**LEP Strategy Programme Board Workshop Overview - 29th June 2022**

**Developing Cheshire and Warrington’s evidence base and understanding its implications**

As part of the Strategy Programme Board on 29 June 2022 we will hold a workshop to understand what the updated evidence is telling us, and discuss the insights and priorities that stem from this for the Cheshire and Warrington economy. Metro Dynamics have been commissioned to build on and go beyond previous evidence for the Local Industrial Strategy, in line with the new vision for healthy, sustainable, and inclusive growth. We are at a mid point of the work and at the workshop they will share the findings so far.

We are asking the Board to:

* Test a limited number of the data findings – where can we add insights from business?
* Discuss the opportunities and challenges facing the sub-region – what is most important to focus on?
* Identify priorities for action– where should we focus to deliver the vision and level up?

Following this meeting Metro Dynamics will continue to build the evidence base and insights to enable the LEP to consider next steps to deliver the vision.

**Background**

To date the LEP’s robust evidence base has provided the foundation for us to secure funding for a variety of programmes, including for our strategic opportunities such as energy and life sciences, and to respond to need in areas such as skills.

We are now updating this evidence base which underpins what we do. This evidence work will:

* Update data from the Local Industrial Strategy where it makes sense to understand change over the past 5 years and what impact more recent events such as Brexit and Covid have had on our people, businesses and places
* Focus on the four areas of our vision (sustainable, healthy, inclusive and growing). This goes beyond the economic growth areas of previous work
* Build understanding of the resilience of the sub-region to 2022 economic turbulence where possible
* Understand what levelling up means in the local context – what variance is there between places?

The evidence work is ongoing and at the workshop we want to share some of the early findings, think about what they mean, and what priorities and implications stem from this.

**An update on the subregion’s economy**

*Metro Dynamics will provide a summary of the key points for consideration at the workshop covering the above points. The summary below is intended to provide some background reading with a general update of some of the evidence*

Using the latest available data (2020), Cheshire and Warrington continues to be a strong economy, worth £31.3bn. It’s important to note that the 2020 data release captures the first year’s economic impact of COVID and shows a GVA decline of 0.1% in the past five years relative to the England average of 2.4% decline. If we take the 5 years trend to 2019 the subregion saw GVA growth of 9% in the past five years relative to the England average of 6.6%.

If we look back at the subregion’s recovery from the previous recession, Cheshire and Warrington recovered strongly from the financial crisis. In 2009 output fell by 2%, which compared to 4% nationwide, and the number of hours saw a very small level of growth. In 2010 output levels were already above 2008 levels, a year ahead of the UK economy. Since then, total output to 2019 has grown by 21.7%, significantly more than the UK (15.6%) or the closest local comparator – Greater Manchester (19.1%)

The sub region continues to outperform the national average on productivity, with productivity of £36.00 per hour (UK average of £35.50). However, GVA per hour has fluctuated around 2008 levels across the whole period, and in 2019 (the latest year for which we have local data) was actually slightly down on 2008 levels. There have been some recent productivity increases of the workforce, where GVA per hour has grown by 4.0%, compared to the England average of 0.6% in the last five years. This means the sub-region has recovered from its 2014-15 decline in GVA per hour where it went below the UK average for the only time this decade.

This is not a sustainable growth model – as the number of hours worked in the economy cannot grow indefinitely without continued growth of the working age population, through demographic trends or migration. However, migration has generally fallen following the Brexit vote, and the population of the UK is ageing as a whole. Economic inactivity has increased in Cheshire & Warrington over the pandemic from 16.9% in March 2020 to 22.2% in December 2021, which is above the national average of 21.3%. The most common reasons are early retirement (26.9% in 2021 up from 22.3% in 2016) and long-term sickness (24.2% in 2021 up from 20.0% in 2016). This will exacerbate challenges around recruitment for businesses. Cheshire and Warrington is already predicting a lack of replacement demand and is seeing high levels of vacancies. Without improving productivity, output will not be able to grow into the longer term.

There are some productive and innovation sectors here, and the sub-region is home to global brands, such as Bentley, Vauxhall and AstraZeneca. Cheshire and Warrington has the highest proportion of STEM jobs in the North West & 5th highest in the country. Manufacturing continues to be a large, productive sector with a high number of jobs, but there have been some declines in specialism and jobs (-7.1%) in automotive between 2015 and 2020. It remains over twice as productive with GVA per job of £160,256 and has the largest GVA of £6.9bn. Productivity has fallen by 12.2% over the last five years (again note this data is to 2020 so there may be anomalies), if we look in the 5 years to 2019 productivity fell by 6% in the sector.

Since the analysis for the Local Industrial Strategy (LIS) in 2018/19, the sub-region has maintained strengths in the LIS strategic opportunities / sectors of focus. Pharmaceuticals has become more specialised and is now 7 times more concentrated than GB with job growth of 89.5% since 2015. Financial and professional services continue to be specialised sectors – legal and accounting is 2.4 times more specialised than GB and financial services is twice as specialised as GB.

With 513,000 jobs in the sub-region (2020), there has been higher than average job growth of 3.9% compared to 2.9% nationally (2015-20). Employment is high with 76.6% in work, compared to 74.9% nationally (2021). This has increased since the LIS analysis. The unemployment rate is 3.5% which has stayed at a similar level since 2016 (3.6%). This is opposite to the national trend where unemployment has risen from 4.6% to 5%.

The number of jobs earning below the Real Living Wage is at 18.4% below the UK average (20.4%). The proportion of jobs under the Real Living Wage has fallen in Cheshire and Warrington from 22.3% in 2017 (in the LIS). However, workplace wages are below average and in some parts of the sub-region over 30% of jobs earn below the Real Living Wage. Looking at local authority level reveals wide variation in workplace earnings: Cheshire East, where 21.9% earned below the Real Living Wage, compared with 14.6% in Cheshire West and Chester and 18.8% in Warrington.

Health outcomes are high – female healthy life expectancy is 2.8 years above the national average and for males, it is 1.9 years higher. However, health inequality is an issue – there are 47 neighbourhoods in the most deprived 10% for health, compared to 25 in the least deprived 10%, and healthy life expectancy varies by almost 16 years. Challenges around health outcomes tend to start in childhood and carry on in the same areas.