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Lancashire
Independent Economic Review

Final Report:

A new prosperity

The Final Report of the Lancashire Independent Economic Review

Contents

Foreword from the Director of the Review

It is my pleasure to introduce the final report of the Lancashire Independent Economic Review (IER). This review arrives at a critical juncture for Lancashire. The recovery from the Covid-19 pandemic is underway. Businesses are adjusting to new international trading conditions. The COP26 conference has underscored the imperative of a rapid transition to net zero. That the IER lands now is very timely. This is a moment of huge change and our report – and your response to it – allow us the opportunity to forge a better future for everyone in Lancashire: more productive, more prosperous and more sustainable.

Over the past nine months, we have undertaken what we have every reason to think is the most extensive programme of work ever on Lancashire's economy and society. We have worked with stakeholders across the county to understand what the most important priorities are for the future. Our initial report noted twelve key findings – from the challenge of low productivity to the impacts of poor health outcomes on Lancashire's economy.

After this, we chose to explore four topics in further detail through deep dives – economic geography and the future towns; infrastructure; health, wealth and wellbeing; and manufacturing. These have all shone a light into the nature of Lancashire's economic opportunities, as well as highlighting the county's significant challenges. There is a real chance to bring together Lancashire's prime manufacturing companies with the SME base to drive innovation. Infrastructure development on an East-West axis, combined with a refreshed approach to travel, can connect many more people to economic opportunity. A focus on early years and workplace health can drive up productivity and quality of life for residents.

This final report brings together fourteen recommendations which emerge from this period of research and reflection. As well as drawing on our published outputs, we have also had a breadth of conversations across Lancashire and have invited people to respond to our Call for Evidence.

This is our report to Lancashire's leaders. We now invite leaders across Lancashire – from councils, businesses (including the LEP), universities, and the third sector – to respond to these fourteen recommendations. By taking action in these areas, we can build a new economy in Lancashire, putting productivity in the service of increased prosperity and sustainability.

Mike Emmerich

The Independent Panel

The Panel have worked with Metro Dynamics to validate this report and input into the shape of it.

- Rowena Burns, Chair
- Sir Howard Bernstein, Vice Chair
- Graham Biggs
- Professor Rachel Cooper
- Louise Marix Evans
- John Holden
- Neil McInroy
- Henri Murison
- David Taylor

For further information about the Lancashire Independent Economic Review, please contact:
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A note on terminology:

Lancashire – the area covered by this Review – has a complex administrative geography. There is a County Council (upper-tier), with twelve non-metropolitan districts (lower-tier) sitting underneath it, as well as two unitary authorities – Blackburn with Darwen and Blackpool. The non-metropolitan districts and unitaries have a complex and confusing nomenclature: some are boroughs or cities. We have simply used the term “local authorities” to refer to all types of areas.
We also use the term county (with a lower-case c) to denote the whole area covered by the review – that is the area covered by the County Council and two unitaries (or equivalently, the area covered by the Local Enterprise Partnership). When we use County (upper-case C) we are referring to the area covered by the County Council.

Executive Summary

This report sets out the major priorities facing the Lancashire economy, and the actions that can be taken to navigate through a changing but challenging period.

Firstly, on page 13 we consider what the goal of all economic strategy needs to be. We argue that the goal of increasing productivity is necessary, but not sufficient – the gains from greater productivity need to be put in the service of greater prosperity for Lancashire's people. This prosperity should be understood in a wide sense – income, health and wellbeing, and environmental sustainability.

Then, on page 15 we set out the evidence upon which we make all of our recommendations. Over the last nine months, a broad range of evidence has been produced to understand, in depth, how the Lancashire economy works. This has included a Call for Evidence, a Productivity Review, an Initial Findings document, and a series of "deep dive" reports on major topics: health, wealth and wellbeing; infrastructure; economic geography and the future of towns; and manufacturing. Throughout the report we set out where our recommendations link back to these sources; those who wish to explore the evidence in more detail can do so at: https://www.lancashireier.org/reports/.

The rest of the report is structured around a group of overarching themes. These themes and the various proposals for recommendations with them were drawn up to pinpoint the aspects of Lancashire which hold it back, while providing support and stimulus to the aspects of the economy and society pivotal to its future.

There are five substantive groups of policy proposals, which draw upon the wealth of evidence produced in the independent economic review. These need to be read as complementary to the recommendations arising from the ongoing environmental studies.

There are also very strong links between the different themes. As a key example, while productivity and health are separate sections in this report, there are extremely strong links between the two, as set out in the Health, Wealth, and Wellbeing Deep Dive. Many of our initiatives to tackle one problem – such as poor health outcomes – will help to tackle others – such as the productivity gap with the UK.

The first theme is **productivity, innovation, and work**. At the heart of Lancashire's rich mix of opportunity and challenge is an economy which, while strong in parts, has too few good jobs and too many poor ones, as expressed in GVA, wages, or value added. The result is corporate excellence alongside weaker than desirable companies, disconnected from high value supply chains, relatively low wages resulting in low levels of spending power, economic precarity, and, intrinsically linked to this, a relatively unhealthy workforce. This first group of recommendations brings forward a package of measures to tackle these issues systematically. The first is:

Recommendation 1:
Develop Lancashire Grand Challenges for manufacturing, energy and low carbon technologies and health innovation in Lancashire to stimulate network growth and collaboration

Relatively low levels of innovation are one of the main causes of lower productivity in Lancashire, as identified by the Productivity Review and Initial Findings. innovation doesn't just happen within firms – it happens between them, as collaborations bring together different approaches, bringing in academic expertise at the same time. Such networks cannot be directly forced to form. But they can be encouraged by using a "missions" or "Grand Challenges" approach – setting out a direction for businesses in Lancashire. New translational research centres, such as AMRC North West, must be at the heart of this approach.

This should be underpinned by an approach which provides Lancashire's small and medium-sized businesses with capital grants and loans to acquire new equipment or undertake new research to develop new value-added products. This leads to our second recommendation:

Recommendation 2:
Stimulate innovation through targeted SME funding

Next, evidence from a range of sources shows that firms which export are typically more productive. The changes in trading conditions brought about by the UK's departure from the EU mean Lancashire needs to support its exporting firms to adapt, while encouraging new business and business that don't currently export to trade internationally. The initial findings of ongoing work into internationalisation highlight key markets which should be the focus of a targeted approach, leading to our third recommendation:

Recommendation 3:
Focus investment approaches on high value international markets

This requires Lancashire to define its offer more clearly in those places where it can have most impact, most notably France, China, Germany, United States, and Italy.

Our second groups of policy proposals focuses on **skills, education and health.** Lancashire has a skills deficit relative to the North West and the UK. We explore this in the Health, Wealth, and Wellbeing deep dive, and note that a major cause is likely to be the underperformance of many places in Lancashire at the early years stage of the life cycle. While the quality of early years provision is high, the life chances of many of Lancashire's young people are already lower by the time children reach school than is the case elsewhere. Evidence developed by the IFS on the Sure Start programme shows that a holistic approach focusing on all aspects of family life can make a real difference to outcomes later in life – leading to our fourth recommendation:

Recommendation 4:
Increased focus on the early years of life

It is not simply a case of investing in more preschool places for ages 2+ but rather considering the many contributors to child poverty. This would involve the provision of family hubs across the county to give support to those who need it, taking a holistic approach that invests in the whole family and focuses on supporting those who need it most.

While this will be transformative, its effects won't be seen for a long-time, and there is a pressing need to improve the quality of work in Lancashire now. Over one in four employee jobs in Lancashire earn less than the Real Living Wage. There is a need to work with employers to improve the demand for better quality jobs. Therefore, we propose:

Recommendation 5:
A Good Work Charter for Lancashire

This would increase the quality of jobs across the business base with a focus on income, conditions and skills, building on the good work of the Lancashire Skills Pledge and existing anchor institutions charters in Lancashire.

As well as creating the demand for high productivity jobs, we need simultaneously to develop the supply of skilled workers. The evidence around skills shows that Lancashire has too few workers with Level 3 and above skills, and that employers are struggling to fill vacancies in technical professions. At the same time, the evidence from the Future of Manufacturing Deep Dive suggests that the sector is developing rapidly, requiring upskilling/reskilling. This gives us our sixth recommendation:

Recommendation 6:
Develop Lancashire's lifetime skills guarantee

Lancashire was the first county to produce a defined Technical Education Vision for the local area. This recommendation is designed to support development of technical education in Lancashire and create a skills pipeline to drive up technical skills and accelerate L4+ skills. It builds upon the Further Education White Paper proposals to develop a local skills guarantee, informed by labour market information provided by the Lancashire Skills and Employment Hub, to ensure funding is aligned with local economic need.

The final recommendation in this section recognises that human capital is not just a question of skills, but also of health. Research by the University of Manchester developed for this Review finds that poor health costs Lancashire £1.4bn in economic output ever year. Health deprivation is markedly higher in Lancashire than across England as a whole. One of the best places to tackle this is in the workplace. This gives us our seventh recommendation:

Recommendation 7:
Increase health & work programmes and create a healthy equity fund

This would adopt a systems approach to health and wealth – this should enable local leadership to implement effective approaches to systems planning, bringing together different service areas to provide support. This should prioritise early intervention through long-term investment, co-ordinated across agencies. It will bring together and extend existing programmes focused on supporting those with health challenges back into the labour market, alongside a new health equity fund which would tackle the major causes of poor health in Lancashire – including a rural funding stream.

Our third area of focus is on **housing and resilience**. A parallel commission focusing on the environment is bringing forward recommendations to support Lancashire in adapting to a changing climate. We do not replicate this analysis here but underscore the importance of the papers from the Environment Review and this paper being read in tandem.

However, one of the most obvious areas where there is a link to economic and social outcomes is housing. Much of Lancashire's housing stock is inadequate, with poor insulation linked to high CO2 emissions, fuel poverty and poor health outcomes – and much housing is cramped with multiple occupancies (HMOs). A major housing programme is needed to retrofit existing properties, improve the standards of HMOs, and build attractive properties for the aspirational workforce which is currently underrepresented in parts of Lancashire. This leads to our main recommendation in this section:

Recommendation 8:
A major green housing programme

A programme on such a scale as to make a major difference will be challenging – but we believe it is right to have this level of aspiration for the housing stock in Lancashire.

Our fourth section looks at **transport, infrastructure, and connectivity.**

A long-term strategy for Lancashire needs to make sure the right kinds of space are provided for business, to make the county competitive and this leads to our first recommendation in this section:

Recommendation 9:
A review of sites for business

Lancashire has an overwhelmingly north-south dominated transport system and weak links across the main central belt of the county where the bulk of the population live. Complementing the former by addressing weaknesses in the latter, along with the county-wide weaknesses in bus transport are fundamental to changing both Lancashire's potential to grow and the distribution of its economy.

Recommendation 10:
An East-West connectivity programme to integrate economic corridors and maximise the benefit of HS2, with a focus on electrified rail (longer journeys) and active travel (shorter journeys)

The design of this programme must both genuinely improve accessibility East-West, while also responding to the environmental imperative of encouraging people to switch away from their cars to more environmentally friendly modes of transport.

But for many communities, especially in rural areas, the bus is the most important mode of transport, for work, learning, and amenities. Within Lancashire, journeys have been falling sharply. While reduced bus travel is a story across England, in Lancashire this is happening much more quickly. Authorities have recently agreed to undertake an enhanced partnership model. At the same time, a thorough study of the market, to understand the profits operators are making and the benefits which could be had by bundling routes together, needs to be undertaken.

Recommendation 11:
A review of the bus market to identify the best way to reverse the decline in bus routes.

But communities in the 21st century needs to be digital as well physical connections: world-class broadband. The gold-standard – fibre to the premises (or full fibre) is the best way to ensure long-term competitiveness in an increasingly digital world – but coverage in Lancashire is just over half of the national average. Our next recommendation therefore is:

Recommendation 12:
A full fibre programme to roll out fibre across all of Lancashire

Our final set of recommendations focuses on **place, governance, and capacity**. Seeking to try to achieve all of these policy priorities listed above through the existing range of institutions, the location and quantity of the skills and capacity available along with available budgets will be extremely challenging, if not impossible. A range of short and longer-term measures is needed which put in place a systemic change to the way Lancashire thinks and delivers policy.

Firstly, this needs to happen at a town and city level. These are the places people most strongly associate with. But across Lancashire, the functions played by different towns in the wider economy vary hugely. A targeted strategy, which responds to ongoing trends, and seeks to make the most productive use of town centre space, is needed.

Recommendation 13:
Work together to support each town to maximise its opportunities, using a toolkit to adopt a flexible approach to town centre space, creatively support work uses, and focus on bringing experiences into medium and large towns

Finally, Lancashire needs to improve its ways of working together across the whole county, if the right projects which can be most transformational are to be delivered. Without prejudice to the long-term answer, in the short-term, we make the following recommendation:

Recommendation 14:
Strengthen combined governance across Lancashire

This governance would incorporate a business case development function, observatory function, and have a co-ordinating role in health and economic development systems. If Lancashire does not do this, it will miss out on major opportunities for new powers and funding. As initiatives like County Deals come forward, Lancashire needs a unified front to get the very best deal for its residents.

The Panel is well aware of the narrow powers and limited resources available to the local authorities of Lancashire, and indeed of the challenging fiscal situation facing the country. Nonetheless, we think it is right to set ambition at the highest level. Whether couched in terms of the Government's levelling up agenda, increasing productivity and inclusion, building the foundational economy or supporting climate resilience, there is much to be done to forge a better future for Lancashire. How these goals should be achieved, the pace of implementation and the balance between the role of the state and the market, is an important set of questions to be addressed. Our role has been to set out evidence-based set of recommendations.

The rest of the report now sets out in more detail these recommendations, what they would look like, and the evidence upon which they are based. These should be read in tandem with the supporting evidence documents – most notably the deep dives – which provide much of the evidential backing for them.

Productivity for the sake of prosperity

This report is about understanding Lancashire's present, and building Lancashire's future.

Lancashire is a county of contradictions. Wealthy, affluent areas sit side-by-side with areas of deprivation and poverty. The industrial revolution which did so much to shape Lancashire still defines it today. It has created both a vibrant manufacturing sector, but also the long-term challenges of deindustrialisation. The county has multinational employers and masses of small businesses.

Lancashire has a complex economic geography. It faces in multiple directions – to the rural areas of the Pennines and Cumbria in the North and East, to the major cities of Manchester and Liverpool to the South and South West. Its best connectivity runs North-South, but its most of its people live East-West in a central belt stretching from Pendle to Blackpool and the coastal economies. To navigate this complexity and develop a strategy that works for all of Lancashire requires a laser sharp focus on outcomes. What should be the primary goal of economic strategy?

A traditional approach would focus almost entirely on growth, with the most important element being the increase in productivity. Without an increase in productivity, living standards will remain static. It is much easier to share a growing pie than a constant, or indeed shrinking, one.

At the same time, the last two years have been a powerful reminder that, as a society, we do not only value economic outcomes. Health has been paramount, with dramatic economic losses accepted in support of a greater good to limit the damage of COVID-19. The urgency of tackling the climate crisis has also become ever clearer, reminding us that undermining the ecosystems on which we depend is having an impact now and, unchecked, will have devastating consequences for our future prosperity and peace.

But tackling the major challenges undoubtedly facing our society requires an approach that works for everyone. It needs productivity growth, which can improve wages, reward innovation, and fund the public services upon which many people depend. We will get there not by a pure cost-minimisation approach, but by focusing on our people: making sure they are in good physical and ▶

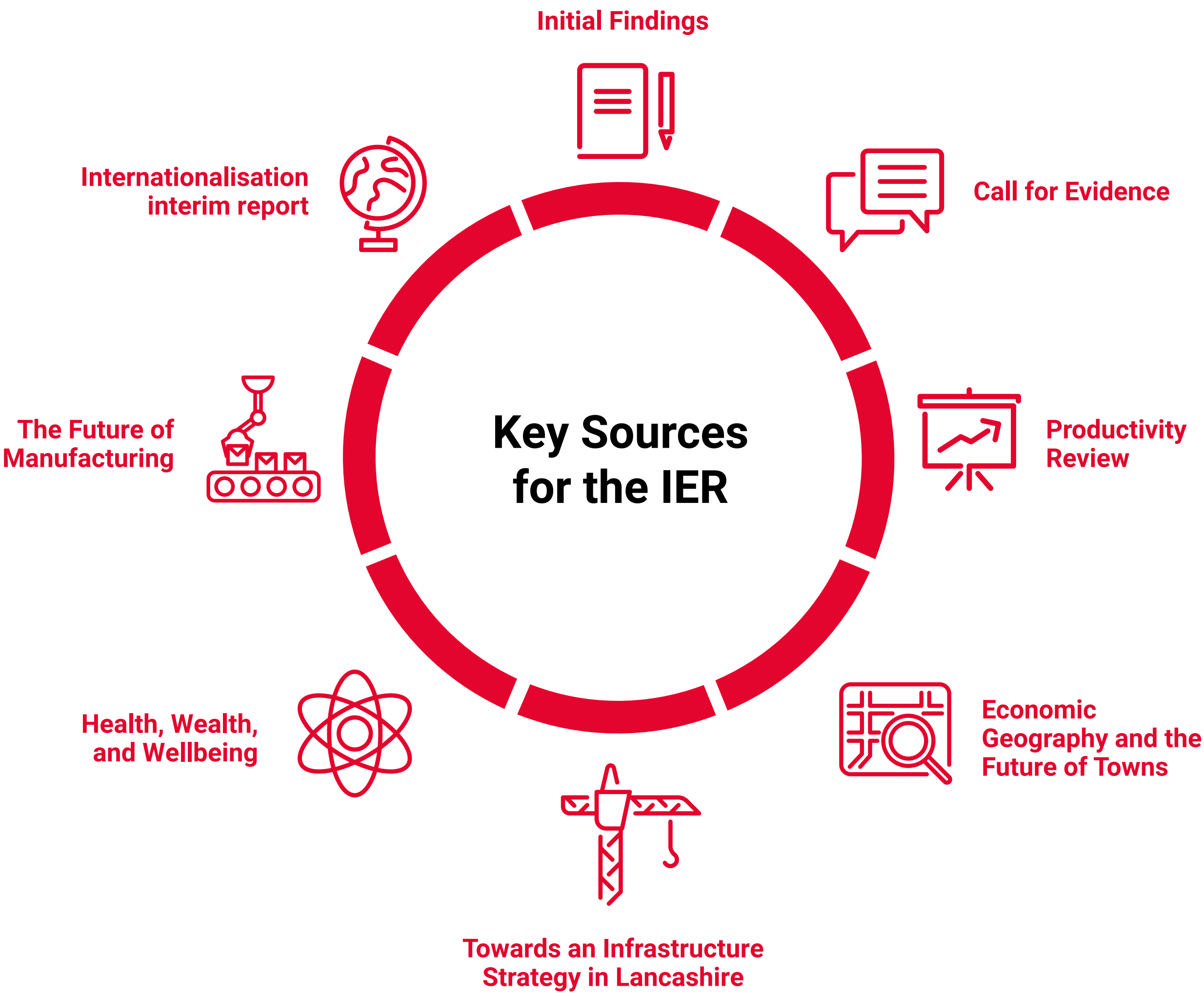
mental health, have the right skills, and are paid a decent wage – to enable them to have productive, meaningful work. This will not happen by accident. But we need to place productivity in the service of prosperity. And that prosperity must be understood in the widest sense – social flourishing, environmental sustainability, and the absence of limitations on individuals' potential. It means strengthening communities, building on local assets, to reinvest in local economies.

Lancashire needs to seize this opportunity – and the moment is now. Early indications suggest Lancashire has made a strong recovery from Covid-19, with employment levels having already surpassed pre-Covid levels, ahead of the UK.[1] The extreme actions taken during the course of the pandemic have redefined the possible. Patterns of work, movement, and spending have been disrupted, allowing a chance to reshape behaviour before new norms set in. Now is the time to build the new economy.

The report next sets out in brief the evidence upon which the recommendations have been developed, before explaining the need for each intervention.

1 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/realtimeinformationstatisticsreferencetableseasonallyadjusted

The evidence behind this report



The Independent Economic Review has been almost a year in the making. Throughout the process, we have produced eight key sources of evidence, which this final report draws upon.

- The **Initial Findings** were published March 2021, with 12 key findings.
- The **Call for Evidence** was launched on March 8th and was open until May 28th. Respondents included business, sector groups, health trusts, councils, and others.
- The **Productivity Review** was undertaken by The Productivity Institute at the University of Manchester.
- The **Economic Geography and the Future of Towns report** is one of four "deep dives" with detailed research into how places in Lancashire and beyond relate to each other, and how towns can succeed.
- The **Towards an Infrastructure Strategy for Lancashire report** is one of four "deep dives" with detailed research into the infrastructure Lancashire needs, and how to deliver it.
- The **Health, Wealth, and Wellbeing report** is one of four "deep dives" with detailed research into the causes of poor health and wellbeing, their costs, and solutions to address them.
- The **Future of Manufacturing in Lancashire report** is one of four "deep dives" with detailed research into the makeup of manufacturing in Lancashire, and how it can adjust to the major challenges of net zero, automation, and EU exit.
- The **Internationalisation interim report** is the first output of an ongoing piece of work led by the Lancashire Enterprise Partnership, developing a strategy for foreign direct investment, capital investment, exports, R & D and education and the visitor economy.

The table below summarises what goes in each report:

Initial findings	Call for evidence	Productivity Review	Economic Geography and the Future of Towns
Twelve key findings, on topics including: • Health outcomes and Covid-19 • Productivity • Impacts of Brexit • Sector specialisms	Eight questions, covering: • The Climate emergency and the transition to net zero • Transformational projects • Manufacturing sector • Barriers to participation in economic growth • Relationships between Lancashire and surrounding areas	A headline finding of Lancashire having a £10bn output gap with England, and an exploration of: • Working age population • Employment rate • Commuting • Sectoral structure • Sector productivity	• Changes in economic geography since the last Census • Impacts of Covid-19 on movement patterns • Economic corridors in Lancashire • Categorising towns in Lancashire • Key functions of towns: as places to live, work, consume, visit, and study and innovate
Towards an Infrastructure Strategy for Lancashire	**Health, Wealth, and Wellbeing**	**Future of Manufacturing in Lancashire**	**Internationalisation interim report**
• Strategy and goals: zero carbon, competitiveness, connectivity • Governance – current mechanisms and opportunities for a new model • The current pipeline of projects, and the need for transformational projects • Finance – funding the strategy from central government, local government, land value uplift	• Health, education, and skills outcomes through the lifecycle • Health inequality in Lancashire • Social determinants of health • The opportunity of Health innovation	• Review of the current state of the sector: a breadth of specialisms across manufacturing • Variations in volume and value across Lancashire • Responding to industrial change and the net zero imperative • A dual-track approach to the manufacturing sector: high value/ low value	• Five key pillars: Foreign Direct Investment, Foreign Capital Investment, Trade and Exports, Higher Education & Innovation, Visitor Economy • A model-based approach to identifying high value potential markets • Benchmarking – comparing to international and national comparators

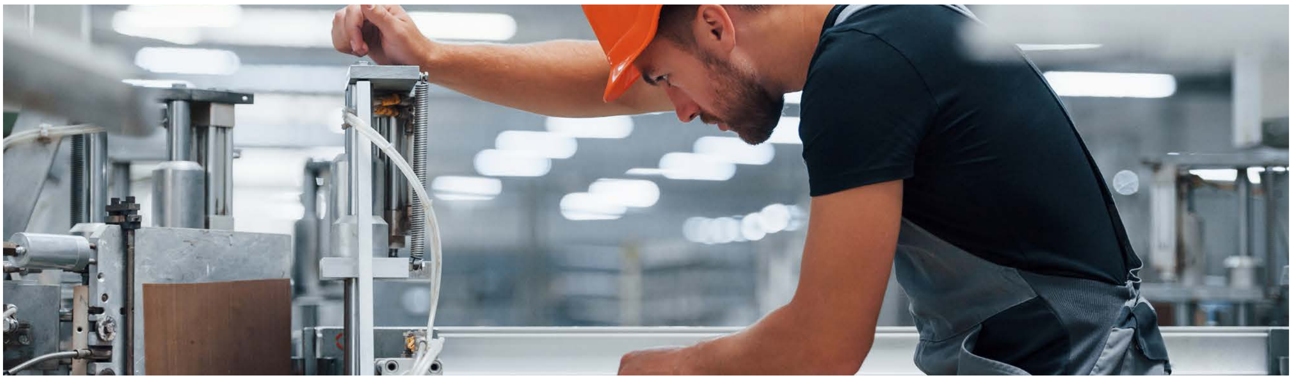
This report does not replicate much of the analysis in these documents – for those who wish to explore more of the data and evidence, they are all available (with the exception of the Call for Evidence responses) at https://www.lancashireier.org/reports/.

There are many recommendations and ideas contained in these other reports which are not presented here. We have focused on ideas which cut across multiple strands of evidence and can have the most transformative impact. For each of the fourteen recommendations, we have highlighted which of the eight inputs provides evidence to support it. We have summarised the key points of the evidence in the text.

In addition, this report draws upon the wealth of evidence already being developed in Lancashire. This includes:

- The parallel Environment Commission.
- The LEP's Growth Plan, emerging from the Local Industrial Strategy process, combining the findings of 6 business-led sector groups.
- The Redefining Lancashire recovery plan.
- Economic forecasts developed by the LEP by Cambridge Econometrics.
- The Lancashire Skills and Employment Strategic Framework.
- The Lancashire Innovation Plan
- Initial work forming Lancashire's Health Equity Commission

Productivity, Innovation, and Work



Lancashire has a significant productivity gap with the UK. This gap is not a new phenomenon: it was evident before the 2007/8 Great Recession and historical data for the North West suggests that it may have been present for more than a century. Nor is it unique. Most parts of the country lag compared with London and the South East. We have explored these questions through the work of the Productivity Institute and the Manufacturing Deep Dive.

The issue is what to do about persistent low productivity. Answering that questions is helped greatly by knowing why it is that Lancashire's productivity lags. Work undertaken by the Productivity Institute as part of the Review has helped us to get closer to understanding Lancashire's productivity problem. The research shows that Lancashire has a structural productivity problem. But not in the usual sense of there being a balance of weaker sectors. Analysis finds that low "in-work" productivity is the biggest single contributor to Lancashire's productivity gap. It is more significant than age structure, employment rate, or sectoral structure combined. Tackling this is a vital component of the drive for greater prosperity in Lancashire. So, Lancashire has a structural productivity problem: it is a low wage economy.

The Productivity Review found that "Across almost all sectors productivity is lower in Lancashire than the English average. This lag affects both frontier and foundational sectors – that is to say, it is an issue for manufacturing and services, older and new companies alike. It is an issue across the county".

Why this is so is less easy to establish with precision. Even in an extensive Review such as this, we simply don't have the firm level data. But based on evidence we do have, likely contenders as set out in the research include: low levels of engagement with international markets, lack of access to (and utilisation of) skills, low levels of innovation adoption and diffusion, the complexities of accessing finance, an over-representation of back-office functions, weaknesses in leadership and management. The report also notes that "Lancashire's low level of business start-ups and deaths suggests a less vibrant business ecosystem."

The result of all this is a preponderance of weaker than desirable companies disconnected from high value supply chains. This in turn contributes to relatively low wages resulting in low levels of spending power. It leaves Lancashire more dependent on the jobs associated with the gig economy and economic precarity. Lower levels of 'good' jobs - that is to say, stable and secure well-paid jobs - are also associated with relatively poor health in the communities in they are concentrated.
To drive up productivity in businesses requires change on as many of these elements as possible. At the heart of the issue though, is the corporate base. The challenge is improving the output of companies, as far as possible using the existing stock of human, physical and financial capital. One of the few ways of doing that is through innovation.

Lancashire is fortunate to benefit from a broad-based manufacturing sector, where strong "mid-cap" companies thrive by supplying their capabilities into key local primes from the automotive, military/civil aerospace and energy sectors. Fast growing businesses like Velocity Composites are developing new processes and services which support and streamline final assembly for a range of clients, whilst the precision machining and treatment of metals remains a local strength. Despite this, the county does not fare well on innovation, ranking 23rd out of 36 NUTS2 regions in the UK for innovation spend[2]. But by creating new products and services, innovation drives value into business and increases productivity. That is the opportunity and the challenge. It may also help to retain businesses in the area. Innovation and linkages to local supply chains mean that large companies have a reason to remain embedded in the area. If this doesn't happen, the risk is that when large employers rationalise estates they cut back on jobs in Lancashire – as has happened recently at Rolls Royce and Safran.

Therefore, **Recommendation 2** focuses on driving innovation funding into businesses. This could be using voucher schemes tied to specific innovations and collaborative partnerships.

But stimulating innovation at a larger scale needs more than just funding. It requires the deep networks that allow new ideas to be created through the interaction of businesses with different technologies in different sectors. These interactions, which often come about by chance, are essential for ideas development. Such networks cannot be forced to form, but by creating Grand Challenges focused on specific industrial goals, Lancashire can build momentum and bring potential partners together. This is, in fact, the bigger prize – which is why we put it first in **Recommendation 1**. This approach needs to have the current and emerging centres of translational research, such as AMRC North West, at its heart.

The potential for innovation to drive growth is nowhere more important than in Lancashire's manufacturing sector. The sector is made up of SMEs across numerous subsectors, alongside larger employers such as BAE Systems. The contribution of manufacturing to Lancashire's economy is substantial, making up 19% of total GVA and employing over 86,000 people. It has demonstrated strong signs of growth, with GVA increasing by 25% since 2010, compared to the GB average of only 6%.

Whilst it has been and continues to be a source of productive and employment growth, the world and sector is changing. 65% of Lancashire's manufacturing employment is not classed as advanced, suggesting that these jobs may be lower value and ultimately at risk of being left behind in a globally competitive market. This is shown starkly in analysis undertaken by Cambridge Econometrics,[3] which predicts a fall in employment of around 20% by 2050. These are forecasts, not facts – there is a huge level of uncertainty, including what changes need to be made to achieve net zero, and the impact of geopolitical shifts on the sector.

[2] https://www.nesta.org.uk/report/the-missing-4-billion/
[3] Lancashire's Local Industrial Strategy Evidence Base (2020). Cambridge Econometrics.

Lancashire's industrial structure and strong manufacturing base is a huge asset, but one that has unexploited potential, not least if the globally competitive companies Lancashire has can source more of what they need in the county. Many local SMEs require support to move towards more modern, more advanced methods of production that respond to current and future economic requirements. We strongly believe that Lancashire can help this to happen: creating and fostering networks and the innovative capabilities for building a more robust supply chain.

Finally, the Productivity Review notes that further internationalisation will support improved productivity. Evidence suggests that firms which sell beyond local markets tend to be more productive.[4] The work produced in the Internationalisation study interim findings analyses a breadth of measures to identify top target markets for Lancashire's goods and services. **Recommendation 3** proposes a targeted approach to these markets, supported by funding, which can allow Lancashire to grow productivity through higher export growth.

As well as the recommendations in this section, many of our other recommendations will boost business productivity directly. Productivity is measured by combining corporate profits and wages, and comparing them relative to inputs. More successful and more productive companies should therefore be able both to be more profitable and to increase levels of pay – all the more so if innovation and investment require higher skill levels. This is why different places around the country are setting up schemes to signal to potential recruits which employers are likely to support them well, financially and otherwise, at work. These schemes are generally known as Good Work Charters.

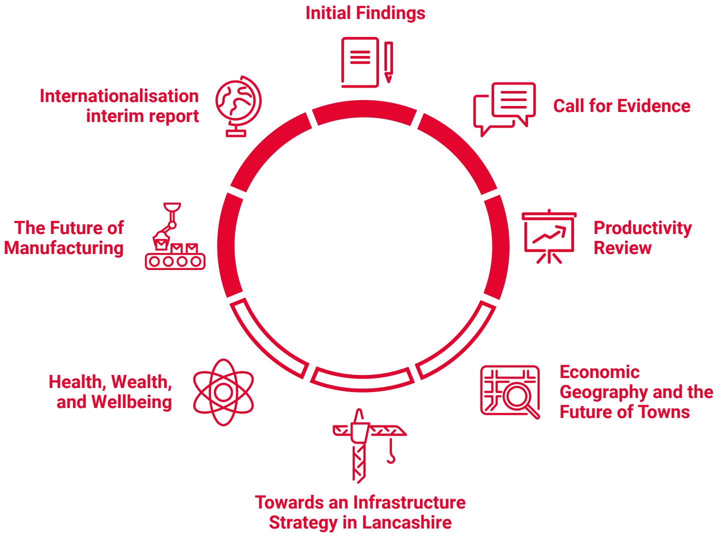
We propose such a scheme for Lancashire (see **Recommendation 5**), which could be signed up to by businesses and anchor institutions such as universities. If implemented properly and alongside the other measures described here, it would increase pay and productivity in participating businesses, and by achieving a critical mass will spark a race to the top rather than the bottom in business practice. Our recommendation to develop workspace in town centres (part of **Recommendation 13**) is designed to create the space that innovation needs to happen in places where people naturally meet. Increasing health and work programmes will improve health while adding to the stock of productive labour in Lancashire, with an economic dividend of £1.4bn. Others, such as the East-West connectivity programme and full fibre rollout will boost productivity indirectly (see **Recommendations 10 and 11**)

Our recommendations amount to a practical way in which more of Lancashire's economy: its employers, workforce, and the communities in which they live, can adapt. The aim is to ensure that, as far as possible, Lancashire is in the virtuous circle of growing successful companies with a stable, well rewarded and healthy workforce.

[4] E.g. https://www.centreforcities.org/publication/the-wrong-tail/

1)

Develop Lancashire Grand Challenges



What this would look like

Establishing a small number of Grand Challenges for Lancashire would spur investment, anchor networks, and create Lancashire's new industrial "offer". This could tie to wider policy drivers around climate change to develop a set of Grand Challenges which tackle the transition to net zero and provide an incentive for Lancashire businesses to innovate around industrial decarbonisation and technology. Funding could be sought from UKRI, angel and institutional investors to create a pot for early-stage funding. The new AMRC North West at Samlesbury could be a major hub for this activity, though centres of excellence in other sectors (such as digital or creative) will also be needed.

The Grand Challenges could be recommended by business sector groups to Lancashire combined governance who would set the terms and funding associated with each Grand Challenge. Consortia approaches could be encouraged, drawing in large and small businesses, alongside academic and entrepreneur expertise. For example, Lancashire might want to establish the aspiration to be the first place in the UK to manufacture zero carbon jet engines commercially. The Grand Challenge would be launched, and consortia invited to pitch their ideas for funding.

Why this is needed

The research indicated that, in key sectors, there are opportunities to scale up. There is a "dual track" manufacturing sector in Lancashire, with major, globally renowned companies and many smaller firms. The evidence from the Future of Manufacturing Deep Dive suggested that smaller firms in Lancashire are struggling to embed themselves in the supply chains of bigger firms. It also reveals how a lack of an "ecosystem" for the sector, with dense networks and knowledge sharing, is harming manufacturing – this Grand Challenge approach would provide the impetus for networks to start forming, allowing collaboration and knowledge transfer.

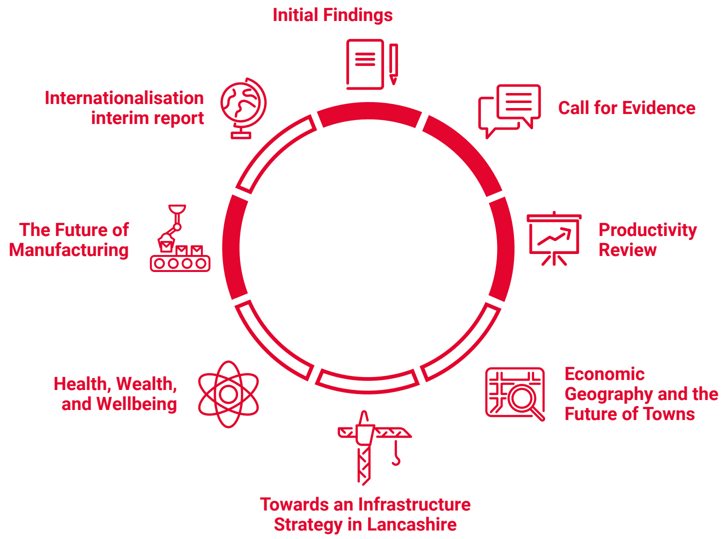
The Health, Wealth, and Wellbeing deep dive also noted that Lancashire needs to define a "USP" in health innovation, to bring together its academic, health, and business partners in the health and life sciences sector. This could form another Grand Challenge.

What this will deliver

- Establish and promote Lancashire as a centre of innovation and early-stage investment
- Facilitate new networks and collaborations who come together to address on a Grand Challenge
- Increased productivity in manufacturing businesses and more high value jobs

2)

Stimulate innovation through targeted SME funding



What this would look like

A combination of measures to drive more finance into SMEs, with a focus on supporting innovation – such as adopting or developing new technologies, moving into new markets, and collaborating with other businesses. This would tie to innovation funding being delivered through Lancashire's Universities, looking for opportunities to bring academic strengths and business priorities together.

This funding could be delivered using a voucher scheme tied to actions or outcomes, which would be linked to Grand Challenges for Lancashire as described above in **Recommendation 1**. An approach of requiring multiple bidders for sector-level innovations – such as a shared technology between a subset of manufacturers – would incentivise the use of technology where the investment would be too substantial for one company. This would also stimulate network development of the kind needed for Lancashire's SME base to catch up with the large industrial players – becoming more instrumental in their supply chains.

Why this is needed

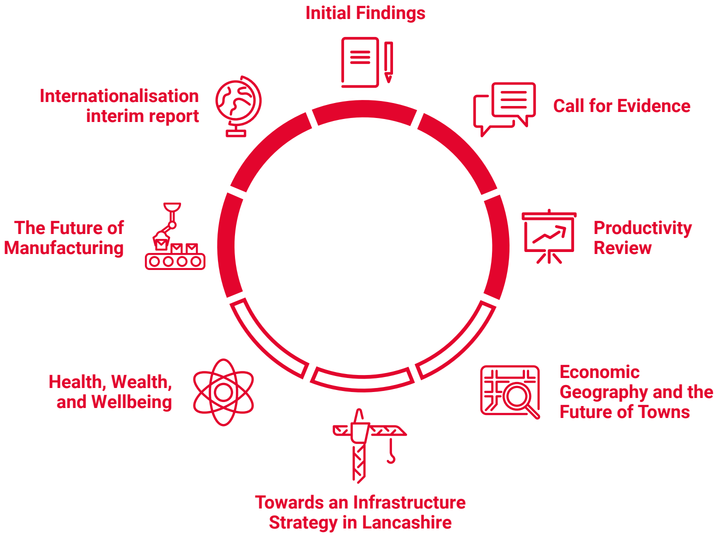
As set out in the Initial Findings, R&D spend in Lancashire (by business and government bodies such as UKRI) is significantly below the national average. While Lancashire has brilliant companies and many of its firms have adapted well in a challenging environment, the rapid changes being wrought by the need to move to net zero and the digitalisation of industry mean heavy investment is required. But many firms were already working on wafer-thin margins, and some are carrying large amounts of debt due to borrowing over the pandemic period. Therefore, targeted support to allow companies to take the actions they need to reinvent themselves will be crucial.

What this will deliver

- An increase in spending on R&D, allowing Lancashire to catch up with its competitors
- More productive companies, as business understand the opportunity and take it, reinvesting in Lancashire and creating quality employment

3)

Focus investment approaches on high value international markets



What this would look like

The initial findings of the Internationalisation study identified sixteen high value potential markets, drawing upon four five categories – inward and capital investment, trade, innovation & higher education, and the visitor economy. The top five countries, which perform well across all categories, are France, China, Germany, United States, and Italy (in that order).

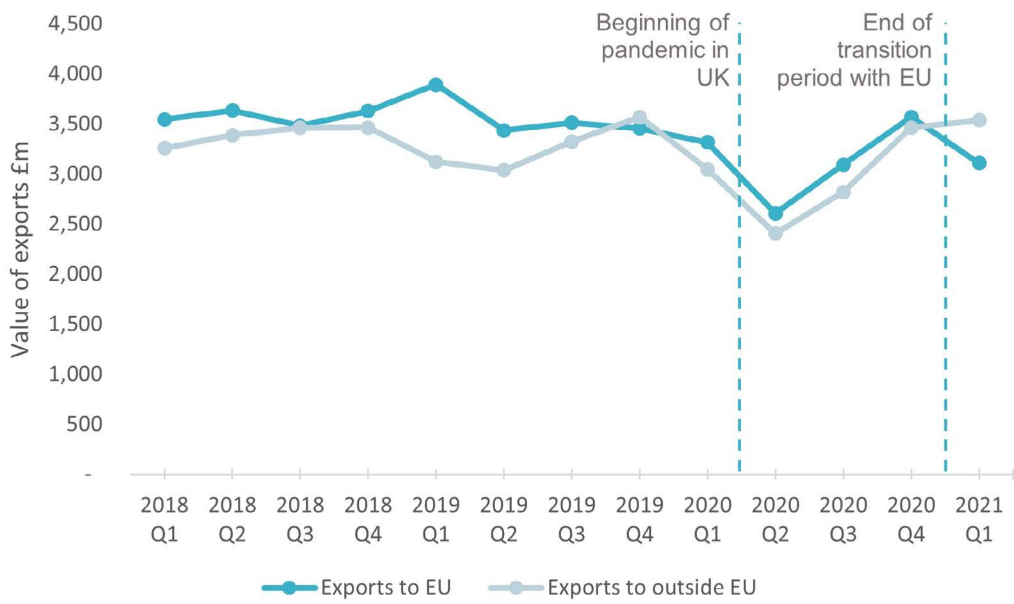
This would involve developing a targeted strategy for Lancashire's international marketing of its offer, concentrating on a few key markets where there is the greatest opportunity. To ensure longevity, the strategy will focus on core developed markets, like those mentioned above, as well high potential, emerging markets such as Africa and South-East Asia. It would require a unique Lancashire brand, sitting within the wider "Northern Powerhouse" branding which has been at the forefront of internationalisation efforts. This would promote and highlight Lancashire's strengths in manufacturing, energy, and health.

Why this is needed

A consistent theme arising from consultation across multiple workstreams is that Lancashire doesn't yet work well together. Its offer often feels less than the sum of its parts. A history of intense industrial competition has created a system where too few businesses collaborate together to attract investment, and towns see themselves as rivals rather than partners in a broader, Lancashire, offering.

Given limited resources, a focus is needed. The data developed through the process of the internationalisation work indicates which countries should be the first place to focus. For those markets located in the EU, there is likely to be dramatic changes due to Brexit. The data for the North West shows that, while Covid-19 had a bigger impact on exports than the end of the transition period, there has been a clear decline in exports to the EU since the end of the transition period, while exports outside the EU have remained steady. While this may represent a temporary adjustment as firms adapt to new conditions, it underlines the need for a proactive approach to promoting Lancashire in these countries as well as the need to adopt a short-, medium- and long-term approach to market activity. This will be needed to support R&D collaboration across national borders and continue to attract talent post-Brexit.

Figure 1. Exports to the EU and outside of the EU from the North West



Source: HMRC UK regional trade in goods statistics: first quarter 2021. Data not available at a Lancashire level.

What this would deliver

- Higher productivity – as exporting firms are more productive – with opportunities to sell in markets where Lancashire firms have a competitive offering – also might be the only way to maintain employment levels as productivity grows by making and selling more to overseas markets
- Higher levels of foreign direct investment into Lancashire from international markets
- Ability to attract and retain global talent
- Maximise the international potential of the county's science and innovation, R & D assets and capabilities
- A well promoted business and leisure destination offer

Skills, Education, and Health

One consequence of the economy we described in the last section is that the workforce is relatively low skilled and low paid. In this section we look at why this is the case and what to do about it. Whilst not a deep dive in its own right, skills is a theme running through the deep dives. In the Health, Wealth and Wellbeing report we looked at education across the lifecycle, identifying areas where it will be important for Lancashire to focus efforts. The Manufacturing deep dive looked at skills and jobs in this important sector. And the Productivity work by The Productivity Institute looked at the role of human capital in Lancashire's productivity gap.

Lancashire has a skills deficit with the North West and UK averages. Most places (though not all) in Lancashire have a low skills base with 23% of residents with no or NVQ1 qualifications and fewer residents with NVQ Level 4 and above qualifications than the national average. There is wide variation within Lancashire – a difference of 40% between highest and lowest levels of NVQ4. There is already a deficit of L4+ in parts of Lancashire, and modelling developed by the LEP suggests that demand is only going to increase for higher level skills.

The Productivity Institute analysis suggests that this is likely to be both a supply and demand issue – with low employer demand for, and utilisation of, skills being as or perhaps more important for explaining low productivity as a lack of appropriate supply.

This is not an issue seen only in Lancashire; skills investment is arguably one of the most important priorities for the country in order to level up - creating places attractive to higher productivity businesses and increasing social mobility and individual opportunity for residents.

In order to understand when and how Lancashire should focus attention we looked at performance of places and people through the lifecycle approach (more detail is in the Health, Wealth, and Wellbeing Deep Dive). What this suggests is that Lancashire-wide and across many parts of the county, the lowest performing life stages are Early Years and Working Years. Most parts of Lancashire see relatively good results (compared to other life stages) in education at Key Stage 2 and 4. There are exceptions where local efforts will be required to level up; Burnley, Hyndburn and Pendle all underperform the NW average and Blackpool and Fylde see a sharp decline in attainment between KS2 and KS4.

Early years typically describes the performance of children between birth and five years old, with some consideration of antenatal wellbeing. 9 out of the 14 local authorities see below national average levels of school readiness. Some parts of Lancashire are amongst the worst performing nationally in this area. Improving early years outcomes will see long term benefits to the residents and economy.

It is not simply a case of investing in more preschool places for ages 2+ but rather considering the many contributors to child poverty. The Childcare Sufficiency Assessment carried out in 2021 showed that Lancashire has a good level of high-quality childcare provision at all age ranges.[5] Take up of 2-year-old funding is lower than 3-4 year-old funding, both locally and nationally, but take up amongst this age group in the spring term 2021 is five percentage points higher in the Lancashire County area (67%) than the UK (62%)[6]. In Blackpool and Blackburn with Darwen in 2020, take up was 71% and 59% respectfully[7,8]. What this suggests is that early years provision is important, but only one part of the picture of the broader context of the early years of a child's life.

The performance of a place in how children perform in early years is a strong determinant of how a place performs later in childhood. Many of the same places in Lancashire with challenges in early years, including Burnley, Blackpool and Blackburn with Darwen, also have low levels of childhood educational attainment, health and deprivation. Unless we tackle early years we will continue to see impacts on resident life chances - the Department for Education has previously estimated that individuals who achieve five or more good GCSEs (as their highest qualification) have lifetime productivity gains worth around £100,000 on average, compared to those with qualifications below this level. When compared to children with no qualifications, the returns on having five or more good GCSEs increase significantly, to around £260,000.[9]

This is why we recommend in **Recommendation 4** a holistic approach to early years which goes beyond just early years provision to create new family hubs which bring together the whole wealth of services and expertise required to raise outcomes in early years. This requires strong leadership and resourcing – we suggest a Lancashire senior sponsor be created. From the evidence of the previous Sure Start programme (and early feedback on Blackpool's Better Start programme), we know this approach works. The IFS recently found that the Sure Start programme prevented over 13,150 hospitalisations among 11–15-year-olds, particularly for mental health reasons. It also had a much more noted positive effect in disadvantaged areas[10].

Early years outcomes do not sit in isolation: a focus on quality of work, income, and housing will be required to improve outcomes for people in their working years, as well as for children and older people. Improving the quality of housing through a green housing programme is one of our recommendations later in this report (**Recommendation 8**). Businesses and other employers have an important role to play here in providing quality jobs with fair wages, contracts, and good in-work health practices.

Lancashire needs to do more to stimulate demand by employers for a more highly qualified – and productive – workforce. Businesses may lack access to skilled workers, but they may also not have business models which effectively utilise a skilled workforce. This perhaps shows up most starkly in low wages. In Lancashire, over one in four employee jobs earn less than the Real Living Wage, the threshold required for people to reach a minimum acceptable living standard[11]. ▶

5 Lancashire County Council (2021) Childcare Sufficiency Assessments.
6 UK Government (2021) Education provision: children under 5 years of age
7 Blackpool Council (2021-2022) Childcare Sufficiency Assessment
8 Blackburn with Darwen Council (2020) Childcare Sufficiency Assessment
9 Early Intervention Foundation (2018) Realising the potential of early intervention. London: Early Intervention Foundation.
10 https://ifs.org.uk/publications/15573
11 Resolution Foundation (2020) Calculating the Real Living Wage for London and the Rest of the UK: 2020-21.

- Too much low value work in an economy results in low spending power and precarity via low wages and poor conditions at work. This leads us to **Recommendation 5** – to work with employers to raise awareness of the business, productivity and individual benefits of better jobs by developing a Good Work Charter, working with businesses to improve skills utilisation, job quality, wages and recruitment, alongside the new Business Health Matters programme.

There is a challenge to increase the number of residents with L3+ qualifications. Higher level skills are in high demand with projections between 2018 and 2028 showing a 5% increase in demand for Level 3 skills and a 4% increase in demand for Level 4+ skills, coupled by a decline in demand for lower-level skills of -4% for both Level 1 and Level 2.[12] The employer skills survey reveals that there is a shortage of skills supply in mid skilled occupations, in particular those in skilled trades occupations. In many sectors there is already a need for upskilling, and this is likely to increase as we move to more modern methods of construction, manufacturing and service delivery. The Future of Manufacturing Deep Dive highlights how rapid change in the sector requires a supportive skills infrastructure to ensure people aren't left behind as the sector moves towards zero carbon and new industrial methods.

Lancashire (like most places) need to align skills provision to labour market intelligence and ensure the resource can be targeted at a place level to where it is best needed. Work is ongoing through the Lancashire Technical Education Vision, which is focused on developing a high performing technical education system that builds the skills that local employers require. The framework that underpins it focuses on four sets of outcomes which will be key to unlocking the supply of L3 and L4+ skills.

For skills support to be tailored to new and future industrial needs, providers require up to date labour market intelligence to design courses to meet business needs. Even this though can encounter problems. There is currently a disconnect, highlighted in the Manufacturing deep dive, between skills providers and industry requirements. While Lancashire has great strengths in skills infrastructure, supported by skills programmes, a greater degree of co-ordination is required to align requirements, identify relevant future skills, and deliver the scale of upskilling required within the existing employment base. This includes looking at access barriers to skills, such as the cost of travel for those who are located further from skills facilities.

Our recommendation around skills reflects the need to address the supply of workforce skills now to support employers by upskilling residents to increase opportunity. This is best tackled at sub-regional level, ensuring that all parts of the county collaborate on strategic skills leadership. The aim is to increase the amount of skilled labour available in Lancashire. This is an area which is receiving national attention through the FE White Paper which looks to improve technical education and take up.

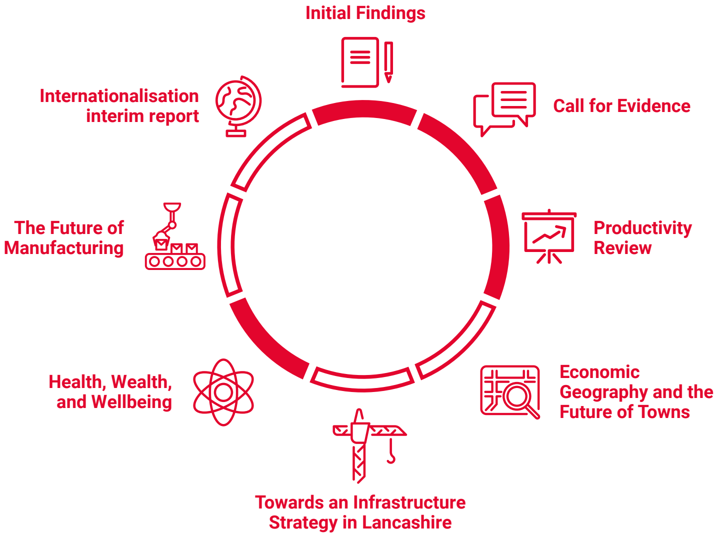
Mayoral Combined Authorities have received devolved powers over the Adult Education Budget (but not 16-19) and will receive an allocation for the new Lifetime Skills Guarantee. Lancashire does not yet have these policy levers, but the County Deal process could change this. Our **Recommendation 6** draws on some of the announcements in the FE White Paper to create a Lancashire Lifetime Skills Guarantee. Training must be aligned to the needs of the labour market. This should be implemented countywide, but also look to focus efforts on those areas which face particular challenges, particularly around lack of highly skills residents to reduce the 40% gap between highest and lowest performing areas.

[12] Lancashire Enterprise Partnership (2021) Lancashire Skills and Employment Strategic Framework: 2021 Refresh Incorporating the Local Skills Report.

We suggest that the focus on L3 qualifications and progression to L4 is the right one for Lancashire but only if funding can be aligned to ensure pathways up to L3 and support progression to L4. As we say above, almost a quarter of adults do not have a L2 qualification. They cannot be left behind. This skills guarantee must take a skills escalator approach, aligning with other funding streams such as the Adult Education Budget and other initiatives such as the Skills Bootcamps and, going forward, funding through UK Shared Prosperity Fund. There may be opportunities now to consider how best to do this; the announcements around County Deals could seek to beyond the devolution of AEB to include the National Skills Fund, and potentially funds to aligned with technical education, to build a system that is better aligned with the needs of disadvantaged communities and with the needs of the labour market.

Improving the health of residents can lead to a larger labour pool who can work in good health for longer. Analysis by the University of Manchester shows that poor health accounts for 17% of Lancashire's gap in productivity with the rest of England. This human capital will be important for Lancashire to thrive going forward. A radical upscaling of current health and work programmes could add up to £1.4bn additional GVA to the economy every year by addressing the poor health challenges. But there are some big challenges for Lancashire as a whole and large differences in opportunity and life chances depending on where you live in the county. Given that in some parts of Lancashire healthy life expectancy is as low as 46.5 years, there is a big opportunity here.

After a long period of reduced council spending and less generous health spending too, health and care services have been focused ever more on acute care, so this is an opportunity to refocus, prioritising prevention and early intervention and ensuring that reforms are linked to place based priorities. This leads us to **Recommendation 7**, to increase health and work programmes, develop a health equity fund, and multi-agency collaboration and joint working to develop systems approaches to improving health. The objectives are to stimulate innovation in models of care, reduce demand on acute services and address poor health challenges, keeping residents healthy and productive for longer. As the work of Lancashire's nascent Health Equity Commission comes forward they will shape the delivery of this.



4)

Increased focus on the early years of life

What this would look like

This would take a broad view of what is needed to support the early years of a child's life, looking beyond funding for early years provision to consider the broad support required to support healthy development and tackle child poverty. We suggest that Lancashire needs to complement the early years provision available in the county with more holistic support for the whole family. Drawing from the Leadsom Review, this should start with investment in Family Hubs accessible in all parts of the county to all those who need them. Lancashire should consider implementing the recommendations from the Early Years Healthy Development Review Report around a Start for Life offer, accessible to all families through Family Hubs. This programme would have evaluation built in from the start to understand what works and the lessons learned could be used to shape how the programme is rolled out nationwide.

This complex area will require strong strategic leadership. Both the Early Intervention Foundation and the Leadsom Review advocate for a single place based senior sponsor to lead this area. This is something for Lancashire to consider.

The Family Hubs would bring together programmes that join up multiple agencies (such as Better Start Blackpool) and support parents & carers to raise healthy children and to access services – including early years education – which can provide the children with the best start to their education.

Why this is needed

Some parts of Lancashire are amongst the worst performing nationally for the performance of children in early years, despite good levels of high-quality provision. This suggests that spending on provision alone is important but not sufficient. This is reinforced through work by the Social Mobility Commission who found that education alone will not determine outcomes for those living in more deprived areas[13]. Looking at the wider picture around a child's early years of life suggests that families require support tailored to their circumstances, in a joined up way. Families need support to increase skills (including digital), adequate housing, financial advice, access to benefits and employment, and a safe community to live in.

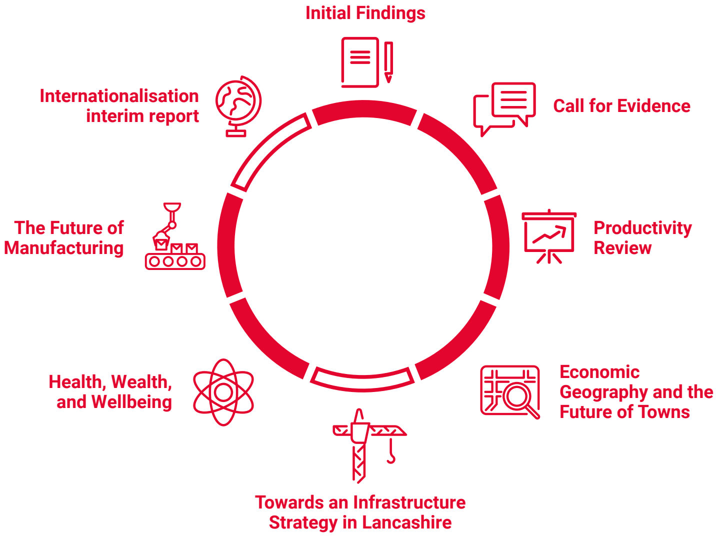
[13] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/923623/SMC_Long_shadow_of_deprivation_MAIN_REPORT_Accessible.pdf

What this will deliver

- Improvements throughout the lifecycle of children born in Lancashire. This would most immediately be seen in the number of children who are 'school ready' at age 5, but would later be seen in improved health outcomes, higher earnings, and higher life expectancy.
- A generational positive shift in employment and deprivation statistics
- Reduction in inequality and outcomes between places
- Increased earnings and positive social mobility

5)

A Good Work Charter for Lancashire



What this would look like

A good work charter developed by Lancashire for local employers. This should focus on improving the quality of jobs across the business base with a focus on income, conditions and skills. Businesses signed up to the Charter should be offered a productivity and resilience diagnostic in order to develop an agreement with the Business Growth Hub, skills, and management & leadership development training providers to support the business to implement new measures to increase skills demand, improve job quality, raise wages and productivity.

It could follow a similar model to charters developed in other parts of the UK, including Greater Manchester and Liverpool City Region. Building on work already undertaken on the Morecambe Bay Anchor Charter and the Lancashire Skills Pledge, this would be a mechanism to build awareness amongst employers around the importance of good work and encourage them to improve their business practices. It could provide incentives for employers to sign up, by linking to local authority (and anchor institution) procurement and social value and providing low or no cost business support. It could also tie to new programmes like Business Health Matters – focused on improving practices in SMEs.

Why this is needed

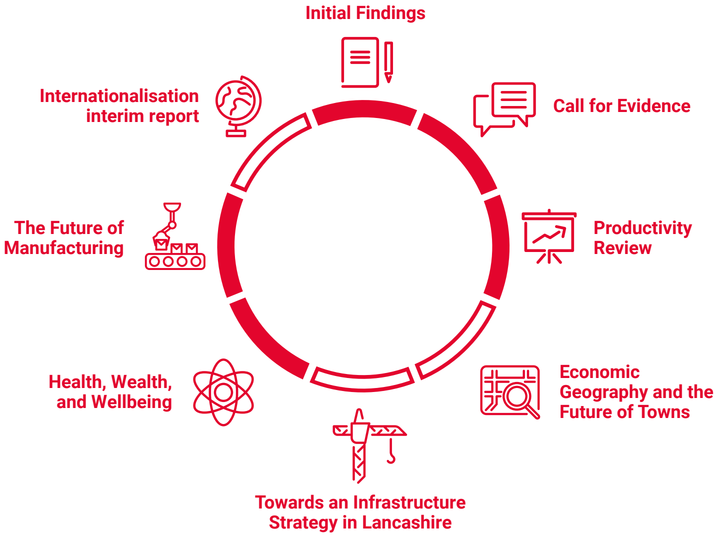
Businesses and other employers have an important role to play in growing Lancashire's economy by providing quality jobs with fair wages, contracts and good in-work health practices. Low in-work productivity is one of the biggest reasons for the low productivity in Lancashire – addressing this requires a response to support employers to create higher value jobs which pay a fair wage and have good terms and conditions.

What this will deliver

- Increased number of residents and workers earning the real living wage.
- Reduction in the number of workers stuck in a no pay/low pay cycle.
- Increased productivity and workforce retention.
- Reduced sickness & absenteeism increasing productivity and wider wellbeing
- Increase employer demand for higher skills

6)

Develop Lancashire's lifetime skills guarantee



What this would look like

This local version of Government's commitment to a lifetime skills guarantee aims to increase the number of residents with level 3 and level 4+ qualifications, in particular those linked to manufacturing, digital and green tech; supporting those who are mid-career and may be looking to retrain; as well as supporting health and care training at all levels.

It should invest in skills pathways to ensure that those who do not have a L2 qualification are able to access the guarantee. The first step is to ensure that the National Skills Fund – and the adult education budget - is closely aligned to Lancashire needs and to consider the potential for funding to be devolved to Lancashire as opposed to national administration through the Education and Skills Funding Agency.

It should be informed by the work of the Lancashire Skills and Employment Advisory Panel and underpinning Skills and Employment Hub, ensuring that local labour market intelligence is used to align skills provision to the current and future requirements of local businesses. This should identify where in the county has particular skills deficits and target resource accordingly to address the large variations between skill levels within Lancashire.

Why this is needed

There is growing demand for L3 and L4 skills, but Lancashire underperforms, in particular for higher level skills. There is large variation in number of L4 qualified residents between places in the county. Almost a quarter of residents do not have a level 2 qualification – this is reflected in the number of people earning below the Real Living Wage. There is an opportunity to better join up provision and create an offer accessible to residents across the county. We heard in workshops about the strong local skills offers, but that these are often localised as opposed to Lancashire-wide. There are already positive movements locally on this which can act as building blocks - the North and Western Lancashire Chamber of Commerce has been named as one of the Local Skills Improvement Plan trailblazers for example.

[14] Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/957856/Skills_for_jobs_lifelong_learning_for_opportunity_and_growth__web_version_.pdf

The Skills for Jobs White Paper[14] provides the backdrop for change. It sets out how government plan to reform adult learning, addressing skills gaps, apprenticeship improvements, and strengthen links between employers and FE providers. Provision will be flexible, making sure that people can access training and learning throughout their lives and that they are well-informed about what is on offer through great careers support.

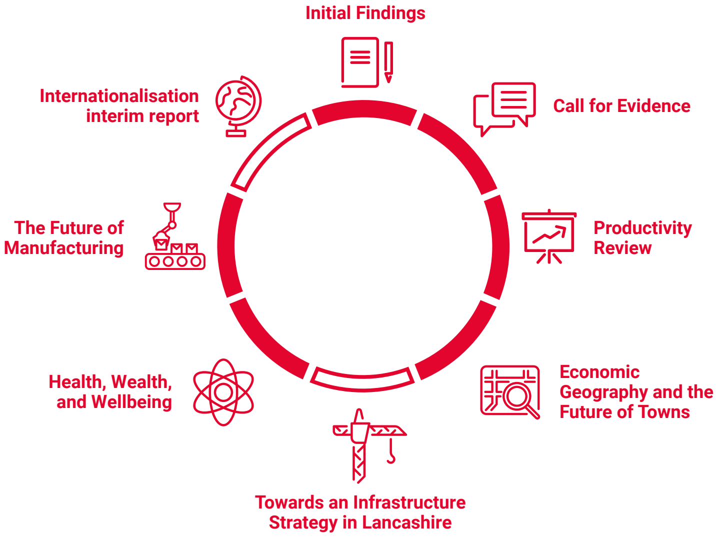
Currently Lancashire's skills system does not benefit from the devolution of decision-making and funding that the Mayoral Combined Authorities and Greater London Authority have. Whilst this is not a panacea for success, ability to align multi-year funding across a number of skills funding streams could help Lancashire's broad and high performing training providers to support residents to create a supply of skilled labour for the county.

What this will deliver

- Large reduction in those with no or low skills.
- More residents with Level 3 and L4+ qualifications matched to the local labour market.
- Increased employment engagement in skills and training.
- A more joined up and strategic approach to skills.

7)

Increase health & work programmes and create a health equity fund



What this would look like

This programme would look to bring together health and wealth systems, with a joint focus on place-based priorities. It will focus on three areas.

Firstly, it should build from some of the existing workplace health programmes and partnerships working in Lancashire to better integrate health, retraining and upskilling, and employability support for those out of work or at risk of leaving the labour market.

Secondly, a health equity fund to incentivise longer-term investments in preventative measures that reduce the risk of developing ill physical and mental health and disease, and support behaviours that improve health. The objective of this fund should be to use innovative new approaches, including social innovation and technology to break the cycle of poor outcomes through early intervention at all life stages, recognising the social and economic benefits of doing so.

This would be a multi-year funding pot, whereby expenditure can be reprofiled to spend more up front, with targets for increased spending on prevention. It would also have a rural funding stream to support innovative projects to improve health and reduce deprivation in rural communities. The Health Equity Commission would help shape community-based ideas to bid into this fund.

Last, it should consider the governance and leadership required across health and local government in order to deliver improvements in prosperity and productivity. Progressing thinking and action requires systems thinking, long-term investment, strong partnerships and leadership that prioritises early intervention coordinated across all agencies with an interest. Health should be at the heart of economic strategy, recovery and levelling up, with strong monitoring processes in place to measure impact. This includes a need for shared place-based priorities for the county and collaboration around outcomes.

Why this is needed

The existence of persistent health inequalities and health deprivation in particular areas of Lancashire is highlighted in the Health, Wealth and Wellbeing Deep Dive. Early years and working years are two life stages where outcomes are often particularly poor in Lancashire. The report also notes some of the particular health challenges associated with rural areas.

The Marmot Review and others quoted in the report highlight how fair, quality employment is needed to improve health outcomes. However, this works both ways – health can also be a barrier to people participating in/benefiting from economic growth. Sir Michael Marmot, the author, will be leading the Lancashire Healthy Equity Commission which will be driving forward this agenda.

After a decade of austerity, health and care services have often been focused on acute care, so this is an opportunity to refocus and prioritise prevention and early intervention. This approach could bring together the wealth of data at the disposal of NHS Trusts, local authorities and Public Health England to identify where action taken early can significantly reduce the health burden on individuals and local services.

What this will deliver

- Improvements in productivity through less days lost to ill health – with a £1.6bn uplift from improving health outcomes in Lancashire. This creates a virtual cycle of healthier workers with more productive outcomes
- More people who are able to enter and stay in the labour market - health and work programmes could be implemented in areas with a high claimant count and/or low average healthy life expectancy.
- Strain taken off the acute health sector, as the vicious cycle of unemployment and poor health outcomes becomes a virtuous cycle of quality work and improving health outcomes.
- A reduction in the inequality with Lancashire by raising the healthy life expectancy.

Housing and Resilience

The idea that economic and environmental policy operate in separate spheres is no longer tenable. Economic activity uses environmental resources, which are limited. At the same time, the climate emergency is leading to more frequent adverse weather events and rising sea levels, which are themselves major threats to Lancashire's economy. More positively, net zero initiatives can create economic opportunity and reduce fuel poverty, creating sustainable jobs in green sectors.

We do not here seek to recreate the analysis of the Environment Commission, which explores extensively the resilience of communities in Lancashire, and the action needed to reach net zero. However, given the centrality of the climate challenge, and the contribution of housing and transport both to carbon emissions and to the job of reducing them, we are strongly of the view that they deserve attention in their own right: housing – while not a deep dive in its own right – has emerged as a major area where environmental and economic goals align.

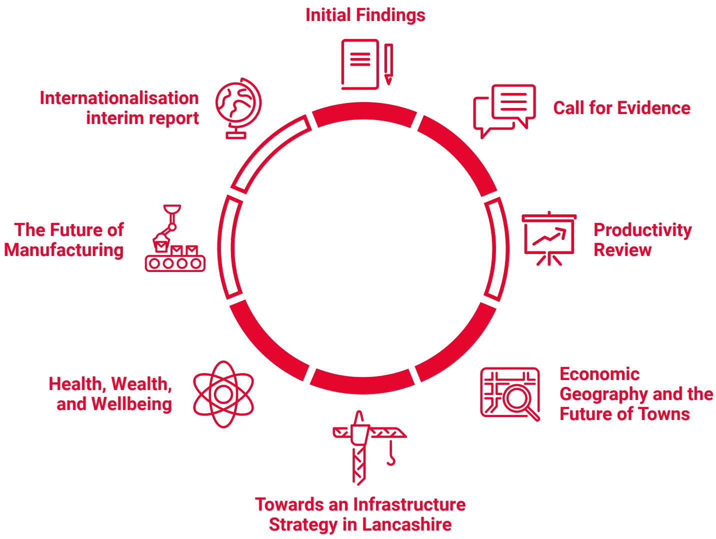
Our analysis here draws on evidence set out in the Infrastructure Deep Dive. Much of Lancashire's housing is old, with poor energy efficiency. This means that residents are often living in unhealthy conditions and fuel poverty, unable to pay the large bills required to keep properties warm. In some local authorities the rates of households in fuel poverty are well above the national average of 13.4%, such as Pendle (17.3%), Burnley (16.4%), and Hyndburn (15.6%)[15]. It also means carbon emissions in Lancashire from domestic properties are large, with domestic gas as the second biggest contributor after transport. We have heard repeatedly, particularly from the denser urban areas that houses in multiple occupation (HMOs) are problematic from an emissions, density, and health perspective.

There is also evidence that houses in parts Lancashire tend to be smaller than the national average. In Burnley, for example, the median house has 91m^2 of floorspace, compared to the national average of 99m^2[16]. This suggests Lancashire doesn't have enough of the larger houses needed in sustainable town and city centre locations – which are a key part of attracting aspirational, professional workers. These need to be developed in a way which is aware of the future implications of climate change – which will likely include more heatwaves, and more frequent flooding events.

[15] https://www.gov.uk/government/statistics/sub-regional-fuel-poverty-data-2021
[16] Blackburn with Darwen, Blackpool, Chorley, Hyndburn, Pendle, Preston, Rossendale, and South Ribble are also below the national average.

But housing should not just be seen as a problem to be solved. Much of Lancashire is enjoying a housing boom. We need to ensure that the housing is sustainable. Retrofitting existing properties also requires a large amount of labour input – a large housing programme could generate many jobs for local people. This can be a key plank in a strategy to develop skills in the green workforce of the future, with upgrading and replacing domestic property certain to be an environmental priority for decades to come. The supporting technologies to enable this can also be developed by Lancashire's large manufacturing sector, enabling productivity improvements and growth to go hand-in-hand with decarbonisation. And developing new, sustainable, housing is one key way of bringing in more professional services workers (including new graduates) – an area where Lancashire needs to develop more specialisms.

In this section we set out one substantial recommendation – **Recommendation 8** – a large-scale green housing programme. This brings together retrofit, the replacement of some poor-quality housing, a programme to tackle problematic houses of multiple occupation, and the development of new housing in sustainable, attractive locations. It is deliberately set out in bold and aspirational language. We are well aware that this is a programme which would cost resources considerably beyond anything that Lancashire partners could afford on their own. The purpose of the recommendation is to encourage the county to embrace the scale of the challenge and thereby to take the first steps towards addressing it.



8)

A major green housing programme

What this would look like

This programme would have several elements to significantly improve Lancashire's housing stock and create quality housing where it is lacking. Firstly, this would involve a retrofitting programme. This would tackle the poor efficiency of housing in much of Lancashire through providing a mix of insulation, double glazing, heat pumps, and district heat networks. In some cases, retrofit may not be practical, and the wholesale replacement of inefficient housing with modern may be the best way forward. Both of these options – retrofit and replacement – will require funding in areas where land values are low and there is little viability (this is compounded where existing housing is low quality, creating blight and making it harder to incentivise developers to act). **This funding should be recognised for what it is – an investment in the environment, town centres, and the health of residents, enabling them to live healthier, more productive, lives.**

The programme would also look to make housing climate ready – recognising the increasing need for cooling systems as well as heating ones, and being conscious of future risks from increased flooding.

The programme would also look at the housing market more generally. Within Lancashire, we have heard there are challenges around houses of multiple occupation (HMOs), where people are living in substandard unhealthy accommodation. At the same time, the programme would bring forward sustainable high-quality housing, designed for workers in professional sectors.

To have a major impact, this would have to be delivered at scale, working with planning authorities, MHCLG, Homes England, housing associations, and residents' groups.

Why this is needed

Much of the housing stock in Lancashire falls severely below standards and is energy inefficient, as explored in the Infrastructure Deep Dive. In Hyndburn, 40% of the dwelling stock is pre-1900 – over 120 years old – while in Blackpool, only 5% of existing housing stock has been built after 2000. Where old housing has not been upgraded it will typically be cold, damp, and inefficient.

This energy inefficiency is a major problem in Lancashire. Domestic gas is now the second biggest contributor to emissions in Lancashire, after transport. Lancashire has declared an aim to reach net zero by 2030. **But most of Lancashire's 2030 housing stock has already been built.**

While it is important all new builds meet high energy standards, Lancashire will not be able to hit a net zero target without drastically reducing the carbon output from its existing housing stock and improving its energy efficiency.

Furthermore, being a “quality place to live” is a core function of towns, as identified in the Infrastructure and Economic Geography and Future of Towns Deep Dives. For towns to succeed at this function, residents will need warm places to live in with affordable bills. Houses which are attractive, spacious, and well-built can retain and attract aspirational populations with the skills to support key sector growth. In particular, having a housing offer which appeals to graduates – who will often stay where they begin their first job – will help build a professional services workforce. The Health, Wealth and Wellbeing Deep Dive explores the links between poor quality housing and its impact on the health of the population, noting that in Lancashire many residents are living in overcrowded and poorly heated homes.

Poor housing is also closely associated with poor health, as noted in the Health, Wealth, and Wellbeing deep dive. Damp, cold, overcrowded living environments can cause long-term health conditions, including mental health conditions, all of which makes it harder for people to live fulfilled, productive, healthy, lives.

Finally, the Initial Findings of the Review (drawing on Cambridge Econometrics work) confirmed that Lancashire currently has an underrepresentation of businesses in the Knowledge Intensive Business Services (KIBS) sector. Firms in this sector tend to be fairly flexible about their location due to generally lower technical requirements. The deciding factor for many businesses will be the availability of labour. To attract these companies, Lancashire needs first to attract potential workers in these sectors. This has become more feasible as remote working is becoming more of a norm – but to make the possible a reality requires high quality housing (among other things, most notably good schooling).

What this will deliver

- Lower CO2 emissions – the use of gas in Lancashire’s housing stock contributes 1.6 million tonnes of CO2 into the atmosphere every year – without action net zero is impossible
- A significant improvement in the quality of life of residents. With a lower cost of heating, people would be able to keep warm in winter, stay in good health, and have additional disposable income. Particularly in areas of Lancashire where fuel poverty is very high this will benefit the poorest. It may also have a particular benefit for rural communities off the gas network, where the price of heating oil is an order of magnitude greater than gas.
- Better place quality in Lancashire by improving the urban fabric and providing attractive housing to workers in professional sectors. This would support Lancashire in tackling a gap in its sector make up, helping it to achieve greater productivity.
- Growth in Lancashire businesses who manufacture and install the technologies – resulting in increased job density and more opportunities to reskill and upskill

Transport, Infrastructure, and Connectivity

In this section we draw primarily on the evidence developed through the Infrastructure Deep Dive and the Economic Geography and Future of Towns Deep Dive.

Lancashire's long and proud history creates a strong attachment to a Lancastrian identity within and beyond its boundaries – into the "old Lancashire" of Manchester, Liverpool, and Furness. But Lancashire does not operate as one place. The evidence developed through the review shows that while some links between places are strong, others are much more tenuous.

There are historic reasons for this. Lancashire does not have one major settlement which everywhere looks towards, but a grouping of small cities –Lancaster and Preston, large towns – such as Blackpool, Blackburn and Burnley – and freestanding medium-sized towns such as Accrington, Chorley, and Ormskirk. But evidence produced by examining mobile data suggests that links have typically been stronger North-South than East-West. The industrial make-up of Lancashire through the industrial revolution meant that for many mill towns, their primary economic relationship was south to the ports of Manchester and Liverpool where cotton would arrive, and finished goods would be shipped.

Transport infrastructure has served to strengthen this tendency. The West Coast Mainline, fully opened in 1869, provides connections North-South to Manchester and Scotland. Unlike most East-West rail in Lancashire, it is electrified, and much quicker – Lancaster can be more quickly reached from Preston than Blackburn, despite being twice the distance. The M6, which follows a similar route to the WCML, strengthened this trend when it was built, with the UK's first section of motorway – the Preston bypass – opening in 1958. By contrast, the motorway in East Lancashire, the M65, was only completed in 1997, and unlike the M6 is dual carriageway for several sections.

There are compelling reasons to want to improve East-West connectivity in Lancashire, which is our **Recommendation 8**. Firstly, some of the worst socioeconomic outcomes in Lancashire are in the West (most notably Blackpool) and in the East (especially in urban centres, such as Blackburn, Accrington, Burnley, Nelson and Colne). Improving transport on its own will not solve these issues. But opening up employment, retail and leisure opportunities through improved transportation is a first step towards improving wages for residents. Secondly, it will provide employers within these areas with a larger pool of workers to draw from, enabling the development of more highly specialised sectors, increasing productivity through a process known as agglomeration. Thirdly, and most importantly, improving these links can integrate Lancashire's divided economy into ▶

- one, unlocking areas such as the Pennine Industrial District connected by the M65 Manufacturing Corridor. This will increase productivity which can, in turn, lead to greater prosperity.

North-South and East-West should not be seen as an either/or choice, however. Improving links East-West across the county allows residents to access the major North-South connections more easily. For the opportunity of HS2 – which will further strengthen North-South connections – to be maximised, stronger East-West links are needed. As Lancashire seeks to achieve its demanding environmental ambitions, the focus for these links should be on environmentally friendly modes, such as renewables-powered electric rail, and active travel (walking and cycling).

But for the many people who live in Lancashire's rural communities, the most important mode of public transport for day-to-day travel is the bus. Bus mileage in Lancashire has been dropping at an alarming rate in recent years, with over 26 million fewer bus journeys in 2019/20 than 2009/10. This is a drop of a third (-33%) which is both worse than the decline in the North West as whole (-21%) and across England (-12%).[17] Lancashire is establishing an enhanced partnership with bus operators which will work to arrest and reverse the decline in journeys. Once the impact of Covid-19 has stabilised, and the Enhanced Partnership model is in place, a review should be conducted into the local bus network to ensure this is having the impact it needs to – **Recommendation 11**. If this fails to address the decline, it may be necessary to adopt a franchising model, allowing Lancashire to integrate its public transport into a more effective network, that works for residents.

Improving transport will serve Lancashire's residents. But it can also open up opportunities to develop more commercial space. It might have been expected that the conclusions and recommendations of an independent commission such as this would give detailed consideration to the various strategic sites, housing, and other land-use proposals from across the other authorities of Lancashire. We have taken a conscious decision not to do so.

There is extensive work underway amongst the officers in Lancashire, in each individual authority, to ensure the adequacy of supply of sites and the advanced infrastructure is to make them viable. Lancashire has some key sites under development – including the four enterprise zones and other major developments and strategic sites. The development of these has demonstrated the ability of groups of institutions to collaborate together on delivery – such as at Samlesbury, which crosses two districts and has required collaboration with Electricity North West to deliver the power businesses need. This kind of subregional approach, which recognises the role that sites have in a wider area than just the local authority in which it is developed, will be essential to deliver the business space Lancashire needs, and will need.

Ensuring that there is such a supply and being sure that Lancashire really is doing everything it can to attract and sustain viable, value enhancing sustainable development is at the heart of what this Panel believes is important, however. Therefore, we have taken an interest in the way in which Lancashire goes about developing its pipeline of opportunities and potential projects. This is something we return to in our final section.

We note here simply that we have been unable to determine through this process whether Lancashire has an adequate supply of sites and premises at an appropriate stage of preparedness. We are not, on the whole, of the view that this is something Lancashire collectively has enough of a view of. This is in principle not because of a lack of desire or effort: we know that the councils of Lancashire work hard on this issue. It is because the current way of doing business is too focused on individual local authorities and insufficiently focused on the needs of the county overall.

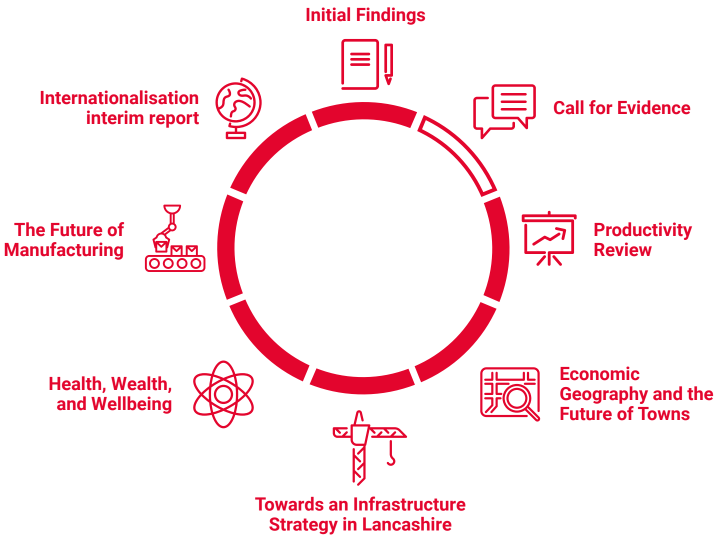
[17] Statistics from analysis of DfT table 0109

As we discuss later, Lancashire is a complex economy with considerable inter-relationships across its area. From the perspective of investors and employees alike, Council boundaries are near-irrelevant in the location of an employment site. The effort to ensure that Lancashire has its land and property assets available to support this economic reality is something that is not sufficiently recognised in the way the county does business at the moment. We return to this in **Recommendation 14**.

Lastly, connectivity is not just about the movement of people and goods. More than ever, the movement of data is at the heart of a successful economy. The Covid-19 pandemic has accelerated digitalisation in many industries, as well as normalising working from home in some sectors. In Lancashire, full fibre coverage (the gold standard for wired broadband) is well below the national average (11.3% vs. 20.2%). More positively, the potential for large data loads has been boosted by the arrival of the North Atlantic Loop. There is a real opportunity to support manufacturing firms in improving their adoption and use of digital technology, while encouraging the arrival of firms in sectors which depend on high data usage, such as software development and gaming. Therefore **Recommendation 12** is for a programme to focus on delivering full fibre across Lancashire, which would need to be accompanied by a focus on tackling digital exclusion.

9)

A review of sites for business



What this would look like

It has been beyond the scope of this review to analyse the full list of sites being proposed for development in Lancashire. However, we have received evidence about their provision in connection with various parts of the review.

Lancashire already has major areas of developable land. The four enterprise zones have space for the provision of industrial space. Other sites will significantly add to the quantum of space available, such as Lancashire Central at Cuerden, which will offer at least 600,000 sq ft for logistics or other non-retail use, 260,000 sq ft of mixed commercial use such as food retail, a hotel and car sales, 130,000 sq ft for business and industrial hybrid units, and up to 210 homes[18].

However, there is more to the provision of business space than simply the total quantum. The location of such space and the way it is designed are equally important factors for whether the space can successfully support innovative businesses and sustainable employment. Therefore, a review would consider the full scope of sites currently available (building on work to assemble the list of sites in the pipeline by Councils), in conjunction with a detailed business surveying exercise to gauge what businesses are saying about their current, and future, spatial needs, to understand where the gaps are.

The review would support sites on the basis that they met certain key criteria:

1. Being appropriate and needed
2. Having a solid business case with good value for money
3. Being fundable, with co-investment lined up when needed
4. Being deliverable, with infrastructure in advance and planning progressed where needed
5. A firm strategic basis, without regard to local authority boundaries, being what is needed for the sake of the whole county.

Why this is needed

Firstly, this review can guide where sites are established, aligning them to economic strengths across Lancashire. The Economic Geography and Future of Towns Deep Dive noted there are two major corridors in the East of Lancashire – one based around Blackburn, and another around ▶

[18] https://www.lancashire.gov.uk/council/organisation-and-partnerships/partnerships/city-deal/lancashire-central-cuerden/

- Burnley. The Future of Manufacturing Deep Dive also found that the highest areas of manufacturing employment density are in this part of the county. A strategic plan for sites here can enable this Pennine Industrial District/M65 Manufacturing Corridor to continue to attract high value employers. Lancashire's energy coast – which brings together nuclear sites and wind power – is another corridor, where the development of sites to support these industries may be concentrated. There are also links across the central East-West band of Lancashire for aerospace – joining up Blackpool airport, BAE sites at Warton and Samlesbury, across to Rolls Royce in Barnoldswick.

Secondly, space available for business can distinguish Lancashire in a competitive market. Businesses in sectors such as data science, battery technology, and aerospace will have technically demanding requirements for sites. The review will give pointers to what businesses will require. For example, there is a big opportunity for data processing businesses in the west of Lancashire, with the arrival of the North Atlantic Loop – a digital "super highway" bringing huge data capacity and speed. These types of sites will require large power inputs, and where possible should be located in places where renewable energy can be provided to enable their operations.

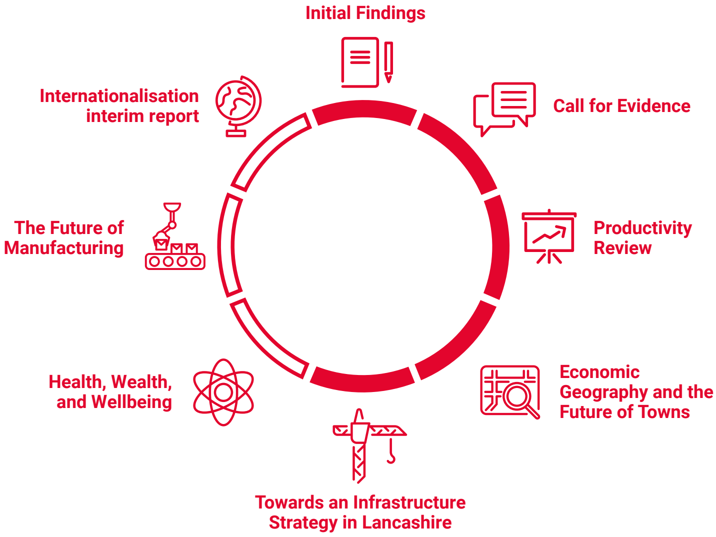
Thirdly, the review can give pointers to how business space should be designed. The conversations with businesses which informed this review didn't highlight a current lack of space, but they did highlight that spaces, as they are currently designed, tend to promote working in isolation, with each business working in its own shed or warehouse. As highlighted in multiple parts of the review, there is a need for more innovation in Lancashire, to increase value and embed businesses within the county. This requires collaboration between businesses, as well as links across to academia. For this to happen requires the right kinds of spaces, where chance interactions can occur leading to new ideas. This will likely require town centre developments, where open innovation spaces and incubators can be placed in living environments, alongside amenities and housing. Other developments, such as AMRC North West, can create this space for translational research to occur.

What this will deliver

- A pipeline of high-quality sites across Lancashire, aligned to economic corridors, improving the competitiveness of the county
- Increased innovation, through the design of sites to allow creative interactions to occur
- Strengthened sectors, with room for expansion and the creation of new businesses

10)

An East-West connectivity programme



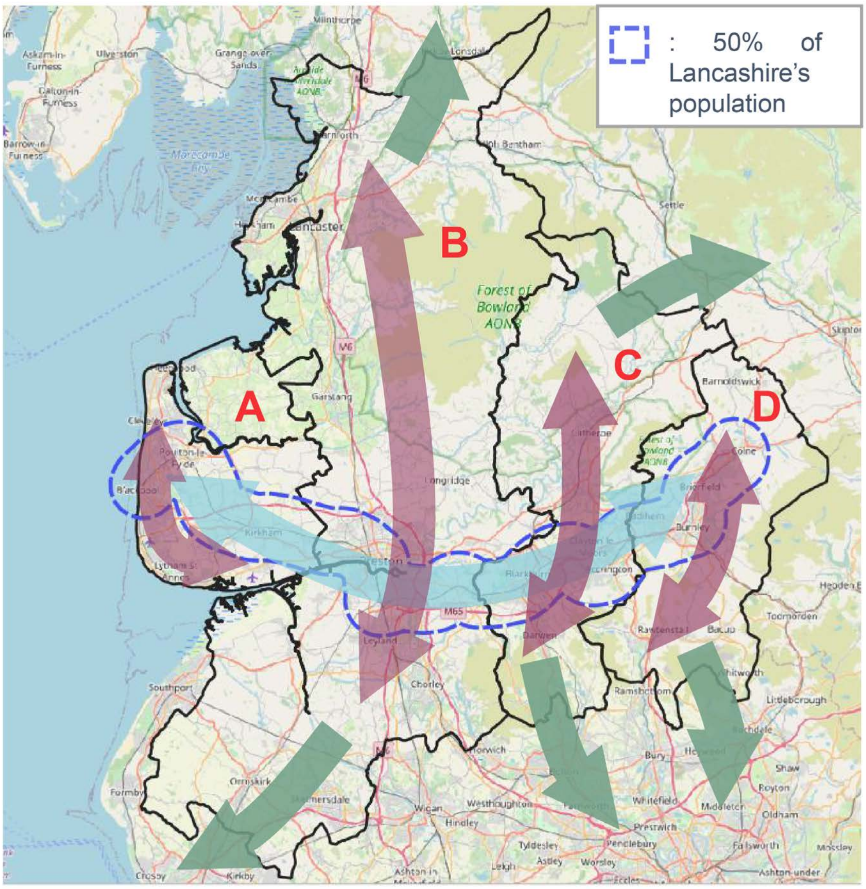
What this would look like

An East-West connectivity programme would involve a package of investments to enable the radical improvement of East-West connectivity in Lancashire. This programme could cover all kinds of modes of transport, though environmental imperatives require a focus on modes such as bus, rail, cycling and walking, providing more effective replacements for car usage. This would incorporate the electrification of East-West rail and measures to improve the Leeds and Liverpool Canal as a viable travel to work corridor.

Why this is needed

While most of Lancashire's population live on an East-West corridor from Blackpool to Colne, North-South commuting is much stronger in the county, as shown in the Economic Geography Deep Dive. The corridors analysis shows that currently, most movements in Lancashire occur along four corridors:

Figure 2. **Economic corridors in Lancashire, based upon mobile phone data**



The primary economic corridors where most movements happen are labelled A, B, C, and D and demonstrated with red arrows. The blue arrow demonstrates the main East-West corridor across Lancashire linking these – though movements along this corridor are fewer than North-South movements. Finally, green arrows (which represent around 16% of trips) capture movements to outside of Lancashire.

This recommendation is about economic integration. For Lancashire to work as a unified whole, these corridors can be linked up through East-West connectivity, joining the four "centres" at the heart of each corridor – Blackpool, Preston, Blackburn and Burnley. In turn this will support rural areas, by reducing onward journey times from their closest centres. If developed in conjunction with **Recommendation 11** (a review of the bus market) an efficient transport system that works for all of Lancashire can be developed.

Furthermore, with the arrival of HS2 in Lancashire, East-West rail would strengthen Lancashire's external links and boost capacity within the county with a focus on electrified rail and active travel.

While Lancashire's rail connectivity North-South is electrified, most of its East-West rail infrastructure is not (most notably in Pennine Lancashire). Electrifying the rail network is one of the major actions which, if combined with the co-location of renewable energy assets, can achieve decarbonisation in Lancashire. On current trends, transport in Lancashire will be carbon neutral by 2139, as shown in the Infrastructure Deep Dive.

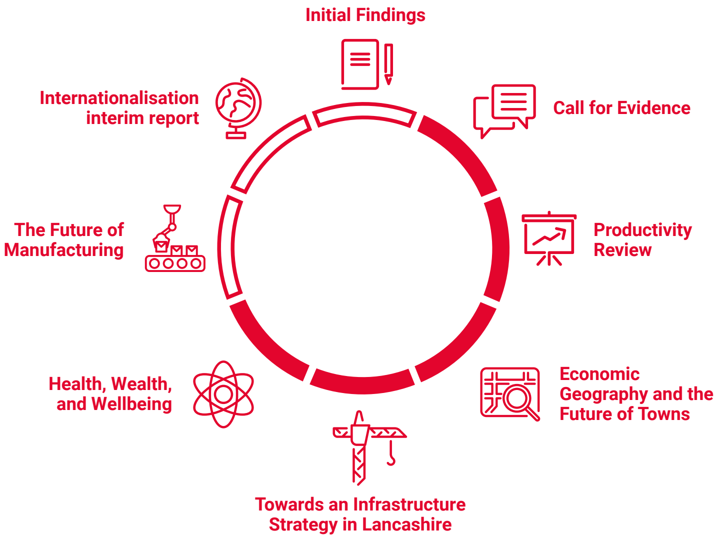
The Deep Dive also identified the huge potential of canals for active travel and improving town centres. Work is already underway on canal regeneration in some areas – a joined-up programme for Lancashire would allow the county to get maximum value from its canal network.

What this will deliver

- Unite Lancashire economically, by making transformative investments, to create a single labour and housing market across the county.
- Improve speeds, reliability and passenger take-up on the rail network, supporting modal shift away from the car for longer journeys, a vital step for Lancashire to achieve its net zero ambition
- Improve the vibrancy of town centres in Lancashire via canal regeneration and improve the cycling and walking links between towns. This will support modal shift for shorter journeys away from the car, which can both improve the health of residents, and reduce the CO_2 generated from car travel.

11)

A review of the bus market



What this would look like

There is currently uncertainty around the outlook for buses. The Covid-19 pandemic devastated travel numbers. These have since recovered, but in Lancashire still remain roughly 20% below pre-Covid averages. At the same time, the way buses are run is changing in Lancashire, with councils moving towards an "enhanced partnership" model of closer collaboration with bus operators.

While, in the immediate term, Lancashire needs to focus on stabilising routes post-Covid and establishing the enhanced partnership, the importance of bus travel means that Lancashire needs to understand why bus journey numbers have been declining quite so precipitously in the last decade. Lancashire also needs to understand whether the new enhanced partnership model is working to arrest and reverse the decline in journeys.

An open-book review should therefore be conducted into the bus network once the impact of Covid-19 has stabilised, and the Enhanced Partnership model is in place. This would reveal to what extent large profits might be being made on some routes, even as others are withdrawn.

One option the review should explore is the franchising of the bus network. This was supported by the Prime Minister in his Levelling Up Speech,[19] and would mean Lancashire could set the routes for buses to operate and operators would bid to deliver them. Routes could be "bundled together" so that more profitable routes could cross-subsidise less profitable ones and support rural communities. It does, however, carry financial risk – hence the need for a review to understand if this would be a viable option.

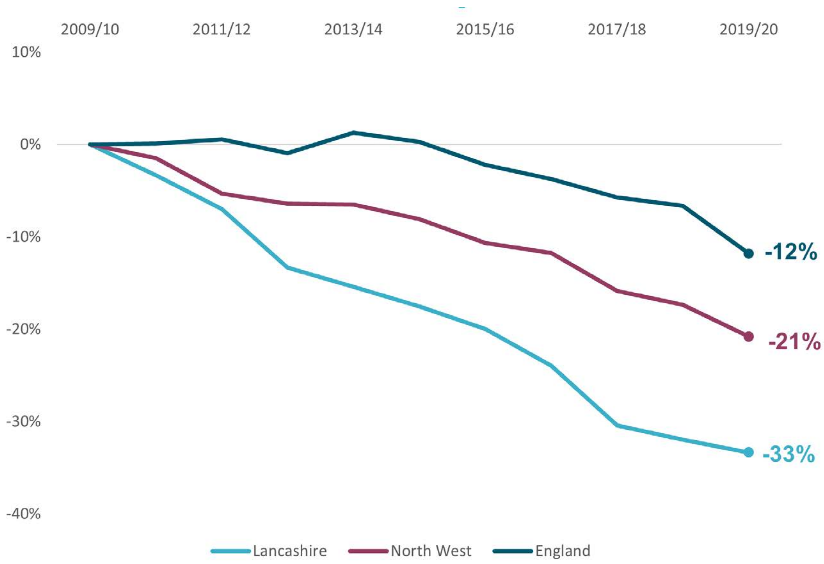
Were the county to go down this route, Local Travel Authorities (Lancashire, Blackburn with Darwen, and Blackpool) can apply to the Government for franchising powers, under the Bus Services Act 2017. While there is an extra hurdle at the moment to overcome, as these authorities are not part of a Combined Authority, and therefore in law do not automatically have the right to these powers, the indications of the Government that control of buses could be part of a "County Deal" suggests the legal framework may soon change to make this more straightforward.

[19] https://www.gov.uk/government/speeches/the-prime-ministers-levelling-up-speech-15-july-2021

Why this is needed

Bus connectivity in Lancashire is in decline. In the ten years between 2009/10 and 2019/20 the number of bus journeys fell by a third. While the data for bus mileage only goes back to 2014/15, there has been a 19% fall in the distance travelled by Lancashire's buses during this time[20].

Figure 3. Passenger journeys via bus in Lancashire are falling sharply – change in number of journeys since 2009/10



Source: Analysis of DfT table Bus0109 – data aggregated for Blackburn with Darwen, Blackpool, and Lancashire Councils

There are serious consequences to this decline. Rural communities, where the bus is often the only form of public transport, are being less well served. Those on lower incomes, who may not own cars or be able to afford train travel, are seeing access to employment reduced. This hits the young especially hard, who have already faced major hurdles in entering the labour market. A less effective transport network will breed lower productivity as people lack access to jobs where they can best use their skills. And as pandemic support for bus operators is withdrawn, this will likely presage a further reduction in routes, particularly as transport is a network – when one route is lost, it affects people on that route, but it also affects those who connected to that route to get elsewhere. Intervention is therefore required to tackle this market failure. Whether the enhanced partnership approach is sufficient to tackle it remains to be seen and will be the subject of the review.

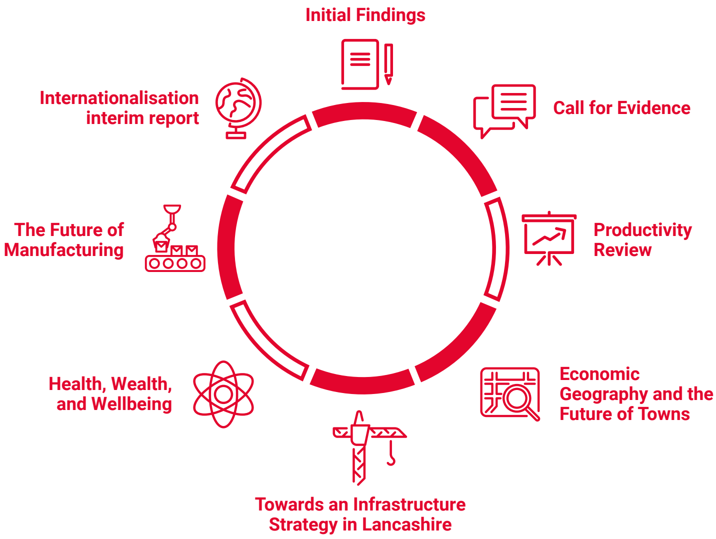
What this will deliver

- A more efficient and useful bus network, reversing a decade of declining bus travel, and supporting rural areas
- Improve access to employment opportunities, health services, and amenities, particularly for those who don't have other modes of travel to rely on such as lower income residents
- Integrate the economic corridors of Lancashire, in a similar manner to the proposed East-West interventions

[20] DfT table Bus0208

12)

A full fibre programme



What this would look like

A full fibre programme to roll out fibre across all of Lancashire, working with public, private and charitable sector to tackle rural not-spots, enable the digitalisation of industry, and support remote working in Lancashire towns. This would involve working with landowners in rural areas to install cables across their land, and with planning authorities in urban areas to undertake the works needed to install fibre connectivity across towns and cities. This would tap into the capacity and speed created by the North Atlantic Loop, a data highway from America with a landing site in Blackpool.

The physical investment in new connectivity will need to be matched by training support for businesses and individuals in recognising the value of taking up better speeds.

Why this is needed

One of the three major trends identified in the Infrastructure Deep Dive, which Lancashire needs to respond to if it is to remain competitive, is an increasing dependence upon digital communications. This was already being seen and has been accelerated by the Covid-19 pandemic. For businesses to upgrade and respond to the rapid digitalisation of sectors requires ready access to high speeds, with the bandwidths to accomplish large transfers of data. Approaches like “digital twin” technology, where a digital replica or a real piece of equipment is monitored in real-time, requires Internet of Things (IoT) approaches dependent on rapid connectivity.

Within Lancashire, only 11.3% of premises are currently on full-fibre, well below the UK average of 20.2%[21]. This falls as low as 0.7% in Blackpool and 1.3% in Rossendale. While in rural areas like Ribble Valley and Wyre, there is higher coverage of full fibre than the Lancashire average, this is balanced by many areas of slow speeds with significantly lower proportions of premises with speeds of 100mbit/s or more than the English average of 68.3% (25.8% and 35.5% respectively).

Full fibre, where fibreoptic cable is fully routed into the premises, is the gold standard for wired connectivity, allowing high speeds in excess of 1,000 Mbit/s. Without these speeds, many workers in sectors with data heavy processes, such as software development, banking, and life sciences, cannot complete essential tasks. The initial findings document noted a lack of knowledge intensive business services in Lancashire; inadequate data infrastructure will hinder the development of ▶

[21] https://www.gov.uk/government/speeches/the-prime-ministers-levelling-up-speech-15-july-2021

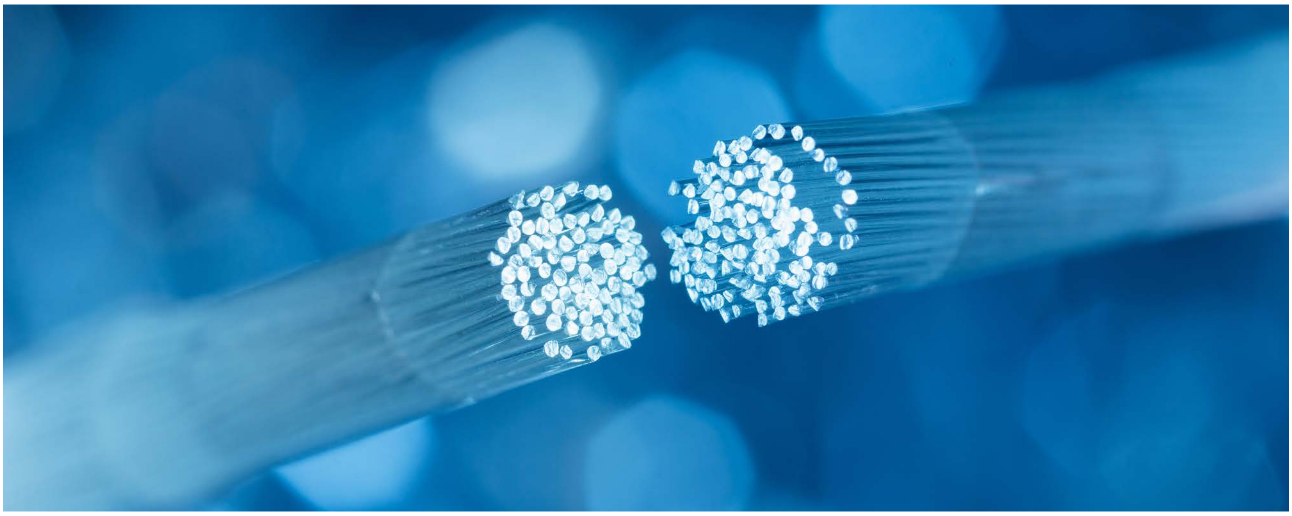
these sectors. Even for those sectors where these speeds are not (yet) required, installing full fibre ensures maximum resilience for the future. While 5G can also provide some of these services, the technical constraints of 5G (with a short range, that can be interrupted by obstacles) and the greater vulnerability of 5G assets such as masks to attack, ensures that fibre cable will be central to the delivery of fast broadband, especially in rural areas.

Some areas of Lancashire already have full fibre connectivity. The north of Lancashire experiences some of the fastest average speeds in the country thanks to the Broadband for the Rural North (B4RN) Community Organisation, which has created resilience within these communities during Covid-19, making working from home feasible. This proves that, by using creative approaches and working with communities, it is possible to install these speeds in rural areas. However, as identified in the Infrastructure Deep Dive, much of rural Lancashire has speeds that do not qualify as "superfast" (30 Mbit/s or greater) which is already a low bar relative to what businesses are likely to need in the future.

The Economic Geography and the Future of Towns Deep Dive shows how fibre broadband can help Lancashire capitalise on the shift to working from home, facilitating co-working spaces and enabling people to spend more time close to local high streets. This can allow Lancashire to get the most benefit from the shift towards homeworking in many sectors, enabled by the Covid-19 pandemic.

What this will deliver

- Benefit from the shift in work away from city centres, as remote working becomes more common. This, in turn, will support high streets, as workers with higher disposable income will be able to move to Lancashire, as the burden of commuting will be lessened or removed.
- Lancashire to become more competitive, as sectors which depend upon strong connectivity will be attracted to the area. Lancashire will have a much stronger pitch to high-tech companies which depend on robust and rapid digital infrastructure.
- Support decarbonisation ambitions, by embedding some of the lower travel levels seen during the pandemic – replacing physical connections with digital ones.



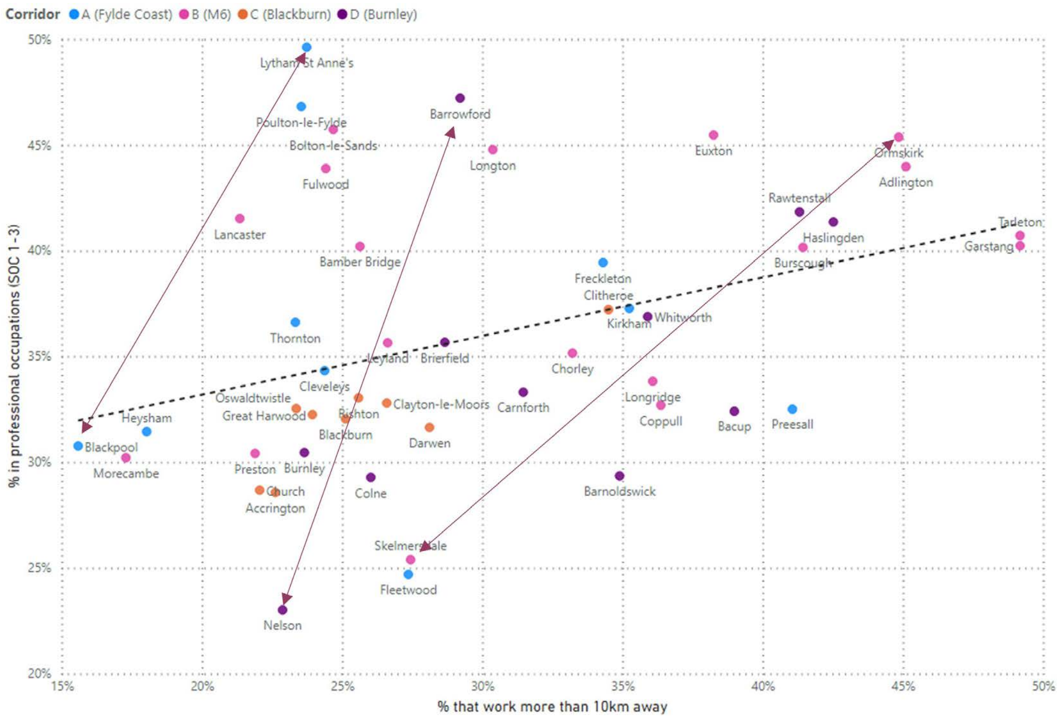
Place, Governance, and Capacity

In this section, we draw on a breadth of research and meetings. Many lines of enquiry have led to discussions about the way the county is run – it is a cross-cutting theme. The evidence from the Economic Geography and the Future of Towns Deep Dive is especially relevant for our findings on towns.

The main recommendations of this review are Lancashire-wide. The aim has always been to support all of Lancashire to achieve its potential. But Lancashire has a complex economic geography, with many towns and cities, facing in different directions. These links are changing, with the evidence from the mobile data showing growth in connections to places beyond Lancashire's borders.

Here we encounter a fundamental problem of data availability. Administrative geographies such as local authorities, the level at which most data is produced, do not capture the reality of how people live their lives. Towns which are very close to one another can have extremely different characteristics in terms of earnings, commuting, and occupations – with contrasts between neighbouring towns such as Blackpool and Lytham St Anne's, Barrowford and Nelson, and Skelmersdale and Ormskirk being stark, as shown in Figure 4 below, taken from the Economic Geography and the Future of Towns Deep Dive. Yet they are bundled together in local authorities.

Figure 4. Lancashire towns[22] according to out-commuting and professional occupations

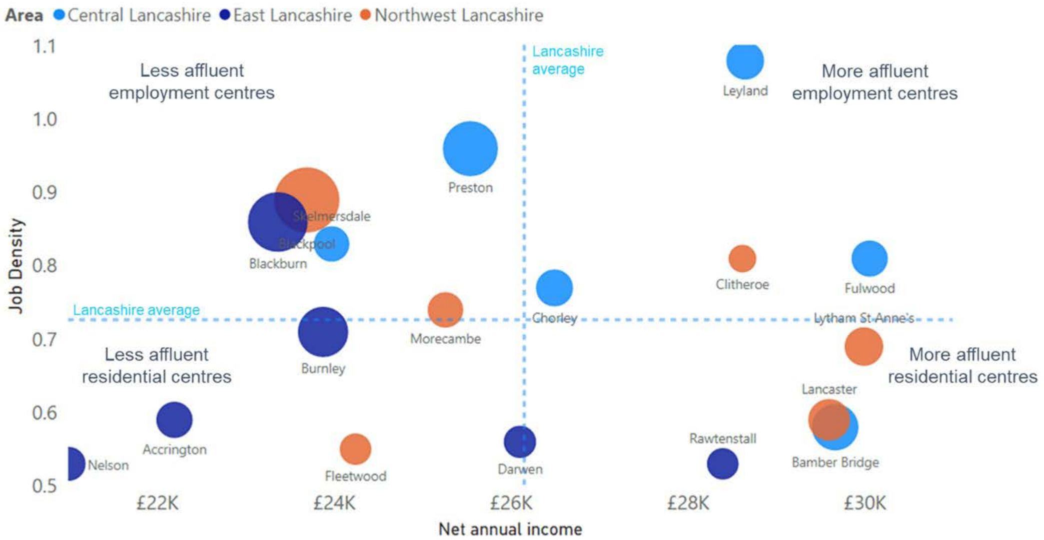


Towns and cities are facing strong currents. Some of Lancashire's towns and cities are prospering. In some of Lancashire's towns, particularly in East Lancashire and coastal Lancashire, populations are already shrinking as they age. The impact of online shopping has been notable, with Covid-19 accelerating a trend, resulting in lower high-street spend. But there are very positive examples in Lancashire of towns responding creatively – supporting cultural and leisure space, finding innovative ways to bring industry into towns, and working with universities and colleges to provide new town centre space. Towns cannot afford to be passive in the face of structural change – a proactive approach is needed to sustain those that are strong and to ensure that others are not be left behind.

As towns have very different starting points, a simple set of recommendations cannot be put forward which will work well in all towns. For example, we identify four broad types of towns – less affluent employment centres, more affluent employment centres, less affluent residential centres, and more affluent residential centres.

[22] Note – town is used here, and elsewhere, according to the ONS definition, whereby Lancaster and Preston, though cities, are categorised as towns due to their population size

Figure 5. **Town classifications, according to job density and net annual income**



Instead, each town needs to begin by identifying the functions it performs within a wider geography. Towns can be:

Places to work

Places to live

Places to consume

Places to study and innovate

Places to visit

The Economic Geography and Future of Towns report provides a template for identifying strengths and designing policies to maximise those functionalities. We encourage all of Lancashire's local authorities, and indeed the town and parish councils within them to use this template to ask themselves what they are now and have the potential to be in a changing urban environment. For most towns, retail will play a more modest role in the future whilst work may play a somewhat bigger role. There are strong sustainability arguments for increasing urban living and with more populous town centres comes the possibility of a greater visitor and leisure offer. But there is no one right answer. Each place has to find its way. The size of a town is a critical factor – a large town of 150,000 inhabitants will be able to offer many more functions than a small town of 10,000. This is our **Recommendation 13.**

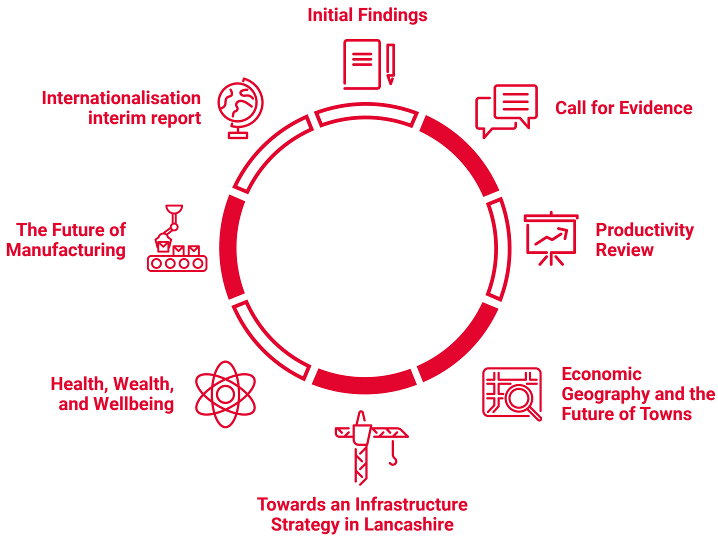
However, one of the major problems at every level in Lancashire is one of capacity. Council budgets are extremely stretched. Developing new initiatives and programmes at the town, local authority, or county level requires significant resources to design business cases, attract funding, and operationalise delivery. It has become clear through the work on infrastructure report that Lancashire has historically been underfunded for infrastructure (though there are positive signs this may be beginning to change). There are also positive examples of times when working together to deliver large-scale programmes has been successful – such as the Preston, South Ribble and Lancashire City Deal, which has seen close collaboration between local authorities, the County Council, and local enterprise partnership.

Central Government needs to act rapidly to provide more clarity on the future of funding for places, especially the Shared Prosperity Fund. But there are opportunities now to act in a more co-ordinated manner to show that Lancashire can be trusted with a settlement of greater powers and funding. There are many emerging partnerships, such as officer working groups, associations of Chief Executives, and the economic development group. But for many of the difficult decisions to be taken in the interests of all of Lancashire, without partnerships dissolving in disagreements about prioritisation of projects, requires ways of building shared understanding, ambition and commitments.

In the immediate term, Lancashire needs to bring together its resources for providing economic intelligence and developing business cases. This would allow all local authorities to benefit from having access to more expertise on the commercial, legal, and financial elements of developing business cases. It will also allow the development of bigger, pan-Lancashire projects with transformative benefits for places and people. The economic intelligence function can underpin this, while providing ongoing data on economic performance. This partnership should be strengthened, leaving open the option of evolving into a body with formal powers such as a Combined Authority, while not making the decision about the final shape of future governance at this juncture – our **Recommendation 14.**

13)

Support each town to maximise its opportunities



What this would look like

This would mean using the Future of Towns work in the deep dive to identify the key functions of each town in Lancashire, then developing action plans to strengthen those functions. As part of this, towns need to develop (if they do not already have one) an audit of available space, and make use of a mix of analytical tools, such as mobile data, surveys, and data from transport operators, to fully understand the mix of functions the town performs, and who it performs them for (e.g. local people vs. visitors, young vs. old, etc.)

To develop a successful action plan will require support and creativity. Support could come from a formalised Lancashire-wide grouping of councils (see **Recommendation 14**) which would be able to provide some of the analytical and business case support to develop successful plans. The creative process should be driven by towns themselves, and needs to move away from traditional, shopping-led approach to a much richer conception of what a town can be and provide. This could mean adopting a flexible approach to town centre space which looks to actively support work uses, through the development of co-working space in vacant premises. It could mean finding creative ways to reintegrate heritage buildings into townscapes, to develop workspace, gallery space, or community facilities. It could involve environmental improvement initiatives, such as providing micro parks, "daylighting" culverted waterways, and greening the sides of buildings. It may also entail developing "experience" type offerings, where something unique is offered that cannot be replicated online. And it could involve the active encouragement of public art in the urban realm, to add colour, interest, and distinctiveness to town centres.

Why this is needed

The evidence from mobile data analysis suggests most people in Lancashire make fairly short trips to places within their locality. The performance of these towns and cities has a significant bearing on the quality of life of existing residents, and the likelihood that people will remain, and move to, towns in Lancashire.

The challenges facing town centres include the ongoing Covid-19 pandemic, growth of online retail, and in some towns, over-exposure to single employers making redundancies. To survive, towns will have to become adaptable and take risks. Many of the major institutions and public buildings in Lancashire were developed by industrial philanthropists, looking to improve conditions for local workforces. Now, a community-driven model to shaping town centres is needed.

Consumers increasingly place value on having unique experiences which are distinctively "local". For a high street to be described as "generic" is a term of abuse, indicating that the experience of visiting could have been had in a very similar way elsewhere. Towns instead need to lean into a distinct identity.

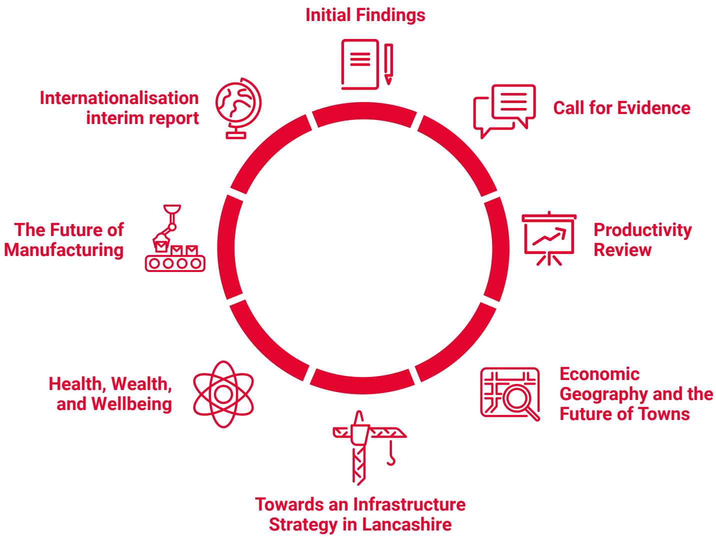
In some cases, this may look like developing and expanding something the town is known for – such as in Blackpool, where strategic work is ongoing to extend and develop the visitor economy offer, working to attract a diverse clientele throughout the year, or the National Festival of Making in Blackburn, which builds on the town's manufacturing heritage. In others, this may look like finding something new and actively promoting it – for example the proposals for Eden North in Morecambe, bringing an environmental focus to the town's visitor offer. It could also involve working with an established partner who is not currently in the town to collaborate on town centre renewal – such as in Burnley, where UCLan's campus has created new town centre space, regenerating areas and attracting a new student demographic.

What this will deliver

- Allowing towns and cities in Lancashire to be bold in reimagining what their town could be like to build resilience into places.
- The creation of a unique offer in a town which gives it the opportunity to be more resilient in the face of change.
- Creation of more attractive, engaging, and healthy urban spaces, supporting populations by providing the amenities and living conditions they need to live good lives in Lancashire.

14)

Strengthen combined governance across Lancashire



What this would look like

While the exact shape of future governance in Lancashire remains a topic of debate, there are already opportunities to strengthen combined governance across the county, which will be helpful whatever path the county ends up going down. This will position Lancashire well as it looks to build a credible case for further powers, for example through a County Deal.

A first step could be to commence work on options for stronger combined governance and strategic leadership. This could involve adopting arrangements that include a formal agreement to deliver services and co-operate between councils. Such arrangements would be binding on constituent councils with relevant powers and responsibilities, and would need to be supported by an adequate officer structure.

This formalised collaboration could cover a wide range of functions – three in particular are especially important for Lancashire: a resource for developing business cases, an economic observatory, and bringing together health and wealth systems.

The capacity of local authorities to develop business cases varies widely across Lancashire. Smaller local authorities lack the officers to put together compelling projects and win funding. This resource would include individuals with expertise in planning, transport, design, commercial, legal, and economics to work up quality business cases with a strong likelihood of receiving funding. It would give a clear incentive for partners to engage and commit resources, as they would benefit directly from the support for extra investment.

An observatory function would provide the sharp thinking and ideas development Lancashire needs to move positively on from the Greater Lancashire Plan and monitor the success of different projects as they are delivered. It would also provide the data underlying the business case development function.

A third element is bringing together health and wealth system leadership. There are already promising signs of change and links between local stakeholders through NHS reorganisation, the creation of the Integrated Care System (ICS) and Integrated Care Partnerships (ICPs), the forthcoming Health Equity Commission, and the development of the Lancashire Local Enterprise Partnership Health and Life Science Sector Group. This is an opportunity to develop a health and wealth strategy, focusing on cross lifecycle interventions, particularly in whole family support, quality of work and housing and to embed a single set of shared outcome measures across the health and wealth system and all interventions.

Why this is needed

From much research and many conversations, particularly for the Infrastructure Deep Dive, there are some examples of successful collaboration between local authorities to deliver projects, such as Preston and Lancashire City Deal which brought together Lancashire County Council, Lancashire Enterprise Partnership, Preston City Council and South Ribble Borough Council to bid for and deliver large amounts of infrastructure investment.

There are other arrangements too – officer working groups, the LEDDG group and sub-Lancashire groupings for Pennine Lancashire and the Fylde Coast.

However, it has also become clear through the Review that working across local authorities is currently insufficient. The structures are not yet in place to effectively prioritise, finance, and deliver projects. Things are in an early stage, with an infrastructure development programme currently calling for project details from local authorities. There are not yet formalised means of collaboration, which will make it hard if not impossible to agree a list of priority projects which can be most transformative for all of Lancashire.

The major risk without deeper collaboration is that Lancashire will miss many of the opportunities which are coming its way. Already, there was a clear view arising from consultations that the neighbouring areas of Greater Manchester and the Liverpool City Region were able to attract more funding and deliver more successful projects due to their devolved powers and mayoral settlements. The "devolution revolution" continues to advance at a slow but steady pace, with the prospect of "County Deals" to be set out in a forthcoming white paper. This would be the perfect opportunity for Lancashire to put a proposal to Government for more funding and control over local delivery. But to succeed, historic differences need to be set aside and a united approach adopted.

What this will deliver

Most importantly, this will be the first step towards achieving a long-term settlement for funding and powers in Lancashire. This will empower local leaders to act on areas of priority – education, transport, health – instead of having to continually make cases to Central Government. It will build resilient governance in the county, and increase the ability of councils to adapt to changing circumstances.

By formalising collaboration, it would allow for longer-term schemes over large footprints to come forward without the risk of the partnership falling apart. It also allows for a prioritisation process for projects to take place which doesn't depend upon ensuring every area receives the same amount of investment, but would allow for strategic prioritisation of those things which matter most for all of Lancashire.

How to achieve a new prosperity

In putting forward the recommendations for this review, we have not been afraid to put forward recommendations which are long-term, complex, and expensive. No-one expects the suite of programmes recommended in this report to be completed in a couple of years. No apology is made for this. Many of Lancashire's opportunities need to be nurtured and its challenges are deep-seated. Action in the short term is vital. But more important still is building a platform for long term change: matching the optimism we have found in every part of the county with a will and a way of operating to deliver.

There is clearly a need to begin now and build momentum. While each of the recommendations stands on its own, there is one which unifies them. To deliver these large-scale, ambitious programmes in the best manner will require a new, more collaborative approach to governance **(Recommendation 14)**.

The immediate priority is to begin discussions about how Lancashire can make this a reality. An immediate opportunity to do so would be in developing a County Deal for Lancashire. According to the Prime Minister's office, these are designed "to take devolution beyond the largest cities, offering the rest of England the same powers metro mayors have gained over things like transport, skills and economic support."[23] If the experience of creating Combined Authorities is a guide, there will be an initial spate of these deals agreed, before a hiatus[24]. Lancashire has experience of being left behind in policy initiatives, with the delay to the publication of its Local Industrial Strategy making it harder to secure investment in recent years. Therefore, if Lancashire wants to have a County Deal – and while detail is lacking, the stated intent of such a deal makes it appear eminently desirable – it needs to organise itself quickly.

As a first step, we invite leaders of all councils in Lancashire to respond to the recommendations of this review. If all leaders can publicly endorse all fourteen recommendations, there is already a strong platform for further action. Then an intense period of discussion will be needed to line up Lancashire's proposals for the Spending Review, and – if the option is taken forward – a County Deal.

[23] https://www.gov.uk/government/news/pm-sets-out-new-county-deals-to-devolve-power-to-local-communities-in-levelling-up-speech
[24] The West Yorkshire Combined Authority has only just elected its first mayor, four years after Andy Burnham was first elected as Metro Mayor of Greater Manchester. Nottingham, a core city, still does not have such powers.

If this action is taken now, Lancashire will position itself well to develop the other recommendations. Some, such as the Good Work Charter, or establishment of local Grand Challenges can be undertaken immediately. Others, such as East-West connectivity, green housing, and early years programmes, will require more planning and development – though in the case of almost all recommendations there is some previous work to build upon.

As Lancashire prepares to take this next step on its journey, we stand ready to support with any advice or assistance as is necessary.

List of Recommendations

1. **Develop Lancashire Grand Challenges for manufacturing, energy and low carbon technologies and health innovation in Lancashire to stimulate network growth and collaboration**
2. **Stimulate innovation through targeted SME funding**
3. **Focus investment approaches on high value international markets**
4. **Increased focus on the early years of life**
5. **A Good Work Charter for Lancashire**
6. **Develop Lancashire's lifetime skills guarantee**
7. **Increase health & work programmes and create a healthy equity fund**
8. **A major green housing programme**
9. **A review of sites for business**
10. **An East-West connectivity programme to integrate economic corridors and maximise the benefit of HS2, with a focus on electrified rail (longer journeys) and active travel (shorter journeys)**
11. **A review of the bus market to identify the best way to reverse the decline in bus routes.**
12. **A full fibre programme to roll out fibre across all of Lancashire**
13. **Work together to support each town to maximise its opportunities, using a toolkit to adopt a flexible approach to town centre space, creatively support work uses, and focus on bringing experiences into medium and large towns**
14. **Strengthen combined governance across Lancashire**

Lancashire
Independent Economic Review

The Lancashire Independent Economic Review (IER) is led and funded by Lancashire County Council, Blackburn with Darwen Borough Council, Blackpool Council and the Lancashire Enterprise Partnership on behalf of Lancashire Leaders. Lancashire Leaders comprises the leaders of Blackburn with Darwen Borough Council, Blackpool Council, Burnley Borough Council, Chorley Borough Council, Fylde Borough Council, Hyndburn Borough Council, Lancashire County Council, Lancaster City Council, Pendle Borough Council, Preston City Council, Ribble Valley Borough Council, Rossendale Borough Council, South Ribble Borough Council, West Lancashire Borough Council, Wyre Borough Council and the Lancashire Enterprise Partnership.

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