



Developing the Cheshire and Warrington Local Industrial Strategy - Evidence and Insight Summary.



**INDUSTRIAL
STRATEGY**

CESHIRE & WARRINGTON

March 2019

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Our vision for the Cheshire and Warrington Local Industrial Strategy...

In selecting Cheshire and Warrington as one of six LEP areas to develop a Local Industrial Strategy (LIS) as part of the 'Wave 2' programme, Government has recognised the tremendous potential of the area and the great progress that the LEP and its stakeholders, including our three Local Authority partners, have made since the LEP was established in 2011.

In that time over 60,000 jobs have been created and our economy has grown in value by some 30%. Our Strategic Economic Plan sets out a clear long-term vision for growth through to 2040 and the Local Industrial Strategy provides a great opportunity for us to develop some of the more practical thinking that is needed in the short-to-medium term.

We have a very successful, diverse economy, but the evidence we have collected to support the development of our LIS has identified parts of our economy where our performance is less strong, and parts of the sub-region which are failing to share fully in our success.

In conjunction with Government we have been working to better understand what works well, where we are underperforming and the opportunities to shape our future economic success. This update brings together the key headlines from our evidence base and our first thoughts on priorities for action. We want to use it to engage with the business community and others in Cheshire and Warrington to seek their view on the evidence and the conclusions we are drawing from it. The view expressed will help us shape the Strategy and scope out what actions and measures will have the greatest impact on our productivity, the resilience of our economy, and the earning power of our residents.

Further detail can be found on our website www.871candwep.co.uk including information on how you can get involved and make sure that our LIS is the best that it can be.



Christine Gaskell, CBE, DL

Chair of Cheshire and Warrington
Local Enterprise Partnership

Cheshire and Warrington Location

The evidence shows that Cheshire and Warrington is economically interconnected with the region around it. We are the gateway to the North. Cheshire and Warrington is strategically located between the conurbations of Liverpool and Manchester, and is a key entry point into North Wales and the Midlands.



Purpose

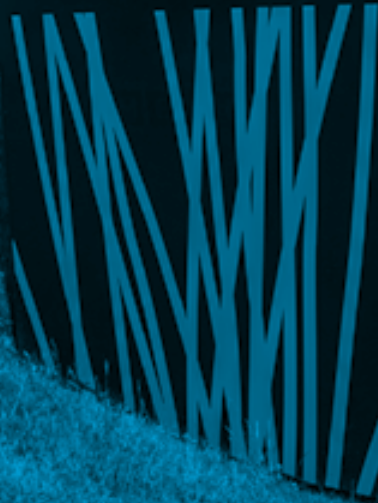
The purpose of this document is to summarise the key data and evidence that has been assembled to inform the development of our Local Industrial Strategy, and to share our initial thoughts on what the evidence suggests are the strengths, weaknesses, threats and opportunities for the Cheshire and Warrington Economy.

Here we outline some of the findings from our last three months of work. Grounded in the evidence, we set out within the successes and challenges and the future opportunities which are facing our economy. Moving forward we want to work with stakeholders and Government to address these opportunities and challenges, identifying the projects which can help accelerate growth and boost the resilience of our business base.

We are only part way through the process and this is initial thinking about practical steps that the LEP and its partners can take to respond to these issues, areas we believe would benefit from further engagement with, and support from, government.



Birchwood Park



Our approach

In Summer 2018, Cheshire and Warrington Local Enterprise Partnership (CWLEP) was invited by Government to undertake a Wave Two Local Industrial Strategy (LIS). The LEP has since been working to expand our evidence base to inform the focus of the strategy. This includes work on productivity and the business base. The LIS will be complementary to the Strategic Economic Plan and Prospectus for Inclusive Growth, setting out areas of focus which will support productive growth in the economy.

We will publish our LIS in Summer 2019. The next few months will be spent on broad consultation with all our stakeholders to both test our evidence base and develop the interventions which will grow our economy. Based on the evidence, our LIS priorities are to:



The Cheshire and Warrington LIS will contain three parts:

- **The evidence base** will look at the overall economy in terms of economic growth, productivity, and sectoral composition. In line with the national Industrial Strategy, it will analyse the five foundations of productivity: Ideas, People, Infrastructure, Business Environment and Place and the Grand Challenges.
- **The LIS** will set out the policies and interventions where we will focus attention to address productivity, resilience and earnings power over the next decade. It will include sections on each of the foundations of productivity as well as our offer around the UK Grand Challenges.
- **Local area industrial strategies**, led by the three constituent local authorities will set out the local, place specific response to complement the LIS. They will focus on the interventions required in the three areas to address specific local issues and opportunities, for example specific rural or town challenges.

Expert panel

It is important that through the development of our LIS, we receive robust, constructive external challenge. To that end we have invited a panel of experts from business, academic and policy-making backgrounds to work with us to develop the LIS.

Their role will be to:

Review and test our evidence base and the insights we draw from it

Recommend further areas for consideration

Scrutinise our responses and interventions



Richard Carter
Managing Director at BASF UK (Chair of Expert Panel)

Richard assumed the role of Vice President in charge of BASF's UK/Ireland Unit, as well as Managing Director of BASF companies in the UK and Ireland in 2016. Up until then Richard had spent his 30-year chemicals industry career outside of the UK. Richard is also the Chair of the North West Business Leadership Team.



Elizabeth Isele
Associate Fellow in Global Economy and Finance at Chatham House

Elizabeth launched her entrepreneurship career with Senior Entrepreneurship Works after 30+ years as an award-winning book editor and quickly became the go-to expert on senior and intergenerational entrepreneurship.



Sarah Jackson
Director of Research, Partnerships and Innovation at University of Liverpool

Previously Director at the N8, Sarah has over 12 years' experience leading collaborations at the interface between higher education, private and public sector.



Steve Gooding
Director, RAC Foundation

Steve is Director of the RAC Foundation, an independent think-tank that commissions and disseminates research relating to motoring and roads issues.



Ed Cox
Director of Public Services and Communities at RSA

Ed previously led IPPR North for 9 years where he was a champion for devolution and much of the thinking behind the 'Northern Powerhouse,' working closely with several combined authorities in the north of England.



Co-Design with Government and local partners

The LIS is being co-designed by CWLEP, industry, national Government and local authority partners. We will work closely with colleagues in Government to expand the evidence base and create the logic chains which will inform LIS activity. We have also set up a Steering Group of local authority partners to guide and contribute to the process and are holding a number of events with industry to develop propositions.

As we start to develop our thinking in terms of the practical responses needed to make sure that our economy, businesses, places and people can flourish, that relationship and engagement with Government and other stakeholders will be key.

As a sub-region, we have a strong track record of working with Government and industry. Through the LIS we can maximise the benefits of existing investments and ensure that they create the productive, resilient economy we want, unlocking private sector investment. Our existing collaborations include:

- **Housing Infrastructure Fund** - £30m funding with approvals for 33,000 homes in Crewe, Macclesfield, Ellesmere Port and Warrington.
- **Medicines Discovery Catapult** - £55m to extend the Medicines Discovery Catapult.
- **Enterprise Zone for the Cheshire Science Corridor** - with potential for 20,000 new jobs, 500 new businesses and £200m in retained Business Rates for re-investment.
- **£120m European Structural and Investment Fund programme** - supporting training, business growth and innovation.
- **Excess of £200m funding through Local Growth Fund** - for infrastructure investment, creating 21,000 jobs and helping unlock 9,000 new homes.
- **The North Cheshire garden village** - selected as one of 14 new garden villages with access to a £6m fund to deliver new homes.
- **Constellation Partnership** - working with Stoke & Staffordshire LEP plus seven local authorities to develop a growth strategy and delivery plan to maximise the economic benefit of the planned HS2 hub station in Crewe and associated regional connectivity improvements.

Inclusive Growth

As a sub-region we have a shared ambition for an even more successful and prosperous Cheshire and Warrington, improving the lives and opportunities for the people who live and work here. We are committed to being at the forefront of inclusive growth and public sector reform, placing local people at the heart of service design, delivery and opportunities. Ensuring that every resident and business, whether in an urban or rural location, has the opportunity to contribute to and benefit from the sub-region's prosperity, will be at the heart of the LIS.

We will look to boost earnings power - acknowledging that a higher than average proportion of our workers earn less than the real living wage - and we will address inequality by looking to raise the living standards of our more deprived residents and communities. Skills, connectivity, and housing will all be an important part in this, and we will incorporate the broad spectrum of activity which is already underway across the sub-region to address inclusive growth issues.

There is a huge amount of positive work happening across the sub-region to transform how agencies and employers work together to promote inclusive growth and opportunity.

Working together and investing in public service transformation will positively impact the life chances and wellbeing of our residents at a greater scale than could be achieved by working individually. This will require a focus on issues such as: -

- **Health Related Worklessness:** The top three conditions in Cheshire and Warrington for which people claimed Incapacity Benefit (IB) or Employment and Support Allowance (ESA) were mental and behavioural disorders, diseases of the nervous system and Musculoskeletal problems.
- **Low Pay Progression:** recent studies have shown that low paid work is a trap rather than a stepping stone to other opportunities; only one in four people in low paid work today will have made a sustained escape from it in ten years. Low pay and in-work progression can be particularly prevalent in the hospitality, retail, education and care industries.
- **Creating a Preventative Strategy for Cheshire & Warrington:** As well as addressing the pertinent barriers to 'inclusive growth', our focus is to promote good mental health and wellbeing across Cheshire and Warrington while reducing the reliance on acute mental health services and to improve the self-help, sign-posting and interventions in place for early intervention and prevention.

¹ Real Living Wage as defined by the Resolution Foundation

Investing to deliver more

This is an important moment for us. HS2 and Northern Powerhouse Rail will be game changers for Cheshire and Warrington, with the potential to unlock housing, employment and productivity gains for our region. Through the LIS we will draw these together and ensure we maximise their benefits for the local economy. As a LEP we have a number of projects and programmes underway, alongside planned investment priorities.

Since the Strategic Economic Plan (SEP) was refreshed in 2016/17, we have pursued additional policy work to support growth and fulfil our ambitions. Together with our SEP, our Transport Strategy, Skills and Education Plan, and Energy Strategy provide the building blocks to create a £50bn economy.

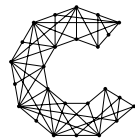
Our 'Sub-regional Prospectus for Inclusive Growth' outlines how we will deliver our ambition to double the size of the economy by 2040 through inclusive growth. The LIS will draw upon these documents to create a complementary strategy informed by the extensive evidence base.



An outward facing place

Our businesses trade across borders and our residents and workers commute in and out of the sub-region daily. Our sectors lead national clusters and our economy impacts national growth.

We recognise the importance of cross-border, regional, and national collaboration. Northern Powerhouse, Constellation Partnership, Mersey Dee Alliance, NP11 and Sector Deals are all examples of where we are already doing this. HS2 will bring us within 55 minutes of London, bringing new opportunities with the South. Through the LIS we want to make new partnerships based on complementary priorities, and to expand existing relationships. The Grand Challenges and sector strengths are areas where we are seeking to engage with other sub-regions already.



CONSTELLATION
CREATING THE PLACE WHERE
EVERYTHING CONNECTS



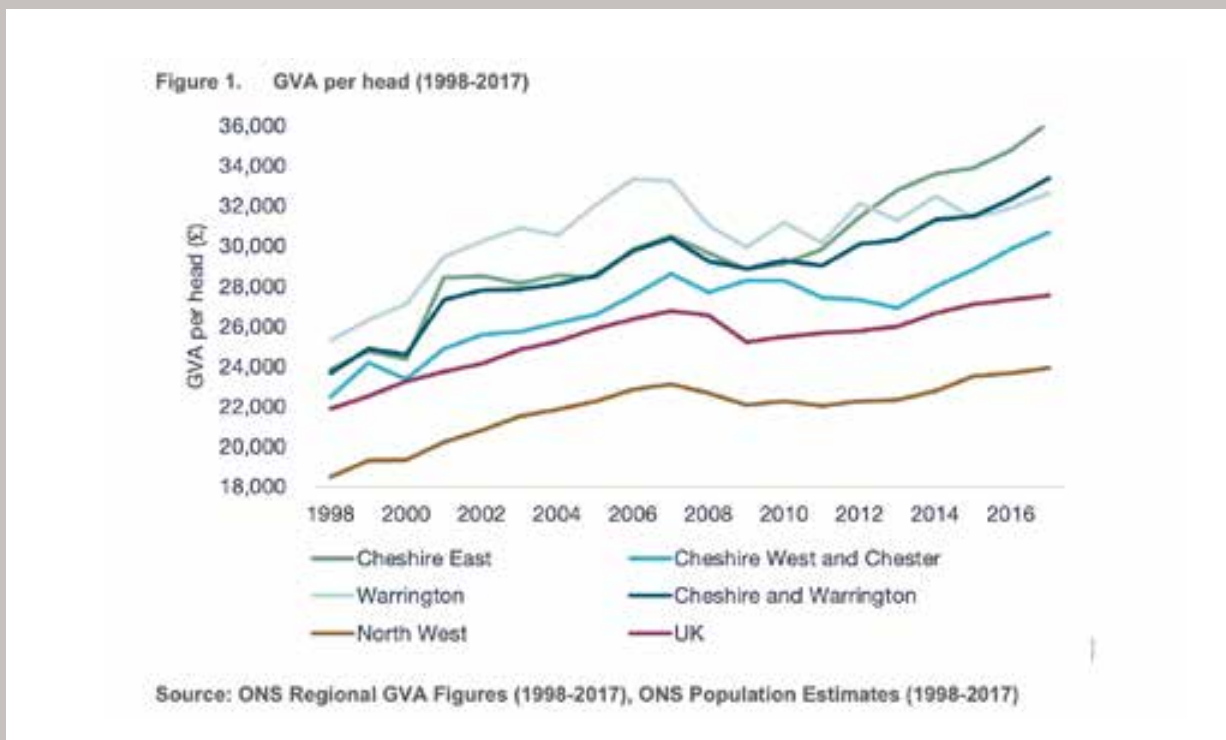
**TRANSPORT FOR THE
NORTH**



Cheshire and Warrington's economy

A strong and growing economy

Cheshire and Warrington's £30.9bn economy is one of the UK's success stories. It has the highest Gross Value Added (GVA) per head of all northern Local Enterprise Partnerships (LEPs) and the fourth highest of all LEPs, producing £33,384 per person. As shown in Figure 1, this is 21.2% higher than the UK average (£27,555) and 39.6% higher than the North West average (£23,918).



The last recession saw Cheshire and Warrington's economic output decline by 3.5% between 2007 and 2008, (compared to 0.1% nationally). Since then the economy has grown steadily. GVA in Cheshire and Warrington grew by 2.7% on average per year between 2012 and 2017, exceeding both the UK (2.2%) and North West (2.1%) averages.

CWLEP's ambition is that the region becomes a £50bn economy by 2040. So far the data reflects an encouraging trend with Cheshire and Warrington slightly ahead of target.

Over 60,000 new jobs in five years

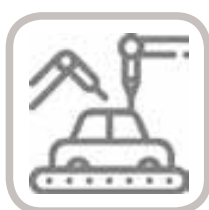
There are 511,500 jobs in Cheshire and Warrington. Between 2011 and 2016, 61,500 new jobs were created in the sub-region. Employment growth of 13.7% is significantly higher than the regional (8.8%) and national averages (8.4%).



Red3 Oncology

Sectors

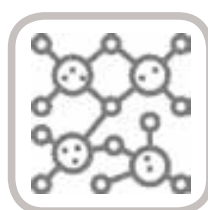
This is a strong economy, founded on productive and growing sectors. We have identified three areas where Cheshire and Warrington has distinctive attributes which make it stand out in the national context.



Manufacturing

Our manufacturing sector is growing at a significantly higher rate than across the rest of the UK, both in terms of jobs and GVA. Driving our economy, manufacturing (including chemicals and pharmaceuticals) is over twice as productive as the Great Britain (GB) average with GVA per job of £171,756, contributing £7.7bn to GVA and supporting a high number of jobs (45,000).

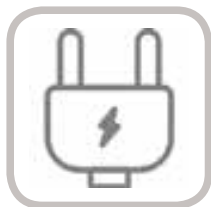
In particular, our manufacturing strengths are in chemicals and automotive manufacture and assembly. TATA Chemicals, Unilever and CF Fertilisers are at the heart of our chemicals cluster and the sector employs 3,500 in the sub-region. Our largest export sector is chemicals, including pharmaceuticals, (£3.3bn), 70% of which go to non-EU countries. With 8,000 jobs, motor vehicles manufacture continues to be important to Cheshire and Warrington, and the sector is looking at future opportunities, developing expertise in light weighting. Bentley is headquartered in Crewe and Vauxhall has manufacturing facilities in Ellesmere Port. We export £1.8bn of machinery and transport, including transport vehicles and components.



Life Sciences

With 6,000 jobs, Cheshire and Warrington has a world class medicines discovery and manufacturing offer with an end-to-end value chain of medicine discovery, formulation and manufacturing. Accounting for over half of total life sciences jobs in Cheshire and Warrington, the area stands out as the leading national location for manufacturing pharmaceutical products and preparations.

Many leading global companies are based in Cheshire and Warrington, such as AstraZeneca, Sanofi and Thermo Fisher Scientific, with a distinct cluster around Alderley Park, Hurdsfield and the UK Medicines Discovery Catapult. Our Biohub Incubator at Alderley Park offers facilities for research and development (R&D) focused on life science and biotech start-ups.



Energy and Clean Growth

We have a strong energy sector. Stanlow refinery in Ellesmere Port is at the heart of our traditional carbon economy, but the Protos Energy Park on the south bank of the River Mersey is showing the way in providing a mix of clean, green energy sources including wind and biomass. Cheshire and Warrington is home to the UK's largest nuclear engineering services cluster, offering end-to-end nuclear supply chains from design through to decommissioning. We have significant assets at Birchwood Park near Warrington, and Capenhurst Technology Park near Chester, with companies such as Wood and Urenco here. Our strong networks link us to the wider nuclear sector in the North West and North Wales.

There are emerging strengths around smart energy systems and hydrogen, with capacity for significant levels of hydrogen production and ongoing work to test the use of salt caverns in Cheshire for hydrogen storage. The University of Chester has established an energy centre at Thornton and The British Geological Survey has announced plans to establish a facility in the area which will be home to one of the largest research projects into the sub-surface in the world. This may help us to exploit potential geothermal heat opportunities in the south of the region around Crewe and the potential to store Hydrogen in non-salt sub-strata.

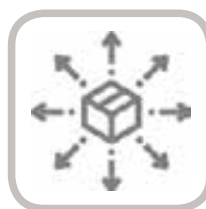
Key Sectors

In the SEP we identified other key sectors which have the potential to make a strong contribution to the region's growth.



Finance and Business Services

Finance and business services is a significant sector in Cheshire and Warrington with 69,125 jobs and 5,060 businesses, contributing £3.9bn to the local economy. We are particularly known for our financial service activities, especially banking and credit. A number of well-known, large companies have a presence in Cheshire and Warrington, including Assurant, Barclays, Lloyds Bank, M&S Bank and Royal London.



Logistics and Distribution

In close proximity to two major UK cities and with excellent transport links, Cheshire and Warrington is a major logistics hub. A large employer with 29,000 jobs, logistics and distribution has experienced high employment and business growth in recent years. This is in part due to the development of OMEGA, a £1bn, 575-acre mixed-use development on the M6/M62 interchange with companies such as Brakes, Hermes and ASDA based there. Other large companies in the area include Eddie Stobart, Great Bear Distribution and Carrier Transcold.



Productivity in Cheshire and Warrington

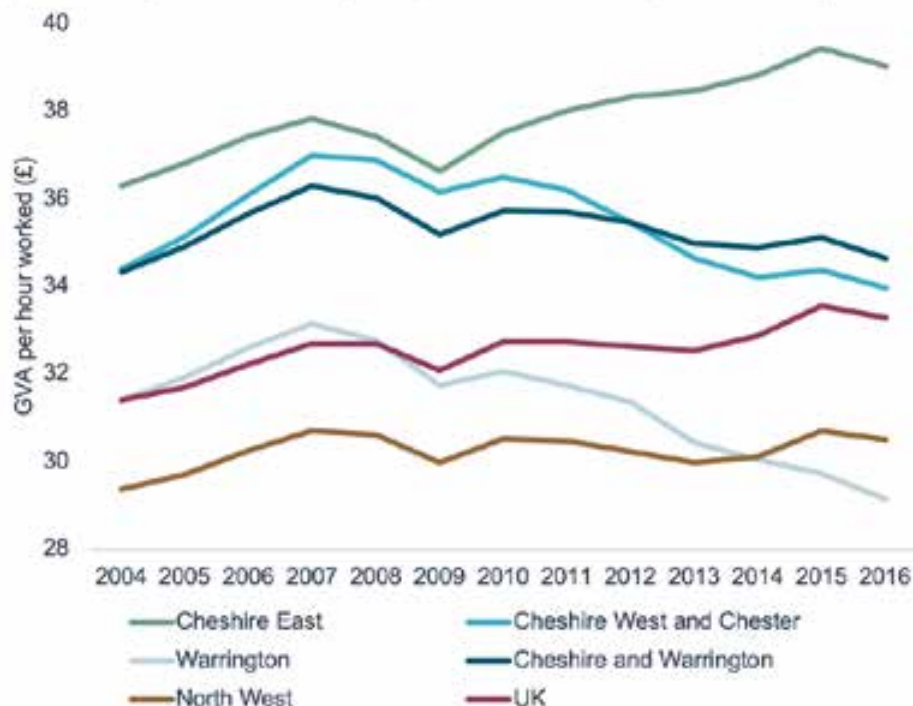
Productivity has not yet recovered to 2007 levels

Productivity is an important driver of growth. In Cheshire and Warrington, productivity, measured by GVA per hour worked, is high relative to other parts of the UK. For every hour worked, £34.63 is produced, which is 4.1% higher than the UK average (£33.28) and 13.6% higher than the North West average (£30.49).

Although starting from a high base, productivity has stagnated with a slight decline of 0.5% on average per year since 2007. It has failed to recover to its 2007 level of £36.30 per hour.

There are several possible reasons which could account for the slowing productivity growth, and indeed it may be the result of a combination of factors. Many new jobs have been created in traditionally lower productivity, lower wage sub-sectors – health and social care, hospitality and the visitor economy, retail, education, and logistics. Additionally, there has been higher growth in the number of part-time jobs, compared to full-time roles. Workplace wages are also lower than resident wages suggesting that there is a mismatch between those who live and those who work in Cheshire and Warrington. As Cheshire and Warrington is a net importer of labour, people may be commuting into the sub-region to fill lower wage jobs.

Figure 2. GVA per hour worked (2004-16); Source: ONS GVA per hour worked (2004-16)



Economic and productivity growth differ across the three local authorities

Cheshire and Warrington is a diverse, polycentric area with differences in the economic, sectoral, business, demographic, and labour market makeup of its three constituent local authorities. It contains urban and rural areas, each of which has its own strengths and challenges. Whilst the LIS will focus on the sub-region as a whole, it will be accompanied by local area industrial strategies, which will articulate and address local opportunities and challenges.

Cheshire East, a centre of innovation in manufacturing and life sciences, has consistently performed better than the UK and North West average. It represents about 40% of Cheshire and Warrington's economy, population and businesses. Since 2011, it is the only area in the sub-region to have experienced positive average annual productivity growth (0.5%). In 2017, it was a £13.7bn economy with the highest average annual GVA growth over the previous five years of 3.3%.

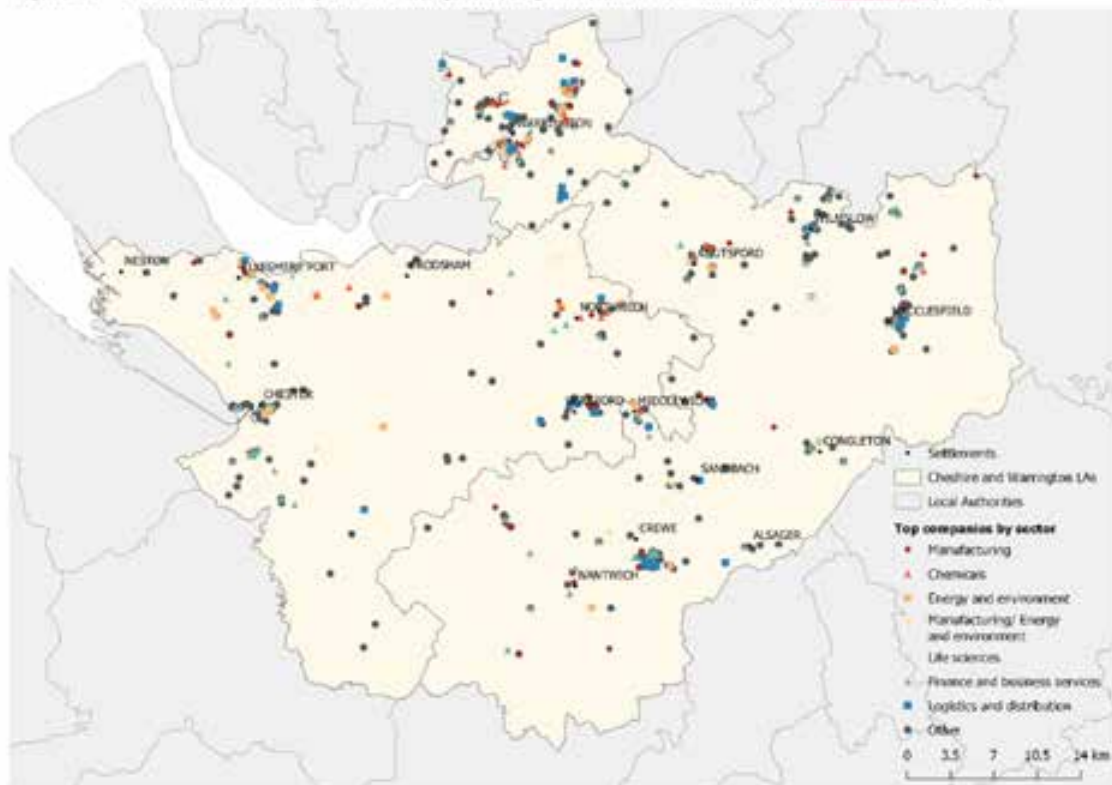
Cheshire West and Chester, with its diverse heritage of heavy industries in energy, manufacturing and chemicals, plus financial and business services, contributes £10.4bn to the sub-region and has grown on average 3.0% per year between 2012 and 2017. Despite this strong growth, it has seen declines in productivity per hour worked since 2011 of on average 1.3% per year.

Warrington, the largest urban settlement in the sub-region with strengths in engineering services, energy and logistics, has seen job growth of 16.5%, the strongest of the local authorities and almost double the national average. Warrington created 19,500 jobs between 2011 and 2016. At the same time, however, it has experienced the biggest declines in productivity per hour worked with an average of -1.7% per year between 2011 and 2016. This is accompanied by low annual GVA growth of 1.0% over the period of 2012 to 2017.

But none of these areas exist in isolation. Cheshire and Warrington's economy, particularly its sectoral specialisms and supply chains, cross administrative boundaries with complementary activity in North Wales, Greater Manchester and Liverpool City Region. Ensuring greater cross-border collaboration is central to developing these linkages and building cross-border strengths.



Figure 3. A snapshot of top 1,000 companies by sector; Source: Experian MarketIQ (2018)



There are questions in the productivity of our sectors

Sector productivity, measured at sub-regional level by GVA per job, is led by a very strong manufacturing sector driving productivity. Manufacturing, including chemicals and pharmaceuticals, is over twice as productive as the GB average with GVA per job of £171,756.

But this strength masks weaker productivity performance in a number of sectors. We have lower than average productivity per job in many of our broad sector groups, regardless of how productive or large a sector is. When compared to the national average, the majority of sectors underperform. This is something which we are exploring in the LIS development to dig deeper into this issue.

Table 1. Productivity by broad sector group (2012-17); Source: ONS Regional GVA (2017) and ONS Business Register and Employment Survey (2017)

| Broad sector group | Cheshire and Warrington | | GB | |
|---|-------------------------|------------------------------|--------------------|------------------------------|
| | GVA per job (2017) | GVA per job growth (2012-17) | GVA per job (2017) | GVA per job growth (2012-17) |
| Real estate | £367,778 | -24.2% | £447,660 | 3.3% |
| Manufacturing | £171,756 | 7.2% | £73,334 | 11.1% |
| Finance and insurance | £104,103 | 10.8% | £122,472 | 1.3% |
| Information and communication | £78,057 | -16.4% | £89,036 | -6.3% |
| Primary industries and energy, waste and water | £71,669 | -58.4% | £75,424 | 12.8% |
| Construction | £68,875 | 16.6% | £72,317 | 1.5% |
| Other services | £40,711 | -13.4% | £49,005 | 5.8% |
| Transportation and storage | £40,520 | -2.6% | £52,903 | -0.2% |
| Administrative and support services | £39,495 | 29.7% | £31,924 | 1.2% |
| Professional, scientific and technical activities | £35,292 | -29.0% | £52,580 | -0.3% |
| Public services | £34,085 | -3.6% | £39,336 | -1.6% |
| Retail and hospitality | £33,701 | 11.7% | £34,806 | 5.1% |

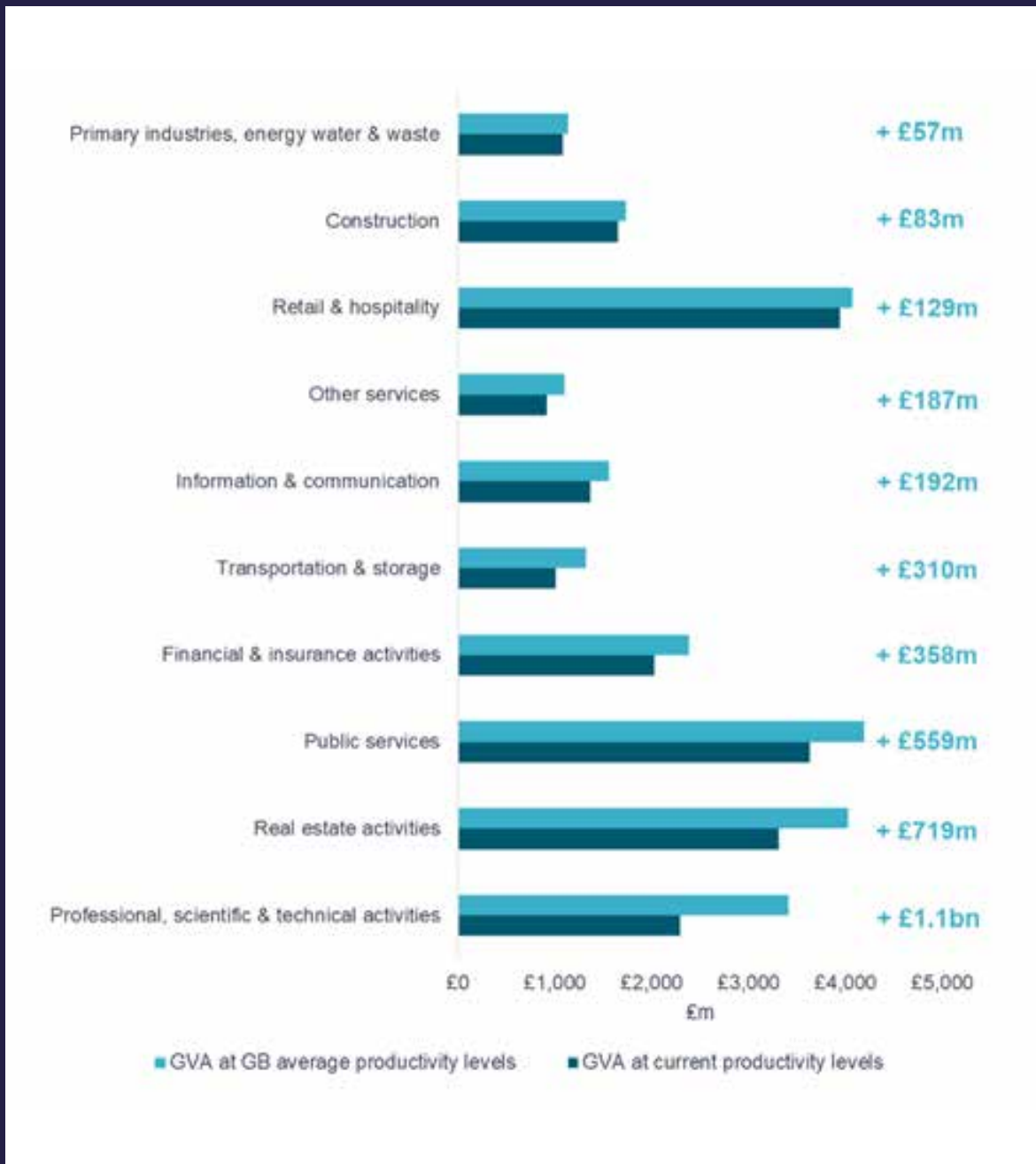
For instance, financial service activities is one of the most productive sub-sectors for CWLEP, but underperforms compared to GB, even when London is excluded, and it is declining in productivity (when looked at in terms of GVA per job).

Logistics and distribution has experienced high employment and business growth in recent years, in part due to the development of the OMEGA. Despite this growth, GVA growth has been low and the sector is less productive than the GB average. Warehousing and support activities for transportation, the most specialised logistics sub-sector, is one of the lowest productivity sub-sectors and has seen large increases in number of jobs.



Addressing sector underperformance is a big opportunity for growth

If our broad sector groups were performing at the national average for productivity, this would add **£3.7bn** to the economy each year. Through the LIS we can target efforts to boost productivity and earnings power.





Ideas

Innovation here is business led and commercial in focus, but we need to continue to support research and development (R&D) and entrepreneurship

We spend £1.3bn on R&D, or £1,370 per person. This is the third highest level of any statistical region in the UK. Our businesses invest in innovation, contributing 93% of total spend - £1.2bn or £1,279 per person. This is over triple the North West average (£297 per person) and 2.8 times higher than the UK average (£324 per person). In terms of public sector funding, we have received £49.6m of Innovate UK funds with over 88% of projects for businesses. Most projects are funding research and development in our strengths: manufacturing £13m; infrastructure systems (mainly energy) £8.2m; and life sciences £8.2m.

Figure 4. R&D spend per person (£) – total and by businesses (2015); Source: Eurostat (2015)



The level of detail available does not identify which (or what type of) companies are investing in research and development, and it is possible these large levels of R&D expenditure are concentrated in a few larger businesses. There are signs that micro and small-to-medium enterprises (SMEs) are less active in taking up innovation funding. For example, in Cheshire East, only 15 of the 215 total R&D tax credit claims account for 80% of total amount claimed - £20m of the £25m claimed was made via Research and Development Expenditure Credit (RDEC), which is made available for large companies.

We also receive relatively low levels of Innovate UK funds. As of September 2018, we were awarded 491 Innovate UK projects (£49.6m), which represents only 18.4% of the North West allocation - the third lowest receiving region after Wales and Northern Ireland.

Outside of business investment there are lower levels of government and higher education R&D spend on average compared to other parts of the North West and wider UK. In addition there are relatively low levels of patent activity in Cheshire and Warrington. Coupled with the low levels of business births this suggests a lack of new ideas and business creation in the area.

² Measured at the Nomenclature of Territorial Units (NUTS) 2 level

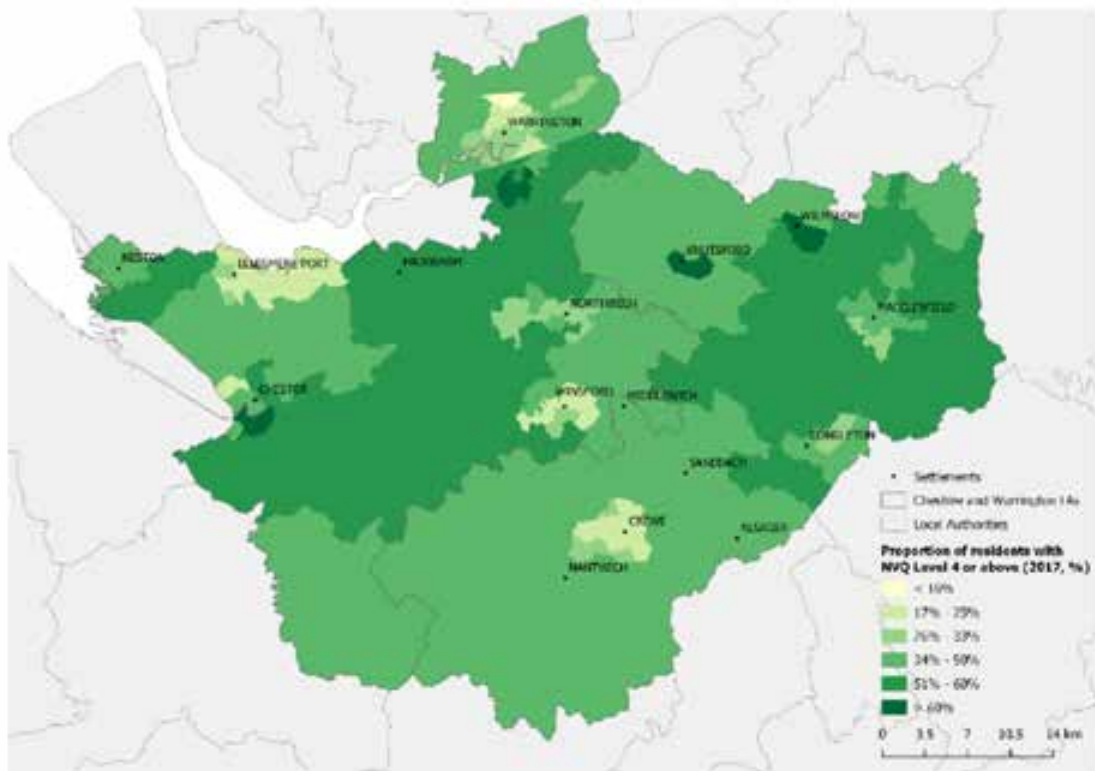


People

We have a highly skilled workforce, but are facing future skills mismatches

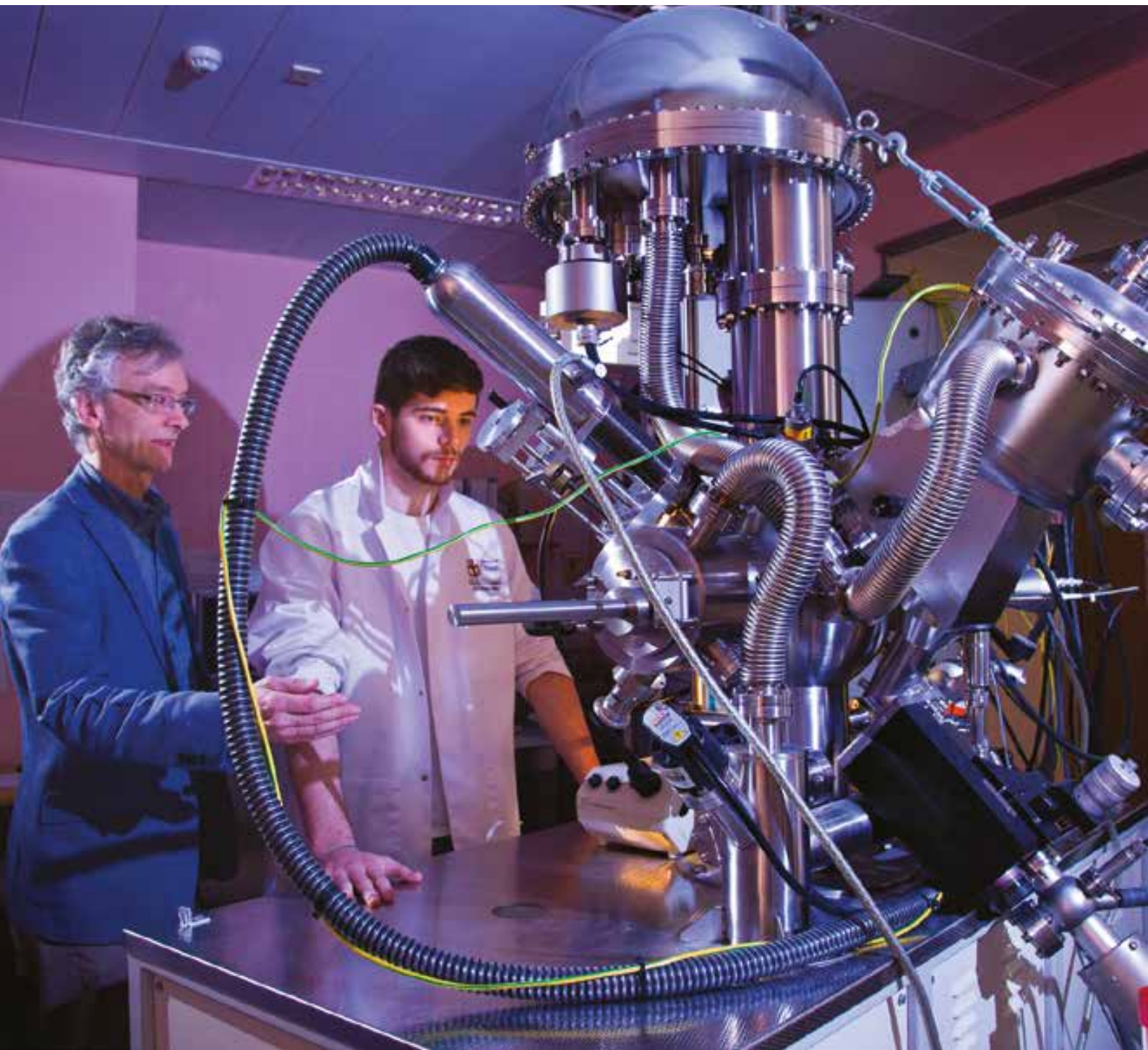
Cheshire and Warrington has a high skills base with many people employed in high level occupations. Almost 45% of working age people have qualifications roughly equivalent to a degree level or higher, compared to the regional average of 34.5% and national average of 38.4%. As shown in the map below, in parts of Cheshire and Warrington - south Chester, Appleton (south of Warrington), Knutsford and Wilmslow - over 60% of the population have this level of qualification. There is a lower than average proportion of people with no or low qualifications - 15.3% compared to 20.2% in the North West and 18.6% in the UK. Linked to these high skills levels, almost 36% of working age residents are employed as senior managers and professionals.

Figure 5. Residents with NVQ Level 4 or above (2017); Source: Metro Dynamics estimates based on ONS Annual Population Survey (2017) and Census (2011) data



Cheshire and Warrington is also facing a replacement demand deficit, estimated at up to 60,000 graduates. It is a major challenge for the sub-region to find suitably qualified and skilled residents to fill the additional 120,000 jobs business expects to create through economic growth through to 2040 and to replace the 230,000 workers retiring by 2025.

There are also large numbers of residents who aren't able to fully enjoy the wider economic success of the sub-region, with concerns around the limited opportunity for in-work progression for those in lower paid jobs. Also, poor health and wellbeing are limiting factors for many residents - either directly or through the impact of caring for others with long-term health conditions. We have an ageing population and early retirement is comparatively high. An opportunity for the LIS is to ensure that all residents are able to contribute to the growth of the economy.





Infrastructure

We are at the centre of new developments

Our central UK location, with easy access to Manchester and Liverpool, two airports within 30 minutes, international shipping links from Liverpool, the Manchester Ship Canal and North Wales, and 11 universities within 30 miles of the Cheshire Science Corridor, is one of our key strengths.

In the coming years, Cheshire and Warrington will see major planned rail infrastructure investment via HS2, arriving at Crewe in 2027. HS2 will have up to 5-7 trains per hour each way from Crewe Hub to London, Birmingham and Manchester bringing the area within an hours' journey of London.

Northern Powerhouse Rail (NPR) will increase the capacity, speed and resilience of our east-west links to Liverpool, Manchester and beyond. It creates the opportunity for a significant rail hub at Warrington Bank Quay. The Strategic Outline Business Case (SOBC) received TfN Board approval in February 2019.

We have a strategic approach to transport upgrades and investment, including in excess of £200m Local Growth Fund (LGF) funding, and focusing on upgrading road infrastructure to better connect the key urban areas of Warrington, Crewe and Chester. This could go further – 23% of businesses stated that they view transport infrastructure as a barrier to business turnover growth in the next three years.

We have plans for over 100,000 new homes with recent investment including almost £20m of government funding to unlock the infrastructure required to provide new homes in Macclesfield and Crewe. New developments planned at Rossfield Park, close to the centre of Ellesmere Port, will have 1,000 new properties, which will transform the area and create a new community. A £19.3m housing development is underway in Warrington at Centre Park.

Energy capacity may constrain development and growth

Along the south of the River Mersey, 5% of the UK's energy is used by industry. The Mersey basin is a location for many carbon intensive industries, including chemicals, paper and pulp, and glass, plus the energy sector itself. Cheshire and Warrington has additional high energy users in pockets across the area (including Tata Chemicals in Northwich, Bentley Motors in Crewe, Barclays at Radbroke Hall and AstraZeneca in Macclesfield).

There are plans for substantial residential growth in some of the urban centres and some of these (notably Chester and Warrington) already have some power capacity constraints, whilst HS2 plans and further growth is likely to cause power capacity pressure in Crewe.

An inconsistent digital offer

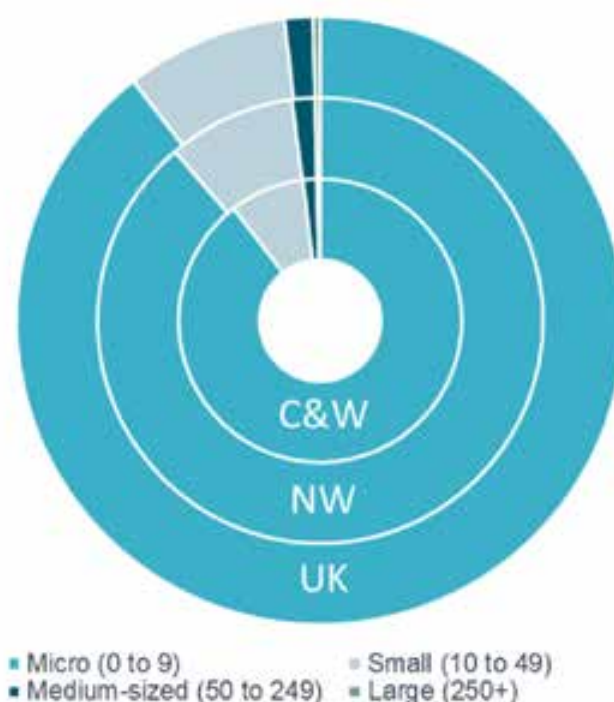
Some parts of the sub-region have very limited broadband connectivity. We see large variations across the area in ultrafast broadband with Crewe, Chester and rural areas having low levels of availability. To remain an attractive location to work and live, Cheshire and Warrington is committed to establishing a world-class digitally connected region and helping our businesses and residents make the most of digital economy. The local authorities and LEP have worked together on this aim since 2010 delivering the Connecting Cheshire Programme.



Business environment

We have a stable and international business base, but less dynamic than might be expected

Figure 6. Business profile (2017); Source: ONS Business Counts (2017)

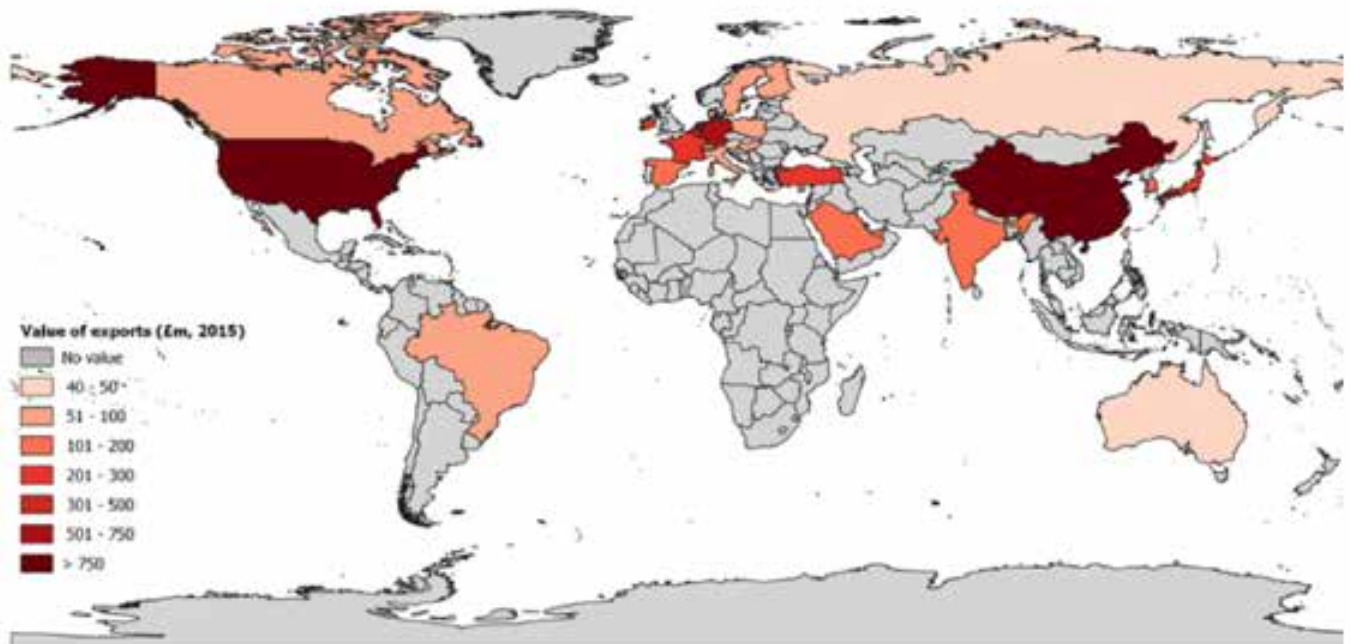


With 42,030 VAT registered businesses, we have a stable business base with a high number of businesses per capita - 454 businesses per 10,000 population, which is 12% higher than the UK. Our business base is mature, with a lower than average business death rate and good survival rates with 63.5% of businesses still operational after three years compared to 60.5% nationally.

Our lower than average business birth rate shows that we underperform on business start-ups. This is 13.4% compared to the regional average of 15.2% and national average of 14.6%. This potentially means less opportunity for scale-ups and frontier firms and to expand the business base more generally.

We are an outward-facing place with strong international relationships. Many of our large businesses are foreign owned, particularly in urban areas and the manufacturing sector. This is positive for our global reach, but it means that we must continue to be competitive to ensure our status as the home of choice for these international enterprises. This means creating a supportive business environment and good dialogue with our sectors, mindful that decisions may be taken at a global rather than local level.

Figure 7. Value of exports to main trading partners; Source: HMRC Growth Hub Data (2015)



We export £7.6bn of goods with strong trade links to non-EU countries where we send over 60% of our exports. As this map shows, our top two trading partners are the USA (£1.5bn) and China (£910m). We have many active foreign direct investment (FDI) projects in our super strength sectors.





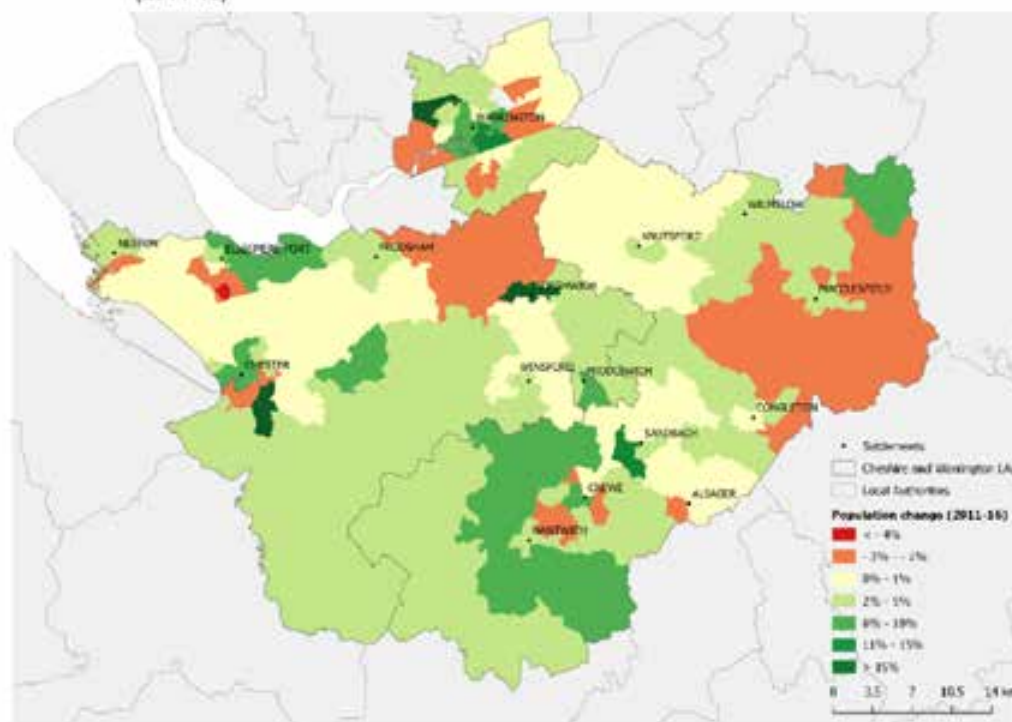
Place

We have an ageing population and concerns around inequality

We have a slow growing population. Between 2012 and 2017, Cheshire and Warrington experienced lower population growth (2.2%) than the UK average (3.7%). It also grew slightly less than the North West average (2.5%). Growth is low across the sub-region. In our five largest towns, population growth has been slower than the national average.

There is also an older age profile, characterised by a higher than average proportion of residents aged 65 and over - over 21% compared to 18.4% in the North West and 18.2% in the UK. There is a lower than average proportion of residents in younger age groups. The 20 to 34 age group represents 16.4% of our population compared to 19.9% regionally and nationally. Our rural areas in particular have an older demographic - in some places less than 10% of the population are aged between 20 and 34. We also have higher than average early retirement.

Figure 8. Population change (2011-16); Source: ONS MSOA Mid-Year Population Estimates (2011-16)

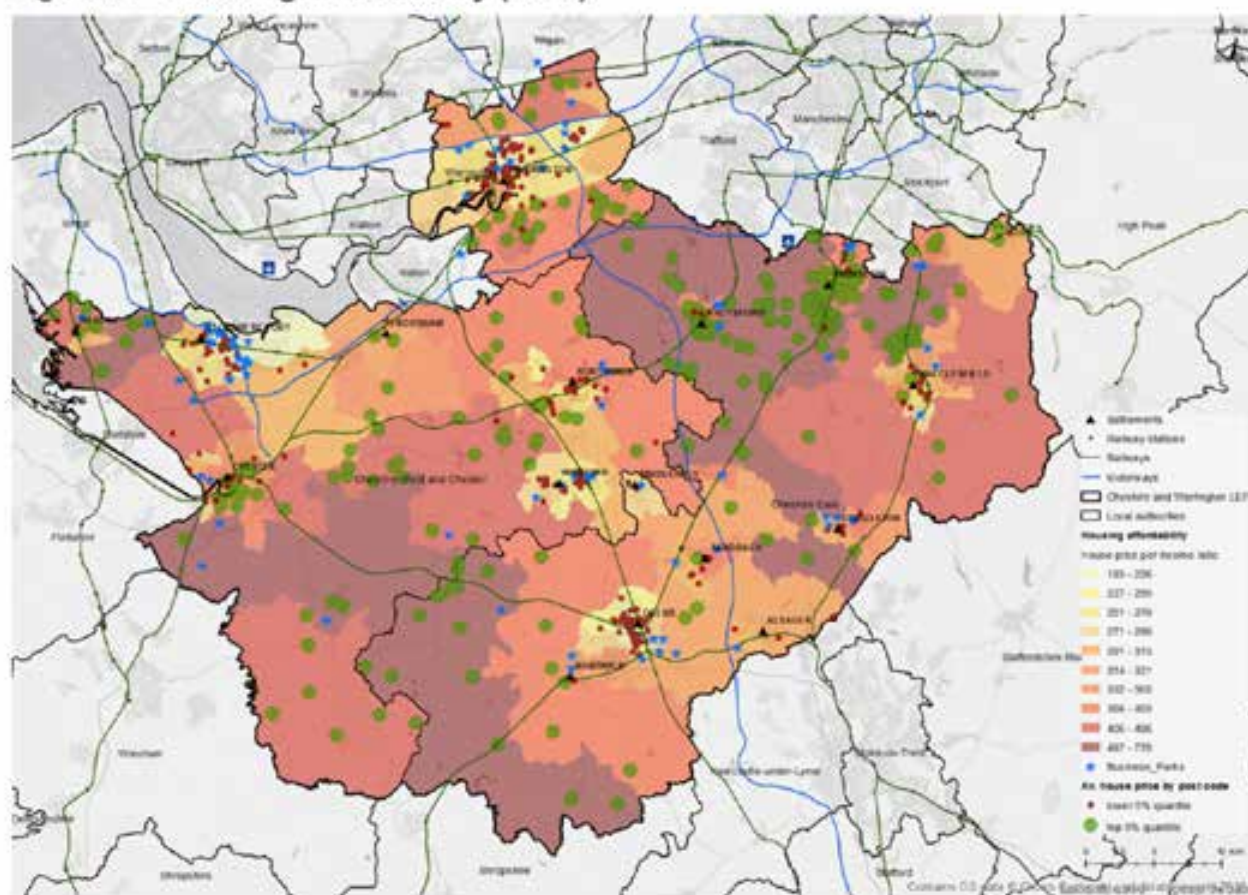


At the LEP level, Cheshire and Warrington is performing well for a number of social and economic measures, but at the local level, there are distinct spatial inequalities, particularly around skills levels, deprivation and wages. There are distinct areas in the sub-region which are consistently underperforming for these indicators. Parts of Ellesmere Port, Crewe, Warrington, Chester and Winsford are amongst the 10% most deprived areas in the country. The rural economy also faces distinctive challenges - transport and digital connectivity for example.

Our housing market doesn't fully align to the needs of our residents and potential new workers

Many parts of the sub-region are too expensive for people to afford to buy a home, and there is a limited supply of other housing options including private and social rented properties. In addition, a large proportion of the new housing being delivered is aimed at established families wanting to locate in suburban or edge-of-town areas. This means that younger professionals often face limited options for housing, especially if they prefer urban living and rely on public transport for their commute.

Figure 9. Housing Affordability (2015)



Recognising the contribution of the rural economy

Almost half the population of Cheshire and Warrington (477,000) live in rural areas, and almost 27,000 business are located outside of our main towns and urban centres. Our rural areas have seen a high level of jobs growth (20.2% between 2012-17) and agriculture, food production, logistics and distribution and the visitor economy are important sectors in the rural economy. There are challenges still in ensuring equality of opportunity for people living and working in rural areas, including patches of poor digital connectivity, poor public transport and affordability of housing. Many rural areas face particular demographic issues with some places where less than 10% of their residents are aged between 20 - 34 and some of the lowest levels of population growth, which may pose problems for their long-term sustainability.

The opportunity in the LIS

Our work so far has been to expand our evidence base and look at the opportunities and challenges facing our economy. Our analysis shows that we are a strong and growing economy, with a successful manufacturing base. But we cannot be complacent. Productivity has not yet recovered to 2007 levels and the number of working age residents is not growing quickly. Falling productivity and fewer workers can impact growth prospects.

The wider economic uncertainty around Brexit means we need to prepare for potential changes to how the UK does business. It is unclear at present what the post-Brexit economy will look like, but leaving the EU is likely to impact trade, regulations, workforce, funding and investment in ways that are not yet clear. Through the LIS, investment and resource needs to be targeted so it consolidates recent success and supports the LEP's future growth, in doing so increasing our contribution to 'UK plc'.

Our LIS framework and priorities will continue to evolve over the next few months, informed by our engagement with stakeholders and further work to develop logic chains and analysis. But we are not starting from scratch. Based on our ongoing work and engagement, we have started to develop early thinking and emerging priorities for the LIS. Alongside this we are identifying existing projects and propositions which should form part of our strategy, and we are working with sector groups to craft new ideas too.



Three overarching priorities will guide the propositions and interventions:



Leading the Clean Growth Grand Challenge nationally and contribute to UK development of other Grand Challenges

Enabled by strategic investments in infrastructure and place - investing in connectivity - HS2, NPR and local, delivering 100,000 new homes, and place making through local area industrial strategies

Based on the evidence and our ongoing work as a sub-region, we have developed some early priorities for the LIS. Some of these are sectoral, for example to grow our life sciences corridor, the nuclear cluster, and automotive supply chains. Some focus on responding to the Government's Grand Challenges - in particular the second mission in the Clean Growth Grand Challenge. Finally, we are also developing cross-cutting actions in each of the foundations of productivity.

Our early LIS priorities

We are developing workstreams in the LIS. Some of these are new, informed by the evidence but many draw upon our existing work, for example in skills where we have well developed plans and structures in place.

To strengthen our **Manufacturing supply chains**, we are engaging with National Manufacturing Competitiveness Levels and Made Smarter. In **automotive**, we are working with Liverpool and Lancashire LEPs, the Northern Automotive Alliance and Welsh Automotive Forum to develop a cross borders programme which will strengthen UK automotive supply chains - NW2 Automotive.

In **Life Sciences**, we want to grow the existing cluster focussed around Alderley Park and will explore creating a 'Medicines Manufacturing Centre of Excellence' to connect academia,

industry and the Catapult network with Life Sciences SMEs looking to bring forward new medicines in a world of more personalised, smaller-scale production runs.

In **Energy and Clean Growth** we are working with a range of business-led groups to explore the potential for developing the potential of hydrogen as a source of low-carbon energy, linked to the development of facilities for carbon capture and storage. Our emerging focus for the **nuclear** sector is in cluster and supply chain development and working with the industry in the sub-region to ensure that the facilities are in place to support the practical higher-level skills development needs for the civil and military nuclear programme.





Foundations of productivity

To align with the national Industrial Strategy, we have also started to develop early projects under the five foundations of productivity.

Under **PEOPLE**, we have an employer-led Skills & Education Board which is overseeing plans to establish a **Digital Skills Partnership** to bring together regional businesses, large employers, charities, and public sector organisations to tackle local digital skills challenges. Work is already in train to create a **virtual Institute of Technology** matching European Funding with employer contributions to ensure employers have a pipeline of skills relevant to their future business demands, and we will look to build on existing programmes which provide vital support to those furthest from the workplace, who face challenges in returning to the workforce or improving their skills.

For **BUSINESS ENVIRONMENT**, we will continue our work in repurposing the growth hub, developing new priorities and focus informed by the LIS.

For **IDEAS** we are consulting with our sectors to better understand what the LIS focus should be, and how the existing high levels of business expenditure in research and development can be used to unlock public sector innovation funding to support and de-risk new ideas. The LIS will also build on our existing Science and Innovation Strategy to develop links with key research and development assets outside of the area.

Our priorities for **INFRASTRUCTURE** are to capitalise on the planned HS2 hub station in Crewe, ensuring that the right supporting infrastructure and regional connectivity is in place to maximise the wider positive impacts on jobs and investment. We will also progress infrastructure priorities identified in our energy and digital strategies and work with bodies such as Transport for the North to secure investment for Northern Powerhouse Rail.

PLACE will build on the priorities set out in our Strategic Economic Plan and Quality of Place Strategy: to make Cheshire and Warrington a great place to 'live, work, invest and visit'. It will also drive forward the key elements of our emerging Housing Strategy, building a strategic relationship with Homes England and making sure that we are at the forefront of meeting the housing needs of our economy and creating the vibrant, diverse places attractive to the skilled workers who will maintain and grow our business base and public services. Our Place thinking will be further developed through local area LIS and place propositions.



Grand Challenges

The Industrial Strategy 'Grand Challenges' provide an opportunity for the sub-region to use the unique strengths, assets and knowledge that it has to meet some of the big challenges facing the UK economy as a whole. They also provide platforms for working with other places with common interests to generate ideas and possible solutions to these challenges.

Our thinking around the Grand Challenges is shaped partly by the evidence and partly by the output from the Cheshire and Warrington Sub-Regional Leaders Board Conference which took place in July 2017 and focussed on the Industrial Strategy. There is still much to do here, but our initial view is that: -

We can lead the Clean Growth Grand Challenge nationally, focusing on building on our energy networks heritage and 'greening' our heavy industry



Grand Challenges

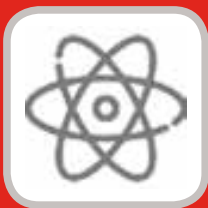
Our Energy Strategy identifies the LEP's energy priorities, with a focus on clean growth. This is an important input to the LIS with strong correlations to the announced Clean Growth mission. We have the potential to lead the UK in the second Clean Growth Grand Challenge mission: establishing the world's first net-zero carbon industrial cluster by 2040 and at least one low-carbon cluster by 2030.



Based on our strong industrial heritage, energy intensive manufacturing remains very important to our economy. We have large chemical and industrial sites and a concentration of high intensity energy users along the Mersey Estuary. Supporting industry to access clean, affordable and reliable energy and ensuring that we have the energy infrastructure to underpin housing growth is vital.



Energy demand is already high and likely to grow from manufacturers and energy intensive industries with rising energy costs and the need to reduce carbon intensity potentially impacting their operation. The widespread adoption of Electric Vehicles in the next 10 - 20 years will require significant investment into local energy networks and an intelligent approach to the provision and management of charging facilities at home and elsewhere.



Cheshire and Warrington has a strong heritage of innovation in energy systems, nuclear engineering and a track record of industry-led activity to support and develop the energy and clean growth agenda. Organisations such as the Cheshire Energy Hub - an energy sector support organisation entirely funded and strategically driven by industry - are leading development of initiatives, such as the E-Port Smart Energy scheme, to provide the infrastructure, smart networks and knowledge to respond. We are already working with industry leaders to connect these assets, opportunities, and challenges through the LIS, creating a powerful offer to lead the Clean Growth Grand Challenge and put Cheshire and Warrington at the heart of the UK's first low carbon industrial cluster by 2030.

We can support the other three Grand Challenges nationally

Whilst we believe the LEP area has a particularly strong offer in terms of Energy and Clean Growth, we are keen to engage as far as practicably possible in the other three national Grand Challenges, drawing upon the region's relevant assets and strengths:

- **AI and data** will put the UK at the forefront of the AI and data revolution. This Grand Challenge aims to use data, AI and innovation to transform prevention, early diagnosis and the treatment of chronic disease. Cheshire and Warrington is host to the world's largest scientific experiment - the Square Kilometre Array based at Jodrell Bank, and the nationally significant Hartree Centre, at Sci-Tech Daresbury is on our border with Liverpool City Region. We need to understand how resources such as these can be harnessed to support this mission, and also whether some of our human assets have a role to play in providing insight to the impact and effect of AI and data for health purposes.
- The **ageing society** Grand Challenge aims to harness the power of innovation to meet the needs of an ageing society. This will ensure that people can enjoy at least five years of healthy life by 2035, whilst narrowing the gap between rich and poor. Given our demographics this is a Grand Challenge mission where our older population can possibly both input to and benefit from. Keeping older residents economically and physically active for longer can help boost well-being. Our response to this mission could include identifying ways of valuing and sharing their skills and learned experience with a new generation of workers and entrepreneurs, as well as opportunities for increasing the general physical and mental wellbeing of our existing workforce.
- Through the **future of mobility** Grand Challenge, the UK will become a world leader in the way people, goods and services move, by designing and manufacturing zero emission vehicles (EVs). There are opportunities for Cheshire and Warrington through the expertise embedded in the region on the impact of EV's on local energy networks, and also the experience within our automotive and aerospace sectors in 'lightweighting' of materials for use in new vehicles. Our strategic location, at the heart of the motorway network and linking two major conurbations may offer opportunities for developing and trialling the infrastructure needed to support roll out of electric and autonomous vehicles. There may also be opportunities to capitalise on the expertise within our chemicals sector to develop new, low carbon fuels for those vehicles less suited to electrification.

Next phase of the LIS

The economic analysis has provided a strong base for the next stage of our work. We will continue to question, building in challenge from external experts, local partners and Government, whilst also making educated and informed decisions based on logic chains. This starts from the evidence.

We will look to carry out deep dives into specific areas by working with our evidence panel and other experts. As a first step we have submitted an Expression of Interest to the Economic and Social Research Panel to investigate low productivity in the logistics sector.

We are committed to cross-border working, both spatially with our neighbours and thematically. Where Cheshire and Warrington has an offer to contribute on the Grand Challenges, this is a potential area of collaboration with other places in the UK.

We are engaging with the national Sector Deals to understand where CWLEP can contribute, and we are keen to input into further deals.

Engagement

We will shape our LIS for Cheshire and Warrington through a number of workshops and engagement sessions across Cheshire East, Cheshire West and Chester, and Warrington. In these sessions we will test our evidence and invite suggestions as to what the LIS might mean for the Cheshire and Warrington economy. This will involve local business, academics, sector bodies, local authorities, and other local partners and stakeholders.

This will be a LIS for our place. Through close collaboration and co-design with Government we will continue to develop our LIS evidence, insights, and strategy. To develop cross-border collaboration and build our shared strengths, we will begin to start conversations with our cross-border partners and other LEPs.

Please go to www.871CandWEP.co.uk to find out more, or email consultation@871candwep.co.uk using the subject reference: Local Industrial Strategy.



www.871CandWEP.co.uk