Lancashire Economic Partnership

Lancashire Economic Strategy – Draft v2.1

May 2006

reference: P:\PDR\WP04000\Current Jobs\Lancashire Economic Partnership\Lancashire Economic Strategy\Reports\Draft Report\31-05-06-ij(draft v2.1).doc

Contact: **Iain Jenkinson**
Tel: **0161 9564016**
Email: **iain.jenkinson@gvagrimley.co.uk**
www.gvagrimley.co.uk
+44 (0) 870 900 89 90

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1 Introduction

1.1 This is the Economic Strategy and Action Plan for Lancashire for the period 2006-2009. It covers the unitary authorities of Blackpool and Blackburn-with-Darwen and the district authorities of Lancaster, Preston, Wyre, Ribble Valley, South Ribble, Fylde, West Lancashire, Chorley, Rossendale, Hyndburn, Burnley and Pendle. It covers the county council area. It therefore incorporates the cities of Preston and Lancaster, the principal towns of Blackpool, Blackburn and Burnley and the market towns and settlements of Lancashire, which play such an important role in providing for the needs of an extensively rural sub-region.

1.2 The Strategy represents an important vision for the future of the sub-region. It has been adopted by the Lancashire Economic Partnership, the strategic body established to promote economic growth and prosperity throughout Lancashire. The Partnership represents a wide cross-section of interests including local government, the private sector, voluntary and community sectors, and represents health, transport, tourism, housing, education, training and business support interests. All have been consulted as part of this Strategy.

1.3 The purpose of the Strategy is to provide a co-ordinated approach to the development of the sub-regional economy as a whole, identifying those programmes and projects that are of *at least* sub-regional significance and hence form the agreed Partnership priorities. It is also to provide a coherent framework for the delivery of the Northwest Regional Economic Strategy in Lancashire.

1.4 In developing and agreeing the Strategy, the principles by which future priorities will be identified are hereby established. Although the Action Plan covers the period 2006-2009, the Strategy for the sustainable economic regeneration of Lancashire will be delivered over a much longer time horizon.

1.5 Local developments will remain the responsibility of the respective Local Strategic Partnership and their Community Strategy. The Lancashire Economic Strategy is concerned with the economic well-being of the sub-region as a whole and provides the sub-regional context, which will inform the development of local economic priorities.

1.6 The Lancashire Economic Partnership is also charged with facilitating the delivery of the Central Lancashire City Region Development Programme. The Update Programme has been prepared alongside the preparation of the Strategy.

This is Lancashire

1.7 Lancashire makes a substantial contribution to the economy of the North. In 2005, the Gross Value Added (GVA) of the City Region was £18.8bn, employing some 670,000 people, which makes it one of the largest 'economies' of the North. Per head of working age population (£20,982 per head in 2005) also makes it one of the most industrious.

1.8 Lancashire hosts a number of the country's premier economic assets. A unique concentration of higher value added manufacturing activity, with a world-leading aerospace sector contributing £851million to the economy, captures the distinctiveness of the sub region in a European context. In addition to aerospace, there are concentrations of advanced manufacturing in electronics, the automotive industry, high technology textiles, chemicals, rubber and plastics, and food and drink.

1.9 An emerging 'office economy' of business and professional services, is evidence of a dynamic and increasingly growth oriented economy at work. Lancashire also boasts a vibrant and growing tourism sector, built upon a historic coastal resorts offer and a high quality and attractive rural environment.

1.10 Yet the distinctiveness of its economy, relative to say Manchester or Leeds, is founded in the unique geography of the area. Lancashire's economic distinctiveness is captured in its polycentric nature at a very localised scale:

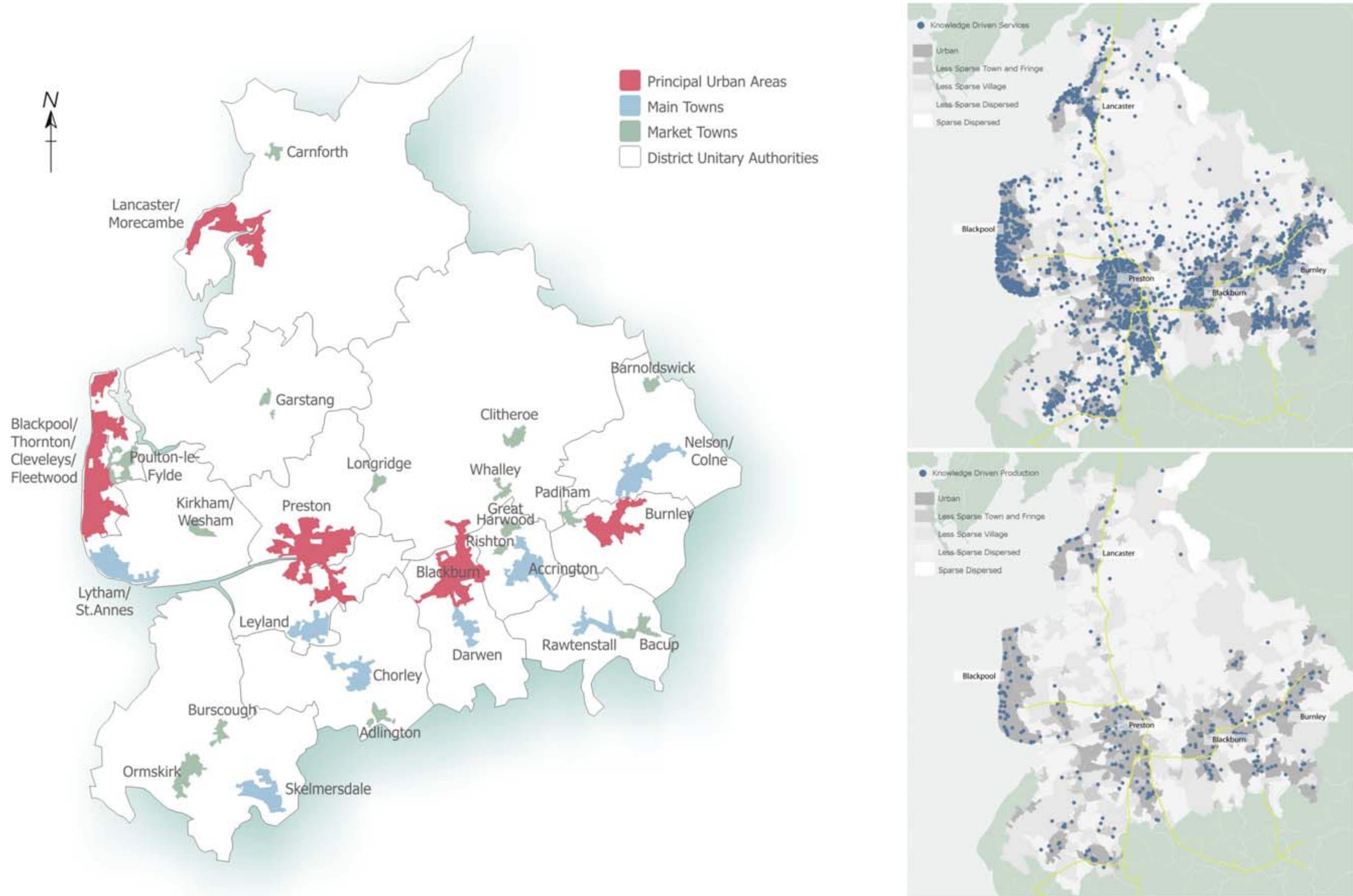
neighbouring, but spatially separate principal urban areas, in which knowledge driven activity is strongly clustered, but that polycentricity extends to the important economic role of the main towns and market towns of the sub-region, particularly in their contribution to knowledge driven services.

1.11 Lancashire is an extensively rural sub-region that when coupled with these 'layers' of polycentricity, starts to capture the uniqueness and complexity of the sub-region. The diversity of offer is Lancashire's fundamental strength in economic terms – important centres of investment are never far from each other - and with a large rural hinterland meaning that this is a sub-regional economy 'with room to breathe'.

1.12 The boundaries between urban and rural is increasingly becoming blurred. Higher knowledge activity exists *across* the typology of centres (figure 1). It has been suggested that businesses locate to Lancashire for this very reason; for the rich and diverse environment on offer within such an accessible and relatively self-contained spatial construct.

1.13 The polycentric nature of Lancashire within this rural context remains its key strength. It marks it out from other competing investment locations. In recognising the strengths of this diverse offer, in taking advantage of complementarity and by operating together, Lancashire can achieve a new critical mass of economic activity and growth. This is the challenge.

Figure 1: This is Lancashire



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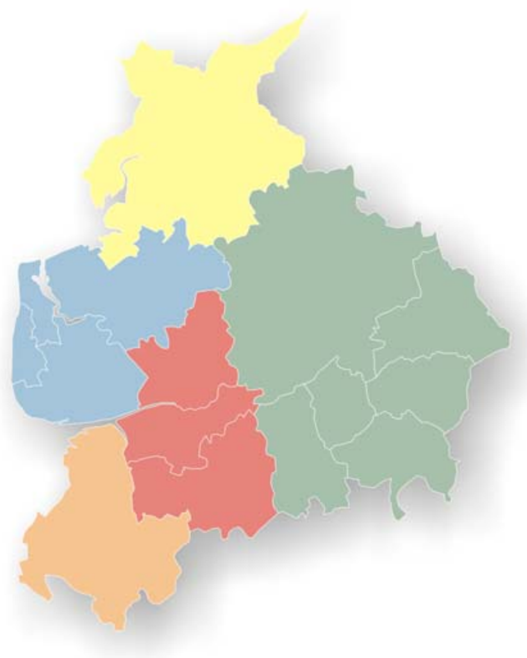
The Need for a Lancashire Economic Strategy

1.14 Lancashire's Economic Strategy is designed to improve the economic competitiveness and performance of the economy by developing its key economic assets and opportunities within a clearly defined spatial framework based on complementary roles and functions.

1.15 There has been a real intent within the Strategy to understand the 'geography' of the economy. What emerges are five distinct and self-contained sub-areas – namely Lancaster, Fylde Coast, Central, East and West – which clearly display quite distinct economic structures and therefore opportunities. The Strategy recognises the unique contribution of these five sub-areas and presents an approach that seeks to capture the clear complementarities that exist in an integrated manner.

Figure 2: Five Sub Areas of Lancashire



1.16 The constituent authorities within these five sub-areas are increasingly working together in order to develop strategies and actions for the sustainable economic growth of their areas. However, in order to deliver this, there is a common goal which binds the sub-areas together under one fundamental challenge for the sub-region, that is: **IMPROVING LANCASHIRE'S POSITION IN THE KNOWLEDGE ECONOMY**. This is a vision that represents a shared objective for all and in this sense, all of the sub-areas need to focus on what this means for their local business base.

1.17 The evidence suggests that recent economic performance across Lancashire has been mixed with the dynamic and growth oriented sub-area economies of Central and Lancaster contrasting to the declining fortunes of the East and the Fylde Coast. The economy of West Lancashire is characterised by its relative stability. Taken together, the picture for Lancashire is one of 'net balance' across all of the indicators – positive but unremarkable projections of forecast growth. This is directly accountable to the spatial orientation of the sectoral base:

- Lancaster – contributes £1.7bn to the economy of Lancashire, employing 61,000 people – posting GVA growth between 1990 and 2005 of 40% and employment growth of 10% is a truly outstanding performance, far in excess of national and regional averages, and accountable to a relative uniqueness and a blend of service and utility provision which are either growing or in characteristically 'favoured markets';

- Fylde Coast – contributes £3.9bn to the economy of Lancashire, employing 140,000 people – a decline in both employment and GVA between 1990 and 2005 masks a structure which for all of its frailties, displays a very strong base of potential growth going forward, based on aerospace, nuclear reprocessing and the growth of the airport, alongside which is the important role of Blackpool itself for tourism;

- Central – contributes £5bn to the economy of Lancashire, employing 193,000 people – employment growth of 17% and GVA growth of 27% between 1990 and 2005 is again an outstanding performance, way in excess of the national and regional averages, accountable to the most growth-oriented structure anywhere in Lancashire;

- East – contributes £6.1bn to the economy of Lancashire, employing 228,000 people – an observed decline in both employment (in particular) and GVA between 1990 and 2005 reflects the composition and heavy concentration on manufacturing, including 'advanced manufacturing', but set against the more employment growth orientated 'economies' elsewhere in Lancashire;

- West – contributes £1.2bn to the economy of Lancashire, employing 43,600 people – a picture of relative stability but where the underlying economic structure shares many of the characteristics of East Lancashire, together with a weakening agriculture sector, and a limited predisposition towards those particular sectors which are growth oriented.

1.18 A shared objective for the whole of Lancashire is therefore how to capture the clear opportunities that currently exist in the more growth oriented parts of the sub-region and how to creatively utilise the key assets of those areas that on this evidence are less growth oriented, such that they make a more effective contribution in the future.

1.19 The purpose of the Strategy in this context is to focus investment resources that address both of these objectives. It would be incorrect to assume that the priority for investment will be to focus on the areas of perceived strengths against those areas in most need. The need for a 'balanced' approach to investment is required, but for the purposes of the Strategy, **IT IS A BALANCE THAT IS BASED ON RAISING THE VALUE OF THE SECTORAL, BUSINESS AND EMPLOYMENT BASE ACROSS LANCASHIRE**.

1.20 Achieving this will depend on the willingness of stakeholders to recognise the distinctive and complementary functions of place, such that Lancashire will play an even greater role in the UK economy. An important outcome of the consultation programme was for a consensus to 'build upon strengths' and carve out a 'distinctive' role for the Lancashire economy and sub-economies that complements other investment locations.

A Globally Competitive Market Place

1.21 The importance of the vision and the purpose of the Strategy should also be seen in the global context of increasing competitive pressures for investment, labour force and productive power. For Lancashire, as indeed for the Northwest and UK economy, THE MORE THAT ECONOMIC GROWTH IS LINKED TO TECHNOLOGICAL ADVANCEMENT, THE EXTENSION OF THE MARKET PLACE AND THE APPLICATION OF KNOWLEDGE TO TRADING, THEN THE MORE COMPETITIVE IT WILL BECOME. This process of managed economic restructuring towards encouraging competitive advantage to be gained through the application of knowledge - with commitments agreed at the European Union member state level – is an essential context in considering the role of the Lancashire Economic Strategy.

1.22 The Strategy establishes how Lancashire will achieve this. A strategic framework is adopted that sets out how through a co-ordinated programme of improved business working, investment in skills and ‘flagship’ development projects, Lancashire will start to move towards achieving this vision.

1.23 This is not something that the partners can address alone. Indeed, the Partnership will provide a much greater strategic co-ordinating role between the different authorities and agencies that are concerned with the delivery of these primary objectives. The Partnership is in its relative infancy but despite this, it has made some notable first steps including the signing of a Memorandum of Understanding with the Northwest Development Agency. This in itself will lead to a greater cohesion of existing strategies, policies and programmes across the different agencies at a regional and sub-regional level.

1.24 The partners will also directly involve the private sector in the future review of the Strategy, in a way that has never been achieved before. With the Partnership providing a co-ordinating and facilitating role, the private sector will have a much greater role in the ongoing monitoring and development of policy. This will be particularly important when working to improve the knowledge competitiveness of Lancashire’s businesses.

2 A Strategic Approach

2.1 The Lancashire Economic Strategy provides a framework to connect and deliver national, regional and local priorities. The Strategy has been prepared both within the context of national and regional policy but also set against the ongoing investment already planned at the local level within Lancashire.

Delivering National and Regional Priorities

2.2 At the most strategic level, and given the vision for improving Lancashire's position in the knowledge economy, the Strategy takes its lead from the important economic policy drivers emanating at the European level and which have informed national policy. This is embodied in the explicit endorsement by Member States at the Lisbon European Council of March 2000, reinforced at the Barcelona European Summit of 2002, for a commitment to working towards the goal of the European Union economy as:

"The most competitive and dynamic knowledge based economy in the world, capable of sustaining economic growth with more and better jobs and social cohesion".

2.3 The Northern Way Growth Strategy establishes the policy framework for the Strategy in its most contemporary context, with the stated intention being to bridge the £30 billion output gap identified between the North and the rest of England by 2020. There is a recognition that if the North continues to function as it always has, then it will continue to underperform:

"Together we will establish the North of England as an area of exceptional opportunity combining a world class economy with a superb quality of life"

2.4 The three Northern Regional Economic Strategies, together with the respective Regional Spatial Strategies, are the principal vehicles for delivering the vision. For the North West this means:

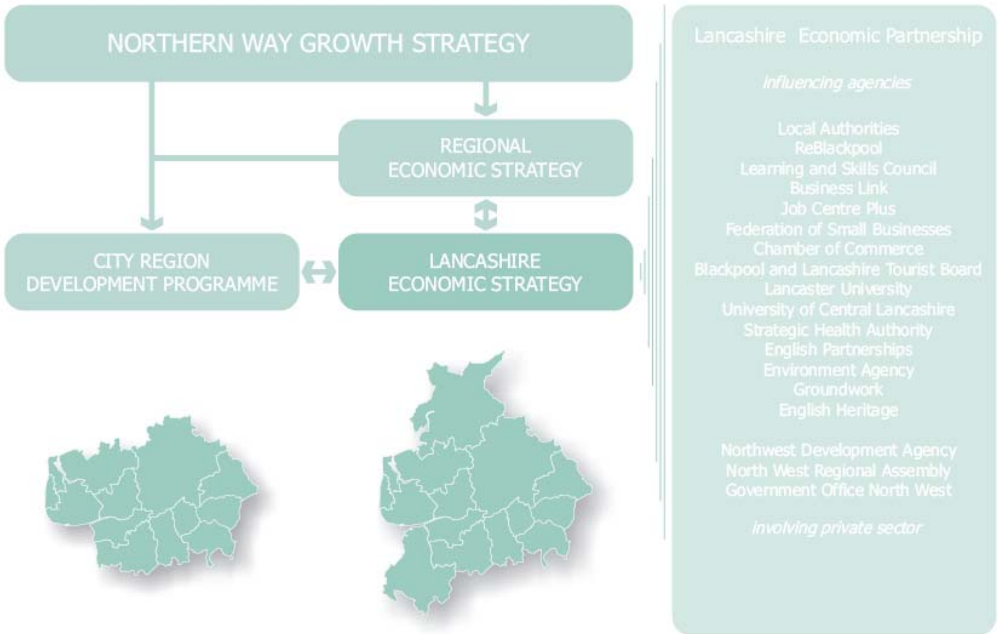
"A dynamic, sustainable international economy which competes on the basis of knowledge, advanced technology and an excellent quality of life for all".

2.5 The application of European Union and national commitments, which when taken together with the investment priorities underpinning the delivery of the Northern Way, there is a clear rationale for the focussing of resources and policy towards accomplishing an economy, that is founded on research and development, knowledge and innovation.

2.6 This sets an important context for the Lancashire Economic Strategy.

2.7 The Central Lancashire City Region Development Programme is *explicitly* concerned with how Central Lancashire is addressing and delivering a new way of working against the vision and investment priorities of the Northern Way, with a need to identify key prioritised actions and interventions towards the achievement of each priority. The Development Programme is also concerned with strategy development across the City Region, and so consistency with the Lancashire Economic Strategy is an absolute requirement, notwithstanding the wider spatial coverage of the Strategy.

Figure 3: Delivering the Northern Way and Regional Priorities



2.8 The relationship between the Lancashire Economic Strategy and the Central Lancashire Development Programme is an important one. Although both Lancaster and West Lancashire are not included within the boundary of the Central Lancashire City Region area, their role, function and influence is clearly accounted for and they remain an important part of the wider spatial context.

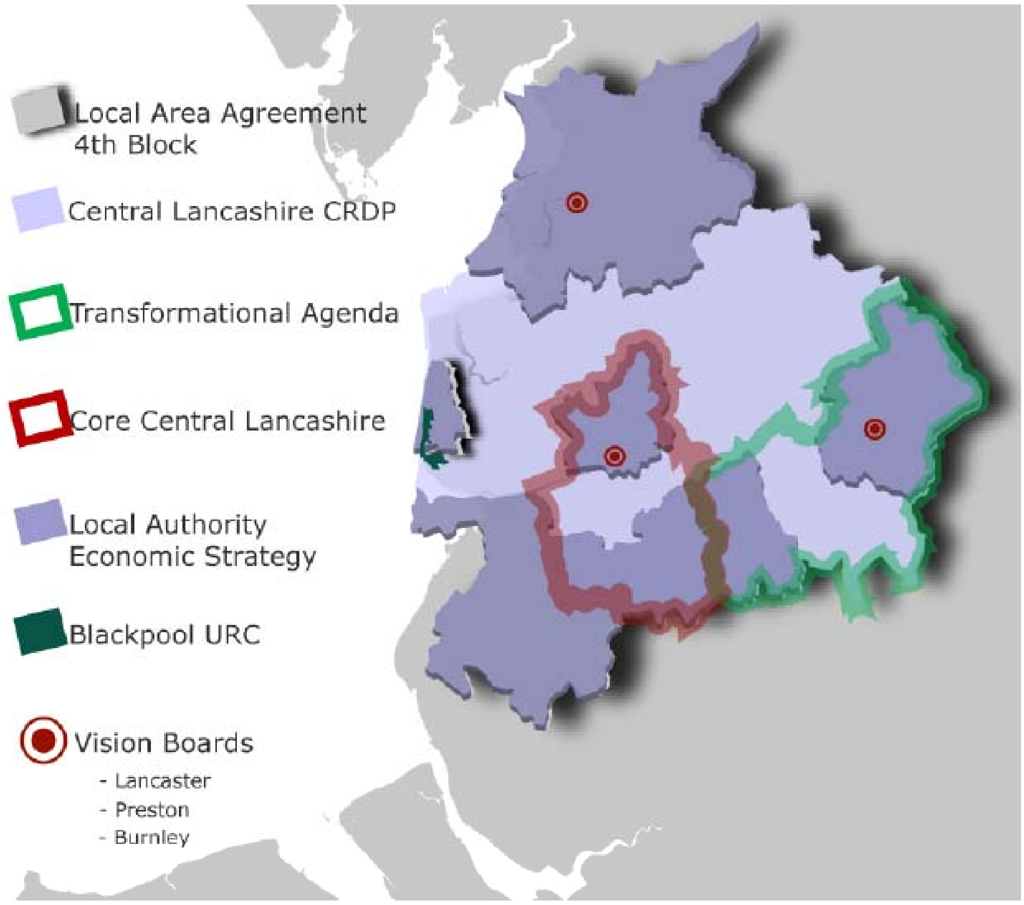
2.9 In delivering the vision for Lancashire, the Economic Strategy also recognises that there are a wide and diverse range of partners that must be embedded within the delivery programme. Lancashire Economic Partnership provides the forum by which actors and agencies in the public and private sectors will converge to develop, implement and review the Strategy. The Strategy provides the strategic framework for investment priorities for the delivery plans of these organisations.

Informing Local Priorities

2.10 A significant amount of work has been undertaken across Lancashire in defining priorities for investment at the local level. These have been prepared in the context of past Regional Economic Strategies and under the strategic leadership of the former respective East Lancashire and Lancashire West Partnerships. THE LANCASHIRE ECONOMIC STRATEGY REPRESENTS A NEW AND REPLACEMENT TIER OF STRATEGIC CONTEXT IN WHICH LOCAL PRIORITIES WILL BE SHAPED IN THE FUTURE.

2.11 A number of important initiatives, programmes and projects have been defined across Lancashire, some of which are well advanced and others which are in their relative infancy. Although the Strategy reflects a new vision and approach for economic development across Lancashire, it holds that many of the spatial priorities that are already established as priorities and have existing funding streams in place, remain highly relevant and represent important priorities under the new Strategy.

Figure 4: Strategic Context



2.12 Those that are of *at least* regional significance include:

- Blackpool: World Class Resort Destination – the unique opportunity to create a modern world-class resort using new gaming legislation as a driver will deliver the regeneration of Blackpool's economy. Extensive analysis and research has demonstrated the impact and added value of this project across the region, not just in the leisure and tourism sector but across the board, including high added value service sector jobs. The Northwest Development Agency and Central Government have already demonstrated their clear support for the proposed changes to Blackpool with the establishment of the Urban Regeneration Company, Re:Blackpool.

- Preston City Vision – building upon the dynamic growth area of Preston, South Ribble and Chorley, a significant programme of investment is planned, in which the transformation of Preston City Centre represents the number one development priority. This would build upon the planned investment through the Tithebarn retail scheme but would go much further in defining a central Commercial Quarter, a place to do business, alongside a new Residential and Civic Quarter. Further, "Preston Riverworks" is an ambitious development project that seeks to capture the latent potential of Preston's waterways, for residential, leisure, tourism and employment uses.

- Pennine Lancashire – implementation of the "Transformational Agenda" including the investment planned for the Elevate East Lancashire Housing Market Renewal programme - finding innovative solutions to problems of low demand, negative equity and housing market collapse. It is predicated on improved economic prosperity and a range of complementary actions on the environment, community safety and cohesion, educational attainment and health, The delivery of the Pennine Lancashire Gateway Strategic Employment Site and town centre investment in Blackburn and Burnley are key elements of the overall Transformational Agenda.

2.13 A number of other spatial priorities have also been established reflecting local and sub-regional priorities:

- Lancaster and Morecambe Vision Board – implementation of the recently produced Vision statement and a vision that seeks to improve the linkages between those most in need within the district with the clear economic opportunities being created.

- Skelmersdale Town Centre Initiative – English Partnerships is working alongside Northwest Development Agency and West Lancashire District Council to help regenerate Skelmersdale town centre. The development will enhance the image of the town and provide residential and commercial opportunities.

2.14 The five priorities represent the 'flagship' projects for each of the sub-regions. These have been developed by local partners over a number of years and as such derive significant legitimacy as important priorities for the Partnership.

2.15 This is evident in the Action Plan for 2006-2009. To a certain degree the Action Pan is heavily weighted towards these existing priorities – the added value of the Strategy however, will come in determining further project priorities against the objectives set in the strategy, which will help deliver the vision of a more globally competitive Lancashire. As the effectiveness of the Strategy is reviewed and further priority projects identified, then more emphasis will be placed upon the application of knowledge to product development and trading. This is a recognised weakness in the priorities established for Lancashire at present but over time this will be addressed through the annual reviews of the Strategy.

2.16 A number of thematic priorities are also established within the Lancashire's Local Area Agreement 4th Block relating to skills matching, decreased worklessness, enterprise and sustainable business growth. Improved access to transport is also an important priority for the Lancashire Local Area Agreement. The Blackpool Local Area Agreement 4th Block establishes these priorities within the context of the delivery of the World Class Resort Destination. Blackburn with Darwen's 'Single Pot' Local Area Agreement represents the evolution of the Community Plan, a Community Plan Plus, which is focussed on new ways of working to tackle the most intractable problems.

2.17 There are a number of projects already identified across Lancashire that are being delivered by a range of partners, some of which have been detailed through the publication of local economic strategies. As the illustration shows there is not a uniform coverage of strategies across Lancashire.

3 The Challenge and the Opportunity

The Challenge

3.1 A substantial amount of work has been undertaken in mapping and understanding Lancashire's position in the knowledge economy. A number of indicators have been selected as a proxy for knowledge based activity across Lancashire and the performance of the sub-region has been profiled against each of these indicators.

3.2 While the headline indicator of GDP per inhabitant would appear to position Lancashire in an overall competitive position, some of the underlying indicators would point towards an economy that relative to other European regions, is at a relative competitive disadvantage in terms of the ability of businesses to compete in the global knowledge economy.

3.3 Some notable exceptions apply, particularly those businesses associated with the aerospace and advanced manufacturing sectors, but the general conclusion applies and this presents a significant challenge for Lancashire in the future. SECURING A TRANSITION TO HIGHER LEVELS OF KNOWLEDGE BASED BUSINESS WILL BE THE KEY CHALLENGE FOR LANCASHIRE IN ORDER TO SECURE ITS LONG TERM SUSTAINABILITY AND TO IMPROVE ITS COMPETITIVE POSITION.

3.4 The key to putting in place a strategy to address these challenges will be to work more closely with the existing businesses within Lancashire to try to understand the reasons for the lack of investment in product development and services. This lack of investment, almost exclusively confined to the manufacturing sector, has impacted upon the overall competitiveness of the sector as manufacturing output and employment posted a significant decline.

3.5 As the evidence also shows, it is not as if the service sector economy across Lancashire is making good the deficits that exist in the manufacturing sector. Lancashire is under-represented in those sectors nationally that are anticipated to grow in terms of employment and GVA. A particular problem for Lancashire would appear to be a low value transfer of employment from the manufacturing to service sector businesses, a particular issue identified for East Lancashire.

3.6 This is a challenge compounded by the unique dynamics of the coastal tourism offer in Lancashire; itself largely based upon a low value and low skilled basis. Given the particular characteristics of this sector it will still require a continued role for lower skilled and valued employment where the aspiration for 'high' value sector activity on the one hand does not sit comfortably. However, as the Blackpool vision clearly articulates, moving towards *higher* value activity, or *moving up the value ladder*, will remain an important part of the strategy.

3.7 Given the structural challenges that exist, the forecasts show a below average rate of growth in terms of both GVA and employment over the next ten years, relative to the national average. Lancashire will keep pace with the regional growth profile, but the gap between the sub-regional and national growth rate already wide, is set to get wider.

The Opportunity

3.8 For all of the structural challenges that exist, Lancashire is still a £18.8bn economy, the second largest economy within the North West. There are a number of world-leading sectors and businesses that are uniquely positioned to disseminate the message that Lancashire is a good place to live, work and invest.

3.9 The opportunity for Lancashire is really based upon how it can turn these assets into tangible economic prospects. The key to this is to pursue a strategy, which is embedded in an approach towards encouraging knowledge-based industry and the competitive advantages to be gained through the application of knowledge. The process of managed economic restructuring.

3.10 The knowledge economy is demanding businesses to change and to keep pace with changes occurring within global markets. Successful businesses recognised the need to devolve higher levels of production budgets to support research and development activity. Firms are increasingly undertaking joint venture arrangements to procure research and development and buying in specialist knowledge to add value to their own areas of business expertise. Where labour force and the tacit knowledge associated with employees is the source of a business's competitive advantage, companies are increasingly embracing new ways of flexible working and incentivising employee productivity.

3.11 **SECURING COMPETITVE ADVANTAGE** is a key element of the Strategy. In order to achieve this, Lancashire will focus on those significant sectors of the economy, which are forecast to be the key growth sectors over the next ten years. These include:

Figure 5: Forecast Growth Sectors

GVA Growth	Employment Growth
Manufacturing Fuels	**Other Transport Equipment**
Pharmaceuticals	Retailing
Electronics	Hotels & Catering
Other Transport Equipment	**Air Transport**
Electricity	**Communications**
Air Transport	Insurance
Communications	**Computing Services**
Banking & Finance	**Professional Services**
Insurance	Other Business Services
Computing Services	**Health & Social Work**
Professional Services	Miscellaneous Services
Public Administration & Defence	
Health & Social Work	

3.12 Securing competitive advantage at the sectoral level is made notwithstanding that there will be businesses outside of these sectors that will be highly competitive and growth oriented. The Strategy does not lose sight of the need to ensure that the requirements of these sectors can also be accommodated in Lancashire, where appropriate.

3.13 There is a significant body of evidence to suggest that competitive advantage in Lancashire could be secured through the Creative Industries sector. A GVA contribution of £700m per annum (of which an estimated £173m of comes from Preston) is significant, with the indication that it is also highly growth oriented.

3.14 The opportunity exists to capitalise upon the natural competitive advantage enjoyed by the component sub-areas of Lancashire. This is part of realising the role and function of place and developing a COMPLEMENTARY STRATEGY for economic growth.

- The economic structure of the Central sub-area is more closely aligned with the growth sectors for Lancashire. This is an opportunity to be captured. Those areas which demonstrate such alignment will be those that are likely to be the main beneficiaries of growth. Of all the sub-areas, the Central offers the greatest opportunity to exploit the higher value business and professional services sectors, building upon a strong occupier presence by the public sector and benefiting from the strong linkages to the higher value aerospace and advanced manufacturing sector presence.

- The opportunity that exists in Lancaster is one of building upon recent successes in the environmental technology and ICT sectors. The pursuit of economic growth in such sectors is an area of competitive advantage that Lancaster is well served to exploit, given the relative absence of these sectors elsewhere in Lancashire.

- The economic structure of the Fylde Coast, despite posting a decline in employment and GVA since 1990, is actually growth oriented with notable presence of advanced manufacturing and aerospace, business and computing services and a hotels and catering sector focussed on Blackpool and the other coastal resorts. The travel to work patterns across Lancashire suggest a significant interchange of movement between the three areas – a healthy basis for further growth based upon a diverse spread of sectors and employment.

- The economic importance of Blackpool airport should not be understated as this has been identified as a key contributor towards employment and GVA growth, which will benefit the whole of Lancashire.

- The opportunity for investment in East Lancashire, while facing perhaps the greatest economic challenge in terms of sectoral composition, is clearly defined around the advanced manufacturing and the residual competitive businesses within certain declining sectors.

- For West Lancashire, potential exists to capture growth in the rural economy and to exploit new sectors emerging in these locations. As a gateway to the Liverpool City Region, West Lancashire is ideally placed to capture growth opportunities arising here in providing a supportive context to growth in the Merseyside conurbation.

4 The Vision and the Investment Framework

4.1 As part of the consultation programme there was a consensus amongst consultees that the ADDED VALUE role and function of the Lancashire Economic Strategy should be to support projects that will lead to the **IMPROVEMENT OF LANCASHIRE'S POSITION IN THE KNOWLEDGE ECONOMY**[1]. The challenges are clearly evident in this regard but through the consideration of the role and function of place, the vision for Lancashire is to capture the opportunities within the sub areas to such effect, that the benefits for Lancashire are MUCH GREATER THAN THE SUM OF THE PARTS.

4.2 This will be achieved through greater collaborative working across Lancashire and in which, the Lancashire Economic Partnership will be required to perform the necessary co-ordinating and facilitating role. Consideration of how this would work is outlined below but this would comprise a new approach to partnership working involving reconstituted Sector Targeting groups and Working Groups to undertake research, develop policy and assist with monitoring and review. Improved communication, information and knowledge transfer and joint awareness raising / lobbying would ensure that the Partnership adds value to the delivery of programmes and projects across Lancashire.

Achieving the Vision

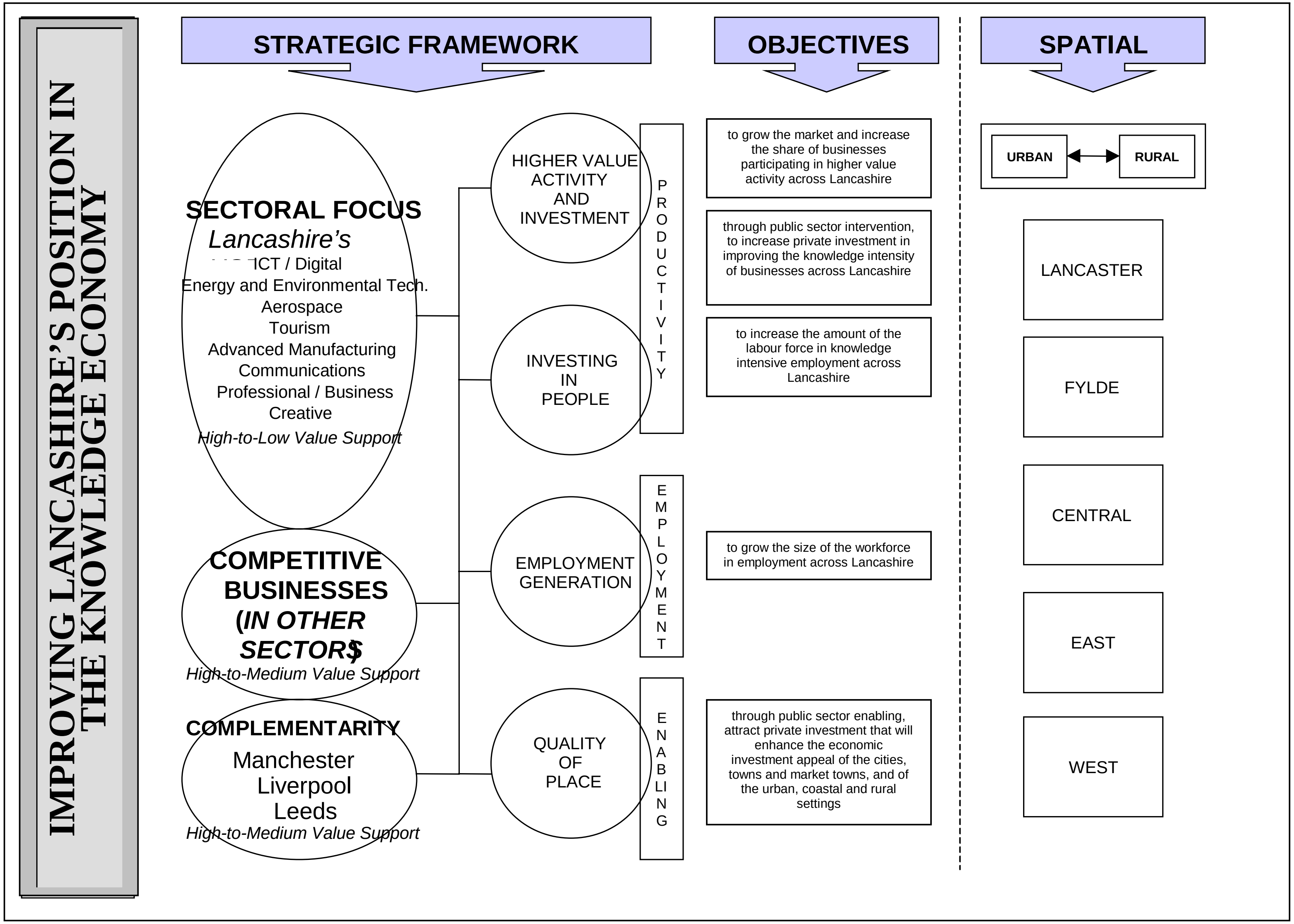
4.3 The vision for Lancashire is conceptualised through an approach that seeks to exploit the competitive advantage of existing sectors and businesses within Lancashire. Part of the vision also ensures that Lancashire supports the growth of sectors and businesses in the other City Regions.

4.4 In delivering this, four thematic objectives are defined with stated objectives designed to address the economic challenges facing the sub-region:

- **HIGHER VALUE ACTIVITY AND INVESTMENT**
- **INVESTING IN PEOPLE**
- **EMPLOYMENT GENERATION**
- **QUALITY OF PLACE**

[1] This is measured in overall terms (outcome measures) as benchmarked against five key indicators of the European Knowledge Index Ranking. A further set of measurable objectives will be defined when the impacts of the key projects have been analysed against the baseline position provided by the Cambridge Econometrics data.

Figure 6: The Strategic Framework for Investment in Lancashire



4.5 In order to achieve the vision, the Strategy is predicated on the support for **HIGHER VALUE ACTIVITY** across, all manufacturing and service sectors. This will be addressed through:

- Increasing the **SHARE OF BUSINESSES** participating in the knowledge economy
- Increasing **BUSINESS INVESTMENT** in higher value activity
- Increased **AMOUNT OF EMPLOYMENT** within the knowledge economy.

4.6 In order to achieve this, the necessary **ENABLING ACTIVITY** will be supported by the Strategy:

- Improved **LEARNING AND EDUCATIONAL** attainment
    - Attraction / Retention of higher value skills leading to the enhancement of the economy
    - Up-skilling of workforce to participate in opportunities created
- Enhanced **BUSINESS SUPPORT** mechanisms
    - Greater alignment between the local economy and business support
    - Integrated role for Higher Education institutions within the local economy
- Creating the **CONDITIONS FOR GROWTH**
    - Improving the quality of place offer in cities, towns, coastal and rural areas
    - Delivering the modern transport infrastructure which will unlock economic potential

4.7 Achieving the vision requires actions on all of these fronts – in terms of direct and enabling actions. By their nature, the vision cuts across various agencies and funding streams, and as a result will require diligent scrutiny of the co-ordinating body. However, this is how added value is delivered where investment resources can be matched and where priorities are carefully targeted. It also offers the sure means to engage the private sector – businesses and investors – on a more assured and sustainable basis.

4.8 These objectives relate back to the three major drivers for growth identified in the Northwest Regional Economic Strategy – Improving Productivity and Growing the Market; the Conditions for Sustainable Growth; and Growing the Size and Capability of the Workforce. The Lancashire Economic Strategy is concerned with how the sub-region intends to address these regional objectives. The Action Plan for Lancashire sets out how it will contribute to the regional objectives.

Delivering the Strategic Framework

Focus on Sectors and Businesses

4.9 A specific sectoral focus is defined as the priority for support through the Strategy. At one level, there will be a focus on the sectors of Lancashire that are important to the economy and moreover that are forecast to grow in terms of GVA and employment. There will be targeted support for 'competitive' businesses and transitional support for less competitive businesses in these sectors, which help to support some of the more vulnerable economic areas of Lancashire.

4.10 Turning competitive advantage into higher value activity also requires a degree of speculation and risk-taking. Recognising opportunities outside of the growth sectors will be a further important strand of activity. Hence, support for competitive businesses, which may be in other sectors, but which clearly demonstrate the potential for higher value activity, will also be supported.

4.11 Finally, recognising that Lancashire does not exist in isolation from the other City Regions, it is also about recognising the connectivity that exists beyond administrative boundaries[2]. Support for sectoral growth in the other City Regions, which themselves often a degree of complementarity[3], will be developed through closer joint working between respective Partnerships. Part of this will be ensuring that Lancashire could offer a more conducive environment for further investment on behalf of a business already located within the region. It is about recognising the investment characteristics of the demand drivers and ensuring a complementary approach to supply is developed.

A. Higher Value Activity

4.12 The first strategic objective is to grow the market and increase the share of businesses participating in higher value activity across Lancashire, by:

A focus on those sectors of forecast GVA and employment growth (figure 5)

4.13 These are the functional sectors that define the distinctive economic function of Lancashire. These are the activities that Lancashire 'does best'. In many of these sectors, Lancashire already demonstrates a significant competitive advantage over other investment locations. A focus on raising the competitiveness of these sectors will raise the overall competitiveness of Lancashire.

Providing a more balanced portfolio of higher value sectors

4.14 A weakness in the Lancashire economy is the low share of higher value service activity – professional and business services, financial services, computing and ICT. This is a weakness across Lancashire, but within Lancashire, Preston, Lancaster and Fylde display a certain growth orientation towards these higher value sectors. Therefore, the Strategy will be about increasing the emphasis placed on the

[2] SURF are currently undertaking an important research project for the Northwest Development Agency, strengthening the evidence-base of key economic and spatial strategies in the north west, which is seeking to examine economic and business linkages across space.

[3] Manchester: advanced manufacturing and engineering; financial and professional services; media, creative and cultural; biomedical; ICT / digital; Communications; Liverpool: advanced manufacturing and engineering; financial and professional services; media, creative and cultural; biomedical; ICT / digital; Communications, Maritime; Leeds: electronics and optical, communications; financial and professional services; education and health; and digital and media.

service sector economy, recognising the locations which will best support the growth of these sectors, in order to complement the higher value manufacturing activity that exists.

Developing a broader base of globally and nationally competitive sectors

4.15 Building upon Lancashire's internationally renowned sectors - aerospace, advanced manufacturing and tourism – it will be important to exploit other sectoral opportunities through taking advantage of some of the inherent qualities of Lancashire as a place to live, work and visit.

4.16 Confidence is required towards being speculative and taking risks. Being proactive and developing a propositional marketing strategy of the unique opportunities available in Lancashire will be developed.

4.17 The importance of Blackpool airport for Lancashire should not be under-stated. Air transport services has been identified as a particular growth sector for Lancashire, which is linked to the expansion of the airport. It remains a key project priority for Lancashire.

Delivering high quality new employment sites for key sectors

4.18 A number of the projects defined for Lancashire are concerned with bringing forward new employment sites for key sectors and this will remain an important part of the strategy for Lancashire. Within the next three years of the Action Plan, Bailrigg, Whitebirk, Cuerden and the Royal Ordnance Investment site will come forward with investment targeting strategies designed to exploit higher value growth sectors.

4.19 Longer term opportunities have been identified at Hillhouse and the Duke of Lancaster site in the Fylde Coast linked to the chemicals and rural tourism sectors. In East Lancashire, a portfolio of employment sites, including the Pennine Gateway, have been identified.

4.20 Central to the delivery of these will be to provide the appropriate investment in the transport infrastructure to realise the opportunities.

4.21 It is important to note that pursuing an approach to engineer higher value activity will be a gradual process and because of the competitive advantages of certain sectors, then there will also be a spatial differentiation and phasing implications for growth.

4.22 It is equally as important to note that the move towards higher value activity is aspirational for certain parts of Lancashire, where 'lower' value activity is firmly part of the economic bedrock and supports the well-being of the community. The Strategy does not lose sight of the linkages between the economy and the creation of sustainable communities.

A. Supporting Investment

4.23 The second strategic objective is to increase private investment in improving the knowledge intensity of businesses across Lancashire, through targeted public sector intervention, by:

The development of a "Business Support PLUS" model

4.24 One of the key weaknesses of the Lancashire economy has been the decline of private investment in industry, in product development, skills and entrepreneurial activities. There will be some notable exceptions to this of course but across the sub-regional economy, there is a requirement for more project activity in the form of business support for the Lancashire sectors (figure 5).

4.25 East Lancashire has placed a great deal of emphasis on promoting generic business support and it represents an important priority for support. Similarly, the tourism sector, has a well established business support mechanism. However, business support for other sectors, in particular the advanced manufacturing sector, remains under-developed and consequently further work is required to address this.

4.26 Through the reconstituted LEP Sector Forums, with greater private sector involvement, the priorities for investment will start to emerge. As the Strategy is rolled forward and reviewed, it is expected that a greater project focus will be to develop a bespoke Business Support PLUS model for Lancashire, with venture capital finance and support being made available to stimulate investment and product development.

B. Investing in People

4.27 Productivity is driven by a range of factors and key amongst which is the people resource and how their knowledge and skills contributes to making firms competitive. The third objective is therefore to increase the amount of the labour force in knowledge intensive employment across Lancashire, by:

Informing the investment plans of education and skills delivery agencies

4.28 Informing the activities and investment programming of Local Education Authorities, Learning and Skills Council and Higher Education institutions. At the very basic level, there needs to be a much greater alignment between the Strategy and the investment plans of the education and skills agencies.

4.29 An important priority for Lancashire is the work being driven forward in East Lancashire by the Higher Education steering group, who have developed a proposal to increase participation in Higher Education to 4,500 HEFCE-funded students taught within ‘university centres’. At a more sector specific level, the Central Blackpool Higher Education Campus and Regional Gaming Academy will deliver a higher education campus in Central Blackpool as a fundamental part of the 21st Century Destination vision.

Increased private investment in training for workforce, linked to the key sectors for Lancashire

4.30 As part of the Strategy’s focus on the Business Support PLUS model, specific projects need to be jointly-developed and funded between the public and private sectors that identifies the needs for enhanced workforce training, linked to the key sectors of Lancashire. In certain sectors, notably tourism, this is well developed and provides a ‘model’ for other sectors to follow.

Creating the environment to retain and attract higher level skilled workforce

4.31 There needs to be a real focus on the retention and attraction of skills, particularly in the higher skilled activity, which is informed by the focus on competitive indigenous sectors. A number of projects have been defined and are being implemented, such as the Elevate Housing Market Renewal programme, the Central Lancashire Strategy and the restructuring of the residential offer in the neighbourhoods of Morecambe and Blackpool. This is on the one hand contextual to the Strategy but on the other hugely significant, as Lancashire moves towards providing a quality of place that is intended to retain and attract higher level skills.

Implementing the actions of the Lancashire Skills Strategy

4.32 Promoting the continual enhancement of skills is a key priority of the Framework. The level of skills will be an important source of competitive advantage and increasingly, the competitive advantage of firms in the industrialised economies will lie in the knowledge and skills of their workforce. The Lancashire Skills Strategy will be published and targeted projects and actions will need to be developed and will inform subsequent iterations of the Action Plan.

C. Employment Generation

4.33 The fourth objective is to grow the size of the workforce in knowledge intensive employment across Lancashire, which building upon the focus on sectors of higher GVA and employment growth forecast.

4.34 It is important to note that the emphasis in the Strategy is on increasing the share of higher value activity across Lancashire as the overall aim, but given the dynamics of the sector profiles across the sub-areas, the Strategy recognises that in parts of East Lancashire and the Fylde Coast in particular, lower skilled activity helps to support the communities that reside there.

4.35 This will be delivered by:

A focus on entrepreneurial activity and business life-cycle growth

4.36 The basic innovative and entrepreneurial drive of firms is the basic building block upon which any strategy for raising productivity should be based. Innovation and entrepreneurism is determined by a complex set of factors, ranging from the skills and knowledge, the willingness to take risks and the confidence of innovators and entrepreneurs as a place to invest.

4.37 An important outcome of the Strategy will be to raise the level of entrepreneurial activity of businesses, linked to the key sectors of Lancashire and through greater private sector involvement in the Partnership.

4.38 A particular feature of Lancashire, which emerged through the consultation programme, was the ‘next steps’ in business life-cycle growth. In certain sub-sectors, particularly, though not exclusively in the creative industries sector and the voluntary sector, a perceived weakness in current business support programmes was the extent to which provision is made for business growth in terms of premises, access to finance and business support.

Addressing Barriers to Work

4.39 The evidence points to an economy in Lancashire that is reaching full employment and worklessness would not appear to be a major constraint to the future prosperity of the sub-region. Indeed, the projections of the inactive working age population is set to decrease over the next fifteen years.

4.40 However, by 2022, Lancashire could still have an estimated 135,000 inactive, which is significant. This needs to be set against the context of the forecast growth in the overall population and it is in this context that the projected net additional employment growth implied by the projects contained in the Action Plan and thereby the increasing scale of net in-commuting required to meet demand, then this overall level of inactivity is unlikely to change significantly.

4.41 This has important implications for the sustainability of more marginal communities throughout Lancashire, which can be found in all of the principal urban areas, but is exposed on a greater scale in East Lancashire and the coastal towns.

4.42 A particular feature of worklessness in Lancashire is that it affects specific demographic groups. In particular, the majority of the workless labour force is within the female population, although it is also prevalent in other excluded groups including the non-white population – approximately twice the rate of the white population – and the 16 to 24 age cohort.

4.43 The anticipated job growth in key projects in Lancashire, such as the growth in retail employment in Preston and in the towns of Blackpool, Burnley and Nelson will start to address these deficits, with greater participation of these groups within the workforce. However, further work is required to understand in more detail the dynamics of the worklessness population in Lancashire and the localised impact of this.

D. Quality of Place

4.44 Understanding the Quality of Place – an objective reference embodying the physical, cultural, social and economic attributes that define 'place' – within the context of the Lancashire Economic Strategy helps to distinguish Lancashire from other locations thereby positively influencing the region's competitive position and therefore investment proposition.

4.45 The final objective is therefore through public sector enabling, attract private investment that will enhance the economic investment appeal of the cities, towns and market towns, and of our urban, coastal and rural settings.

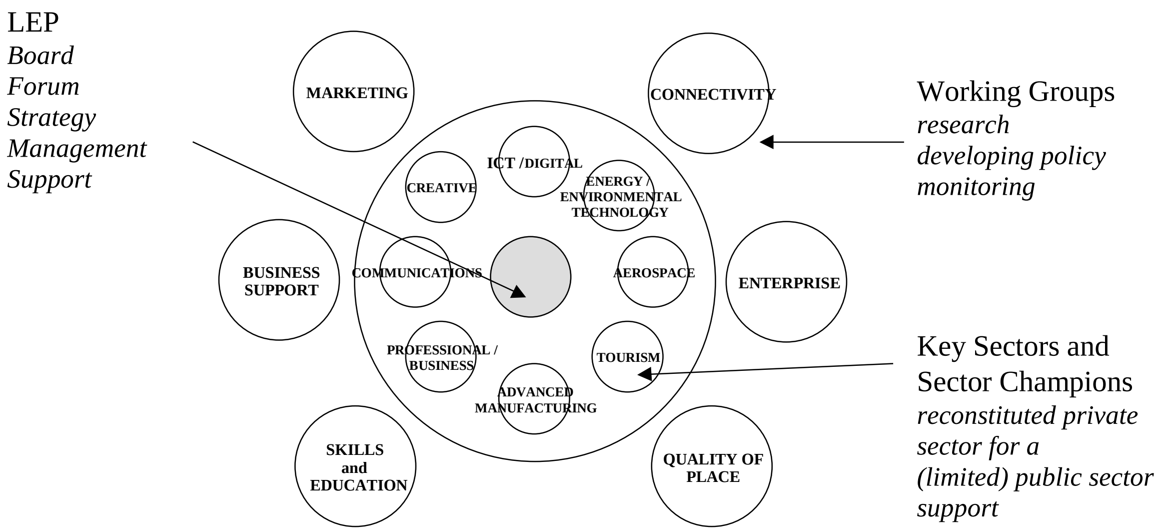
4.46 This is not just about physical development but as the evidence shows the quality of place offer is critical to the future economic prosperity of Lancashire. As an objective it underpins the other objectives and is critical to their delivery. Attracting and retaining higher skilled population for example, is very much dependent upon the quality of life opportunities that are available.

4.47 The planned investment in the city centre of Preston and the town centres of Blackpool, Skelmersdale, Morecambe, Blackburn, Burnley and Nelson are key to meeting this objective. Furthermore, the market towns of Ormskirk, Kirkham and Carnforth perform an important economic role as key service centres for a rural hinterland that supports higher value service activity. These towns will have been the subject of a health-check under the Market Towns Initiative but their economic importance was not fully understood and proposals need to be re-visited.

Implementation of the Strategy

4.48 As stated above, delivering the vision for Lancashire will depend upon having in place robust structure and governance arrangements. A model for delivering added value is proposed, which has the following features:

Figure 7: Collaborative Arrangements



- LEP provides the co-ordination role for the strategic delivery of the Economic Strategy for Lancashire. Its role will be as a facilitator as opposed to a direct delivery body – it has a much more strategic function, it needs to be 'light-touch', responsive and flexible to dealing with the inevitable changes in the economy. It needs to have sufficient gravitas and ownership amongst all of the agencies with a stake in the economic regeneration of Lancashire.

- The reconstitution of the Sector Fora are aligned with the growth sectors for Lancashire but involving a greater private sector representation than has hitherto been the case. The private sector will be responsible for championing the cause of their respective sector but also of Lancashire as a place to work and invest. The role of the public sector will purely be in a supportive capacity through support from appropriately skilled LEP officers.

- Working groups formed through a combination of private sector representation but predominantly the public sector who will be charged with the ongoing monitoring and review of the Strategy, including commissioning research and developing policy. The underlying economic evidence base needs to be reviewed on an annual rolling basis.

Appendices