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Executive Summary

Context and purpose

1.1 In 2015 the Council commissioned a review, ‘Lancaster District: Prospects and Recommendations for Achieving Economic Potential’. This report provides a concise update to that review, culminating in a SWOT analysis of the district’s economy and highlighting key differences with the 2015 review.

1.2 This document is not intended to be an economic strategy for the district. Rather it is intended that it helps to inform thinking on developing an economic strategy for Lancaster District and the matters that such a strategy might address. Matters for further consideration by the Council in developing its strategy are clearly highlighted throughout the report where relevant. Ultimately, the Council’s goal is for inclusive growth – that is that local people have the opportunity to participate in realising economic growth for the District and likewise, that the benefits of growth are shared among residents. A strategy for economic development should be considered as a route towards achieving this goal, and improving quality of place and life across Lancaster District.

1.3 The findings in this report have been informed by structured consultation with a selection of stakeholders including Peel Ports, Duchy of Lancaster, Marketing Lancashire, Lancaster and District Chamber of Commerce, Lancashire County Council, Lancaster University and Growth Lancashire. The consultations provided an opportunity to gauge perceptions of how the district has been performing in the recent past, as well as challenges and opportunities for the future. Further, more extensive consultation will be required to inform a full economic strategy for the district.

1.4 Along with the information gathered during interviews, this report has been informed by a number of publicly available data sources and published evidence.

Summary of findings

1.5 This report finds Lancaster District’s economy to be in relatively good health compared to the position in 2015; with an improving employment position, approaching 10% growth in micro business formation, the delivery of strategic projects complete or underway and stakeholders exhibiting increasing confidence to invest.

1.6 Consultations undertaken for this review have also revealed examples of strengthening links between stakeholders; their capacity to work in partnership will be important in devising and delivering an economic strategy for the district.

1.7 Lancaster District performs well across employment and skills measures, with salaries outperforming the North West average. The rate at which unemployment has fallen since 2015 is particularly significant and positive.

1.8 Stakeholders remain positive about Lancaster District’s future prospects. They highlighted particular opportunities in the energy and digital sectors as well as potential for the district to further develop its advanced manufacturing activities, building on sectoral strengths in the wider area of Lancashire, and as part of the Northern Advanced
Manufacturing Corridor. New opportunities are also expected to arise in the health sector, following the delivery of Lancaster University’s Health Innovation Campus.

1.9 Despite the perceptions of good growth prospects, and encouraging economic performance in recent years, the district faces challenges in ensuring that sustainable economic growth is delivered. These challenges include:

- **Retaining young people** - Currently, a large proportion of students at Lancaster University leave the city upon graduation. This is an untapped resource. Providing opportunities for graduate retention could assist the district in addressing its demographic and workforce challenges.

- **Sustaining the workforce** - Lancaster District has an ageing population. Between 2014 and 2031, the growth of the population aged 65 and above is projected to account for 78.8% of the District’s overall population growth\(^1\). By comparison, the growth in the groups aged 0-15 and the working age population aged 16-64 will remain relatively stagnant\(^2\). This poses a challenge for a district which is growing, with employers that will require a sufficient supply of labour in the future.

- **Diversifying the employment base** – Lancaster District’s employment base is dominated by larger employers, a position which is consistent with that which was assessed in 2015. Encouraging enterprise, including business start-ups and SME growth, would help to build a more diverse employment base and one which is potentially more resilient.

- **Enhancing profile** – Lancaster District is not yet fully represented in the Northern Powerhouse narrative. Developing profile in this context is an important consideration for the forthcoming economic strategy for the district. In this respect, Lancaster should be looking to further develop its’ role and prominence in the next Strategic Economic Plan (SEP) for Lancashire.

- **Devising an investment proposition** – Stakeholder consultations have emphasised that although the district has many important assets and attributes, that these are not currently “packaged” together in a way which would help to attract investment. Further consideration should be given through the forthcoming economic strategy to developing an investment proposition. Finally, this report provides recommendations for the development an economic strategy. The key thematic priorities at the sectoral and spatial levels are discussed in Chapter 7.

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\(^1\) ONS, Sub-national Population Projections to 2039, Lancaster. This dataset is based on 2014 analysis and is the latest available.

\(^2\) *Ibid.* The working age population is projected to remain the largest overall proportion of the population by 2031, at approximately 91,000 people, equivalent to 59.7% of the total population of Lancaster District. Yet, those aged 65 and over are projected to increase in absolute terms, from approximately 27,400 people to 35,900 between 2014 and 2031.
Table 1.1: Lancaster District: Economic SWOT Analysis

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<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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<td>Attractive location, with adjacency to leading energy centre Britain’s Energy Coast.</td>
<td>Lancaster District is not yet positioned within the ‘Northern Powerhouse’ dialogue despite a growing focus on the importance of city regions.</td>
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<td>There is a high employment rate in the local area; the local population is well skilled with high earning potential.</td>
<td>The lack of affordable good quality office space is putting pressure on the much needed growth of small business.</td>
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<td>Lancaster District features unique cultural and natural assets, such as Lancaster Castle and Morecambe Bay, and offers a good quality local environment. In recognition of this, Lancaster District was recently awarded with English Heritage City status.</td>
<td>An ageing workforce and population within the local area, combined with low graduate retention will provide a demographic challenge for future growth.</td>
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<tr>
<td>The area is home to three universities, which together attract 50,000 students from across the world. World-class Lancaster University is currently at 9th place in the UK university league tables. In recent years the relationship between Lancaster University and the local economy has strengthened.</td>
<td>There are concerns among stakeholders that Lancaster District is perceived to be peripheral, relative to the conurbations of Manchester and Liverpool within the North West. There is not enough recognition that Lancaster is located within a one hour journey time to these cities, with potential for stronger economic links in the future.</td>
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<td>A proposed development at Bailrigg of up to 3,000 homes has recently attained Garden Village status.</td>
<td>There is a need to engage local businesses and encourage them to be ambassadors for Lancaster.</td>
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<td>The Heysham-M6 Link Road, a significant infrastructure project, has been completed and official opened in Spring 2017.</td>
<td>Lancaster District is currently missing out on capturing the large number of tourists that travel to nearby areas such as the Lake District.</td>
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<th>Opportunities</th>
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<td>There are emerging opportunities in high-value areas including in the energy, health, digital and advanced manufacturing sectors. Should Lancaster District be able to capitalise on opportunities in these sectors, they could create high-value local employment.</td>
<td>Stakeholder concerns regarding the impact of Brexit. In particular concerns with regards to supply chains in the advanced manufacturing and energy sectors.</td>
</tr>
<tr>
<td>The recent completion of the Heysham-M6 Link Road will help to make sites in Heysham more commercially appealing to businesses.</td>
<td>Lack of inward investment proposition in the face of increasing competitions from well-resourced city regions and combined authorities.</td>
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<td>Trade links with Ireland and Northern Ireland could become stronger in a post-Brexit world; The Port of Heysham could become strategically important as a gateway to the UK.</td>
<td>A current lack of understanding of the vision for Lancaster may prevent local residents and business acting as ambassadors for Lancaster.</td>
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<td>The ongoing Canal Corridor project has the potential to regenerate the city centre by enhancing the retail offer and attracting footfall. This investment is key to ensuring that the full potential of the city centre is realised.</td>
<td>Lancaster District may miss out on opportunities to build upon its tourism economy as the offer is not currently presented coherently.</td>
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<td>There is an opportunity for Lancaster City Council to collaborate in the Morecambe Bay initiative to ensure that Morecambe is part of the defined visitor offer.</td>
<td>The local population may not have the appropriate skills needed in growing sectors, for example advanced manufacturing.</td>
</tr>
<tr>
<td>The Health Campus at Lancaster University is well positioned to become an innovation cluster and this could encourage spin out businesses to set up and locate within the district.</td>
<td>Small business support is currently provided by Growth Lancashire, at a Lancashire level. However this service has an operational lifetime, for example the Boost programme running until 2018. The council should monitor the ongoing support arrangements for small businesses to ensure continuity of support over the longer term.</td>
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There is potential to enhance movement through Lancaster through strategic transport projects such as the reconfiguration of Junction 33.

The proposed Garden Village at Bailrigg could attract a new demographic and help counteract Lancaster District’s ageing population.

*Source: Turley analysis; feedback from stakeholders July 2017*
2. Summary of the 2015 report and findings

2.1 Turley was commissioned by Lancaster City Council in 2014, to provide advice to Lancaster City Council on the district’s economic potential and the range of potential actions that need to be taken to fully realise this.

2.2 The findings of this report, published in 2015 and titled ‘Lancaster district: Prospects and Recommendations for Achieving Economic Potential’, are summarised in this chapter.

2.3 The study found Lancaster District in a good position with good prospects for economic growth. At that time, it was concluded that the main strengths of its’ economy derived from:

(i) **The City of Lancaster’s strategic location**, with long standing natural, cultural, educational and commercial assets;

(ii) **The Port of Heysham**, as an important infrastructural asset linking the North West region to Ireland and the Isle of Man with opportunities for growth;

(iii) **The district’s role as a leading energy centre**, noting the coastal town of Heysham as a centre of energy generation and supply with opportunities for growth and specialisation in areas such as offshore wind;

(iv) **The district’s role as a centre for academic excellence**, with Lancaster University in particular noted as having ambitious plans for growth and investment;

(v) **New connections and infrastructure**, in particular the Heysham-M6 Link Road project which at the time was under construction.

2.4 The report outlined several growth opportunities for Lancaster District. It was recommended that the Council and partners target sectors for development with a particular focus on knowledge economy sectors, the creative and digital industries; energy and environmental technologies; port related logistics; and the visitor and cultural economy.

2.5 The UK’s transition to a low carbon economy was viewed as an important opportunity for the district. However, it was recognised that investment was needed 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.

2.6 In particular, the previous study recommended that the Council should 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. As part of this, opportunities to build links with

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Energy Lancaster, the Council and locally based companies operating in the energy sector were recommended.

2.7 Lancaster District’s visitor and cultural economy was considered central to the historic and future success of the district. At the time, Lancaster had recently been designated as one of ‘England’s Heritage Cities’ in recognition of the area’s unique assets such as Lancaster Castle and Morecambe Bay. However, it was noted that the City of Lancaster and Morecambe appeal to separate visitor demographics, and it was suggested that there could an opportunity in aligning the ‘Lancaster – Small City Big Story’ and ‘Morecambe Bay’ brands to encourage longer stays and higher visitor spending levels. Encouraging investment in Morecambe was considered another important component of any future strategy for developing the district’s visitor economy.

2.8 The report considered spatial growth opportunities, and suggested South Lancaster; Heysham Gateway and Lancaster City Centre and Central Morecambe as significant areas for consideration as priority locations for economic development. Lancaster’s City Centre was considered to be primed for development, with the potential to be a significant driving force behind the district’s future economic growth. It was noted that specific developments such as the Canal Corridor retail scheme were coming forward, and the Lancashire County Council’s Transport Masterplan was also being implemented to enhance accessibility in and around the City Centre. The ongoing regeneration of Central Morecambe was noted as already being a strategic priority for the Council and a cornerstone of the recently adopted Morecambe Area Action Plan (MAAP).

2.9 Finally the study highlighted the risks that could constrain economic growth in Lancaster District. Together, these findings were presented with recommended priorities for action by Lancaster City Council and its partners, including the Lancashire Local Enterprise Partnership, the Lancaster and District Chamber of Commerce and Lancaster University.
3. 2017 Update

3.1 This section summarises the key changes in the intervening years since the 2015 review\(^4\). First, key economic indicators are summarised, providing an up to date position. Second, changes in the national political and economic context are highlighted, particularly where elements pertain to Lancaster District. Third, an update on Lancaster District’s main economic development projects, plans and programmes is provided.

**Lancaster District – summary of key economic indicators**

**Population**

3.2 In 2016, Lancaster District’s population totalled 143,000 people\(^5\). The latest official projections released by the Office for National Statistics\(^6\) (ONS) indicate that a continuation of recent demographic trends would result in a 9.3% growth in the population by 2039.

3.3 Evidence commissioned by the Council to inform its emerging Local Plan has highlighted the sensitivity of official population projections for Lancaster District to wider market and economic conditions during the short-term periods on which they are based\(^7\). Alternative demographic scenarios indicated that a continuation of longer-term demographic trends would grow the population by 10.0% over the plan period (2013 – 2031). This exceeds the 8.2% growth projected by the latest ONS dataset over the same period.

**Age profile**

3.4 Lancaster District, like many other mid-size local authorities across the UK has an ageing population. By 2031, a continuation of recent demographic trends would result in the population aged 65 and over will increase by approximately 8,500 people, from 27,400 in 2014 to 35,900 in 2031, equivalent to 31.1% growth\(^8\). In comparison, the working age population is projected to increase by only 420 people, from 90,380 in 2014 to 90,800 in 2031, equivalent to 0.5% growth. The proportion of the population aged under 15 is projected to growth by approximately 1,870 people, from 23,520 in 2014 to 25,400 in 2031, equivalent to 8.0% growth\(^9\). It should be noted that as this dataset was produced in 2014 it may not account for locally driven and recent projects, which could have large effects on employment in Lancaster District, for example the Health Innovation Campus at Lancaster University.

**Economic Activity**

3.5 Gross Value Added (GVA) is a measure of economic activity in an area. Between 2015 and 2017, GVA in Lancaster District grew at differing rates across sectors. Most growth was in Public Services, Utilities and the Extraction / Mining industries, and outperformed

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\(^5\) ONS, Population estimates

\(^6\) ONS, Sub-national Population Projections to 2039, Lancaster and North West

\(^7\) Turley, Lancaster Independent Housing Requirements Study 2015

\(^8\) ONS, Sub-national Population Projections to 2039, Lancaster and North West. This figure accounts for change between 2014 to 2031.

\(^9\) Numbers may not total, due to rounding.
the average for the North West in these areas. However, Lancaster District lagged behind the North West in other areas, such as in Manufacturing, Finance and Insurance and Information and Communications. Compared to the national average, Lancaster District is performing well in Education, Real Estate, Health and Utilities.

**Employment activity**

3.6 80.3% of residents aged 16-64 are currently in employment. This exceeds the average rate for both Lancashire and the UK, and shows notable growth since the effects of the 2008 financial crisis took hold, with a significant upswing since 2013 compared to Lancashire and the UK\(^ {10} \). The changes experienced in employment rates are not attributable to one event or the attraction of a single large scale employer to the borough. They are, rather, likely to be the result of the economy growing strongly, providing more opportunities for work. The availability of a range of employment opportunities locally may have encouraged more people into employment in recent years. These trends are shown in Figure 3.1 below.

**Figure 3.1:** Employment rate of the working aged population (age 16-64), 2004/05 – 2016/17

![Employment rate chart]

Source: Turley analysis of ONS Annual Population Survey, Nomis

3.7 Similarly, the unemployment rate among the working age population in Lancaster District is below that of Lancashire and the UK. Currently at 4.5%, it has fallen dramatically since 2004/05 where it stood at 7.4%.

\(^{10}\) Data has been sourced from the Annual Population Survey (APS), which is an official government data source on employment rates and is collected on an annual basis. In correspondence with the Office for National Statistics (ONS) it has been confirmed that there has been no change in the way the data for the APS is collected or analysed during this time frame that may skew the results for Lancaster. However, it should be noted that the data that is gathered through a sample based survey.
These trends have been corroborated by using Job Seeker’s Allowance (JSA) data, which shows that the number of people claiming JSA has also fallen at a higher rate in Lancaster District, as compared to Lancashire and the UK. In July 2005, 1,624 people were claiming JSA in Lancaster District; by July 017 this has fallen to just 308 people, equivalent to just 9.0% of the 2005 figure, or a fall of 81.0%. Over the same period, these rates fell by 52.0% for Lancashire and 55.4% for the UK\(^\text{11}\).

Analysis of Annual Population Survey data shows that it is full-time jobs that are driving employment growth in Lancaster District. Between 2004/05 and 2016/17, there has been a 31% growth in full-time employment, as compared to 3% growth in part-time employment\(^\text{12}\).

Further analysis of the latest data from the Business Register and Employment Survey (BRES) has been carried out to understand how employment has changed at the sectoral level over recent years. This is detailed below.

**Employment by sectors**

The latest data from the annual Business Register and Employment Survey (BRES) provides insight into trends in employee jobs between 2009 and 2015\(^\text{13}\).

In Lancaster District, the number of employee jobs grew from 52,000 to 55,000 between 2009 and 2015, representing a 5.8% growth. This compares to 2.3% for Lancashire and 7.8% for England, over the same time period.

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\(^{11}\) ONS, Annual Population Survey, JSA data, July 2005 - July 2017  
\(^{12}\) ONS, Annual Population Survey, Workplace analysis, April 2004/05 – April 2016/17  
\(^{13}\) BRES data (2015), via Nomis. Employee jobs refers to those employed, and does not include self-employment. BRES data is released on an annual basis, and the latest release was in 2016. This dataset captures trends from the year prior; therefore the 2015 figures are the latest available.
3.13 For Lancaster District, in 2015, the sectors with the highest proportion of employee jobs were in the Education sector (18.2%); Health (18.2%); Retail (10.9%); Accommodation and Food Services (9.1%) and in Business Administration and Support Services (7.2%). This compares to the wider Lancashire picture, where, in 2015, 12.9% of employee jobs were in Manufacturing; 10.5% in Retail; 9.4% in Education and 15.8% were in the Health sector.

3.14 Between 2009 and 2015, there has been significant change in the profile of employee jobs in Lancaster District. There has been a fall in the number of jobs in the Finance and Insurance sector, with a loss of 250 jobs (equivalent to a 20% decrease in total employment locally in the sector). In Lancaster District, there was a 38.5% fall in jobs in this sector, compared to a 3.0% fall across England. There has also been a loss in Construction of 500 jobs (a 16.7% decrease); and in the Motor Trades sector with a loss of 200 jobs (a 20.0% decrease). There has also been a loss of jobs in Public administration and defence, of 750 jobs equivalent to a 33.3% fall for that sector.

3.15 These trends have been counter balanced by growth in other sectors. Employment in the Mining, quarrying and utilities sector has grown by 250 jobs, equivalent to 14.3% growth. Similarly, there has been growth in Wholesale industries, with 250 new jobs representing a 20% growth in that sector. Between 2009 and 2015, an additional 1,000 jobs have been created in Accommodation and food services, equivalent to a 25.0% increase; and a further 1,000 jobs in Business administration and support services, representing a 33.3% growth in that sector. There has also been growth in Education (2,000 jobs or 25% growth); Health (1,000 jobs or 11.1% growth); Property (100 jobs or 14.3% growth) and in the Professional, scientific and technical sector of 250 jobs representing a 14.3% growth in that sector.

3.16 In 2016, full-time workers in Lancaster District earned a gross weekly average pay of £534.30 compared to £502.10 in Lancashire and £541.00 for the UK. Resident-based earnings remain higher than workplace-based earnings, reflecting commuting. However the gap has reduced in recent years, suggesting increased growth in higher paid jobs within Lancaster.\footnote{ONS, Annual Survey of Hours and Earnings, 2016}

3.17 Lancaster District’s job density ratio is lower than that of the North West region and Great Britain, which, in 2015 was 0.68 compared to the North West and 0.83 for Great Britain. This figure represents the ratio of jobs to the working age population, aged 16-64.

3.18 The local population is relatively highly skilled in a regional context. In 2016, 35.4% were qualified to NVQ level 4 and above, higher than the North West average of 34.0% but lower than the average for Great Britain at 38.2%. In the same year, 54.6% were recorded as holding qualifications to NVQ level 3 and above. This compares to 53.7% for the North West and 56.9% for Great Britain. There has been a steady increase in those with NVQ level 4 and above since 2010. Correspondingly, there has been a
reduction in proportion of those with no qualifications which has decreased from 14% to 8%\textsuperscript{15} between 2004 and 2016.

**The changing policy context**

3.19 Following the result of the EU referendum in June 2016, a number of key policy papers have been published by the Government. Central to the messages coming out of these policy papers is a commitment towards decentralisation, which sees cities as enablers and engines of future growth across the UK.

**Brexit**

3.20 A number of political and economic events have taken place at the wider UK level since 2015. The event that was perhaps most at the forefront of public attention was the outcome of the EU Referendum in June 2016, where the UK voted to leave the EU. Whilst the implications of Brexit remain uncertain, and negotiations continue to unfold the impact of Brexit will be felt across all areas of the UK including Lancaster District. Stakeholder consultation for this report found a range of concerns regarding the impact of Brexit on Lancaster District’s local economy. Consultation with Lancaster University revealed that projected student numbers are positive, even taking account of any loss of international students following Brexit. The University indicated that they expect to increase their student population by approximately 4,000 students over the next 10 years. Lancaster University is anticipating its largest ever intake of undergraduates this year; its popularity with students is reflected in the latest Student Satisfaction Survey, in which the University was placed joint 8\textsuperscript{th} in the rankings\textsuperscript{16}. This represents a year-on-year growth of 3-5%, of which just 5-6% is catered for international growth.

3.21 Consultation with Peel Ports also highlighted the opportunities that might arise from Brexit relating to the role of the Port of Heysham as a gateway to the UK from Ireland and Northern Ireland.

**Housing White Paper**

3.22 The Housing White Paper was broadly welcomed in February 2017. The report, ‘Fixing our broken housing market’, set out a number of reforms that the government plans to introduce to increase the supply of new homes\textsuperscript{17} and to choice a wider choice of tenures.

3.23 The White Paper notes that house prices, and rental costs, have increased over recent decades. Although this situation is particularly acute in and around London, since 1997 house prices relative to earnings have more than doubled in Lancaster District, Manchester and Boston\textsuperscript{18}. The White Paper also notes the importance of new communities, highlighting the Garden Village in Bailrigg as an example.

\textsuperscript{15} ONS, Annual Population Survey, 2016
\textsuperscript{16} 2017 National Student Survey
\textsuperscript{17} Department for Communities and Local Government, Housing White Paper, 7\textsuperscript{th} February 2017
\textsuperscript{18} DCLG Live Table 577, in Department for Communities and Local Government, Housing White Paper, 7\textsuperscript{th} February 2017
3.24 In January 2017, the government published the Industrial Strategy Green Paper. The paper discusses key issues including raising living standard, addressing low productivity and seizing the opportunities of Brexit to retain and build the UK’s competitiveness.

3.25 The paper acknowledges the need to spread economic growth across the whole of the UK: ‘it will help to deliver a stronger economy and a fairer society – where wealth and opportunity are spread across every community in our United Kingdom, not just the most prosperous places in London and the South East’.

3.26 The paper lists 10 pillars fundamental to future growth:

- Science, research and innovation
- Skills
- Infrastructure
- Business growth and investment
- Procurement
- Trade and investment;
- Affordable energy;
- Sectoral policies;
- Driving growth across the whole country; and
- Creating the right institutions to bring together sectors and places.

3.27 On the day of its publication in January, the Government summarised:

“At the heart of the strategy green paper published today is an offer to businesses to strike new sector deals, driven by the interests of firms and the people they employ, to address sector-specific challenges and opportunities. As part of the deals government will be prepared to offer a range of support, including addressing regulatory barriers to innovation and growth, looking at how we can use trade and investment deals to increase exports, or supporting the creation of new institutions to provide leadership, support innovation or boost skills.”

3.28 In April 2017, the Government announced the Industrial Strategy Challenge Fund, committing over £1bn over the next four years. The funding will focus on 6 key areas:

- healthcare and medicine
- robotics and artificial intelligence
- batteries for clean and flexible energy storage
- self-driving vehicles
- manufacturing and materials of the future
- satellites and space technology

Lancaster District’s economic development strategy may be well positioned to align with the Industrial Strategy and associated funding streams in particular around opportunities for growth in non-renewable forms of energy and in healthcare, relating to the Health Innovation Campus at Lancaster University. Government has also committed to increasing investment in research and development by £4.7 bn over the next four years; representing the biggest increase in total government R&D investment since 1979\(^\text{20}\).

**Devolution agenda and the Northern Powerhouse**

Governments of all political parties have stated the benefits of devolution and localism, and the devolution agenda sets out to transfer power from Westminster to the local level. As highlighted in the Industrial Strategy Green Paper, there is a renewed focus to devolve power and resources to the local level, and aspirations to address regional inequalities.

Yet, discussions with stakeholders note that Lancaster District is at risk of being left out of the Northern Powerhouse discourse, which currently centres around ‘core cities’ Manchester, Liverpool, Leeds, Sheffield and Newcastle.

**Lancashire Strategic Economic Plan**

Work is currently underway by the Lancashire Local Enterprise Partnership to prepare a new Strategic Economic Plan (SEP). This will form an important context for the district’s Economic Strategy and will need to be taken in to consideration.

**Morecambe Bay Area**

Lancaster City Council has prepared a Statement of Intent, along with The Borough Council of Barrow in Furness and South Lakeland District Council, in relation to collaboration in economic development activity across the Morecambe Bay Area.

The objective of this collaboration is to “exploit opportunities to boost the economic performance of the Morecambe Bay area.” Specifically the Councils will collaborate on a range of issues including:

- Promotion and raising the profile of the area
- Creating a “Prospectus of Opportunity” setting out the opportunities for growth
- Develop productive relationships with Lancashire and Cumbria LEPs
- Formal engagement with central Government
- Agree priorities
- Address skills challenges

The Statement of Intent provides contextual material for development of the forthcoming Economic Strategy for the district.

\(^{20}\) HM Government, Industrial Strategy Green Paper, January 2017
Lancaster – update on projects and plans

3.36 In 2015, Turley prepared an objective assessment of housing need (OAN) for Lancaster District. It concluded that an OAN of 13,000 to 14,000 new homes were needed for the period 2011-2031. This is equivalent to a figure of 650 to 700 dwellings per annum. The latest Annual Monitoring Interim report states that between 1st April 2015 and 31st March 2016, 495 dwellings were completed, including 32 student housing completions. During this time, 613 dwelling permissions were granted within the Lancaster District.

3.37 The latest Annual Housing Land Monitoring Report, published in August 2017, states that between 1st April 2016 and 31st March 2017, 628 dwellings were completed. During this time new permissions were granted for a further 292 dwellings, meaning that the housing commitment level currently stands at 2,450 dwellings. There were no dwelling-equivalent student housing completions in the most recent financial year. However, consents in this year have been granted for further 1,578 student bedrooms, with a dwelling-equivalent of 585 homes, this means that the stock of dwelling-equivalent student housing proposals now stands at 777.21

3.38 Economic development and infrastructure projects have also advanced and been completed in the period since 2015. They include:

**Heysham-M6 Link Road – the Bay Gateway Growth Corridor**

3.39 The Heysham-M6 Link Road officially opened March 2017. It is widely agreed by stakeholders that this infrastructure project will have a positive effect on the local area, and many stakeholders interviewed for this project agreed that it is likely to bring forward further investment. For example, Peel Ports has to date invested £12m and has committed a further £10m for a replacement link-span infrastructure project, in part spurred by completion of the link road and improved road network reliability.

3.40 The Link Road is also seen to have a positive impact on the visitor economy. Recently, a new trampoline centre has opened in Morecambe, reflecting an optimistic outlook and willingness to invest now that access to the area is assured.

3.41 Recognising the potential of the completion link road to act as a catalyst to business investment, the Council is advancing proposals for the “Bay Gateway Growth Corridor” covering the area from White Lund Industrial Estate to the Port of Heysham. Proposals will be aimed at bringing forward more land for development, addressing image, infrastructure and transportation issues as well as targeting key sectors.

**Lancaster Castle**

3.42 Lancaster Castle is currently undergoing a refurbishment plan, for which £3m will be invested. Following this first phase of work, the Castle will undertake a new project which will look to broaden its use. For instance, a new teaching and conference centre will be established. The second phase of work is due to be completed by Spring 2019. The Castle is currently recruiting, demonstrating a commitment to investing in Lancaster. Lancaster Castle has been working closely with other stakeholders in recent

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years, such as the City Council, and Lancaster University; attaining the English Heritage City Status has strengthened these links.

**Lancaster University**

3.43 Lancaster University is investing significantly with annual investment of approximately £40m. This investment is funded by the University and is used for upgrades to the IT and physical infrastructure of the University buildings and the campus. A 5 year capital plan to 2021/2022 was recently signed off. This includes two major projects. These include the new Health Innovation Campus, for which a total of £160m will be invested. Of this, £41m has already been allocated for the first phase of this project. The University has contributed £12m funding; a further £12m has been funded by the European Regional Development Fund, and the remaining £17m has been funded by the second Growth Deal. The site will comprise 34,000 sqm floorspace, and will be delivered in three phases, with the first phase expected to complete by 2019. Business space of around 18,000 sqm will be developed targeting health, medicine and wellbeing industries. Resulting from this, the Health Innovation Campus aims to create an innovation cluster, and high value jobs in the area.

3.44 The second major project is the refurbishment of the Management School. This project will require an investment of £45m.

**Bailrigg Garden Village**

3.45 The proposal for Bailrigg Garden Village is identified in Policy SG1 in the draft Local Plan for in the region of 3,500 dwellings. The site would also include a business park. Bailrigg was recently awarded Garden Village status.

**Canal Corridor Project**

3.46 The City Centre regeneration through the Canal Corridor project is a comprehensive approach to promote retail, including an Arts Hub, as well as commercial development and revitalise the historic centre of the City. Consultation with stakeholders for this project found consensus views expressed that the regeneration of the city centre is important for Lancaster District as a whole. The project focuses pedestrian and cycle routes and high quality design sensitive to the local setting. Negotiations with British Land are currently ongoing and no planning application has yet been submitted for the development of the site. Consultation is being carried out with the public and also with stakeholders such as English Heritage. Lancaster University have also been engaged in this project as they plan to expand their campus in the city centre to accommodate up to 2,000 students.

**Ongoing regeneration and conservation of Morecambe Bay**

3.47 The Morecambe Area Action Plan (MAAP) provides a vision and plan for the future of central Morecambe with aspirations to add to Lancaster District’s visitor offer through revitalisation of the seafront. Work is now underway to implement the MAAP. Between 2015 and 2017, the phases of work include a project to better connect the town centre and the seafront, increase footfall and benefit business trading. The ‘Connecting Victoria

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22 Lancaster University, ‘Our Strategy for 2020: The next steps to becoming a global leader in higher education’.

23 Informed by consultation with Lancaster University, July 2017

24 Lancaster City Council, Local Plan Consultation Feedback Report, June 2017
Street’ is a partnership between the city and county councils and benefits from funding support from the Heritage Lottery Fund as part of the second Morecambe Townscape Heritage Initiative. In 2017, work has been undertaken to improve specific areas such as Euston Road and New Town Square, and to improve the general accessibility of the area through a pedestrian wayfinding project. Lancaster City Council’s property and landholdings in Morecambe, which include the Platform and surrounding buildings and car parks, are seen as potential development opportunities. A Coastal Communities Team is focusing on the development of this area and its potential for the visitor economy.

**Reconfiguration of Junction 33**

3.48 Recent consultation on the emerging Local Plan has indicated support for the reconfiguration of Junction 33, particularly in relation to the redirection of motorway traffic away from Galgate.

**Programmes for Business Support**

3.49 A range of programmes currently operate with the aim of supporting small local businesses and generate sustainable job creation. The Lancashire Business Growth Fund has been funded with £8m from Round 6 of the European Regional Growth Fund, and aims to stimulate enterprise across the County by providing grants and international trade support to manufacturing business. Digital Lancashire was established in 2016 with the support of Lancashire County Council as a not-for-profit Community Interest Company. In just over a year, Digital Lancashire has expanded their membership to over 100 businesses. By bringing together professionals and businesses to give the digital sector a bigger voice, Digital Lancashire aims to support the sector to thrive across the county. Lancaster City Council re-invests in economic growth across the District by providing investment for programmes that support businesses, and engages with businesses to help support their growth.

3.50 The Boost Programme to help business in the starting-up phase is due to end in 2018, and is currently also funded through EU funding streams. Stakeholders consulted during this review were optimistic that other streams of funding will be identified to continue business support in the future. Consultation with stakeholders, including the Chamber of Commerce, highlighted that a lack of suitable and affordable workspace is holding back the development and profitability of small local business in Lancaster District.

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4. **Key strengths**

4.1 Lancaster District is already in a strong position, with many building blocks already in place for future economic growth. Turley’s 2015 review of Lancaster District’s economic potential highlighted several of the district’s key strengths. Since then, a number of important and potentially transformational investments have been completed or are due to be implemented. As such, this review finds Lancaster District in a stronger position than in 2015, and this is reflected in the improved economic performance shown in the key statistics in Section 3.

4.2 This section summarises Lancaster District’s key economic strengths:

**Attractive and strategic location**

4.3 Lancaster District is well-known as a historic city, and has for centuries been regarded as a centre of commerce, education and cultural activity. Today, Lancaster District is known for its cultural assets, world-class university and as leading energy centre adjacent to Britain’s Energy Coast. Heysham 1 and 2 power stations represent one of the largest concentrations of power generation in the UK. The proximity to Nuclear Decommissioning Authority sites means that Lancaster District is strategically located for future growth in this sector.

**Skilled local population**

4.4 As noted in section 3, Lancaster District has a high employment rate with 80.3% of the working age population currently in employment. This is higher than the averages for Lancashire (73.8%) and the UK (74.0%). Furthermore the employment rate in Lancaster District has grown from 64.6% in 2004-2005. The local population is well-skilled, with 54.6% holding qualifications at NVQ3 and above, compared to 53.7% for the North West region and 65.9% for the UK. Gross weekly pay outstrips the North West and the Great Britain averages, with average pay at £534.30 for Lancaster District, £502.10 for the North West and £541.00 for Great Britain.

**Unique cultural and natural assets**

4.5 Lancaster District has unique cultural and natural assets, which attract visitors and provide for a good quality environment for residents. Lancaster Castle is perhaps the most emblematic of the heritage offer in the city. The Castle has a 1,000 year history and is benefiting from a programme of investment including a recently launched app and a £3m restoration of the Castle’s original features. Investment to build a new conference and teaching facility and catering suite at the Castle is also planned. The work will be complete by spring 2019. The Castle is also currently hiring more staff, representing a commitment to an increased scale of activities in Lancaster District. A partnership between several stakeholders, including Marketing Lancashire, Lancaster Castle and the City Council resulted in the granting of English Heritage City status in

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27 Aged 16-64
31 ONS, Annual Survey of Hours of Earnings, 2016
2015. Beyond Lancaster Castle, Lancaster also offers open spaces such as the banks of the River Lune, and Williamson Park as well as museums and galleries. Together, these form a visitor offer which is increasingly important to Lancaster’s local economy.

World-class academic institutions

4.6 The area is home to two universities: Lancaster University, and the largest campus of Cumbria University. Together, these institutions attract over 21,000 students from across the world. Lancaster University in particularly is well-regarded and currently holds 9th place in the UK university league tables. In recent years, the relationship between Lancaster University and the local economy has strengthened.

4.7 Since 2015, Lancaster University has invested in both IT and physical infrastructure, averaging approximately £40m per annum. The University has recently signed off its Capital Plan to 2021/2022 which includes a £45m commitment in relation to capital projects. £17m of funding has also been awarded to the University through the Lancashire Growth Deal. The first major project is a new Health Innovation Campus, which is designed to act as a hub for a health related research and innovation cluster, as well as providing a range of high value jobs. The second involves refurbishment of the existing Management School. The School is currently ranked as Top 50 globally. Both projects will play a positive role in the growth of Lancaster’s economy.

Commitment to infrastructure investments

4.8 The Heysham-M6 Link Road has been completed and opened in March 2017. Stakeholders have stated that it is too early to assess its’ effects but anticipate that the investment will help to attract businesses and secure re-investment by existing businesses. Moreover, the new link road has given stakeholders such as Peel Ports the confidence to invest further; £10m has already been committed for a replacement link-span at the Port, in addition to £12m investment made in 2013. There are long-term ambitions for the port to become an integral part of the Irish Sea Hub concept. This could see Lancaster District become an important centre for trading with Ireland and Northern Ireland, with linkages to Dublin, Belfast as well as the Isle of Man. The port currently employs 250 people, with 85% of the workforce coming from within 5 miles of the port.

4.9 A new community with Garden Village status at Bailrigg has been proposed. Located near Lancaster University, the development has the potential to further strengthen the links between the city and the university.

4.10 There is an ongoing regeneration project in the city centre through the Canal Corridor project. This provides a comprehensive approach to promote retail and commercial development and revitalise the historic centre of the City, with emphasis on pedestrian and cycle routes and high quality design sensitive to the local setting.

32 The Complete University Guide, Lancaster University, 2017
5. **Key weaknesses**

5.1 While Lancaster District has numerous strengths, our analysis has found areas of weakness that the city will need to address in developing an economic strategy. These are summarised below.

**Lancaster District is not well positioned within the Northern Powerhouse narrative**

5.2 Within Lancashire, Lancaster District is recognised as an ‘economic hotspot’\(^{33}\). However, outside of this North West regional perspective, Lancaster is not yet well recognised within the Northern Powerhouse narrative, which currently focuses on the ‘core cities’ of Manchester, Liverpool, Leeds, Sheffield and Newcastle.

5.3 However, there are signs that efforts are being made to redress this and to ensure that the City is embedded within the Northern Powerhouse. For instance, Lancaster University is collaborating with Sheffield University on the proposal of the Advanced Manufacturing Corridor, which was chosen for the Northern Powerhouse first wave of Science and Innovation Audits. This proposal includes a new technology centre for Advanced Manufacturing SMEs to be established at the Salmesbury Enterprise Zone alongside BAE Systems.

5.4 The Northern Powerhouse Independent Economic Review, published in June 2016, identified four ‘prime capabilities’ of the North as a whole which are “differentiated and distinctive at a pan-Northern level, highly productive, and able to compete at national and international levels”. These are:

- **Advanced Manufacturing**: with a focus on materials and processes.
- **Energy**: generation, storage, low carbon technologies and processes, especially nuclear and offshore wind.
- **Health Innovation**: established strengths in life sciences, medtech and devices, growing competence in new service delivery models brought about by e-health and the devolution of responsibilities for Health and Social Care.
- **Digital**: high performance computing, cognitive computation, data analytics, simulation/modelling, machine learning, relevant sector strengths (esp. media)\(^{34}\).

5.5 Further consideration should be given to the ways in which the economic contribution and potential of Lancashire can be articulated within the four ‘prime capabilities’ of the Northern Powerhouse.

**An ongoing need to support small business**

5.6 The 2015 Prospects report noted low levels of entrepreneurship and new business formation as a weakness. Lancaster’s local business base is growing, with 330 more micro businesses – those employing 0-9 people – in 2016 than in 2010, representing a

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\(^{33}\) Lancashire Local Enterprise Partnership, Strategic Economic Plan, 2014

9.1% growth. Consultation with Lancaster City Council has found that many these small and micro businesses operate within the growing social economy, operating in the third sector. Over the same time period, 20 small and 20 medium-sized were formed in Lancaster District. While this presents a positive trend, over the same time period the growth in employment in small business across the UK was 22.3%, whereas it was similar to Lancashire (9.9%). A large concentration of employment in large firms presents a resilience problem, in that if large employers were to leave the area the local economy could be significantly affected.

5.7 In particularly, the need for more, high-quality, office space was highlighted in stakeholder consultation, and is an issue that has been raised by small local businesses in Lancaster District. In the context of Brexit negotiations, stakeholders raised the concern that the offers of European competitor cities of free short-term office space and housing could tempt start-ups in Lancaster District to relocate. This highlights the increasingly competitive nature of cities in seeking to attract business investment. The supply of workspace suitable to local needs will be necessary in supporting small business. Commercial viability considerations also need to be taken in to account and the forthcoming economic strategy should further consider whether the public sector has a role in enabling appropriate office space for small businesses.

5.8 Data on the commercial property market in Lancaster District demonstrates the relatively tight supply of office space. The current commercial property vacancy rate in Lancaster District is 6.1%. While this is only marginally lower than the 5 year average of 6.5%, there has been significant variance this period, as the chart below shows, with the lowest point at under 2% vacancy in Q1 2016\textsuperscript{35}. Reflecting this, the average rental price per sqft has increased and currently stands at £11.18, compared to the 5 year average of £8.75\textsuperscript{36}.

\textbf{Figure 5.1: Vacancy rate, Lancaster District, 2011 - 2017}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{vacancy_rate_lancaster_district_2011-2017.png}
\caption{Vacancy rate, Lancaster District, 2011 - 2017}
\end{figure}

\begin{flushleft}
\textsuperscript{35} CoStar, Lancaster sub-market analysis, July 2017
\textsuperscript{36} Ibid
\end{flushleft}
Demographic challenges

5.9 Lancaster District, like many other mid-size cities across the UK has an ageing population. By 2031, a continuation of recent demographic trends would result in 23.6% of the population being aged 65 and over, whereas those aged under 15 will account for 17.3% of the population. What is significant is that the working age population is projected to grow by only 420 people between 2014 and 2031, although this proportion of the total population will still account for approximately 59.7% of Lancaster District’s population.

5.10 Lancaster District could face a tight labour market, particularly in younger age cohorts in the future, emphasising the importance of seeking to attract and retain economically active people to the city. Taking a proactive approach to long term changes in the labour market will be strategically advantageous for Lancaster District in order to harness all local potential.

City branding

5.11 Despite numerous assets and strengths, Lancaster District remains a relatively little known city, both in terms of prospective businesses, residents and visitors. Enhancing the Lancaster District “narrative” is essential in an increasingly competitive environment where larger agglomerations, such as city regions and combined authorities are competing for residents, businesses, visitors and investment. Lancaster City Council has begun to address this, and has recently commissioned a ‘prospectus’ which will be used as marketing collateral.

Unrealised tourist offer

5.12 Lancaster District is currently missing out on capturing the large number of tourists that already travel to nearby areas, in particular the Lake District. The latest data from Visit

37 ONS, Sub-national Population Projections to 2039, Lancaster and North West. The working age population made up 64.0% of the population in 2014, totalling approximately 90,380 people.
England shows that within the North West region, Windermere Lake Cruises in Bowness was the most visited paid attraction in 2015, with almost 1.5 million visitors annually\textsuperscript{38}. It was also the sixth most visited paid attraction in England in the same year. In 2015, the county of Lancashire attracted 64 million visitors, who contributed £3.81 billion to the local economy and helped support 56,551 jobs\textsuperscript{39}. In comparison, in 2010, 6.5 million visitors came to Lancaster and created over £3.3 million in visit expenditure, supporting over 5,000 full time equivalent jobs\textsuperscript{40}. Considering the proximity of Lancaster District to other popular visitor attractions, particularly in the Lake District, the proportion of tourists who visit Lancaster could be higher. Measures to enhance the contribution of the visitor economy to Lancaster should be considered as part of the forthcoming economic strategy.

\textsuperscript{38} Visit England, Most visited 20 paid attractions, North West England, 2014
\textsuperscript{39} Marketing Lancashire website
\textsuperscript{40} From Lancaster City Council website, quoted in the 2015 review.
6. Key opportunities

6.1 The prospects for Lancaster District’s growth are good. The forthcoming economic strategy should consider, among other issues, the following opportunities for growth and diversification.

**Emerging high-value sectors**

6.2 Lancaster District already has an established reputation as a leading centre for energy production. Heysham 1 and 2 nuclear power stations are one of the largest sources of power generation in the UK. The area is proximate to Nuclear Decommissioning Authority sites, and Britain’s Energy Coast. There could be opportunities arising from Lancaster’s existing strengths and proximity to the cluster at Britain’s Energy Coast. During stakeholder interviews, alternative energy sources were also cited as a possible opportunity for Lancaster District to develop in to, in particular the offshore wind sector was considered to offer opportunities. The UK Government is increasingly supporting a move to a low carbon economy and renewable sources of energy production may become more prominent in the creation of high-value jobs in the local area. There are also opportunities to strengthen links between Energy Lancaster, the City Council and large employers in the sector.

6.3 Advanced manufacturing is also projected to grow in Lancashire. Through consultation with Lancashire LEP, it was found that their forthcoming strategic economic plan, to be published in autumn 2017, is set to put increased emphasis on this sector. Lancaster University is taking steps to position Lancaster District within the growth of this sector, and is currently collaborating with Sheffield University on a joint proposal for a ‘Northern Advanced Manufacturing Corridor’. While Sheffield leads on engineering and manufacturing, Lancaster has the lead on leadership and management, with specialisms relating to advanced manufacturing industries.

6.4 The forthcoming economic strategy for Lancaster District should consider how and what role the district can play in the growth of advanced manufacturing within the county.

6.5 The Health Innovation Campus at Lancaster University could have a transformative role by establishing Lancaster as a centre and cluster for health-related research and innovation. Lancaster District needs to position itself to take advantage of these forthcoming opportunities, as these sectors are likely to create high-value employment in the area.

6.6 The digital sector has been growing steadily over recent years, yet there is perhaps not enough recognition of this growth. Stakeholder consultation revealed that there are four main employers in this area in Lancaster District, which together employ 400 people, as well as 27 smaller firms. Sector expertise is developing, particularly in e-commerce and digital marketing. Collaboration between partners in this area is also emerging, for example Digital Lancashire and Lancaster University are working together to complete a visioning exercise for a ‘knowledge economy cluster’ in Lancaster District. It was recognised that there is an opportunity to link the existing tech and digital firms with

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Lancaster University’s plans for a business cluster at the forthcoming Health Innovation Campus.

**Investment at the Port of Heysham**

6.7 The recent completion of the Heysham-M6 Link Road has delivered improved access to the port, enabling operational certainty for port related logistics and associated businesses. Consultation with stakeholders has indicated that this will enhance the attractiveness of Heysham as a business location. Furthermore, the trade links with Ireland and Northern Ireland could be strengthened and this could prove to be advantageous in a post-Brexit context.

**Potential to attract a younger, working age demographic to the city**

6.8 The demographic challenges that the district faces in relation to a declining workforce can be addressed by planning positively for growth and expansion of the workforce. The district has opportunities to do this through its emerging Local Plan. Large scale developments such as the Garden Village at Bailrigg, comprising up to 3,000 homes, could also help to attract a younger demographic to Lancaster District.

**City centre regeneration**

6.9 The City Centre is an under-invested asset. Since the 2015 Prospects report, there have been several important investments by stakeholders in the city centre which are tangibly affecting change and contributing to footfall. Investment by Lancaster University and the Castle has assisted in revitalising the city centre, but there is much greater potential which needs to be unlocked. For example, the Canal Corridor project sets out to carefully regenerate the city centre and introduce a contemporary retail and leisure experience. Knowledge-based businesses are increasingly found to agglomerate in city centres, and therefore the forthcoming economic strategy for the district should consider prioritising investments which contribute to city centre regeneration.

**A unique cultural and tourism offer**

6.10 The visitor economy is already an important part of Lancaster District’s economy and has the potential to make an even more significant contribution. The latest data from 2015 shows that Lancaster District was responsible for attracting 11% of Lancashire’s visitors, equivalent to 7.2m visitors out of a total of 64.4m visitors. Only Blackpool attracted more visitors across the 14 Local Authorities in Lancashire, accounting for 26% of the share. There is an opportunity to “package” and promote cultural and tourism assets in the city centre, as well as tapping into a greater share of the existing visitor market within Lancashire and Cumbria.

6.11 There is also an opportunity to work more closely with stakeholders in developing and packaging the visitor offer. For example, a previous collaboration between partners such as Marketing Lancashire, Lancaster City Council and Lancaster Castle on the application for English Heritage Status was a successful and rewarding experience. This perhaps provides a model for partnership working in the future.

6.12 Lancaster District is also considering undertaking a major refresh of their museums and archaeology service, following an important excavation earlier in 2016 of Bronze Age tools and other materials. As the discovery could potentially be of international

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42 Marketing Lancashire (2016), STEAM Tourism Economic Impacts, 2015 Year in Review
significance, Lancaster District has the opportunity to position itself as leading in this field. Lancaster District took part in a UK-wide ‘Festival of Archaeology’ in partnership with Historic England in July 2017.
7. Key threats

7.1 This final section reviews the threats facing the future growth of Lancaster District’s economy.

**Brexit - The ‘known unknown’**

7.2 As negotiations on the UK’s exit of the European Union are ongoing, it is not clear what the likely outcome will be for the district. Therefore the impact on the country’s economy as well as the local impact in Lancaster District is, at this time, unknown. The impact of Brexit was discussed in stakeholder interviews and a range of concerns were expressed, relating to matters such as workforce, supply chain relationships and investment.

7.3 Although there are uncertainties, some stakeholders did note new potential opportunities, particularly in relation to the “gateway” role that the district could potentially play to the UK through its port.

**Clarity on investment offer**

7.4 In light of an ever increasingly competitive climate for investment, Lancaster and the wider District needs to develop clearer inward investment material. A city branding exercise may be part of addressing this gap in the current narrative.

**Diversification in employment**

7.5 There is a need to consider supporting diversification of employment across sectors and the size of employers present in the District, as part of the forthcoming economic strategy. The provision of suitable and affordable office space is a particular concern for small businesses in the area, which could potentially hinder small company growth in the future.

**Skills**

7.6 Lancaster District has the opportunity to become a hub and cluster in health-related research and innovation following the investment of the Health Innovation Campus at Lancaster University. In consultation with Lancaster University, it is understood that the intention is to capitalise on existing linkages with market leaders in this field, and in attracting large firms to Lancaster District. However, there is a risk that future employers in this area may not be able to access the workforce it needs in this relatively niche and highly skilled area. Similarly, with the potential for energy and advanced manufacturing to become even more important to Lancaster District’s economy, the skills requirements of these sectors should be further considered in the context of developing an economic strategy.

**Resilience of critical infrastructure**

7.7 Ensuring resilience of the district’s power and utilities infrastructure to events such as flooding is critical to business continuity. This highlights the importance of investment in projects such as the Caton Road Flood Protection Works which are designed to protect the district’s power supply for residents and businesses.
8. Developing a strategy

8.1 Lancaster City Council is currently embarking on preparing a new economic strategy. This review provides a concise updated analysis of the strengths, weaknesses, opportunities and threats associated with the district’s economy. In the final section of the report areas of potential focus on sector strengths and spatial priorities are set out for further consideration by the Council, along with ideas for structuring content of the strategy.

Recognising comparative advantage

8.2 Typically, a local economic development strategy places emphasis on establishing or strengthening an existing area of comparative advantage. This is often done by first recognising the assets that are unique to the local economy. For instance, this could be a highly skilled local population, a well-regarded academic institution, sites of cultural or natural importance, a highly functioning business or sector cluster, or strategically located infrastructure. Lancaster District is already well positioned, since it can claim to have strengths in a number of these areas.

Vision setting

8.3 The importance of a vision should not be underestimated for an economic development strategy. The overall goal should be at the forefront of any economic development strategy, and should aim to be the right balance between aspirational and realistic. Economic growth should not be seen to be a goal in its own right; increasing quality of life and quality of place is the purpose for setting an economic development strategy.

8.4 The 2014 Local Plan set out a vision for Lancaster District as follows:

“The council will seek to meet the challenges of sustainable growth within both the district and regional economy, creating conditions which will enable managed growth and establish a strong, diverse and vibrant local economy. This will be achieved whilst protecting and where possible enhancing the strong character of the district's landscape, the natural and historic environment and communities from negative impacts and achieving a strong sense of place.”

8.5 The vision for an economic development strategy needs to be inclusive of the local population and sensitive to local assets that need to be enhanced or protected. Consultation with the local community and stakeholder to form a vision early on the process, often results in increased local support of the strategy. Economic growth should be seen as the means to increased quality of life and place for residents and visitors alike, rather than as the end goal in itself.

8.6 The Council is currently undertaking visioning work at a district and Lancaster wide level. The results of this work will need to feed in to thinking about the Economic Strategy for the district.

8.7 Having set an aspirational, forward looking vision, an economic development strategy will need to break down the ultimate goal into shorter term, actionable steps.
Identify strategic sectoral and spatial areas for growth

8.8 The City Council will first need to prioritise areas for growth. There is clearly more value to be gained by carefully selecting and supporting key sectors and areas for development through a targeted approach. Areas for prioritisation should be where Lancaster District has a comparative advantage that it can capitalise on, and where momentum is already building. This process should be carried out for a) sectoral priorities and b) spatial priorities. Based on the review undertaken to date the following should be considered by the Council:

**Sectoral priorities?**

- **High-value knowledge industries** – capitalising on future growth in the energy, advanced manufacturing, digital and health sectors;

- **Port related logistics** – the expansion of the employment land around the Port of Heysham;

- **The visitor and cultural economy** – through investment in the tourism offer in Lancaster City and Morecambe Bay, as well as investment by businesses operating in the arts and cultural sectors;

- **Health innovation** – investment at Lancaster University in the Health Campus provides the basis for developing a sector based specialism with appeal to health related businesses. This is a sector which is supported at a Northern Powerhouse level and which will enable Lancaster to demonstrate alignment and a complementary sector focus.

**Spatial priorities?**

- **City centre regeneration** – developing a high performing city centre environment can act as a catalyst to the agglomeration of knowledge based and creative businesses. Lancaster District has many assets within its city centre which will contribute to its future success.

- **Bay Gateway Growth Corridor** – integrating new road infrastructure, sites and premises and investment opportunities.

- **The University and Bailrigg** – a major opportunity area comprising housing and knowledge based employment.

**Themes**

8.9 The Council may wish to structure the Economic Strategy around a series of themes. Based on the discussions with stakeholders and work to update this Economic Prospects report, the following themes might be considered:

- **The Council as an enabler of growth** – detailing the Council’s approach to creating the conditions in which economic growth occurs and businesses and communities flourish

- **Quality of Life** – setting out how the Council, working with its’ partners, will work to ensure that the district’s competitive advantages in terms of quality of place and quality of life are maintained and enhanced. Increased Quality of Life is seen
as the ultimate goal; the economic growth realised by the economic strategy is a mechanism to improve the lives of those living and visiting Lancaster District.

- **Inclusive growth** – including the Council’s pioneering work on “local wealthbuilding” to maximise the impact of investment and money spent within the local economy. The Council aims to adopt ‘inclusive design’ in all services, to ensure that growth is good for all, wherever possible.

- **Sites and premises for business** – this review has highlighted property issues related to the availability of office space. The approach to encouraging and supporting a range of premises for business could be explored as part of the Economic Strategy

- **Business support** – highlighting the current approach to delivery of business support and the way in which the Council will work with partners to ensure support remains available to businesses

- **Skills for business** – highlighting the ways in which the Council will engage and work with partners delivering skills and training for business, to ensure competitiveness of the labour force.

**Engage and involve partners**

8.10 The forthcoming strategy needs to recognise which partners need to be engaged to deliver on sectoral and thematic priorities. Early consideration should be given to alignment with the Lancashire SEP which is currently being developed to ensure that as many local priorities are strategically aligned with the LEP as possible.

**Creating short term goals**

8.11 Long term goals within the forthcoming strategy need to be broken down into short and medium actionable steps. Aligning the sectoral priorities with the spatial priorities is recommended. In setting actions, the barriers and challenges to implementation need to be addressed proactively.

**Measuring progress and milestones**

8.12 The forthcoming strategy should include a baseline position and identify indicators against which progress will be measured.
Appendix 1: List of interviewees

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<th>Number</th>
<th>Name</th>
<th>Position</th>
<th>Organisation</th>
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<tr>
<td>1</td>
<td>Warren Marshall</td>
<td>Group Planning Director, Port of Heysham</td>
<td>Peel Ports</td>
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<td>2</td>
<td>Debbie Garitty</td>
<td>Head of Communications</td>
<td>Lancaster Castle, Duchy of Lancaster</td>
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<td>3</td>
<td>Ruth Connor</td>
<td>CEO</td>
<td>Marketing Lancashire</td>
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<td>4</td>
<td>John O’Neill</td>
<td>Chamber Manager</td>
<td>Lancaster and District Chamber of Commerce</td>
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<td>5</td>
<td>Kathryn Malloy</td>
<td>Head of Service, LEP Coordination</td>
<td>Lancashire County Council</td>
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<td>6</td>
<td>Professor Andrew Atherton</td>
<td>Deputy Vice-Chancellor</td>
<td>Lancaster University</td>
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<td>7</td>
<td>Steven Cochrane</td>
<td>Director</td>
<td>Growth Lancashire</td>
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<td>8</td>
<td>Michael Gibson</td>
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