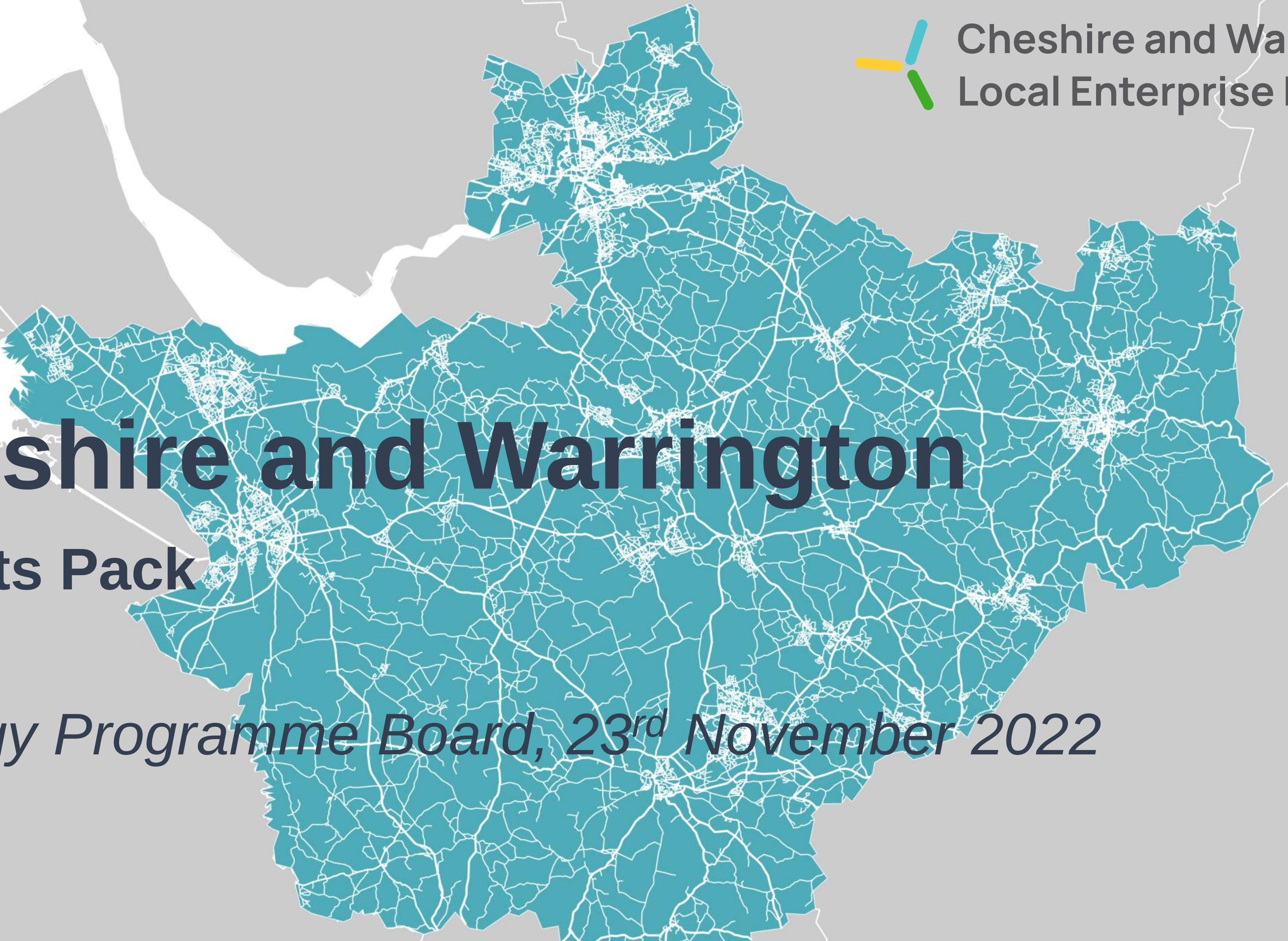
Cheshire and Warrington
Local Enterprise Partnership



Cheshire and Warrington

Insights Pack

Strategy Programme Board, 23rd November 2022

Metro — Dynamics

Metro —— Dynamics

A recap of the work

- Metro Dynamics updated the evidence where it made sense to since the LIS
- Provided a best estimate of where the sub regional economy is in 2022
- Produced an updated evidence base, which draws upon sources:
  - The consultants' own, updated, analysis – looking at the four goals for Cheshire and Warrington: Growing, Sustainable, Healthy, Inclusive
  - Further deep dives undertaken into economic complexity and the real living wage
  - Up-to-date economic insights presented to the Strategy Programme Board
  - The Cheshire and Warrington Skills Report
  - The Sustainable and Inclusive Growth Commission
- Workshop with the LIS strategy board to discuss findings
- Built the draft insights to inform subregional economic strategy – what needs to change to current approach?
- Intentionally focus on what has **changed** in Cheshire and Warrington. This helps us understand the direction the economy is taking.
- There are some areas which are not the focus of this pack, such as transport connectivity and digital connectivity. They are picked up on in the further documentation – but because they haven't seen significant changes we haven't included them here.

Today we will focus on the insights from the work and think about potential policy and projects

The Local Industrial Strategy

- Metro Dynamics produced its last comprehensive overview of the Cheshire and Warrington Economy in 2018/19 during the production of the Local Industrial Strategy
- **Many of the priorities identified in the LIS are still the right ones**.
- The strategic opportunities – energy, life sciences, manufacturing, plus logistics and finance & business services
- The 5 foundations – people, ideas, business environment, infrastructure, places

STRATEGIC FOCUS	DELIVERING A MORE PRODUCTIVE ECONOMY	DELIVERING A MORE RESILIENT ECONOMY	DELIVERING A MORE INCLUSIVE ECONOMY
ENERGY	• Capitalising on the knowledge-based industrial and energy assets in the locality to develop, deliver and export solutions to the clean growth grand challenge • Reinforcing Cheshire and Warrington as a centre of excellence design, engineering and consultancy services to the nuclear industry	• Facilitating industry plans to build a smart, local energy network and trading platform initially centred on Ellesmere Port's industrial cluster, and powered by locally generated low and zero carbon energy • Becoming an early adopter for new sources of low carbon heat, power and fuels for transport including hydrogen	• Progressing opportunities to capture waste heat from industry to feed local heat networks so reducing the cost of energy to households and helping tackle fuel poverty • Demonstrating leadership in responding to the clean growth grand challenge and working to minimise negative impacts of climate change on residents and business
LIFE SCIENCES	• Support the ongoing development of the Cheshire Science Corridor including the life sciences cluster at Alderley Park and the Medicines Discovery Catapult in order to increase the rate of success for development of new medicines • Strengthen the life sciences ecosystem to reinforce Cheshire and Warrington as one of the best locations in the world for medicines discovery, formulation and manufacturing	• Strengthening medicines manufacturing capabilities in Cheshire and Warrington to boost the proportion of medicines developed and manufactured in the UK.	• Identifying opportunities to contribute towards the ageing well grand challenge
MANUFACTURING	• Supporting the ongoing shift to more intelligent, automated means of production • Boosting digital skills and workforce capabilities • Increasing supply chain capacity and performance, with an initial focus on the automotive sector	• Supporting manufacturers to access new markets and opportunities • Increasing manufacturers' ability to develop and deliver new products to market • Developing pathways to decarbonise manufacturing processes and secure competitive, low carbon energy	• Working with employers and schools through our Pledge Network to inspire and inform young people about the career opportunities open to them in manufacturing • Supporting programmes to help the existing workforce develop their skills so they can progress in work and thrive in a changing workplace

What's changed?

- Refreshed economic focus by the sub region with a new vision – healthy, sustainable, inclusive & growing
- Sustainable & inclusive growth commission has identified a number of new areas of focus
- Changed global conditions impact on local priorities – left the EU, Covid, Ukraine, energy
- Changing national political context – 3 Prime Ministers, levelling up, now?
- Changed economic context – inflation, energy

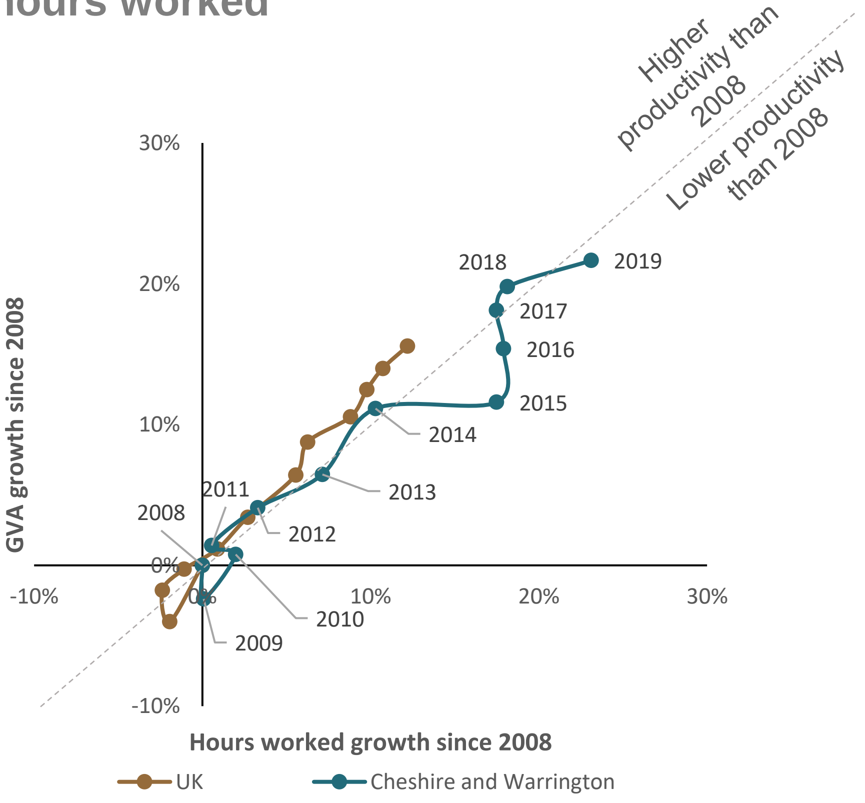
- **This means we need to continue to focus on the areas set out in the LIS – maybe accelerate work on some - and add to this in a targeted number of areas**.

Current context

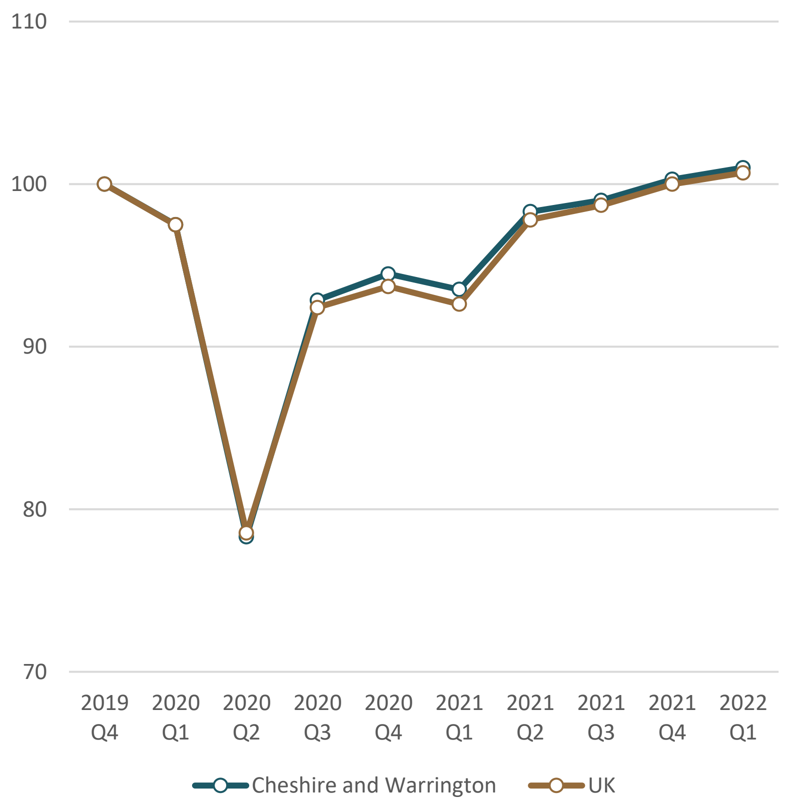
National picture	Local picture
Inflation is very high, and rising – particularly in energy. This is putting increasing pressure on people and businesses	Much of Cheshire's industry is dependent on gas, which makes up 100% of energy in pharmaceuticals, and over 75% in food manufacturing. Already, one in nine people are in fuel poverty – before recent energy price rises
The economy is adjusting to new trading conditions due to Brexit, with new regulations in some sectors	Cheshire's chemicals sector is very heavily impacted by the need for new regulation – costing the industry an estimated £2bn nationwide. Financial services exports in CWLEP have fallen
Long Covid continues to rise among the population, reducing staff workforces	In Warrington, and to a lesser extent Cheshire West and Chester, long-term sickness is removing people from the labour market

A likely recession – though the subregion has shown resilience before

Recovery since the financial crisis – GVA and hours worked

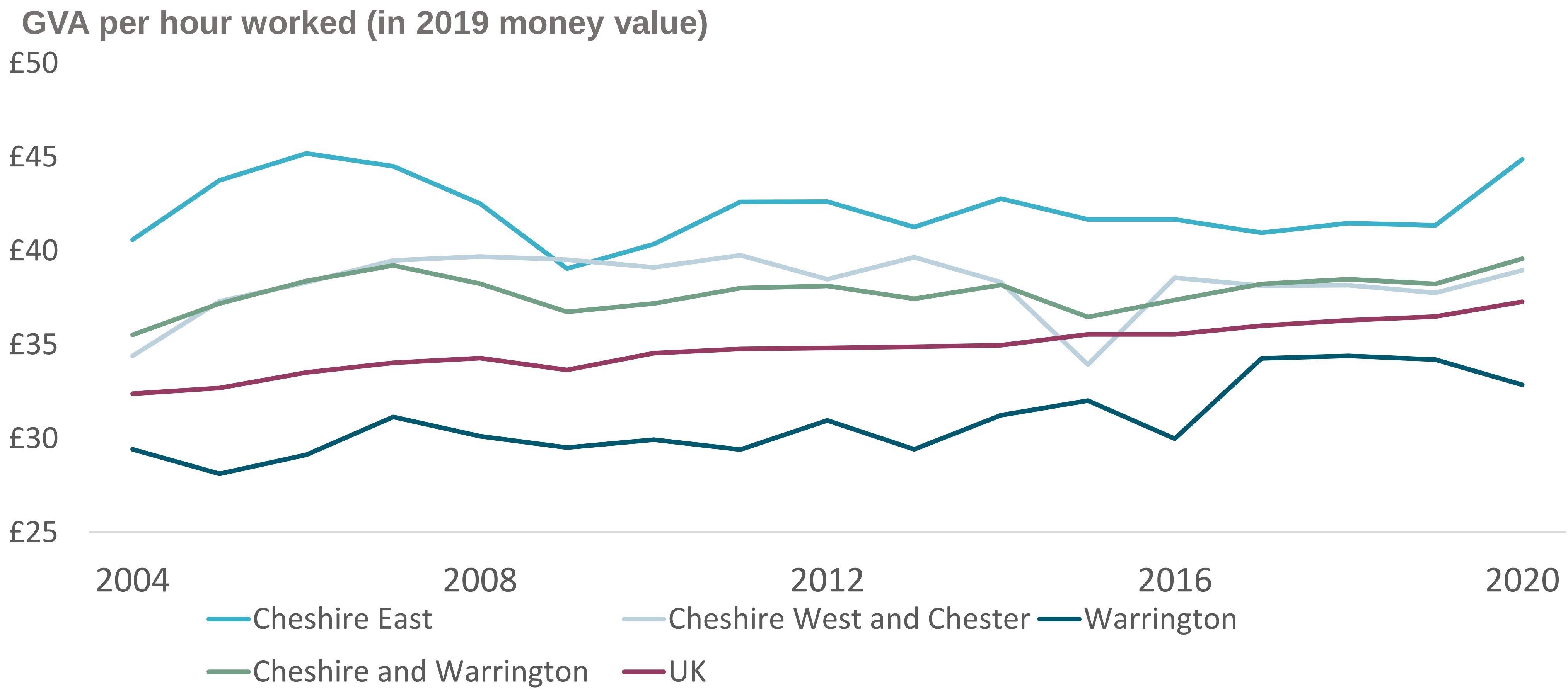


Modelled recovery since the Covid pandemic



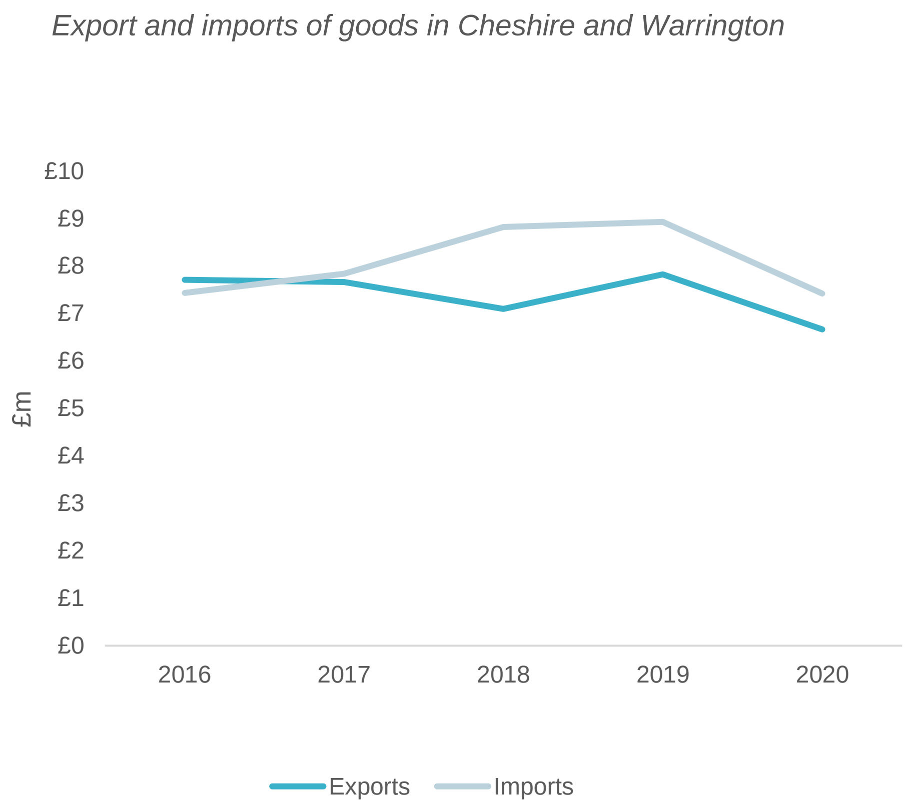
Source: ONS regional accounts, BRES sector shares, Metro Dynamics analysis

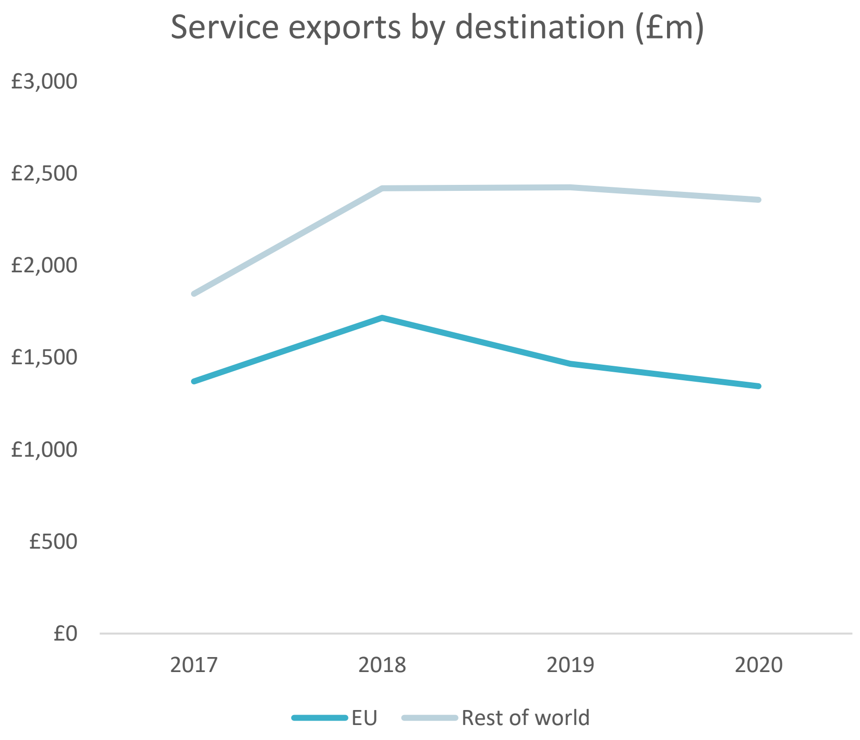
Productivity is high, but not growing



Source: Metro Dynamics analysis of ONS Regional Accounts

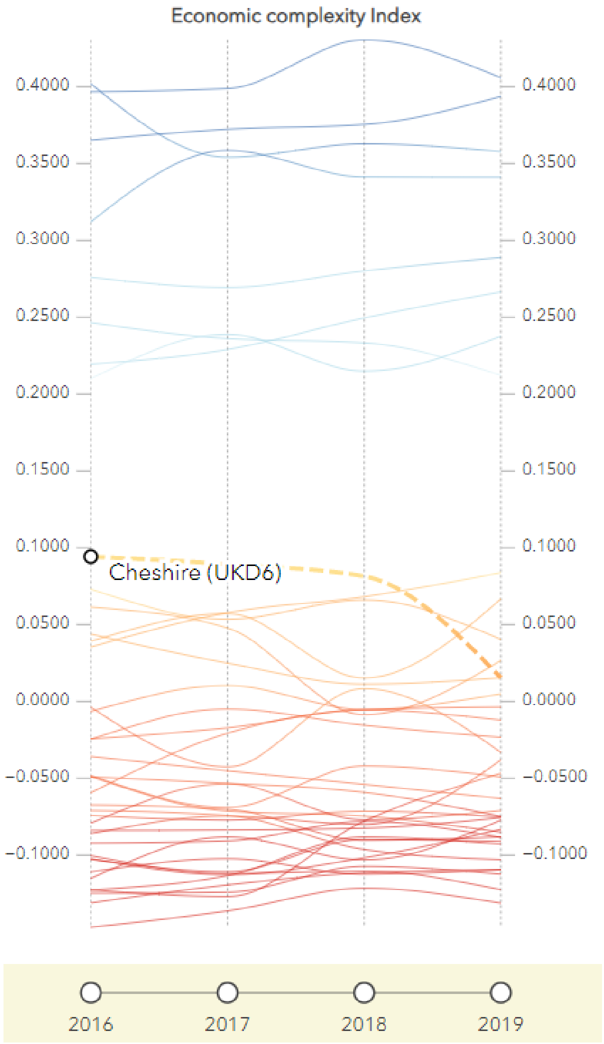
The economy still responding to new trading conditions





Source: HMRC export and import data

A recent fall in complexity suggests challenges in the knowledge economy

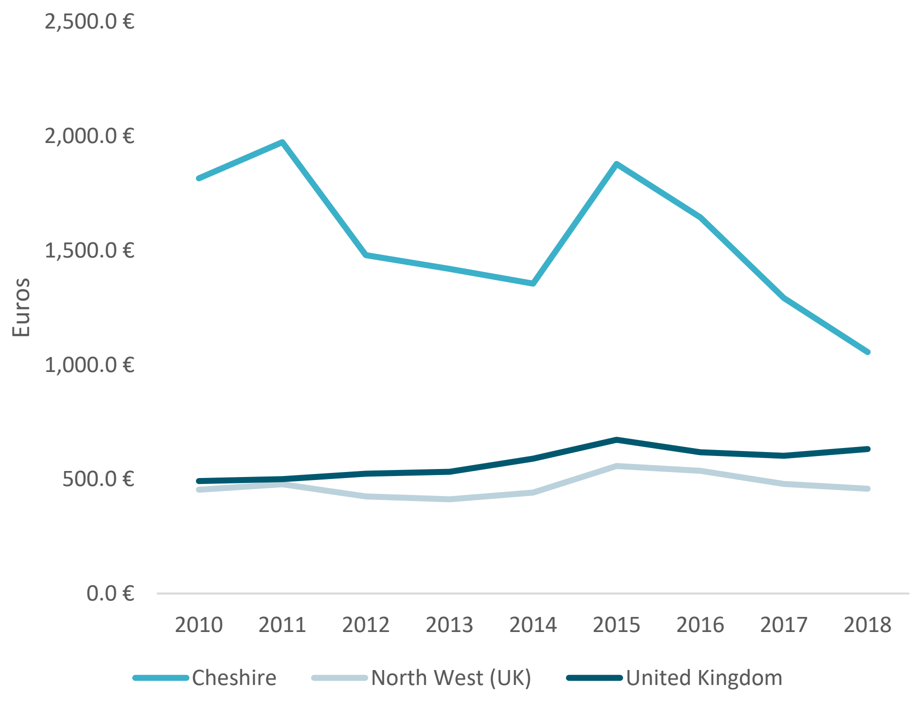


Source: BEIS/Nesta

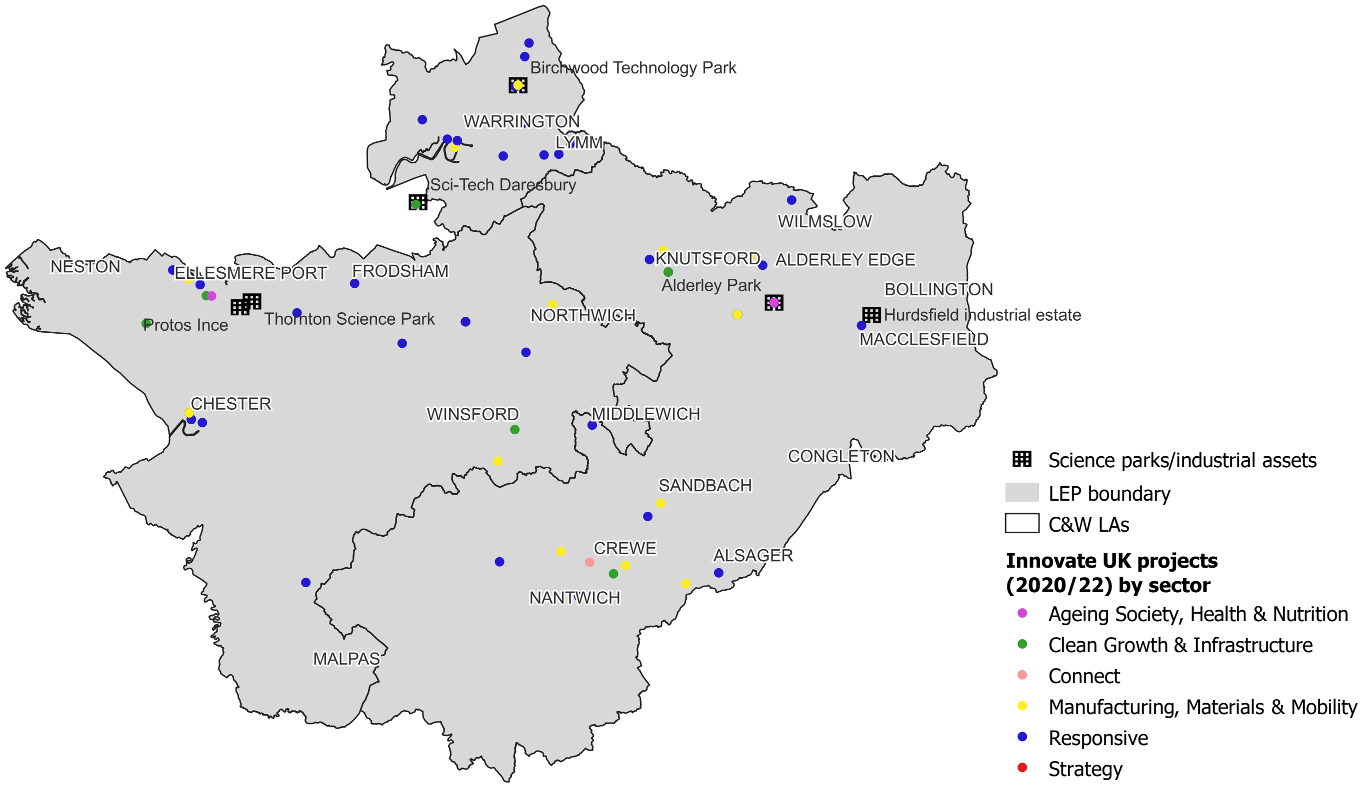
- The biggest one-year change (positive or negative) and the biggest three-year change of any area over this period.
- Retained many high-value specialisms in management consultancy and accountancy.
- But specialisms which cluster around knowledge industries – such as the leasing of IP – have been lost.
- This is indicative of what seems to be a more serious decline in high-knowledge activity

Business R&D is falling, and UKRI projects don't cluster in science parks

Business R&D expenditure per head of population



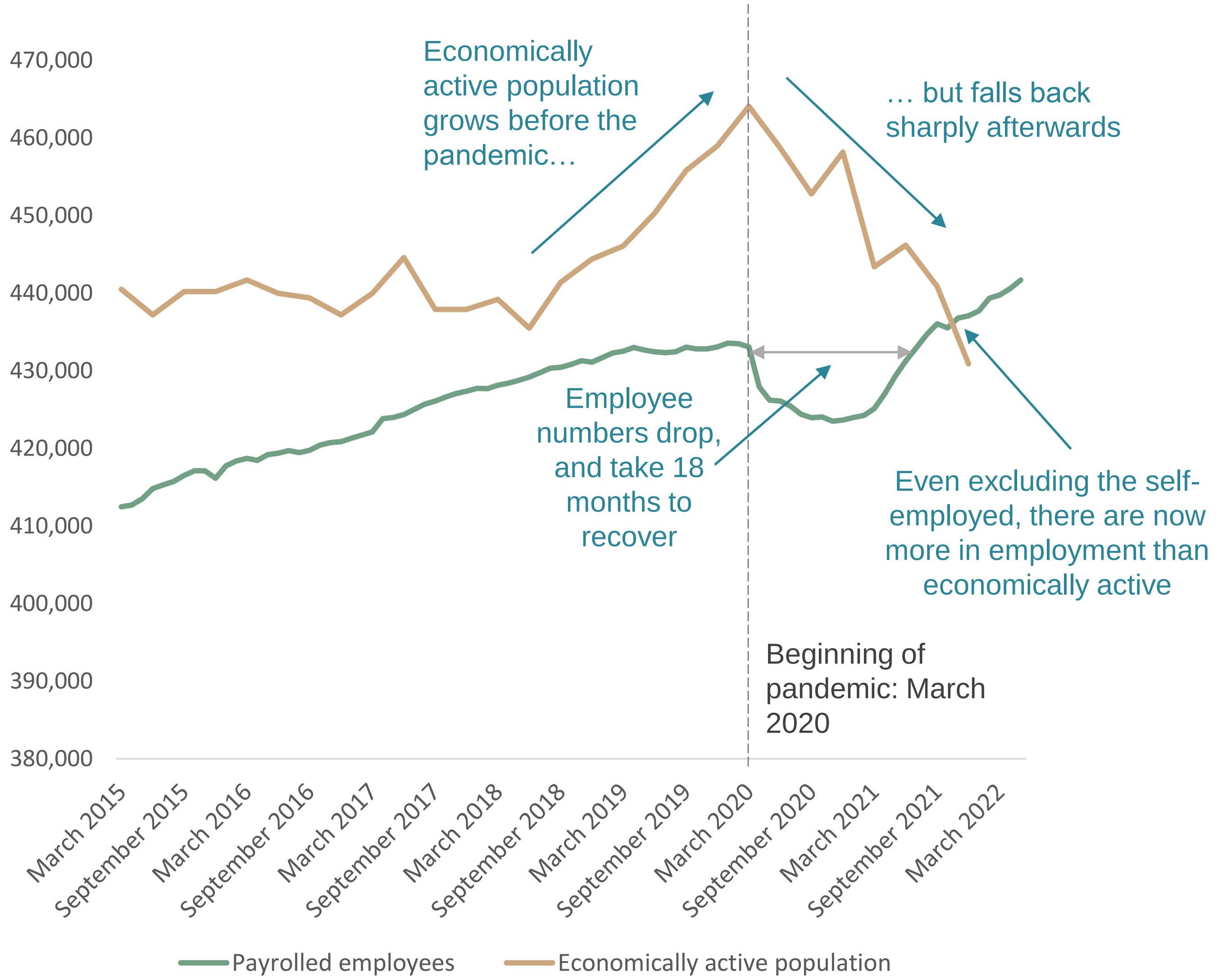
Location of Innovate UK projects 2020/22



Source: Eurostat, Innovate UK

Labour market picture is one of real tightness

Economically active population and payrolled employees, CWLEP



Sources: ONS Annual Population Survey, ONS Real-Time information from PAYE records

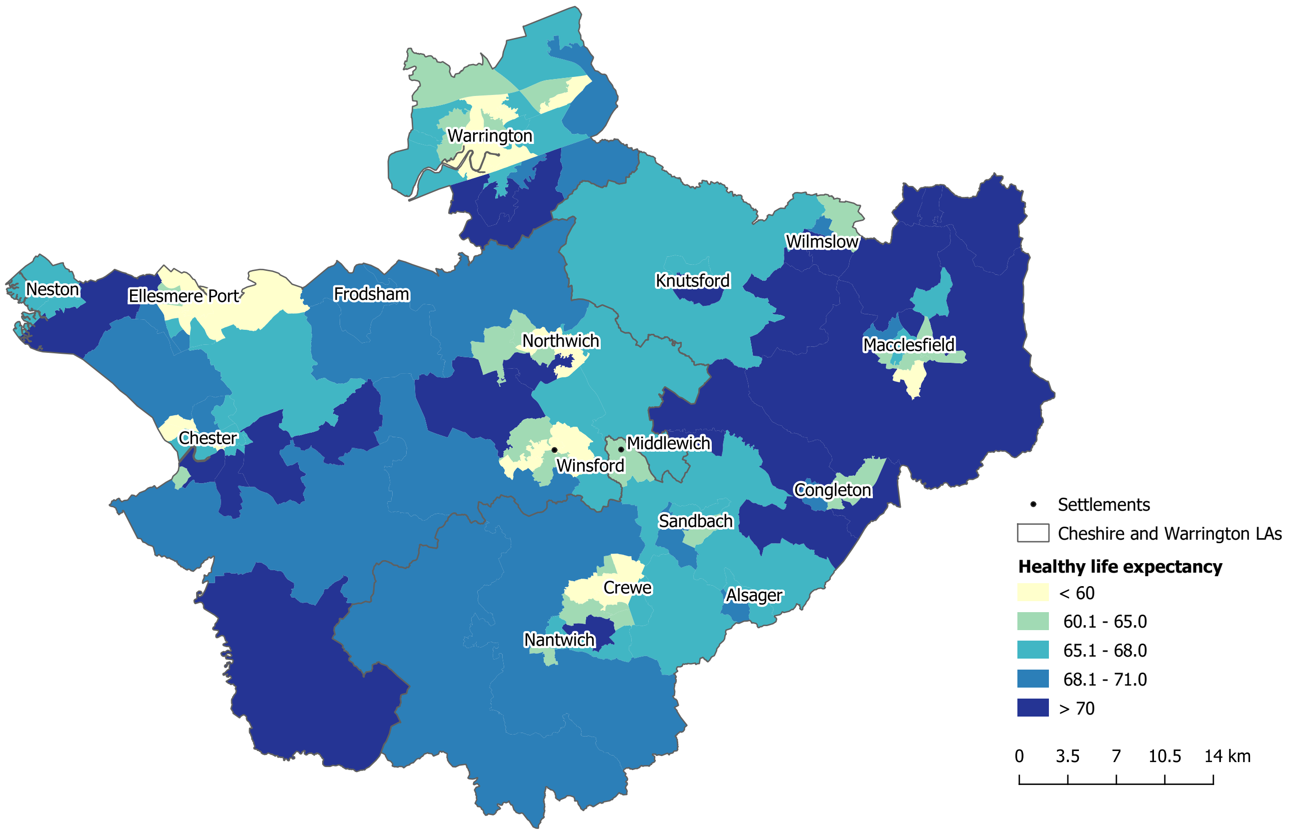
Real Living Wage coverage improving – but for how long?

- We estimate the RLW will rise sharply this September – this may put pressure on businesses who are currently RLW employers

Source: Annual Survey of Hours and Earnings

Health outcomes good on average, but very variable and Long-Covid on the rise

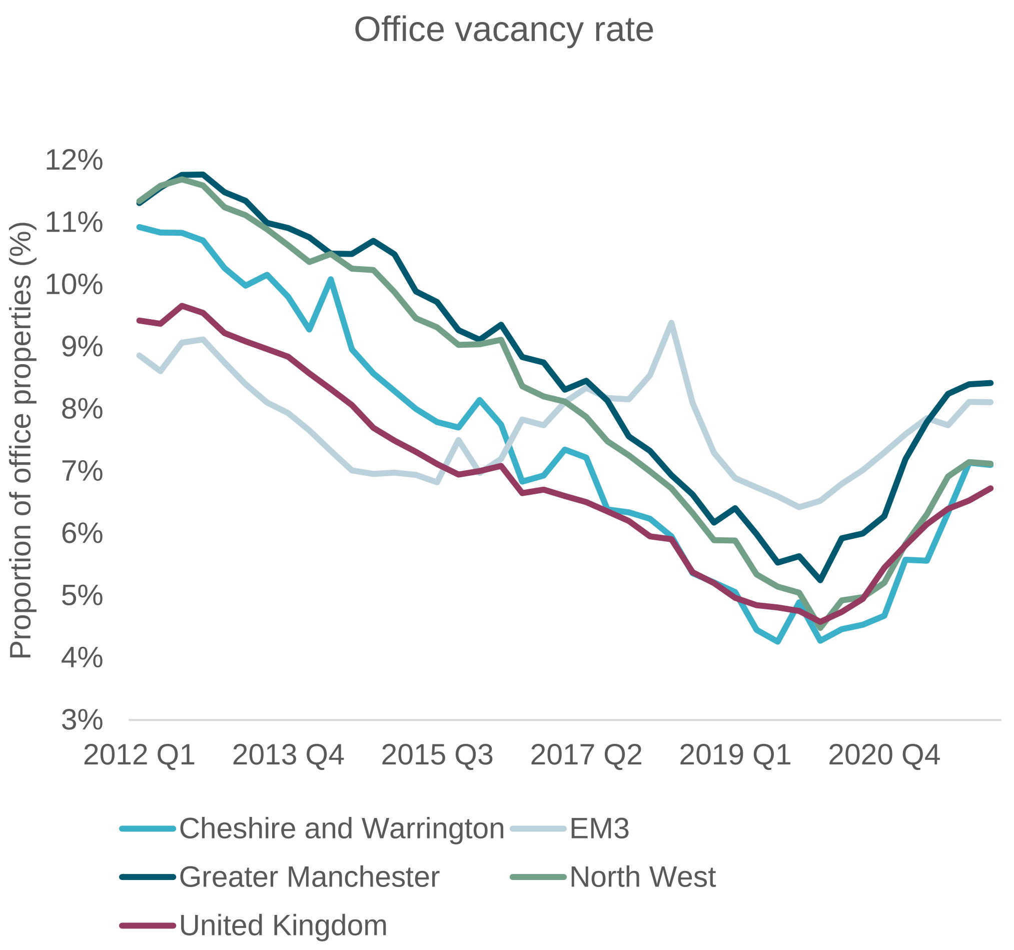
Healthy Life Expectancy across CWLEP

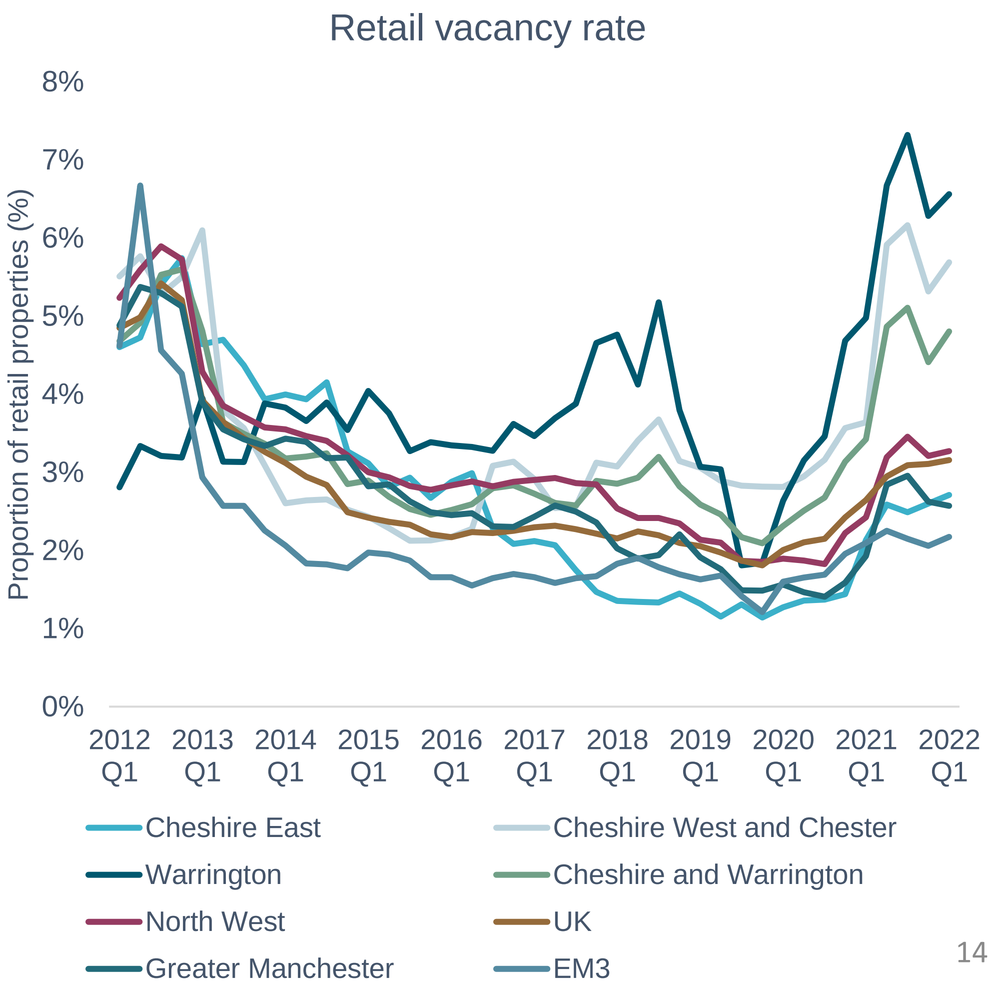


- 47 neighbourhoods are in the 10% most deprived for health outcomes
- 25 in the 10% least deprived for health outcomes
- Healthy life expectancy varies by more than 16 years across the subregion

Source: ONS – Health state life expectancies, UK: 2018-20

Vacancy rates in office and retail up, despite footfall recovery





Source: CoStar

Higher than average carbon emissions, both domestic and industrial

- In many rural areas, emissions are high – particularly in Cheshire East. Lack of public transport provision is likely to be a factor here.
- Trading estates, business parks, and refineries are other causes of major emissions, particularly around Ellesmere Port, Warrington, and Crewe.
- Many of these industrial areas are high consumers of gas – leaving them exposed to spikes in gas prices.
- Positive signs - coverage of EV chargers is going up, and properties are becoming more energy efficient.
- Home to Hynet, looking to transform industrial processes to radically cut carbon

Indicator	CE	CW&C	W	C&W	National
Total greenhouse gas emissions KT of CO^2 equivalent	2,515.5	3,856.8	1,351.4	7,723.7	-
Carbon dioxide emissions (KT of CO^2 per km^2), 2019	2.2	4.1	7.4	2.2	1.4
Carbon footprint per capita* (KG of CO^2 per capita), 2020	9,290	8,760	8,340	8,797	8,330
Total final energy consumption (tonnes of oil equivalent per km^2),2019	0.8	1.7	2.8	1.3	0.5

Source: Department of Levelling Up, Housing and Communities (2021)

Levelling up challenges and opportunities vary by town

Ellesmere Port	Chester	Northwich	Winsford	Warrington	Crewe
- Neighbourhood around the two oil refineries has the lowest healthy life expectancy (HLE) in CWLEP (55) - Three wards where 25% of year 6's are classed as obese - Poor public transport connections in Overpool	- Relatively high public transport access to jobs - A negative outflow of workers due to increased remote working - A quarter of neighbourhoods have over a 16 year difference between HLE and LE	- Large healthy inequalities with a difference in HLE of 13 years between two adjacent neighbourhoods - Four schools where pupils on Free School Meals perform 30% points worse at Key Stage 2 than other pupils	- 75% of neighbourhoods in lowest health deprivation decile - High risk of digital exclusion around Clive, The Grange and the Dean - Poor public transport access to jobs with a lower number of jobs via 60 min public transport	- 30% of neighbourhoods are in the lowest two deciles for health deprivation in England - There are seven neighbourhoods with HLE below 60 years - High levels of pollution linked to industry	- Almost 22% of jobs earn below the Real Living Wage - In the St Barnabas ward, there is the highest year 6 obesity rates in the sub-region at 35.3% - High health deprivation in the centre and north of the town

Source: PHE, DLUHC, ONS

Recap from the insights

Resilience and productivity

- A likely recession – though CWLEP has shown resilience before
- Productivity remains high, but not growing
- The economy still responding to new trading conditions

Innovation and R&D

- A recent fall in complexity suggests challenges in the knowledge economy
- Innovation doesn’t appear to be concentrated in science parks – and business R&D is falling

Employment

- Labour market picture is one of real tightness
- Real Living Wage coverage improving – but for how long?
- Long-Covid on the rise

Inequality

- Health outcomes good on average, but very variable between places and
- Vacancy rates in office and retail up, despite footfall recovery
- Levelling up challenges vary by town

Discussion

- Do the insights reflect what you are seeing in the subregion?
- Where do you think requires most focus in 2022/23?

What we are doing or are planned…

- County deal propositions
- Cheshire and Merseyside Marmot work – All Together Fairer
- SIGC recommendations/report / LA Climate Emergency Commissions
- Fair employment charter
- Subregional Economic Plan/Industrial Strategy refresh / LA strategies and delivery
- Transport strategy refresh
- Science Corridor/Growth Corridor refresh and innovation activity by sector
- Business surveys on cost of business / inflation
- Net Zero funding/projects – Net Zero Hub and Local Authority

What more could or should we do?

- **Innovation**: A focus on creating genuinely interesting, buzzy, innovative spaces. This might both include science parks, but also urban centres, as part of a broader innovation strategy.
- **Growing the labour pool**: Over-50s job taskforce to support those who are older and out of the labour market back into it – considering both skills and health barriers to returning to work.
- **Towns**: Understand the socioeconomic needs of each town and design a response by using a “functional specialism” approach – looking at the role of towns as places to live, work, consume, study, and innovate.
- **Energy cost & net zero**: Increased focus on the Cheshire Energy Hub; Work with Hynet to accelerate programmes across local industry.
- **Sustainability**: Develop retrofit schemes; digital connectivity and public transport to better substitute for driving; Review the function and coverage of the bus market to understand which areas are underserved and lack public transport access to job opportunities
- **Inclusive**: Build on the example of the Liverpool Wealth and Wellbeing programme to co-ordinate public health and economic interventions; RLW campaign to support businesses with advice as to how to pay it
- Plus continued engagement with businesses and representative bodies about what is happening in C&W

Discussion

- What do you think are the projects and priorities the subregion and LEP should focus on?
- What would you prioritise?
- What other suggestions are there for priorities and actions in a LEP strategy?

Metro — Dynamics

LONDON
3 Waterhouse Square
138 Holborn
EC1N 2SW

(+44) 0203 865 3082

MANCHESTER
Elliot House
151 Deansgate
M3 3WD

(+44) 0161 393 4364