

LEVELLING-UP LIVERPOOL

Andy Haldane's speech at Liverpool University's Vice-Chancellor's Conference

It is great to be at this conference on “How Will We Create a More Successful Liverpool?” with such a distinguished audience of leaders. I’d like to begin by extending a particular thanks to Michael Parkinson, at the University of Liverpool, for organising this fantastic event and bringing us together to consider how best to unlock even more of this great city’s potential.

The economic backdrop for doing so is, of course, far from ideal. The Autumn Statement confirmed that economic growth is slow and likely to remain such. Across the UK, trust is frayed, confidence low and social capital depleted in many places. The climate and nature emergencies continue to escalate. And politically and geo-politically, tensions are high and fragilities considerable.

Yet when I travel around the UK, what I see and hear *locally* often stands in sharp contrast to this tale of woe. I meet dynamic, energetic, and optimistic leaders – in government, business, universities, communities. They are to be found across all four corners of the UK. And they are certainly to be found in this room today, those writing the next chapter in the Liverpool story.

The era-defining role of Liverpool

If the Liverpool story were to be a fiction novel, a feature film, or a Netflix mini-series, I am pretty sure it would be an instant best-seller. For Liverpool’s history has not just been notable but *era-defining*. And era-defining not just on the domestic stage, but on the global stage.

Era-defining *economically*, as the cradle of the industrial revolution of the 18th and 19th centuries – Liverpool as *Gateway to Empire*, in the words of Tony Lane’s book. Era-defining *socially*, for example as home to the first public health officer, public washhouses, inland dock system, passenger rail system and air-conditioned building. And era-defining *culturally*, as home to the more Grade I listed buildings than any city outside London. To say nothing of course of music, football, and art.

The era-defining role of Liverpool explains why, when it comes to name recognition among non-capital cities, Liverpool ranks in the top 10 globally, despite not ranking in the top 100 by population size.

At the same time, it is also hard to think of many cities in the world that have experienced such plunging lows as well as such searing highs. Its commercial success in the 19th century saw Liverpool become the second-richest city in the UK after London, with its population doubling. But the 20th century saw those patterns reverse with Liverpool sliding down to become one of the UK’s poorer cities and its population halving.

The past 30 years or so have seen a welcome rejuvenation, particularly in the latter part of the 20th and early part of the 21st centuries, with signature regeneration projects in the city centre and along the waterfront. The pace has slowed over the past 15 years, leaving Liverpool still in the lower half of the UK cities’ league table and with highly uneven

economic and social outcomes South to North in the city – a microcosm of the UK as a whole. Liverpool’s regeneration is plainly unfinished business.

Today’s event is about writing the next chapter in the Liverpool story, the next in the mini-series, spreading success city and region wide. In my opening remarks I thought I’d share a few thoughts on how. Despite the unpropitious backdrop, I am optimistic both about levelling-up in general, and about levelling-up Liverpool in particular.

Levelling Up the UK

Levelling up is the overarching framework within which regional regeneration is currently being carried forward. The words “levelling-up” are typically ascribed to Boris Johnson and were first used by him in Parliament in 2019. But the expression has far deeper roots.

In fact, the first reported use of the words “levelling up” was by a different Johnson – Samuel Johnson, way back in 1763. And for those struggling to remember the earlier Johnson, he was the character played by Robbie Coltrane in the *Dictionary* episode of *Blackadder*.

It is not just that the expression “levelling up” is not new. Nor too are its aims and ambitions – to narrow regional imbalances across the UK. Like Liverpool’s fortunes, these too have undergone a rollercoaster ride. Regional differences narrowed in the first half of the 20th century, only to begin widening during the second half. They have continued widening during the 21st century.

This means that, today, regional differences in income per head, life expectancy, educational attainment, and many other metrics of economic and social success in the UK are at their widest since late-Victorian times, when Liverpool was in its pomp. Having slipped steadily down the regional league table over that period, Liverpool has played a contributing role in those widening imbalances.

These wide and widening geographic inequalities have prompted, predictably, a sequence of regional policy initiatives over the past half-century seeking to turn the tide. They plainly have not done so. That is due to three crucial defects in their design and delivery: they have been too short-lived, too small-scale or have failed to coordinate the different arms of policy.

Yes, there have been examples of successful regeneration – in Docklands and Stratford in London and further north in parts of Manchester, Liverpool, Leeds, and Newcastle. But more often than not, UK regional policies have been a story of high hopes and dashed expectations - dashed on the rocks of poor leadership, lack of money, or inept execution - and most often all three.

The recipe for effective place-making

So, what, if anything, is different or distinctive about the most recent attempt, so-called levelling up? And what, if anything, is there so far to show for it? Let me start with the diagnosis and prescription set out in the Government’s Levelling Up White Paper (LUWP) published in February 2021. And full disclosure, I had something of a hand in its production, so don’t expect a completely objective account.

First and foremost, the LUWP sought to learn lessons from the past, by putting in place a durable long-term regional policy framework – not the short-term patchwork quilt of policies of the past. Indeed, it proposed putting this framework in statute to reduce the risk of political chopping and changing. With the passage of the Levelling Up and Regeneration Bill just a few weeks ago, that key legislative milestone has been reached.

At the heart of that levelling-up framework are a dozen missions, to be achieved by 2030. These were, by design, medium-term in nature and ambitious and expansive in scope. They too are now set in statute. People sometimes ask - why so many missions? And it is true that the best examples of mission-based success in the past have been simple and singular – from putting a man on the moon in the 1960s, to committing to net zero by 2050.

I would have loved nothing more than to set a singular mission for levelling up. But this would have been a serious misdiagnosis of the UK's ills. The recipe for effective *place-making* is in some respects similar to the recipe for effective *cake-making*: it involves taking multiple ingredients and mixing them together in the right sequence and proportions. That is the only effective way of getting both a city – and a cake – to rise.

Those multiple ingredients are the multiple missions set out in the LUWP. They cover everything from living standards to longevity, education to skills, pride in place to well-being, digital to physical infrastructure, innovation to institutions. Each has a quantified target so progress against mission can be tracked over time. Indeed, the Government is now required by law to report publicly on progress against the missions on an annual basis.

These missions are neither a pick-n-mix counter, nor a list of nice-to-haves. They are all *necessary* ingredients for local regeneration. The most important ingredient in a place, as it is in a cake, is the one that is missing.

And that is why devolution – giving local leaders the necessary powers, monies and capabilities – is the final, and most critical, of those missions. It is those leaders who ultimately have responsibility for assembling, mixing and baking this cake. And indeed for being judged – Paul Hollywood style – on whether it has risen to the local challenges.

Unlocking potential

If this is the framework for levelling up, what progress has so far been made towards implementing it? At this still relatively early stage, it is fair to say it is a mixed scorecard. More has been done than is sometimes *appreciated*. But I also think less has been done than might have been *expected*. And far less has been done than is *needed* to unlock the potential in Liverpool and elsewhere.

On the positive side of the ledger, devolution of powers to local leaders has moved forward apace. There are at least half a dozen new mayoralities in the pipeline. Perhaps most significant of all, the new trailblazer deals agreed for Greater Manchester and the West Midlands extend the range of decentralised powers and put them on course to a single long-term financial settlement.

Accompanying and supporting these measures have been structural initiatives to support place-based regeneration. There are now a dozen freeports and a dozen Investment Zones across the UK's regions and nations, nurturing clusters of innovation and business

activity. The recent round of Levelling Up Funds, Levelling Up Partnerships and towns-based regeneration deals are also evidence of money flowing and action happening.

Reversing decades of regional imbalance

If these are the successes, what have been the failures? The highest profile has been the Government's retreat on HS2. A potentially transformative project for the UK, and the success of its cities and city-regions, risks being lost. This bucks all international trends, where a large number of countries have, and are continuing, to invest in large scale trans-regional high-speed connectivity. They are seizing the prize that comes from nurturing a set of hyper-connected mega-cities. China now has 20 high-speed connected mega-regions and the US a dozen.

The UK could be such a mega-region if it were to invest not just in HS2, but HS3, 4 and 5 too. On current plans, what we have instead is a world's first – the world's first-ever high-speed intercity rail link that doesn't actually connect any cities. I doubt this will catch on.

The real metric of levelling-up success, though, is not its signature projects. Rather it is whether it has improved the lives of people in poorer places. Here the picture is not a pretty one. Surveys suggest only 16% of the population believe they have benefitted from levelling up so far, even though appetite for it remains as strong as ever.

Reversing decades of regional imbalance will, of course, take time. The public are under no illusions about that. But what they can reasonably expect is that, however long the journey and whether or not it is at high-speed, the train is at least moving in the right direction. We know too few of the UK's poorest people in its poorest places, including here in Liverpool, feel that at present.

UK Urban Futures

So how to make levelling-up real, capable of shaping the lived experience of local people? That was the aim of the report recently produced by the UK Commission on Urban Futures, a joint undertaking between the RSA, Core Cities UK and local city leaders, including here in Liverpool. The Commission made a set of practical recommendations for unlocking the potential in the UK's cities.

The prize here is large. The majority of the UK's large cities, outside of London, fly well below their potential altitude – for example, relative to similarly-sized cities in other countries. Matching the performance of those other countries, across the UK's 11 core cities, could easily add £100 billion per year, in perpetuity, to the size of the economy. That's quite a prize for an economy with stagnant growth.

As there is more to life than money, there is more to regeneration than the economy. So, the Commission also put some numbers to the wider societal and environmental gains from city-level regeneration. Those would include reducing unemployment by around 250,000 and taking 1.2 million people out of poverty across the UK.

The cost of delivering these outcomes is not a small one - perhaps £60 billion in additional investment each year over the next several decades to realise the UK core cities' economic, social and environmental potential. But that still sounds to me like a decent return on investment.

And the truth is, contrary to popular belief, the world is awash with money right now, albeit largely in the private sector. The problem is that too little of this private finance is currently finding its way to Liverpool and other of the UK's core cities. The Commission report sets out a three-point plan for changing that.

The first step is developing a long-term local prosperity plan, crafted through a multi-stakeholder "city coalition" comprising all the anchor institutions - business, government, universities and colleges, community and faith groups, football clubs. As Juergen Klopp has said on more than one occasion, leadership is a shared responsibility, a team sport. This plan provides the pipeline of investible place-based projects.

The second step is having the powers and infrastructures, at the local level, to deliver that plan and those projects. What is needed here is a much more permissive approach by central government to the decentralisation of spending and, especially, taxation powers. Coupled, that is, with a much simpler, long-term, and streamlined approach to local government financing. The trailblazer deals provide a route map here.

The third element is the financing of this plan. The wall of money here, domestic, and international, is huge. From the £3 trillion in pension fund money domestically to the many trillions available through FDI. The question is how is this to be matched into potential projects in cities and regions?

The Commission lays out a menu of options for doing so, including setting up publicly-capitalised investment funds, developing a Cities Investment Compact – a commitment to mobilise domestic pension fund monies through place-based investment - and hosting investment showcases. They would be supported by a cities investment hub – a central spine of expertise on project financing, available to cities as a pooled resource.

The Urban Futures Commission recommendations sound like a daunting "to do" list. But we now have the detailed diagnosis, and the practical prescription, for reversing the UK's imbalances. The prize from doing so could not be larger. And there is ample money to fund that investment. Those are good grounds for optimism if – a big if – local leaders are given the powers and monies to complete the job.

Levelling Up Liverpool

So let me now turn from the national to the local and to Liverpool. What might be done to complete the job of regenerating this great city, to unlock its undoubted and enormous potential? Well, let me start just by scaling that prize.

Of that proposed £100 billion to be gained by raising the productivity of UK cities, Liverpool City Region would stand to gain around £7 billion each year - a 20% increase in income per capita. Moreover, the skew of that gain would be towards the poorest and most in need, lifting 40,000 people out of unemployment and 115,000 out of poverty. Those are sizable prizes.

What scale of investment will be needed to unlock this potential? The starting point here, after years of under-investment, is a capital stock for the city that is low by comparison with many UK cities. At £5,800 per person, it is more than a third smaller than Manchester and over 7 times smaller than the London borough of Westminster. Those are startling

differences and explain much of Liverpool's under-performance across a broad range of economic and social metrics.

In filling this investment gap, a conservative estimate would suggest around an extra £5 billion per year would be needed over the next several decades. While this is not small change, nor is it big beer in the grand scheme of things. It certainly seems like a strikingly good return on investment given the potential size of the prize at stake.

When I travel around the UK, I can usually spot thriving and stalling places within the first few minutes of my first conversation. For places on the up, the story people tell about their place looks forwards and upwards. For places that are stuck, the story instead tends to look backwards and downwards. Places on the rise are rightfully proud of their history and heritage but are not bound or defined by it.

The benefits of that forward-looking, uplifting narrative are real; they shape behaviour and investment. Stories spread; optimism is contagious. Uplifting stories deliver not just pride but investment in place – in the local community, education and skills, arts and culture and sport. These are the trace elements of a successful city, the everyday decisions that enable fulfilment of those dozen missions.

Investment and optimism

Today is in part about crafting the next chapter of that Liverpool story. Having that optimistic story could make a real difference when it comes to securing both buy-in and investment across the multiple stakeholders with a key role to play in delivering it.

Let me say a little about some of the raw ingredients of the Liverpool plan, conscious others in the audience will be saying much more. Although money and the economy are not everything, the foundation on which prosperity has always been built, including Liverpool's, has been commercial and business success. There are plenty of positives to point to here as the city has re-emerged from the heavy hit of deindustrialisation.

Liverpool now benefits from both a freeport and an Investment Zone. Both are still at a relatively early stage, but the former is expected to create an extra 14,000 jobs and the latter an extra 4,000 jobs. It was good news that last week's Autumn Statement extended the funding for both from 5 to 10 years, helping break that short-termist cycle.

The recent Investment Zone announcement puts Liverpool at the centre of the UK's Life Sciences Strategy. As Sir John Bell's report in 2021 sets out, this is a sector with huge growth potential and where Liverpool has some key advantages, including its universities and the Pandemic Institute opened a couple of years ago. This is a local industrial strategy in the making, just what is needed to attract businesses and investors, domestic and overseas, into the region.

The new Investment Zone complements the city's Knowledge Quarter, the wellspring of the start-ups and scale-ups that are and will be the engine of jobs and skills creation in the region. The plans here are truly transformational. These new businesses can also help propel the city's green transition given its net zero target by 2040. Initiatives like the Hynet Partnership – developing carbon capture and hydrogen production - and plans to use the tidal power of the Mersey as an energy source are evidence of this in practice.

Those in this room would be the first to say there is much more to be done to widen and deepen the footprint of businesses in the city, in particular in the North. More anchor employers are needed to create those high-skill, high-pay jobs. All cities are uneven, but the gaps in levels of skills and employment, lifespans and health, participation and pay are wider in Liverpool than elsewhere.

Education and skills will be a key foundation here. Our current education and skills system is not fit for 21st century purpose. It is built on a 19th century technology, developed at a time when Liverpool and the UK were riding the crest of a wave. That wave has broken and so too has the education system. Today it results in far too many lost learners – young people leaving the education system, not just without qualifications but without the skills they need for work and life, loathing rather than loving learning.

Those lost learners might account for as much as many as a third of all young people – and more in some of the UK poorest places, including parts of Liverpool. It is an intolerable endowment for our young people, communities and economy. We need to fix it with a system that reengages those lost learners through a different approach to teaching and learning – practical, experiential, teams-based, digitally-enabled, personalised to learning speeds and styles, genuinely lifelong.

We at the RSA have been developing such an approach over a number of years now and think it holds great promise. We would love to work with you in the room to see if that could contribute to lifting the fortunes of young people in Liverpool, their communities and the city economy.

The power of creativity

Given its history, both distant – think Beatles - and recent – think Eurovision – arts, sports, culture and tourism are another commercial trump card for Liverpool. The visitor economy is already a big earner for the city. And I hear talk of Liverpool becoming the Hollywood (Hollywood California, not Hollywood Paul) or Bollywood of the North.

The creative and cultural industries are certainly a huge potential growth and export area for Liverpool and the UK. They are one of the relatively few sectors – life sciences interestingly being another – where the UK is genuinely world-leading and whose global market is burgeoning.

Currently across the North of England, the creative sector comprises on average around 3% of the local economy. In London it is four times that. I think there is potential to grow and co-ordinate those Northern creative clusters into a Northern Creative Corridor (NCC), running from the Mersey to the Wear – the great river where I was born. This could add perhaps £10 billion per year and create tens of thousands of jobs across the North.

A couple of weeks ago, leaders in the creative industries (including the BBC, ITV and Channel 4) alongside the mayors in the North, including Steve Rotherham here in Liverpool, signed a charter to take forward this NCC project under the RSA's leadership. And I look forward to taking this initiative forward with gusto to help drive the creative economy here in Liverpool whose cultural endowment is already so strong.

Connectivity is key for ensuring all parts of the city can benefit from access to jobs, skills and culture. For Liverpool, the good news is intra-city connectivity where Merseyrail regularly tops satisfaction and reliability league tables. Connectivity to the rest of the region, and the rest of the UK, is another matter entirely. The cancellation of the Northern leg of HS2 is estimated to have potentially cost the region £15bn of finance, 20,000 jobs and over a million visitors. The fortunes of Northern Powerhouse Rail remain uncertain. This, too, is plainly unfinished business.

Finally, I want to end with leadership – last not because it is least but rather because I think it is the single most important ingredient of all in Liverpool’s regeneration recipe. With the right leadership – leadership plural, leadership as a team sport – the sky is the city limit.

The good news is that a more permissive approach to granting local powers to local leaders appears to be underway, with last week’s Autumn Statement setting out a roadmap for the next trailblazer deals. I hope Liverpool will be towards the front of the queue for those deals, giving local leaders here the tools and the powers they need to complete the job.

The second piece of good news is those leaders in the room here today, a number of whom are new or newish in role – Liam Maxwell and Andrew Lewis at the Council and Tim Jones the University, for example. The Liverpool name will always open doors. But it still takes the right team to convince on the doorstep, to complete the pitch and attract that wall of money. From my conversations, I feel Liverpool now has that leadership team.

Conclusion

As dark as the clouds are globally and nationally, we have plenty of beacons of light in the UK’s cities and regions, rich in humour, energy, culture, opportunity. Liverpool is as good an example of such a beacon of opportunity as anywhere. The regeneration of the past 30 years shows what can be done. But it is equally clear to everyone that more needs to be done to spread those successes more evenly, to grow the creative, cultural and commercial wealth that always has been the city’s strength and will surely be so in future too.

I hope we at the RSA can help in unlocking more of that potential – whether through our work on education and skills, or culture and nature. Liverpool is no longer the Gateway to Empire, but it absolutely should be the Gateway to Opportunity for those living and working here. And I look forward to hearing from you all this morning, and working with you after today, to make that a reality.