

Lancaster district: Prospects and Recommendations for Achieving Economic Potential

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1. Introduction

- 1.1 Turley, in partnership with Development Economics and Colliers International, was commissioned to undertake a review of the employment land position for Lancaster district in late 2013. The study, which was completed in two stages, sought to review the existing evidence base in the context of economic and property market conditions and draw conclusions with regard to the future demand and supply of employment land required to support the sustainable economic growth of the district over the period to 2031.
- 1.2 The study was progressed during 2014 and formally published by the Council in January 2015. This followed feedback from the Council on the emerging evidence, conclusions and policy recommendations. The completed now study forms a key part of the evidence base underpinning the emerging Local Plan for Lancaster district and will be used to develop the Site Allocations Development Plan Document (DPD) later this year.
- 1.3 The completed study includes a substantial body of evidence on Lancaster district's future economic potential, development needs and associated land requirements. This not only provides a robust evidence base for the purposes of developing planning policy, but also highlights a number of key issues and opportunities for Lancaster district for which a coherent and targeted Economic and Employment Strategy will be required.
- 1.4 In light of the above, and drawing on the published evidence, the purpose of this report is to provide objective professional advice to Lancaster City Council and its partners, including Lancashire County Council, the Chamber of Commerce and Lancashire Local Enterprise Partnership (LEP), on the district's economic potential and the range of potential actions that need to be taken to fully realise this.
- 1.5 This report is not a strategy but a basis for further discussion, with the advice and recommendations presented to be reviewed and taken forward, as appropriate, by the Council and its partners in the development of their own strategy responses. As such the views expressed in this report are those of Turley Economics.

Understanding the district's potential

- 1.6 There is a renewed focus nationally on cities and their wider sub-regions as engines of prosperity and economic growth. Within this context, the Lancashire Enterprise Partnership's Strategic Economic Plan identifying the Lancaster district, with the City of Lancaster at its core, as a major location for economic and housing growth.
- 1.7 This aspiration is represented spatially by the Lancashire '*Arc of Prosperity*' and is underpinned by current and potential drivers of growth such as district's world-class research-intensive university, a Lancaster city centre with a greatly improved public realm (in particular the prospect of relief from much traffic following completion of the M6 Link early next year), emerging proposals for retailing and tourism in Lancaster and Morecambe, and the district's prospects for further growth as an energy centre and port serving Lancashire and the wider region.

- 1.8 Within this context, key projects such as the Heysham-M6 Link Road, Lancaster University Innovation Campus, energy related development, expanded port, new branding and proposed central retail developments all offer the potential to provide a vastly improved investment context and platform from which to support growth in employment opportunities, thereby creating further prosperity Lancaster district, its residents and businesses.
- 1.9 The district's prospects for growth are strong, further corroborated by independent forecasts, prepared by Experian¹, which anticipate a net increase of 9,600 Full Time Equivalent (FTE) jobs over the period from 2011 to 2031. This represents a positive target to work towards. However, the future competitiveness of the district, and its subsequent ability to support this level of employment creation, will be influenced by a range of factors including its location, accessibility, labour force and talent, knowledge resources, company base and quality of environment amongst other factors.
- 1.10 Emerging pressures also include energy availability, infrastructure capacity, stock of housing and affordability factors. Indeed, in relation to housing, the Lancaster Housing Requirements Study², currently being updated to reflect the latest household projections, recommended that an objective assessment of need for Lancaster represents the requirement to accommodate at least 560 houses per annum over the plan period (2011-31), to meet demographic and economic needs as well as responding to market signals.
- 1.11 Whilst the district shows strengths in a number of areas it also shows considerable weaknesses in others. It is our view, therefore, that a step change is needed, particularly with regards to the district's approach to both supporting and enabling growth. Fundamentally, there is a need for greater focus on key attributes that will make Lancaster a place where businesses choose to invest and grow, and where skilled people are attracted to live and work. However, in our opinion particular attention should be given to addressing five key risk factors which characterise the Lancaster district economy, and in our view threaten its long term growth potential. These are described in full later in this report, but can be summarised as follows:
- Constrained labour force
 - Lack of appropriately targeted skills
 - Constrained growth potential in Heysham-M6 Link Corridor
 - Lack of city centre vision
 - Lack of focus on enabling business start-ups
- 1.12 In developing its Economy and Employment Strategy the Council and its partners should recognise and guard against these risks by putting in place measures that will play to the district's strengths, address weaknesses and capitalise on opportunities for growth.

¹ Experian Quarterly Forecasts, June 2014

² Lancaster district Independent Housing Requirements Study (Turley, October 2013)

1.13 The remainder of this report is structured with these factors in mind, concluding with a set of recommended actions which should be considered to address risks and maximise potential.

2. The Lancaster district economy - key strengths

2.1 Our research has found that district already provides a high quality environment within which to live and work, with its population, which currently stands at around 140,600, experiencing significant growth over recent years. The proximity of the Lake district and excellent road and rail connections are some of the factors that have supported the strong levels of net-migration results in evidence, and Lancaster district itself a popular residential location.

2.2 The district already has many placed based strengths and attributes. However, from an economic perspective the following are also of particular note:

- **The City of Lancaster** – the ‘small city with a big story³’, with its strategic location on the banks of the River Lune being the key to its history and current prosperity. The City has long existed as an important commercial, cultural and educational centre with its growth a development founding on its historic castle, canal and former status as one of the busiest ports in the UK. With a renewed focus on cities as engines of prosperity and economic growth, promoting a healthy and prosperous Lancaster, with a vibrant city centre at its core, should be a key tenet of the district’s future economic strategy.
- **The Port of Heysham** - The Port of Heysham is perhaps the district’s most important infrastructural asset, acting as a 24 hour gateway to the district and wider North West region, whilst also offering easy round-the-clock access for Irish Sea ferries, to Ireland and the Isle of Man a diverse range of general cargo services. The construction of the Heysham-M6 Link Road and associated expansion of the Port represents an important opportunity to increase freight through-put and enhance the role and function of this important economic asset.
- **The district’s role as a leading energy centre** - the coastal town of Heysham, a leading centre for energy generation and supply, is an important hub of economic activity for the district. Key projects such those linked to investment in the Offshore wind industry, nuclear decommissioning, underground gas storage, and over the longer term, nuclear new build offer opportunities to further enhance the areas status and support significant levels of job creation.
- **The district’s role as a centre for academic excellence** – the district is home to two leading Universities – the University of Lancaster and University of Cumbria, with the former having ambitious plans for growth and investment. Linked to this are the opportunities emerging through the Lancaster University Innovation Campus proposals for age-related health and other research. The combination of an ageing society and inherent research strengths means Lancaster district has the opportunity to be at the forefront of responding to long-term socio-economic changes affected the UK as a whole, further elevating Lancaster’s position as a leading university city. Owing to its status as university-city Lancaster also

³ <http://www.visitlancashire.com/explore/lancaster>

exhibits a large student population with above average proportions of residents educated to degree level. In contrast, the percentage of people with no qualifications is just half the national average.

- **New connections and infrastructure** - The Heysham M6 Link Road will deliver significant accessibility improvements whilst at the same time enhance the commercial appeal of a number of important employment site allocations required to stimulate regeneration and investment along its route. For businesses, it will also mean significantly reduced distribution costs for those reliant on the road network for the transportation of their goods, again acting as a stimulus to business growth and employment creation. However, continued infrastructure investment will be critical to realising the full potential of other areas of the city, for example, the City Centre and South Lancaster where development is constrained due to traffic congestion. Overcoming site based infrastructure constraints, such as contamination and poor access has an equally important role to play, particularly in South Heysham where local sites offer the potential provide decant capacity to help facilitate the expansion of the port and wider regeneration of the area.

3. The Lancaster district economy – key weaknesses

3.1 Our evidence has revealed that, whilst demonstrating many strengths and assets, and number of major weaknesses and deficiencies also exist which are adversely impacting the performance of the district's economy. These can be summarised as follows:

- **An ageing workforce and population** – whilst the population has grown, so has the proportion of in older age groups. This trend is set to continue with the sub-national population projections for Lancaster suggesting that the population aged 64+ will increase by 49% between 2012 and 2037. Over the same period the working age population (16-64) is projected to decrease by 5.2%. This is a key issue for two reasons. Firstly, there is a risk that the labour market will not be of a sufficient scale to support and maximise economic growth. A lack of young and skilled people will also result in businesses finding it increasingly difficult to attract and/or retain the right calibre of staff. As one of the key factors that attracts and retains businesses, ensuring that the full potential of the labour market is realised and the supply of labour is able to meet demand arising from new and growing businesses represents a key issue for future strategy.
- **Low levels of entrepreneurship and new business formation** - whilst being an important factor in driving competitiveness, levels of enterprise are low. The district currently has about 30.5 VAT registered businesses per 1,000 population. Around two-thirds of local authorities across the country currently perform better on this measure. According to the UK competitiveness index, Lancaster district also has one of the lowest rates of new business formation in the Country, at only 18.8 new VAT registrations per 10,000 adult population, placing the district on the 98th percentile of local authorities based on this measure. Critically, with fewer start-ups, there is the risk that future employment creation may be constrained by insufficient new business formation. A continuation of this trend is unlikely to provide a strong enough platform from which to elevate private sector job creation beyond past trends.
- **Low representation of knowledge intensive businesses** - only about 15% of all businesses in Lancaster qualify as being knowledge intensive, placing Lancaster just within the lowest quartile ranked local authority area on this indicator. As a result, the business base is currently characterised by production and lower value public services, with a comparative under-representation of businesses operating in sectors such as higher value manufacturing and professional and business services. Looking ahead there is a need to diversify the business base and capture more growth in knowledge based sectors.
- **Limited university to business links** - although the University has become highly rated in recent years, and has broken into the top-10 ranking of Universities according to some Guides, there still appears to be a relatively underdeveloped relationship between the University and the wider economy. In addition, there is little evidence of graduate enterprise or spin-outs. Potential exists to create better links between the university and workplace to improve knowledge transfer.

Graduate retention is also poor, and in light of the projected declines in the working age population, greater emphasis needs to be placed on encouraging more highly skilled and talented graduates to stay within the district.

- **Underperforming cultural assets** - despite its heritage, the district's cultural offer is comparatively weak when compared to other Cities across the Country. We understand that many cultural assets, particularly in the City of Lancaster, underperform. The district has good, if underutilised, cultural assets for certain groups and there exist an opportunity to build on these. Specifically, there is a mismatch between the provision and quality of the offer and those sectors of the workforce – including recent graduates or entrepreneurs – the district needs to attract and retain to support economic growth.

4. Opportunities for achieving economic growth

4.1 This section considers the key opportunities for growth that have emerged through the earlier stages of work and which we consider to be integral to the creation of a prosperous district.

Sectoral growth opportunities

4.2 It is widely acknowledged that the private sector will be the main source of new employment creation in the UK over the next 5 to 10 years. In contrast employment in public administration is anticipated to fall. This provides an important context for Lancaster which historically has had a relative under-representation of high growth 'knowledge intensive' industries and service sector jobs.

4.3 Critically, for Lancaster district to realise its full potential there is a need to build on existing sector strengths – specialisms in energy generation, education and health, and growing sectors such environmental technologies and tourism – whilst also make a concerted effort to build competitive advantage in other areas, particularly those 'knowledge intensive' sectors - such as creative and digital industries - which given the presence of the university have shown signs of growth but have yet to gain a strong enough foothold to significantly diversify the district's employment and business base.

4.4 Based on our review of available evidence, the district's key assets and discussions with key stakeholders, we would recommend that the Council and its partners adopted a targeted approach to sector development, with a particular focus on the following:

- knowledge economy sectors;
- energy and environmental technologies;
- port related logistics; and
- The visitor and cultural economy.

4.5 In addition to enhancing the prosperity of Lancaster, a focus on these sectors will support the wider sector development and growth opportunities established by the Lancashire Enterprise Partnership (LEP). The key strategic linkages are summarised in the table below:

| LEP sector focus | Lancaster district recommended sector focus |
|---------------------------------|---|
| Aerospace | |
| Automotive | |
| Energy | ✓ |
| Health | ✓ |
| Digital | ✓ |
| Business Process Outsourcing | |
| Food manufacturing | |
| Visitor economy | ✓ |
| Business and financial services | ✓ |

4.6 The increased demand for skills associated with these sectors does, however, need to be acknowledged. The Stage 1 and 2 work did not include a detailed skills analysis by sector, however work undertaken by Regeneris on behalf of Lancaster and Morecambe College⁴, highlights some important issues which will need to be taken into account when the Council comes to prepare its Economic and Employment Strategy.

4.7 With regards to priority sectors identified above, the key skills shortages have been identified in:

- **Financial and professional services** - where there is both a short and longer term need for sales and marketing executives, customer services operatives, and software professionals, as well as those with skills in sales, management and accounting.
- **Creative digital and media** – where there is both a short and longer term need for software professionals, web designers and telecoms engineers and those with skills in programming and web design.
- **Energy and environment** – where there is likely to be a future need for control instrument engineers, welders and cable jointers and key skills such as engineering, health and safety and project management.
- **Construction** – where there is likely to be a longer term need for civil engineers, technicians, electricians, plumbers and welders.

⁴ Lancaster and Morecambe College - Economic Impact and Local Skills Needs (presentation by Oliver Chapman, Regeneris)

Spatial growth opportunities

- 4.8 Lancaster, as a planning authority, is currently preparing a Local Plan which will guide development over the period from 2011 to 2031. The Local Plan will be informed by a comprehensive evidence base. In this context consideration should be given to the spatial opportunities and potential locations for growth as the Local Plan is developed.
- 4.9 Our work to date has suggested the following significant areas should be considered:
- **South Lancaster** – as a focus for growth of knowledge economy sectors and spin out activities
 - **Heysham Gateway** – as a focus for energy and environmental technologies and the growth of Port related logistics activities
 - **Lancaster City Centre and Central Morecambe** – as a focus for the development of the district’s visitor and cultural economy
- 4.10 The confluence of these sectoral and spatial priorities is described in more detail below.

Growing the district’s share of knowledge economy sectors

- 4.11 Currently only about 15% of businesses in Lancaster qualify as being ‘knowledge-intensive’⁵. This places Lancaster just within the lowest quartile of ranked local authority areas in Britain on this indicator. By implication, other UK cities are currently better placed to enhance prosperity and retain and grow their workforce. Lancaster district also has one of the lowest rates of new business formation in the Country. Critically, based on past performance Lancaster’s business and enterprise base is unlikely to provide a strong enough platform from which to elevate private sector job creation beyond past trends.
- 4.12 Addressing the comparatively low levels of VAT registered businesses, entrepreneurship and ‘knowledge intensive’ businesses should represent an important priority for the Council and its partners. In particular, there is a need to encourage and support further growth in sectors such as professional services, creative and digital industries and advanced manufacturing in order to boost levels of employment and capture a higher share of private sector employment.
- 4.13 There are strong foundations upon which to build. Analysis of business registrations and de-registrations show that prior to the recession Lancaster provided a positive environment for business survival once new start-ups become established, with fewer de-registrations than registrations, and over time a corresponding increasing stock of VAT registered businesses operating across the district.
- 4.14 Lancaster is also home to two universities – Lancaster University and the University of Cumbria – with the former being not only a major employer in the district, but a nationally and internationally recognised ‘knowledge nucleus’ combining excellence in both academic research and knowledge based industries. It is consistently rated among

⁵ UK Competitiveness Index 2010

the top UK universities for research and teaching and ranked in the top one per cent of universities in the world⁶.

- 4.15 Within this context, south Lancaster is an area of huge economic potential, with opportunities to capitalise on the continuing growth of knowledge based employment at Lancaster University; as well as through complementary investment in the development of key housing sites (for example at Bailrigg and Whinney Car) and critical enabling infrastructure – supporting the creation of a significant number of new homes and jobs.
- 4.16 The most significant project from an economic and employment perspective is, however, the Lancaster University Innovation Campus (LUIC) being taken forward by Lancaster University in partnership with the City Council and Lancashire County Council. Recently awarded £17m of funding through the Lancashire Growth Deal, the LUIC will establish new facilities and a test space for companies carrying out product and service development in collaboration with the university and healthcare bodies. In particular, the development will build on Lancaster University’s already strong reputation for research into health and ageing, providing an integrated approach to healthcare and services for people who are growing older and will develop solutions to problems caused by ageing populations.
- 4.17 The benefits of the scheme are significant. An independent economic impact assessment conducted for the university has found that when the campus is fully operational the project will have the capability to create more than 2,000 jobs and an annual economic impact of £99.8 million.
- 4.18 Whilst growth in this area should be supported, we recognise that development opportunities are currently constrained to a degree by capacity issues on the A6 transport corridor with this route already noted to be close to capacity. To help alleviate current pressure on the network, we understand that Lancashire County Council is keen to pursue, through an economic case, with the Lancashire LEP, support for a relocated Junction 33 (Lancaster South). This relocated junction would be moved from south of Galgate to just south of the University, with Lancaster bound traffic encouraged to use J34.

Investing in energy and environmental technologies

- 4.19 The district has a long history of energy production and continues to play an important national role in terms of energy supply. The Heysham 1 and 2 nuclear power stations in Heysham represent one of the largest concentrations of power generation in the UK. Both also play a critical role in employment terms with Heysham 1 and 2 employing over 1000 full time EDF Energy employees plus over 450 full time contract partners⁷ between them.
- 4.20 In addition to this, one of the world’s largest wind farms – the 90 MW Barrow Offshore Wind Farm - is located in the Irish Sea, with electricity generated delivered to the National Grid at a substation in Heysham. According to operators Dong Energy, annual

⁶ <http://www.topuniversities.com/universities/lancaster-university/undergrad>

⁷ <https://www.edfenergy.com/energy/power-stations/heysham-2>

production is around 305 GW/h, enough to meet the demand of around 65,000 households⁸.

- 4.21 The UK's transition to a low carbon economy⁹ represents a huge opportunity for the district, particularly in light of its existing energy assets. It is therefore recommended that the Council supports the continued development of the district's strategic coastal areas by increasing investment in energy and environmental technology sectors, capitalising on existing nuclear provision as well as opportunities for further investment in onshore and offshore renewable and low carbon energy technologies.
- 4.22 Projects such as the National Grid North West Coast Connections Project are also particularly important in this regard and will act as a further stimulus to investment and job creation on the Heysham peninsula, but also across the district more widely.
- 4.23 The provision of operations and maintenance activities to support the private sector off shore wind industry is another potential growth opportunity arising from the research undertaken in Stages 1 and 2, given that the government has now issued licenses for development within the Irish Sea. Peel Ports have indicated that part of the dock area is being earmarked to support this type of use. However given the competitive nature of ports in the UK, Heysham will be competing with Fleetwood and Barrow for this operation.
- 4.24 The Council should also consider supporting the diversification of uses at the Port of Heysham, in order to encourage growth in the Port as a base for off-shore renewable energy projects and other energy projects that occur in the Irish Sea. The Port already acts as a supply base for the Morecambe Bay Gas Field, with associated operations and maintenance (O&M) functions providing logistics support to one of the largest offshore gas fields in UK waters. It is therefore ideally placed to exploit the market opportunities presented by existing and new offshore wind O&M facilities and other investment opportunities that may arise following the completion of the Heysham M6 link road.
- 4.25 Opportunities to build stronger links between Energy Lancaster, the Council and locally based companies operating in the energy sector should also be explored. Energy Lancaster brings together Lancaster University's world leading expertise in a wide range of energy related areas covering the demand and supply of energy. Already working in partnership with a range of global organisations in the development and management of secure and sustainable energy supplies, there may be scope to undertake further targeted research linked to energy generation activity in the Heysham Gateway.
- 4.26 Over the longer term major projects such as nuclear decommissioning, and nuclear new build, also offer the potential to create significantly more jobs above the estimates presented above and further strengthen the role of Heysham as a hub for the transmission of power from several energy sources. Nuclear decommissioning in particular will be a major opportunity for the district due to the associated expenditures and extended time period needed to achieve successful decommissioning. In effect it

⁸ <http://www.dongenergy.co.uk/uk-business-activities/wind-power/offshore-wind-farms-in-the-uk/barrow-offshore-wind-farm>

⁹ HM Government (2011) The Carbon Plan: Delivering our low carbon future

has the attributes of an extended major (de)construction project and will generate a huge recruitment needs both in construction and specialist nuclear related sectors.

- 4.27 This in turn, will create increased pressures on housing in the area both during construction and over the operational lifetime of any new facility. It is recommended that the Council should monitor the need for housing in Heysham to ensure there is a sufficient labour market capacity to match anticipated levels of job growth in the area.

Supporting growth in port related logistics activity

- 4.28 The Port of Heysham makes a significant contribution of the district's economy, generating jobs and investment in the local area. It is estimated that circa 250 people are directly employed in port related activities, with many hundreds more in jobs in associated sectors including haulage, logistics and distribution and in the off shore gas supply industry, linked to the port's role as a supply base for the Morecambe Bay Gas Field.
- 4.29 Major opportunities also exist to create an even more effective and cost efficient environment for freight cargo logistics and passenger transit - capitalising on the port's enhanced capacity and potential future expansion, strategic links with Isle of Man and Ireland, as well as the strategic accessibility provided by the new Heysham-M6 Link Road.
- 4.30 Through our engagement with Peel Ports we understand that the port is very much viewed as an asset with further scope for expansion. Critically, expansion of the port would enable Peel to increase throughput by around 50%, from 4 million tonnes per annum to around 6 million. Peel also anticipate that this will create additional demand for logistics floor space within South Heysham area.
- 4.31 Recognising its potential, Peel Ports have already invested £12m in 2 replacement linkspans to increase capacity. Significant investment by both Norfolkline and Seatruck has also been made through the introduction of new enhanced capacity vessels and additional scheduled sailings. It is understood that the Isle of Man Steam Packet Company has also invested in a new passenger terminal.
- 4.32 The Heysham to M6 Link Road, currently under construction, will significantly improve the vehicular accessibility to the Heysham Gateway, as well as freight access and journey time reliability to the Port. The economic potential arising from this is significant, with the new link road acting as a further catalyst for the further port growth and expansion once complete.
- 4.33 This should be facilitated through the expansion of the port into the Port of Heysham Industrial Estate immediately to the east of the main port area. Whilst the area of the estate comprises a mix of private ownerships our investigations have revealed that most of the affected businesses are not reliant on their port side location for their operations and could, subject to agreement, be decanted to nearby employment sites.
- 4.34 In addition to facilitating the expansion of the Port, the new link will significantly reduce distribution costs for businesses reliant on the network for the transportation of their goods, thereby improving their profitability and potential to grow. This has the potential

to stimulate demand for land from port users, including the transport and logistics sector, as well as businesses linked to the offshore and nuclear energy sectors.

- 4.35 Through targeted investment and new employment land allocations, we anticipate that the public sector also has the potential to enable the creation of up to 900 net additional jobs¹⁰ over the next 20 years across the Heysham Gateway area. This level of growth will be underpinned initially by major investment at the port and through development at four key sites - Lancaster West Business Park, Major Industrial Estate, Mellishaw Lane Northhand Heysham Industrial Estate. As well as acting as decant locations for businesses displaced at the port such sites also offer additional capacity to further grow employment in the energy and environmental technology sectors.
- 4.36 In view of the areas potential, the Council and its partners should not only facilitate the expansion of the operational port area, but also maximise opportunities further enhance the image, accessibility and wider market appeal of these key employment sites. This includes, for example, seeking funding to invest in enabling infrastructure and over the medium term to complete the link between Imperial Road and Middleton Road.
- 4.37 Alongside this it is recommended that the Council maximises funding opportunities associated with Assisted Area Status given to Westgate and Overton wards. These wards are home to a number of key economic assets including the Port of Heysham and White Lund Industrial Estate with businesses in these areas able to take advantage of extra funding. Critically, locations with Assisted Area Status can benefit from Regional aid, a state aid exemption that can be used to support either capital investment or the wage costs of new additional employees.
- 4.38 The Regional Growth Fund represents an example of regional aid available to businesses in Lancaster district, however given the areas designation as a 'c' area this can only be given to SMEs for investment in a new establishment, expansion or diversification of existing establishments; or for fundamental changes in the processes carried out at an establishment. Larger companies in 'c' areas can also benefit provided the aid is provided for investment in a new establishment or diversification of an existing establishment into a new economic activity¹¹.
- 4.39 Increased aid intensity is also available for energy and environmental investments in assisted areas, including investments in green technologies, research, development & innovation, or encouraging a low carbon economy, which can receive a higher level of aid through a regional bonus.
- 4.40 The availability of this financial assistance represents a particularly important opportunity for the Heysham Gateway area as a focus for energy and environmental business activities, but also a major location for potential business growth, expansion and relocation linked to investment in the Heysham-M6 Link Road and at the Port of Heysham. However, what is currently lacking is a robust funding and delivery strategy to support investment in critical enabling infrastructure, bridge short-term viability gaps and accelerate availability and deliverability of key sites for inward investment, strategic expansion and business relocation.

¹⁰ Review of the Lancaster Employment Land Position (Turley, January 2015)

¹¹ Department for Business Innovation & Skills – An Introduction to Assisted Areas (October 2014)

The visitor and cultural economy

- 4.41 The visitor economy is a vital industry for the Lancaster district. In 2010 more than 6.5 million visitors created over £3.3 million in visitor expenditure, supporting over 5000 full-time equivalent jobs¹². The sector supports significant levels of employment in the accommodation and food sector in particular, with this sector alone accounting for a 9%¹³ share of all employment in the district.
- 4.42 Whilst visits will generally be based on the 'health' and vibrancy of cultural assets in Lancaster, and general attractions and offer in Morecambe, the district's wider cultural offer also makes an important contribution to quality of place and perceptions of Lancaster district as an attractive place to live and work.
- 4.43 The City of Lancaster has recently been designated as one of "England's Heritage Cities¹⁴" and provides a focus for visitor activity, characterised by its rich heritage and a broad range of cultural and commercial leisure facilities. Central Morecambe also remains an important visitor destination built around Morecambe Bay, a world class natural setting and built assets such as the Midland Hotel and other resort heritage.
- 4.44 However, the City of Lancaster and Morecambe currently appeal to separate visitor demographics. Although not explored through the Stage 1 and 2 work on employment land matters, it is understood that the Council has aims to consolidate these to encourage longer stays in Lancaster, and longer stays and a higher spending demographic in Morecambe.
- 4.45 The development of the Canal Corridor site and Morecambe Central Regeneration are critically important in this regard. The emergence of the two distinctive brands¹⁵ "Lancaster – Small City Big Story" and "Morecambe Bay" also represents important milestones. However, maximising the potential of the visitor and cultural economy extends well beyond branding and marketing, into wider issues regarding the quality of the district's cultural offer.
- 4.46 It is therefore important, to recognise the distinct roles that both Lancaster and Morecambe can play in supporting growth.

Lancaster City Centre

- 4.47 The City Centre is primed for development and has the potential to be a significant driving force behind the district's future economic growth. This can be considered in terms of both the employment generating potential of a number of important developments, including the Canal Corridor retail scheme previously referenced, investment in its heritage assets, but also in terms of the enhanced accessibility and environment that will be created through the implementation of Lancashire County Council's Transport Masterplan.

¹² <http://www.lancaster.gov.uk/tourism/destination-performance/>

¹³ ONS, Business Register and Employment Survey, 2012, data released October 2013

¹⁴ <http://www.heritagecities.com/>

¹⁵ <http://www.marketinglancashire.com/visitor-economy/lancaster-brand> and <http://www.marketinglancashire.com/visitor-economy/morecambe-bay-brand>

4.48 Clear opportunities also exist to enhance the visitor and cultural economy, anchored by the redevelopment of Lancaster Castle as a significant leisure and heritage attraction, but also a more diverse cultural offer that appeals to younger economically active households who might otherwise chose to live outside of the district. However, as recognised in the Cultural Heritage Strategy¹⁶ there is an identified shortfall in the offer, particularly with regards to must-see attraction and the challenges of a cluster of fairly small museums that have had little recent investment.

4.49 Although not explored through the Stage 1 and 2 work, we understand that investment in the cultural and visitor offer will be underpinned by other wide ranging investment from 'Canal to Quay', including at:

- **Quay Meadow/City Park** – a key area of open space, providing the setting for the Castle and Priory and acting as the main link main to the Quayside and Luneside areas. It is understood that the area is of considerable archaeological interest and valued by local residents.
- **New Street, Sun Square and China Street** - a focus for cultural uses, and strategically important for the future of museums, maximising use of the Central Library, links to Castle and realising the potential of Storey Institute.
- **Canal Corridor** – the eastern “anchor” linking the canal and city centre. The Canal Corridor scheme presents an opportunity to provide comprehensive regeneration of a central location and significantly improve the retail offer of Lancaster and assistn maintaining Lancaster's role as a sub-regional city centre. British Land has now acquired the former Mitchell's brewery site – a major part of the Canal Corridor North site – and are currently working with Lancaster City Council to bring forward the regeneration of the area through a comprehensive scheme.
- **Market Street/Penny Street** - directly addressed by the LAMB project proposal – the key 'spine' of the opportunity sites mentioned above. Also important regarding a context for future of Indoor and outdoor market, evening economy and the potential Business Improvement district.
- **Luneside and St George's Quay** – the City Centre's historic waterfront and focus for the future of the Maritime Museum, linkages to the Castle area. In this location, Luneside East and Luneside West also form one of the Council's regeneration priority areas for the district. Their proximity to the city centre, the Castle and the successfully regenerated St. George's Quay make them attractive sites for mixed use and residential redevelopment, capitalising on the area's historic past and addressing negative perceptions of this important gateway into the city.

4.50 In addition to residential opportunities at Luneside, the Council have previously developed sites suitable for housing development on the east side of the town at Lancaster Moor North, along with Nightingale Hall Farm and at Lancaster Leisure Park. The scope to grow the local population in these locations therefore provides a further

¹⁶ <http://www.lancaster.gov.uk/planning/regeneration/lancaster-cultural-heritage-strategy/>

incentive for the Council to improve the quality of cultural offer and provide better access to services in an improved city centre.

- 4.51 Indeed, city centre fringe developments offer the potential to attract and retain a higher proportion of young people, graduates and highly skilled workers needed to counter the growing trend towards an ageing population and ensuring the workforce is of a sufficient capacity to enable the district to realise its full economic potential and support further growth in higher value knowledge economy sectors.
- 4.52 The emerging Transport Masterplan which seeks to alleviate a number of traffic issues which currently limit the city centre's growth potential. should be welcomed. The completion of the Heysham M6 Link Road in July 2016 and associated opportunities to re-engineer the city centre highway network are of particular note and will help to make the city centre environment more appealing for both pedestrians and cyclists.
- 4.53 The measures proposed are set to make the use of the gyratory system by through-traffic a much less attractive option. A significant change will also potentially arise from heavy traffic not using Caton Road, thereby enabling Caton Road to be re-engineered to facilitate enhanced access to proposed Park and Ride facilities at Junction 34 following the completion of the Heysham-M6 Link Road.

Central Morecambe

- 4.54 Encouraging investment in Morecambe represent another important component of any future strategy for developing the district's visitor economy. Its ongoing regeneration is already a strategic priority for the Council and a cornerstone of the recently adopted Morecambe Area Action Plan (MAAP).
- 4.55 The Plan's proposals are very much about creating the conditions for attract more investment, and by implication creating more and better jobs for local residents. Central to achieving this is the need to use of public assets to deliver an improved leisure, cultural and retail offer in the town. The Council should therefore continue to utilise its relationship with Carillion, the County Council's Lancashire Regeneration Property Partner (LRPP), to deliver regeneration activity on Morecambe's key central sites.
- 4.56 We understand there is also already a strong focus on collaboration and joint work between the City Council and the County Council around the 'Delivering Differently' agenda. Examples of collaborative work are around the public realm and highways, developing the local economy, integration of health and wellbeing and management of museums and property services. Of particular relevance to the regeneration of Morecambe is where both councils have committed to explore collaboration around supporting the visitor economy, joining up information services and considering how best to make use of existing customer facing resources.
- 4.57 However, it is understood that major grant funding to support central Morecambe's development is likely to be limited. Resources for leisure focussed projects in particular will be tightly defined, relatively small and highly competitive. Whilst access to and engagement with more 'opportunistic' funding streams, such as Coastal Communities Fund, will potentially be available this will require the council to react quickly to take advantage of any opportunities with subsequent impact on officer resources and decision making protocols.

4.58 The award of Assisted Area status for parts of Morecambe enables access to certain grant streams and tax allowances, however, careful consideration will need to be given to how to apply scarce human resources and increasingly scarce capital pump priming.

4.59 The role of public bodies within this context will therefore be to:

- Direct implementation, facilitate investment and respond to the opportunities and drivers presented by service delivery reviews;
- Manage investment and development proposals to fit to the MAAP; and
- Deploy property assets and secure external funding to act as a catalyst to underpin private investment.

5. Risks to realising potential

5.1 The previous sections of this report have highlighted that while Lancaster district has good prospects for growth, reaching its full potential could be undermined by significant shortcomings in relation to economic development and barriers to private sector investment. In our opinion the following represent the most significant risks associated with the current approach:

- **Constrained labour force** – there is a risk that Lancaster will undersupply labour which will ultimately constrain business growth. There are significant housing delivery challenges faced in the South of Lancaster which could preclude delivering a sufficient number of homes to cater for labour force demand.
- **Lack of appropriately targeted skills** – there is clear evidence demonstrating key skills gaps in relation to a number of sectors which are important to the Lancaster economy, including Financial and Professional Services, Energy and the Environment and Creative, Digital and Media, and over the longer term, construction. Failure to address these deficiencies will in the long term hold businesses back from expanding and damage their competitiveness of productivity.
- **Constrained growth potential in Heysham-M6 Link Corridor** – investment has been secured and construction work is underway for the Heysham-M6 Link Road. However, there is a significant risk that the new road will be delivered but employment sites located proximate to it are constrained and will not be developed to their full potential.
- **Lack of city centre vision** – there are several large scale project in the pipeline for Lancaster City Centre, including de-trunking of the highway network, the Canal Corridor scheme and longer term potential at Lancaster Castle as an important heritage asset, and anchor for the city's visitor offer. There is a risk that the cumulative positive impacts of these planned investments are not realised as clear spatial investment framework for the city centre does not currently exist.
- **Lack of focus on enabling business start-ups** – Lancaster has a low enterprise density and business formation rates, but we know that where businesses are established survival rates are good. There is anecdotal evidence, however, that start-up businesses these businesses are blocked by more mature businesses in occupying start-up premises

6. Recommended priorities for action

- 6.1 A key objective is for Lancaster district is to continue to diversify and grow its employment and business base. To realise this will require a more highly skilled workforce, an entrepreneurial business community and an improved infrastructure to underpin them.
- 6.2 This is not something that the Council is capable of achieving on its own and is something that will necessitate proactive leadership and partnership working at all levels.
- 6.3 Furthermore, whilst the preparation of an Economic and Employment Strategy will be important for providing strategic direction, on its own it is unlikely to create the confidence and certainty necessary to gain the support of Lancashire Enterprise Partnership and other government funding streams. Indeed, accessing Growth Deal and other EU funding streams will be highly competitive given the continued pressures on public sector finances. Additional public funds to support the Council's efforts will also only be awarded where there is a clear business case, accompanied by evidence of strong leadership and a track record successfully engaging the private sector in project delivery.
- 6.4 Recognising this, and the fact that the delivery of the Council's economic ambitions will also rely heavily on commitment from both the public and private sectors, it is recommended that the Council considers the establishment of a 'Delivery Board', or similar governance structure, to provide an additional stimulus and leadership to economic development activities across the district.
- 6.5 Acting as the conduit between the Council, public sector bodies and business locally, the board would establish a clear and robust Investment Framework for the district that integrates economic development with land-use and infrastructure objectives – in essence a framework for integrating spatially targeted investment with wider priorities around workforce capacity, skills, enterprise and business support. This should be underpinned by:
- a clearly evidenced rationale for investment;
 - clear funding and delivery strategies for key investment priorities;
 - a mechanism for leveraging public and private sector resources; and
 - a clear strategy to proactively engage the Lancashire Enterprise Partnership and other potential funding partners.

We have summarised overleaf a series of immediate priority actions for the Council to consider in developing its strategy. This list is not exhaustive and is provided as a basis for further discussion and refinement by the Council and its potential delivery partners.

| Risk Factor | Priority | Key delivery actions | Timescales | Key partners to be engaged |
|---|--|---|------------|---|
| 1. Constrained labour force | Providing a sufficient supply of housing to attract and retain the workforce and households needed to support the continued economic growth of the district. | Confirm growth locations for future residential development and secure the adoption of the Land Allocations DPD. | Short | Statutory consultees, landowners, local residents |
| | | Work proactively with landowners to secure residential development on vacant employment sites that are no longer viable for future economic development use. | Long | Landowners, housing developers |
| 2. Lack of appropriately targeted skills | Retaining talent and developing the skills base in order to meet the demand and needs of employers in key growth sectors. | Identify and work with employers in target sectors in order to understand their future skills needs. | Ongoing | Key local employers |
| | | Working with partners, including the universities and local colleges, to ensure that the provision of education and training is focussed on the needs of both employers and businesses. | Ongoing | University of Lancaster, University of Cumbria, Lancaster and Morecambe College |
| | | Improving university-business links to encourage higher rates of graduate retention | Ongoing | University of Lancaster, University of Cumbria, Key Employers |
| 3. Constrained growth potential in the Heysham-M6 Corridor | Ensuring that an appropriate supply of developable employment land is available to support the needs of businesses. | Allocate additional employment land at Lancaster West Business Park and Major Industrial Estate. | Short | Statutory consultees, landowners, local residents |
| | | Develop a robust funding and delivery strategy to support investment in critical enabling infrastructure in the Heysham Gateway area. | Short | Lancashire County Council |
| | | Prepare a Feasibility Study and associated business case to secure funding to complete the link between Imperial Road and Middleton Road in South Heysham. | Medium | Lancashire County Council |

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|--|--|---|---|---------|--|
| | | Facilitate the expansion of the Port of Heysham | Prepare a Masterplan and accompanying business engagement strategy for the Port of Heysham and neighbouring Port of Heysham Industrial Estate | Short | Peel Ports, LEP, local businesses |
| | | | Develop a Business Relocation and Decant Strategy in partnership with local businesses at the Port of Heysham Industrial Estate | Short | Peel Ports, LEP, local businesses |
| | | | Commission a comprehensive Masterplan for the City Centre to guide city centre investment decisions over the next 15-20 years. | Short | Landowners, local residents |
| 4. Lack of City Centre Vision | Rediscovering the City Centre and enhancing its offer as place to live, work and visit | | Implement the emerging proposals of the Lancashire County Council Transport Masterplan to ensure the quality of the city centre environment | Short | Lancashire County Council |
| | | | Implement the recommendations of the Cultural Heritage Strategy, in particular those focussed on developing heritage assets and the cultural offer of the city centre. | Ongoing | Key delivery partners identified in the Strategy |
| 5. Lack of focus on enabling business start ups | Encouraging more start-ups and supporting existing businesses to grow and prosper. | | Working with failed and fledgling businesses to better understand the disincentives and constraints impacting on successful business establishment. | Ongoing | University of Lancaster, Chamber of Commerce |
| | | | Undertake a formal review of small “incubator” units and managed workspace across the district with a view to ensuring provision meets the needs of new and growing businesses. | Short | Lancashire County Council, University of Lancaster |

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|--|--|---------|--|
| | Promote the use of co-location models around sector specific expertise in Environmental Technologies, Digital and Creative and other knowledge based sectors, working closely with the university of Lancaster to replicate this successful approach. | Ongoing | University of Lancaster |
| | Maximise the use of publically funded workspace, ensure high-growth businesses are retained and have the move on space to expand their operations. | Ongoing | Lancashire County Council |
| | Continue to support business start-ups and growth in central Morecambe in line with MAAP Policies, through changes to local regulations where appropriate and, as opportunities to do so arise, by sourcing and making available finance and other assistance to businesses. | Ongoing | Chamber of Commerce |
| Promoting local entrepreneurship by seeking to attract and retain those with entrepreneurial ability and outlook | Establish a Council chaired 'Business innovation and start up' working group to develop and take forward targeted Entrepreneurship Strategy for the district. | Short | Chamber of commerce, University of Lancaster |
| | Supporting improved cultural activities to make Lancaster, and the wider district, more attractive to graduates and young entrepreneurs. | Ongoing | Council Tourism / Visit Lancaster team |

Turley
1 New York Street
Manchester
M1 4HD

T 0161 233 7676