LANCASTER VISION BOARD

LANCASTER DISTRICT ECONOMIC BASELINE

Executive Summary

October 2005

regeneris consulting

CONTENTS

1. Introduction

1.1 In June 2005 Regeneris Consulting was appointed to carry out an economic baseline study for the Lancaster Vision Board. The scope of the work was to cover:

- A baseline analysis of the local economy as a whole, which identifies and assesses the significance of the key economic drivers of Lancaster district's economy
- An assessment of the contextual factors affecting these drivers
- An outline of potential threats to the economy
- An analysis of the rural economy; and
- A performance management framework.

1.2 This report sets out a summary economic baseline for Lancaster district. It was produced by Regeneris Consulting on behalf of the Lancaster District Vision Board in October 2005.

1.3 It provides an economic baseline of Lancaster district based on past trends and comparisons with selected benchmark areas. These benchmarks include national, regional and sub-regional areas as well as five benchmark districts selected as those with similar features to Lancaster district[1].

1.4 This is a forward facing study in that we select key sectoral drivers and assess the extent to which they are likely to provide job growth in Lancaster district in the future. We assess overall prospects of the district in light of these drivers and key factors that are likely to underpin growth - labour market and skills, enterprise and innovation, land and property and transport.

1.5 Future scenarios are made for the period between 2003 and 2015. We judge this period a sensible one for projections to be made on the basis of what we know at the time of writing, but one that is long enough for the effects of ambitious policy aimed at transforming Lancaster district to bear fruit.

1.6 The data and arguments developed here are covered in more detail in three working papers - *Lancaster District Economic Baseline, Lancaster District Futures Baseline*, and the *Lancaster District Rural Economic Baseline*, focusing specifically on the economy of rural Lancaster district.

[1] Exeter, Canterbury, York, Preston and Carlisle.

2. Headline Economic Outcomes

2.1 The economic performance of Lancaster district, both relative to benchmarks and over time, is summarised in Table 2-1. This assessment is based on analysis of key economic outcome indicators. These are explored in greater detail below.

2.2 Lancaster district's relatively high skills base is one of its distinctive features, although benchmark areas have caught up somewhat in recent years. Lancaster district's industrial structure has made it less vulnerable to restructuring, although this is likely to be perhaps less of a bulwark in the future as its industrial structure becomes more like the rest of the region in many respects. Population has risen strongly, although not as fast as the numbers of jobs in the economy. Despite high skill levels and recent growth in wage levels, Lancaster district remains a relatively low wage economy overall. Levels of enterprise in the district are relatively low but increasing.

Table 2-1: Summary of Lancaster district's changing economic performance, by key economic outcomes.

Economic outcomes	Relative position	Trends over time
Skills	++	↓
Population		↑
Industrial structure	+	↓
Job creation	+	↑↑
Incomes and wages	-	↑
Enterprise	-	↑

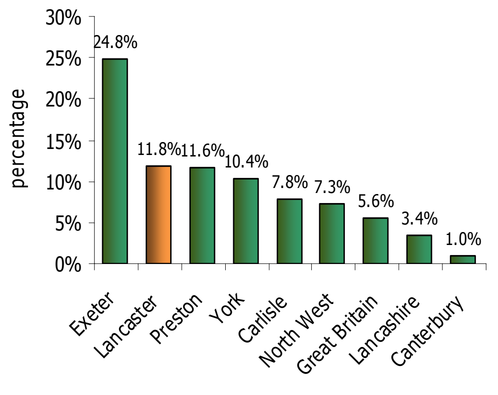
Note: + and – denote positive and negative position in Lancaster district with respect to benchmarks

↑ and ↓ denote positive and negative movements in outcomes over time

Strong recent job growth and falling unemployment . . .

2.3 There were 52,400 employee jobs in Lancaster district in 2003 recorded in the Annual Business Survey. The district has seen estimated job growth of 5,700 or 11.8% between 1998 and 2003. This is accounted for by growth in both full-time jobs of 3,150 (10.3%) and part-time jobs of 2,550 (14.6%). This growth of full-time jobs is especially fast, and compares to a significantly slower North West growth rate of 4.4%.

Figure 2-1: Job growth 1998-2003

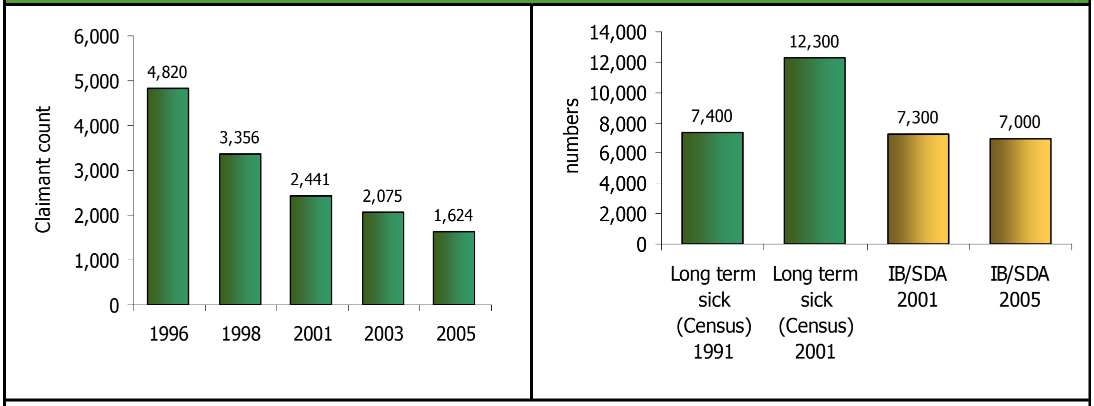


Source: Annual Business Inquiry © Crown Copyright

2.4 Employment rates in Lancaster district are relatively high compared to the North West. Controlling for students and retirees, Census 2001 shows 81% of the remaining population are in employment in Lancaster district, compared to 78% for the North West and England (both controlling for students and retirees). However, the same employment rate for males at 86% trails the national average of 88%. No accurate estimates for employment rates in Lancaster district are available beyond 2001 through the Labour Force Survey due to a wide confidence interval[2].

2.5 Claimant count rates of Job Seekers Allowance (JSA) are low overall in Lancaster district and have fallen substantially over the decade up to 2005. There were 1,600 people registering for unemployment benefits in July 2005 in Lancaster district, equivalent to 1.9% of working age population. Since 1995, the claimant count register has fallen by 3,200 residents in Lancaster district. Many of the 2,400 who came off the register between 1996 and 2001 are likely to have contributed to the rise in those claiming long term sickness/incapacity of 4,900 between 1991 and 2001. However since 2001 there has been no evidence of a rise in inactivity through incapacity in Lancaster district while JSA claimants have fallen by a further 800.

Figure 2-2: Lancaster district JSA claimant count, long term sickness and Incapacity Benefit/Severe Disablement Allowance (IB/SDA) claimant count.



Source: Nomis, ONS, Census 2001 and 1991 © Crown Copyright

Note: Long term sick and IB/SDA are non-comparable indicators, since long term sick is measured through Census response rather than benefit claims. IB/SDA is unavailable prior to 2001.

2.6 Unemployment, measured by JSA claimant count, has fallen across Lancaster district although it remains highest in urban Morecambe (2.4%). Morecambe has a particular problem with long term sickness, although for the town as a whole it is no more severe than the North West average. In the district's rural hinterland only 4.1% of the working age population claimed Incapacity Benefit or Severe Disablement Allowance (IB/SDA) in 2003, compared to 6.9% in urban Lancaster and 9.8% for urban Morecambe. Two of these wards in Morecambe – Harbour and Heysham North – have an IB/SDA claimant rate in excess of 13%.

2.7 It is reasonable to assume, given the fall in JSA and IB/SDA claimants of 1,100 since 2001 and the likely increase in participation to support job increases, that the Lancaster district labour market has tightened considerably in recent years.

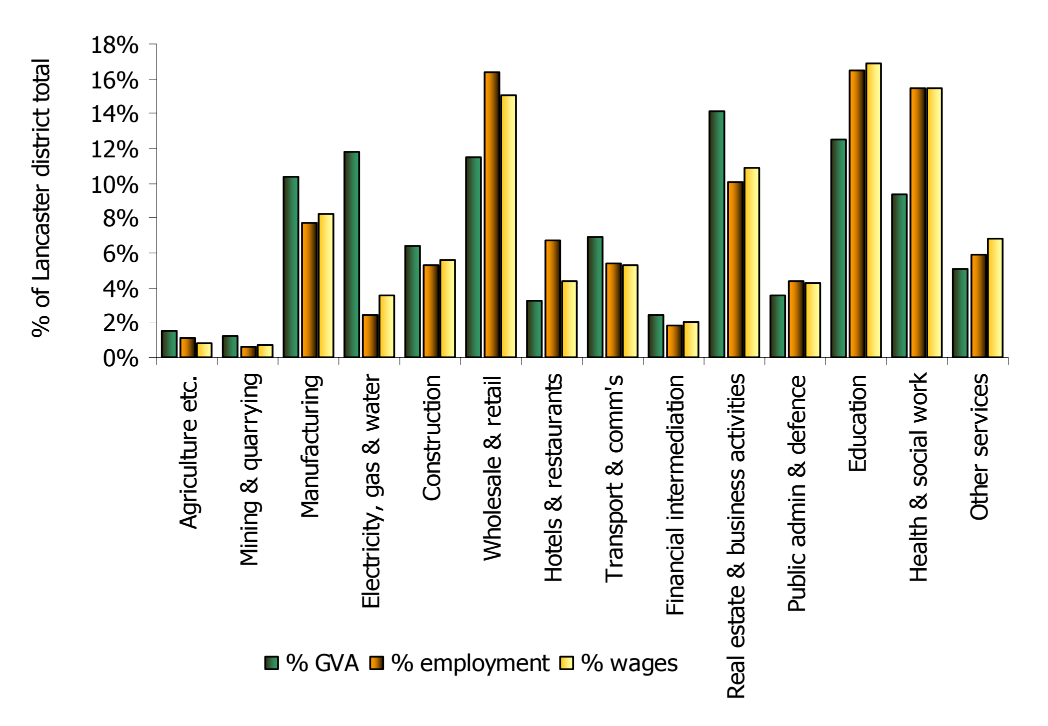
[2] The confidence range for employment in Lancaster is 6,000 in 2003/04, and 12,000 for growth over time.

Output matches North West average but incomes are relatively low . . .

2.8 The output of the Lancaster district economy, Gross Value Added (GVA), was worth an estimated £1.7bn[3] in 2002. This is 10% of the output of the Lancashire sub-region and 1.8% of the output of the whole North West. Productivity, defined as GVA per employee, equals £32,500, marginally higher than the average for the North West (£32,200). Lancaster district's estimated GVA per employee is 7% below the average for England (£34,800).

2.9 Figure 2-3 provides a summary of how Lancaster district earns its living. It shows the share of Lancaster district's estimated output, employment and estimated total wages by sector[4]. Generally, all things being equal, those sectors which employ workers with the highest productivity (GVA per employee) are associated with higher pay and Figure 2-3 confirms this to be the case for Lancaster district. For those sectors where GVA share is lower than share of employment, share of wages is also lower and vice versa.

Figure 2-3: Lancaster district and North West GVA Share per Sector, 2002



Source: ONS © Crown Copyright

[3] Official statistics for GVA are not available for Lancaster. Estimated using ONS data for North West GVA by broad sector, and using employment shares by broad sector for Lancaster to calculate total GVA. Estimation method assumes GVA/employee by sector in Lancaster is the same as the North West.

[4] Wages and GVA estimated using average GVA and gross weekly wages by sector for the North West and applying Lancaster employment shares.

2.10 Lancaster district has a relatively low wage economy. Average wage rates estimated through the New Earnings Survey are £430 per week for full time workers. This compares to £440 for the North West and £485 for England, although it compares favourably to Carlisle and Exeter. This is somewhat surprising given the high skill levels of its workforce. It is likely to be in part due to large concentrations of employment in relatively low-wage health and social work, and low concentration in higher wage sectors such as financial, business and professional services. This is indicative of a lack of a strong base of high value, high pay financial and professional business services of the sort attractive to graduates and higher skilled workers.

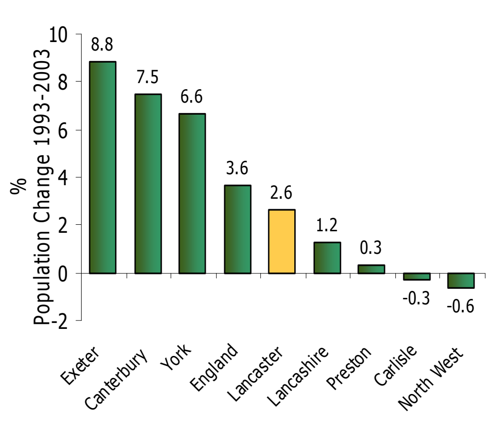
. . . rural wages are especially low and housing less affordable

2.11 Average wages are particularly low for those who work in the rural parts of Lancaster district. Since house prices are more expensive in these parts of the district, this makes housing affordability an acute problem for these workers. The ratio of average house prices to gross earnings of *residents* in rural Lancaster district is similar to the most expensive rural locations in the North West – Ribble Valley and South Lakeland – with average house prices nine times average gross annual earnings. The same ratio for the North West and Lancaster district is seven. However, for those that live and work in rural Lancaster district average house prices are thirteen times the gross annual earnings for these workers.

Population growth has been substantial . . .

2.12 The district of Lancaster was home to 135,800 residents in 2003. Population has grown significantly across the previous decade, by 2.6% or 3,500 people, against a backdrop relatively slow population growth in Lancashire[5] (1.6%) and falling population across the North West.

Figure 2-4: Percentage population change 1993-2003



Source: Nomis © Crown Copyright

2.13 The most notable demographic feature of Lancaster district is its high student presence. In the 2001 Census, there were 13,000 students (9.8% of residents) registered for Lancaster district. This is almost double the regional (5.0%) and national average (5.1%). Of the benchmark districts, only Exeter has a higher student density, with students accounting for approximately 11% of its total population. This figure captures most of the students at Lancaster University and St Martin's College. There were around 16,000

[5] Lancashire throughout this document refers to the Lancashire sub-region and includes the Blackpool and Blackburn and Darwen local authority areas.

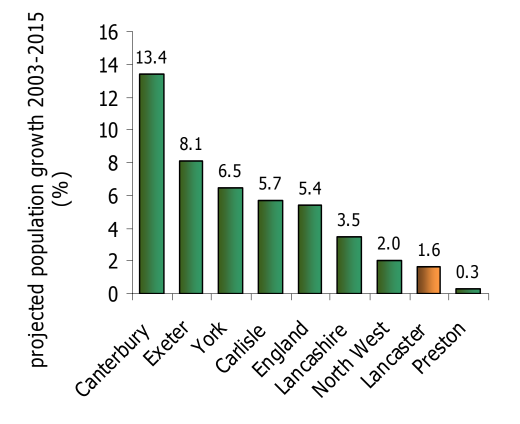
students at both institutions in 2000/01[6], equivalent to 12% of Lancaster district's population.

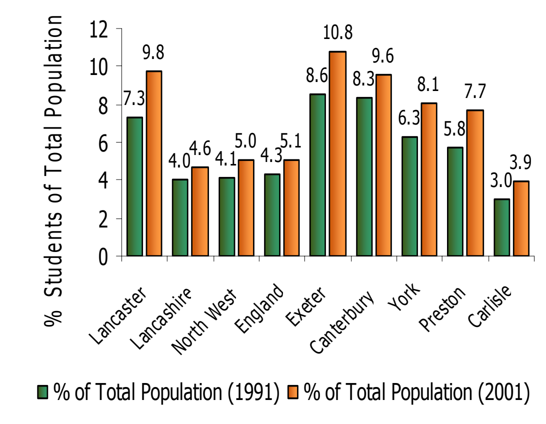
. . . with relative growth driven mostly by student numbers . . .

2.14 Lancaster district's high student population is reflected in relatively large numbers of young people aged 15-19 and 20-24. Another notable feature is a relatively high share of retirement age residents and relatively few of prime working age (aged 25-39). Absolute population growth in Lancaster district over the period 1993 to 2003 (3,500) is primarily accounted for by growth in students and those aged 50-64 (and aged 30-49 to a lesser extent). Faster growth *relative* to the rest of the North West region is accounted for by growth in those aged 15-25, in turn mostly driven by student numbers. The student share of population has risen by 2.5 percentage points over the period, faster than in benchmark areas.

2.15 The Office of National Statistics (ONS) produces trend-based projections of population for local authority districts. These are based on previous trends and assumptions about future levels of births, deaths and inward migrations. Trend growth is for population aged over 65 in Lancaster to rise 21% (from 24,000 to 29,000) between 2003 and 2015, with a rise in those of working age of just 1.4%. Overall, population is projected to grow by 2,200 (1.6%) over the period, with working age population growing by 1,100. ONS stress these figures show what the population will be if past trends continue, and that they do not take into account any future policy changes or local development policies that have not yet occurred[7].

Figure 2-5: Projected percentage population change 2003-2015, and students as share of population 1991 and 2001 in Lancaster district and benchmark areas.





Source: Mid-year population estimates, Census 1991 and 2001 © Crown Copyright

2.16 Population in Lancaster district is split approximately equally between the urban conurbation around Lancaster town (35% or 47,000[8]), the conurbation around

[6] Higher Education Statistics Agency (HESA), Lancaster University and St Martin's College.

[7] http://www.statistics.gov.uk/cci/nugget.asp?id=995

[8] Measured in Census 2001.

Morecambe (36% or 48,000) and spread amongst the rest of the district (29% or 39,000). Figure 2-6 is a ward map of Lancaster district showing these urban areas around Lancaster and Morecambe shaded in red. Those wards shaded in green are those 'agricultural' rural wards, home to 17,000 people, while those in white are strictly only semi-rural. This Paper works with the three economic entities of urban Lancaster and urban Morecambe as set out in Figure 2-6, and rural Lancaster to describe the area not included in these[9].

Figure 2-6 – Lancaster district

Note: Red shaded areas refer to the urban wards of Lancaster district. Green shading refers to Agricultural wards, whilst the white shaded wards referring to Non-urban wards.
Source: Admin Map 2005 ©

[9] We recognise that this is a simplistic treatment of the geography of Lancaster district – in particular, the settlement of Heysham (16,000 people) is included in urban Morecambe while Carnforth (4,000) and other smaller settlements are subsumed in rural Lancaster.

The overall scale of area-based deprivation is unremarkable . . .

2.17 The number of people living in the most deprived 10% of areas[10] in Lancaster district is similar to many others in the North West. Lancaster district ranks in the top 30% most deprived districts in England, based on the proportion of its population living in the most 10% deprived (Super Output) areas nationally according to the Index of Multiple Deprivation scores. Of total district population, 9.2% or 12,440 live in seven of these areas, centred in urban Morecambe and urban Lancaster.

. . . but the depth of deprivation concentrated in a few areas is significant

2.18 However, the *extent* of deprivation in these areas represents a serious problem for the district. The deprivation experienced by the poorest 10% of Lancaster district's residents puts it in the top 18% of districts in England and is a serious problem for the district. Half of the 9.2% of people living in relatively deprived areas (6,120) live in Super Output Areas within the most deprived 2.5% nationally, concentrated in urban Morecambe.

2.19 Figure 2-7 maps area-based deprivation by Super Output Area for 2004. It also shows how deprivation is linked with worklessness, both in general and specifically here with incapacity benefit claimants. Two of Morecambe's wards where area-based deprivation is most significant – Harbour and Heysham North – have an incapacity benefit claimant rate in excess of 13% of working age population.

[10] Measured by the 2004 Index of Multiple Deprivation – a holistic measure of poverty (including measures on income deprivation, employment deprivation, health and disability deprivation, education skills and training deprivation, barriers to housing and services deprivation, living environment deprivation, crime - on an area basis for Super Output Areas (areas average in size of 1,500 people) in England and Wales.

Figure 2-7: Index of Multiple Deprivation in Lancaster district by Super Output Area, 2004

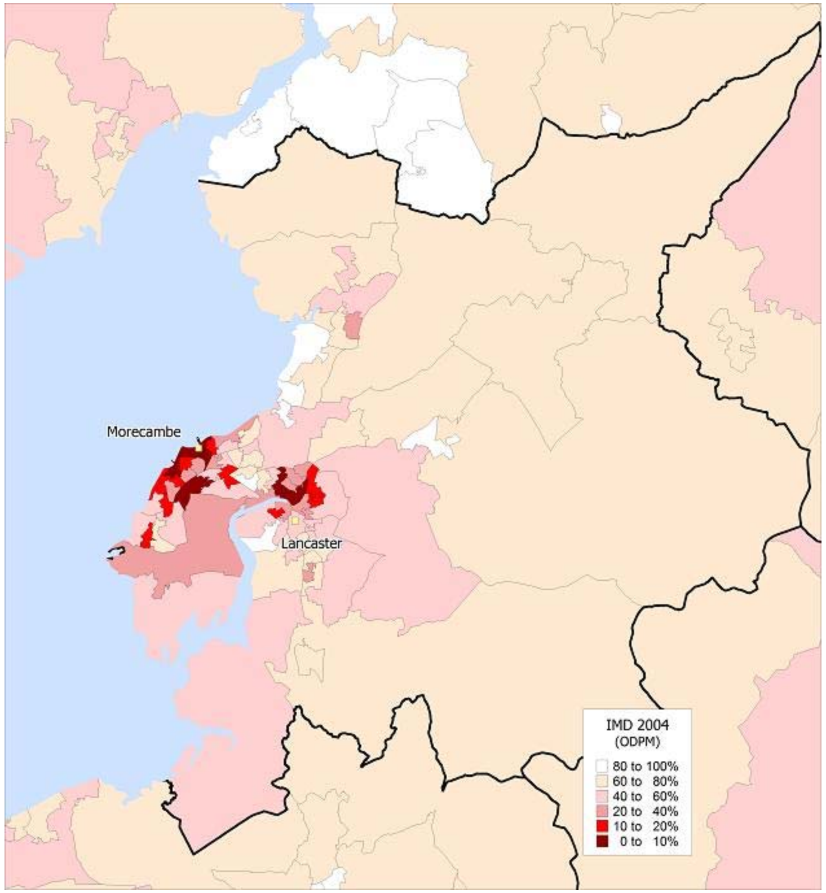
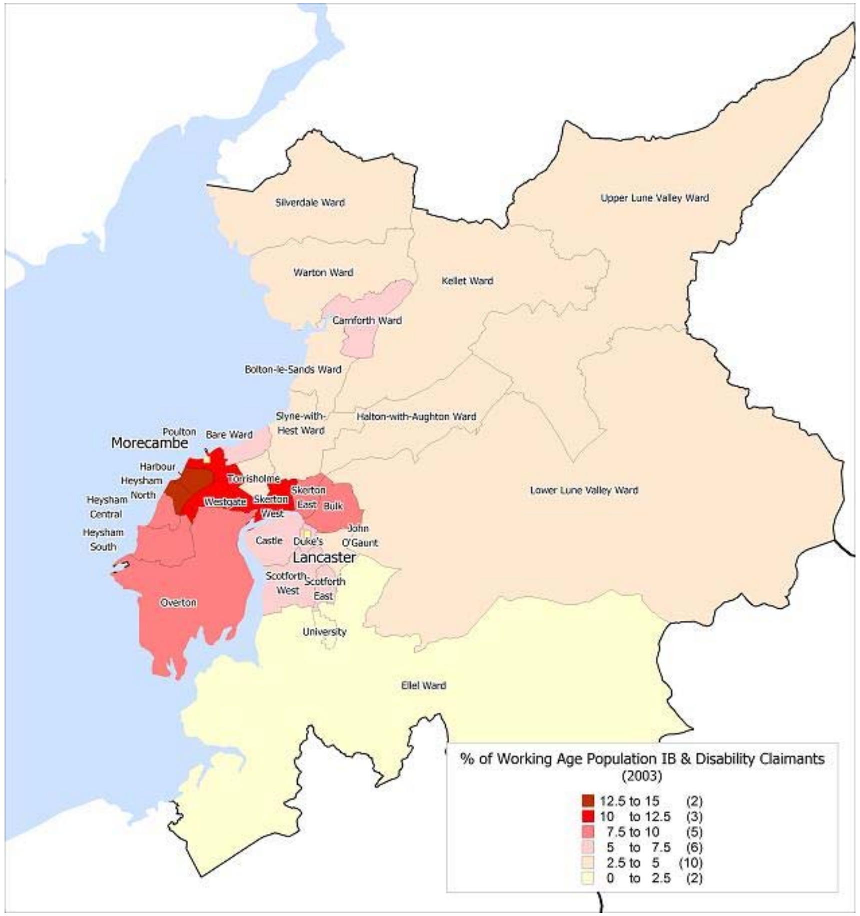


Figure 2-8: Incapacity Benefit & Disability Claimants, 2003



Source: AdminMap © ONS Census 2001. ODPM IMD 2004 & NOMIS 2005 © Crown Copyright.

3. How Does Lancaster District Earn its Living?

Industrial structure of Lancaster district

A snapshot in 2003

3.1 In many ways Lancaster district's broad industrial structure is similar to that of many other areas of Great Britain. Figure 3-1 (A) shows the largest sectors, in employment terms, are health and social work (8,700), retail (8,600), professional financial & business services (6,400) and education, both HE level (4,200) and below (4,700). Figure 3-1 (C) sets out Location Quotient (LQ) for Lancaster district relative to Great Britain. This represents the relative concentration of employment and shows how Lancaster district's industrial structure can be differentiated.

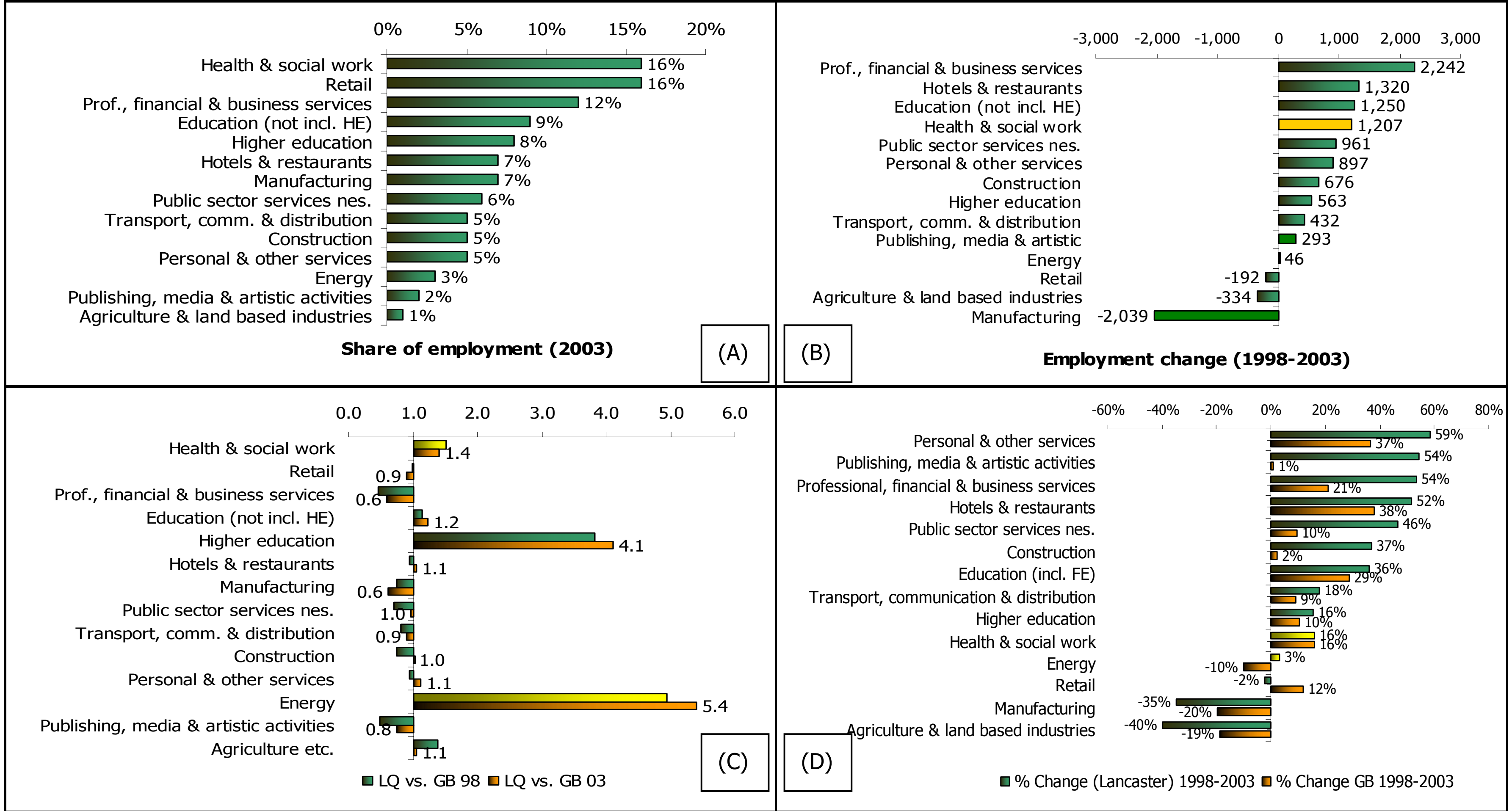
3.2 Employment in **higher education** (4,200) and **energy** (1,500), associated with Lancaster University and St Martin's and Heysham Power Station, are clearly two of the main specialisms by which Lancaster district serves larger markets. Employment in these is over four times the national average. **Health and social work** and **education (excluding HE)** are also two strengths of Lancaster district, where employment is 40% and 20% above national average respectively. This perhaps reflects Lancaster district as a place where people, over their life cycle, choose to settle in older age and educate their children, and also one which serves the wider sub-region.

3.3 There are small numbers of people employed in **agriculture** (500) in the district, and perhaps surprisingly given the district's rural feel only 10% above the national average. Likewise, despite the district's apparent tourism tradition, numbers in **hotels and catering** are also only 10% over the Great Britain average. Numbers of **construction** (2,500), **transport and communications** (2,900), **other public sector** (3,000) and **personal services** (2,400) jobs are close to the national average. **Retail** presence is slightly weaker (10%) than average, although this shortfall represents a significant number of jobs. **Manufacturing** employment (3,800) is 40% below and **professional, business and financial services** 30% below national average. Despite Lancaster district's creative and cultural base, employment in **publishing, media and artistic activities** (800) is 20% below average.

Changes in employment

3.4 Figure 3-1 (B) shows absolute, and Figure 3-1 (D) percentage, job growth by broad sector between 1998 and 2003. The biggest contributor to job growth over the period came from **professional, financial and business services** (which includes ICT services). Employment in this sector appears to be catching up with the national average and grew by over 50% compared to 21% nationally. There has likewise been strong "catch up" growth in **publishing, media and artistic activities** (54% compared to 1% for the UK), although minimal in overall employment terms. **Construction** also saw such a catch up, growing 37% in Lancaster district compared to a static picture nationally, seeing sector concentration reach the average elsewhere.

Figure 3-1: Share of employment (2003), employment change (1998 -2003), location quotient (vs. GB) and percentage growth (vs. GB) (1998-2003) by broad industry for Lancaster district.



Source: Annual Business Inquiry © Crown Copyright. Estimates for health & social care and energy correct for anomalies, indicated by yellow shading. Public sector services not elsewhere specified (nes) is largely public administration, outside of health and education services.

3.5 Public services overall also grew strongly and together accounted for employment growth of at least 2,700. Both **higher education** and **other education** grew faster than national averages (the wider education sector outgrowing higher education in percentage and absolute terms). **Other public sector services** grew much faster than nationally, providing 1,300 net jobs. While not picked up due to a data anomaly, it is likely that employment in **health and social work** grew as fast as Great Britain over the period, equivalent to 16% or 1,200 people. **Hotels and restaurants** and **Personal & other services** were areas of high job growth nationally, growth more than matched in Lancaster district. **Transport & communications** also grew slightly faster than the national average.

3.6 The period saw continuing and significant decline in employment in **manufacturing** and **agriculture** in the district. Both fell by around 40%, roughly double the 20% seen nationally. This brings agricultural employment broadly into line with that seen nationally – Lancaster district's specialism here has been eroded. For manufacturing the story is different and the relatively small employment pool has become even smaller.

Lancaster district has a self-contained labour market overall, but is a slight net exporter of labour . . .

3.7 Lancaster district is a relatively self-contained district and a net exporter of labour. In 2001, of the 53,300 Lancaster district residents in employment, 84% (46,200) work within the district and 16% (9,700) travel to work outside. Flows of workers are higher for certain groups of workers than others. 4,500 of those Lancaster district residents who travel to work outside the district are in managerial and/or professional occupations. Of the benchmark areas, the proportion of residents working outside the district is only lower in Carlisle (9%) and is as high as 31% in Preston. Lancaster district attracts over 6,600 residents from other districts to employment within the district. This makes it a net exporter of some 2,500 workers to other districts. South Lakeland, Preston and Wyre are key destinations for commuters living in Lancaster district. South Lakeland, Wyre and Craven are the most significant source of commuting in-flows. Net outflows are most notable to Preston.

. . . with fairly low commuter flows within its bounds

3.8 Lancaster district's resident employees are split fairly evenly between urban Lancaster (20,300) and urban Morecambe (18,700) and the non-urban parts of the district (16,800). There is quite a high proportion of residents remaining to work in their residential area within Lancaster district: 43% of workers resident in rural areas work in rural workplaces in Lancaster district, 24% commute outside the district, 22% work in Lancaster and 11% in Morecambe. Most Lancaster residents (56%) also work in the town, smaller numbers work in Morecambe (13%) or rural workplaces (14%) while a fairly high number commute to other districts (18%). Morecambe, despite its proximity to Lancaster, is fairly self-contained. 55% of residents work in the town, 21% work in Lancaster and only 11% commute to work outside the district. There is anecdotal evidence of connectivity problems affecting travel to work for certain groups within

Lancaster district. The 2001 Morecambe Community Audit found 44% of those unemployed interviewed would only consider travelling to work in the Morecambe area[11].

[11] Working in Lancaster Strategy

4. How Will Lancaster District Earn its Living in the Future?

4.1 Here we focus on those sectors that are likely to be critical to the growth of the Lancaster district economy in the future. These sectors are those which are likely to:

- Be important in creating wealth directly through production and employment
- Be important in creating wealth indirectly through links with other sectors or improving the quality of life in Lancaster
- Present some opportunity to intervene to raise the wealth creation (both direct and indirect) prospects of the sector.

4.2 Sector prospects are considered in six groupings set out below, where these are overlaps between sector definition, growth prospects or implications.

Higher Education

- Directly provides **9% of jobs** in Lancaster district. Its presence however offers the best transformative potential for the economy, through graduate retention and knowledge transfer and attracting inward investment.

ICT, new media & creatives

- Relatively small sector grouping in Lancaster district providing **4% of jobs**, broadly defined. ICT and new media specifically has strong growth potential given the District's latent skills base and developments around Lancaster University.

Private office economy

- Accounts for **13% of jobs**, including office-based ICT and new media. Strong growth prospects for certain sectors within this, dependant on local labour market and property.

Health

- A key sector accounting for **14% of jobs**. Likely to grow in future.

Tourism, retail and leisure

- Intersecting sectors together account for up to **22% of jobs**, most broadly defined. Growth prospects depend on successful local intervention. Implications for quality of life offer.

Manufacturing, transport and energy

- Together account for **13% of employment**, but 25% of that of full-time males. Growth prospects at best mixed.

4.3 Together, we estimate that ***these sectors*** are likely to provide **at least 1,500 net new jobs** in Lancaster district between 2003 and 2015. With successful intervention, this job growth could be **as high as 7,000 extra net jobs**.

4.4 Potential job growth and critical factors for achieving higher growth are set out in Table 4-1. Job figures are for those *directly* employed in each sector. The *Lancaster District Futures Baseline Paper* assesses the growth prospects for each of these key sector groupings in some detail.

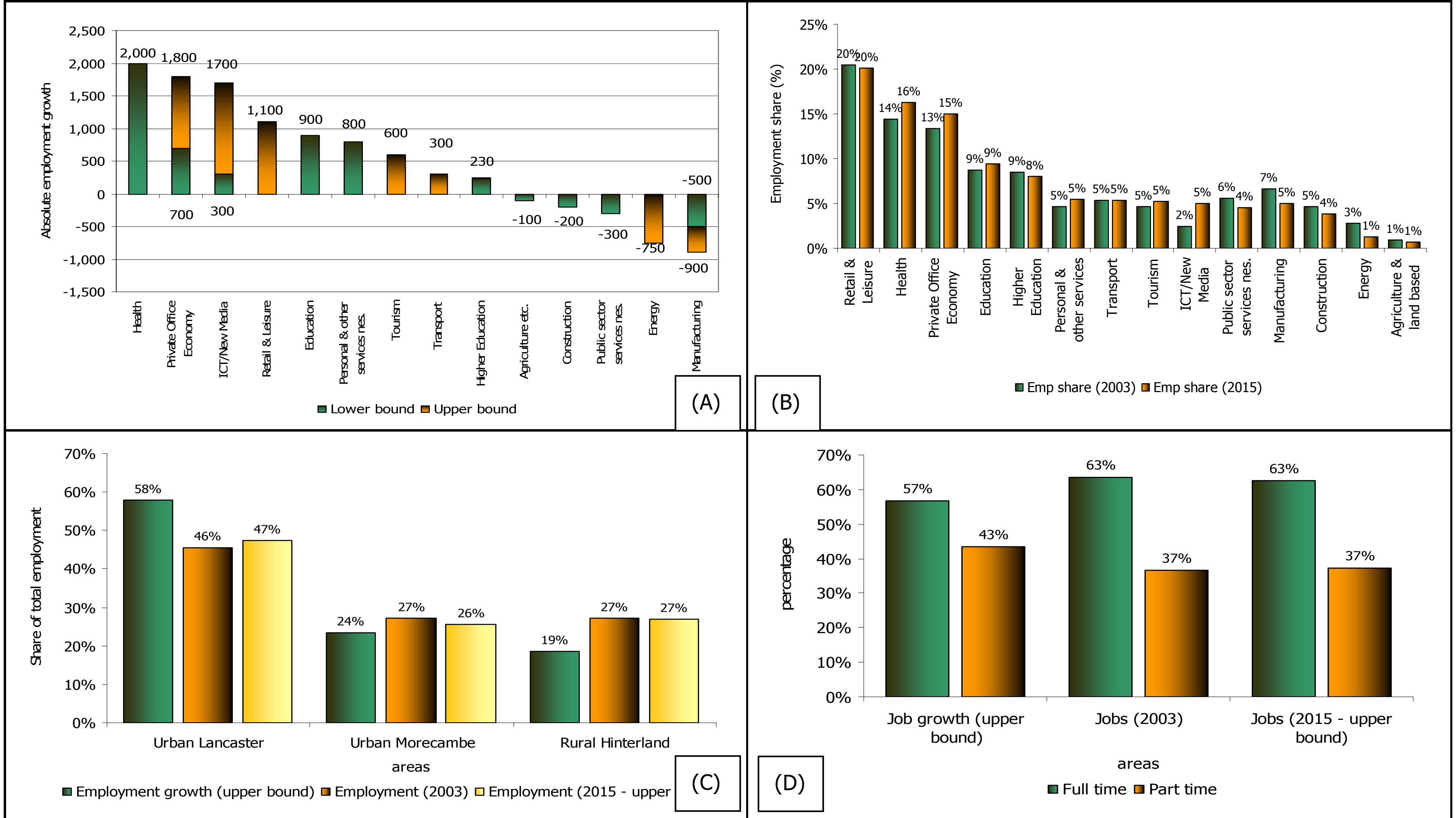
4.5 ICT and new media, and the rest of the private office economy in general, offers prospects for transformational growth of up to 3,500 jobs over this period. This growth critically depends on key property schemes, most importantly the Bailrigg Science Park, going ahead successfully and Lancaster University assisting a growing private technology sector to grow around its research base. Sustained job growth will require a virtuous circle attracting both high value firms and skilled workers to Lancaster district. Increased retention of Lancaster University students is likely to play a role in this. Successful intervention to raise the competitiveness of Lancaster district's tourism, retail and leisure has the potential to drive the creation of 1,700 net jobs by 2015.

Table 4-1: Job growth prospects by key sector grouping in Lancaster district 2003-2015 with critical factors for achieving higher growth path.

	Direct job growth 2003-15		Critical factors for achieving higher growth (both direct and indirect job growth)
	Lower	Upper	
Lancaster University and Higher Education	200		• Retention to provide 1,000 extra skilled workers by 2015 • Technology firms attracted by research base provide growth in ICT
ICT, new media & creatives	300	1,700	• Bailrigg & CityLab launched • Bailrigg Science Park attracts large international ICT firm(s) as anchor • Sustained and successful third mission effort around InfoLab • High value firms & workers retained
Private office economy	700*	1,800*	• Mobile office economy & skilled workers drawn to Lancaster district in a virtuous circle • Levels of enterprise raised
Health	2,000		• Continued national funding growth • Ageing population in Lancaster district
Tourism, retail and leisure	0	1,700	• Lancaster district capitalises more fully on tourism assets to meet changing tastes • Lancaster and Morecambe retail & leisure facilities upgraded to remain competitive
Manufacturing, transport and energy	-1,650	-500	• Heysham Port expanded (up to 300 jobs) • Successful manufacturing diversification • Nuclear decommissioning policy (- 750 jobs)

Source: Regeneris estimates based on Annual Business Inquiry, Experian Forecasts scenarios for the North West and analysis set more fully in the *Lancaster District Futures Baseline Paper*.
Note: * Growth in Private Office Economy is *additional* to that in ICT, new media and creatives.

Figure 4-1: Projected net employment growth by sector 2003-15 (A), and implications of the upper bound growth scenario in terms of sector shares of total jobs (B), geographical location of employment (C) and full-time and part-time employment (D).



Source: Annual Business Inquiry © Crown Copyright. Estimates for health & social care and energy correct for anomalies.

4.6 Growth in most sectors, like health care or education, is likely to be only marginally affected by intervention by partners in Lancaster district, although there is a role in helping ensure the requisite skills and labour supply are available. These projections for job growth are based on scenarios produced for the North West as part of the process of the review of the Regional Economic Strategy. Taking into account projections **for *all sectors*, employment in Lancaster district is likely to grow by between 2,700 and 8,300 jobs between 2003 and 2015**.

4.7 Net job growth by sector is summarised in Figure 4-1 (A) under the base and growth scenario. In Figure 4-1 (B), (C) and (D) the implications of the growth scenario in terms of sector shares, geographical location of employment and full-time and part-time employment is estimated. It is notable how what appears to be quite significant growth in employment structure around certain sectors still does not make quite such a dramatic change in employment structure overall. Figure 4-1 (B) shows how the private office economy could increase its share from 13% to 15%, with ICT and new media increasing from 2% to 5%. Manufacturing is likely to fall from 7% to 5% of total jobs.

4.8 Within the district, if job growth represents the geographical spread of employment it is likely to be somewhat weighted towards urban Lancaster, although spread throughout all three broad geographical areas of Lancaster district. Assuming each sector has the same spatial spread in 2015 as in 2003, 58% of net job growth will be in urban Lancaster and 24% in urban Morecambe. This is due to the predominance of high growth ICT/new media and office economy firms in the former, and energy and manufacturing around the latter. By 2015, jobs located in urban Lancaster will have only slightly increased from 46% to 47% of the total. Moreover this is likely to be an upper bound estimate of change. Market forces will tend to shift these new jobs away from urban Lancaster to Morecambe and the rest of the district, as pressure on capacity and prices makes these relatively more viable locations.

4.9 Job growth is concentrated in those sectors where part-time employment is relatively predominant, notably health and education. Assuming the ratio of full-time to part-time workers by sector remains at its 2003 level, over half (57%) of the jobs created are likely to be full time. The proportion of full-time jobs as a percentage of the total is likely to remain constant at 63%.

5. Underpinning Growth Factors

5.1 Achieving growth and positive economic outcomes for Lancaster district depends upon getting a number of underpinning factors right. These factors include labour market and skills, enterprise and innovation, land and property and transport.

Labour market and skills

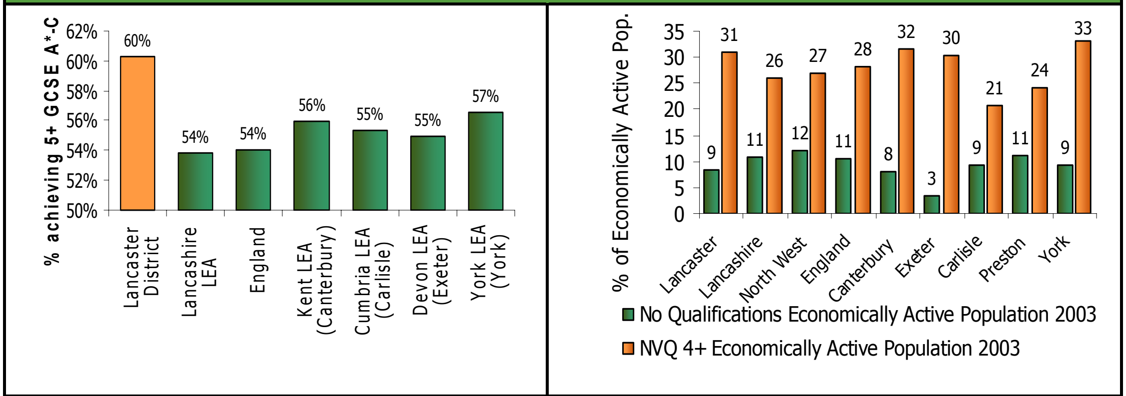
5.2 The potential job growth of up to around 8,300 to 2015 under the higher scenario is very similar in scale to the 5,700 extra jobs in the five years to 2003. However, the earlier period was one where at the beginning of the period there was plenty of "slack" in the labour market. This period saw population grow by 3,500 and the unemployment register fall by 1,300 in Lancaster district. It is likely that in addition there has been some turnaround in net outflow of workers to other districts and an increase in participation in the labour market of those who were previously inactive, such as females who care for families. In 2001, there were 13,500 inactive people in Lancaster district, excluding students and retirees (19% of the working age population not including this cohort), and 7,300 claiming incapacity benefits.

5.3 These changes mean the labour market in Lancaster district is now **significantly tighter** at than it has been at any time in the past decade. Increasing the employment rate amongst the current residents of Lancaster district is likely to need to involve considerable proactive support to bring those inactive and on incapacity benefits into the labour market. By the same token, future employment growth would represent an opportunity to address worklessness and deprivation. Realistically, drawing more inactive people into the labour market might mean employment growth of 1,000 to 2,000 to 2015, of which 1,000 were previously inactive due to long term sickness. Bringing this pool of people in employment must be a priority for Lancaster district as opposed to relying on labour from elsewhere.

5.4 Much of the growth will therefore need to be facilitated by drawing from a wider labour pool, either by attracting new residents to Lancaster district or commuting from elsewhere. Achieving growth of 3,500 in ICT and new media and other professional and business services in particular is likely to require increases in the more mobile professional workers from outside of the current Lancaster district workforce. Lancaster district has a potential advantage due to a highly skilled pool of current residents and a wider pool of those with links to the district who at present choose to live elsewhere. Lancaster district has excellent educational standards through its school system, and its Higher Education institutions. Retaining, or attracting back, even a small part of this pool would provide enough skilled labour to service this job growth.

5.5 This will, however, have implications on transport and housing in Lancaster district. It is likely that under the high growth scenario only 2,000 jobs could be filled from the existing local labour market. This leaves 6,300 jobs to be filled by those either locating or commuting to Lancaster. If as many Lancaster district workers commuted in as residents travelled out this could provide up to 3,100 (from 6,600 to 9,700). This is likely to be a high estimate for capacity to draw on outside labour – the potential increase from increased net commuting is likely to be a maximum of 2,000. The population implications of growth are covered more fully in Table 5-1.

Figure 5-1: Lancaster District GCSE attainment and level of qualification by active resident population.



Source: Nomis, ONS. © Crown Copyright
Note: Economically active population includes those economically active full-time students.

5.6 In order to achieve growth potential the labour market within Lancaster district needs to work effectively. This means an improvement in transport solutions within the Borough, in particular linking urban Lancaster to Morecambe and the west of the district. Potential job growth is likely to put greater pressure on urban Lancaster as an employment location and as such the need for improved integration through transport links becomes more pressing.

Enterprise and innovation

5.7 Lancaster district has a relatively low rate of start-up enterprise. In 2003, there were 325 new businesses registering for VAT in Lancaster district, 3.7 for every resident of working age. Even removing all students and retirees from the population, business start-up rates in Lancaster district are 12% below regional and 30% below national averages. While growth in start-up activity (14%) has outstripped regional (11%) and national averages (6%), Lancaster district started from a particularly low base. The business start-up rate is Lancaster district remains below all benchmark areas in 2003, and the district would need another 45 firms registering each year to bring it up to the regional average. Achieving growth in Lancaster district, especially in ICT and new media and other office economy firms, will mean this rate of enterprise will need to increase.

5.8 To fulfil growth potential Lancaster district needs to see a healthy start up rate of new firms, but also significant growth by a small number of firms. It is through this process that growth in knowledge industries can provide employment for workers with a range of skills. There are several examples of Lancaster district firms which achieved high growth in recent years after establishing a firm based on an innovative product or technology. Lancaster district needs to provide opportunities for more firms to capitalise on their knowledge and skills assets and achieve significant growth.

Land and property

5.9 There has been relatively little quality private office stock in the district and until recently little development. In the City Centre there is some 83,000 sqm of floorspace, of which over half is accounted for by the White Cross centre (developed in 1984 in a former mill complex), which has been a critical source of small office space for starter businesses. The vacancy rates across the city centre are very low. Until recently it has not been commercially viable to develop office accommodation in Lancaster, although this is now changing as rental levels for new high quality development are approaching critical levels. Most new office development has been along the A683 (Caton Road) out of Lancaster. Indications from the local authority's economic development service is that there is a buoyant and growing demand for office premises – mostly for very small starter units from local firms. Recently city centre office rental levels have risen relative to Preston and Kendal. Type 3 office rentals increased from £70 to £85 per square metre per annum in Lancaster city centre between 2001 and 2004, while the price of equivalent space remained static in Kendal at £75 and rose somewhat from £90 to £95 in Preston[12]. While appropriately-priced space has been available for start-up firms in the past, this market is approaching capacity. Given the current profile of property, finding suitable space will increasingly be a constraint for new and existing small firms.

5.10 The Bailrigg Science Park and further development of the Lancaster Business Park are the two largest pipeline developments in Lancaster, potentially providing high-specification, high price out-of-town office accommodation.

5.11 The District is much better served in terms of industrial land, although there is relatively little available for immediate development. Sites largely suffer from poor environmental quality and poor access and are at various stages of development readiness. For sites in Heysham and the White Lund/Mellishaw area, which account for a significant amount of this land, the critical issues for their future attractiveness for development is the M6/Heysham link which would radically improve motorway access.

5.12 There are two areas whereby land and property might prove a constraint on growth:

- First, the potential scope for private sector ICT/new media and the private office economy to grow could be constrained by land and premises. As it stands there is a shortage of smaller starter accommodation, and White Cross - which has fulfilled this role - is effectively full up. However, the increase in rentals will start to make private sector-led development (of new and refurbished property) more likely. In theory we would see the capacity at Lancaster Business Park and the new Bailrigg site when developed as sufficient in total quantity terms to accommodate future growth needs. However, they will not necessarily offer the relatively cheap and cheerful accommodation that new starter firms need and also do not benefit from a town centre location. Successful development of small flexible workspace as part of the Dalton Sq, Storey Institute and Luneside East projects would provide some extra capacity in this respect. However, should Bailrigg not be developed then there would be a deficit of suitable land.
- Second, the overall quantity of overall employment land across the district should be more than sufficient. However, there are constraints on bringing forward most of this land for development in the short-run. The opening of the M6-Heysham link will increase the viability of development on sites around Heysham and should facilitate the bringing on-stream of a greater quantity of land to cater somewhat for the likely growth in employment. However, in the absence of this link the attractiveness of the land for any sectors relying on speedy transport of goods will be constrained.

[12] Source: Lancaster Local Development Framework Monitoring Report July 2005. Type 3 Offices are those in "High Quality Converted Victorian or Georgian Houses".

Transport

5.13 Transport is a key issue in the district. Indeed, across Lancashire, Lancaster district is the area with the greatest degree of recorded public dissatisfaction with transport infrastructure[13].The key constraint is the crossing over the River Lune between Lancaster City Centre and the rest of the district. The congestion here creates several problems:

- First, it makes **access to employment sites** west of the Lune problematic as it does access to the Port of Heysham. This is likely to adversely impact on business competitiveness, as noted above on the suitability of sites for development and on the ability to attract new investment.
- Second, and in our view as important, it effectively **severs the district's labour market** (and housing market) in two. This makes access from Lancaster to Morecambe/Heysham and vice versa difficult during peak hours. This is a particular issue as we expect much of the future employment growth in the future to happen in areas to the east of the Lune (Bailrigg, Lancaster Business Park, and the City Centre etc). Yet the majority of areas in regeneration need (with opportunities for housing development) and with residents who are unemployed are to the area to the west of the Lune. Without measures to better link these two halves in labour market terms, this will stifle the whole economy's ability to punch its weight as a 150,000 person "mini conurbation".

5.14 However, in terms of wider external links Lancaster district is well placed: it is on the West Coast Main Line, has direct links to Manchester by rail and of course has direct access to 3 junctions on the M6. In transport and distribution terms it is also well located as it sits on a major north south transport artery.

5.15 The M6-Heysham Link is the County Council's adopted number one transport priority for the local transport plan. The scheme would need to go through a Public Inquiry and then be successful in making the case regionally and nationally for funding. We understand that, realistically, the link road will be built by 2011/12, if it gets funding. As well as improving vehicular access to the motorway, the scheme is intended to ease congestion across the Lune and to allow for improved public transport links.

5.16 There are other traffic issues in the district (such as congestion around the city centre and the severance caused by traffic around the city centre). However, in many ways these are "typical" of a fairly successful local economy and are, in our view, unlikely to act as a significant constraint on growth.

5.17 In the longer term there have been suggestions about a new crossing across the Morecambe Bay from Morecambe to Barrow, as part of a tidal energy scheme. Clearly, were such a scheme to be developed it could have significant implications for the Lancashire district economy. It would fundamentally alter the economic geography of the Morecambe Bay area, by expanding the effective market area and labour market area that local businesses could draw upon. However, at this stage the scheme is highly speculative and would face major environmental and financial constraints. We would counsel against building in the assumption that such a scheme will happen in any plans for Lancaster district's future.

[13] Lancashire County Council Transport.

Population and housing

5.18 Lancaster's industries are set to demand increasing numbers of workers to fill jobs in Lancaster district in the foreseeable future. Whether Lancaster district fulfils its growth potential will determine total jobs created. In turn, the extent to which Lancaster district can provide the workers to fill these jobs will impinge on growth. Table 5-1 shows potential job growth based on projected job growth by Lancaster's industries. Fulfilling likely trend growth for each industry implies total job growth of 2,700 by 2015 while fulfilling growth potential implies growth of 8,300.

5.19 As set out above under labour market considerations, under the higher growth scenario there is in all probability the potential to fill up to 2,000 of these jobs from local inactive pool of labour (drawing 1,000 from the pool of those claiming IB/SDA would represent considerable policy success). Slower growth in job demand would probably mean less opportunity to draw the same numbers, although many of the job opportunities that could potentially be filled by incapacity claimants would be created since the higher growth scenario is based on relatively high-wage jobs. Given that growth appears likely in other parts of Lancashire, increased net migration over the period is likely to be possible only up to 2,000 employees in the higher growth scenario and 1,000 in the lower. This means (assuming employees fill a single job) that if Lancaster district is to fulfil *lower bound growth* of its current industries there is likely to be a shortfall of a maximum 2,700 workers by 2015. If Lancaster district is to fulfil its *growth potential*, there is likely to be a shortfall of between 4,300 and 8,300 workers by 2015.

5.20 To fill these jobs, Lancaster would have to accommodate up to an extra 5,400 residents, under the lower bound scenario, or up to an extra 16,600 under the growth scenario[14], by 2015[15]. Given current average dwelling densities, this implies up to an extra 2,300 dwellings under the lower bound scenario, and up to an extra 7,200 under the higher growth scenario. Under present agreements, Regional Planning Guidance allows for the construction of 4,000 (net) new dwellings between 2003 and 2015 (380 per annum up to 2006 and 320 thereafter).

5.21 Therefore, **it is likely that under current agreements a lack of new housing will act as a constraint to achieving the high growth scenario for Lancaster**, but it does not make it impossible. The degree to which it impinges depends on the degree to which jobs can be filled by increased net in-commuting and increased employment rates in Lancaster district. If this is not possible, due perhaps to job growth and little housing stock growth in areas around Lancaster district, and a tight labour market within the district, then up to an extra 3,200 dwellings will be needed by 2015 to allow the growth scenario, equivalent to an extra 260 dwellings per annum between 2003 and 2015.

5.22 At the time of writing, the new draft Regional Spatial Strategy proposes a somewhat more generous housing allocation for Lancaster district. This allocation allows for 5,200 net new properties in Lancaster district between 2003 and 2015, 1,200 more than allowed under present agreements. This would go some way to providing sufficient housing to make the

[14] Based on a rule of thumb ratio of jobs to total population of 2.0. This is also the ratio of working age (20-64) to total population increase projected in official ONS population trends.

[15] ONS Population Projections are trend-based and do not take into account future job growth, although they may have been used to derive housing growth estimates. Trend growth in population is for 2,200 growth between 2003 and 2015, 1,200 of which is those of working age (aged 20-64).

high growth scenario a possibility for Lancaster district. However, it still remains a distinct possibility that lack of housing will constrain this scenario if a significant increase in employment rate and increased in-commuting cannot be achieved.

Table 5-1: Potential job and employment growth 2003-2015, with implications for population and housing

	Lower bound 'trend' scenario		Upper bound 'success' scenario	
Job growth 2003-2015	**2,700**		**8,300**	
Potential increased employment 2003-15	**1,800**		**4,000**	
. . from JSA & IB/SDA stock	600		1,000	
. . from other inactive	400		1,000	
. . increased net commuter in-flows	800		2,000	
Implications for population & housing	Min	Max	Min	Max
Remaining demand for jobs 2003-15[16]	900	2,700	4,300	8,300
Implied population increase 2003-15[17]	1,800	5,400	8,600	16,600
Implied dwellings increase 2003-15[18]	800	2,300	3,700	7,200
Permitted new dwelling increase (current) 2003-15[19]	4,000		4,000	
Implied dwelling growth shortfall 2003-15[20]	(3,200)	(1,700)	(300)	3,200

Source: Regeneris estimates, based on best available data.

Note: Figures are approximate estimates based on assumptions discussed above.

5.23 These population growth estimates are based on likely job growth for Lancaster district. They should not be seen as the upper limit to possible population growth. Rather, they are the minimum numbers needed to support growth scenarios. It is likely that Lancaster district could attract, given its quality of life offer, an increased number of residents on top of that needed to support estimated job growth if planning policy were relaxed. In this case, extra jobs would be created in local services (e.g. education and health) to meet the needs of a larger resident population. Increasing population size is likely to provide critical mass in many respects. For example, a larger population and labour pool is likely to draw cultural, leisure and retail assets as well as larger business and professional services firms to the district. The benefits of increased population should be weighed against the likely impact on green field land, transport infrastructure and quality of life in the district. The long-term desirability and viability of increasing population to achieve greater critical mass is one that must be made by

[16] Increased jobs minus range of potential increased employment

[17] Based a rule of thumb ratio of jobs to population of 2.0. This is also the ratio of working age (20-64) to total population increase projected in official ONS population trends.

[18] Based on person per dwelling ratio of 2.3 (average dwelling ratio for 2005 used in the Barker Review of Housing)

[19] Lancaster City Council Supplementary Planning Guidance Note 16 sets out the annualised target for net dwelling construction (constructions minus demolitions) for Lancaster District at 380 dwellings per year between 2001 and 2006, and 320 per annum between 2006 and 2016. Overarching targets ordained by Regional Planning Guidance.

[20] Dwelling growth implied by necessary population increase minus permitted new dwelling increase.

the Vision Board with its partners inside and outside Lancaster district. It must be stressed, however, that the rationale for increased housing to meet growth needs stands independent of this more general critical mass argument.

Implications for GVA growth

5.24 The upper bound success scenario will **raise GVA per head in Lancaster district by at least 5%** above what it would otherwise have been without employment growth. Differential productivity growth for Lancaster is harder to model, but it is highly likely that GVA per employee will rise quicker in Lancaster under the high growth scenario[21]. Growth of 5% in GVA per head is a lower bound estimate based solely on increased employment in the North West of 6,300[22]. Higher productivity growth means GVA per capita growth is likely to be significantly higher than 5%.

5.25 Lower per capita output in the North West implies a total output gap with England of around £10bn for 2002. Increased employment under the higher growth scenario would imply this gap, other things being equal, is closed by 1%. The Northern Way Strategy highlights that the lower employment in the North contributes £4bn to a £29bn gap in total output. Achieving the high growth scenario would, other things being equal, close this £4bn employment gap for *all Northern regions* by 2%.

[21] GVA per employee under a reshaped industrial structure implied by the high growth scenario does not change alter from the 2002 level. This is due to figures only being available for broad sectors. The high value nature of the growth of service industries described under the high growth scenario means GVA per employee is likely to be in fact higher than the 2002 level.

[22] An increase in jobs of 8,300, of which 2,000 are taken up by changing commuting patterns (assumed to be from the North West), 4,300 are from in-movements of people (2,000 are assumed to be from the North West) assumed to be outside the North West) and 2,000 from increased employment rates in Lancaster district. This implies an increase in population of the North West of 4,600.

6. Towards Policy Implications

6.1 We set out below a number of suggested broad policy solutions for Lancaster district to maximize growth prospects set out in this paper and achieve other positive economic outcomes. These are provisional suggestions, and will be subject to review by the Lancaster District Vision Board as part of its role in formulating the Vision, Strategy and Action Plan for the District.

Table 6-1: Suggested Policy Solutions to Maximising Growth And Other Positive Economic Outcomes

Issue	Policy solutions
Supporting growth in ICT/new media & technology firms	• Bailrigg Science Park successfully developed • CityLab workspace project successfully developed • Lancaster University continues to pursue knowledge transfer activities • Continued support for InfoLab and the Lancaster district ICT cluster development
Constraints on future labour supply	• Transport schemes (e.g. Park and Ride) to ease in-commuting from key locations outside Lancaster district • Intensive outreach work to bring incapacity benefit claimants back into the labour market • Extended housing allocation within the Borough • Better transport links within the district to extend the effective labour market and spread benefits of growth
Support for transport & logistics	• Rail freight development, facilitating Port expansion
Support for manufacturing	• Remediation of land and property and improved access • Providing opportunities for networking and providing links to Lancaster University
Need for new & high growth SMEs in general	• Flexible workspace suitable for start ups brought on-stream (incl. Storey Institute & Dalton Sq.) • Enterprise drive in partnership with Business Link • Venture capital funding for high growth firms
Low rural wages and agricultural decline	• Support for rural diversification • Improved transport links to employment elsewhere in Lancaster District
Poor transport links within Lancaster District	• M6-Heysham link road • Improved transport links across the River Lune (improved bus corridors, rail link, relief road, second effective bridge or cycle routes)

Source: Regeneris Consulting

Appendix A Performance Management Framework

1. Set out below is a performance management framework for Lancaster district to track progress in implementing its Vision. The Vision has not yet been fully formulated at the time of writing and so the framework is a provisional one. Nevertheless, set out are those indicators which are likely to be suitable for tracking performance over time against the baseline set out in this Paper. With some exceptions[23], these are a subset of the key performance indicators for economic regeneration established by the Audit Commission. Those below have been selected here as they are most pertinent to issues in Lancaster district and data is readily available. Estimated figures are provided for 2015 for each. "Trend" shows the expected figure with no uplift in the trend, while "Success" provides an estimate indicative of policy success.

Table A.1: Suggested Performance Management Framework

Topic Area	Variable	Latest measure	Rationale for inclusion	Source	2015 Trend	2015 Success
Wages	Mean gross wages for full-time workers as % of North West	90% (2003)	Indicator of raised job quality & opportunities	ASHE (to replace NES) (annual)	90%	93%
Industrial structure	ICT/new media jobs	1,300 (2003)	Indicator of capitalisation on knowledge assets	NOMIS (annual)	2,000	3,000
	Private office economy jobs	7,200 (2003)	Indicates success in wider growth sector	NOMIS (annual)	8,200	10,700
	Manuf. & transport jobs	5,400 (2003)	Indicates success in diversification & transport	NOMIS (annual)	4,150	5,200
	New jobs in energy & environmental tech	-	Indicates success in diversification post-nuclear	Analysis of NOMIS (ann.)	100	500
Knowledge Transfer	Number of Lancaster District firms engaged in knowledge transfer activity	*N/A*	Key outcome of University third mission activity	Lancaster University (*unconfirmed*)	*N/A*	*N/A*
Visitor spend	Total tourist revenue (STEAM model)	£210m (2004)	Key tourism, retail & leisure offer outcome	STEAM (annual)	£280m[24] (£2004)	£310m (£2004)
Enterprise	VAT registrations per 1,000 residents (non-student & retirees) as % England	70% (2003)	Raised start up rates underpin private sector growth	NOMIS (annual)	70%	85%
Graduate retention	% of full-time employed LU graduates in Lancaster district	7%	Indicator of career opportunities & skills retained	Lancaster University/ HESA (annual)	7%	10%

[23] Incapacity benefit claimant count has been selected over unemployment, since Labour Force Survey is inaccurate at Lancaster level. Graduate retention and industry growth are specific issues for Lancaster district.

[24] Assuming underlying growth in tourism spend of 2.5% per annum between 2004 and 2015. Prices constant at 2004 levels.

Table A.1: Suggested Performance Management Framework						
Topic Area	**Variable**	**Latest measure**	**Rationale for inclusion**	**Source**	**2015 Trend**	**2015 Success**
Incapacity	IB/SDA claimant count	7,000 (2003)	Closely related to deprivation & tracks how growth includes hardest to reach	NOMIS (annual)	7,000	6,000
	IB/SDA claimant count as % of working age pop. in highest ward	14% Harbour (2003)	Proxy measure for tracks depth of poverty over time	NOMIS (annual)	14%	10%

Source: Regeneris Consulting

Note: measures in bold indicate they are included or are very similar to the Audit Commission suggested performance indicators for economic development.

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