

Combined Authority for Lancashire 16 December 2015

Report of Chief Executive

PURPOSE OF REPORT

The purpose of this report is to outline the findings of the Governance Review undertaken for Lancashire and set out the next steps and recommendations.

This report is public

RECOMMENDATIONS

That:

- (1) The contents of this report be noted.
- (2) The contents of the Lancashire Governance Review (Appendix 1) and recommendation therein be noted.
- (3) The contents of the draft Scheme for a Combined Authority (Appendix 2) be noted.
- (4) Lancaster City Council agrees to take part in the public consultation in January/February which will seek views on the formation of a Combined Authority for Lancashire.
- (5) Lancaster City Council agrees to consider the feedback from the public consultation and note that following this, those authorities who wish to form a Lancashire Combined Authority will submit a proposal to the Secretary of State for consideration.
- (6) Lancaster City Council agrees in principle to becoming a constituent member of the combined authority for Lancashire.
- (7) The Council's meeting in April gives final consideration to becoming a constituent member of a Lancashire Combined Authority.

1.0 Introduction

- 1.1 A Combined Authority is a formal legal arrangement which supports and enables collaboration and co-ordination between two or more local government areas on transport, regeneration and economic skills, housing and employment. The Cities and Local Government Devolution Bill currently going through parliament provides legislation to broaden the scope of functions and powers that it is possible to confer on a Combined Authority. It supports increased democratic accountability and transparency complementary to that provided by the Local Enterprise Partnerships (LEPs) to a major area of local government policy making. Each of the councils who are members of a

combined authority remain separate authorities; the combined authority is a mechanism to work more effectively and formally in partnership.

- 1.2 A Combined Authority provides an opportunity for Lancaster City Council to extend its influence on matters that are of importance to its Citizens. Examples are Transport which is a County Council responsibility and on how funds allocated to the Local Enterprise Partnership (LEP) are allocated.
- 1.3 If Lancashire is to pursue devolution from Central Government it will be necessary to have a Combined Authority in place. Devolution is about as much self determination for Lancashire that Lancashire Councils and Government are comfortable with.
- 1.4 Five Combined Authorities across England have been established, all of which cover the five key cities across the Northern Powerhouse (Liverpool, Manchester, Leeds, Sheffield, Hull). A number of devolution proposals and deals are starting to emerge across the country. The Government has been clear that it will devolve powers and flexibilities to areas with robust governance structures in place.
- 1.5 Members will be aware that in October 2014 Council Leaders indicated their wish to develop closer collaborative working across Lancashire on economic related matters and to explore the options in this regard.
- 1.6 In order to determine whether the existing arrangements are effective or would benefit from change the Leaders asked that a Governance Review be undertaken.

2.0 Governance Review

- 2.1 The Governance Review attached is the culmination of considerable collective work by the Lancashire Councils to understand the best way forward for joint working. The review explores three questions: Where are we now? Where do we want to be? How will we get there?
- 2.2 As part of this review Leaders developed ambitions for Lancashire, as set out in the document. These are:
 - Prosperous Lancashire – a Lancashire that is recognised as a destination of choice, to invest in, do business in, live or visit;
 - Connected Lancashire – digital and transport connectivity to promote inclusive growth;
 - Skilled Lancashire – a skilled workforce to meet the demands of employers and future business growth;
 - Better Homes for Lancashire – better living standards for residents with good quality homes and a wide housing offer;
 - Public services working together for Lancashire – integrated public services at the heart of local communities giving everyone the opportunity for a healthier life.
- 2.3 In addition with a population of 1.5 million, Lancashire should be a key contributor to the Northern Powerhouse and UK plc.
- 2.4 An options appraisal was undertaken and consideration was given to arrangements including – enhanced status quo, Joint Committee, Economic Prosperity Board, Integrated Transport Authority, Combined Authority.
- 2.5 Some of the ambitions set out above can be achieved through existing partnerships and better joint working. However, in order to attract and maintain economic growth and achieve a prosperous Lancashire we need to create the right conditions for growth and provide reassurance to investors, partners and government departments that we have strong, robust governance arrangements in place that are working for Lancashire.

- 2.6 A Combined Authority offers the strongest governance model to attract freedoms and flexibilities from the Government and will enable a cohesive approach across Lancashire to a range of issues including developing better and broader skills provision, including entry level skills; more co-ordinated infrastructure planning with improved use of resources; more co-ordinated approach to housing provision; more co-ordinated approach to business growth. Given Lancashire's diversity, it is recognised that a 'one size fits all' approach is unsuitable and it is recognised that some issues are best tackled on a sub-level footprint or themes relevant to a cluster of authorities across Lancashire. For Lancaster District with its role in supporting the delivery of new energy growth, and prosperity around Morecambe Bay there is also sense in enabling cross boundary cooperation with Cumbria to take place.
- 2.7 Having considered the economic evidence, the ambitions for Lancashire and the current decision making arrangements, the Governance Review concludes that a Combined Authority provides the best opportunity for Lancashire to achieve its potential.
- 2.8 The Lancashire Leaders, at their meeting on 1st September 2015, accepted, in principle, the recommendations of the Governance Review to form a Combined Authority.

3.0 Draft Scheme

- 3.1 In order to establish a Combined Authority a scheme must be prepared which sets out the membership, decision making arrangements, scrutiny arrangements etc. The draft scheme is appended to this report.
- 3.2 In summary the arrangements suggested are as follows:

Membership	Those Lancashire authorities who form a Combined Authority, represented by the Leader. Chair and vice-Chair to be appointed annually. LEP Chair will be invited but with no voting rights.
Voting arrangements	One vote per local authority (excluding transport)
Decision making	Unanimous agreement on strategic plans, investment strategy, annual budget, borrowing limits, adoption of freedoms and flexibilities, any change to combined authority arrangements. All other decision by two thirds majority. Transport planning and investment would be subject to unanimous agreement by the three existing Transport Authorities (Blackburn with Darwen, Blackpool, Lancashire County Council).
Overview and Scrutiny	A Scrutiny Committee with representation from authorities would be established.
Finance	No member allowances will be payable. Council will meet the core costs (kept to a minimum).
Potential powers and functions	Include setting economic strategy and investment strategy for Lancashire, powers relating to transport, regeneration, economic development, General Power of Competence

4.0 Devolution Deal

- 4.1 Some of the existing Combined Authorities have also negotiated further devolution deals with government to gain additional and greater powers and devolved funding for their area. While there is a close link between combined authorities and greater transfer of

powers, functions and funding, it is important to note that they are separate issues and subject to negotiation. The Government will not impose arrangements in any form.

- 4.2 A devolution deal, and any freedoms or associated responsibilities would need the agreement of the constituent members of the combined authority.

5.0 Next Steps

- 5.1 The Governance Review and this report seek to agree the establishment of a Combined Authority, which would bring benefits to Lancashire as outlined in the Review by strengthening the partnership working across the county. A similar report is going to other councils throughout November and December.
- 5.2 Lancashire Leaders will meet again in January to consider any adjustments which may need to be made to the scheme.
- 5.3 A six week public consultation will be undertaken in January/February 2016 with stakeholders, residents, businesses, community groups, neighbouring areas etc invited to put forward their views on the proposals.
- 5.4 Having given consideration to the outcome of the public consultation, those authorities who wish to form a Combined Authority will submit a proposal to the Secretary of State for consideration which may include devolution proposals for freedoms, flexibilities and powers to help the Combined Authority drive forward Lancashire's ambitions alongside demonstrating the robust governance structures to be put in place outlined in the draft scheme.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

LEGAL IMPLICATIONS

There are no legal implications at this stage. Council is being asked to consider an 'in principle' decision and a public consultation will follow.

FINANCIAL IMPLICATIONS

Council is being asked to consider an 'in principle' decision and a public consultation would follow. There would be some incidental costs attached to undertaking the consultation, and the City Council's contribution would be financed from within existing consultation / communication related budgets. Resources to work up full Combined Authority proposals would be provided from across the authorities involved. Wherever possible, this would be achieved through allocating existing staff but if any additional direct costs are incurred, again it is considered that these would be comparatively minor and manageable within existing budgets. (The total cost of providing resources either in kind or as cash is estimated at around £7K per authority, as an indication).

Should Council approve the recommendations, the report to Council in April would consider the full financial implications of becoming a constituent member of the proposed Combined Authority.

OTHER RESOURCE IMPLICATIONS

Human Resources; Information Services; Property and Open Spaces:

See comments above under Financial Implications. Council is being asked to consider an 'in principle' decision and a public consultation will follow.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no comments at this preliminary stage.

BACKGROUND PAPERS

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Ref:

**DRAFT REPORT OF THE
LANCASHIRE AUTHORITIES'
STATUTORY GOVERNANCE
REVIEW**

August 2015

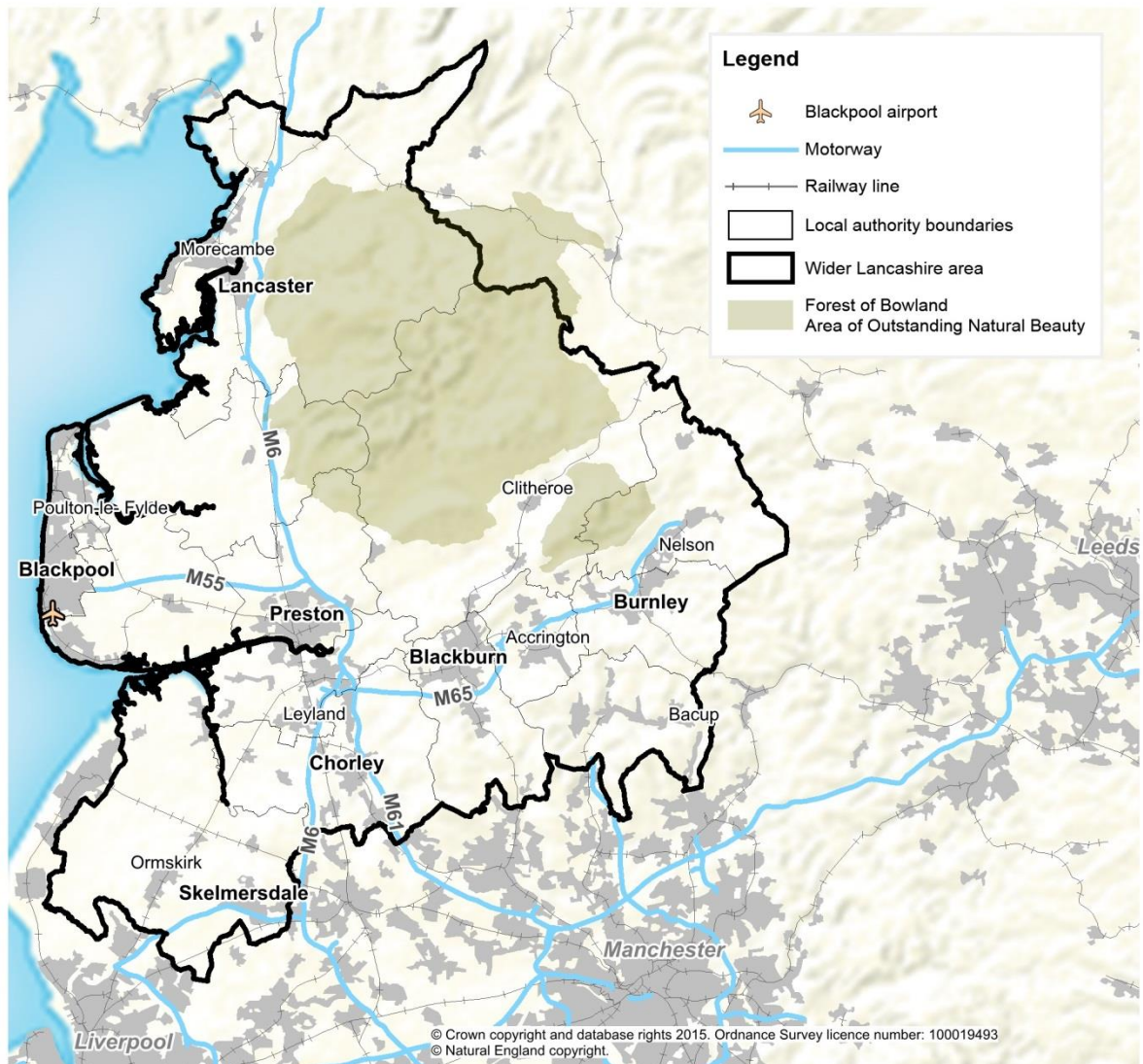
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ABOUT THIS REPORT

This report has been prepared and agreed by the Lancashire Authorities:

Blackburn with Darwen
Blackpool
Burnley
Chorley
Fylde
Hyndburn
Lancashire County Council
Lancaster City Council
Pendle
Preston
Ribble Valley
Rossendale
South Ribble
West Lancashire
Wyre



EXECUTIVE SUMMARY

Background

In October 2014 Council Leaders started to explore options for closer collaborative working across Lancashire. Some governance arrangements are already in place including the Lancashire LEP, a range of shared services, County wide member and officer meetings, sub-level working arrangements including a City Deal Executive and Pennine Lancashire partnership as well as representation on Northern and North West bodies.

Lancashire is a diverse area with pockets of benefit dependent communities alongside thriving and affluent areas. It has one of the largest local economies in the North of England generating over £25 billion GVA with over 45,000 businesses, supporting 700,000 jobs. In addition to major international companies including BAe Systems and Rolls Royce, it has significant groups of dynamic and innovative SMEs. Lancashire's economy is predicted to grow by 27% over the next ten years, however this is slightly lower than the UK average. There are geographical differences however with areas such as Chorley, West Lancashire and Lancaster predicted to outperform national growth trends.

Ambition

There is a long term vision for Lancashire which sees the County as a thriving and more balanced economy that can contribute to increasing national productivity thereby having positive health and wellbeing benefits locally.

We want to achieve

- 'Prosperous Lancashire' that's recognised as a destination of choice, to do business in, live or visit
- 'Connected Lancashire' with digital and transport connectivity across the county and to neighbouring city regions
- 'Skilled Lancashire' which can meet the demands of employers and future business growth
- 'Better Homes for Lancashire' where residents have better living standards with good quality homes and a wide housing offer
- 'Public Services Working Together for Lancashire' with integrated public services at the heart of local communities giving everyone the opportunity for a healthier life

Opportunities

Lancashire already has a range of initiatives and opportunities to build on which support economic growth including:

- one of the largest Growth Deal allocations to the Lancashire LEP totalling £250 million and a notional allocation of £232 million of European Structural and Investment funds
- strong links to neighbouring city regions and opportunity to benefit from Liverpool's Super port plans and the significant jobs growth in Manchester
- £130 million investment in Superfast Broadband
- £340 million investment and delivery programme for the Preston, South Ribble and Lancashire City Deal
- Investment in digital health, recognised as an important growth area for the UK economy
- Lancashire Business Growth Hub delivering £40 million programmes of support to high growth companies and start ups
- Key role in the Northern Powerhouse as one of the largest economies in the North of England

Recommendation

Lancashire has different challenges and opportunities across the county and as part of this review Leaders have recognised that there cannot be a 'one size fits all' approach to

realising potential and ambitions. The mechanisms for delivering economic growth across the area will differ and it's recognised that achieving a prosperous Lancashire may be done on a county footprint, a sub-level footprint or on a 'theme' footprint where a cluster of authorities may need to work together to tackle specific issues.

The strategic opportunities that could deliver step change for Lancashire have been identified as devolved funding; greater influence and flexibility of national, regional and local programmes; longer term and more co-ordinated infrastructure planning; spatial planning; public sector integration; inward investment and an improved profile for Lancashire.

Lancashire has some excellent partnership arrangements in place across the county engaging with partners in both the public and private sector.

However, the current arrangements do not provide sufficient governance or decision making arrangements to fulfil the ambition for Lancashire.

This Governance Review therefore recommends that a Combined Authority provides the best opportunity for Lancashire to achieve its potential.

INTRODUCTION

In October 2014 Council Leaders in Lancashire indicated their wish to develop closer collaborative working across Lancashire, on economic related matters and to explore the options in this regard.

In order to determine whether the existing governance arrangements for economic development, regeneration and transport in Lancashire are effective, or would benefit from change, specifically a Combined Authority, a governance review needs to be carried out. This review explores three questions: Where are we now? Where do we want to be? How will we get there?

In order to do this we need to understand in more detail the economic base for Lancashire, the current working arrangements, the aspirations and the most suitable governance model for these aspirations to be realised.

This draft governance review is the culmination of considerable work by the Lancashire Councils to understand the best way forward for joint working and the opportunities a Combined Authority would present for Lancashire.

Legal Context

The Local Democracy, Economic Development and Construction Act 2009 enables the creation of economic prosperity boards (EPB) or combined authorities (CA). These structures have separate legal personality to the Local Authorities who come together to create them. The new bodies are available to support the effective delivery of sustainable economic development and regeneration and, in the case of combined authorities, transport.

The process for creating an EPB or CA involves three main steps:

- a review of existing governance arrangements and consideration that there is a case for changing these arrangements to bring real improvements
- draw up a scheme for the new body. All councils who wish to be part of the EPB or CA are required to approve the scheme for submission to the Secretary of State for Communities and Local Government
- the Secretary of State will consider the scheme and undertake formal consultation. If the Secretary of State is satisfied that improvements are likely if the scheme is adopted then a draft order will be laid before Parliament for adoption

This report will be used to inform a consultation exercise with the area's residents, businesses and other stakeholders.

SECTION ONE - WHERE ARE WE NOW?

CURRENT GOVERNANCE ARRANGEMENTS

Lancashire has two unitary authorities, 12 district councils and a County Council. The County and District Council area contains 207 Parish and Town Councils.

Within these councils, decision making processes differ from Leader and Cabinet to committee models and from overall majority to 'no overall control' councils.

There are a number of shared service arrangements working across local authorities. Whilst not an exhaustive list these include building control, museums, revenues and benefits, financial and assurances services, central Lancashire LDF Joint Committee, as well as joint procurement frameworks.

There are a number of cross authority officer groups operating in Lancashire, such as Chief Finance Officers, Chief Leisure Officers, however these have no formal or legal status.

Lancashire authorities are committed to working together and with other partners across the public sector. The Lancashire Leaders and Chief Executives have invited the Police service and Fire and Rescue service to join their county wide meetings. Partnership arrangements with Health are already in place with three Health and Wellbeing Boards, a Healthier Lancashire group and pilot initiatives aimed at health and social care integration such as Fylde Coast's trailblazer for new Models of Healthcare and North Lancashire's Vanguard site.

The private sector led Lancashire Enterprise Partnership (LEP) operates across the county geography with political representation from the three upper tier authorities and two district authorities. Board Directors include representation from the FE/HE institutes - University of Central Lancashire (UCLAN) and Lancaster University and both national and local private sector representation from employers such as Booths, BAE, Euravia, Maple Grove, Nuclear AMRC, BT and local Chambers of Commerce.

The LEP has a number of sub-groups including Transport for Lancashire and Lancashire Skills Board. Further details are provided on page 10.

The City Deal Executive is a sub-group of the Lancashire LEP bringing together the Leaders of Lancashire County Council, Preston City and South Ribble to deliver the City Deal. Further details are outlined later in this review.

The European Structural and Investment Funds (ESIF) Partnership oversees the delivery of the Lancashire's ESIF programme and is directly accountable to the National Growth Board. The Growth Deal Management Board reports directly to the LEP to manage delivery of the Growth Deal programme.

There are also a number of sub-level arrangements including PLACE which is a partnership between the Leaders and Chief Executives of Blackburn with Darwen, Burnley, Hyndburn, Lancashire, Pendle and Rossendale councils. Regenerate, the Chamber of Commerce and health partners also contribute to the partnership working together to boost economic performance and enhance the offer and opportunities available in Pennine Lancashire. They also commit to supporting growth across the area irrespective of borough boundaries.

Regenerate Pennine Lancashire is a private sector led economic development company wholly owned by the PLACE authorities which delivers business support and growth

programmes, such as Lancashire BOOST (business growth hub) both within Pennine Lancashire and the wider county area.

Lancashire County Developments Limited (LCDL) is the County's wholly owned economic development company operating across the County Council area.

The County manages three LEADER Rural Development partnerships operating across the LEP area and in the north of Greater Manchester. The partnerships deliver rural development funding and comprise a range of public, third and private sector partners.

West Lancashire is also part of the Liverpool City Region Combined Authority and both Blackburn with Darwen and Blackpool unitary authorities are associate members of AGMA.

Lancashire is also represented on the North West Regional Leaders Board by the Leaders of Lancashire County Council, Blackburn with Darwen and Rossendale.

The Leader of Lancashire County Council also represents Lancashire, Blackpool, Blackburn with Darwen and Cumbria on the Transport for the North Partnership Board.

Lancashire has some excellent partnership arrangements in place across the county engaging with partners in both the public and private sector, however this is not a consistent approach across the county area and the current arrangements do not provide sufficient governance or decision making arrangements to fulfil the ambition for Lancashire.

The illustration overleaf provides an overview of some of the key partnership arrangements.

SHARED SERVICE

Blackburn with Darwen and Burnley Building Control
Joint Committee
Blackpool and Fylde Revenue and benefits
Chorley and South Ribble shared financial and assurance
service
Pennine Lancashire Museum Consortium
Preston and Lancaster Revenue and benefits

HEALTH

Blackburn with Darwen Health and Wellbeing Board
Blackpool Health and Wellbeing Board
Lancashire County Council Health and Wellbeing Board
Pennine Lancashire Health Partnership
Healthier Lancashire

LANCASHIRE GOVERNANCE

Lancashire Leaders (extended to include Police and Fire)
Lancashire Chief Executives (extended to include Police and Fire)

LANCASHIRE ENTERPRISE PARTNERSHIP (LEP)

Transport for Lancashire
Lancashire Skills Board
Enterprise Zone Governance Committee
Performance Committee
Executive Committee
Preston, South Ribble and Lancashire City Deal
Executive and City Deal Stewardship Board

ECONOMIC DEVELOPMENT AND GROWTH

Lancashire Enterprise Partnership
Regenerate Pennine Lancashire
Blackpool, Fylde and Wyre EDC
PLACE - Pennine Lancashire Leaders
Preston, South Ribble and Lancashire City Deal
Lancashire County Developments Limited (LCDL)

RELATIONSHIP WITH NEIGHBOURS

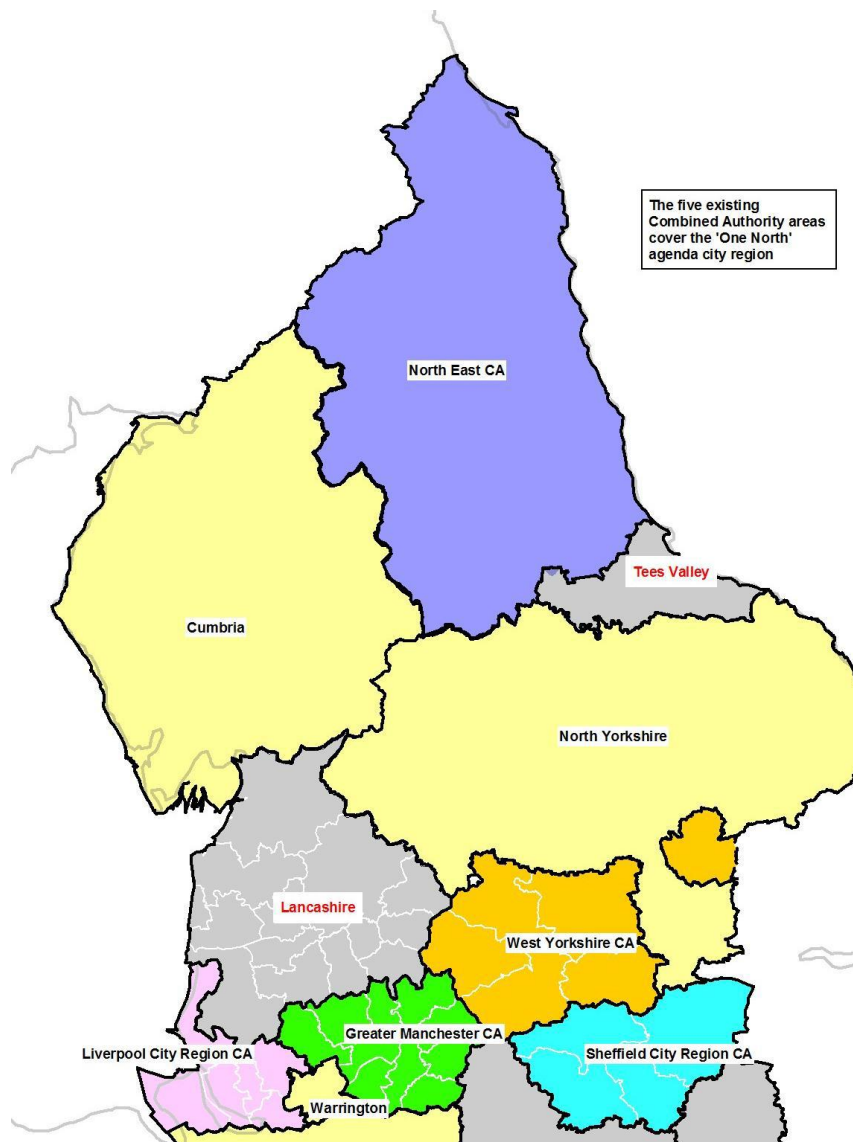
In order to understand the changing governance landscape surrounding Lancashire, Leaders considered their relationship with neighbouring areas and also with other existing Combined Authorities. The map below shows Lancashire's geographical position in relation to the existing Combined Authorities. There are five existing Combined Authorities in England, all of which are in the North.

Lancashire is comparable in population size (1.4m) to Liverpool City Region Combined Authority (1.5m) and Sheffield City Region Combined Authority (1.7m). Greater Manchester is the largest Combined Authority at 2.7m population.

Many of our district areas border the major city regions – Rossendale, Chorley and Blackburn with Darwen border Greater Manchester City Region, and West Lancashire borders both the Greater Manchester City Region and the Liverpool City Region, they are an associate member of the Liverpool City Region Combined Authority.

Lancashire is represented on the North West Regional Leaders Board and Transport for the North (also representing Cumbria).

Lancaster shares a border with Cumbria offering the gateway to the Lake District



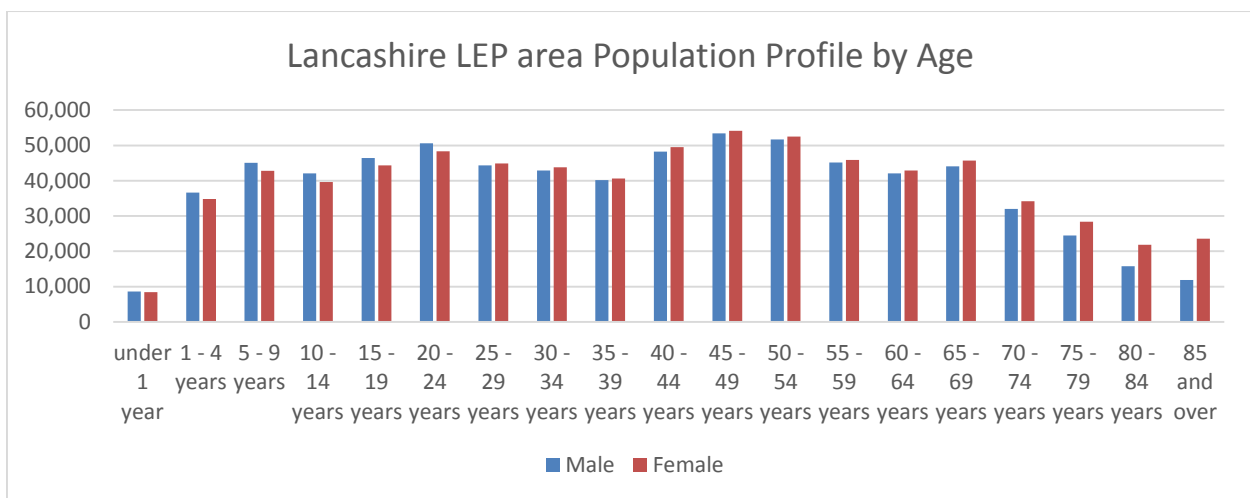
SOCIO ECONOMIC PROFILE

Lancashire has been at the forefront of economic change since the first Industrial Revolution. Today a strong combination of high-growth companies and innovation in growth sectors, improving national and global connectivity, as well as the county's renowned quality and variety of life, provide a platform for Lancashire to build upon this economic strength through the twenty-first century.

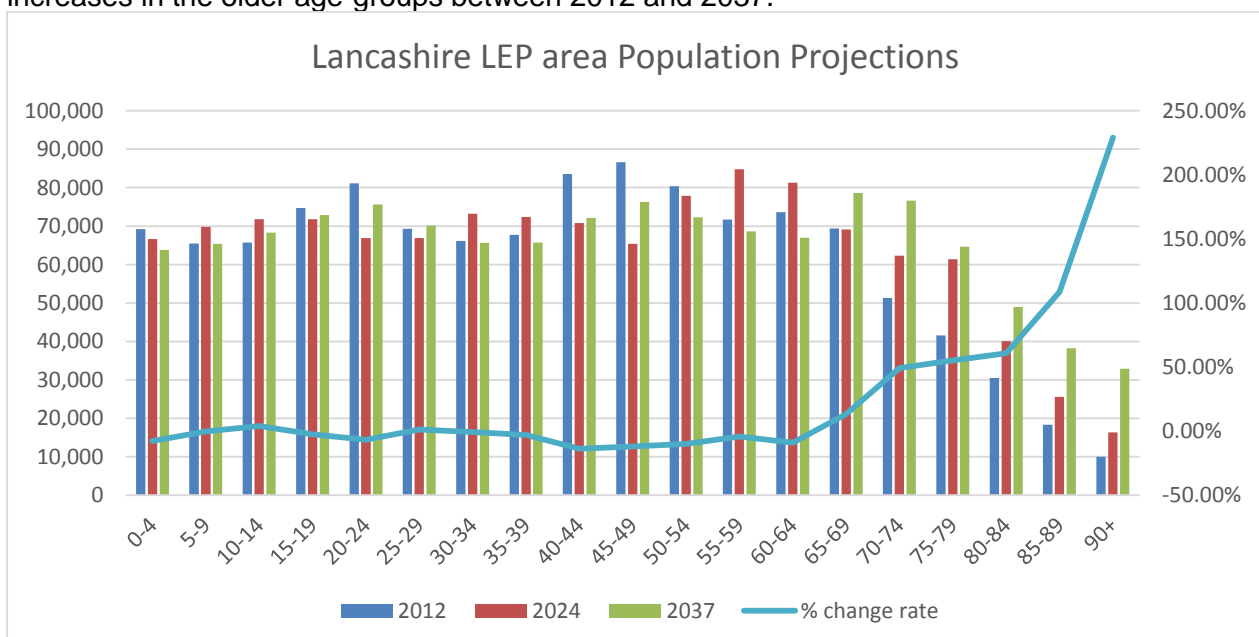
Lancashire is one of the largest local economies in the North of England. It is an area with significant economic strengths and challenges; it has the potential to accelerate sustainable economic growth and generate employment.

1. Population Profile

The 2014 mid-year population estimates that there were 1,471,979 people resident in Lancashire. The 2014 figures by gender, and by five-year age-groups are shown in table 1 below.



Overall, in Lancashire the population is expected to grow by around 5.8%, well below the national growth rate of 16.2%. There are projected increases for those aged 65 years and over, whilst there are reductions for those aged 15-24 years. Table 2 emphasises the substantial projected increases in the older age-groups between 2012 and 2037.



The increasing number of more elderly dependents is an issue that is reflected across the UK and amplified in Lancashire by the number of coastal areas attracting the older generation looking for a good quality of life. An ageing population brings a range of considerations for health and social care services as well as housing provision and a higher proportion of economically inactive households.

Mid-year population estimates for 2014 show the areas with the greatest numbers of young people aged 0-25 are Blackburn with Darwen, Preston and Lancaster. These areas also have the highest number of young people as a proportion of the area's total population with Hyndburn, Burnley and Pendle the next highest districts. In terms of population projections only two areas are set to see increases in the 0-25 age range between 2012 and 2037; Rossendale and Chorley.

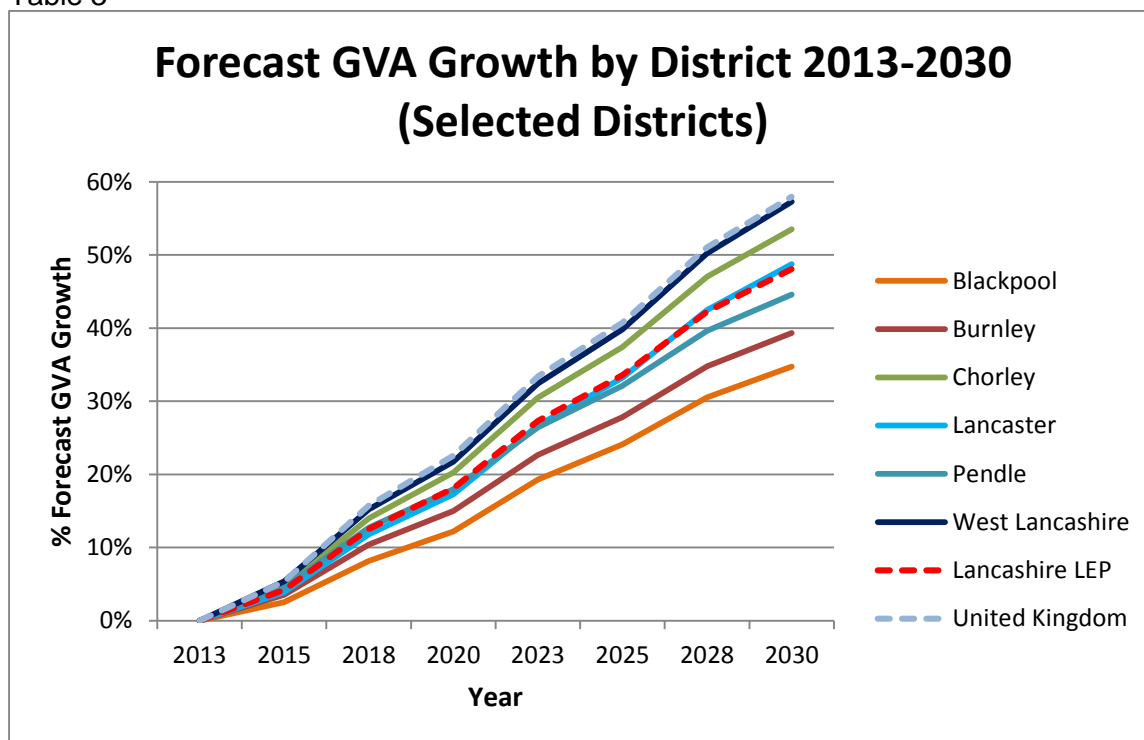
2. Economic Performance

Lancashire's economy currently generates over £25 billion in Gross Value Added (GVA), with over 45,000 businesses (the vast majority of which are SMEs), supporting 700,000 jobs. In addition to major international companies; including BAe Systems, Rolls Royce, Toshiba-Westinghouse and Safran Aircelle, it has significant grouping of dynamic and innovative SMEs. These businesses support a range of supply chain activity and contribute substantially to Lancashire and UK productivity.

Although Lancashire had experienced sustained economic growth over the last decade, with readily identifiable 'hotspots' such as Preston and Lancaster, the area's average economic performance still consistently lags behind that of UK and neighbouring areas. Lancashire's GVA gap with the UK as a whole is projected to increase as, although Lancashire's economy is predicted to grow by 27% over the next ten years, it will not be as strong as that for the UK as a whole, where the average growth is expected to be in the region of 30%. This will exacerbate the existing long term trends and deepen productivity and income gaps.

Table 3 sets out the growth position, and selected constituent authorities, compared to the UK average.

Table 3



Source: Lancashire Economic Forecasts, Oxford Economics, 2013

Clearly within Lancashire there are geographic differences, with some areas, such as West Lancashire, Chorley and Lancaster predicted to outperform Lancashire and track national growth trends, whilst others, such as Blackpool, Burnley and Pendle, are predicted to underperform significantly.

Based upon GVA growth predictions, Preston is forecast to continue to be the largest contributor to Lancashire's GVA in the longer term, with the Lancashire Enterprise Zone Districts (Fylde, South Ribble and Ribble Valley) forecast to contribute over 36% of Lancashire's GVA up to 2030. The City Deal districts (Preston and South Ribble) are predicted to contribute 27% and the unitary authorities of Blackpool and Blackburn contributing 7% and 9%, respectively.

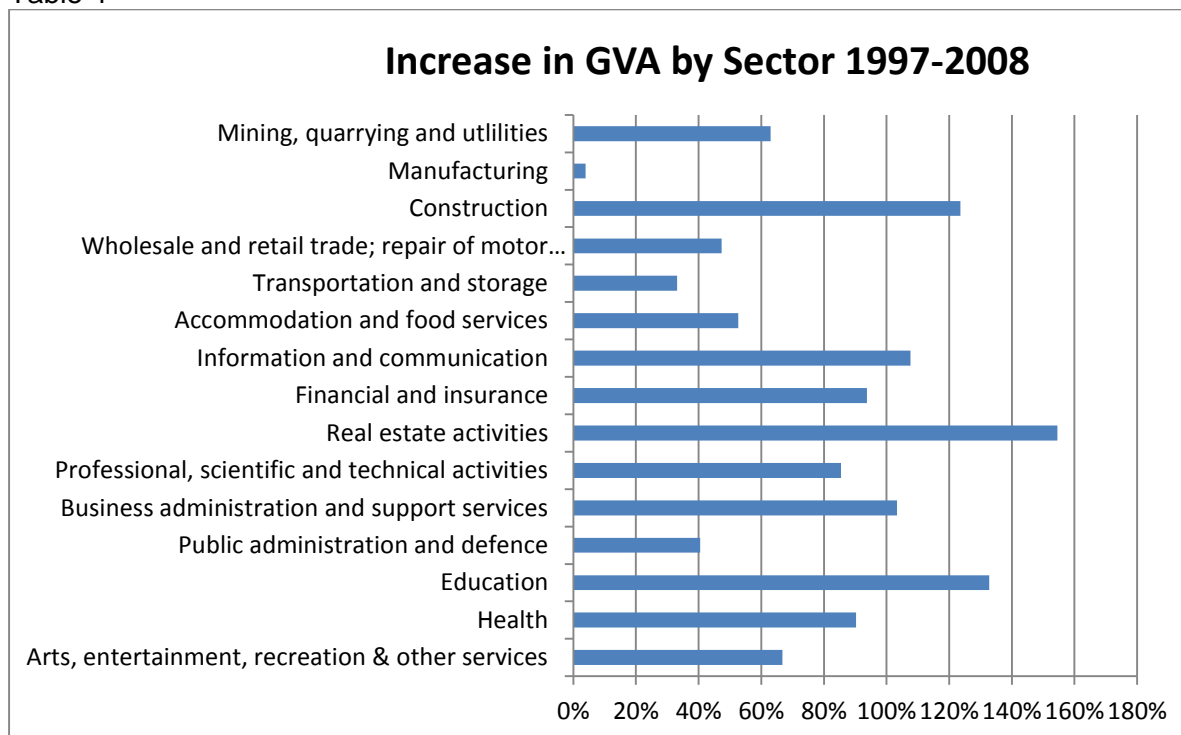
3. Growth Sectors

With an international reputation, and key competitive advantages in Advanced Engineering and Manufacturing and a nationally significant role to play in energy generation, Lancashire can match and outperform competitor locations by enhancing the environment for business growth.

Although a growing economy from 1997 to 2007, Lancashire's growth was generally based upon service industries, although with a lower presence than other parts of the UK, as well as the expansion of the public sector. For example, manufacturing, the main contributor to the economy, accounted for 31.2% of the Lancashire economy in 1997, only grew by 3% between 1997 and 2007 and decreased to just 15.8% by 2012, almost halving in importance. By comparison, service sectors such as real estate, which accounted for just 4.2% of the Lancashire economy in 1997, showed growth in GVA of 162.5% between 1997 and 2007 and 7.1% of the Lancashire economy by 2007 (and 8.7% by 2012).

Table 4 sets out the growth performance of different sectors in the period prior to the 2008 contraction in the UK economy.

Table 4



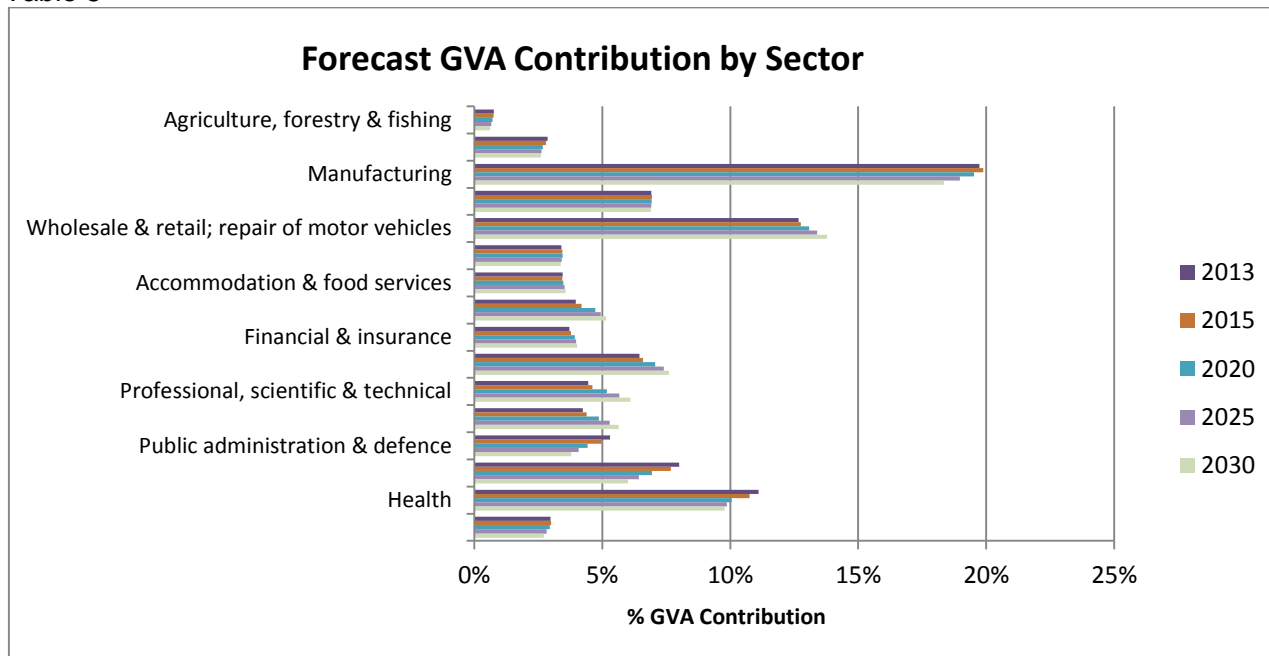
Source: ONS Business Register and Employment Survey, 2012

Within the public sector, education, which accounted for 4.8% of the Lancashire economy in 1997, grew by 124.2% between 1997 and 2007 and 8.5% of the Lancashire economy by 2012. The health and social work sector, which accounted for 7.5% of the Lancashire economy in 1997, grew by 103.1% between 1997 and 2007 and accounted for 10.1% of the Lancashire economy by 2012.

Lancashire has key competitive advantages that can be developed to become drivers of sustainable growth and the area's key sectors – Advanced Engineering and Manufacturing (Aerospace & Automotive) and Energy – are expected to exceed national trends. These sectors, amongst others, are central to Lancashire's and the UK's economic success.

Table 5 sets out predictions by industrial sector for GVA to 2030.

Table 5



Source: Lancashire Economic Forecasts

Advanced Engineering and Manufacturing (Aerospace and Automotive)

This is the key sector for Lancashire with over 3,600 manufacturing businesses, the majority of which are SMEs, operating in Lancashire, with a deep and broad manufacturing base employing over 80,000 people.

The UK's Aerospace industry has one of the largest concentrations in Lancashire, directly employing 12,400 people in 120 companies, and is part of a wider world class cluster accounting for more than a quarter of national production. Lancashire has a diverse automotive industry which employs over 4,100 people, ranging from the manufacturing of vehicles to the design and manufacture of parts and components for the industry, including research and development. The sector is supported by an extensive local supply chain offering advanced engineering and specialist automotive capabilities.

A third of all advanced manufacturing employment is located in the east Lancashire districts of Blackburn with Darwen, Burnley, Pendle and Rossendale, reflecting a strong manufacturing supply chain in these areas as well as major aerospace employers.

Energy, Renewables and Low Carbon

These industries represent a key growth sector for both the UK and Lancashire, where it employs over 36,000 people. The growing oil and gas sectors will provide Lancashire with additional opportunities to develop nationally and internationally important expertise and capacity. This is in addition to the Government decision to build a new nuclear power station in Lancashire. The completion of the M6 Link Road to Heysham will open up a range of development and employment opportunities. The Chemicals industry has a strong history in Lancashire and remains a large sector, employing 4,300 people with twice the employment density than the UK average.

Food and Drink

Food and Drink production is a major manufacturing sector (13,500 people) in Lancashire representing over 15% of all manufacturing employment in Lancashire and presents a specific opportunities for business and employment growth in rural areas

Service Sector

Almost 80% of employment is in service related activities, and Lancashire is forecast to see substantial growth in employment in key higher value service sectors such as information and communication, professional, scientific and technical activities, with an increase of nearly 29% in employment by 2023. However, to support the transition through to higher growth Lancashire needs to become home to more high-growth services business.

Visitor Economy

Lancashire's Visitor Economy attracts 62m visitors a year, contributing £3.4 billion to the economy and supporting over 57,000 jobs (nearly 10% of total employment). Visitor numbers have increased by 4.5% since 2010 demonstrating Lancashire's continuing attractiveness as a visitor destination. Lancashire has 137 miles of coastline seaside heritage such as Blackpool and Morecambe and beautiful countryside such as Forest of Bowland AONB, Pendle Hill.

The quality and variety of the natural and built environment, landscape and heritage in Lancashire and its close proximity and accessibility to the urban areas of Lancashire and city regions of Manchester, Liverpool and Leeds presents a huge opportunity.

Creative and Digital

Creative and Digital technologies and businesses are central to Lancashire's future success as a place to live, trade and invest employing over 23,000 people. The roll out of superfast broadband across Lancashire, development of ultra-fast broadband connectivity and proximity to Media City, will help to increase productivity, stimulate activity and attract inward investment from UK-based and international companies.

Enterprise and Self Employment

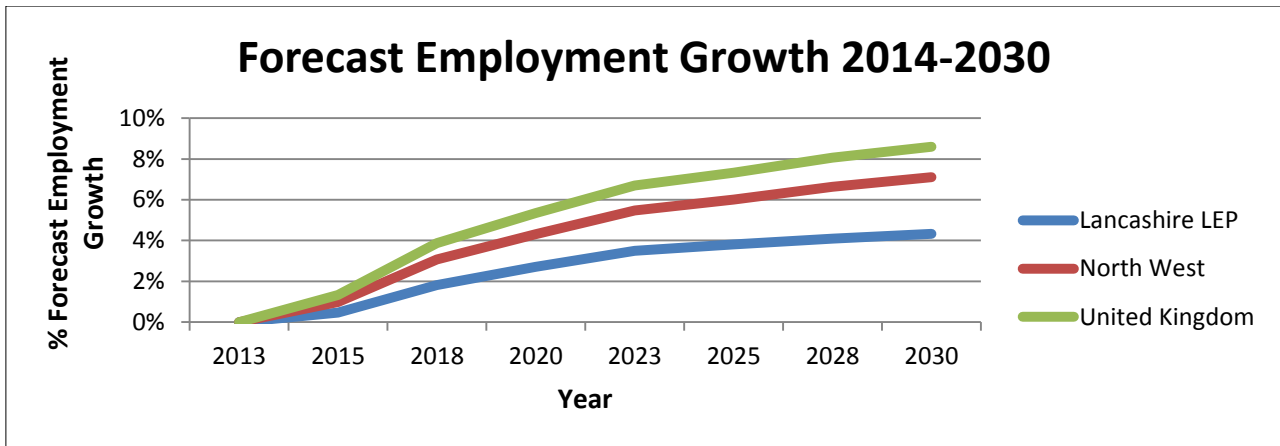
Enterprising people and communities will help drive Lancashire's economic future, and in particular encouraging local business creation and growth. Lancashire is underperforming compared with the rest of the UK in terms of entrepreneurial activity, with business formation rates, business death rates, long term business survival rates and business densities all performing below the UK average; business birth rates are 1% below the national average but death rates are 1.3% below indicating an on-going divergence with national trends.

At a local level the highest number of new businesses in 2012, were in Preston (540), Blackburn with Darwen (490), West Lancashire (425) and Blackpool (410) however the highest number of business deaths were in the same areas with 200 more deaths than births in Blackpool. Wyre has the highest business survival rate with 95.8% of new businesses surviving the first year.

4. Employment

Since early 2011, employment has fallen within Lancashire by -31,400 (-4.6%) people. However, the number of jobs in the Lancashire economy is predicted to increase from 2014 onwards with over 23,000 jobs (employees and self-employment) to be added by 2023 but this level of increase, only 3.5%, will be below the 7% increase predicted for the UK. Table 6 outlines the forecast employment growth to 2030.

Table 6



As with GVA growth there are spatial differences in Lancashire, with those areas with greater proportions of higher skilled residents and high GVA industries, predicted to grow. Essentially those areas with lower skilled populations and more reliant on traditional lower value sectors (including low GVA manufacturing) are likely to see job growth at a lower level than elsewhere or even net job reductions.

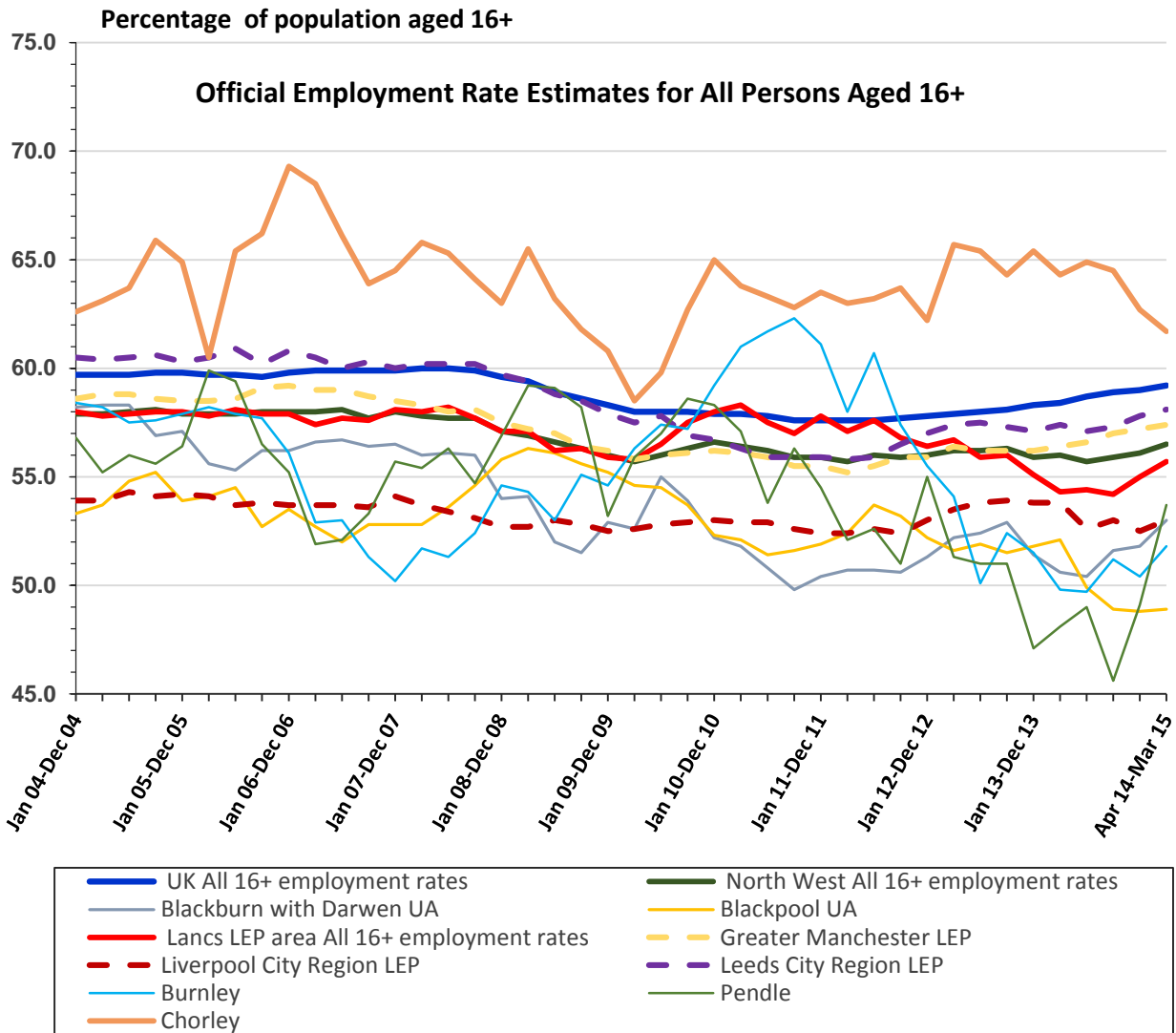
Lancashire's economic activity rates have fallen since 2011/12 and are now below the UK average, especially within east Lancashire. There are spatial variations that are closely associated with deprivation levels and low economic activity rates for Blackpool, Pendle and Blackburn with Darwen are reflected in recent data.

A number of Lancashire's Local Authorities have economic activity rates that either are on par with or are higher than the national average e.g. Ribble Valley and West Lancashire. However, Blackpool, Pendle and Blackburn with Darwen have economic **inactivity** rates above the national average with Blackpool's rate exceeding 45%. This correlates with areas of lower economic growth and skills, the result being areas of severe social and economic deprivation contrasting with areas of prosperity and growth.

Analysis of employment numbers and employment rates shows that these have fallen in all of the Lancashire LEP authorities from previous peaks/highs. Numbers and rates have fallen by particularly large percentages/magnitudes in Ribble Valley, Hyndburn, Burnley, Rossendale, South Ribble and West Lancashire.

By contrast, employment numbers have risen and are at their highest totals at the UK level, within the North West region and for the Greater Manchester LEP and the Leeds City Region LEP. Employment rates have not yet caught up with previous peaks (as the 16+ population denominators have increased at a faster pace than the recovery in employment numbers). Table 7 outlines employment rate estimates for people aged 16 and over.

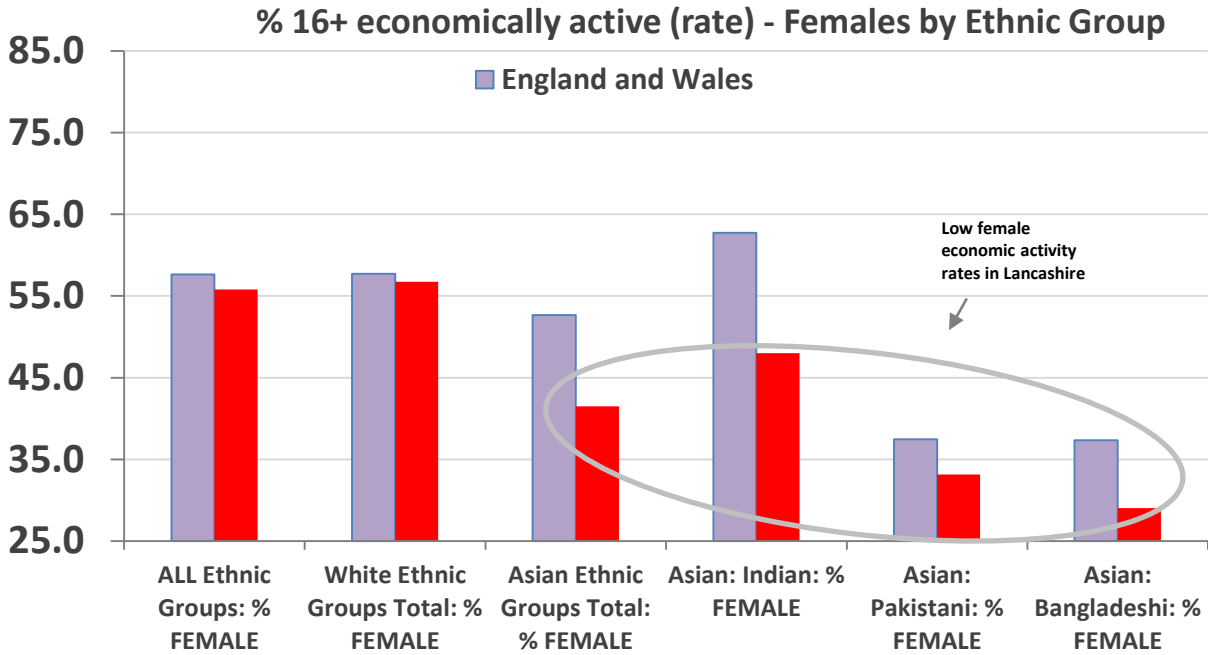
Table 7



Employment by Ethnic Groups

In addition to these geographic differences there are a number of groups that are underrepresented in employment. For example, BME individuals have lower employment rates than the Lancashire average (54% to 68%). For those in employment the largest employing sectors are Retail, Distribution, etc. and Public Administration; either lower skilled or reducing. The female rates by ethnicity show the particularly low Asian female rates in Lancashire compared to England and Wales. Table 8 and table 9 provide further analysis on economic activity by ethnic group and gender.

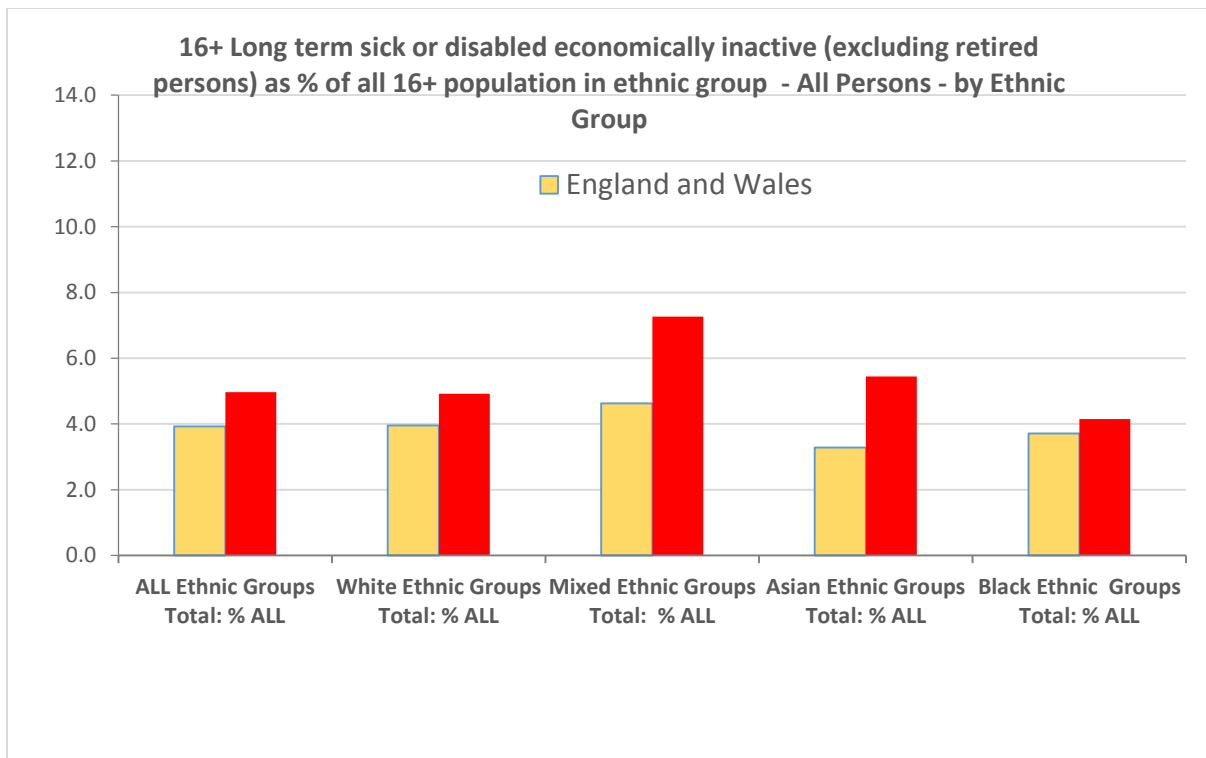
Table 8



Source: 2011 Census: Table DC6201EW – Economic Activity by Ethnic Group and Gender.

The majority of ethnic groups in Lancashire (both white and non-white) appear to have greater percentages who are classified as economically inactive long term sick or disabled (excluding retired persons).

Table 9



Source: 2011 Census: Table DC6201EW – Economic Activity by Ethnic Group and Gender.

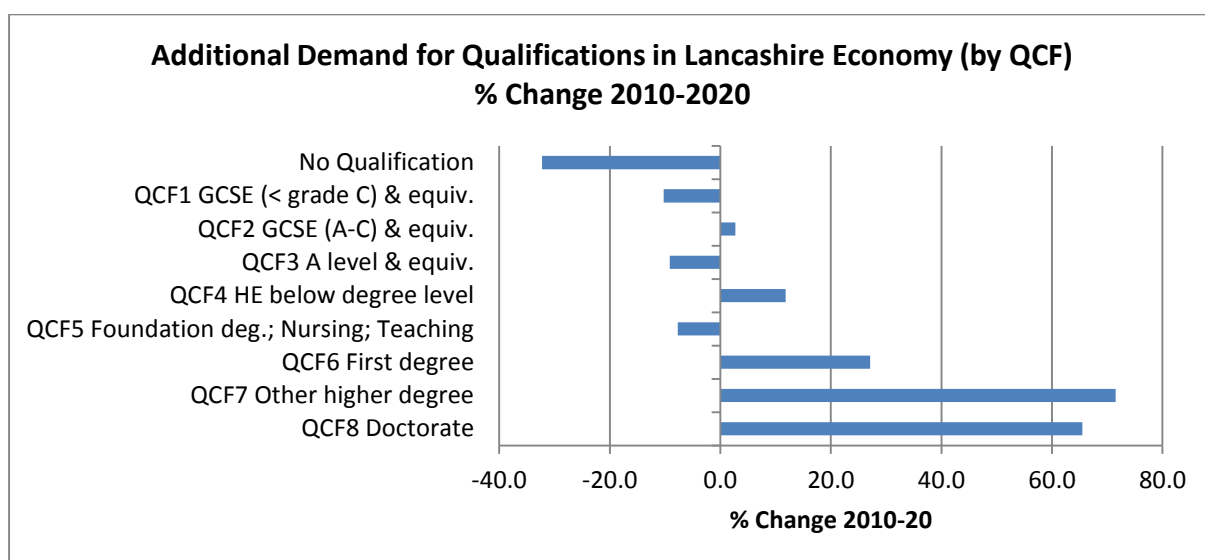
5. Skills and Educational Attainment

Lancashire is also a place of rising qualification levels, the proportion of residents qualified to NVQ4+ having increased from 24.5% in 2007 to 28.3% in 2014. However, Lancashire's skills profile is representative of the huge differences that show themselves across the county. Within the county some area's skills levels are as high as anywhere in the country; in others skills levels are especially low.

Evidence from within some of Lancashire's target sectors suggest that there is a shortage of skilled employees especially within the smaller enterprises that feed into larger supply chains and significant improvement is required to support identified growth sectors. For example, only 30% of employed people aged 16-74 in Lancashire are qualified to NVQ Level 4 or above which is below the national average of 35%.

Changes within the Lancashire economy will increase the demand for higher level skills as Lancashire's growth sectors develop and businesses increasingly become more knowledge based. This clearly demonstrates the need to develop resident and employee skills up to and beyond NVQ3.

Table 10



Source: Working Futures 2010-2020 UKCES

As at March 2015, the majority of 16-17 year olds (27,270 in total) are in full-time education and training (80.2), 6.7% in apprenticeships, 1.5% in work based learning and the remainder undertaking other forms of learning. This 90.4% participation rate is on a par with the 90.6% national rate. Local authority NEET data is published annually and the 2014 position showed that there were an estimated 2,040 NEET young people in Lancashire, 5% of 16 to 18 year olds in the area. By age group, 270 are 16 years old, 660 are aged 17 and 1,140 are 18 years old. Overall Lancashire has a higher than average number of NEETS, with 15% of 16-24 year olds only qualified to NVQ Level 1 and 9% with no qualifications. Educational attainment outcomes for children and young people in Lancashire are generally good but performance varies across the county with the more deprived districts reporting much lower levels of educational attainment.

Lancashire is home to ten local further education colleges and four universities – Edge Hill University, Lancaster University, University of Central Lancashire (UCLan) and Cumbria University who have a campus in Lancaster. In addition, Burnley is home to the specialist University and College of Football Business with two campuses, Burnley and Wembley.

These institutions are a crucial component of Lancashire, and the UK's knowledge base and, as such, contribute to innovation and enhanced productivity through knowledge exchange and skills

provision. There are existing strong relationships and partnerships between academic institutions, local authorities, the LEP and wider partners committed to growing the local economy.

Our focus is on strengthening the growth linkages between our world class clusters of industry, technology and research excellence by aligning these with national/Lancashire priorities and growth-oriented sectors. Our universities engage with business in a number of ways to drive innovation, and have strong track records in creating graduate business start-ups and in the commercialisation of intellectual property.

Both Lancaster University and UCLan are developing programmes to support higher level skills development as are our Lancashire's FE Colleges. A package of activity, including that delivered by Lancashire's colleges, universities and training providers, will continue to foster and strengthen innovation and enterprise.

Low educational achievement in the deprived areas will impact on the future labour force and the ability to recruit people with the right skills in the local area Lancashire's opportunities can only be fully exploited if there is a keen focus on ensuring that there is the right supply and mix of skills to meet business needs. Lancashire still needs to increase the number of residents with, or on the pathway to, higher level and more business orientated skills linked to growth sectors. Without an enhanced supply of relevant skills, Lancashire's economy will be put at risk of becoming less competitive.

6. Health

Good health is fundamental to a good quality of life. A range of indicators reveal a number of problems concerning the health of people in Lancashire. The most important, life expectancy, continues to improve across all parts of Lancashire but in some of the Lancashire local authorities, male and female life expectancy at birth rates are amongst the worst in England and Wales. Health profiles are closely aligned to deprivation levels, with, in some cases, people from Lancashire's most deprived communities having a life expectancy of 6 years less than the most affluent.

The greatest health problems are in circulatory diseases such as heart disease and stroke and cancers. Poor health, including poor mental health, is a particular barrier to employment for many people within Lancashire leading to economic inactivity and benefit dependency which puts greater pressures on public sector resources.

7. Commuting and Earnings

In general terms, Lancashire benefits from commuter flows and nine of the 14 authorities in the Lancashire LEP area recorded higher residence-based figures (those that live in the area) but differences between the workplace (those that travel in) and residence-based figures reveal the effect of cross-border commuting.

The Lancashire weekly residence-based figure for all employees was £7.00 per week higher than the workplace figure. By making use of various transport networks a number of the county's residents, especially full-time employees, are able to travel to higher value work locations within and outside the county. The proximity of Manchester and Liverpool enable a number of the county's residents to take advantage of higher value work opportunities in these large conurbations.

At a local authority level; West Lancashire, Wyre, Chorley, Ribble Valley and Rossendale are the five authorities that appear to gain significant benefits from commuter outflows. In particular, South Ribble (36.7%), Chorley (39.1%) and Rossendale (40.3%) have low percentages of people who live and work in the same district.

For Fylde and Preston workplace earning figures are significantly higher meaning that for a number of people, these are their places of work but not where they live. Preston has the highest number of

commutes from within the Lancashire LEP area (68,810 individuals) followed by Blackpool (51,079), Blackburn with Darwen (50,302) and Lancaster (43,546).

In terms of outflows from Lancashire, Rossendale has the highest percentage of individuals (33.1%) who work in Greater Manchester, followed by Chorley (16.2%).

Blackpool (95.9%), Wyre (94.2%) and Fylde (93.9%) have high percentages of people who live and work in the Lancashire LEP area (Blackpool, Wyre and Fylde has a Travel To Work Area of its own (Blackpool TTWA, reflecting a high percentage of self-containment). As does East Lancashire where 81% of residents live and work in the area.

Fylde (£533.70) had the highest workplace-based median earnings figures in the broader Lancashire LEP area for all employees. The authority contains a major BAe Systems site, and also has the nuclear fuels site at Springfields. These locations are sources of high value jobs. Fylde and Ribble Valley were the only Lancashire LEP authorities to record median workplace weekly averages that were above the national rate.

For the residence-based figures at the district level, four Lancashire authorities: Ribble Valley, Fylde, West Lancashire and South Ribble had median figures that were £400 per week or above. In contrast, Blackpool recorded the lowest residence base median weekly figure of just £304.40. This was the second lowest in Great Britain. The low figures for Preston and Rossendale of £342.0 and £342.3 placed them nationally in 21st and 22nd lowest positions. The relatively low earnings potential for some Lancashire residents has obvious consequences with regard to levels of disposable income, mortgage/house purchasing capacity, savings, investment and wealth generation.

8. Workplace Skills

Analysis of workplace population skill levels, as opposed to resident skill levels, show the majority of local authorities within the Lancashire LEP area fare well in relation to the middle levels of qualifications, (Level 2 and Level 3) and also in terms of apprenticeship qualifications. However, the results show lower percentages of workplace populations with Level 4 qualifications (degree or above) and higher percentages of workplace populations with low qualifications (no qualifications or Level 1 qualifications). When viewed in relation to commuter flow it is evident that residents with higher skill levels are more likely to travel outside of their area to higher skilled jobs elsewhere

Twelve of the local authorities within the Lancashire LEP area had percentages of their respective workplace populations with Level 4 qualifications that were below the England and Wales average (34.9%). Eight of these had percentages lower than 30%, in, or near, the bottom third of the rankings within England and Wales. Only Fylde district (37%) and Preston (35.1%) had percentages of their workplace populations with Level 4 qualifications that were above the England and Wales average (34.9%). The Manchester City Council area (44.6%) had the greatest percentage in the North West.

Conversely just over a quarter of the workplace population in the Lancashire LEP area (26%) had low qualifications as their highest qualification (no qualifications or Level 1 qualifications). This is slightly greater than the England and Wales average (24.5%). Percentages with low qualifications (no qualifications or Level 1 qualifications combined) ranged between highs of 29.7% in Blackpool and 29.2% in Pendle to a low of 20.7% in Fylde. Wyre (28.7%), Rossendale (28.8%), Hyndburn (28.8%) and West Lancashire (28.3%) were also ranked in the top third. Only Preston (23.0%), Lancaster (22.4%), Ribble Valley (21.6%) and Fylde (20.7%) had percentages that were lower than the England and Wales average (24.5%). Fylde (20.7%) had the 2nd lowest percentage in the region (38th lowest in England and Wales). The Manchester City Council area (19.9%) was the lowest in the North West.

9. Housing

To support economic growth there is a need to build more good quality housing to encourage people to locate to or remain in the area. As with the national housing market, Lancashire's house building has been severely impacted upon by the economic downturn. Completions are less than half what they were in 2000. Some areas of large scale housing have been developed recently, especially those that are well-served by the motorway network to allow for commuting within Lancashire and beyond. In other areas, with more fragile housing markets, viability is still an issue particularly on brownfield sites.

These low demand areas usually have a range of other housing problems such as an overabundance of pre-1919 terraced housing, poor stock condition, poor management of the private rented sector and high levels of empty properties. Poor housing conditions can affect the health of the occupants and contribute towards neighbourhood decline. The need to expand the housing supply is very important, but the county also has to deal with the issue of an imbalance in its housing stock that contains many inexpensive older terraced properties that struggle to satisfy modern-day aspirations.

10. Place Shaping & Driving Prosperity

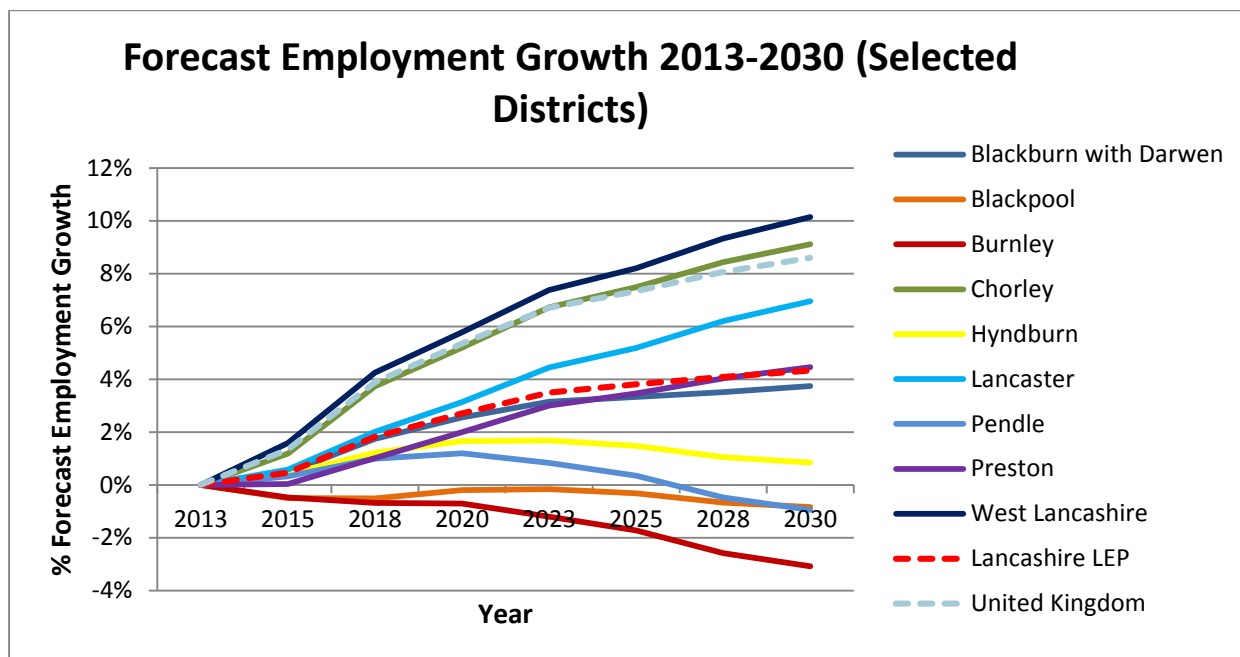
Lancashire is a diverse place both geographically, and economically where people and business choose to live, work, invest and do business. Everywhere in Lancashire has its own role to play in achieving greater prosperity for the county and its residents, albeit different roles dependent on their assets, opportunities and challenges.

However, Lancashire contains significant pockets of deprivation and without targeted incentives, there is a real danger that excluded individuals and communities living in some of the most deprived areas in England will be left behind as the economy develops. As indicated above a number of areas have particular concentrations of issues which interact to create multiple barriers to skills and employment growth

An analysis of the Indices of Multiple Deprivation (2010) shows extremes in Lancashire, from the relatively affluent areas of the Ribble Valley and Wyre, to several areas that contain large areas of severe ingrained deprivation. These areas are associated with lower skill levels and economic activity rates. Six Lancashire authorities are ranked in the 50 most deprived in the country, with three of these, Blackpool, Burnley and Blackburn with Darwen, falling into the 10% most deprived. A closer examination of Lower Super Output Areas (LSOAs) highlights the extent of the problem with 17.4% of Lancashire LSOAs falling into the most deprived 10% in the country, compared to 15.5% in 2007. In contrast the percentage of LSOAs in Lancashire that are within the most affluent 10% in the country has increased from 4% to 5.4%. This illustrates that deprivation is becoming more embedded and the gap is widening between the most and least deprived areas. This will be exacerbated by reducing employment opportunities in certain areas.

Table 11, employment growth chart highlights the variation across districts and emphasises the areas requiring more regeneration focus.

Table 11



Source: Lancashire Economic Forecasts, Oxford Economics, 2013

This has been exacerbated by many of Lancashire's existing employment sites being poorly situated away from the main road and rail infrastructure and containing outdated premises not suited to modern requirements. There is a need to identify and bring forward more suitably located and serviced sites to develop buildings that meet current business requirements.

This has been one of the reasons for Lancashire not benefiting from the shift towards office based service sector employment, which has been a particular feature of employment growth in many of the major urban areas in the country, where new office developments have been a feature of economic development and regeneration.

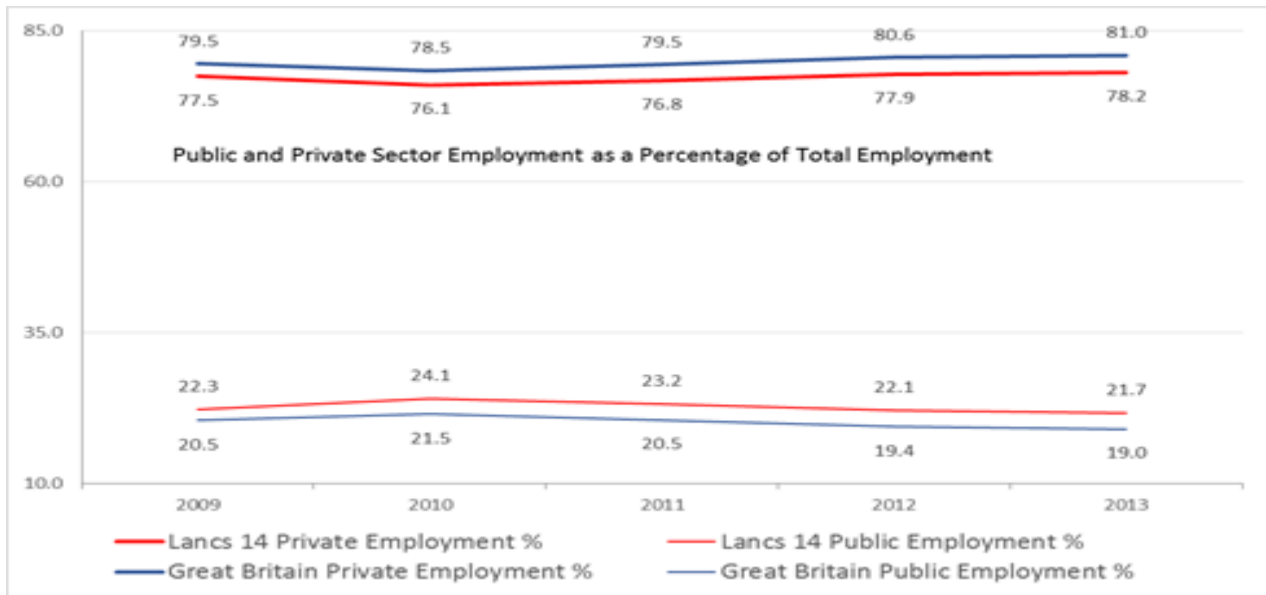
11. Public Sector Reform

Lancashire's economy remains reliant on the public sector, which contributes 24% of Lancashire's Gross Value Added (GVA) and approaching 22% of all employment. Lancashire is focused on restructuring its economic base to promote strong private sector growth, reducing the reliance on the public sector. Employment in the public sector is forecast to decline between 2014 and 2020, in Lancashire the forecast decline is 19%.

Preston and Blackpool are the two Lancashire authorities where high concentrations of local government, civil service and other public sector jobs account for over 30% of local employment. Moving away from a reliance on the public-sector will be a particular challenge for these two areas.

Table 12 shows the Public and Private Sector Employment as a Percentage of Total Employment

Table 12



Source: ONS - business register and employment survey public/private sector data

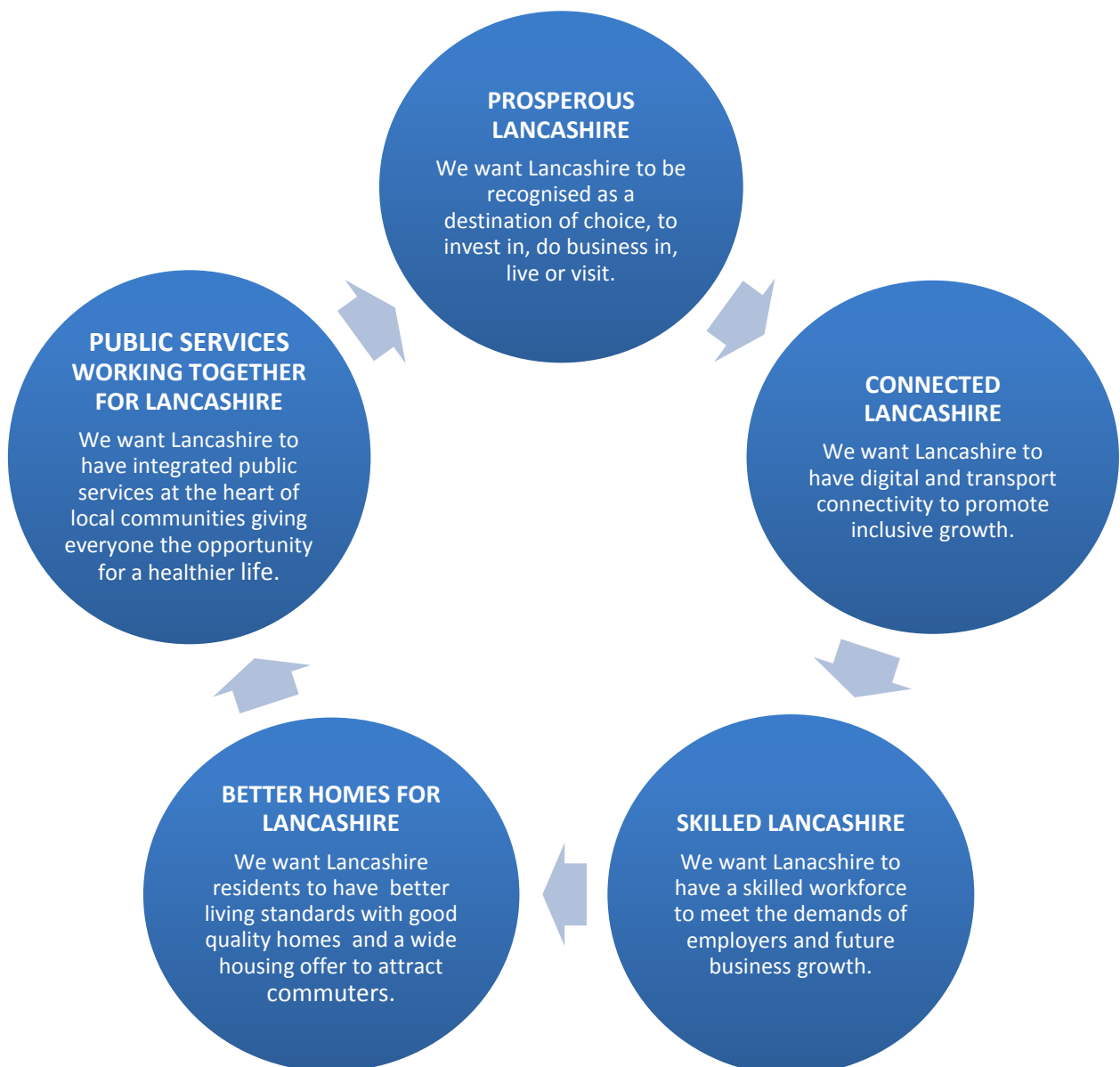
SECTION TWO - WHERE DO WE WANT TO BE?

LANCASHIRE'S AMBITION

We have a long term vision for Lancashire which sees the County as a thriving and more balanced economy that's well connected across the county geography and into neighbouring city regions. A Lancashire which attracts inward investment, driving innovation and contributing to increasing national productivity which will have positive health and wellbeing benefits locally.

Parts of Lancashire are already thriving and we want to deliver a Lancashire where all parts of the county have a share in its' rising prosperity.

Through the preparatory work for this Governance Review, five key themes have emerged which provide the future direction and ambition of Lancashire Leaders now and for future generations.



‘CONNECTED LANCASHIRE’ - We want Lancashire to have digital and transport connectivity to promote inclusive growth.

We need to have the ability and the flexibility to make policy and investment decisions on digital connectivity and transport links which are calibrated to address local connectivity issues in a bespoke way, enabling us to promote inclusive growth which is sensitive to local conditions and opportunities. This will involve:

- channelling all central government funding for transport through a single local pot in response to a commitment to fully integrate transport planning within Lancashire
- improve inter-area public transport so as to enhance economic connectivity and improve travel to work and to service flexibilities, more effectively integrating Lancashire’s economy, businesses and workforce
- co-producing plans for strategic roads with Highways England
- devolving all bus subsidies, including Bus Service Operator Grant to Lancashire councils and giving us the option to franchise services
- achieving greater influence on rail franchising and other transport services, through and beyond the scope offered by Transport for the North and discussions around HS2 and HS3
- adopting a strategy for future digital infrastructure which addresses current bottlenecks and deficits ensuring all residents are able to access the benefits of improved digital connectivity

‘SKILLED LANCASHIRE’ - We want Lancashire to have a skilled workforce to meet the demands of employers and future business growth.

We need a workforce with sufficient skill levels to meet the current and predicted needs of employers and aspirations to achieve higher. To achieve this will involve:

- greater control over the skills budgets to align funds with local needs
- align skills provision to sector needs and demands and geographic issues through a Local Output Agreement covering Lancashire
- providing a co-ordinated and transparent structure of employment and skills collaboration with better engagement between employers and schools, colleges and universities
- working with the LEP Skills Board to ensure accountability across a broad range of skills issues and alignment of skills strategies
- work with DWP on commissioning support for economically inactive and low skilled claimants
- oversight of higher level and growth/sector skills
- more control over apprenticeship funding

‘BETTER HOMES FOR LANCASHIRE’ - We want Lancashire residents to have better living standards with good quality homes and a wide housing offer to attract commuters.

We need homes and housing land supply that meet the needs of market demand and provides developers and buyers with confidence in the housing market. To achieve this we will:

- better understand the housing demand and supply across all tenures to ensure sufficient pipeline of the right types of housing (affordable, private rented, retirement, rural, executive etc)
- co-ordinate housing supply across the area
- link housing growth to economic development opportunities and ambition
- ensure that housing growth and developments are linked to infrastructure and services such as education and local services even when these cross existing administrative boundaries
- seek devolved powers for responsibility of Housing Benefit locally in some areas so that it can be used as a more effective lever to incentivise private landlords to improve housing conditions
- seek to link housing benefit payments to meet required housing standards including the Decent Homes Standard and energy efficiency ratings

‘PUBLIC SERVICES WORKING TOGETHER FOR LANCASHIRE’ - We want Lancashire to have integrated public services at the heart of local communities giving everyone the opportunity for a healthier, happier and longer life.

Public services are facing significant financial challenges, particularly in health and social care and we need these services to work together better for residents, businesses, communities. To ensure all our residents can access similar levels of support we will:

- Seek greater integration between health and social care and create an Accountable Care System where all health and care commissioners and providers would be held accountable with an expectation of working together to address key priorities which are relevant to the whole of Lancashire
- Develop ‘place based’ strategies which are relevant on either county wide, sub-level or neighbourhood level
- Have a greater influence over quality and performance of hospitals
- Work in partnership with Health and Wellbeing Boards to deliver whole system leadership and transformation to deliver the best possible outcomes for residents
- Create a simplified relationship with hospitals and providers to have a positive impact on patient care – prevention, primary care, community support
- Seek to create greater access to health facilities for areas without a hospital
- Co-location of services through multi-agency hubs
- Strengthen relationships with the Police, Youth Offending etc

‘PROSPEROUS LANCASHIRE’ we want Lancashire to be recognised as a destination of choice, to invest in, do business in, live or visit.

Our existing economic plans and priorities already demonstrate a very clear ambition for growth and prosperity and our contribution to the Northern Powerhouse, such as the Lancashire Strategic Transport Prospectus, but in order to strengthen our approach we want to make sure that we can

deliver a Lancashire where residents and businesses alike can benefit from this rising prosperity. This will involve:

- seeking devolved business support budgets and a proportion of UKTI budgets to enable stakeholders to take a more direct and proactive role in supporting business growth
- a more co-ordinated approach to delivering business support and build on existing schemes eg Business Growth Hub
- infrastructure and strategic planning 25+ years
- work together across boundaries, retaining local identity that communities recognise
- working with City Regions to ensure Lancashire is well placed to contribute to the Northern powerhouse
- working with the LEP to market the 'Lancashire brand'
- seek Intermediary Body Status for Lancashire to deliver the ESIF programme utilising local knowledge and reducing duplication of activity
- strengthen links with the HCA and other relevant government agencies
- look to formalise joint working with other public sector bodies on public assets, land and property similar to the Land Commission model in London to identify public sector land for development

The Lancashire LEPs Strategic Economic Plan (SEP) sets out their growth ambitions for the next 10 years - 50,000 new jobs, 40,000 new houses and £3 billion additional economic activity.

To help achieve this Lancashire received one of the largest Growth Deal allocations totalling £250 million and has been notionally allocated £232 million of European Structure and Investment funds (ESI) for the programme period 2014-2020. The funds are being invested as part of the Lancashire Growth Plan with a focus on their use to increase productivity levels for key economic sectors, promote sustainable employment growth and to tackle barriers to employment for Lancashire's most disadvantaged communities.

We want to build on this further and secure long term investment for Lancashire where businesses are confident in their long term future, where wage levels are lifted and residents can gain the skills needed to secure local employment.

The private sector in Lancashire has a key role to play in directing and driving forward growth, understanding the business market both nationally and internationally and looking to future growth strategies. Our LEP will continue to play an important role in Lancashire governance.

LANCASHIRE'S OPPORTUNITIES

As outlined throughout this review, Lancashire is a diverse area with pockets of benefit dependent communities alongside thriving and affluent areas. Building on a strong manufacturing history, there is tremendous potential for new and emerging sectors which Lancashire is well placed to deliver and contribute towards GDP and the government's agenda outlined in 'Fixing the foundations: Creating a more prosperous nation'.

Lancashire already has a range of initiatives to support economic growth and develop critical infrastructure which will unlock employment and housing sites making areas more attractive to

developers and provide a sound base for Lancashire to build upon. Initiatives and opportunities include:

- **Health and Digital Innovation** presents a real opportunity for Lancashire in terms of investment, productivity, prosperity and retaining graduates and directly linking to local health benefits. Information and communications; professional, scientific and technical are both growing sectors in Lancashire and the Government believes digital health will be an important growth area for the economy. The value of digital health to the UK economy is £1.9 billion and this is expected to significantly increase by 2018.

£100 million is being invested in Lancaster University Health Innovation Park and plans have recently been passed for a digital health village in Chorley. The North West is home to one of the largest life science industry clusters in the UK, specifically in medical technology. Manufacturing is the second largest employment sector accounting for 79,000 jobs including precision and advanced engineering and well placed to support innovation within health care. Over half of Lancashire's manufacturing jobs are in the East and with sites available long the M65 investment corridor there is a real opportunity to evolve manufacturing and innovation to support digital health intervention.

- Lancashire's **Assisted Areas** coverage has increased significantly which will support greater investment in the manufacturing and more deprived areas, supporting plans to increase business productivity, growth and sustainable employment.
- The **Liverpool Super port** presents significant opportunity, particularly to the West of Lancashire offering employment opportunity and upgrades to transport infrastructure. The Super port will enable larger container ships to dock as an alternative to the South coast becoming a core port in the EU network. Over 20,000 jobs are forecast to be created over the next 10 years. The Super port will have a positive impact for Lancashire's manufacturing base with companies ready to explore the global market and contribute to the UK exports.
- The **neighbouring city regions** of Manchester and Liverpool are set to outperform international cities such as Berlin and Tokyo in jobs growth. Over the last five years both cities reported the largest jobs growth in the UK. Lancashire is ideally placed to connect to these city regions with direct train routes from some of the main towns and close proximity to the M6, M61, M66 and M58.
- **Superfast Lancashire** will ensure that businesses have access to speedy and modern fibre broadband communications, through a £130 million investment programme, connecting companies and key strategic and employment sites. The benefits of this programme will be built upon to address the 'Digital Divide'. Given that many training and employment opportunities depend upon access to and/or depend upon the internet this of crucial importance given 27% of Lancashire households do not have access to the internet, of which 48% have a disability and 38% are unemployed. Superfast broadband is critical if we are to build digital health innovation.
- Lancashire has **four universities** – UCLAN, University of Cumbria, Edge Hill University and Lancaster University. The growing reputation of our university centres is reflected by the year on year high ranking of Lancaster University which is ranked in the top 10 of the UK's major university league tables and also Edge Hill University who won the Times Higher Education award for University of the Year for its achievements in student satisfaction and graduate employment.
- The Lancashire **Growth Deal** will play a key role in ensuring the benefits of economic growth are shared by all. This will include support for Lancashire residents to develop their skills, in the context of increasing demand for higher level qualifications, and access the employment opportunities being created. The Growth Deal, delivered by the LEP, will help to create up to 5,000 jobs, allow more than 6,000 homes to be built and generate up to £140 million in public and private investment.

- The **Preston, South Ribble and Lancashire City Deal** addresses the infrastructure issues that will release the economic potential of core locations through a £340 million Investment and Delivery Programme. This will deliver more than 20,000 net new private sector jobs and £2.3 billion in leveraged commercial investment. It has secured a 10 year funding allocation for major transport schemes.
- **Lancashire European Structural and Investment Funds (ESIF) Programme** that will provide £231 million of investment in Lancashire to support business growth, skills development, sustainable employment and social inclusion. The Lancashire ESIF Strategy sets out the local priorities for support whose implementation will be overseen by the Lancashire sub-committee of the national Growth Board.
- The Lancashire **Growing Places Fund** has fully committed its allocation of £20 million to support economic infrastructure and will invest recycled funds through a second wave of activity. So far, it has attracted £100 million of additional investment, supporting the creation of 3,000 new jobs and over 400,000 sq. of new business space.
- The Lancashire **Enterprise Zone** will focus on the Advanced Engineering and Manufacturing sector. It will promote Research and Development capability and support supply chain and skills development activity, acting as the focal point for a network of centres of excellence across Lancashire. Work has started on the Samlesbury EZ site to create a new entrance and access work is due to start shortly on a new BAE Training Facility, followed by a Defence Logistics Facility.

In March 2015 the Government announced, subject to further business case development, an 'in principal' designation as an Enterprise Zone for part of the Blackpool Airport site. On 8th July, following the submission of additional information in support of the original business case, the Government confirmed that the Blackpool Airport Corridor Enterprise Zone will be Lancashire's second Enterprise Zone.

- Support for growth orientated SMEs is being provided through **BOOST**, Lancashire's Growth Hub, which has brought together £40 million of programmes to support high growth companies and Start Ups delivering 2000 jobs .
- **Transport for Lancashire (TfL)**, works with neighbouring transport bodies and Government to secure maximum benefit from national transport initiatives, including the development of the Northern Rail Hub, Rail Electrification and HS2, which improve the area's linkages to other major centres of economic growth, including Manchester, London and Leeds.

TfL is developing a £325 million investment programme to support a number of **Transport Masterplans** focusing initially on East Lancashire, Lancaster South and West Lancashire. They will include activity to support Strategic and Employment Site development along the Burnley-Pendle Corridor (in support of existing and future employments sites in proposed Assisted Areas), access improvements in Lancaster linked to the expansion plans of Lancaster University (in addition to the Heysham M6 link), and rail links in Skelmersdale improving connectivity to Manchester and Liverpool.

- Lancashire is well known for its industrial, environmental and coastal **heritage assets** from historic Lancaster to the Fylde Coast and across to East Lancashire where the industrial revolution started. Significant investment is underway with restoration projects across the county funded by the Heritage Lottery Fund and Arts Council such as £3 million to re-ignite the East Lancashire stretch Leeds – Liverpool Canal. Blackpool has retained its place as England's most popular seaside destination, famous for its tower and illuminations and is seeing improvements across the town and £100 million investment in its tramway.

SECTION THREE - HOW WILL WE GET THERE?

Lancashire has different challenges and opportunities across the county and as part of this review Leaders have recognised that there cannot be a 'one size fits all' approach to realising potential and ambitions.

There is no one dominant centre and the area clearly has functioning travel to earn and learn areas. The mechanisms for delivering economic growth across the area will differ and it's recognised that making the step change may be done on a county footprint, on a sub-level footprint or on a 'theme' footprint where a cluster of authorities may need to work together to tackle specific issues such as inadequate housing.

There will also be opportunity for some local authorities to explore partnerships, formal or otherwise, outside of Lancashire where geographically they may be dispersed, but issues more closely align eg Blackpool and other coastal towns.

In developing this Review, the Local Authorities considered a number of areas that pose a barrier to future growth and realising the ambitions for the area. There are a number of key areas that Lancashire wants to address, in particular:

- transport infrastructure and modern public transport systems
- influence and control of local spending – transport; housing; skills; business support; health and social care
- co-ordination of skills activities and budgets locally
- longer term and more co-ordinated infrastructure planning 25+ years ahead
- addressing public transport constraints – eg integrated smart ticketing, accountable governance arrangements for bus and rail franchising
- a restructured housing market
- faster and more co-ordinated delivery of major economic development projects
- a single voice for Lancashire, beyond the LEP and economic development to raise the profile of Lancashire and its offer.

OPTIONS APPRAISAL

In exploring governance options for Lancashire, an options appraisal framework was developed. To inform this framework Lancashire Councils were asked to identify some of the functions and services which could be considered as part of a governance review. These included where authorities felt there were gaps in provision or functions which could/needed to work better. The common and key themes which emerged were strategic planning; connectivity; housing; business support; skills; public service reform.

The strategic opportunities (mainly economic development and transport related) which could deliver step change for Lancashire were identified as:

- devolved funding
- greater influence and flexibility of any national, regional and local programmes
- longer term and more co-ordinated infrastructure planning
- spatial planning including on a sub-level Lancashire footprint
- public sector integration, particularly health and social care
- inward investment/improved profile

Taking these aspirations and opportunities, an appraisal was carried out of the various models for working together to deliver prosperity, investment, economic development, transport etc.

The options considered were:

- Enhanced status quo
- Joint Committee
- Economic Prosperity Board
- Integrated Transport Authority
- Combined Authority

MODEL	Enhanced status quo	Joint committee	Economic prosperity board	Integrated transport authority	Combined authority
Devolved funding	No	No	Limited	Only Transport funding	Yes
Greater influence and flexibility of any national, regional and local programmes	No	Limited	Limited	Only on transport	Yes
Longer term and more co-ordinated infrastructure planning	Limited	Limited	Yes	Only on transport	yes
Spatial planning	Yes	Yes	Yes	Only on transport	Yes
Public sector integration	Limited	Limited	No	No	Greater potential
Inward investment/profile	Limited	Limited	Yes	No	Yes

CASE FOR CHANGE

Lancashire has some excellent partnership arrangements in place across the County geography, engaging with partners in both the public and private sector as identified in section two.

Leaders have recognised that some of the ambitions set out earlier in this review, can be achieved through existing partnerships, better joint working, better relationships with stakeholders, some pooling of resources. However to achieve a prosperous Lancashire we need to demonstrate that Lancashire means businesses and provide reassurance that we have strong, robust governance arrangements in place to have a mature conversation with government departments.

The existence of the right investment sites, premises and infrastructure is crucial to ensure that Lancashire businesses can remain productive. Addressing our infrastructure constraints needs to be carried out in parallel with support for innovation, resource efficiency and skill development to ensure Lancashire can build upon its competitive advantages, and our businesses are able to remain competitive and grow sustainably.

However, in order to attract and maintain economic growth the local authorities need to create the right conditions for growth and will work together to set the strategic vision and delivery mechanisms so that Lancashire can become a net contributor to the national economy.

This review sets out the ambitions for Lancashire and what measures we need to put in place to achieve these ambitions.

The current governance arrangements are not sufficiently robust to enable Leaders to achieve their ambitions. Such as:

- limited governance arrangements to receive devolved funding
- there is insufficient joint working and partnership structures to influence skills provision, public transport provision, business support
- with the exception of the City Deal there is limited alignment of infrastructure planning across borough boundaries and certainly no statutory arrangements
- cross boundary working and infrastructure planning can be bureaucratic with decisions being made several times over across authorities
- inconsistent approach to service provision, eg health and social care
- individual scrutiny arrangements for cross boundary working.

CONCLUSION AND RECOMMENDATION

This review has concluded that the current arrangements do not provide sufficient governance or decision making arrangements to fulfil the ambitions for Lancashire.

There are currently no legally constituted bodies operating across Lancashire with democratic accountability to take strategic decisions on transport, economic development or regeneration leading to weaknesses in our ability to grow the economy. Without tackling these weaknesses the County will not be able to reach its full economic potential.

Having considered the economic evidence, the ambitions for Lancashire, the current decision making arrangements and the options appraisal, this Governance Review concludes that a Combined Authority provides the best opportunity for Lancashire to achieve its potential.

**A SCHEME FOR THE ESTABLISHMENT
OF A COMBINED AUTHORITY FOR
LANCASHIRE**

1. Establishment of the Combined Authority

A Combined Authority shall be established pursuant to Section 103 of the Local Democracy, Economic Development & Construction Act 2009 (LDEDCA).

2. Name of the Combined Authority

The name of the Authority shall be The Lancashire Combined Authority (LCA).

3. Area of the Combined Authority

The whole geographical County of Lancashire incorporating the areas covered by County Council; Blackburn with Darwen and Blackpool Borough Council; and all the District Councils of Lancashire.

4. Constitution

4.1 Membership of the Combined Authority

Membership of the LCA will be drawn from the constituent Councils listed below:

- Blackburn with Darwen Borough Council
- Blackpool Borough Council
- Burnley Borough Council
- Chorley Borough Council
- Fylde Borough Council
- Hyndburn Borough Council
- Lancashire County Council
- Lancaster City Council
- Preston City Council
- Pendle Borough Council
- Ribble Valley Borough Council
- Rossendale Borough Council
- South Ribble Borough Council
- West Lancashire Borough Council
- Wyre Borough Council

In addition, non-constituent membership will be drawn from the Lancashire Local Enterprise Partnership (LEP).

4.1.1 Each constituent council shall appoint its Leader to be a member of the Combined Authority, and in addition shall appoint a substitute.

4.1.2 The LEP shall nominate its Chair to be a non-constituent Member of the Combined Authority, and shall be entitled to nominate a member and a substitute.

4.1.3 All members of the CA must act in accordance with this Scheme of Governance and observe the Code of Conduct for members of the CA.

4.1.4 A Member ceases to be a Member or substitute Member of the Combined Authority if

they cease to be a member of the constituent council or the LEP that nominated them.

- 4.1.5 To resign, the Member or substitute Member has to give written notice to the Proper Officer of the constituent council or the Company Secretary of the LEP.
- 4.1.6 Constituent councils may terminate and replace a Member or substitute Member at any time but must give written notice to the Combined Authority within 28 days.
- 4.1.7 The LEP may terminate and replace a Member or substitute Member nominated by it to the Combined Authority at any time but must give written notice to the Combined Authority within 28 days.
- 4.1.8 Where a Member or substitute Member appointment ends for whatever reason the constituent council or LEP shall give notice of the appointment of another of its elected members or member having due regard to paragraph 4.1.2 above as soon as possible to the Chair. Such appointments will be effective immediately.

4.2 Chairman and Vice Chairman

- 4.2.1 There will be an annual election of the Chair and Vice Chair. Incumbents will be eligible for re-election. Only council Leaders will be eligible for election as Chair and Vice Chair.
- 4.2.2 Appointment to be the first business at the Annual Meeting and to be made from amongst the Combined Authority's members.
- 4.2.3 A person ceases to be Chair or Vice Chair if they cease to be a member of the Combined Authority.
- 4.2.4 Any vacancy must be filled at the next ordinary meeting of the Combined Authority unless such meeting is within 14 days, when it will be the meeting following.

4.3 Proceedings

- 4.3.1 In the full spirit of partnership working every endeavor will be made on all matters to reach decisions by consensus such that the need for formal voting becomes academic.
- 4.3.2 However, if formal voting is required the following will apply:

The following decisions require a unanimous vote in favour by all constituent council members or substitutes present and quorate: -

- Adoption of and any amendment to, withdrawal of any Strategy or Plan and associated schemes/programmes for which the Combined Authority has functions, powers or duties to produce
- Approval of the Combined Authority's annual budget including decisions on any levies, precepts or other demands for financial contribution from constituent authorities
- Approval of borrowing limits, Treasury Management Strategy including reserves, Investment Strategy and Capital Budget of the Combined Authority
- Approval of the Combined Authority's Constitution and any changes thereto
- Adoption of any freedoms or flexibilities offered by Government
- Future expansion of the Combined Authority's functions included but not limited to the transfer of functions by the councils to the Combined Authority and/or the devolving of powers from Government.

All other decisions to be by a 2/3rds majority of those constituent council members

present and quorate.

- 4.3.3 Quorum is 10 voting Members or nominated substitute members.*
- 4.3.4 Each Member to have one vote.
- 4.3.5 There is no casting vote.
- 4.3.6 If a vote is tied it is deemed not to have been carried.
- 4.3.7 Proceedings are not invalidated by any vacancy amongst its Members or by any defect in the appointment or qualification of any Member.

4.4 **Transitional Arrangements**

4.4.1 Transport for Lancashire (TFL) will transfer from the LEP to become part of the Lancashire Combined Authority.

4.4.2 The three TFL authorities being –

Lancashire County Council
Blackburn with Darwen Council and
Blackpool Borough Council

The Combined Authority will reserve voting between those three constituent Members on

–

- (i) The adoption and amendment of any Local Transport Plan under S108(3) Transport Act 2000
 - (ii) Allocation of any Local Transport Plan funding to individual constituent councils.
- 4.4.3 Debate about items (i) and (ii) above will take place at a meeting of the full Combined Authority and all constituent and non-constituent members may take part in debate. Every effort will be made to reach consensus. If formal voting is required, decisions will be by a unanimous vote of the three TFL constituent councils.
- 4.4.4 The TFL constituent councils will use their best endeavors to: -
- (i) Reach unanimous agreement with all the constituent and non-constituent members of the Combined Authority on any matters for decision, and
 - (ii) Work toward a system of inclusive voting for all constituent councils.

4.5 **Executive Arrangements**

4.5.1 Executive arrangements (within the meaning of the Local Government Act 2000) shall not apply to the Combined Authority. However, the discharge of the functions of the Combined Authority will be subject to the scrutiny arrangements set out in this scheme.

4.6 **Overview and Scrutiny**

4.6.1 The 15 Local Authorities of Lancashire will establish a joint Overview & Scrutiny Committee to exercise scrutiny over the Lancashire Combined Authority including its sub committees.

4.6.2 The Overview and Scrutiny Committee of the Combined Authority will also agree with the LEP an approach to monitor and review the mandate and performance of the LEP.

4.7 **Records, Standing Orders and Remuneration**

- 4.7.1 Proceedings and the names of members present at meetings must be recorded.
- 4.7.2 Minutes must be kept and signed as a correct record at the next suitable meeting by the Chair of the meeting.
- 4.7.3 Any such signed minute shall be received in evidence without further proof.
- 4.7.4 Until the contrary is proved, a meeting of the Combined Authority evidenced by the signed minutes of proceedings, are deemed to have been duly convened and held.
- 4.7.5 The Combined Authority may make Standing Orders which shall apply to proceedings of the full Authority and its committees.
- 4.7.6 No remuneration is payable to members of the Combined Authority.
- 4.7.7 Any allowances or expenses which may be made to Councillor Members arising out of Combined Authority membership shall be determined and borne by the appointing council for each Combined Authority Member individually.

4.8 **The Function of the Lancashire Combined Authority**

- 4.8.1 The purpose of the Lancashire Combined Authority is to improve the exercise of statutory functions in relation to economic development, growth, skills and transport across the whole geographical county of Lancashire leading to an enhancement of the economic conditions and performance of Lancashire. It will seek to further public sector reform including health and social care integration.
- 4.8.2 The Lancashire Combined Authority intends to pursue an Economic Growth Strategy through a balanced approach, with economic, social and environmental sustainability at its core. This will reflect the location of the area.
- 4.8.3 The Lancashire Combined Authority will seek to promote managed and sustainable economic growth as a policy to deliver jobs and prosperity to communities and households to secure good quality of life of all the people of the area.
- 4.8.4 The Lancashire Combined Authority intends to provide leadership and a unified strong advocacy for Lancashire on key strategic issues. It will work on ensuring closer co-ordination and delivery of transport, planning and skills. It will provide an integrated approach to achieving priorities.

4.9 **The Functions, Powers and Duties of the Lancashire Combined Authority**

- 4.9.1 The Lancashire Combined Authority will have powers in relation to strategic economic development, planning, transport, skills, training, housing and public sector reform including health and social care integration. These powers will be exercised by the Lancashire Combined Authority on a concurrent basis with the constituent Member Authorities. In other words, no powers have been “ceded” to the Lancashire Combined Authority by its constituent members.
- 4.9.2 Subject to Government agreement, functions will include: -
 - The public sector decision making body for strategic economic development and transport for the Lancashire Combined Authority area;

- setting the Economic Strategy for the Lancashire Combined Authority area;
- setting the Investment Strategy for the Lancashire Combined Authority area;
- implementing the Investment Strategy for the Lancashire Combined Authority area;
- making decision in relation to the uplift on business rates received from the Enterprise Zones;
- Co-ordinated inward investment activity;
- Functions as currently exercised through BIS, DfE and their executive agencies in respect of further education provision, co-ordination and funding;
- Functions in respect of the funding and provision of housing in the area of the Combined Authority e.g. from the Homes and Communities Agency;
- Functions in respect of control and co-ordination of surplus public land in Lancashire to create sites for residential and commercial growth. Examples of vacant land holding would include that owned by constituent members of the Combined Authority, Network Rail, the NHS, Government Departments or private sector developers;
- Functions in respect of provision, co-ordination and funding of initiatives for increasing employment and improving skills as currently exercised through the Department for Business Innovation and Skills and its executive agencies;
- Functions in respect of the provision of support and funding for local business initiatives in the area of the Combined Authority as currently exercised through the Department for Business Innovation and Skills and its executive agencies;
- The duty under Section 8 (i) of the Housing Act 1985 (duty of local housing authorities to consider housing conditions in their district and the needs of the district with respect to the provision of further housing accommodation);
- The functions of a local transport authority under the Transport Act 2000 and any other enabling legislation (and including, by order, the functions of a Passenger Transport Executive under section 88 of the Transport Act 1985);
- The functions of local authorities under the Transport Act 1985;
- To develop, and subsequently monitor, investment plans utilising Government and European funds for the Lancashire Combined Authority area;
- To develop a Growth Deal for the Combined Authority area;
- Functions currently exercised through the Department of Work and Pensions in respect of job seeking and employment;

4.9.3 Subject to Government negotiation the Lancashire Combined Authority seeks the following powers:

- The General Power of Competence to provide for maximum flexibility in being able to deal with economic development, stimulating growth and invigorating communities;
- Power to encourage visitors and to provide conference and other facilities;
- Duties and powers related to the provision of education and training for persons under and over compulsory school age;
- Duty to prepare an assessment of economic conditions in the area;
- Power to arrange for the publication within their areas of information relating to the functions of the authority;
- Power to prosecute and defend legal proceedings;
- Research and collection of information;
- Powers under the Apprenticeship, Skills, Children and Learning Act 2009;
- Powers related to the establishment of a Land Commission for Lancashire including the HCA's Housing and Regeneration Act 2008 and for Compulsory Purchase Orders

4.9.4 The Lancashire Combined Authority shall exercise any function of the Secretary of State delegated to the Combined Authority by the order of the Secretary of State,

pursuant to Section 86 LTA 2008 and Section 104(1)(b) LDEDLA. Such functions shall be exercised subject to any condition imposed by the order.

4.10 **Funding**

4.10.1 The constituent councils to meet all costs reasonably attributable to the exercise of its functions on an equitable basis. Equitable basis also means where possible the constituent councils will meet these costs in kind.

4.10.2 The Combined Authority will agree an annual budget for the purpose of its expenditure.

4.11 **Statutory Officers**

4.11.1 The Combined Authority has a duty to appoint to the three statutory positions being:

- Head of Paid Service
- S151 Officer
- Monitoring Officer

4.11.2 These positions will be undertaken by officers already serving in one or more constituent councils.

4.12 **The Lancashire Enterprise Partnership**

4.12.1 It is envisaged that the Combined Authority for Lancashire would include local authorities and the LEP within its governance structure. The Combined Authority would provide strategic leadership, direction and prioritisation of the resources for the functions within its remit and as directed by Government.

4.12.2 The Combined Authority is responsible for establishing an overarching Lancashire Plan, including a Growth Strategy, developed by the Lancashire Enterprise Partnership (LEP) in conjunction with the Combined Authority. The LEP is an independent business-led body which operates within an Assurance Framework agreed with the Combined Authority.

4.12.3 The LEP, as part of its mandate from the Combined Authority, will be responsible for directing and managing current and future growth programmes and relevant funding streams, in accordance with the Growth Strategy agreed with the Authority.

4.12.4 The LEP's Employment and Skills Board will operate in a joint arrangement of the LEP and Combined Authority.

4.12.5 The Chair of the LEP is drawn from the private sector. The constituent members of the Combined Authority will appoint five members to the LEP Board. As detailed earlier at 4.1.2 the LEP Chair will be a non-constituent member of the Combined Authority.

4.12.6 The Overview and Scrutiny Committee of the Combined Authority will also agree with the LEP an approach to monitor and review the mandate and performance of the LEP.

4.13 **Other Arrangements**

4.13.1 The Combined Authority may establish sub-committees, and delegate powers and functions as appropriate.