

# the future of the North West

Edited by Paul Hackett



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The North West has been at the forefront of the regional renaissance. Over the past decade its economy has grown faster than the average, new industries have emerged, and there have been sharp reductions in unemployment and poverty. The essays in this publication highlight these successes but open up a frank debate on the difficult challenges ahead – not least achieving sustainable growth and a better quality of life for all, against the background of recession and spending cuts. The authors make several thoughtful and practical suggestions for the way ahead, including new thinking about achieving a low-carbon economy, better transport links and more devolution. The publication provides a focus for debate both within the region and with central government and the EU.

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## Introduction

Phil Robinson, Chief Executive of 4NW, and Steven Broomhead, Chief Executive of the NWDA

Over the course of the next 20 years, we believe there will be four key priorities for the North West region:

- to capitalise on the opportunities of moving to a low-carbon economy and address climate change;
- to build on our sources of international competitive advantage and regional distinctiveness;
- to release the potential of the people in the North West and tackle poverty; and
- to ensure we have the right housing and infrastructure for sustainable growth.

In the longer term, the North West needs a dynamic and sustainable economy that is able to compete on an international scale. Competitiveness is the key to our economic success – the vital ingredient that fuels the development of the region's businesses, its people and its places. To remain competitive, we will continue to invest heavily in the region's key growth sectors, including digital and creative industries, environmental technologies and advanced manufacturing. These are sectors that are thriving in our region and in which we have a real global dominance.

It is vital that the people who live and work in the North West should shape the future of the region. Moreover, organisations in all sectors have taken the view that the North West needs an agreed regional strategy irrespective of whether statute insists upon one. It is needed to bring together the region's economic, social and environmental priorities into a plan that will inform local, subregional, regional and national activities. It is also necessary to inform decisions regarding the major interventions the North West must develop to create long-term prosperity for all. There is also a need for fresh collaboration between region and government to ensure we concentrate on projects and programmes that have national as well as regional economic impact.

Without a formal, agreed regional plan, it is recognised that decisions about the region's future success will be taken outside the North West and by those who are not so well placed to know what we need nor are accountable to people here in the region for the long-term decisions they take. So 4NW – the regional leaders board for the North West – and regional development agency the NWDA began preparing the strategy as the legislation was being taken through parliament to put in place the Local Democracy, Economic Development & Construction Act, which enshrines in statute the need to produce a regional strategy.

The regional strategy for the North West will be a new and clear strategy and investment framework, providing an integrated approach to economic, spatial, housing and other issues. Part one has been developed through a strong evidence base and proposes a vision, strategic priorities and action areas that will maximise our opportunities and address our challenges. From the North West Business Leadership Team to the Environment Agency, from Chambers of Commerce North West to the North West Equality & Diversity Group, all have been involved in preparing the strategy and not just consulted upon its contents. It is truly the region's strategy. Part two will follow later this year and will provide detailed spatial and thematic policies and actions to deliver the priorities.

### **Partnership working**

4NW and the NWDA have earned a reputation for being at the forefront of regional policy development and delivery. We share the belief that "the best way to predict the future is to create it". Our success is characterised by a focus on tough, well-informed decisions taken on the basis of a commitment to achieving consensus on strategic interventions evidence and delivering value-for-money results.

4NW was the first regional leaders board in the country. The key principles governing the creation of a credible 4NW were threefold. Firstly, it needed to secure the highest level of representation from local authorities across all five subregions of the North West. Secondly, the board required senior representation from both private and third sectors. Thirdly, its modus operandi had to involve building and securing widespread support around the tough regional decisions that would be needed to secure a strong economic future for the North West.

The regional funding allocations exercise was a significant test of the strength of partnership working in the region, and particularly between 4NW and the NWDA, where we successfully secured consensus on how £1 billion of transport funding should be allocated across the region in the light of competing demands.

The NWDA has been right alongside during the development of 4NW, giving constructive support and encouragement, and was very much an active partner in the journey to create the regional leaders board. Since the agency's establishment in 1999, the North West has built a strong foundation after a number of years of sustained economic growth. This has been achieved through adopting a regional approach to ensure that investment unlocks the widest possible economic benefit. As the only organisation in the region that is entirely economically focused, providing the leadership to bring partners together and turn these priorities into real action on the ground has been the agency's single most important role.

The NWDA's record to date demonstrates its ability to deliver real economic change. An independent evaluation of activity, undertaken by PricewaterhouseCoopers in 2009, shows that between 2002 and 2007 every £1 invested by the agency averaged a return of £5.20 in economic impact for the region. This led the NWDA to be recognised as having a strong overall performance, with particular successes in enterprise support, physical regeneration and people and skills.

However, as the economy has evolved, so has the role of the agency, and the economic downturn made its role even more significant. The NWDA moved swiftly in reacting to changing conditions and continues to play a crucial role in recovery, offering businesses increased access to finance, as well as specialist support programmes.

This was recognised in the North West Regional Select Committee's report in 2009, which was supportive of the NWDA's role and recognised its strong performance, especially in supporting business in the recession.

In this priority area alone the NWDA has established:

- a £10 million programme to support high-growth businesses;
- a £35 million package of support for start-up businesses; and
- innovation vouchers for between £3,000 and £7,000 to help develop innovation.

Through the banner of Real Help Now, the NWDA has ensured that:

- 7,599 companies have received a free health check;
- £2.8 million of small loans have been made to businesses since January 2009;
- £52.5 million of enterprise finance guarantee has been offered since January 2009, with £45 million taken up so far; and
- £5.7 million of transitional loan funding has been lent since January 2009.

### **From subregional to international level**

Despite operating at the regional level, both 4NW and the NWDA have been at the forefront of supporting the development of the "subregional" agenda – whether this has been at the city-region, subregional or multi-area agreement level. The NWDA has provided funding, and expertise, for policy development and delivery at the subregional level as appropriate. The region has specific strengths in sectors that are proving resilient and are likely to lead recovery. The NWDA remains focused on the long-term strategy for sustainable growth, and we are working closely with the government on its New Industry, New Jobs strategy and the national low-carbon industrial strategy to ensure that the region is well placed for recovery.

4NW's reinvention was based on the fact that members would be chosen by the subregions themselves (Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside – three leaders from each). Regions are certainly not a barrier to city regions, subregions or multi-area agreements – far from it. Regions are a critical conduit between central and local: and they are, moreover, the right spatial level at which to make many decisions – with transport, science and innovation the best examples.

The starting point of our strategy is that the quality of life is good in the North West: according to the New Economics Foundation, it is the third best of all the English regions. Unfortunately, as Sir Richard Leese, Chair of 4NW as well as leader of Manchester City Council, makes clear, the quality of life enjoyed by many is not shared by all 6.9 million people of the North West; in addition, the region faces other profound challenges over the next 20 years. In chapter one of this booklet he explores our aspiration to be a well-connected region focused on quality of life, and in so doing reflects on the North/South divide.

Many of the issues we face, including climate change and the need for security of energy and food supply, confront people across the UK and indeed the world. The North West intends to be at the forefront of progress in moving to a low-carbon economy, and NWDA chair Robert Hough examines in chapter two our determination to lead the next industrial revolution, just as we led the last one. Anne Selby, chair of the North West Sustainable Development Group, also reflects on how climate change is at the heart of all our plans, in chapter six.

There are other challenges that are more specific to the North West. For example, the economy is not as productive as it could or should be, and too few people are in employment. The region needs more homes and they need to be affordable and of better quality, particularly in relation to energy efficiency. This region continues to suffer from high levels of ill health, with areas characterised by deeply entrenched worklessness often existing next to areas of economic success. Good health is inextricably linked to our future fortunes, in terms of both regional wealth creation and specific personal fulfilment.

### **Regional assets and opportunities**

Larger than half the countries in the EU, England's North West has considerable assets and opportunities. Liverpool and Manchester are truly international cities; their global status is demonstrated by being the sixth and third most visited UK destinations for international tourists. In chapter three, Howard Bernstein, chief executive of Manchester City Council

and chair of regeneration body ReBlackpool, reminds us that civic entrepreneurship has played a crucial role in the revitalisation of our region's cities and major towns.

Another major asset of the North West is its diversity. The Lake District is an outstanding landscape, rivalling the best in the world, and the region has many internationally important wildlife habitats. Maximising the potential of our smaller cities, market towns and rural communities has always been a priority in the North West, and this is further investigated in chapter four in a thoughtful piece from Jim Buchanan, the leader of Cumbria County Council and a 4NW board member.

There is pride in the region – not only in its history and its achievements but also in its potential. It is home to the industrial revolution, the rise of the co-operative movement and the advancement of modern science, among many other things. People in the North West know that certain negative trends – growing inequality between this region and others as well as increasing inequality within the region – can be overcome. In chapter seven, Mike Damms, chief executive of the East Lancashire Chamber of Commerce, looks at the business case for addressing inequality – because all too often poverty, especially child poverty, and inequality undermine our successes. In identifying the lessons that the region can learn from the current recession, social housing group Riverside's chief executive Deborah Shackleton focuses in chapter eight on the housing perspective and how it can contribute to future growth.

As the UK enters a period of reduced availability of public expenditure, decisions on funding and priorities will become even tougher. There will be real challenges requiring both judgment and confidence about how to balance economic, environmental and social issues, identifying how and when to act locally, subregionally and regionally in the best interests of our long-term future. This important issue – which includes connecting our remotest communities to opportunities for growth – is sometimes known as “glocalisation” and is considered by Flo Clucas, deputy leader of Liverpool City Council and North West representative on the EU Committee of the Regions, in chapter five.

## **Conclusion**

The North West's regional strategy will make a difference. It provides an overarching vision and proposes strategic priorities that will address the challenges and maximise the opportunities. Its success rests on the ability for all those involved to create the conditions under which all people and places in the North West are able to realise their true potential. The region has a number of significant opportunities for competitive advantage, including nuclear and renewable energy opportunities, excellent international connectivity, strong

science, higher-education and knowledge assets, key internationally competitive sectors and outstanding assets in culture, sport, and the natural and built environments.

It is clear that if the North West is to become a better place to live, learn, work and invest, then by 2030 4NW and the NWDA in partnership with all other stakeholders in the region must deliver real change. In its final version the regional strategy will include detailed policies on climate change, housing, regeneration, transport, water, waste, strategic sites and more. It will become the touchstone for the region for the next 20 years, a key reference point for all those in the region and for central government departments.

Here in the North West our vision is for the strategy to evolve, potentially becoming a negotiated contract with national government, ensuring that all organisations share the same priorities and know what needs to be done, when and by whom.

We are grateful to the Smith Institute for the opportunity to share our experiences and learning through this publication, which we believe will be of interest across the UK. In particular we would like to thank Professor Michael Parkinson, Paul Hackett and Steve Barwick for their final chapter, which includes a number of insightful and interesting conclusions.

The institutional architecture in the North West works. We have been asked big questions and taken tough decisions. The draft regional strategy addresses many key questions for the future of the region over the next 20 years and outlines other big questions we still need to resolve. Together, 4NW and the NWDA stand ready to create the future, continuing to build a strong and globally competitive North West.

## Chapter 1

# The well-connected, quality-of-life region

Sir Richard Leese, Chair of 4NW and Leader of Manchester City Council

## The well-connected, quality-of-life region

When the New Economics Foundation made an analysis of quality of life, it concluded that the North West region ranked third in the country. This was because, among other things, we are a well-connected region and have lower income inequality. London and the South East, when assessed on quality-of-life measures, ranked bottom. On this evidence, we might conclude that "it's horrid down South".

However, in terms of conventional economic indicators, the North West ranks relatively poorly against other regions. Our output (in terms of GVA) and employment figures, for example, suggest that we are one of the three "worst" regions in England. Educational attainment is not great, crime is high and ill health is prevalent. If this assessment were to be accepted, the stereotype of "it's grim up North" might be seen to still have credence.

As chair of 4NW – the regional leaders board – and leader of Manchester City Council, I am confronted by something of a dilemma. I want to sing the praises of our cosmopolitan and thriving cities, our flourishing counties, our glorious coast and exceptional countryside. But I also see a need to address the damage – in terms of educational attainment, ill health and crime – that is caused by poverty and worklessness, not just to individual lives but also to generations and to communities.

On the one hand, I know that if we are to secure the private-sector investment necessary to continue to develop, for example, our creative and knowledge industries, I must talk of our opportunities, our cultural life – which at its best will rival that found anywhere – and our natural landscapes, which do beat most found elsewhere! On the other hand, if we are to maintain public-sector investment then I must remind the government of the position of much of the region in the Index of Multiple Deprivation and emphasise the fact that in parts of the region we still have the lowest life expectancy.

In this short chapter, I want to unpack the idea of quality of life – looking at particular components of it – and examine its utility in future public policy debates. In discussing quality of life, I want to emphasise just how well connected the North West already is – in terms of motorway networks, trains, planes, ports and of course buses and trams. I then look at the potential for the High Speed Two proposed rail network to further improve this region's connections with London, other regions and indeed Europe. Finally, I want to ask the question: if quality of life is better in the North, does the North/South divide still matter?

## Quality of life in the North West

The arguments against using GVA (gross value added) – or before that GDP and GNP – as the yardstick against which we should judge social progress, and indeed politicians, have been long rehearsed. As renowned US politician Robert Kennedy pointed out so eloquently all the way back in 1968:

*The gross national product counts air pollution and cigarette advertising, and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for the people who break them ... It counts the destruction of the redwood and the loss of our natural wonder in chaotic sprawl ... Yet the gross national product does not allow for the health of our children, the quality of their education, or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials ... it measures everything, in short, except that which makes life worthwhile.*

I am very pleased that the draft North West regional strategy, signed off by 4NW – the regional leaders board – and by regional development agency the NWDA, places a very firm emphasis on securing an excellent quality of life as our overarching goal. In fact, it references the work that the New Economics Foundation has undertaken to compile an Index of Sustainable Economic Well-being (ISEW), although the NEF is, of course, just one organisation that has tried to detail the components of a quality-of-life index and come up with a basket measure over the past 50 years.

Indeed, as soon as one disaggregates quality of life there are inevitably questions. The spidergraph in figure 1 reflects the NEF's assessment of the component parts of its quality-of-life index for the North West. Of particular interest is the fact that the North West does well against the national average in terms of industrial accidents, environment, income equality and public expenditure. However, it does worse than average on consumer expenditure, pollution control and family breakdown. The results when added up provide the comparisons with other regions, and indeed with the usual measure of progress, GVA, as shown in figure 2.

This result is good news for the North West. After all, 6.9 million people choose to live and work here, and we are rightly proud of our revitalised cities and other world-renowned assets, such as Manchester, Liverpool, the Lake District and Chester. We know this is a good place to live, work, learn and invest – but we still need to grow our economy and increase economic inclusion, and so need more investment. An index showing that this is a good place to site your business and send your kids to school is most useful.

Figure 1: Component parts of quality-of-life index for the North West

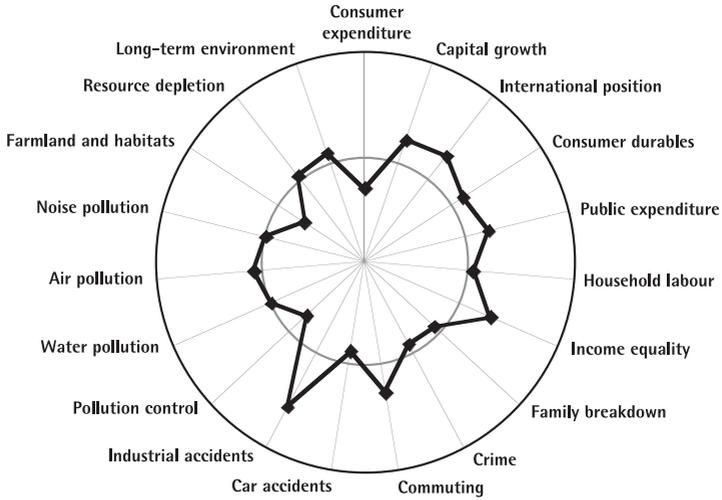
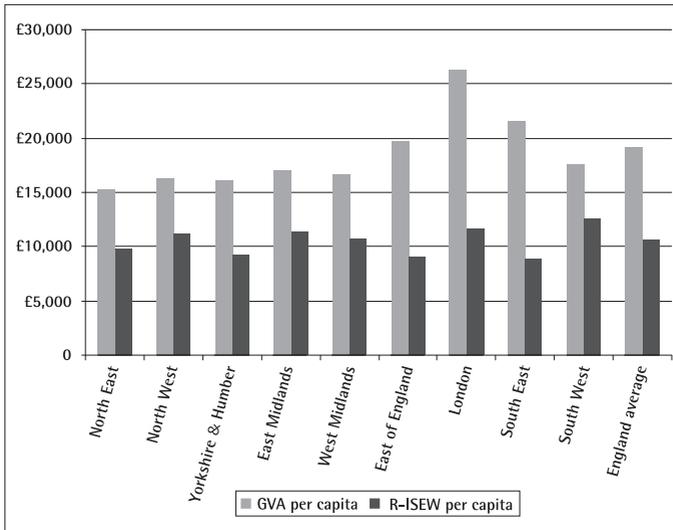


Figure 2: Regional comparisons of GVA and R-ISEW (Regional Index of Sustainable Economic Well-being)



Source: New Economics Foundation

However, while the undoubted strengths of the North West can and should be shouted loudly from the rooftops, there is also the widespread problem of poverty in this region, which often undermines our successes and diminishes the quality of life for all. When the Index of Multiple Deprivation is used, we find that the North West contains three of the "worst" five local authority districts, and 15 of the most deprived 50.

Most worryingly, only five of these have shown improvement over the last measurement period (2007 compared against 2004): Manchester, Salford, Knowsley, Halton and St Helens. Seven actually got relatively poorer (Oldham, Blackpool, Preston, Blackburn with Darwen, Burnley, Hyndburn and Pendle) and three remained the same (Liverpool, Rochdale and Barrow-in-Furness).

Meanwhile, employment rates in some areas and for some communities – for example, disabled people and ethnic-minority groups – are 60% or less; in other words, only six out of 10 people of working age in these groups or areas are actually in employment. This reduces the life chances of those individuals, quantitatively and qualitatively, and also has an impact on wider society.

I am pleased that the draft regional strategy recognises the significance of this, although we need to understand that resolving this issue is a long-term challenge without easy answers. But one thing is certain: local authorities in the North West, often working through subregional partnerships and in conjunction with the NWDA, are working on the linked issues of skills and worklessness as well as on regeneration and, most recently through the Future Jobs Fund, on employment creation.

We have also insisted that the draft regional strategy makes clear that what is wanted is well-rewarded and rewarding work with family-friendly, flexible conditions. However, it is clear that narrowly focused quantitative measures will still have their place. Certainly, in the North West the ambition of an 80% employment rate quite rightly remains, as the region has only ever reached 75% and is currently now down to 71%.

I would conclude that there are three issues that complicate moving towards widespread agreement on a quality-of-life index. The first is that using a qualitative rather than a quantitative measure introduces a subjective element, so that what is good or poor is much more open to be contested. A related issue is what should be included in the index: if industrial and car accidents, why not accidents at home, or indeed health? The second, more profound issue is deciding how to weight the various factors. For example, how much weight should be given to poverty – measured by the NEF through consumer expenditure – compared with crime or air pollution?

The third issue is that a measure of quality of life does not tell you how widely it is distributed – so, for example, while unemployment statistics are specific about how many are in and out of work, a good quality-of-life outcome does not tell you how many enjoy that. From my vantage point as city council leader in Manchester – according to the 2007 Index of Multiple Deprivation, the fourth most deprived local authority area in the country – I start from the premise that while quality of life is undoubtedly good for many, it is self-evident that it is not sufficiently shared by all.

It is interesting that there are now a wide range of quality-of-life indices but that the Office for National Statistics has yet to promote an official version, although it did recently produce an interesting working paper on measuring societal well-being in the UK. In the North West we are pleased that the debate has started and look forward to further discussion as we develop our final regional strategy, as we are clear that it is quality of life that should be the overarching goal.

### **The well-connected region**

As the spidergraph in figure 1 indicates, the North West is already a very well-connected region, far better than average for commuting. However, it could undoubtedly be even better connected, and this would aid the region's transformation.

Rail use has seen phenomenal growth over the past decade, to the extent that existing capacity is almost used up. Tinkering with the existing network will give only limited improvements, and now is the time to do what the rest of Europe is already doing: develop a high-speed rail system linked to and complementary to the existing network, connecting all the major population and economic centres in the country.

Studies done by both Network Rail and Greengauge 21 show that not only would such a network bring enormous economic benefits, it would also more than pay for itself in the long term. Analysis so far shows that the best-performing route would be from London to Manchester and the North West and then on to Scotland, but the maximum benefit would come from an ambitious national network including the East and West Coast, with improved trans-Pennine links.

Journey times from the North West to London would halve, with even more services. Linking the network through to mainland Europe would also drastically reduce domestic flights and those to locations in nearer parts of Europe, with significant reductions in greenhouse gas emissions. Those savings would be even greater as we move to low-carbon electricity, and that would again help boost the North West, which is already a net exporter of energy and has enormous potential as a producer of low-carbon energy. Even towns not

directly on the proposed high-speed network would benefit, because of freed-up capacity on the regular network, as would commuters with space for more services.

We look forward to the debate continuing in 2010 on High Speed Two, and 4NW will continue to represent the voice of the region on this important issue as policy evolves.

There are other key parts of the transport jigsaw that we are determined to put in place. Electrification of the Manchester-to-Liverpool and Manchester-to-Preston rail routes is already promised. Extensions to the tram network in Greater Manchester are under construction. But the biggest task for the next few years is to sort out the congestion in what is known as the "Manchester Hub", and so significantly improve a range of rail services, particularly the trans-Pennine routes already referred to.

### **The North/South divide**

Government policy remains to narrow the gap in the growth rate between the Greater South East and the other six regions. This policy formulation has always been open to some misinterpretation. It focuses on reducing the rate at which the two parts of England are diverging, but it does not necessarily anticipate that they will converge. However, that expectation has been raised, not least by the Northern Way initiative, from when it began in 2004. The expectations continue and give further impetus to the debate about the North/South divide.

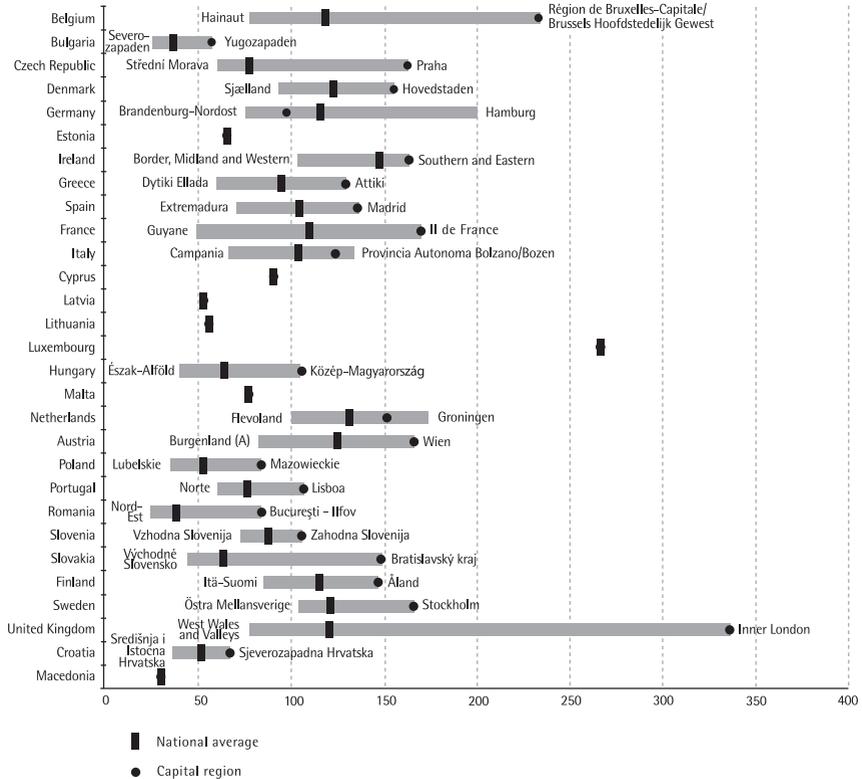
The debate has moved on, in at least two important ways. First, there is a mature recognition in the North that London in particular has a very special economy and, as a global financial centre, comparisons with it are extremely difficult. Second, we do have the quality-of-life debate that demonstrates that GVA is not the be-all and end-all of policy.

However, despite my advocacy of the importance of quality of life, I do still believe that the North/South divide matters. It does seem that one of the lessons we should have learned from the recent credit crunch and recession is that we are less resilient as an economy if we put all our golden eggs in one basket. Not only is this imbalance unsustainable, it could actually undermine total economic output, as countries comparable to the UK but with greater subregional economic equality have higher average prosperity. See figure 3, which also demonstrates that the UK is the most unequal of all EU countries in terms of economic performance at a subregional level.

The Manchester Independent Economic Review has already identified the Manchester city region as an economic growth point of global significance, and second only to London in the UK. Equally, Liverpool, Preston and North Cheshire can make a massive addition to the

national economy, and other parts of the region such as Cumbria's Energy Coast can make smaller but distinctive contributions.

**Figure 3: GDP per inhabitant in Purchasing Power Standards, by NUTS 2 regions, 2006  
In percentage of the EU-27 average (EU-27=100)**



Source: Eurostat Yearbook 2008 ([http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-HA-08-001-03/EN/KS-HA-08-001-03-en.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-HA-08-001-03/EN/KS-HA-08-001-03-en.PDF))

It does seem that at a time when the "joining up" policy mantra has finally found fruition in single integrated regional strategies, there still needs to be a similar national policy that sets out the government's view of its long-term strategic spatial and

economic vision of how all the country's component parts will develop in the longer term. Such an overarching statement would clarify the expectations of the government and ensure certain policy decisions were reconsidered. For example, if such a plan for England existed, the high-speed train from Scotland via the North West to continental Europe might already be going down the track.



## Chapter 2

# Leading the second industrial revolution

Robert Hough, Chairman of the NWDA

## Leading the second industrial revolution

Since the establishment of the Northwest Regional Development Agency (the NWDA) in 1999, England's North West has built a solid foundation based on a number of years of sustained economic growth. With a £120 billion economy, the region is larger than 15 EU countries and is the UK's best-performing region for foreign and direct investment after London and the South East.

While this success has been largely a result of key partners agreeing and delivering key priorities, it could not have been achieved without clear leadership to turn these priorities into real action on the ground. I believe that over the past 10 years this has been the regional development agency's single most important role.

The NWDA's expertise and knowledge of the region and its potential means we are also uniquely placed to agree future priorities for continuing to develop the region's economy. While local authorities have an important role to play in the economic development of their own areas and subregions through multi-area agreements and the new city regions, there is also a significant need for a regional strategic view. It is only by looking at the region-wide picture that we can create the most effective response to both short-term challenges and bigger picture opportunities.

We also understand that competitiveness is the key to our economic success – the vital ingredient that fuels the development of the region's businesses, people and places. To remain competitive on an international scale, the agency continues to invest heavily in key growth sectors where the region has unique strengths, including advanced manufacturing, creative and digital industries, and energy. Key developments that we have been instrumental in helping to deliver range from driving forward the growth of Daresbury Science and Innovation Campus to turning transformational projects such as MediaCityUK into reality.

I believe that the shift in economic terms shows how this approach has helped to narrow the output gap between the North West and the UK average. Before the establishment of regional development agencies, between 1994 and 1999 per-capita output in terms of gross value added (GVA) in the North West grew by 27.7%. This represents a gap of 3.3% with the UK overall. Since the establishment of the NWDA in 1999, North West GVA per head has grown by 43.5%, a gap of only 1.3% with the UK overall.

However, as the economy has evolved, so has the role of the agency. We all know that

2009 was a challenging year for the UK economy, and the North West was no exception. With the economic downturn, the agency faced perhaps its biggest challenge. Although the worst effects of the downturn are now behind us, the agency's priority is to continue to support business and help the region emerge stronger. I believe this makes our role even more significant.

Unlike in previous recessions, the region's strengths in key growth sectors have undoubtedly increased its resilience throughout the downturn. This is reflected in our unemployment figures, which indicate that the region is outperforming the UK. In the last year, the number of people unemployed has risen by just 0.4% in the North West, compared with 1.6% nationally.

In preparing for the upturn, it is vital that the region builds on its traditional strengths and capitalises on its new areas of expertise. It is important that we recognise and maximise the benefits from the region's assets, focusing on our unique cultural, sporting and heritage assets; our great rural areas; our history of innovation and the excellent universities; our strengths in key business sectors such as advanced engineering, bio-medical, tourism and creative industries; and the huge potential for renewables and nuclear energy. The North West should be exploiting its advantage in the international arena that we enjoy from our trading and manufacturing strengths. The region is well placed to lead the way post-recession if we can build on our ability to manufacture goods, develop a knowledge-based sector and safeguard our intellectual property.

The emerging regional strategy for the North West will build on the government's focus on delivering sustainable economic growth. The region's strength in partnership working has always been its greatest asset and the regional strategy is a vital component of this. Currently at consultation stage, it will guide our interventions and investment to unlock the widest possible economic benefit for the whole of the North West. With the growing emphasis on the challenges and opportunities that climate change presents, developing a low-carbon economy will be essential in delivering our vision for the region.

According to the minister for the North West, Phil Woolas, "The North West region is the engine room of the British economy and it is leading us out of recession." I believe our world-class expertise and knowledge in energy make us well placed to do this. Through the development of renewable energy, the nuclear industry and the potential of the Energy Coast in West Cumbria, the region aspires to be at the forefront of the new industrial revolution – the energy revolution.

## **Nuclear is central**

Nuclear energy is an essential part of the future energy mix if the UK is to achieve targets for reducing carbon emissions and meeting demand for safe, clean, secure and economically competitive energy.

With one of the world's largest concentrations of nuclear facilities, the North West is well placed to benefit from the significant potential offered by the nuclear renaissance in the UK and overseas. The region contains over half of the UK's 45,000 highly skilled nuclear workers, several major nuclear sites supported by a well-established supply chain, the main UK centres for nuclear research and the infrastructure necessary to support the industry. Annual turnover for the sector in the region is currently around £3 billion, and the industry's growth offers the potential for associated regional increases.

At a subregional level, the economy of West Cumbria is extremely reliant on the nuclear sector, and this area alone provides around 40% of the area's GVA and 12,000 direct jobs.

As the lead regional development agency for the Department for Energy & Climate Change, the NWDA is working hard to promote the work of the development agencies network in this area and support the development of national government policy. The North West and Yorkshire have recently been established as the UK's low-carbon economic area for nuclear, to be led by the NWDA in collaboration with Yorkshire Forward. This has been established with the core objective of ensuring UK business is equipped to maximise the economic opportunities and minimise the costs of transition to a low-carbon economy.

The UK was an early world leader in nuclear technology, a position that has been weakened through lack of investment during the 1980s and 1990s and by recent divestment of UK ownership of fuel cycle capability. The North West, however, is well placed to lead a UK revival in the global market. A cohesive long-term strategy for the full nuclear fuel cycle is vital to enable long-term planning and implementation of the civil nuclear programme, and to re-establish the UK at the forefront internationally of nuclear technology. It is considered that the UK should initially target investment in areas of nuclear technology where it maintains significant capability and a unique market offering.

I believe that central government, industry and public-sector partners must work effectively and collaboratively to maintain on-target delivery of the nuclear new-build programme and associated infrastructure developments, to ensure the UK remains an attractive market of choice for investors. Nationally, there are a number of emerging areas in which the region can exploit its strengths in nuclear energy and ensure the sector has a positive impact on the economy through business growth, job creation and skills development.

The government's draft national policy statement for nuclear power generation (published in November 2009) provides opportunities for the North West. Four of the 10 sites considered to be strategically suitable for constructing new nuclear power stations are based in the region. Construction of a nuclear power station in the region would bring major investment, job creation and associated opportunities for local companies. There are currently plans by energy companies to construct 16,000 megawatts of new nuclear capacity in the UK by 2025, at an estimated cost of £30 billion. Estimates from EDF Energy also show that planned construction of a twin-reactor power station in Somerset would create 4,000 construction jobs over five years, with around 700 permanent jobs operating the facility throughout its 60-year life.

Development will also be required to facilitate and sustain UK fuel cycle operations both in the UK and overseas. North West capability in this area includes uranium enrichment by Urenco UK at Capenhurst near Chester, uranium conversion and fuel manufacture by Westinghouse Electric Company at Springfields near Preston, and spent fuel reprocessing, fuel manufacture, decommissioning and nuclear waste management by Sellafield in West Cumbria.

Further to this, the National Nuclear Laboratory in Cumbria plays a key role in the UK and global nuclear industry by helping to reduce the cost of clean-up and decommissioning, maintaining critical skills, attracting new people to the industry and working with other national nuclear laboratories around the world. This is the only UK organisation with the skills, facilities and expertise to provide technical support in all aspects of the nuclear industry. This established skills and operational base will provide the potential for new jobs associated with fuel cycle operations required to support the nuclear renaissance.

To ensure the region is in the best position to exploit future growth opportunities and build upon its expertise, the NWDA is continuing to support the sector's development. Initiatives include the Energy Coast masterplan, which provides a blueprint for regenerating West Cumbria's economy by building on the assets and capability provided by the area's inherent strength in the nuclear sector. The vision is for the area to become the main UK centre for provision of low-carbon energy technologies, and the masterplan details an interlinked £2 billion programme of projects designed to create up to 16,000 jobs and boost Cumbria's economic performance by up to £800 million a year.

### **A growing nuclear workforce**

Cogent, the sector skills council for science-based industries, recently published a report forecasting future civil nuclear workforce requirements. This concluded that there would be an industry requirement of around 1,000 new recruits each year throughout

the period from 2009 to 2025, mainly as new apprentices and graduates.

To ensure that the UK nuclear industry and its supply chain have a suitably skilled workforce to deal with the current and future nuclear programme, the agency led a major drive to prepare the groundwork for the National Skills Academy for Nuclear, based in Cumbria. The facility is delivering a national framework for education, training and skills across the nuclear sector. Since its launch in 2008, the academy is already having a significant impact across the sector, having introduced key industry training standards, while developing and delivering foundation degrees and almost 500 national vocational qualifications to date.

The agency has also provided investment of £6 million for the academy's flagship arm, the £20 million Energus facility. Completed in 2009, this has already levered in £9 million of public and private investment and will play a vital role in attracting and retaining skilled young people within the sector.

Outside Cumbria, our regional universities are also expanding their teaching programmes to provide even greater focus on the nuclear sector. Examples include the Nuclear Energy Technology Consortium led by the University of Manchester's Dalton Nuclear Institute. The development of the high-level skills partnership operated by the North West Universities Association and supported by the NWDA also funds foundation and postgraduate degree course development in nuclear topics. The NWUA and NSA Nuclear are also providing funding to develop a postgraduate certificate of nuclear professionalism.

As we move from recession to recovery, the future will not be without its challenges. The downturn has sharpened our focus on developing the economic performance of the North West. The region has a vital role to play in the government's long-term plan for the nation's energy industry, and through focusing on these strengths I am convinced we can continue to lead the UK towards the energy revolution.

## Chapter 3

# Civic entrepreneurship – building world-class cities

Sir Howard Bernstein, Chief Executive of Manchester City Council

## Civic entrepreneurship – building world-class cities

For the first time in human history, more people now live in cities than in rural areas.<sup>1</sup> As hubs of economic growth and cultural creativity, cities have always been attractive to entrepreneurs. Today, however, all major cities face challenges: competing in a global market, developing new industries and employment, and tackling social issues. What makes some cities more successful than others in attracting and harnessing talented entrepreneurs is the effort they make to create an environment where entrepreneurship can thrive and various actors can work together to tackle these challenges and move their cities forward.

The world's original modern city, Manchester, aspires to be a contemporary world-class city and is becoming one of the key players in debates around the knowledge economy, innovation and how cities should develop in the future. Integral to this is the continued attraction and development of entrepreneurs to be part of its exciting new phase of development. The recent history of Manchester may have relevance to other cities facing similar sets of challenges but aspiring also to be world-class.

Anyone looking at Manchester today will see that it has come a long way from its 19th-century textile production heyday, but they will also see the legacy that remains in the historic buildings and in the inventive spirit of Mancunians. Nowadays there is a tangible element of the excitement that must have existed 200 years ago during the industrial revolution, when the city went through profound economic and social transformation. This time the transformation is about a "new economy" of knowledge, creative industries and services rather than manufacturing, but – as then – the excitement about innovation and invention proves attractive to entrepreneurs. Along with them a sense of "entrepreneurship" is brought back to the city, but civic institutions need to play their part in encouraging this.

### Defining civic entrepreneurship

Previous authors have attempted to define civic entrepreneurship, emphasising that it requires political renewal – including renewing a sense of purpose – risk taking, leadership and collaboration in order to harness the talents and resources of organisations and individuals towards agreed goals. For instance:

*Civic entrepreneurship is the renegotiation of the mandate and sense of purpose of a public organisation, which allows it to find new ways of combining resources and people, both public and private, to deliver better social outcomes, higher social*

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<sup>1</sup> *State of the World's Cities 2006/7* (UN Habitat, 2006)

*value and more social capital.*<sup>2</sup>

Certainly, the transformation of Manchester in the past two decades could not have come without a degree of reinvention of the vision of the city's future to drive its urban renaissance. It could also not have been achieved without strong civic leadership to harness the entrepreneurship of individuals, public organisations and the private, voluntary and community sectors for the public good.

Recently we have coined the term "original modern"<sup>3</sup> to describe the essence of where Manchester is now, where it has come from and where it is going. The combination of "originality" and "modernism" is the essence of what made Manchester great two centuries ago and also what has driven the past two decades of regeneration. It is also behind recent innovations such as the Manchester International Festival and the designation of Manchester as one of the first statutory city regions.

The key elements of the Manchester approach to civic entrepreneurship have been to create the vision and ambition for renaissance; to provide collaborative leadership and partnership; to construct a platform for knowledge and innovation; and to attract people and talent to the city to be a part of the transformation.

### **Creating ambition for renaissance**

Manchester's ambitions for renaissance can be traced back to its bids to host the Olympic Games of 1996 and 2000, which began with the establishment of the Manchester Olympic bid committee in 1985. Though Atlanta won in 1996 and Sydney hosted in 2000, the Olympic bids helped build Manchester's aspirations, pride and confidence to be a world city.

Equally important to these initiatives were the pioneering regeneration projects that began in 1992 with the transformation of the Hulme area of Manchester. This 1960s housing development on the west of Manchester's city centre had a legacy of social, economic, physical and environmental problems as severe as any to be found in the UK's urban areas at the time. The government's City Challenge regeneration funding programme gave the council the opportunity to use physical transformation of the area to trigger positive changes in economic and social conditions. With high-profile political leadership, strong collaboration with government, investment from the private sector and real partnership working with housing associations, voluntary and community groups, Hulme was transformed over a few short years.

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<sup>2</sup> Leadbeater, C and Goss, S *Civic Entrepreneurship* (Demos, 1998)

<sup>3</sup> See, for example: Manchester Edition (Manchester City Council/MIDAS/Marketing Manchester, March 2007) and *Original Modern* (Marketing Manchester, February 2009)

Building on the success of the Hulme approach, the council launched City Pride in 1994. The City Pride area brought together all of the city of Manchester with parts of Salford, Tameside and Trafford, in an effort to repopulate the city centre, reduce physical dereliction and deliver economic growth and sustainable communities. The new partnership acted on the lessons learned from Hulme: that the key to realising ambition lay in a holistic and co-operative approach to regeneration and development.

The strength and capacity of local partnerships that was beginning to develop in the city was also vitally important in the inter-agency response to the devastation to the city centre caused by the terrorist bombing in June 1996. Out of adversity, local partners established a bomb-recovery and city-centre redevelopment initiative based on a strong public-private partnership. The result was a city-centre rebuild of international significance that now greatly enhances the city's role as an international regional capital and is a continuing focus for investment and growth.

An essential aspect of the rebuilding of the city centre has been the commitment by the city leadership to provide the highest-quality urban design and development. By raising the bar in this way we were able to attract some of the most creative and gifted architects and designers to Manchester. Setting a high level of ambition for the city attracts the best business and individual talents to be part of the renaissance of Manchester. The image we hope to project is of a city that aspires to be a culturally vibrant world city and city region.

### **Collaborative leadership**

Two key factors have worked hand in hand to encourage civic entrepreneurship in Manchester: strong civic leadership combined with committed partnership working. This collaborative style of leadership has been able to bring a wide variety of organisations to work together across the city and the city region.

The consistency of leadership and vision in Manchester in recent years has also been vital in fostering partnership working and in changing the tone, image and perception of the area to reflect our aspiration to become a modern world city. There is a strong commercial sector in the city and city region, a solid research and science base, a wealth of knowledge-based industries and a growing cultural, digital and media-related sector, and all these elements are now working closely together.

Combined with this is the ability that local government now has to creatively develop "place" and the local economy through partnerships between the public and private sectors. This collaborative leadership in "place-shaping" is evident in the former industrial wastelands in the east of the city, whose regeneration was kick-started by the 2002 Commonwealth Games.

The east Manchester skyline is now dominated by Sportcity, which was created as the centrepiece of the Commonwealth Games and is now home to Manchester City Football Club. The original ambition for world sporting events is therefore now catalysing the comprehensive redevelopment of one of the most deprived parts of Manchester.

Other good examples are the new Spinningfields business district, incorporating landmark buildings such as the Civil Justice Centre together with public spaces, bars and restaurants. The Hilton Tower (the tallest residential tower in Europe) and new civic spaces including Exchange Square, Piccadilly Gardens and Cathedral Gardens provide physical manifestations of the ambition and entrepreneurship of the city today.

### **Knowledge and innovation**

For Manchester, knowledge, innovation and entrepreneurship go hand in hand. The vision of the city leadership also includes collaboration in innovation, from the wealth of knowledge in our higher-education institutions and research community to individual businesses in creative industries, life sciences or professional services. There is a close relationship between the city region's four universities and the wider business community, and this is vital to sustaining the knowledge economy.

Importantly, initiatives have been put in place to support innovation and entrepreneurship. Manchester: Knowledge Capital was established in 2002 and is a unique partnership of Greater Manchester's universities, local authorities, public agencies and leading businesses to create positive change by increasing innovation across the city region. Chaired by the leader of the council, the initiative helps to connect people, places and ideas, building networks and creating and catalysing new opportunities and new relationships. The Manchester Innovation Investment Fund is one initiative led by Manchester: Knowledge Capital, with the National Endowment for Science, Technology & the Arts, regional development agency the NWDA and Manchester City Council, designed to raise the innovative capacity of the city region through a series of projects, interventions and networks.

Agencies such as Marketing Manchester and the inward investment promotion agency MIDAS are also vital players. All our partners are committed to creating positive change by increasing innovation and entrepreneurship across the city region and, through this, helping create an educated and skilled workforce, an infrastructure to support this, and clusters of people and firms in the growth industries of the knowledge economy.

A practical example of innovation and knowledge at work is Corridor Manchester. Home to two universities, five hospitals and an array of high-tech incubators, research centres and Manchester Science Park, together with a long list of cultural institutions, the Corridor

embodies Manchester's knowledge future. The Corridor partnership brings together all the major stakeholders in the area in overseeing capital investment predicted to be worth £2.5 billion. This investment drives a programme of development to overhaul underused land and buildings and secure major infrastructure improvements. By 2020, we estimate that the Corridor will generate £4.8 billion of GVA and support a workforce of 77,000.

Innovation is of course about more than new ideas and the filing of patents. It is a state of mind, a process, a dynamic conversation and a call to arms. Innovation for Manchester means showing that the city thinks differently and invests in knowledge and intelligence, in our universities and in other places where innovation happens.

### **People and talent**

A critical ingredient in civic entrepreneurship is attracting and nurturing people with talent and ideas. Manchester has had its fair share of inventors, innovators and entrepreneurs over the years. From the early days of industry through to the second decade of the 21st century, we are still attracting scientists, thinkers, writers, entertainers, musicians and radicals – innovative and creative people who think new thoughts and create new opportunities.

The importance of skills and talent was a key message of the Manchester Independent Economic Review,<sup>4</sup> which emphasised the need to raise skills and attract talent to the city region. This means ensuring that as many of our brightest graduates (including overseas students) choose to stay in the city when they graduate and contribute to the growth of the city. We capitalise on the fact that we are a city of invention, of innovation and of talented people, in the hope and knowledge that we will attract more young, talented and entrepreneurial people.

We also recognise that we need to develop the skills and talents of all our residents. Too many Mancunians have no skills or very low skill levels, and too many of our communities remain very deprived, seeing little benefit from the years of the city's growth – and, because of the recession, being now seemingly even further away from the jobs market. We are using every lever we have – City Strategy, the Future Jobs Fund, Manchester Adult Education Service, apprenticeships – to change this. And we are going further and looking at how all our front-line services interact with those most in need, so that individuals are treated as people, as members of families and neighbourhoods, rather than as a collection

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<sup>4</sup> Manchester Independent Economic Review reports available from <http://www.manchester-review.org.uk>

of needs. We are also working with city-region partners to gain more control over how skills training is funded and organised.

A key recent initiative has been the granting of pilot statutory city-region status to Greater Manchester, the finalisation of which was confirmed by the government in December. While Manchester is one of the UK's major conurbations, the wider city region provides both a huge economic mass and a strong identity and character in its constituent towns, such as Bolton, Rochdale, Oldham and Bury. However, the Manchester Independent Economic Review also pointed out that the city region, in terms of its size, skills and resources, is still punching below its weight. Its productivity is influenced by its pockets of deprivation and by aspiration and innovation, among other factors.

Statutory city-region status is innovative in itself and will bring greater powers and responsibilities in the areas of skills, employment, housing, transport and planning, which will help us to drive forward economic growth, better spreading the benefits of that growth to all communities. Having more control over the levers and resources in these areas will enable Manchester city region to begin to develop more rapidly as the key growth centre of the North of England, and start to rival the growth of London and the South East.

### **Innovation and entrepreneurship in the 21st century**

Lord Mandelson has recently spoken<sup>5</sup> about the need to renew our focus on innovation and what makes us successful innovators. The government's Going for Growth strategy<sup>6</sup> also makes clear that 21st-century economic growth in the UK needs to be built on innovation and knowledge, addressing new challenges such as climate change and exploiting new digital and materials technologies.

The work that Manchester has already done on innovation and in attracting entrepreneurs is at the cutting edge, but we need to go further. The government strategy begins to sketch out the beginnings of a national innovation system in the UK. This is something that cities like Manchester and other core cities would readily be a part of to enhance the progress we are making in developing a new innovation landscape focused in our cities.

Innovation needs to extend beyond the economic and into the social and environmental spheres. Innovation can be applied to issues such as health, housing, deprivation and climate change, delivering pioneering and creative solutions at city-region, city and local community level. For example, as part of the city-region agreement we are delivering a whole set of radical public service reform pilot projects across the city region,

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<sup>5</sup> Lord Mandelson, "Going for Growth" speech at the Work Foundation in London on 6 January 2010

<sup>6</sup> *Going for Growth: Our Future Prosperity* (HM Government, January 2010)

focusing on early years, worklessness and skills. The aim is to develop and evaluate different upstream interventions and new approaches to devolved funding. It is this type of social innovation, attracting "social entrepreneurs", that complements the economic entrepreneurship that has been so successful for Manchester in recent years.

Also as part of the city-region agreement, our status as a low-carbon economic area for the built environment provides the opportunity for environmental innovation to reduce energy use in domestic and commercial buildings, thereby reducing the city region's carbon footprint.

### **Conclusions**

We know that our plans to make Manchester a world-class city must have entrepreneurship, ambition, collaborative leadership, knowledge and innovation at their heart. Only by utilising the talents and resources of people, businesses and organisations within the city and city region, and attracting more, can we achieve this vision.

While the recent transformation of Manchester is often held up as a successful example of regeneration, its roots lie in the earlier transformation of Hulme, our approach to City Pride and the Olympic and then Commonwealth Games bids. As a consequence of this early "civic entrepreneurship", real investment is happening across the city and the city region in regeneration, in our schools, homes, businesses and cultural institutions. More investment and responsibility we hope will come through city-region devolution. Real efforts are also being made in terms of innovation and entrepreneurship to ensure that these are woven into the fabric of everything that we do and a real entrepreneurial culture is developed across the city and city region.

As the original modern city, we are committed to ensuring Manchester is once again original and modern in all that it does. With our network of outstanding partners, both public and private, the spirit of civic entrepreneurship instilled by the city's founding fathers is alive today and helping achieve our vision of a world city.

## Chapter 4

# Developing the economic potential of smaller cities, market towns and rural communities

Jim Buchanan, Leader of Cumbria County Council

## Developing the economic potential of smaller cities, market towns and rural communities

The *State of the Rural North West 2005* and the 2008 update<sup>1</sup> marked an important shift in the understanding of the economic and wider environmental and social performance of the region's rural areas. It demonstrated, for the first time in the North West, that rural areas are not all the same but a complex mix, with as much variation within rural areas as between urban and rural. Factors causing these differences include the nature and quality of jobs, the nature and competitiveness of businesses, commuting effects and access to markets. Do we now have a better understanding of that dynamic and how to address the key issues or are we still struggling?

It is my view that we have achieved a great deal over the past five years, but we know that local jobs in rural communities are among the lowest-paid in the UK – 20% below the national average. Vital opportunities such as the challenge of climate change are being missed and the fruitful development of both rural communities and the national economy is often held back. There is, however, a common goal across the region to continue to maximise the economic potential of the smaller cities, market towns and rural communities and to improve and sustain quality of life for all residents.

There are many challenges for all rural communities in the North West. We need to provide more affordable homes to enable people who work in these communities to continue to live in them and to help sustain the community and its services. At the same time, we need to make sure that there are better opportunities for the people who live in these communities to find good-quality work and build successful businesses.

### A jigsaw of communities

The region is a jigsaw made up of city regions, the smaller cities, market towns and smaller rural communities.

In the North West, outside the three city regions we have the distinctive and economically important cities of Lancaster, Carlisle and Chester. These remain at the economic heart of the subregions, and their continued success is crucial to the economic health of the wider region. The draft regional economic strategy has identified them as offering a potential for sustainable growth that benefits not only the immediate subregion but also the wider North West.

1 SQW Consulting *State of the Rural North West 2008* (December 2008)

It is widely acknowledged that market towns play an important role in the life of rural communities, often acting as a catalyst for investment and regeneration. Here in the North West we have a number of successful market towns, such as Penrith, Kendal, Ulverston, Garstang, Clitheroe, Frodsham and Sandbach, to name but a few.

Economic viability is the lifeblood of any town. The involvement of local farmers with vibrant markets is essential and, together with successful regeneration, keeps market towns alive without the absolute need to attract chain stores. Local identity is key to the community's sense of self-awareness. We are blessed in the North West in having many vibrant market towns that contribute to the economic potential of the region.

Rural areas need to balance economic growth and prosperity with the challenge of sustaining rural communities and addressing issues such as housing, access to services, ICT connectivity, green infrastructure, and the need to maintain the natural environment. It is clear that the rural North West is not homogeneous across the region, as economic, social and environmental performance vary considerably. This variability across the region is not peculiar to the North West and in part is due to historical and economic relationships at global and national as well as regional level.

In the North West we have continued to address the needs of rural areas and their links to the urban centre through targeted investment and innovative programmes. I have selected a number of key examples from my own experience in Cumbria.

### **The Energy Coast masterplan**

In the longer term, the challenge is to identify key transformational activities that will help change nature of local economies, and one such example is the Energy Coast masterplan. The masterplan is an exciting package of projects that will establish West Cumbria as Britain's Energy Coast – a prime centre of excellence for nuclear new build and waste management and other low-carbon energy technologies, complemented by high-quality local services. Projects range from the establishment of pioneering centres for nuclear skills and enterprise support for businesses to transport improvements and the development of West Cumbria as a tourism destination.

The programme package represents a £2 billion public and private-sector investment over the next 20 years. On a wider level, the economic benefits of the masterplan will be felt throughout the North West and across the UK. It will also make a significant contribution towards helping the government to combat climate change and to secure the nation's energy supply.

I strongly believe that Cumbria has an important emerging role to play regionally and nationally in relation to its favoured natural assets and as a location for developing renewable energy potential, as a means of both reducing carbon emissions and providing new investment and job opportunities.

### **Tourism and farming**

Another cornerstone of the economy in Cumbria, as in other areas of the region, is tourism. It is considerably more important to Cumbria than to any other rural subregion in the North West. Income generated from visitors to Cumbria exceeds £1.1 billion a year, supporting 35,000 jobs (22,000 full-time equivalent), and accounts for 10.2% of Cumbria's GVA and 14.4% of employment, according to Cumbria Tourism.

The area's success at tourism is due partly to the attraction of the Lake District, but also to the extensive concentration of designated landscapes, such as the "area of outstanding natural beauty" designation afforded to the Solway Coast, Arnside and Silverdale, and the North Pennines. Tourism in these areas, in addition to the Lake District, generates gross revenue of almost 50% of the county's GVA. The need to develop the economy around the benefits of landscape conservation is challenging, and there is considerable debate about securing a more equitable split of the North West's £30 million granted from central government.

Farming practices are central to keeping the landscape attractive, and farming remains a fundamental part of the landscape structure and is the canvas upon which most other rural activities occur. It is interrelated with very important economic activities, such as tourism, food processing, and small and large servicing suppliers. It continues therefore to have a wide influence on rural areas. The Lake District, for example, is a good example of land stewardship over many centuries to deliver landscapes recognised as world-class.

### **Local rural initiatives**

At a more local level in Cumbria, there are a couple of schemes that I wish to focus on which demonstrate how the rural North West is meeting the economic and social challenges in key policy areas:

#### *The enterprise development workers pilot project*

The enterprise development workers pilot project (EDWPP) took place in two of the most deprived parts of West Cumbria, Allerdale and Copeland, where economic activity and wages are low and long-term unemployment high. Its aim was to address all three issues with a proactive and innovative approach to engaging the community's most disadvantaged residents in enterprise. So far, and with limited funding, the project has

been hugely successful – the two-year pilot helped to create 106 new micro-enterprises and employment for more than 150 people.

### *Housing and economic well-being*

Another great success is the initiative taken by Bells of Lazonby, a long-established local bakery in a very rural area of Cumbria. Bells began to experience difficulty retaining skilled workers because of the lack of affordable housing. To address the problem, the firm's owners sold land at a discount to a local housing association and then worked with it to build five new shared-ownership homes for local people.

### **Governance structure**

To tackle the problems, it is essential to ensure that the momentum within central government to address rural issues and develop the economic potential of rural areas is maintained in a way that recognises local distinctiveness. Equally important is the need to devolve power down to more local democratically accountable structures.

Under the Local Government Act 2000, local authorities have the power to take any steps that they consider likely to promote the economic, social and environmental well-being of an area or its inhabitants. Within the region, 4NW is the guarantor that the region is not solely focused on the city regions and has the responsibility for housing, planning, transport and economic development. It is also jointly responsible for signing off the single regional strategy, RS2010, which is being produced in partnership with regional development agency the NWDA.

Cumbria County Council is in the process of developing further the initiatives we have already taken on greater devolution and the empowerment of communities. Cumbria was named as an empowerment champion in 2007; the county council has achieved national recognition for its community engagement and empowerment activity. This is based on long-term and embedded work with localities such as local committees, neighbourhood forums, and community board pilots in five areas across the county. We are now embarking on further devolution in trials such as local area partnerships. This process will benefit immeasurably from the community engagement skills we are developing.

We need to ensure that rural issues and differences are recognised at both regional and national level. This is where collaboration at regional level can be of immense benefit in raising the profile and co-ordinating effective action to reflect local agendas on a national stage.

## Tackling the floods

Against this backdrop of achievement, we were faced in 2009 with devastating floods and the worst winter in 30 years. In dealing with the consequences, the towns of Keswick, Cockermouth, Ulverston and Workington in particular have benefited from a huge support network, which is hopefully a positive legacy that will remain. The massive effort from communities and a wide range of agencies and voluntary organisations has produced an impressive roll call of achievements in the flood recovery operation.

The importance of physical infrastructure in the rural North West was highlighted by the loss of so many key transport links in these market towns during the floods. It was not until a 52-metre temporary steel footbridge, Barker Crossing, was built across the River Derwent in Workington to connect the two sides of the town, and a temporary rail station was built by Network Rail within days of the floods occurring, that the importance of such critical infrastructure was really appreciated. Because of the loss of the road bridges in Workington, many Cumbrians are still having to make commuting journeys of up to two hours rather than the 10 minutes they would have expected previously. This has immense knock-on consequences for commercial viability, tourism and welfare of residents.

There has been a massive drive to minimise the impact on farming and the tourism industry, which, as already mentioned, are vital parts of the county's economy. The latest estimates are that 147 farms were affected by flooding – 26 of them severely – and at least £500,000 has been made available for affected farms through the rural development programme for England, which is administered by Cumbria County Council. Cumbria Tourism, with support from regional development agency the NWDA, launched an immediate programme of marketing to push winter breaks in Cumbria and to highlight that the county was open for visitors as usual. It is ironic that most of the county was not flooded but has still suffered from consequential impacts.

The welfare of our communities is also incredibly important. The flood support centres are still running in Keswick, Cockermouth and Workington. These were set up immediately after the floods, alongside one in Ulverston, by a range of public-sector agencies. They offer a range of support and advice to people affected by the floods. Important lessons are being learned about community welfare and will provide the basis from which to build in the future.

The main message from Cumbria is that it is very much "business as usual" for the vast majority of the county, and in affected areas services have been maintained. Everywhere you look, there have been immensely dedicated people beavering away efficiently, coming up with solutions to the problems that our communities face, going at it with a can-do

attitude and steadily restoring life to normal. I am humbled by the industry and application shown by our communities and support workers.

### **Working together, in balance**

It is, however, important to recognise the vital linkage that exists between the pieces of the jigsaw. One cannot function without the others, and it is the relationships between all the elements in rural areas – from the small cities to the market towns and out into the rural communities – that make it all gel together. If one element is not performing to its full potential, it can have a knock-on effect on interrelated areas.

The question now is how we keep this community spirit alive and ensure that the region's rural economy is sustained. This must remain a key policy challenge for Cumbria, and indeed the whole of the North West region. A vibrant, sustainable rural area must be somewhere to live, relax and work. The proper balance of economic, social and environmental policies must be built into the integrated regional strategy.



## Chapter 5

# Globalisation and localism – connecting the local with the global economy

Flo Clucas, Chair of the North West Regional European Partnership, North West England Representative on the EU Committee of the Regions, and Deputy Leader of Liverpool City Council

## Globalisation and localism – connecting the local with the global economy

The notion of the global village came home to me when I visited Sri Lanka a couple of years ago. I am involved in some post-tsunami projects and had agreed to see some of those for which the Epiphany Trust and I had provided cash and some expertise. Although responsible, among other things, for European affairs for Liverpool City Council and an EU Committee of the Regions member for the North West of England, I had never been to the Far East before my trip.

Having arrived at the hotel late on Saturday afternoon, we decided that we would eat in the hotel bar. The hotel was not exactly full, although it was very nice. The bar area had a stage and a giant television screen. As we sat and ate our meal, what should be on our screen but a football match between Manchester United and Liverpool. Our waiter was very knowledgeable about the teams, their place in the league and future prospects – although he himself was an Arsenal supporter! It was a real lesson in how modern technology and mass communication have changed the world.

Of course, coming from Liverpool and having been chair of the Liverpool Institute for Performing Arts, I was very conscious of the impact of music from the North West on the global scene, but football was a different matter. Our local teams clearly are not local any more. They are international entities, something that sells the North West in a new way to a worldwide audience.

It is through experiences like this that we understand the complex web of global interconnectedness, such that it really is true that the world is getting smaller, and that a butterfly wing in the Amazon rainforest – or, less poetically, an oil well in Alaska, or indeed migration patterns to and from Sri Lanka – affect us all, wherever we may live. But for many the notion of globalisation – with its worldwide trends that, seemingly, we cannot resist or influence – often induces passivity in individuals and communities.

In this chapter I want to explore how I understand “glocalisation”, which I believe is a useful concept. As a local politician, I want to make a difference for the people and to the places, and in my patch, but experience tells me that to do this successfully there will be times when action must be taken subregionally, regionally, nationally and internationally.

Making sense of what is local and what is global – and, more importantly, how to influence both – has intrigued me for very many years now. I will also want to demonstrate how the understanding that derives from glocalisation is being taken forward in the North West.

## **The North West: birthplace of the industrial revolution – and of glocalisation?**

The North West of England has seen good times and bad. A cradle of the industrial revolution, it has well-developed links with East and West, North and South. The idea of “thinking globally but acting locally” could have been coined in the North West. Great cities, great universities and great trade have been our hallmark.

While the conurbations of Liverpool and Manchester account for some 70% of the region's population and act as economic drivers for the region as a whole, foreign-owned companies generate some 20% of regional economic output. The majority of those companies are from EU member states, with most representation from Germany and the Netherlands, while North American companies account for 25% of foreign-owned enterprises. The North West is already the leading region outside the South East for foreign and direct inward investment.

As with the North West's staging of the 2002 Commonwealth Games, Liverpool's 2008 status as European Capital of Culture, and the city's 2018 World Cup bid, showcasing the advantages of the North West to major international audiences is a vital tool in building our economy. This tradition will continue at World Expo 2010 in Shanghai, where Liverpool – the only UK city taking part – is working closely with regional development agency the NWDA, universities, and local authorities from other parts of the North West, to maximise the investment and business potential from Shanghai. Although this is a city initiative, we are thinking regionally so that local companies from across the North West can not only be sponsors but also attend and make their mark.

As the Olympics of the business and economic worlds, World Expo provides a vital opportunity to showcase our local enterprises to best advantage. For being conscious of global markets and being able to take advantage of them is not just about selling abroad. No, it is about a state of mind: being able to see beyond the local boundary and understand the benefits of internationalisation and inward investment as well as outward sales.

Finding mechanisms to enable entrepreneurs to reach into the global market is not easy. Fierce competition, corruption in some countries, language barriers and a lack of local intelligence and support all act to discourage potential entrepreneurs. Local authorities can and do play a key role here. Liverpool City Council, for example, has recently formed an international committee that will gather information, point out opportunity and, with support and advice from partners, underpin international activity by all those involved at the international level in the city, from the local chamber of commerce to football clubs and universities.

Public-sector investment has also benefited from the international dimension. For a period in the 1980s and 1990s, economic restructuring resulted in significant job losses and business closures. Merseyside was declared an EU Objective 1 area from 1994, with much of the rest of the North West being categorised as Objective 2. In hard cash terms, Merseyside has received almost €3 billion from the EU, with the rest of the North West also receiving significant amounts.

### **In the eye of the beholder**

Our major North West cities and the urban areas that surround them are incredible drivers for our prosperity. Although we consider Liverpool and Manchester to be distinct cities, in many countries they would be seen as immediate neighbours. In the US, Brazil, China and Canada, for example, a 30-mile distance would be seen as no distance at all. The historic rivalry between these two great cities should be consigned to history – or at least confined to the sports terraces. In reality we will prosper if we confront our challenges together and co-operate to maximise our opportunities.

Rotterdam, Marseille, Barcelona and Lyon are our competitor cities. Liverpool and Manchester should continue to build on the vision statement signed a few years ago and see themselves as partners in a great enterprise, with mutual benefits for each if we get it right. As Professor Michael Parkinson's study<sup>1</sup> showed, the most successful European cities are those with the best and widest connectivity. Cities with the highest international profile do better economically. The "offer" to the outside world of Manchester and Liverpool city regions taken together is potentially massive, and I am pleased that through the Atlantic Gateway initiative the North West has a project to match the size and status of the Thames Gateway.

### **Does local work? Is influence on the world stage really possible for the North West?**

For those who live in the North West there are many challenges, not least how we encourage young entrepreneurs and young businesses to grow and thrive, and not just in the local or national marketplace. One of the major differences between the more prosperous South and the North West is business density. For areas within the North West, including major cities, the gap with the South is stark. For particular groups within the region, the picture is even worse. If, for example, we could have the same degree of economic activity for women as for men, GDP for Merseyside alone would rise by some £800 million a year.

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<sup>1</sup> Parkinson, M, Hutchins, M et al *Competitive European Cities: Where Do the Core Cities Stand?* (ODPM, January 2004)

We know some of the barriers that women face, and therefore Liverpool City Council together with Train 2000 and Liverpool Vision are working on a project that will encourage women's enterprise and business development. The Women's International Centre for Economic Development will offer those services and support that are needed by potential, fledgling and ambitious entrepreneurs, but will in addition have an international research arm, with leaders in the field as members of an international advisory board. It will work to develop other, similar centres, across the North West and into the wider world, and it has already attracted significant international interest from as far as South Africa, the US and Bahrain, not to mention extensive European interest.

Furthermore, the international dimension to a local project aimed very much at assisting very local individuals has already also led to an invitation for the project champion to become a member of the World Entrepreneurship Forum's think tank, which is based in France and has President Sarkhozy as its high patron. Invited participants to the think tank, which took place in Lyon late last year, numbered just 80 from across the world. They came from every continent, at every level – ministerial, city and regional – and from a variety of viewpoints – entrepreneurial, higher education and finance. Attending the forum, and being asked to make significant contributions to the white paper being produced, means the needs of our North West entrepreneurs can be brought to the attention of G20 members.

### **Does global work? Can the world stage deliver for the North West?**

On a more "global" level, as members of the EU Committee of the Regions, UK local government representatives are able to propose amendments to EU legislation and to write papers on those proposals. Papers, which are called "opinions", are then presented to the European Commission and parliament and can lead to changes in legislation and funding mechanisms.

In the period up to 2010, the North West had three members on the Committee of the Regions: Dave Quayle, Sir Ron Watson and myself. Recent activity by those members has brought some €8 billion to support the issue of improving energy-efficient housing across the EU; proposals to fund venture capital across the EU; support for flexibility with security in working arrangements; support for the automotive industry; and help in the downturn for small companies.

Committee of the Regions members work closely with the European Commission and the EU parliament to ensure that the needs and ambitions of those living in the North West are brought to the table. We are supported by both 4NW – the regional leaders board – and regional development agency the NWDA; in turn, through a North West regional European partnership group, we advise their boards and contribute to the regional strategy they are now responsible for developing.

Europe is important to the future of our businesses. What is encouraging is the emphasis on SMEs and job growth that was confirmed by President Barroso in his response to the EU parliament in December. As local authority members we can, should and will continue to press for assistance from the EU for SMEs, particularly those seeking to access global markets.

The North West region is currently working on two significant projects that can open the door for our SMEs in the green business field. One is working with eight other EU regions to develop innovative regional infrastructures to improve support to SMEs. This will be particularly important in developing potential in the low-carbon economy and, by developing links with other EU regions, encourage partnership working for SMEs across the EU.

The second project is the development of the Irish Sea region as a functional economic area, working with partners from across the island of Ireland, Isle of Man and further afield to develop both green businesses and improve the knowledge of the region as a whole. In so doing, better conservation and less intrusive exploitation of the Irish Sea will result. The opportunity for new enterprise and employment growth is significant.

### **The opportunities from glocalisation**

The trick in an increasingly globalised world is to have international rules, but within those to act as locally as possible. Why? Because people are often at their best when there is a connection; if we are honest, the altruistic limits to caring are all too apparent. Or, to put that another way, compassion and local go hand in hand, whether we mean affection for our park or pride in our city.

That is why it is right that in the North West there has been effort at the regional level between the major public-sector agencies, such as the NWDA, NHS North West and the Homes & Communities Agency, so that there is action on improving procurement and trying to ensure that small and medium-sized businesses in the North West can compete under the rules, but with an opportunity to win more contracts. In particular, the opportunity to address worklessness through community clauses – in a region where more than 25% of the working-age population are not in employment – makes absolute common sense.

But the localism that says we should only put ourselves first is also doomed to failure. Yes, we all want to look after our own – anyone who thinks of family understands that – but we also want our own to be treated fairly by others. So it is in all our interests that we work under fair rules; and the fairest ones are those that apply globally – for example, universal human rights.

And we need to remain positive about diversity and the ceaseless restlessness of humans and their history. We are very fortunate in the North West in having a region that is attractive to those from overseas. Migration has always been an important and dynamic element of this region's economic development as well as its culture – not just over the last 10 or 100 years, but indeed over centuries. In fact even before the industrial revolution this was a multicultural region – a melting pot of Romans, Angles, Normans, freed slaves, Protestant refugees and Irish migrants.

As the draft regional strategy quite rightly recognises, many immigrants are themselves entrepreneurial and are able to open up new links for businesses. In a recent publication, the Liverpool Chamber of Commerce highlighted the contribution made by those new citizens from the EU and further afield who had found new homes and jobs and founded new businesses in the city. I am pleased that 4NW has initiated the "Celebr8, don't discrimin8" project, which informs about the way our society is inevitably changing and champions positive images of all diversity in the region.

### **Conclusion**

To conclude, maintaining and strengthening the local and regional in politics is vital for better global policies and for accountability. Arguably, it is globalisation itself that is making us think and act increasingly locally. Certainly, in looking ahead to the world after the downturn and seeing all that we, in the North West, have to offer in attracting and encouraging inward investment and outward expansion, I am also convinced that local authorities have a unique role in joining up the local and the global, and can make a difference.

As local authorities, we can enable and encourage new businesses to become established, and we can assist older businesses in expanding and help our universities develop their business arms. We can show ourselves willing to help create the conditions in which our local companies can expand into a global economy. That takes hard cash, and hard courage – because current economic circumstances mean that questions about why may be asked of us. It also takes hard, local work.

But, as I hope I have explained, the global dimension is critical to all local activity. Therefore I end with a plea: international activity should not be seen as it is often portrayed, as jollies and junkets for politicians and businessmen, but as a vital mechanism positively assisting our businessmen and -women, our universities, science parks, chambers of commerce and small business federations. Manchester's presidency of Eurocities and Liverpool's UNESCO world heritage site status and city of music bid, for example, are an essential part of the process.



## Chapter 6

# Climate change at our heart

Anne Selby, Chair of the North West Sustainable Development Group and Chief Executive of the Wildlife Trust for Lancashire, Manchester & North Merseyside

## Climate change at our heart

As I write this, we are snowed in and a temperature of  $-18^{\circ}$  has been recorded in Cheshire. Many colleagues cannot resist a few quips about global warming, but the comments are just in fun and are quite the opposite of the very serious tone a few weeks ago when Cumbria was hit by dramatic flooding, of an order not seen in living memory.

As the chief executive of a Wildlife Trust, there is no hiding my head in the sand over climate change. The world of nature has its own ways of showing how dramatic the changes are. Dragonflies are warmth-loving creatures, and 30 years ago we had 12 species of dragonfly in the North West; now we have 23. (Perhaps they respond more readily to the challenges than us humans.) We see oak trees coming into leaf three weeks earlier than previously, causing confusion to dependent insects and birds. Basking sharks are being sighted more frequently off the Isle of Man. Perhaps these indicators are not as dramatic as the plight of the polar bear and the melting of the polar ice caps, but they are telling regional indicators nonetheless.

### The North West climate change action plan

The North West region was an "early joiner" in responding to the call to arms over climate change, producing its first climate change action plan – *Rising to the Challenge* – in November 2006.<sup>1</sup> The action plan was linked to the regional economic strategy, as a transformational activity of the highest importance, and an overarching low-carbon economy was established as a fundamental aim.

The plan was set in the context of mounting evidence. The government's chief scientist, Sir David King, had stated that climate change was "the most serious problem we are facing today". The government had set the first targets for a 60% reduction in carbon emissions by 2050, and we had seen the publication of the Stern review,<sup>2</sup> which concluded that failure to tackle climate change could result in economic costs of \$2.5 trillion every year – dwarfing the cost required to take effective action immediately.

The climate change action plan was jointly developed and owned by the region, widely consulted on and signed off by the chairs of our development agency (the NWDA), the former regional assembly, the Government Office for the North West, and the Environment Agency, and supported by a broad range of organisations. We knew the downside of climate change, but we also had an eye to the potential £30 billion opportunity for

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<sup>1</sup> *Rising to the Challenge: A Climate Change Action Plan for the Northwest 2007-09* (NWDA, 2006)

<sup>2</sup> *The Stern Review: The Economics of Climate Change* (HM Treasury, 2006)

British business over the next 10 years and the prediction that low-carbon technologies would be worth at least \$500 billion to the global economy by 2050.

A quote from the introduction set the context well:

*Make no mistake, climate change is a "make or break" issue for this region and no region is better equipped than ours to tackle the environmental challenge of the age.*

So how was our region better equipped to tackle the environmental challenge of the age? What made our response different from others? One acid test of added value at regional level must be good regional knowledge, plus a good, honest look at the facts, to ascertain where our response can be tailored to our strengths and avoid our weaknesses. Key factors were:

- the North West's still substantial manufacturing and technology base;
- its substantial university/higher-education research capacity;
- an economy of £119 billion – the largest among the UK regions and bigger than the economies of 15 EU countries;
- significant existing nuclear infrastructure;
- a large coast, large tidal estuaries and substantial uplands that have potential to yield renewable energy;
- a relatively damp and windy climate; and
- a large proportion of the nation's peat deposits, with significant opportunities for carbon capture by rewetting and managing lowland and upland peat bogs.

Were there any other factors that may have brought the North West to this early joint action plan? I would argue that there were. I believe the creation of the first sustainable development group – Sustainability North West, nurtured by Lord (Terry) Thomas of the Co-op Bank – had warmed us up to the task. Another factor was that the regional leaders board (formerly the regional assembly), the NWDA and the Government Office for the North West have a good working relationship (which is not always the case in other regions) and as a result a significant amount of consensus was found over key issues, such as climate change.

I chaired an environmental consortium within the region called North West Environment Link. The group had a stakeholder seat on the regional assembly and I served on the regional assembly executive and then the regional leaders board over a period of several years. As we faced the future we talked to one another, bringing up some of those tough subjects

that we would rather have ignored and listening to opinions that did not match our own (and I include the environmental sector, which I represented, in that process). I believe that the engagement of the private sector and the third sector provided added value and buy-in. As Duane Elgin states in his book *Promise Ahead*:

*We need good information, great conversations and a sense that our voices will be heard.*<sup>3</sup>

Our regional structure allowed us to have those conversations and enabled stakeholders to feel engaged in a common purpose. Good policy and good plans can be effective only if people get behind them and deliver.

This early focus on climate change gave rise to a plethora of initiatives, such as the climate change local area support programme, which developed national best practice, ENWORKS (a multimillion-pound investment in business resource efficiency), dedicated grants for low-carbon research and development, the Climate Fund, the Carbon Challenge Fund, mini Stern reports and climate change plans for many of the subregions.

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Early years were spent building capacity at regional and subregional levels to deliver the plan. Development of a regional evidence base and a communications plan were also early priorities. While mitigation work has figured strongly, adaptation to the unavoidable results of climate change has not been ignored. This has produced a framework and triggered some innovative work on green infrastructure, biodiversity and flood minimisation. Coastal squeeze is perhaps a political "elephant in the corner" that we have not properly acknowledged, even though the data and mapping has been available.

Our regional intelligence tells us that we have made some progress with carbon emissions reduction as our new approaches start to take hold. Total emissions were reduced from

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<sup>3</sup> Elgin, D *Promise Ahead: A Vision of Hope and Action for Humanity's Future* (William Morrow, 2000)

63.65 million tonnes in 1990 to 60.79 million tonnes in 2007. In addition, the hard work and leadership in the North West has been recognised nationally, with the region being designated as the national lead on nuclear power generation, while Liverpool city region is seeking to be the first to deploy tidal energy.

Furthermore, Cheshire has one of the largest networks of low-carbon communities in the country, Manchester city region is taking the national lead on low carbon in the built environment, Cumbria is developing an Energy Coast, Lancashire is leading on adapting to the impacts of climate change, and every North West council has committed to tough climate change and energy targets. The NWDA has subsequently become the lead regional development agency for the Department of Energy & Climate Change. These are excellent foundations for the current refresh of the climate change action plan.

On a more anecdotal level, it is interesting to see the sea change of thinking in the region over this period. In 2009 I chaired a "regional conversation" for the regional leaders board covering the topic of climate change. Surprisingly, only one person spoke out as a denier of climate change and you could hear the sharp intake of disbelief from the rest of the room. Was this an indicator that we had found a critical mass of belief among our leaders?

### **The regional strategy (RS2010) and scenario planning**

The North West has also agreed to move quickly on the preparation of an integrated regional strategy. RS2010 is well under way for the North West, with the first draft out for consultation in January 2010. The move to a low-carbon economy is at the core of the strategy.

As part of the regional strategy development, Forum for the Future was engaged to undertake scenario planning to assist with our crystal ball gazing up to 2030. One thing that is certain is that it will not be "business as usual" and that the actions we take now will be pivotal for future generations. Climate change was a given, and woven into the work. The main scenarios were based on extrapolating what would happen if we had increased wealth or decreased wealth, against whether we were in a more co-operative society or a more individualistic society.

We are in the process of proofing our new strategy against these four scenarios. Two interesting points have already arisen from the work. The need for food security or sufficiency came up in all four scenarios, indicating that we need to give more attention to this. So it is timely that the Department for Environment, Food & Rural Affairs has just launched a national food strategy. The other idea the scenarios explore is the very

challenging concept of "prosperity without growth", which is the topic of a recent Sustainable Development Commission paper.<sup>4</sup>

If we momentarily suspend the overwhelming carbon-emissions reduction challenge we face, then the North West could be a little smug and complacent about some scenarios. If we get our responses right, the North West could be a net exporter of electricity because of our huge potential for tidal power, wind power, waste-to-energy and nuclear. Our climate could be erratic and extreme but overall quite pleasant, compared with many parts of the world, still good for food growing and still with adequate water supplies. The North West, however, does not exist in isolation, and climate change migrants could see us as a very attractive destination. We aspire to a significant number of jobs based on a low-carbon economy and manufacturing, but so does the rest of the world. With this in mind, I suspect we may avoid the complacency trap.

### **One-planet living**

It is difficult to have a conversation on climate change without looking at the broader context of sustainable living. Anyone who still is in denial about climate change must be able to grasp the concept of dwindling resources and the need for resource efficiency. We have to start living like we have just one planet to provide our life support, yet at the moment in the UK we live as though we have the resources of three planets.

Last year I was a guest at BedZED, a zero-carbon living project in south London, hosted by the charity Bioregional, which developed the concept of "one-planet living" (a simple, understandable concept about how we need to live sustainably).<sup>5</sup> The most inspiring thing about the project was that it clearly demonstrated that one-planet living is not a sackcloth-and-ashes exercise. One-planet living at BedZED sustains a modern lifestyle that we can recognise. It requires energy-efficient housing, high levels of recycling, local employment, use of the car pool and public transport and a low-meat diet with local fresh food, and still leaves some carbon budget for a holiday abroad every two years. For me, seeing what it looked like, rather than reading about parts-per-million of carbon-dioxide emissions, was hugely important.

There has been recent exploration as to whether GVA is the best indicator for our well-being. Research funded by the regional development agencies on the Index

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<sup>4</sup> *Prosperity Without Growth* (Sustainable Development Commission, March 2009)

<sup>5</sup> Desai, P and Riddlestone, S *Bioregional Solutions for Living on One Planet*, Schumacher Briefing No 8 (Green Books, 2002)

of Sustainable Economic Wellbeing, or ISEW, has given food for thought.<sup>6</sup> As a region the North West is not a high performer on GVA rankings. If we use ISEW then factors related to quality of life lift our performance. So how we choose to measure and judge our performance can dramatically affect outcomes and perceptions. This deserves further consideration.

### **Boiling frogs and clear and present danger**

The greatest challenge is still to bring the mass of the population on the low-carbon journey. Legislative carrots and sticks and excellent strategies can do a great deal, but a whole culture change is required. There are "deniers" and "techno fixers". It is easy to get upset and complain about flooding and other inconveniences and then go back to our cosy, comfortable, carbon-rich ways of living.

As a species we are not very good at responding to creeping and incremental danger, hence the frequently used "boiling frog" analogy, which says that if you put a frog in cold water and bring it to the boil then the frog will sit and boil to death, whereas if the frog is placed in boiling water it will try to jump out and save itself.

Experts have tried to describe the danger of the "boiling water" of climate change, yet marketing experts and psychologists state that people respond much better to a stimulus to move toward something positive, rather than away from something negative. For example, in the Second World War the slogan was not "grow food or starve", it was "dig for victory". Perhaps we have not yet found and described the positive, yet different future we are moving towards. At present a major concern is the adequacy of resources to stimulate the changes we require, particularly at a time of financial constraint in the public sector.

This publication is being prepared during the period of the Copenhagen talks, and the outcomes and news coverage has been bleak. Yet a representative from Manchester came back with a much more heartening story. The story from satellite conferences such as the conference of mayors, the C40 Cities Group and the International Association of Local Government was very different from that of the main event.

It was a story of people knuckling down and quietly getting on with it, regardless of national or international politics. No one questioned the need for urgent action or denied individual or shared responsibility. No one challenged targets, competed or criticised. There was listening, support, sharing and leadership, and herein lies the crux: we can do an

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6 New Economics Foundation *The 2008 R-ISEW (Regional Index of Sustainable Economic Well-being) for all the English Development Agency Regions* (October 2008)

immense amount with leadership at government level (as indeed our legislation and targets have shown) but the essential response must have creativity, ownership and empowerment, and these will happen at local and regional levels. Schumacher would have been delighted that small is still beautiful.<sup>7</sup>

The Transition Town movement shows the power of community responses. Organisational and personal leadership is incredibly valuable, and we must practise what we preach. I have been in the privileged position of being able to commission three eco-buildings for the Wildlife Trust. The most recent is a £10 million visitor centre near Preston, which will be BREEAM Outstanding (the highest level of environmental performance for buildings). My staff demand green housekeeping policies, and their work on peat bogs is saving significant amounts of carbon from entering the atmosphere. At home, we have upgraded the insulation and installed a solar hot-water system. Leadership and demonstrations such as the BedZED project help to hold the positive vision that is needed.

### **Climate change at our heart**

The North West has set out to utilise its assets to deliver a low-carbon economy that is resilient to climate change. I do not pretend to be an analyst of regional structures and policy, but my experience convinces me of the merits of approaching big issues at the regional level. The ability to pool the best minds, to commission work and data analysis, to engage stakeholders, and to engender ownership and cultivate leadership all have counted. Such economies of scale are difficult to capture at individual authority level.

I am currently reading *Good to Great* by Jim Collins,<sup>8</sup> which takes a rigorous look at what drives consistently great performance in the private sector. The author believes that one critical factor in moving from good to great is "getting the right people on the bus". So, with your indulgence, I will stretch this analogy a little further. In the North West, I think we have our climate change bus and we have the right people on the bus (our leaders, from all sectors, plus excellent technical support). We have our route map for a low-carbon, well-adapted economy (our action plan), and I sincerely hope that we have some renewable fuel to get us there.

*Anne Selby is also a board member of the NWDA, environment commissioner for Manchester city region and serves on the climate change cabinet advisory group at Lancashire County Council.*

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<sup>7</sup> Schumacher, EF *Small is Beautiful: Economics as if People Mattered* (Harper & Row, 1973)

<sup>8</sup> Collins, J *Good to Great: Why Some Companies Make the Leap ... and Others Don't* (HarperBusiness, 2001)

## Chapter 7

# The business case for addressing inequality

Mike Damms, Chair of 4NW Social, Economic and Environmental Partners  
and Chief Executive of East Lancashire Chamber of Commerce

## The business case for addressing inequality

### The business of change – the bottom line

Business has a single and defining characteristic in a capitalist system: the need to create profit from investment. Historically, through innovation, businesses located in the North West were among the best in the world at generating substantial profits for their owners and shareholders.

At the time of the industrial revolution, the North West drove the economy of the most influential nation on the planet. But at the same time our towns and cities were being shaped by a sense of civic pride among local business people that you can read about elsewhere in this publication.

So, what argument can business make for broadening its outlook beyond the simple profit and loss of its own annual reports, and taking its place as an active participant in improving the social and environmental conditions in which they operate? In this essay I will examine the business case for addressing one highly controversial aspect of social and economic development – that of inequality – and in doing so I will keep a firm focus on the needs of business.

I will avoid arguments that others often make: that we should deal with it simply because it is the right thing to do. That would be considered a weak argument around many boardroom tables when making a case for a firm's own involvement in an issue that directors might consider should arguably be dealt with by others – namely politicians. Instead I want to detail the business case for addressing inequality.

### Competing demands

Let us start, however, by acknowledging that it is far too simplistic to presume that inequality, especially economic inequality, is necessarily a wholly "bad thing" in our capitalist society – or indeed something that can and should be entirely ironed out. In fact some in the business community will argue that a degree of unemployment is a fundamental characteristic of a competitive economy, and that economic inequalities are not a primary concern of industry. However, it is the extent of inequality that, as I will explain, is an issue that impacts upon business and therefore cannot be ignored or simply left to others.

At the heart of the modern plural economy is competition, and in a capitalist system businesses must compete or die. If there is a common characteristic it is that businesses need to focus on making a profit. In so doing they provide social benefits: a livelihood

for their owners and their staff members. But they not only ensure that employees have the opportunity to afford shelter, food and warmth; they also very often provide pride, purpose and important social space to those who work for the company.

That said, all businesspeople will largely reflect the population: some are more moral than others, some more charitably inclined; some liberal in management, some dictatorial; some interested in their community, some not.

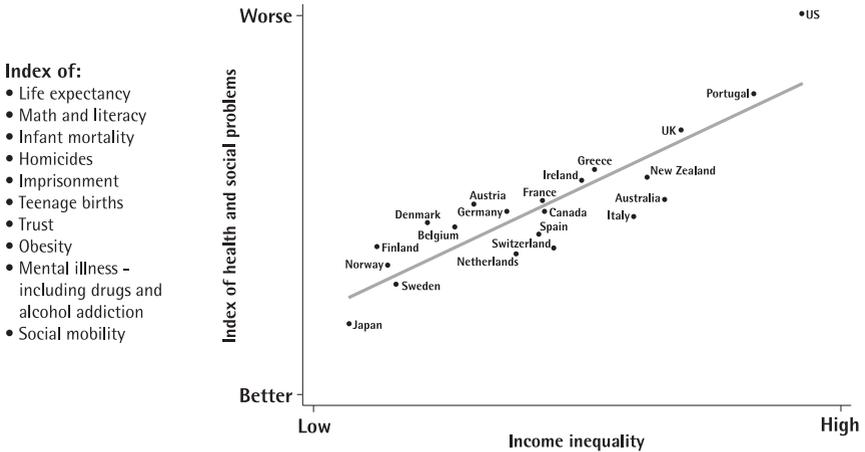
However, a popular business model has emerged – it drives down costs, including wages, while rewarding the top layers of the company with high, and motivating, financial rewards. There are many in business who believe it is not their role to tackle inequality, but rather to respond to it, using it to maximise a firm's own advantage. They would ask: "Does it matter if the rich get richer as long as the poor do not become poorer?" This model has been very successful for the UK. We remain one of the world's wealthiest nations and have one of the top 10 economies.

But the evidence suggests that the bigger picture cannot be ignored. There is a growing body of evidence that a range of societal problems are influenced – and in short, the well-being of society is determined – by income inequality between the top and bottom 20% of earners. This appears to be true not only *between* societies but also *within* richer societies such as our own – it is not the *level* of wealth but its ratio. The UK has one of the highest such ratios in the developed world, and the gap has risen and remained high under every government since 1980. See figure 1, which has been produced by the Equality Trust.

Businesses have a well-developed perception of the costs associated with inequality, whether in terms of low educational attainment and a limited pool of sufficiently skilled labour to draw upon, or even the costs to them of crime and the perception of disadvantage on inward investment. There is therefore something of a dilemma, a challenge even, for business: how to reconcile a market system based on incentives with fairness. The bankers' bonus affair is a perfect example of how customary rewards are scrutinised in the court of popular opinion. Executive pay has been publicly examined for many years, and even in successful times there has remained a public ambivalence towards the issue of rewarding success.

But of course a major cause of economic inequality within modern market economies is the determination of wages. A job where there are many willing workers (high supply) but where few are required (low demand) will result in a low wage. Conversely, highly skilled workers in high-demand industries can command high wages.

Figure 1: How health and social problems are worse in more unequal countries



Source: Wilkinson, R and Pickett, *The Spirit Level: Why More Equal Societies Almost Always Do Better* (Allen Lane, 2009)

This polarisation is extremely visible in the North West, where financial services in Manchester, aerospace in Lancashire and pharmaceuticals in Cheshire sit alongside the declining textile, coal and shipping areas of yesteryear, as well as the lower-producing rural areas.

Tackling inequality, I believe, requires a range of considerations and interventions, not just at the national or indeed regional policy level but also at both the top and bottom end of business practice.

**Education – a key agent of change**

Let us first consider education – arguably *the* liberator of talent, provider of opportunity and the single most significant contributor to the reduction of inequality. The mass secondary-school education movement from 1910 to 1940 was designed to equip students with the necessary skills sets to be able to perform at work; it differs from the current secondary-school education, which is regarded as a stepping stone to college and advanced degrees.

Business organisations (such as the CBI, the Institute of Directors, and local chambers of commerce) have been consistent in their view that the balance is currently wrong and

that "work" has become forgotten in a system that has the funding bodies or the young person as the customer. In my own area, East Lancashire, it is only in the past couple of years that the economy has been a consideration for the education establishment – and despite all the philosophical purity of recent approaches, the legacy has been desperately poor educational attainment.

And I don't just mean the lack of basic skills, because in the modern world to be able to read and write is simply not enough (although the basic discipline of turning up on time is important – and all too often lacking). There is also a desperate need for more high-level training, especially in the sciences and technology.

The trend towards what is known in the jargon as "demand-led" skills policy, and the (re-) introduction of a more vocational curriculum for some, are both welcome, although from my perspective we still have a long way to go.

The UK has historically been the creative capital of the world, but it achieved that accolade because it understood how to apply creativity in an economically useful way. However, in some quarters creativity and educating specifically for the economy are now regarded as incompatible – this cannot be so if we wish to become the innovative knowledge economy to which we aspire.

As early as 1896, Blackburn's chamber of commerce conducted a mission to China. The heading in our report, prepared for the government, was *Manufacturers and Operatives at Home May Dread the Competition of Chinese Labour*. The report also observed that China would be hungry for Western luxury goods and that our offering should be "niche". This learned report foretold that our labour would have to be skilled, not high-volume, meaning education and skills would be the vital path to maintaining economic status both for individuals and as a nation.

The failure of the UK's education system to meet employers' requirements discriminates mainly against the already low achievers, especially in areas where there is a decline in need for unskilled labour. It is startling that over half of the children living in poverty are in a household where at least one adult works.

Improving education and skills, therefore, is a key anchor in any policy for tackling inequality – because it both betters the life chances of the individual and increases the competitive advantages of our businesses. And without thriving and inventive businesses, new or expanding, we will have no wealth to share.

### **Businesses – another key agent of change**

This brings us to the emotional commitment of businesses to individual local people and to their customers' attitudes. In my experience, the majority of businessmen and -women are sympathetic to inequality; the clearest example is when the person affected has no choice, for example, through having a visible disability.

All the arguments in favour of providing opportunities for those with disabilities are understood, and great progress has been made, but there are those in business still wary of having to take on the management and administrative burden.

More educational campaigns could help, and there are other areas that need attention too. For example, physical disability is demonstrably less of a barrier to employment than mental health – only one in 10 people with mental health issues are in employment, compared with four in 10 of those with physical impairment.

Meanwhile the government has available a range of fiscal measures and public-sector measures to address the issues of poverty and inequality. Actions may include: progressive taxation, where the rich are taxed more than the poor; minimum wage legislation; subsidy of essential services such as housing and healthcare; and public education to reduce educational differentials and privilege.

Of course, in the face of the markets, even governments can be relatively powerless. Within the UK there are clear economic inequalities between London and the South East, on the one hand, and the North on the other. While it is commonly understood that regional disparities and dependency on just one economic locus is undesirable, the problem for government is how to enact policies that help develop "lagging" regions without harming the South East. It also has to be realistic about the extent of its own influence, given the other factors at play.

The establishment of regional development agency the NWDA has self-evidently also been a positive step, with the business community being generally appreciative of the development agency's championing and prioritising of regional investment in the major industries that will be key to the North West's prosperity going forward. Local authorities have also worked, often in poor economic conditions, to redress the effects of poverty on their local populations.

It is very much welcomed then that a strong regional approach to inequality is now beginning to emerge, with the development of a single regional strategy that is the responsibility of 4NW – the regional leaders board – and the NWDA. It is to the

credit of 4NW that it has included social, economic and environmental partners at its core, and the benefits of this approach are clear to be seen. The unified regional strategy provides a platform to bring together the social and economic agendas, and each of the sectors has, through the way the North West has organised itself, been able to participate in the debates and to contribute to the determination of the priorities for the region.

At the regional level, the key dilemma is determining the right balance between investing in success – where return on investment is more likely – and focusing on areas of need, where economic advancement is slower and, arguably, more limited. Business would instinctively tend towards the first option, but we must all be cautious, as increasing inequality will have negative effects.

Often business people, especially those from SMEs, are generally too busy to participate in the myriad public regeneration bodies and administrative structures. Not only is it hard to understand in which areas to contribute, but also each area has a complete language of its own that has to be learned. For example, on procurement, local authorities through the Department for Communities & Local Government follow the Flexible Framework, while the NHS has a completely different system. Fortunately, 4NW and the NWDA have gone out of their way to consult with the private sector, in a range of different locations and in a language that is accessible.

Meanwhile the private sector will continue to respond to the market. If customers respect companies that are clearly responsible and caring in regard to the disadvantaged in society, and actively favour giving their custom to such organisations, then business will respond. There is already some evidence that the public expect corporate social responsibility, and there are many excellent companies leading in this field.

On the other hand, it also needs to be recognised that equality is just one of several factors that have to be prioritised and balanced when running a business. However, it is proper that the new single regional strategy recognises both the importance of the inequality issue and the importance of private sector – there may be a long way to go, but at least in the North West we are taking positive steps to understanding the relationship between them.



## Chapter 8

# Recession lessons – housing and future growth

Deborah Shackleton CBE, Chief Executive of Riverside

## Recession lessons – housing and future growth

It seems widely understood that the quality of a region's housing "offer" is one of the key factors in the development of a thriving economy. A poor housing offer – the wrong homes in the wrong places – stands in the way of attracting and retaining the economically active, while concentrating inactive and dependent households in communities of deprivation. On the other hand, a good choice of decent homes in decent neighbourhoods makes a region attractive for inward investment, and helps create a virtuous circle of aspiration, achievement and enterprise. Or so the argument goes.

However, the links between housing and the economy are not exclusively one-way, with housing reduced to playing a subsidiary role. Homes, and the settlements they form, are relatively fixed assets – as we will see, much of the North West region's housing stock is over 100 years old, and will be here for a while longer. It therefore follows that the economic offer should be shaped to support existing communities, which often have a particular vibrancy in the North West. This implies a set of policies and investment priorities that balance "out-and-out" growth with regeneration and place making.

This chapter will explore the relationship between housing and the economy in the region: past, present and future. It will do this by considering the following questions:

- The historical context – what characterises the region's housing offer, and how is it distinct when compared to other regions?
- What happened in the good times? Did the offer change in the period of growth up to 2007?
- What has happened during the downturn? Has the region slipped back?
- What are the issues and challenges going forward?

It will conclude by reflecting on how we can act together to improve the region's housing and housing markets. What lessons can we take from the "good times" to ensure that an integrated set of policies helps shape a better future for the region?

### Legacy and diversity in the North West

There is no single homogeneous North West. The region's diversity is rooted in its physical geography: a mountainous north, an extensive coastline to the west, and the long ridge of the Pennines to the east. This powerful geography underpins the region's settlement pattern, shaping its relatively early economic growth around trade and industrialisation, with the emergence of Liverpool, Manchester and the string of industrial towns along the Pennine fringe.

While the region has moved on in the post-industrial era, with the merging and extension of conurbations along the principal transport corridors, the strength of the region's early industrial legacy remains profound and influences policies to this day, perhaps more so than in any other English region. One of the key challenges facing the North West remains dealing with this legacy while forging a contemporary, forward-looking housing offer.

So, what characterises the North West in housing terms? In 2009, the region had a housing stock of around 3.1 million homes, slightly more than its 3 million households. The region's stock is older, smaller, less expensive and more affordable than the national average. The average dwelling age is lower only than that in London, and 33% of the stock is terraced, with 43% in council tax band A.<sup>1</sup>

House prices are around 75% of the national average and, perhaps surprisingly, the tenure mix is fairly close to national average, with home ownership at 71% (2007) and social renting at a lower level than the other Northern regions. Looking at the region's households, the average household size is 2.3 persons (and falling), and only 36% of households include children. In 2009 the mean household income was around 5% below the national level, with incomes being particularly low for the poorest groups.<sup>2</sup>

While these figures might paint a picture of a region that in housing terms has "lagged" behind the more prosperous South, they disguise the enormous diversity of the region's housing markets. These range from some of the most affluent housing areas in the country, in parts of Cheshire, North Lancashire and the central Lake District, to extensive neighbourhoods in the old industrial heartlands that have experienced abandonment and housing market failure – the focus of the region's housing market renewal pathfinder areas. Looking across the region's housing market areas in 2008, average prices varied by over 300%. So when the market is good, it's very good, but when it's bad, it's as bad as it gets!

Of course this housing gap mirrors a similar economic gap. Despite strong economic growth in the region between 1998 and 2005, the gap in the growth of economic wealth<sup>3</sup> between the region and the rest of the country has averaged around 0.4% per annum. And looking at some of the key drivers of economic growth, the region lags behind in measures of productivity, skills and enterprise. However, a narrow analysis of the economy and the housing market does not necessarily paint a complete picture of the region.

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1 This compares with less than 10% of homes being in band A in London and the South East.

2 The income level at the lower-quartile threshold for the North West was £11,500 pa in 2008.

3 As measured by growth in gross value added (GVA)

The North West is very strong in terms of the quality of life it offers its residents, and recent work by the New Economics Foundation has ranked the region third-highest nationally in terms of the social and economic well-being of its citizens.

We have established that despite considerable strengths, the region has a challenging starting point. However, before we look ahead, it is important to look for clues in the recent past and examine what has happened to both the economy and the housing offer of the region in the period of strong economic growth in the early years of this century, and then in the current period of credit crunch and recession.

### **Holding its own – the “noughties”**

The story of the North West for most of the last decade has been one of very significant economic and housing market growth, with the region holding its own during a remarkable period of national economic growth and prosperity.

Between 1998 and 2005 the economic activity rate in the North West grew faster than in any other English region.<sup>4</sup> This helped to fuel household growth and a consequential increased demand on the region's housing stock.<sup>5</sup> New housing construction boomed in the early years of the decade, particularly with the emergence of new city-centre housing markets, with new construction starts peaking at around 25,000 homes per annum in 2005/06. Regeneration became the region's speciality, with 88% of new housing provided on brownfield sites by 2007/08.

Over this period regional house prices increased steeply to an average of £175,000 by 2008. This pattern of price rises generally followed the national curve, albeit with a slight time lag, and some of the most significant proportionate rises were experienced in areas that had previously been characterised by housing market failure. This resulted in the development of a much more balanced market profile across the region's submarkets and the disappearance of what had been a very low-value “spike”.

One of the downsides of the housing market boom was an inevitable worsening of housing affordability,<sup>6</sup> with many prospective homeowners being priced out of the market. This led to a sharp increase in demand for both private rented accommodation and subsidised housing. A relatively limited proxy for this rise in demand, social housing waiting lists,

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4 The North West differential with the national average economic activity rate was halved in the period 1998-2005.

5 The annual net growth in homes in the North West increased from 0.4% in 2001/02 to nearly 1% in 2007/08

6 In 2008 a theoretical household income of £26,000 per annum was required to access home ownership at lower quartile prices. The median regional household income was £22,000 pa.

now stand at around half a million households across the region, driven largely by the severe decline in social housing lettings, which stood at only 58% of their 2001 level by 2008.

### **The impact of the current recession**

So how has the North West fared in the two-year period since the onset of the credit crunch and the subsequent economic slowdown? While the origins of the recession are rooted in global forces, the region has suffered disproportionately, partly because of its underlying structural vulnerability, arising from a relatively high concentration of manufacturing industry. In September 2009 the regional unemployment rate was 8.6%, against a national rate of 7.8%. What is more, the NWDA's most recent economic forecast is fairly pessimistic about the prospects for short-term recovery, estimating a small decline in employment in the years up to 2015.

The impact on the housing market has been equally grave. Although the whole country has witnessed a fall in housing starts, the North West has been one of the most severely affected regions, with starts falling from an annual peak of around 25,000 in 2005/06 to 7,000 in 2008/09. Unfortunately, the North West's regeneration success story has also proved its Achilles heel, with city-centre housing markets and more marginal regeneration schemes hit hardest, particularly in Manchester and Liverpool.

Inevitably, house prices have declined, with a reduction of 16% between September 2007 and March 2009, similar to the national rate of decline. However, despite a marginal improvement in affordability, the demand for subsidised housing has shown little sign of abating as households have found it increasingly hard to access mortgage finance and satisfy themselves in the market.

Perhaps the silver lining in this depressing story is the fate of the housing market renewal areas. They too have experienced house price falls and a very low level of sales activity, but they appear to have fared no worse than the rest of the market. Given their slide towards freefall before the introduction of the pathfinders initiative in 2003, it is clear that market renewal has so far protected these areas from further decline, despite the fact that the work is by no means complete.

There is little doubt that the recession has been a setback for the North West's economy and housing markets. However, while the long-term impact is not entirely clear, it is not inevitable that the gap between the region and the more prosperous regions of the Midlands and South will reopen to past levels. In fact some areas have demonstrated resilience, and the gains of the earlier years of the decade have not necessarily been lost. There are enough successes for policy makers, developers and housing providers to build on.

## Issues for the future

In looking ahead, housing policy and investment in the North West needs to tackle five issues:

### *Housing supply*

The region needs more homes to meet household growth, but the conditions for producing them are going to be extremely challenging. Forecasts indicate that the region is likely to experience household growth of up to 25% over the next 25 years, although ultimately the pace of household growth will depend very much upon the recovery of the national economy rather than on the success of local intervention. Bearing in mind the latest regional economic forecasts, expectations may need to be scaled back and growth ambitions tempered.

To reflect the region's income profile, homes need to be provided across tenure types, and an increasing emphasis on renting (both social and private-sector) as well as intermediate tenures will be appropriate, especially if flexible models can be developed allowing householders to trade up and down as their circumstances change in an uncertain economy. A higher-quality private rented sector also needs to be encouraged to expand in order to help meet this need.

If regional housing targets are abandoned by an incoming administration, then the onus for driving new supply will fall on local authorities working together at a subregional level and through the regional leaders board. There will need to be a concerted effort to make the case for access to a declining pot of national resources for affordable housing, based upon strong evidence and increasing "cunning" to make the best of existing resources such as publicly owned land. In addition, with the capacity of house builders affected by the recession, local authorities will need to work proactively to support both private-sector developers and housing associations, working to counter the inevitable drift towards low-risk, safer schemes that undermine previous successes in rejuvenating inner core neighbourhoods.

### *Housing types*

One of the key issues will be the nature of the household growth experienced in the region in the coming years, and in particular whether the net increase in households will be predominantly economically active ones. Whatever the economic trajectory of the region, other demographic drivers are likely to ensure that the most significant household growth will be in smaller and older households. Over the next 25 years, three-quarters of net household growth in the North West is likely to comprise single-person households, with

60% of extra households represented by a member over the age of 65 years.<sup>7</sup> These are remarkable figures. At the moment only 7% of the Housing & Communities Agency's affordable housing investment is going into the provision of specialist housing for the elderly, and while the case for greater provision for the elderly must be made it is clear that the needs of most elderly households will have to be met from within existing stock. This will mean greatly increased demand for aids and adaptations, and for community-based housing support services. There is no real evidence that the region has really grasped the magnitude of this problem.

### *Housing quality*

The quality of existing stock must remain a major investment priority for all housing providers and local authorities in their capacity of delivering private-sector support. Although the successful delivery of the Decent Homes programme has had a major impact on social housing stock, the extent of non-decency in the private rented sector and in the region's pre-1919 stock remains too high.

However, tackling non-decency in itself will not go far enough in dealing with the poor environmental performance of the existing stock. New homes may be being built to much higher standards of energy efficiency – especially in the social sector – but a far greater emphasis needs to be placed on the targeted retrofitting of existing homes if longer-term carbon reduction targets are to be met. It is hard to see how providers will be able to meet the bill exclusively from their own resources, and the region will need to make a clear case for the support of central government, energy providers and householders.

### *Housing location*

We have already recognised the North West's expertise in regeneration. Huge investment in market restructuring programmes is beginning to bear fruit. Although the pace of change may need to slow, we must recognise that, given the scale of the problem, we have barely started the job at hand. There is convincing evidence that the case for housing market renewal is as strong as ever, since it is the very mechanism by which the region is restructuring its industrial housing legacy. However, it may be difficult to win continuing political support for market renewal, and so it needs to be recast and rebranded so that it is seen to be as much about the future recovery and competitiveness of the region as it is about low demand and market failure – that link between housing and economy again.

Any undermining of regional policy will be a threat to market renewal, and if there is a new government, and a move towards localism and incentive-driven house building, then it will

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<sup>7</sup> Department for Communities & Local Government household projections, 2009

be for individual authorities and subregional partnerships to step up to the plate and make a clear case for additional resources. This will demand decisive leadership and political courage, as there will be pressure to go for the easier options. As household growth slows, there may also need to be a reprioritisation of other spatial policies, such as growth points, to ensure that new housing has an impact that creates better places, rather than being spread too thinly.

### *Housing reform*

When we build again, there is a need for a more fundamental examination of the role of housing – and social housing in particular – in supporting the development of thriving communities. Much has been written about the current residualised model of social housing, and the impact it has had on concentrating deprivation and reducing the life chances of the very people it is there to help. In view of the key role that social housing providers are playing in sustaining supply during the downturn, now is a good time to begin to address weaknesses in the current model. While this is a huge topic beyond the scope of this chapter, it is worth making a few observations.

There is an emerging view<sup>8</sup> that the root of the problem is the notion of social housing being a fixed product, rather than a means of enabling households to access affordable housing at particular stages in their lives. One of the proposed solutions is to redesign the system of rents, grants and benefits to move away from subsidising the property, and towards instead subsidising the individual for the period of time that help is required. In this model, notions of tenure would be detached from the home, with households having the freedom to move between methods of financing their housing needs as their circumstances change, without necessarily having to move home – from social renting, to intermediate forms of ownership, to full ownership (and back) if required. For communities this could have the effect of beginning to break down the social segregation imposed by mono-tenure solutions, and encourage the retention of economically active households as they are better able to meet their aspirations locally.

There is evidence of a real appetite for reform among providers, but less so among politicians. This needs to be on the agenda for the next government, whatever its complexion, and perhaps the North West could lead the way by piloting such an approach in some of its flagship regeneration projects.

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<sup>8</sup> See the work of the Housing Futures Network, which comprises the Riverside Group, Affinity Sutton, Places for People, London Et Quadrant and Gentoo: Housing Futures Network Homes for Tomorrow: New Directions for Housing Policy (2009)

**Conclusion: sticking to our guns**

To conclude this chapter, it is worth reflecting on how the region can best move forward. What will be the critical success factors of moving towards a better housing offer in a tough economic climate, and who will be the principal players?

*Partnership*

The region needs a real partnership of all the talents if it is to deliver. While we already have a sound collaborative base in terms of housing delivery, there needs to be broader engagement in strategic thinking. As localism gathers momentum, we can expect to see a stronger role for councils, but representatives of all housing providers (both social and private) need to be at the table in the "single conversations" and subregional partnerships that will shape investment decisions over the coming years.

In addition, we need to further break down silo thinking and silo funding in the delivery of local neighbourhood services. As public funding is cut back, there will be a greater need for the efficient commissioning and joining up of local services, transcending traditional organisational boundaries and providing better value for money. A wider range of providers – including housing associations – are well placed to extend existing services, if they can be properly funded. They have already developed the capacity and skills to deliver wider services in the areas of environment, community safety, financial inclusion and worklessness.

*Quality*

Any temptation to stimulate supply through compromising quality should be resisted. Not everything that was done in the rush for growth was good, and now is as good a time as any to reflect on mistakes and ensure that new development has the quality to make a lasting impact. Some of the region still needs transformational change, and this will be achieved only through ensuring that we strive for the highest quality we can afford in developing new homes and making places that work for people.

*Targeting*

The region needs to accept that it cannot do everything it wants to, especially if economic growth picks up slowly. Growth targets need to be realistic, and the temptation to spread resources too thinly in the interests of pleasing everyone must be resisted. Better to have fewer initiatives that have a lasting transformational impact than a thin spread of mediocrity.

*Leadership*

Challenging times demand excellent leadership and political courage. In the main, the region has made great progress, and the regional leaders board (4NW) along with other

key players should have a strong belief that they have been getting it right, even if the pace of growth slows. If regional housing policy is weakened after the general election, then the focus for leadership must move to the subregions in the recognition that housing markets transcend administrative boundaries, and that local authorities must avoid a bun fight for declining growth opportunities. In addition, whatever the outcome of the next election, many of the North West's MPs will change, and it is essential to ensure that the incoming generation are "on message" and fighting the region's corner in Westminster both on policy and for resources.

It is appropriate to conclude on an optimistic note. Things will get better – they have before, and they will again. When they do, if the region sticks to the approach it has taken over the past decade or so, it will be well placed to recover and move forward in delivering the housing offer its people deserve and which will help underpin economic competitiveness, even if the pace of change slows. Regeneration is a long game, and patience will be rewarded.

# Conclusion

Paul Hackett, Director of the Smith Institute, Steve Barwick, Director of Strategy at 4NW, and Professor Michael Parkinson CBE, Director of the European Institute for Urban Affairs at Liverpool John Moores University

## Conclusion

The good news is that on the evidence from this monograph (and backed up by recent studies by NWDA and the regional leaders board 4NW), the North West has truly come of age as a region, and today shows a confidence and maturity that have been absent for a long time. There are tough challenges ahead, but the North West seems determined to meet them and move forward.

For much of the noughties the region grew faster than its neighbours and boasted a higher quality of life than London and the South East. Perceptions of the North West as a place of outstanding natural beauty with world-class culture and heritage were supplemented by an urban renaissance in Manchester and Liverpool and increased domestic and foreign investment in new, high-value industries.

Moreover, the North West has been a pioneer in partnership building and regional planning. A deep-rooted commitment to collaborative working at regional and subregional levels and the emergence of enlightened “joined-up” leadership have fed a can-do spirit of “civic entrepreneurship” reminiscent of the industrial revolution. This has also created a region-wide sense of resilience and an appetite to capitalise on the successes of the last decade.

This is evident in the way the regional partners have worked together to respond to the labour market downturn; in gaining statutory city-region status for Manchester; in responding to the floods in Cumbria at the end of last year; and by being the first region to step up to the challenge of developing a single regional strategy.

The region has built up a positive image and shown a strong desire for change, which owes much to the co-operation evident between local authorities, the business community, public agencies, trade unions, universities, and the extended network of third-sector organisations. These stakeholders have their differences, but share a commitment to engaging and involving people and have created a regional (and cross-party) consensus on many of the big strategic issues, such as low-carbon production and new transport links.

However, the bad news is that, despite all that has been achieved and the positive perceptions it has engendered, the North West has been knocked back by the recent financial crisis and economic downturn. Latest estimates by NWDA’s Regional Intelligence Unit suggest that the region will not get back to 2008 employment levels until 2018. Economic growth fell by 4% last year, and despite recent green shoots the pick-up will inevitably take time in the most disadvantaged places. Few expect the property and regeneration markets, for example, to return to life until at least 2011, and even then much lower levels of activity are likely.

The task of reducing inequalities in the region and providing adequate housing and welfare for a growing and ageing population was proving difficult enough with the previously much higher levels of growth, and it will be even tougher with low growth and real public spending reductions. The pressure on local authority budgets will increase, and new financial tools such as tax increment financing will be urgently needed to help fill the public-sector funding gaps.

As the Northern Way's 2010 report *The Credit Crunch, Recession & Regeneration in the North: What's Happening, What's Working, What's Next?* concludes, there are real concerns that the genuine improvements that have been made in the North West in recent years have been slowed by the credit crunch. The worst-case scenario is that a sudden and steep reduction in public investment would have a devastating impact across the region, and jeopardise any chance of a quick recovery (especially in those places where public investment is the regeneration driver and productivity is low).

Although evidence to the House of Commons' North West Regional Select Committee (in July 2009) showed that companies seem to have learned lessons from previous recessions and appear to be doing all they can to avoid redundancies and retain skills, there is real concern that those aged 18-25 years have still lost out. With those not in employment, education or training back at record levels in the North West – as nationally – the fear of another lost generation persists. This anxiety is heightened by the risk of a double-dip recession, which might have long-lasting consequences (especially in areas of already high worklessness).

Therefore the recession has cast a shadow over the region's ambitions, and realism has replaced optimism, with latest forecasts from the regional economic forecasting panel suggesting a modest recovery for the next three years. It is clear that the various partners across the region, which have worked diligently over the past few years to avoid exacerbating the interregional wealth gap, must continue to do so. Indeed, a central theme of this publication is that the region must sink or swim as a whole, and that the push for a low-carbon regional economy, for example, makes sense wherever you live and whatever your circumstances. The emphasis is on improving people's life chances and quality of life, not just overall GVA.

The authors in this report accept that there will be less public funding in the future and are not claiming that the North West or its city regions are any more deserving than other Northern areas. They understand the region's weaknesses in skills and enterprise and its

vulnerability to spending cuts and macroeconomic trends. They also appreciate that the region has to compete internationally and that its rivals are not only the likes of Yorkshire & Humber and the South East but also Barcelona and Catalonia, Lyon and Rhone-Alpes, and the Rotterdam region. However, there is equally a feeling of confidence and self-belief about the future and what can be achieved.

The slowdown in activity and the credit famine will affect some of the region's major projects, such as Cumbria's Energy Coast, the Atlantic Gateway initiative, and Corridor Manchester. However, there is a widely held view that the priorities in the new integrated regional strategy (RS2010) are the right ones and that the region should hold its nerve. The underlying sentiment is that transformational change takes decades and demands policy consistency, deep-rooted consensus and forward planning; and that the North West partners can deliver this in collaboration with the other Northern regions and central government.

There are no easy answers and no room for error. However, as the perspectives in this monograph show, there is a genuine appetite in the region to do more for itself and to champion the next stage of local and regional devolution. There will be tough choices ahead, but in 4NW – the new regional leaders board – there is evidence that the capacity to undertake prioritisation at a North West level has developed, along with the ambition to help make critical funding decisions. It seems all parties agree that this is preferable to Whitehall alone calling the shots.

A clear strategic focus has emerged on improving the development of low-carbon and energy industries, which plays to the region's strengths (notably in nuclear power and renewables). But the challenge facing the region will be not just about securing public and private investment in these new growth sectors and maintaining the momentum elsewhere, but also about making sure that the skills and capability are in place and that the unskilled also reap the benefits.

A new future for the North West means achieving both a step change in the region's productivity and a sense of fairness. The challenge for the foreseeable future then is not only how best to maintain momentum during a period of credit shortages and spending constraints, but also how to spread the costs and benefits and reduce the risk, in a post-recession environment, of creating a more unequal and more entrenched twin-track regional economy.

The ambition to create instead a more prosperous, more equitable society that emits significantly less carbon is evident in the first draft of the North West's new regional

strategy. The hope is that partners within the region will continue to work together at all levels (whether regionally, subregionally or locally) to deliver that change, despite any adjustments in Westminster and Whitehall.