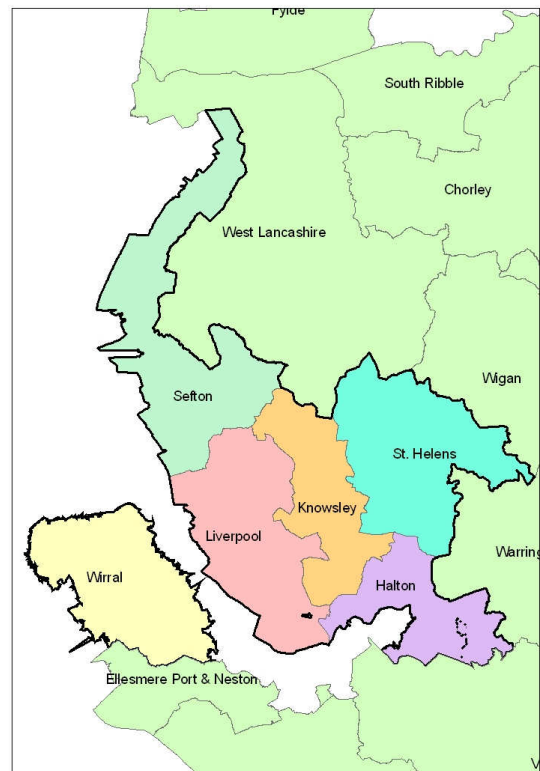
LIVERPOOL BRIEFING

Liverpool and its City-Region

Liverpool (population 444,500) is the hub of the Merseyside conurbation and a wider city-region of nearly 2 million people extending into West Lancashire, Cheshire and North Wales.

In economic terms, Liverpool city centre is the principal driver and employment centre of the city-region, supplying some 230,000 of the area's 900,000 jobs.¹ Recent efforts to revive the area's economic fortunes have centred on tourism, the city's designation as European Capital of Culture for 2008, development of the city centre as a location for business and services, and 'strategic investment areas' across Merseyside. New public sector jobs have been the top driver of employment growth.

Despite impressive strides in regeneration and improved economic performance, Liverpool remains England's most deprived area, and four other local authorities on Merseyside also rank in the top 50.² The city-region's recent economic recovery continues to move ahead, but remains fragile.



¹ Mersey Partnership (2005): *The Liverpool City-Region: Transforming Our Economy. The Strategic Proposals*. Liverpool: TMP.

² ODPM (2004). *English Indices of Multiple Deprivation*. London: HMSO.

Our work in Liverpool and the wider city-region

City Leadership includes extensive research in Liverpool and the wider city-region:

- Detailed analysis of local/regional economic development budgets & funding streams
- Case studies examining major infrastructure projects in the city-region
- Over 20 interviews with public and private sector stakeholders
- A Business Stakeholder Group, conducted with Liverpool City Growth and Liverpool Chamber in August 2005

Additional research was conducted in Birmingham, Barnsley, Manchester and London. This resulting mix of quantitative, quantitative and comparative evidence showed a mixed case for financial devolution to Liverpool and its city-region.

Key local research messages

Public and private sector actors across Merseyside identified a wide range of economic development priorities. City-centre regeneration, transport, skills, and boosting employment in the area were frequently mentioned as critical to the area's economic success. However, there was little consensus over how major projects – such as Liverpool's waterfront developments, the Strategic Investment Areas, Merseytram, and an additional Mersey crossing – should be prioritised and funded.

Public and private-sector stakeholders expressed frustration at the speed of regeneration and the difficulty of putting together viable funding packages for major projects (with the exception of the privately-financed Paradise Project). City-regional co-operation was viewed positively, but was limited because of tensions between Liverpool and the surrounding authorities.

Public sector stakeholders

Public sector interviewees in Liverpool and the city-region repeatedly identified the lack of co-ordinated regeneration funding as the top barrier to economic growth. The area had done well out of European, national, and regional funding pots, but there was concern that Liverpool and Merseyside had developed an unsustainable 'grant mentality'. As one local stakeholder noted,

Liverpool's capacity to raise capital funding is constrained by a relatively weak asset base. The city has to be very good at marshalling and attracting funds from outside...
- Interview, Regeneration Manager, 19 August 2005.

Shifting grant regimes were seen as a threat to the area's relatively weak resource base. Merseyside authorities were using prudential borrowing and other financial flexibilities with caution, because they lacked the revenue streams needed to service the resulting debt. The area's narrow tax base, however, meant that there was little interest in new revenue-raising powers at this time.

Private sector stakeholders

Business stakeholders in Liverpool and Merseyside were opposed to additional local revenue-raising the city-region. Businesses also lacked confidence in the city-region's ability to handle wide-ranging new economic development responsibilities at present. The fragmentation of economic development responsibilities in Liverpool was a key source of confusion; businesses felt that there were too many partnerships and delivery bodies operating and that the strategic agenda was not yet fully fleshed out.

There was also uncertainty over the city-regional agenda, and confusion over the roles played by individual local authorities, the Northwest Development Agency, and central

government. The voluntary Mersey Partnership was cited as a positive factor, but there was no broad agreement on how the partnership might be deepened.

What are the policy implications?

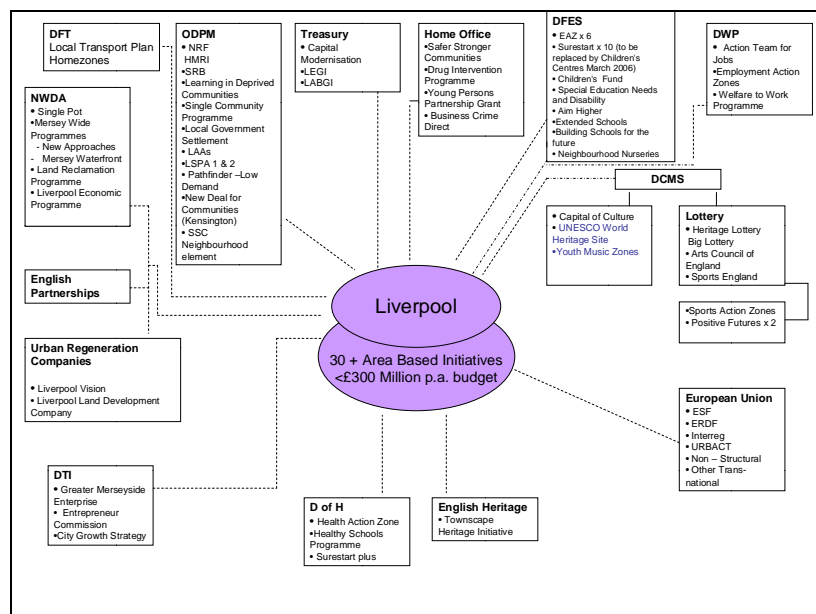
Given current economic and political conditions, *City Leadership* does not recommend radical financial devolution to the Liverpool city-region (as it does for greater Birmingham and greater Manchester). The report does, however, note that the city-region could take on devolved spending and revenue-raising powers in the future, once greater consensus and interest was developed across both the public and private sectors.

Yet our research found a clear need for greater financial flexibility in Liverpool. It was clear that the fragmented nature of regeneration funding is a clear barrier to the take-up of existing powers, and to leveraging private investment. The report recommends increased flexibility, within the existing system, as a prelude to wider devolution.

Economic Development Contracts

Liverpool and its surrounding authorities will all have Local Area Agreements (LAAs) by Spring 2007. *City Leadership* recommends that the Economic Development and Enterprise block of LAAs ('the Fourth Block') be up-scaled into a wider Economic Development Contract that relaxes regional and central oversight over key regeneration funding streams.

This would enable Liverpool City Council, for example, to rationalise the maze of regeneration streams currently operating in the city. As the diagram below shows, there are over 30 area based initiatives operating in Liverpool – accounting for an annual budget of nearly £300 million. Greater rationalisation, alignment and pooling would enable local politicians and officers to prioritise incoming resources with greater precision.



Source: Liverpool City Council

Better take-up of existing powers

Greater financial flexibility will help Liverpool and other Merseyside authorities to make wider use of new powers – such as the prudential borrowing, user charging, and the power of well-being – they have gained over the past five years.

In Liverpool itself, greater financial flexibility would underpin take-up of prudential borrowing powers, which could be used to drive regeneration forward in the Strategic Investment Areas outside the city centre (e.g. Edge Lane/Hall Lane, Speke-Garston, the north Docks, etc).

Boosting capacity, skills and communication

Some stakeholders feared that capacity issues and political tensions in the Liverpool city-region could undermine investor confidence and Merseyside's economic recovery. Stakeholders felt that Liverpool had to play a leadership role for the wider area, and that Liverpool City Council and the other local authorities still had capacity gaps to fill.

Economic development contracts and better take-up of existing powers need to be complimented by a clearer support offer for city officials *and* politicians. Central government, and the many bodies currently working in the 'capacity-building' field, need to focus efforts on boosting urban economic development skills. More public-private exchange, job-sharing, and secondments should also be encouraged across Merseyside.

What happens next?

Continued development of the city-regional agenda

Public and private sector actors across the Liverpool city-region need to continue to develop city-regional economic development strategies in the near term, refining the City-Region Development Plan and the foundation provided by the Mersey Partnership. Strong examples of city-regional joint working, for example, on employment and skills, could serve as a basis for wider co-operation that bridges core-periphery and public-private divides.

City Leadership recommends broad new spending and revenue-raising powers for the Birmingham and Manchester city-regions – but the Liverpool city-region could follow on their heels. With a more mature strategy and greater public-private confidence in place, the city-region could then take on additional spending and revenue-raising powers. This could include city-regional control over key economic development functions, in place of the Northwest Development Agency, the Government Office for the North West, and the Greater Merseyside LSC.

This paper accompanies *City Leadership: Giving City-Regions the Power to Grow*, a Centre for Cities report on financial devolution and city governance.

The full report is available from www.ippr.org/centreforcities

The Centre for Cities is an independent urban research unit based at ippr, the Institute for Public Policy Research. It is taking a fresh look at how cities function, focussing on the economic drivers behind city growth – investment, enterprise, innovation, skills and employment.