

Skills in Lancashire:

**Skills and Employment Evidence Base and Development Plans for Preston,
South Ribble and Lancashire City Deal**

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Evidence and Development Summary

Skills and Employment in Lancashire

The Lancashire Local Enterprise Partnership (LEP) is one of the largest in the North, with a population of almost 1.5 million. The area is geographically diverse, with a network of urban centres surrounded by areas of countryside and rural fringe. Lancashire's key economic centres include Preston and Lancaster which contain leading universities, with the Enterprise Zone sites at Samlesbury and Warton driving advanced manufacturing growth, and Blackpool a leading destination in the UK visitor economy.

Just over 623,500 people work in Lancashire (2014), the equivalent of 72% of the working age population. Over most of the last ten years, Lancashire's employment rate has been below the national average resulting in a relative shortfall of 43,500 jobs.

The public sector is Lancashire's main employer accounting for 191,000 jobs in 2013, followed by wholesale and retail (106,000 jobs) and financial, professional and business services (93,000 jobs). Manufacturing remains a significant employer despite the loss of nearly 45,000 jobs between 1998 and 2003. Productivity remains a long term challenge for Lancashire with the latest statistics showing a rate just 83% of the national average.

The City Deal authorities of Preston and South Ribble make an important contribution to the Lancashire economy. They account for just over a fifth of employment (2015) but have experienced a slow economic recovery, only recently returning close to pre-recession employment levels. A programme of significant intervention, such as that proposed through City Deal, will be required to kickstart economic performance and drive growth.

While GCSE attainment in Lancashire is variable, the City Deal authorities perform close to the national average with strong progression into continued education and higher than average uptake of apprenticeships suggesting enthusiasm for learning. There is still work to be done to translate this through into a strong adult skills base with qualifications held typically lower than Lancashire wide.

Lancashire has strong economic ambitions with the Strategic Economic Plan setting out targets to create 50,000 new jobs, 40,000 new houses and add £3bn of additional economic activity to the Lancashire economy over a ten year period. Achieving these figures would represent a step change in the Lancashire economy.

Lancashire's Key Sectors

Lancashire's Strategic Economic Plan identified six priority sectors that sit at the core of the economy, based on current scale and/or opportunities for growth. They are:

- Advanced engineering
- Energy and environment
- Professional, financial and business services
- Creative, digital, media and ICT
- Logistics
- Visitor economy

In a City Deal area context there is a further leading sector – construction. The construction sector has a workplace employment figure of over 14,000, accounting for 10% of all employment across the local authorities. Whilst the City Deal authorities account for 23% of Lancashire's employment across all sectors, in the case of construction they account for 40%. The sector was severely affected by the recession (as it was across the UK) but there are signs of buoyancy with strong demands to be placed on the sector to support growth aspirations. A strong case is evident for construction to be recognised as a priority sector in the City Deal context.

City Deal Overview

The Preston, South Ribble and Lancashire City Deal was the first of 20 second wave agreements, signed in September 2013. The City Deal was developed by local partners to drive forward growth by empowering the area to make the most of its economic assets and opportunities. City Deal status is valid for ten years from 2013/14 to 2023/24.

Over a ten year period, the ask to government document forecast that the City Deal investments and flexibilities would generate:

- More than 20,000 net new private sector jobs, including 5,000 in the Lancashire Enterprise Zone;
- Nearly £1 billion growth in Gross Value Added (GVA);
- 17,420 new homes; and
- £2.3 billion commercial investment leveraged.

Given the emphasis on transport infrastructure improvements and the time needed to complete work, there is an issue of the timing of benefits. In effect, new investment will begin to have an impact from year three onwards, rather than from year one of the agreement.

The City Deal Investment Programme

To achieve the targets, investments are focusing on the development of strategic transport infrastructure and bringing forward strategic sites to deliver both employment and housing growth. A series of prominent investments are being brought forward with many of the schemes long-term priorities. The planned programme of activities totals £375.883m¹ between 2013/14 and 2023/24. The schemes to receive direct investment focus on the provision of major highways and other transport infrastructure, examples of which include:

Major Highways/Transport Schemes	
Preston Western Distributor	£104.500m
Broughton	£33.999m
Preston Bus Station	£23.342m
South Ribble Western Distributor	£44.671m
Penwortham By-pass	£17.500m

Source: Draft City Deal Infrastructure Delivery Plan 2015/18

In addition, substantial funds are available for Public Transport Corridors and Local Centres and Education and Community infrastructure provision to support both existing and growing communities.

A nominal allocation of £100m from the £150m local property allocation has been identified for the City Deal Investment Fund. The Fund, invested as a new venture within the wider Lancashire Pension Fund, co-invests in housing and development schemes across the City Deal area. All investments are on a commercial basis.

¹ Contingency has been built into the current total in recognition that some scheme details remain to be finalised and cost estimates remain at an early stage of preparation

Facilitating Wider Investment and Development

City Deal investments will unlock a considerable programme of development activity. Plans will deliver over 1 million m² of new employment floorspace and 16,950 homes over a 10 year period, a significant uplift on recent development levels. The City Deal area currently provides 158,000 jobs – 21% of the Lancashire LEP total.

This level of development will require significant investment by private sector property developers and housebuilders and at a level not seen in Lancashire for many years.

City Deal Employment Sites Overview				
Scheme Name	10 yr Scale of Development	Primary Use	Start Year	End Year
Preston sites				
North East Preston	359,510 m ²	B2 and B8	2014/15	2023/24
Preston City Centre	146,788 m ²	B1	2015/16	2023/24
North West Preston	9,700 m ²	Retail	2014/15	Beyond CD
<i>Sub-total</i>	<i>515,988 m²</i>	-	-	-
South Ribble sites				
Penwortham/ Lostock Hall	27,593 m ²	B2	2016/17	2023/24
Cuerden	207,692 m ²	Mixed use	2018/19	2022/23
Moss Side Test Track	30,000 m ²	B2 and B8	2018/19	2020/21
Samlesbury EZ	145,360 m ²	B2	2016/17	Beyond CD
Bamber Bridge	12,194 m ²	B1	2016/17	2017/18
Lancashire Business Park	85,100 m ²	B2	2023/24	Beyond CD
<i>Sub-total</i>	<i>507,939 m²</i>	-	-	-
City Deal total	1,023,937m²	-	-	-

Source: DCLG monitoring returns and ekosgen analysis

The major development opportunities are in North East Preston and Preston City Centre, and Samlesbury EZ and Cuerden in South Ribble. These locations offer considerable potential to accommodate advanced engineering companies, logistics

and distribution businesses and office based accommodation for high growth service sector activities. Securing new investment from advanced manufacturing and supply chain companies will be challenging.

While Preston City Centre is expected to deliver early in the next ten years, reflecting the timing of City Deal investment and the impact of some recently completed public realm works, the South Ribble contribution is expected in the second five years of the work, and is dependent on Cuerden delivering significant employment land for development from 2019/20 onwards.

The development profile picks up markedly from 2018/19 onwards as important new infrastructure works reach or near completion. This profile has implications for the timing of economic and employment benefits from City Deal investments. However, City Deal is effectively delivering a 20 year employment land and development potential legacy, reflecting the long term impact of the infrastructure investment.

Seven housing priorities have been identified in City Deal plans to form the focus of residential activity, providing a forecast 16,950 homes² – 15,750 through new build activity and 1,200 by returning vacant homes to active use.

Preston sites			
North West Preston	5,212 units	2014/15	2023/24
Preston City Centre	3,425 units	2014/15	2023/24
Re-use of vacant homes	1,200 units	2014/15	2023/24
Sub-total	9,837 units	-	-
South Ribble sites			
Penwortham and Lostock Hall	1,676 units	2014/15	Beyond CD
Leyland and Cuerden	2,606 units	2014/15	Beyond CD
Bamber Bridge	761 units	2014/15	2022/23
Other priority sites	2,070 units	2014/15	Beyond CD
Sub-total	7,113 units	-	-
City Deal total	16,950 units	-	-

Source: DCLG monitoring returns and ekosgen analysis

The development profile shows that annual completions are forecast to peak during 2019/20 at approximately 2,400 units per annum. In three of the ten years, completions will exceed 2,000 units per annum and in a further four years are forecast to exceed 1,500 units.

The increase in housing completions envisaged by local partners will require the availability of attractive sites and a very active and significant housing development industry. A significant number of housebuilders will need to be involved in the City Deal area and for the mortgage market to function effectively over the full ten years. This scale of development is also likely to require the provision of social and affordable homes for rent and home ownership, and is likely to involve a larger private rented sector.

City Deal Residential Sites Overview			
Scheme Name	10 yr Scale of Development	Start Year	End Year

² A figure marginally lower than identified in the ask to government, as development plans have been finalised

City Deal Policy on Employment Growth

A policy on scenario considers the impacts of delivering the planned programme of activity³. City Deal employment growth, based on the supply of sites, and driven by new investment in manufacturing jobs, predominantly in the Enterprise Zone, logistics and distribution with a leading role for South Ribble and office based employment in and around Preston City Centre.

Across all sectors, the policy on scenario represents an 12% uplift on 2015 employment levels and a 4% uplift on the policy off growth forecast. Planned investments are therefore expected to play an important role in supporting the City Deal area to increase its contribution to Lancashire's economic performance and raise the LEP area's overall performance.

The following table sets out a policy on forecast against the 2015 base employment levels. Successful delivery of City Deal employment ambitions will have significant implications for employment levels across a range of sectors and will support the rebalancing of the economy by increasing levels of private sector employment, whilst also helping to reduce the scale of anticipated manufacturing job losses.

Sector	2015 baseline	2025 policy on forecast	Jobs uplift
Manufacturing	11,159	12,659	1,500
Construction	19,641	22,641	3,000
Wholesale and retail	24,114	24,814	700
Transportation and storage	6,386	9,386	3,000
Information and communication	4,083	5,583	1,500
Financial and insurance	2,796	4,396	1,600
Real estate activities	2,695	3,675	980
Professional, scientific and technical	8,219	11,819	3,600
Administrative and support services	13,967	15,667	1,700
Public administration	12,446	13,146	700
Arts, entertainment and recreation	3,166	3,566	400
Other ¹			1,320
Total (selected sectors)	108,670	128,670	20,000
Total economy	160,000	180,000	20,000

Source: Oxford Economics Forecasts and ekosgen estimates

¹ Including care and higher education amongst others not captured by traditional employment floorspace

The policy on scenario is dependent on reversing manufacturing employment decline (including energy and environment, building products), and a much higher level of growth in business and professional services and digital and creative industries. In addition, construction employment potential needs to be fully supported.

If achieved in a ten year period, the City Deal area will have to accelerate its employment growth. The rate reduces if the employment target is stretched over 13-14 years (which is considered to be a more realistic build out period) to allow for the full impact of the road infrastructure to have an effect.

The impact of the policy on employment growth scenario will be to change the make-

City Deal Policy On Forecasts

³ This is in contrast to a policy off scenario whereby current trends in the Lancashire economy would continue in the absence of exceptional activities such as those proposed through City Deal.

up of the workforce, and a large proportion of the jobs will require a degree educated workforce, while others will require well qualified and skilled staff.

City Deal – Policy On Occupation Profile	
Occupation	
Managers, directors, senior officials	2,500
Professional	3,600
Associate professional and technical	4,000
Skilled trades	1,600
Administrative and secretarial	2,000
Process, plant, machine operatives	2,000
Sales and customer services	1,500
Caring, leisure and other services	1,800
Elementary	1,000
Total	20,000

Source: ekosgen estimates

This employment growth will also contribute to higher levels of apprenticeship places in some sectors and a marked increase in graduate recruitment.

While new sites and premises will accommodate this employment growth, new inward investment and the availability of a quality workforce will be critical in securing growth. The following points will need to be considered in planning future employment and skills requirements:

- The workforce will become increasingly better qualified and higher skilled, particularly the younger workforce, and local education and training providers have an important role to play over the next ten years.
- While FE provision covers a range of occupations and sectors, it will be important to focus on the types of business services and ICT employment which will dominate employment growth as well as catering for the needs of the construction sector to deliver infrastructure and site development.
- There needs to be a growing number of young people leaving school with good qualifications and moving on to appropriate academic and vocational training. This will need to be accompanied by strong STEM performance and high quality IAG at an early stage.

- Apprenticeships will play an important role in providing employers with a young well qualified workforce in many sectors. Working with employers to increase the provision of apprenticeships will be a key priority for local partners.
- FE colleges need to provide a regular supply of well qualified and motivated young people for the growth sectors, particularly those with STEM qualifications.
- Graduate recruitment will be important for employers, and promoting the availability of local graduates will help to attract investment and occupiers into the area.
- A large workforce catchment will be important for employers and strengthening the connectivity and accessibility of the City Deal area will contribute to economic growth.
- Housing is an important element of economic growth – providing housing for a young, well educated workforce will make a contribution to economic growth.

There are strong opportunities for the City Deal area to support growth in the priority sectors reflecting: existing sectoral strengths; target occupiers for new development sites; opportunities to accommodate a growing workforce through the provision of new homes; and a commitment through this Skills and Employment Strategy to support an uplift in skills to support sector needs.

Construction Industry Challenges

Lancashire accounts for a significant proportion of the North West construction business base at 22%, compared to 21% of businesses across all sectors. Similarly, Preston and South Ribble account for 18% of Lancashire’s construction business base, compared to 17% across all sectors.

Construction is an important employer in the City Deal area economy. In 2013 Preston and South Ribble had a workplace employment figure of 14,259 in the construction sector, which equates to 10% of the workforce. This is a significantly higher proportion than regionally and nationally, for example across Lancashire less than 6% of total employment is in construction (35,328).

Forecasts commissioned from the CITB Local Forecasting Model suggest that the City Deal investments alone will support over 4,300 construction job years. In terms of employment growth, this makes construction a local priority sector for the City Deal area.

It is not clear how the construction industry will be able to recruit the numbers of experienced personnel required over the next three to five years, and increasing demand will impact on some of the Lancashire infrastructure projects.

Given the planned infrastructure projects, the strong company and employment base and the recognised skills and recruitment difficulties, there is a rationale for local City Deal partners agreeing construction as a priority growth sector and developing new initiatives with the industry to tackle business, innovation and skills issues.

There are already a number of organisations involved in addressing the challenges facing the construction industry at both a regional and national level. More importantly there are strong local industry networks and experienced training providers involved with some of the company base. Resources are available from a number of sources, although funding can be short term and limited.

Some of the solutions for industry challenges will involve the provision of more partnerships and more industry relevant further education (FE) courses to recruit young people to the sector, although these respond to medium term challenges. At the same time, the industry may have to recruit older workers to meet some of the immediate challenges.

Given these challenges, along with the need to introduce new technologies and processes, a single initiative, well-resourced and with close industry involvement, could be the most effective way of addressing challenges and supporting company and employment growth.

1 Introduction and Report Coverage

1.1 City Deal is widely recognised as an important opportunity for the component local authorities and Lancashire as a whole. Prior to the start of this commission, limited work had however been completed to consider what the status meant in skills and employment terms.

1.2 This document provides the evidence base for City Deal interventions. It sets out:

- the baseline economic position and workforce characteristics, both across Lancashire and in the City Deal authorities;
- Lancashire's economic growth ambitions;
- the role of key sectors in delivering forecast growth, including consideration of known skills challenges;
- the programme of planned direct and indirect City Deal, including large scale infrastructure works and new residential and commercial development schemes to be unlocked; and
- economic forecasts under both policy-off and policy-on scenarios.

1.3 This analysis leads on to assessment of implications for Preston and South Ribble and Lancashire as a whole, including the overall scale of employment and skills requirements and the nature of opportunities expected to be created, relative to current conditions.

1.4 This exercise emphasises the importance of partners taking action to prepare for City Deal, ensuring that a workforce of sufficient scale and skills is available to deliver the ambition and that businesses and partner organisations (such as training providers and employment support services) are aware of requirements and able to respond. A range of partners will have an active role to play if City Deal is to deliver its full potential in Lancashire.

1.5 A Skills and Employment Strategy and Implementation Plan for Preston, South Ribble and Lancashire has been prepared to follow on from this evidence base. The accompanying document focuses on the overarching aim of skills and employment interventions, their alignment with wider strategic ambitions and sets out a series of actions to support delivery. Partners should therefore take account of both documents when considering the role they will play.

1.6 In summary, this document sets out the employment and skills context for intervention, planned City Deal activities and headline implications while the accompanying document outlines how the City Deal programme and partners will respond to the findings.

2 The Lancashire Skills and Employment Context

Key Findings

- Lancashire is a diverse economy which, in common with other parts of the country, has experienced extensive decline in manufacturing and recent losses in public sector employment. Continuing to diversify and grow private sector opportunities is a priority.
- The county has experienced a slow economic recovery post-recession causing the employment and GVA gap with national trends to continue to grow.
- Although Lancashire lags between national averages (excluding London) on the majority of economic indicators, there is a strong ambition to grow. Productivity has been a long term challenge for Lancashire and levels are currently equivalent to just 83% of the national average. In 2012, the Lancashire LEP area generated £24.7bn of GVA, the equivalent of £49,580 per FTE compared to £59,939 nationally.
- The City Deal authorities of Preston and South Ribble make an important contribution to the Lancashire wide economy accounting for 21% of employment.
- The City Deal area has recovered from the recession more slowly than Lancashire wide meaning that its contribution has fallen in recent years. Significant intervention, such as that proposed through City Deal, is likely to be required to allow the performance gap to substantively close and the proportionate contribution to Lancashire's success to increase.
- While GCSE attainment in the City Deal area is close to the national average and apprenticeship uptake is relatively high, this does not currently translate through into a strong adult skills base, with adult qualifications being lower than Lancashire wide.

The Lancashire Economy

2.1 The Lancashire LEP is one of the largest in the North, with a population of almost 1.5 million. The area is geographically diverse, with a network of urban centres surrounded by areas of countryside and rural fringe. Lancashire's key economic centres include Preston and Lancaster which contain leading universities, with the Enterprise Zone sites at Samesbury and Warton driving advanced manufacturing growth, and Blackpool a leading destination in the UK visitor economy.

Employment and Unemployment

2.2 In 2014, workplace employment in Lancashire stood at just over 623,500, which is 72% of the working age population and equates to an employment density of 67,252 jobs per 100,000 working age residents. Concentrations of employment are found in Preston (13% of the Lancashire total and forming the economic centre of the county), Blackburn with Darwen (10%), Blackpool and Lancaster (9% each).

2.3 Lancashire's employment rate has been lower than the national rate for most of the past ten years. Between 2007 and 2009, recessionary pressures led to the loss of over 23,000 jobs in Lancashire – a 4% reduction compared to a 1% loss across the North West and no reduction nationally (excluding London). Despite bucking the national trend in 2010-2011, since 2011 the employment rate has continued to fall in Lancashire whilst being on an upward trend nationally and in the North West.

2.4 In 2013, employment in Lancashire was at a lower level than it was in 2009. If Lancashire matched the national average employment rate, an additional 43,500 residents would be in employment.

2.5 Unemployment in 2014 was in line with the regional average at 7.5% but higher than the national average (6.6%). Based on the UK's official measure of unemployment (ILO), 50,000 working age residents in Lancashire were unemployed in that year. Looking at trends over time, unemployment in Lancashire rose during the downturn from 40,700 in 2009 (5.9%) to 57,400 in 2012 (8.2%).

Sectoral Structure

2.6 Lancashire's traditional employment base has changed significantly as a reflection of economic conditions. Whilst manufacturing remains a key sector for Lancashire, the sector has declined significantly in recent years, accounting for 24% of total employment in 1998 down to 13% in 2013 – a loss of nearly 45,000 jobs. In 2013, the largest employment sector was the public sector (comprising education, health and public administration, accounting for 191,000 jobs), followed by wholesale and retail (106,000 jobs), and finance, professional and business services (93,000 jobs).

2.7 Between 2009 and 2013, Lancashire experienced high levels of growth and outperformed the national average in a number of key sectors including health and social work (+7,400 jobs, 8% growth); administration and support service activities (+5,500 jobs, 17% growth); and professional, scientific and technical activities (+4,500 jobs, 15% growth), although this was insufficient to compensate for the high levels of decline experienced in other sectors.

2.8 Over this period, the manufacturing sector declined by 12% (-11,100 jobs), and both the art, entertainment and recreation; and accommodation and food services sectors experienced employment decline (-5,800 jobs and -3,500 jobs, respectively) in Lancashire in contrast to low levels of growth nationally. Whilst remaining a significant employment sector in Lancashire, construction experienced a small decline of 4% between 2009 and 2013 (1,300 jobs).

Business Base

2.9 In 2013 there were approximately 49,800 active businesses in the Lancashire LEP area – a business density of 54 businesses per 1,000 working age population compared to 59 nationally. If Lancashire matched the national average, there would be an additional 4,000 businesses. Lancashire's business size profile is generally in line with the national economy but with a slightly smaller proportion of micro businesses, and a slightly larger proportion of small businesses (employing 10-49 people) than the national average. The largest number of businesses were in the professional, scientific and technical sectors and construction, with over 5,000 businesses in each. Preston has the highest number of active businesses in Lancashire, followed by Lancaster, West Lancashire and Blackburn with Darwen.

Productivity

2.10 Productivity has been a long term challenge for Lancashire and levels are currently equivalent to just 83% of the national average. In 2012, the Lancashire LEP area generated £24.7bn of GVA, the equivalent of £49,580 per FTE compared to £59,939 nationally.

2.11 GVA levels have risen by 15% since 2004, although this is substantially lower than the national increase of 25% over the same period. If Lancashire had kept pace with the national increase, GVA levels would be £2.7bn (11%) higher. As a recognised driver of productivity, an increased focus and requirement for higher level skills and occupations may help to address this challenge, although GVA growth will have to significantly outpace the national average to close the gap.

Travel to Work Areas

2.12 The Lancashire economy does not sit in isolation. Figures from the 2011 Census show the travel to work patterns across all sectors, and demonstrate that the flow of people commuting out of Lancashire for work is slightly greater than the flow of people commuting in - 14% of residents (80,600 people) work outside of Lancashire while 12% of employment (66,900) is accounted for by in-commuters. These patterns in part reflect Lancashire's employment gap, as residents seek employment outside of the county. The most significant outward flows are to Manchester and Bolton (7,500 each), followed by Sefton and Wigan (6,700 and 6,400 respectively).

Travel to Work Patterns 2011 (all sectors)

<i>Residents and place of work</i>			
	Total Residents in Work	Inside Lancs.	Outside Lancs.
Residents – No.	556,742	476,105	80,637
Residents – %	100%	86%	14%
<i>Workers and place of residence</i>			
	Total Workers in Lancs.	Lancs. Residents	Reside Outside Lancs.
Workers – No.	542,956	476,105	66,851
Workers – %	100%	88%	12%

Source: Census 2011

Economic Ambition

2.13 Lancashire LEP has embarked on a 20-30 year journey to transform the Lancashire economy. Lancashire's Strategic Economic Plan (SEP) sets out an ambitious plan to create 50,000 new jobs, 40,000 new houses and add £3bn of additional economic activity to the Lancashire economy over a ten year period. This represents a step change for an economy which currently underperforms compared to the national average.

2.14 The overarching vision for Lancashire is to re-establish the area as an economic powerhouse and to build on current strengths and capabilities in key sectors to establish Lancashire as a national centre of excellence in advanced manufacturing and focus on other sectors and services where market demand is growing and long term prospects are positive. Achieving the SEP targets would enable Lancashire to outperform the national employment growth rate and increase the value of the LEP economy by 10% over the next 10 years.

2.15 Key features of the Growth Deal include:

- releasing growth potential, with transport improvements to support job creation and enable the release of land for more homes and businesses;
- supporting the renewal and growth of Blackpool, with £9m to be invested in Blackpool to boost the visitor economy and improve housing standards; and
- growing the local skills and business base, including the development of Blackpool and Fylde College in preparation for a new energy HQ and support for the Business Growth Hub.

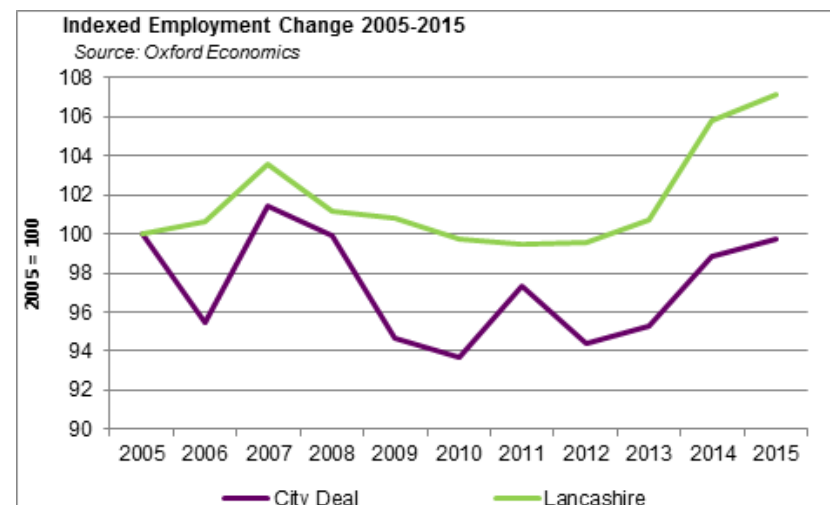
The City Deal Economy

2.16 The City Deal area comprises the local authority areas of Preston and South Ribble. It is located in Central Lancashire and benefits from good mainline rail and motorway connections as well as a supply of strategically located development sites for both employment and housing use. As shown in the statistics below, it forms an important element of the Lancashire economy.

Employment

2.17 As of 2015⁴, the City Deal economy provides 158,000 jobs accounting for 21% of employment in the Lancashire LEP, a proportion that has fallen two percentage points over the last ten years. This reflects static employment levels in the City Deal area over the period (with annual peaks and troughs), at a time when employment grew 7% Lancashire wide. If the City Deal area performed in line with the Lancashire average, there would be an additional 14,000 jobs in 2015.

2.18 Employment in the City Deal area has only recently returned to close to pre-recession levels while the Lancashire wide recovery has been quicker with 2005 employment levels exceeded in 2013.



2.19 Prominent employment sectors in the City Deal area are:

⁴ Oxford Economics Forecasts, April 2015

- Human health and social work activities (24,500 jobs);
- Wholesale and retail trade, (24,100 jobs);
- Construction (19,600 jobs); and
- Manufacturing (11,200 jobs).

2.20 Significant investment, such as that proposed through City Deal, will be required to allow the area to substantially grow its economic contribution.

GVA Contribution

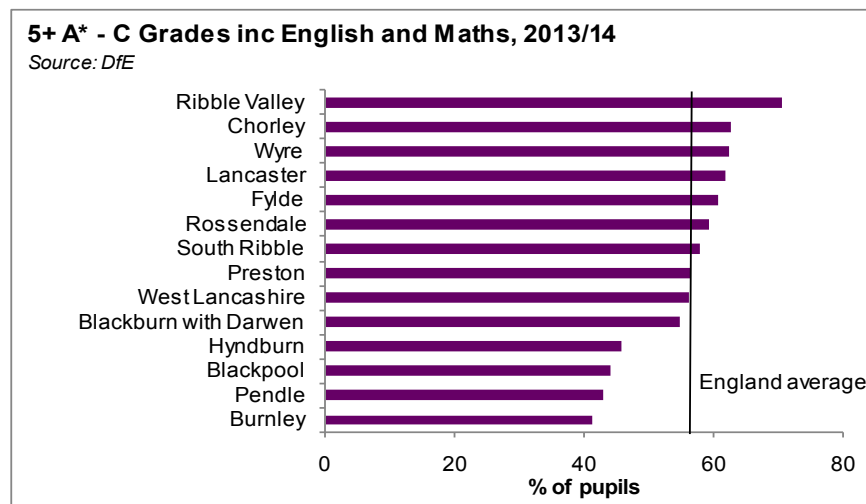
2.21 In line with their employment share, the City Deal authorities currently contribute 21% of Lancashire's Gross Value Added (GVA). As with employment, this contribution reduced between 2005 and 2015 with reductions focused in Preston. Preston's GVA per FTE is slightly lower than the Lancashire average (99% of Lancashire's).

The Skills Context

Schools Performance

2.22 GCSE results for 2013/14 show that seven of Lancashire's local authorities perform above the England average with a significant range of GCSE achievement rates across Lancashire's local authority areas. The City Deal authorities are mid-performers in a Lancashire context and perform broadly in line with the national average.

2.23 Achievement rates in the City Deal authorities will help young people to prepare for accessing further education or employment. However, despite average performance in a Lancashire context, a considerable proportion of young people do not achieve the expected standards, which will have long-lasting implications for employment and skills challenges across the economy and may require investment beyond compulsory education to ensure employer skills needs are satisfied.



Post-16 Destinations

2.24 Statistics for 2011/12 show that the majority of pupils in Lancashire continued in education after the age of 16, with the 89% doing so being in line with the national average. Apprenticeships were more commonly selected (6% against 4% nationally) and 8% did not sustain an education destination (for the first two terms of the 2012/13 academic year) which again is slightly higher than the national figure.

Further Education Provision

2.25 Further education for young people and adults makes an important contribution to the overall level of skills within Lancashire's resident population. The data is drawn from two sources: the Statistical First Releases published by the Skills Funding Agency (SFA) and the Department for Business, Innovation and Skills, and the SFA's Data Cube.⁵

⁵ The data contained on the Data Cube was analysed under the terms of ekosgen's data sharing agreement with Lancashire Enterprise Partnership and the Skills Funding Agency. The agreement states that the Data Cube data must not be externally published, although following analysis of the data, it is permitted to make narrative statements about what it shows, such as trends over time, percentage change in the take up of particular provision etc. Data which is included in reports for publication must be drawn from publicly available data, such as that contained in the Statistical First Release publications.

2.26 The data included on the Data Cube counts the number of learning aims, rather than the number of learners, reflecting the fact that learners can be following numerous programmes of study at the same time, which may be at different qualification levels and cover different subject areas. The figures suggest that approximately 300,000 learners are entering and leaving FE provision per annum.

Learners Resident in Lancashire		
Category	Definition	No. of learning aims
Achievements	The number of learning aims, or apprenticeship frameworks, that have been achieved.	245,700
Enrolments	Number of apprenticeship framework/learning aim enrolments. An enrolment indicated that the learner was on an apprenticeship framework or learning aim at some point during the period covered by the dataset.	335,000
Leavers	The number of learning aims, or apprenticeship frameworks, that have a learning actual end date.	301,100
Starts	Number of apprenticeship framework/learning aim starts.	298,400

Source: Data Cube

Note: Starts based on learners with a 2013/14 start date and Achievements and Leavers based on learners with a 2013/14 leave data. Enrolments capture all learners who were learning in 2013/14.

2.27 Supporting learners to understand the range of employment opportunities currently available in the local area and anticipated in the future will be important to generate a workforce of sufficient scale and skills to support growth and personal career progression. The FE sector is expected to play an important role in providing an appropriately skilled young workforce so will require knowledge of the employment opportunities to be created at a high level and of specific sector/employer requirements in order to be responsive.

19+ Provision

2.28 There were 181,490 learner aim starts in Lancashire in 2013/14, a 1% decrease overall from the previous year. There were significant numbers of learning aims with regard to health, public services and care, ICT and arts media and publishing as well as business and administration.

Learner Aim Starts aged 19+ by sector					
	2012/13		2013/14		Change
	No.	%	No.	%	No.
Preparation for Life and Work	63,500	35%	71,070	39%	12%
Health, Public Services and Care	22,830	12%	21,770	12%	-5%
ICT	16,290	9%	16,380	9%	1%
Retail and Commercial Enterprise	13,640	7%	13,850	8%	2%
Arts, Media and Publishing	13,050	7%	11,590	6%	-11%
Business, Administration, Law	9,150	5%	8,310	5%	-9%
Construction, Planning and the Built Environment	8,660	5%	8,110	4%	-6%
Engineering and Manufacturing Technologies	6,120	3%	6,370	4%	4%
Languages, Literature, Culture	6,260	3%	5,340	3%	-15%
Leisure, Travel and Tourism	5,600	3%	4,510	2%	-19%
Education and Training	3,110	2%	3,260	2%	5%
Science and Mathematics	2,160	1%	2,160	1%	0%
Agriculture, Horticulture and Animal Care	2,190	1%	2,050	1%	-6%
History, Philosophy and Theology	1,610	1%	1,490	1%	-7%
Social Sciences	610	0%	430	0%	-29%
Unknown	6,740	4%	1,820	1%	-73%
Not Applicable	1,610	1%	2,970	2%	84%
Total	183,100	100%	181,490	100%	-1%

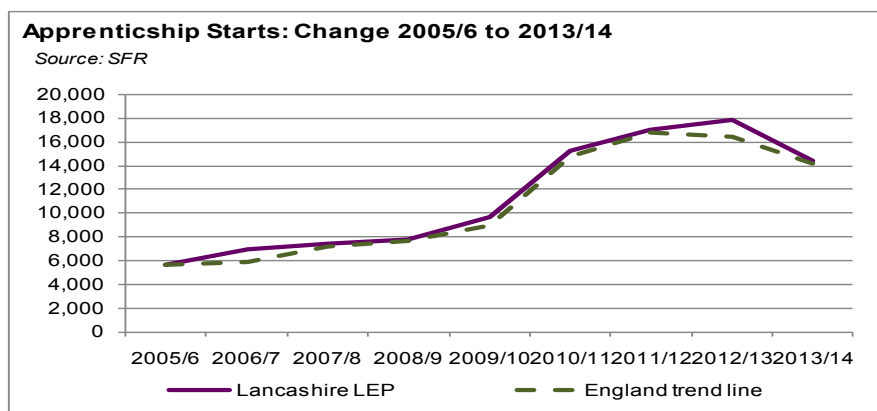
Source: Data Cube

2.29 When viewed against economic forecasts (see Section 5), it is important that engineering and manufacturing; construction, planning and the built environment; and training linked to the other growth sectors are maintained if Lancashire as a whole and the City Deal area are to achieve target growth rates.

Apprenticeships

2.30 Following a significant campaign to raise awareness and take up, government figures show that more school leavers are choosing to embark on apprenticeships in England, and the construction sector is a major exponent of these. In a 12 month period between March 2013 and 2014, the number of 16 to 17 year olds entering apprenticeship programmes jumped from 41,738 to 49,228 – an increase of 15%. Similarly in Lancashire, there has been a clear increase in total apprenticeships, peaking in 2012/13 – an uplift of 200%.

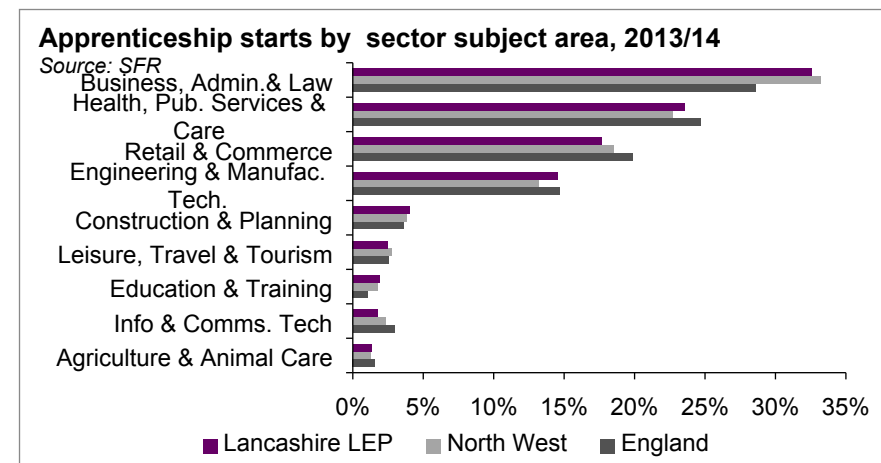
2.31 Since 2010 there has been a marked increase in apprenticeship starts by Lancashire residents, in line with national policy. The peak of apprenticeship starts across all sectors was in 2012/13 before falling in the following year. This reduction in overall starts was a result of fewer advanced level apprenticeship starts, which experienced a 42% decrease. This will at least in part reflect changes to 24+ advanced learning loans introduced from 2013/14.



2.32 Lancashire is similar to the national profile in terms of apprenticeship starts by sector, however business, administration and law are proportionately higher. When combined with health, public services and care; and retail and commercial these sectors account for almost 75% of apprenticeship starts in Lancashire.

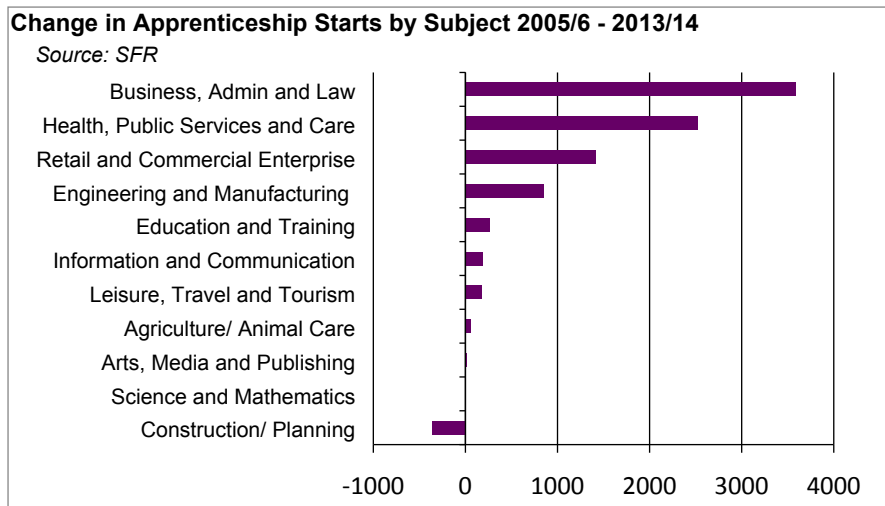
2.33 Manufacturing accounts for 15% of apprenticeships which reflects the importance of the sector. The similarly important construction sector is not however supported by a higher than average number of apprentices, with its number of starts being relatively small. In 2013/14 there were 1,090 apprenticeship starts in construction, planning and the built environment which equates to just 3.8% of total

starts. When compared to regional and national figures, Lancashire has a slightly higher percentage of starts in Construction and Planning related apprenticeships, however this is still disproportionate to the size of the business base and employment in the sector locally.



2.34 As demonstrated in the following figure, apprenticeship starts in construction have decreased in absolute terms in Lancashire between 2005/06 and 2013/14. This is likely to reflect the general trends in construction employment which peaked prior to the recession in around 2007. However as the industry has picked up following wider economic improvements, providers of construction apprenticeships say interest is climbing again.

2.35 With construction apprenticeships being recognised as a well-regarded training route to employment in the sector and with major regional construction projects in the pipeline (see Section 6), there is a clear opportunity to boost apprenticeship starts in the sector to ensure that a skilled workforce is established of significant scale to deliver both City Deal and wider development ambitions.



2.36 The other areas where apprentice numbers could be increased and which are particularly relevant to the City Deal partnership are ICT; arts, media and publishing; and leisure, travel and tourism.

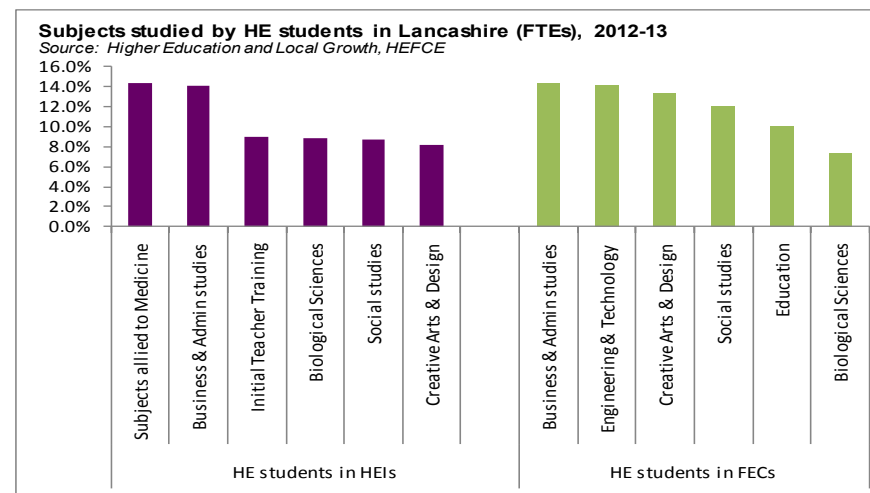
2.37 Employer numbers in ICT and arts, media and publishing are likely to be smaller than other sectors and many employers will be micro businesses. Increasing apprenticeship numbers may require additional assistance by local agencies. There remains a challenge of persuading and supporting more employers across all sectors of the economy to provide apprenticeship places, even in industries where the tradition of apprenticeships is strong and where skills shortages are a feature of the labour market.

Higher Education Provision

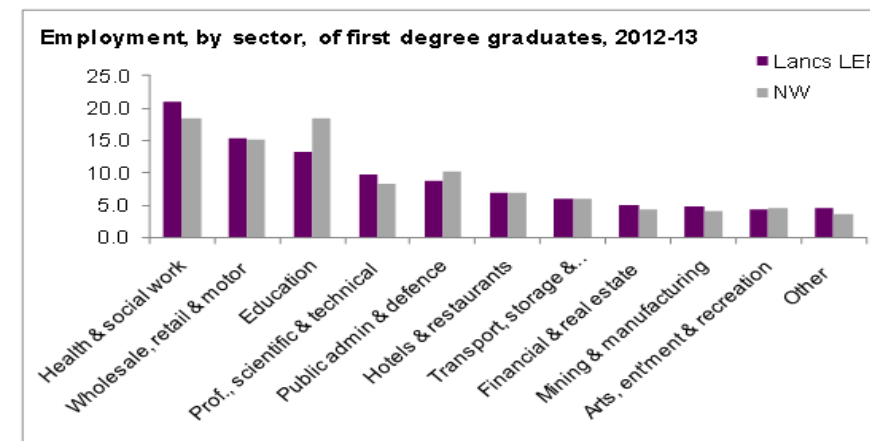
2.38 Higher education (HE) provides a regular supply of well qualified young people, although employers tend to draw from a range of institutions rather than solely local providers. Over 66,000 full time equivalent students are registered with higher education institutions located within the Lancashire LEP area, over 20% of which are post-graduate students.

2.39 Data for 2012/13 shows that while numbers were substantial in relation to many of the service sector growth industries, a much smaller percentage were enrolled in courses related to architecture, building and planning, accounting for 1.3% in higher education institutions and 1.7% in further education colleges, and

2.2% of students enrolled in courses related to engineering and technology, which is a key supporting subject for the construction industry.



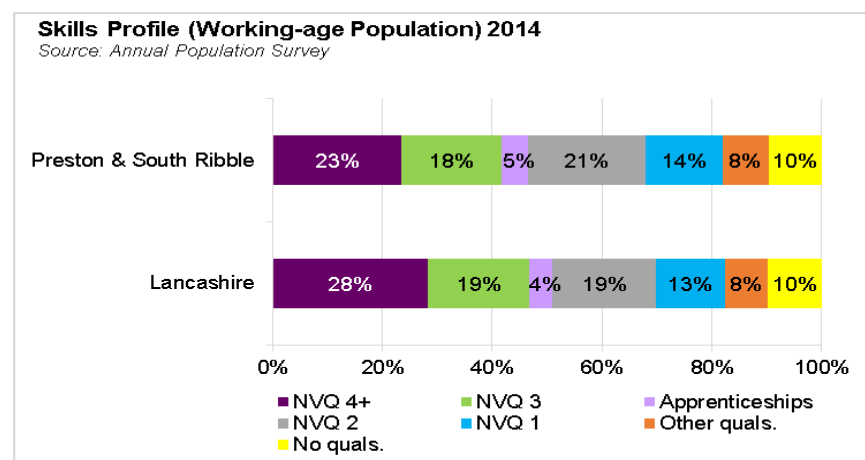
2.40 Wider subject provision will support the development of a workforce to occupy positions in priority sectors (e.g. business and admin studies for financial and professional services and creative arts and design for digital creative) and overall employment growth ambitions.



2.41 Potential investors and occupiers require an understanding of the scale and breadth of local HE provision. A strong HE base, generating a pool of highly skilled workers and that can build effective relationships with industry, will be an attractive feature, particularly where provision supports the growth of priority sectors (see Section 2). Promoting provision will also help to attract high quality students to Lancashire’s institutions and, aligned with the ambition of growth plans, help to retain graduates and attract skilled workers in from higher education institutions outside Lancashire to find work and progress their careers.

Adult Skills

2.42 Preston and South Ribble has a lower proportion of highly skilled residents than Lancashire as a whole. Across Lancashire, 47% of working age residents hold Level 3 qualifications or above compared to 41% in Preston and South Ribble. In contrast, the City Deal area has a slightly higher proportion of residents with apprenticeships and NVQ 2 skills.



2.43 The Lancashire economy has experienced significant turbulence through the recession and subsequent period of recovery. Reducing dependence on the public sector where further job losses are anticipated and building a diversified private sector economy are important considerations for the future as well as seeking ways to improve productivity.

2.44 As of 2015⁶, the City Deal economy provides 158,000 jobs accounting for 21% of employment in the Lancashire LEP, a proportion that has fallen two percentage points over the last ten years. This reflects static employment levels in the City Deal area over the period (with annual peaks and troughs), at a time when employment grew 7% Lancashire wide. If the City Deal area performed in line with the Lancashire average, there would be an additional 14,000 jobs in 2015.

2.45 The City Deal area will play an important role in delivering change. It already forms a significant element of the County’s economy but has seen its contribution decline in recent years with employment only recently returning to pre-recession levels. It has significant sectoral strengths to build on, including in construction.

2.46 While GCSE attainment in Lancashire is variable, the City Deal authorities perform close to the national average with strong progression into continued education and higher than average uptake of apprenticeships suggesting enthusiasm for learning. This does not currently translate through into a strong adult skills base with qualifications held typically lower than Lancashire wide.

2.47 The varied skills provision base can support residents to access and progress through qualifications and subsequently employment in a range of sectors and occupations. Lancashire’s HE base is a strength that will require promotion to attract both high quality students and investment that typically follows a strong graduate base. Building skills within the current workforce is however likely to be necessary as employer skills demands increase over time (see Section 5). Ensuring providers are aware of anticipated future growth areas and associated skills requirements will be important to ensure provision is responsive and the scale and breadth of demand is satisfied.

Conclusions

⁶ Oxford Economics Forecasts, April 2015

3 Key Sectors

Key Findings

- Six priority sectors – advanced engineering; energy and environment; professional, financial and business services; creative, digital, media and IT; logistics; and visitor economy – are expected to form the focus of growth opportunities in Lancashire.
- In a City Deal context, the most relevant priority sectors are:
 - Business, finance and professional – with the largest concentration of activity in Lancashire based around Preston and South Ribble.
 - Manufacturing – including being home to BAE Systems and the adjacent Samlesbury Enterprise Zone.
 - Energy – with South Ribble accounting for a third of Lancashire’s energy and environmental technologies employment.
 - The visitor economy – including Preston City Centre as an important attractor of visitors.
- Specific skills needs have been identified to affect each of the priority sectors but cross-cutting issues include ensuring the work readiness of new recruits, the offer of high quality of information, advice and guidance to inform career decisions and securing a strong supply of well qualified potential recruits.
- Lancashire accounts for a significant proportion of the North West construction business base at 22%, while Preston and South Ribble account for 18% of Lancashire’s construction business base.
- Construction is an important employer in the City Deal area economy. In 2013 Preston and South Ribble had a workplace employment figure of 14,259 in the construction sector, some 10% of the workforce compared to less than 6% across Lancashire.

Lancashire’s Priority Sectors

3.1 The Strategic Economic Plan identifies six priority sectors to sit at the core of the Lancashire economy, from the perspective of current scale and/or opportunities for growth. They are:

Advanced engineering: building on the presence of world class Original Equipment Manufacturers and an extensive supply chain. Aerospace plays a leading role in using new materials and production processes to maintain Lancashire’s strong contribution to UK trade.

Energy and environment: an important employer with new opportunities anticipated in energy production, waste management and environmental services to provide a major source of new employment over the next twenty years.

Professional, financial and business services: the main source of private sector employment in Lancashire at present, with clusters of employment in Preston, South Ribble, Lancaster, Skelmersdale, Burnley and rural Fylde, and home to both national and regional companies in key sub-sectors.

Creative, digital, media and ICT: opportunities identified to build on a number of emerging centres as well as a strong representation in many rural parts of the County, with new entrepreneurs taking advantage of the quality of life and the opportunity to work from or close to home in inexpensive offices and workshops.

Logistics: benefiting from the strategic road network and large sites available for distribution and logistics centres, as well as the county’s location as the gateway to the Scottish economy.

Visitor economy: combining coast, country, outdoor and heritage assets, offering a product and support services which meet the increasing demand, both domestic and international, for high quality leisure activities.

3.2 These sectors will be the main source of wealth generation in Lancashire’s future economy. Other sectors, such as retail, health, education and transport, will also play a role in providing the services needed to support strong local economies and communities.

3.3 The four priority sectors with the greatest relevance to the City Deal economy are business, finance and professional services, manufacturing, energy and the visitor economy. The current scale of each of these sectors in Lancashire is considered below, as well as the baseline of activity within the City Deal area.

Business, Finance and Professional Services

Scale of the Sector

3.4 The business, finance and professional services sector plays an important role in Lancashire's economy, employing 82,000 people (13% of total employment) and contributing £5.6bn GVA (22%) to the economy. The sector is particularly important for the City Deal area, with the largest concentration of activity in Lancashire being based around Preston and South Ribble. Dominant sub-sectors in Lancashire are legal and accounting activities, employment activities and real estate. The only sub-sector which is above the national average in terms of concentration is legal and accounting.

3.5 Lancashire has 10,200 financial and professional services businesses, which account for 22% of the business base. Key employers include National Savings and Investments, the Co-operative Bank and Chesnara Plc. The business size profile is generally consistent with the national profile, however notably two thirds of the sector's turnover is accounted for by medium sized businesses.

3.6 More than four fifths (82%) of employees in the FPS sector nationally are employed full-time, compared to 73% across the whole economy. Associate professional and technical and administrative and secretarial occupations are highly represented in the financial and professional services sector, accounting for 40% of the workforce.

3.7 In the business, financial and professional service sector, there were over 2,000 vacancies posted in Lancashire in 2014, an increase on the previous two years. A large percentage of these were in computer programming activities with around half of all vacancies in the sector (1,060). The next highest were in non-life insurance and insurance (290 and 100).

Known Skills Needs

3.8 As in other industries, employment growth and technological change are key drivers in demand for skills in the sector. Skills requirements in the sector cover both technical skills such as IT, analytical skills, legal, risk and change management as well as generic skills such as interpersonal and problem solving skills. There is a recognised shortage of skilled specialists and new recruits to the sector are often deemed not to be work ready, requiring early action to allow people to adapt to new roles.

3.9 The recession and wider perception issues have impacted on recruitment to parts of the sector. This is particularly true of financial and insurance services which has resulted in a limited supply of skilled workers.

Manufacturing

Scale of the Sector

3.10 Manufacturing is a further key sector within the Lancashire economy, employing over 80,000 people and contributing 20% of total GVA. A high proportion of activity is classed as advanced manufacturing, accounting for three quarters of total manufacturing employment, and 13% of GVA. Preston and South Ribble is home to BAE Systems, one of the UK's most important manufacturing and exporting companies, based next to the Samlesbury Enterprise Zone.

3.11 Manufacturing makes up a significant proportion of the business base in Lancashire, with 3,400 businesses, of which 2,100 are within the advanced manufacturing sector. As is the general economic profile, the majority of businesses in manufacturing are micro businesses, however 20% of Lancashire's large businesses are in the manufacturing sector.

3.12 Lancashire's specialism in manufacturing is supported by a location quotient of 1.4 overall, with particularly high representations in the sub-sectors of manufacture of leather and related products (LQ of 7) and manufacture of other transport equipment (LQ of 5), predominantly aerospace.

3.13 In line with national trends, 10,000 job losses occurred in the advanced manufacturing sector between 2009 and 2013 (accounting for 90% of losses in the manufacturing sector), representing a decline of 15%. Further, the manufacturing sector is forecast to continue to decline over the next 15 years with intervention required to stem losses, particularly in advanced manufacturing.

Known Skills Needs

3.14 Despite falling employment rates in the manufacturing sector, there are continued skills shortages, with 4,000 vacancies between June 2014 and June 2015. The most common vacancies were for engineering technicians, welding trade roles and production managers, however they covered a broad range of roles. The main skills requirements by employers were industry experience, knowledge of machinery, experience in sales, repair and CAD. This in part reflects an ageing workforce representing a large proportion of the current employee base (45% of employees are aged 45 to 64 compared to 40% economy wide and only 18% are

aged 16 to 29 against an economy wide average of 24%) that will need replacing with suitable skilled personnel in the coming years.

3.15 Changes in technology are also expected to have a significant influence on the demand for skills, as manufacturing industries increasingly seek employees with technologically advanced and industry specific skills such as Computer Aided Design (CAD) and 3D printing. The advanced manufacturing sector has one of the highest levels of skills shortage vacancies in Lancashire.

Energy Sector

Scale of the Sector

3.16 The energy sector employs over 40,000 people in Lancashire, equating to 7% of the workforce. The sector has experienced employment growth in recent years, increasing from 2009 before levelling off in 2011. A third of energy and environmental technologies employment is located in South Ribble, which reflects the wider characteristics of the district and the presence of large companies.

3.17 Key energy sub-sectors in Lancashire include nuclear, offshore gas, oil and wind, onshore wind, waste recovery and environmental technology and manufacture. Sub-sectors which are significantly overrepresented in the area are construction of utility projects for electricity and communications (6,900 employees/LQ 31.2), the production of electricity (1,300 employees/ LQ 1.9) and the processing of nuclear fuel (1,300 employees, LQ 5). These notable sub-sectors are contributed to by the presence of several key employers such as Springfield Fuels, EDF and AMEC PLC.

3.18 The largest occupational category in Lancashire's energy sector is skilled occupations with 34% of the workforce. The next highest are managers, directors and senior officials with 18%, followed by process, plant and machine operatives with 14%.

Known Skills Needs

3.19 The sector is recognised to face several significant skills issues which are expected to increase in importance in coming years. Issues include reliance on an ageing workforce, causing high levels of replacement demand, and the low number of young people specialising in engineering (an issue that is recognised nationally). Further, the widening of job roles often requires recruits to possess multiple skills but there is also demand for specific technical skills as technology applied in the sector becomes more specialised.

Visitor Economy

Scale of the Sector

3.20 The visitor economy sector employs over 50,000 people which equates to 8% of total employment in Lancashire. A high proportion of this activity is centred around Blackpool, but it is represented across the county. When looked at through its sub-sectors, the largest source of employment is food and drink, followed by accommodation and sports and recreation, which account for 92% of the sector's employment. Other sub-sectors which are relatively overrepresented in Lancashire include amusement and theme parks, (LQ 2.4), event catering activities (LQ 1.8) and other amusement and recreation activities (LQ of 1.6).

3.21 There are 3,800 businesses operating in this sector in Lancashire, which account for 8% of the total business base. As in the wider economy, these are predominantly micro and small businesses with fewer than 50 employees.

3.22 Due to the nature of the industry, a significant proportion of the workforce are young people, with 34% of workers being under the age of 30 compared to 24% on average in Lancashire. The most common occupation in the Lancashire visitor economy is sales and customer service staff, accounting for nearly a quarter (24%) of the workforce.

Known Skills Needs

3.23 A series of skills and employment challenges have been identified to impact on the sector, in part reflecting the seasonal and transient nature of some employment. Key points to note are:

- High staff turnover – reflecting the seasonality of employment and a high proportion of young people working in the sector. This can act as a disincentive to invest in workforce training, resulting in skills gaps.
- High vacancy numbers – due to high staff turnover, with 17% of hotels and restaurants reporting vacancies, although fewer vacancies are classified as hard to fill than in other sectors. Employers are often looking for employees with the 'right attitude', rather than specific skills.
- Skills gaps are common – with hotels and restaurants accounting for 12% of all employers in the LEP reporting skills gaps. Soft skills, such as customer service skills and effective communication with colleagues, are particular priorities.

- Poor pay and conditions – are expected to continue to impact on recruitment in the sector as the economy recovers and competition for workers increases.

Cross Priority Sector Skills Challenges

3.24 Work readiness of new recruits is regularly highlighted by employers as a skills issue, with many candidates lacking key skills such as communication and interpersonal skills, as well as an appropriate attitude towards work. Many industries also have a skills challenge of requiring occupations with both specialist skills sets and wide-ranging abilities to be flexible to changing ways of working.

3.25 Given the scale of employment growth envisaged by City Deal partners and the move toward a higher skilled and well qualified workforce, it will be important that:

- Young people leave school with good qualifications and move on to appropriate academic and vocational training. This will need to be accompanied by strong STEM performance and high quality IAG at an early stage.
- FE Colleges are equipped to provide a regular cadre of well qualified and motivated young people for the growth sectors, particularly those with STEM requirements.
- Apprenticeship numbers are increased to provide a well trained younger workforce in sectors where apprenticeships have a strong tradition as an entry level route to skilled employment.

3.26 It is important that education and training providers anticipate the changes in the economy and the increasing demand from employers for well qualified work ready young people.

The Role of the Construction Sector

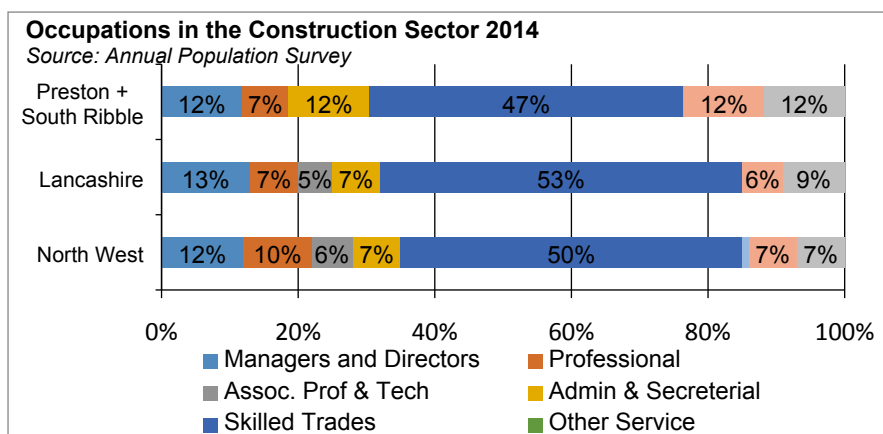
3.27 Although not a priority sector, construction has an important role to play in the Lancashire economy both in its own right and to support growth in other sectors. It also has an important role to play in the City Deal area due to existing concentrations of employment and the development opportunities to be created (see Section 6 for further details). The sector's current composition is therefore considered here to provide context for the delivery of City Deal activity.

3.28 Lancashire accounts for a significant proportion of the North West construction business base at 22%, compared to 21% of businesses across all sectors. Similarly Preston and South Ribble account for 18% of Lancashire's construction business base, compared to 17% across all sectors. Therefore construction is slightly overrepresented in Lancashire compared to the North West, and in Preston and South Ribble compared to Lancashire.

3.29 The construction sector is dominated by micro-businesses of fewer than 10 employees. Whilst the UK Business Count shows there are no construction businesses with over 100 employees in Preston and South Ribble, a number of significant construction companies do have a presence in the City Deal area (including their headquarters in a number of cases), such as Eric Wright Group, Kiernan Construction, Conlon Construction and John Turner Construction Group.

3.30 Construction is an important employer in the City Deal area economy. In 2013, Preston and South Ribble had a workplace employment figure of 14,259 in the construction sector, which equates to 10% of the workforce. This is a significantly higher proportion than regionally and nationally, for example across Lancashire less than 6% of total employment is in construction (35,328). Whilst the City Deal area accounts for 23% of Lancashire's total employment, it accounts for 40% of construction employment.

3.31 The predominant occupation in the construction sector is skilled trades, such as bricklayers and roofers, although the share of employment in Preston and South Ribble is slightly lower than the Lancashire figure, at 47% compared to 53%. Preston and South Ribble are slightly higher than the Lancashire figure for administrative and secretarial occupations, process, plant and machinery operatives and elementary occupations (i.e. typically the lower skilled, lower paid categories of employment). Professional and associate professional and technical occupations are under-represented in the City Deal area relative to regional figures.



Conclusions

3.32 The priority sectors have an important role to play in Lancashire’s economy both at present and in the future. Recognising existing assets can help to inform employment and skills initiatives and ensure that businesses and individuals are prepared to take forward growth opportunities.

3.33 Skills challenges are evident across the priority sectors with intervention required to allow them to be overcome and growth to be secured. Ensuring employers and training providers work together to determine requirements will be important to overcome existing skills challenges and other challenges that may arise over time.

3.34 Looking beyond the identified priority sectors, Lancashire accounts for a significant proportion of the North West construction business base at 22%, while Preston and South Ribble account for 18% of Lancashire’s construction business base. Construction is an important employer in the City Deal area economy. In 2013 Preston and South Ribble had a workplace employment figure of 14,259 in the construction sector, which equates to 10% of the workforce. This is a significantly higher proportion than regionally and nationally, Lancashire has less than 6% of total employment in construction (35,328). Opportunities for businesses and individuals in the City Deal area to capture benefits from supported activities could therefore be considerable, subject to adequate awareness and planning. Recognising construction as a priority sector for the City Deal area will be an important step forward in acknowledging the sector’s local value and ensuring initiatives are designed to support the sector’s growth.

4 The City Deal Programme

Key Messages

- City Deal represents an important opportunity to deliver transport infrastructure and drive forward employment and residential development across priority sites and locations in Preston and South Ribble.
- Over a ten year period, the ask to government document forecast that the investments and flexibilities would generate more than 20,000 net new private sector jobs, including 5,000 in the Lancashire Enterprise Zone and 17,420 new homes.
- There is an issue of the timing of benefits. In effect new investment will begin to have an impact from year three onwards, rather than from year one of the agreement. This reflects the City Deal focus on infrastructure investment.
- City Deal investments will unlock a considerable programme of development activity on priority sites. Plans are in place to deliver over 1 million m² of new employment floorspace and 16,950 homes over a 10 year period, a significant uplift on recent commercial and residential development levels.
- The major opportunities are in North East Preston and Preston City Centre, and Samlesbury EZ and Cuerden in South Ribble. These locations offer considerable potential to accommodate advanced engineering companies, logistics and distribution businesses and office based accommodation for high growth service sector activities.
- While Preston City Deal is expected to deliver early in the ten years, reflecting the timing of City Deal investment, the South Ribble contribution is expected to be greater in the second five year block, and is dependent on Cuerden delivering significant employment land from 2019/20 onwards.
- The increase in housing completions envisaged by local partners will require the availability of attractive sites and a very active and significant housing development industry.
- The proposed scale of new commercial and residential development is significantly higher than at any time in the past six years. It may take some time to establish the momentum needed to deliver the quantum of development.

The City Deal in Preston, South Ribble and Lancashire

4.1 The Preston, South Ribble and Lancashire City Deal was the first of 20 second wave agreements, signed in September 2013. The City Deal was developed by local partners to drive forward local growth by empowering the area to make the most of its economic assets and identified opportunities. City Deal status is valid for ten years from 2013/14 to 2023/24.

4.2 Over the period, the ask to government document forecast that the requested investments (£334m) and flexibilities would generate:

- More than 20,000 net new private sector jobs, including 5,000 in the Lancashire Enterprise Zone;
- Nearly £1 billion growth in Gross Value Added (GVA);
- 17,420 new homes; and
- £2.3 billion commercial investment leveraged.

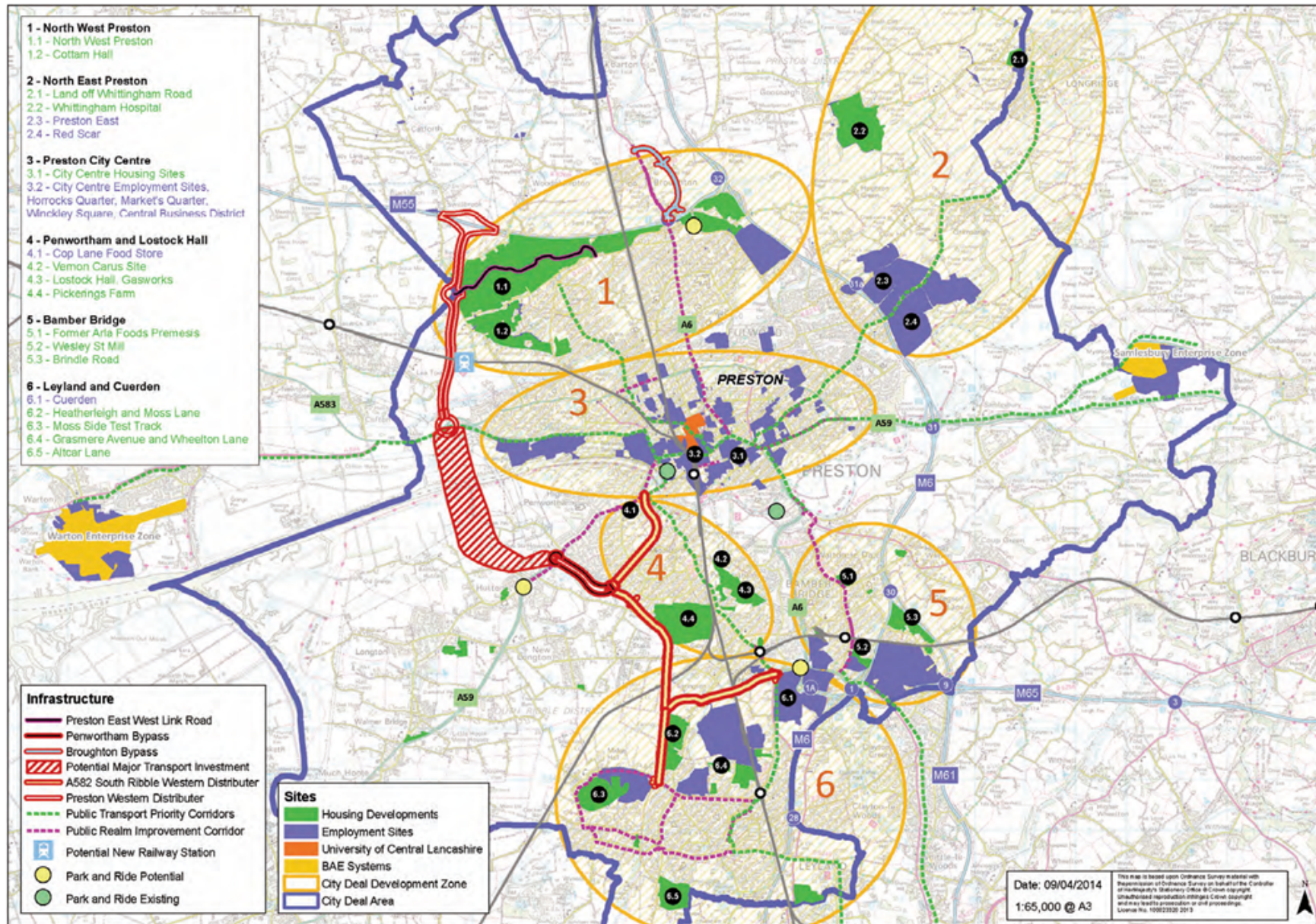
4.3 Given the emphasis on transport infrastructure improvements and the time needed to complete work, there is an issue of the timing of benefits. In effect new investment will begin to have an impact from year three onwards, rather than from year one of the agreement.

4.4 To achieve the targets, investments are focusing on the development of strategic transport infrastructure and bringing forward strategic sites to deliver both employment and housing growth. The core economic challenge that needs to be addressed is the need for critical infrastructure – a considerable programme of investment is required to overcome barriers to further sustainable housing and employment growth. Insufficient capacity on the highway network has been identified as a particular challenge. The City Deal investment will provide South Ribble and Preston with a 20 year land supply for commercial and residential development.

City Deal Investment Proposals		
	Overview of Activity	Costs £m)
Major Highways/Transport Schemes		
East-West Link Road	Introduction of an east-west link to connect the North West Preston housing area to the Preston Western Distributor.	9.8
Preston Western Distributor	A new road to link the A583/A584 to the motorway through a new junction on the M55 (including to improve access to the Warton Enterprise Zone) plus the provision of new link roads to proposed housing areas in Cottam and North West Preston.	104.5
Cottam Parkway	Development of a new 'parkway' style railway station to serve the North West Preston housing area and provide park and ride opportunities through car access from the Preston Western Distributor to Preston, Manchester, Liverpool, Blackpool.	15.0
Broughton	Introduction of a new bypass supporting congestion relief and improvements to M55 J1 and M6 J32. The scheme will support housing and employment land development in East Preston.	33.999
Preston Bus Station	Refurbishment and regeneration of the bus station and multi-storey car park to create a public service hub, including the creation of a refreshed bus station, a new Youth Zone and enhanced public realm.	23.342
Pickerings Farm Link Road	Introduction of a link road to connect the A582 Penwortham Way and the B5254 Leyland Road, to potentially include a new (or alternatively an improved) bridge across the West Coast Main Line, supporting a major development scheme.	4.5
Moss Side Test Track	Development of road infrastructure on the former Leyland Motors test track to enable residential development on the site.	2.05
Heatherleigh and Moss Lane Spine Road	Provision of a spine road through the Croston Road site to link the Flensburg Way roundabout with Croston Road and Heatherleigh to provide access to a housing development site.	1.0
Cuerden	Introduction of strategic site road infrastructure to unlock this major development site and allow development to commence.	5.05
South Ribble Western Distributor	A series of interventions to reconfigure junctions (at Chain House Lane, Golden Way, Stanfield roundabout, Tank roundabout and the Croston roundabout) and dual sections of the route (on the A582 from Cop Lane Bridge to the Broadoak roundabout, A582 Golden Way) to support the development of and access to the Cuerden site.	44.671
Penwortham By-pass	Completion of the Penwortham by-pass to complement the South Ribble Western Distributor capacity improvements and connect through to Ringway.	17.5
New Ribble Bridge	Designed to complete the Preston Western Distributor network between the M55 near Bartle and the M65 at Cuerden to relief pressure on the network in and around Riversway.	2.0
Other South Ribble Schemes	Details to be determined later in the programme.	5.0
Major highways sub-total		268.412
Local Highways and Public Realm Schemes		
Green infrastructure	Provision of green infrastructure to support development in North West Preston.	5.256
Fishergate Central Gateway	Investment in high quality public realm including re-configuration of gateways to improve connections to the bus station and rail station as well as catalyse private sector investment in the city centre.	6.914
Public Transport Corridors and Local Centres – Preston	<p>Broughton/Fulwood (north of the M55) – delivery of public transport, cycling and walking improvements along the A6 – one of the main routes into Preston City Centre from the north. Improvements may include more road space, redesigned junctions and public realm improvements. The corridor will also benefit from the introduction of the Broughton bypass.</p> <p>Broughton/Fulwood (south of the M55) – delivery of public transport, cycling and walking improvements to the southern stretch of the A6. Improvements may be as described above.</p>	12.125

	<p>North West Preston/Cottam/Ingol/City Centre corridor – the B5411 is one of the main routes into Preston City Centre from the north west. Improvements remain to be confirmed but will mirror the proposals above. This corridor will also benefit from the introduction of the Preston Western Distributor and East West link road.</p> <p>Warton to Preston Western Distributor – the corridor from Warton to Samlesbury will benefit from public transport, cycling and walking improvements. The scope of works remains to be confirmed but will mirror the items outlined above. This corridor will also benefit from the Preston Western Distributor.</p> <p>Longbridge/Grimsargh/Ribbleton/City Centre – this scheme will improve the B6243 – one of the main routes into Preston City Centre from the north east – to support public transport use, cycling and walking.</p> <p>Fishergate/Winckley Square – refurbishment of the Winckley Square Gardens and public realm improvements to retail areas leading on to the square.</p>	
Public Transport Corridors and Local Centres – South Ribble	<p>Hutton to Higher Penwortham/City Centre – improvements to the A59 – one of the main routes into Preston City Centre from the west – to potentially include more road space, redesigned junctions and public realm improvements. The corridor will also benefit from the delivery of Penwortham by-pass and the South Ribble Western Distributor.</p> <p>North of Lostock Lane – Lostock Hall – this corridor is one of the main routes into Preston City Centre from the south and will benefit from improvements to support greater public transport use, cycling and walking. The corridor will also benefit from delivery of the South Ribble Western Distributor.</p> <p>South of Lostock Lane – a programme of improvements to potentially include providing more road space, improved junctions and public realm improvements to a main route into Preston City Centre from the south.</p> <p>Bamber Bridge/City Centre – improvements to the A6/B5258 to enhance the experience of public transport users, cyclists and walkers on a main route into Preston City Centre from the south. The corridor will also benefit from delivery of the South Ribble Western Distributor.</p>	12.125
Local enhancements sub-total		36.420
Education and Community Infrastructure		
Community infrastructure – Preston	<p>Schemes identified to date are: Guild Wheel Upgrade Link, Lancaster canal towpath/cycleway, Grimsargh Green – and East Cliff Cycle Link</p> <p>Allowance has also been made pre-development stage works at this point in the programme to explore opportunities for community provision across the City Deal area.</p>	4.944 major sites 8.031 other
Education infrastructure – Preston	Scheme details remain to be determined but expected to include the provision of new schools to cater for a growing population.	28.495
Community infrastructure – South Ribble	Known schemes are: Landmark features – works to upgrade three local landmarks/gateway features – the lorry pop at the A582 Croston Road roundabout; the iron horse at Longmeanygate roundabout; and the Leyland tractor at Schleswig roundabout; and St Catherine's Park and Worden Park	7.4 major sites 4.922 other
Education infrastructure – South Ribble	Scheme details remain to be determined but expected to include the provision of new schools to cater for a growing population.	11.203
Education and community sub-total		64.995
Capital Financing Cost		
Capital financing total		6.056
City Deal total		£375.883
Source: Draft City Deal Infrastructure Delivery Plan 2015/18		

4.5 The plan overleaf shows the location of major infrastructure schemes and their relationship to priority development areas (considered below).



Timescales

4.6 An intense delivery period is proposed to coincide with City Deal timescales. The schedule below provides an overview of the anticipated delivery periods on a programme by programme basis.

City Deal Delivery Timescales by Programme										
Programme Name	Years 1-5 (year 1 = 2014/15)					Years 6-10 (year 6 = 2019/20)				
	1	2	3	4	5	6	7	8	9	10
Preston Delivery Programmes										
Major Highways/Transport										
East-West Link Road										
Preston Western Distributor										
Cottam Parkway										
Broughton										
Preston Bus Station										
Local Highways and Public Realm										
Green infrastructure										
Fishergate Central Gateway										
Public Transport Corridors and Local Centres										
Education and Community Infrastructure										
Community infrastructure – major sites										
Community provision										
Education infrastructure										
South Ribble Delivery Programmes										
Major Highways/Transport										
Pickerings Farm Link Road										
Moss Side Test Track										
Heatherleigh/Moss Lane Spine Road										
Cuerden										
South Ribble Western Distributor										
Penwortham By-pass										
New Ribble Bridge										
Other South Ribble Schemes										
Local Highways and Public Realm										
Public Transport Corridors and Local Centres										
Education and Community Infrastructure										
Education infrastructure										
Community infrastructure – major sites										
Community provision										
Capital Financing										
Capital financing										

Source: Draft City Deal Infrastructure Delivery Plan 2015/18

The City Deal Investment Fund

4.7 A nominal allocation of £100m from the £150m local property allocation has been identified for the City Deal Investment Fund. The Fund, invested as a new venture within the wider Lancashire Pension Fund, intends to be co-invested in housing and development schemes across the City Deal area. All investments are made on a commercial basis.

4.8 To date, one substantial award has been made of approximately £18m to support the development of new student accommodation at the bottom of Friargate in Preston. The pipeline of activity suggests that a combination of scheme purchase and development will be supported, with the mix to be adjusted throughout the investment period to maintain an acceptable level of risk. Hotel and student accommodation schemes have been identified to offer good yields within the City Deal area, although all schemes are assessed on an individual basis. The drawdown of funds will be dependent on the portfolio of schemes supported by the Fund as will the level and timing of funds being returned to the investment pot.

Facilitating New Development

4.9 Whilst the City Deal area already makes an important contribution to the Lancashire economy, City Deal investments present an opportunity to enhance growth prospects and counter sluggish growth over the last ten years. A combination of new housing to cater for a growing population and expanded employment opportunities will be important contributions.

4.10 The introduction of infrastructure to serve major development sites will be important to ensure the commercial and residential opportunities they are expected to unlock can be realised. Delays in infrastructure provision could have considerable implications for the roll out of associated development plans, including the creation of new homes and employment opportunities.

4.11 The detail of proposals has continued to be worked through since the original City Deal submission to government, providing clarity on where development will be taken forward, timescales and the scale of housing and employment land to result.

4.12 There will be a requirement to ensure development partners are engaged throughout the infrastructure delivery programme. This will help to ensure that site development occurs promptly following the provision of infrastructure and that should any challenges arise during the City Deal delivery phase, appropriate solutions can be determined that continue to support wider development objectives.

Unlocking Employment Land Development

4.13 A total of nine employment sites have been identified to be supported by City Deal activity. Together they are forecast to create 1 million m² of new floorspace across a range of use classes over 10 years, rising to 17.7 million m² over 15 years. A summary of the scale, nature and timing of development on each site is provided below. All figures are based on the latest monitoring returns prepared for DCLG, discussions with planners from the two local authority areas and scheme details available in site masterplans. In many cases, figures remain indicative as final scheme details remain to be confirmed.

City Deal Employment Sites Overview				
Scheme Name	10 yr Scale of Development	Primary Use	Start Year	End Year
Preston sites				
North East Preston	359,510 m ²	B2 and B8	2014/15	2023/24
Preston City Centre	146,788 m ²	B1	2015/16	2023/24
North West Preston	9,700 m ²	Retail	2014/15	Beyond CD
<i>Sub-total</i>	<i>515,988 m²</i>	-	-	-
South Ribble sites				
Penwortham/ Lostock Hall	27,593 m ²	B2	2016/17	2023/24
Cuerden	207,692 m ²	Mixed use	2018/19	2022/23
Moss Side Test Track	30,000 m ²	B2 and B8	2018/19	2020/21
Samlesbury EZ	145,360 m ²	B2	2016/17	Beyond CD
Bamber Bridge	12,194 m ²	B1	2016/17	2017/18
Lancashire Business Park ⁷	85,100 m ²	B2	2023/24	Beyond CD
<i>Sub-total</i>	<i>507,939 m²</i>	-	-	-
City Deal total	1,023,937m²	-	-	-

Source: DCLG monitoring returns and ekosgen analysis

4.14 Emerging details of the site development proposals are as follows. The major opportunities are in North East Preston and Preston City Centre, and Samlesbury EZ and Cuerden. These locations offer considerable potential to

⁷ Please note, the Lancashire Business Park site is being captured in City Deal monitoring returns to DCLG but is not part of the City Deal pay-back arrangement

accommodate advanced engineering companies, logistics and distribution businesses and office based accommodation.

Employment Site Development Summaries

Scheme Name	Overview
Preston sites	
North East Preston	The largest development opportunity area in the City Deal programme. North East Preston brings together a package of sites clustered around J31a of the M6, including Bluebell Way, the Preston East Employment Area and redevelopment of the former Whittingham Hospital site. The area is expected to cater for a mix of B2 and B8 uses and provide over 350,000m ² of new floorspace.
Preston City Centre	Development of an office based offer across key city centre sites including the Argyll Road depot and Parker Street sites. Private sector activity in this area also includes development of a new cinema and delivery of UCLan's campus masterplan.
North West Preston	Opportunities for mixed use development to round off the urban form of Preston through development of land south of the M55 stretching from the Cottam site to land north of Eastway/south of the M55 to the east plus the Cottam Brickworks site.
South Ribble sites	
Penwortham/Lostock Hall	Development to include a focus on B2 provision on part of the Pickerings Farm site and small scale development at Cop Lane.
Cuerden	South Ribble's largest development area, covering 65ha. Although firm proposals for the scheme remain to be finalised, it is expected to cater for mixed use development.
Moss Side Test Track	Development of the former Leyland Motors test track to potentially accommodate a combination of B2 and B8 uses.
Samlesbury EZ	Phased build out of the Enterprise Zone site to accommodate predominantly advanced manufacturing businesses.
Bamber Bridge	Further build out of the existing South Rings employment site during an early stage of activity to provide predominantly office accommodation.
Lancashire Business Park	Development to commence at the end of the City Deal period to expand current provision on the site, with a focus on B2 uses.

4.15 The employment land made available in the final three years of City Deal investment totals over 400 hectares, most of which will be developed in the 2025-2035 period. As considered in Section 5, this scale of development will support the attraction and retention of employment across a range of sectors.

Unlocking Residential Development

4.16 Seven housing priorities have been identified in City Deal records to form the focus of activity. Across a ten year development period, the latest proposals suggest that 16,950⁸ homes will be created – 15,750 through new build activity and 1,200 by returning vacant homes to active use.

4.17 This level of development across a considerable number of sites will require the engagement of both large and medium sized housebuilding companies for a sustained period. It is likely that significant new development of social and affordable housing will be required alongside increased activity in the private rented sector. These elements of new housing will require other types of investment finance.

City Deal Residential Sites Overview

Scheme Name	10 yr Scale of Development	Start Year	End Year
Preston sites			
North West Preston	5,212 units	2014/15	2023/24
Preston City Centre	3,425 units	2014/15	2023/24
Re-use of vacant homes	1,200 units	2014/15	2023/24
Sub-total	9,837 units	-	-
South Ribble sites			
Penwortham and Lostock Hall	1,676 units	2014/15	Beyond CD
Leyland and Cuerden	2,606 units	2014/15	Beyond CD
Bamber Bridge	761 units	2014/15	2022/23
Other priority sites	2,070 units	2014/15	Beyond CD
Sub-total	7,113 units	-	-
City Deal total	16,950 units	-	-

Source: DCLG monitoring returns and ekosgen analysis

4.18 An overview of the anticipated housing development schemes is provided below. These sites will support a growing population attracted by expanded employment opportunities, outlined later in this report.

Housing Site Development Summaries

Scheme Name	Overview

⁸ A figure marginally lower than identified in the ask to government, as development plans have been finalised

Preston sites	
North West Preston	City Deal's largest residential development opportunity which includes the Cottam Hall development site (capacity for up to 1,100 units) to be delivered as part of the Central Lancashire New Town urban extension.
Preston City Centre	Development of new housing provision on key city centre sites, including the Argyll Road depot and Parker Street sites.
Re-use vacant homes	A programme of refurbishment works, tailored to the needs of individual properties, to allow vacant, predominantly terraced, stock to be returned to active use.
South Ribble sites	
Penwortham/ Lostock Hall	Development will be focused on the Pickerings Farm site (79ha site) and redevelopment of the former Lostock Hall gasworks site to deliver almost 1,700 new homes.
Leyland and Cuerden	South Ribble's largest development area, covering 65ha. Although firm proposals for the scheme remain to be finalised, it is expected to cater for mixed use development.
Bamber Bridge	Delivery of new housing across a package of sites, including the former Arla Foods site on School Lane and land at Brindle Road.
Other priority sites	Sites yet to be determined but offering potential for housing development over the course of the City Deal programme.

4.19 The development profile shows that annual completions are forecast to peak during 2019/20 at over almost 2,400 units per annum. In three of the ten years, completions will exceed 2,000 units per annum and in a further four years are forecast to exceed 1,500 units.

4.20 The increase in completions envisaged by local partners will require the availability of attractive sites and a very active and significant housing development industry. Private sector completions typically account for approximately 85% of completions, suggesting that in the region of 2,500 homes would typically be expected to be delivered by other parties. The availability of mortgage finance will also be a factor in determining levels of demand and therefore the rate of build out.

Conclusions

4.21 City Deal investments will unlock a considerable programme of development activity on priority sites. Plans are now in place to deliver over 1 million m2 of new employment floorspace and 16,950 homes over a 10 year period which will be a significant uplift on recent development levels.

4.22 This level of development will require significant investment by private sector property developers and housebuilders, at a level not seen in Lancashire for many years. Engaging with new commercial investors will be a key area of activity for the City Deal team and two local authorities.

4.23 The major employment land opportunities are in North East Preston and Preston City Centre, and Samlesbury EZ and Cuerden. These locations offer considerable potential to accommodate advanced engineering companies, logistics and distribution businesses and office based accommodation for high growth service sector activities. Securing new investment from advanced manufacturing and supply chain companies will be challenging.

4.24 While Preston City Centre is expected to deliver early in the next ten years, reflecting the timing of City Deal investment and the impact of some recently completed public realm works, the South Ribble contribution is expected in the second five years of the work, and is dependent on Cuerden delivering significant employment land for development from 2019/20 onwards.

4.25 The increase in completions envisaged by local partners will require the availability of attractive sites and a very active and significant housing development industry. It is also likely that forecasts will include significant new development of social and affordable housing, as well as increased activity in the private rented sector. These elements of new housing will require other types of investment finance.

4.26 Increased construction activity will have a very positive impact on the Lancashire economy, creating other jobs or helping to safeguard jobs in a broad range of sectors. There is the potential for City Deal partners to work with the construction industry to explore construction related manufacturing.

5 Forecast Employment and Skills Needs

Key Findings

- The City Deal area already forms an important element of the Lancashire economy, accounting for 21% of employment. City Deal investment presents an opportunity to enhance this growth trajectory.
- Based on the nature of floorspace to be created the City Deal supported sites have the potential to accommodate over 30,800 jobs, although this reflects the long term legacy of City Deal. It is unlikely that the scale of floorspace envisaged will be fully developed and occupied within a ten year period. A more likely, although still ambitious, target is that two thirds will be developed and occupied over a ten to fifteen year period, suggesting an employment impact of 20,000 jobs.
- City Deal employment growth will be driven by new investment in manufacturing jobs, predominantly in the Enterprise Zone, logistics and distribution with a leading role for South Ribble and office based employment in and around Preston City Centre.
- While new sites and premises will accommodate employment growth, new inward investment and the availability of a quality workforce will be critical in securing incoming businesses and the growth of existing businesses, including in priority sectors.
- The workforce will become increasingly better qualified and higher skilled, particularly the younger workforce, and local education and training providers have an important role to play over the next ten years.
- A large workforce catchment will be important for employers and strengthening the connectivity and accessibility of the City Deal area will contribute to economic growth.
- Housing is an important element of economic growth – providing housing for a young, well educated workforce will make a contribution to economic growth.
- FE Colleges need to provide a regular supply of well qualified and motivated young people for the growth sectors. Graduate recruitment will be important for employers, with promotion of the availability of local graduates to be an important element of marketing.

The City Deal Policy on Growth Scenario

Site End Uses

5.1 The true legacy of City Deal investments will be in the unlocked development sites that go on to support a growing population and employment growth across a range of sectors. The City Deal site end uses provide Preston and South Ribble with a platform to provide new business space and deliver significant economic and employment growth. Although many site details remain to be finalised, assumptions have been made regarding the nature of employment to be accommodated across the City Deal sites and the anticipated timing of opportunities.

Total Scale of Anticipated Employment

5.2 Based on the nature of floorspace to be created and applying Homes and Communities Agency employment density guidance, the City Deal supported sites have the potential to accommodate over 30,800 jobs.

City Deal Employment Sites – Gross Employment Potential

	B1	B2	B8	Other use classes	Total
Preston Sites	10,092	4,083	2,779	485	17,439
South Ribble Sites	2,637	8,796	1,523	415	13,371
All Sites	12,729	12,879	4,302	900	30,810

Source: ekosgen analysis

5.3 Planned construction programmes provide an indication of the potential timing of employment opportunities. The figures are indicative, reflecting annual forecasts for the creation of floorspace. It should however be noted that the timing of employment benefits will be dependent on the completion of phases of development/complete buildings and the attraction of occupiers, meaning that the annual profile is subject to change.

5.4 Given the focus of City Deal on infrastructure investment, the substantive employment impact is likely to be more apparent from year 3 onwards, increasing significantly again from year 5. It is unlikely that the scale of floorspace outlined above envisaged will be fully developed and occupied within a ten year period. A more likely, although still ambitious, target is that two thirds will be developed over a ten year period, suggesting an employment impact of 20,000 jobs, in line with the City Deal targets.

5.5 This target remains ambitious given the time needed to deliver both infrastructure investment and then subsequent investment by developers and companies. A more likely timescale is 10 years from the completion of the initial major works, which would suggest years 13 and 14 post agreement.

Employment Growth

5.6 The table below sets out a policy on forecast⁹ against the 2015 base employment levels. The successful delivery of City Deal employment ambitions will have significant implications for employment levels across a range of sectors and will support the rebalancing of the economy by increasing levels of private sector employment whilst also helping to reduce the scale of anticipated manufacturing job losses.

City Deal Policy On Forecasts			
Sector	2015 baseline	2025 policy on forecast	Jobs uplift
Manufacturing	11,159	12,659	1,500
Construction	19,641	22,641	3,000
Wholesale and retail	24,114	24,814	700
Transportation and storage	6,386	9,386	3,000
Information and communication	4,083	5,583	1,500
Financial and insurance	2,796	4,396	1,600
Real estate activities	2,695	3,675	980
Professional, scientific and technical	8,219	11,819	3,600
Administrative and support services	13,967	15,667	1,700
Public administration	12,446	13,146	700
Arts, entertainment and recreation	3,166	3,566	400
Other ¹			1,320
Total (selected sectors)	108,670	128,670	20,000
	16,000	180,000	20,000

Source: Oxford Economics Forecasts and ekosgen estimates

¹ Including care and higher education amongst others not captured by traditional employment floorspace

⁹ A policy on forecast takes account of planned City Deal investments

5.7 The policy on scenario is dependent on reversing manufacturing employment decline (including energy and environment, building products), and a much higher level of growth in business and professional services and digital and creative industries. In addition, construction employment potential needs to be fully supported.

5.8 If achieved in a ten year period, the City Deal will have to treble its employment growth relative to the policy off¹⁰ forecast. This figure reduces if the employment target is stretched over 13-14 years to allow for the fully impact of the road infrastructure to have effect.

5.9 The impact of the policy on employment growth will be to change the make-up of the workforce, and a large proportion of the jobs will require a degree educated workforce, while others will require well qualified and skilled staff, including through growth in apprenticeships.

City Deal – Policy On Occupations	
Occupation	
Managers, directors, senior officials	2,500
Professional	3,600
Associate professional and technical	4,000
Skilled trades	1,600
Administrative and secretarial	2,000
Process, plant, machine operatives	2,000
Sales and customer services	1,500
Caring, leisure and other services	1,800
Elementary	1,000
Total	20,000

Source: ekosgen estimates

5.10 If the City Deal was to deliver 20,000 additional jobs, it would considerably increase the contribution of Preston and South Ribble to Lancashire's employment growth, helping to push the employment growth rate to a level which matches or

¹⁰ Policy off forecasts present the position in the absence of City Deal (and other planned) interventions

exceeds the national growth rate, and is in line with the LEP's ambitions. Crucially, the City Deal area, through the successful development of the Enterprise Zone, has a critical role to play in strengthening manufacturing employment and securing new investment in advanced manufacturing and the supply chain.

The Priority Sectors under the City Deal Scenario

5.11 The City Deal is expected to support improved prospects in a number of Lancashire's priority sectors. Achieving the employment and skills potential of these sectors, both within the City Deal area and across Lancashire, will be dependent on the provision of appropriate sites and premises, attracting investors and occupiers into the area (both of which City Deal activity can support) and enhancing local skills and employment prospects through delivery of actions proposed through the recently produced Sector Skills Plans. Developed in consultation with employers and providers, these documents are based on an understanding of current conditions and forecasts and outline actions to overcome challenges and build on identified opportunities that can benefit local businesses and residents.

5.12 The sub-sections below consider the role that the City Deal area can play in supporting the growth of the priority sectors, including to support the delivery of actions identified in Lancashire's recently produced Sector Skills Plans. Strong opportunities to contribute to the growth of priority sectors within the City Deal area reflect: existing sectoral strengths; target occupiers for new development sites; opportunities to accommodate a growing workforce through the provision of new homes; and a commitment through this Skills and Employment Strategy (as well as individual sector plans) to support an uplift in skills to support sector needs.

Business, Finance and Professional Services

5.13 Forecasts suggest that this sector will play a leading role in securing employment growth in Lancashire with local forecasts suggesting the county will out-perform the national economy. The recently produced Sector Skills Plan forecasts a total requirement for 62,400 employees across Lancashire between 2012 and 2022, taking account of growth forecasts and replacement demand.

5.14 City Deal sites in Preston City Centre are expected to play an important role in supporting the growth of this sector. There is an existing concentration of employment to build on and a skilled workforce to support sector growth in this

location. The development of new homes will also provide further capacity for a growing workforce through the offer of an expanded high quality housing offer.

5.15 Challenges to satisfying demand have been identified through development of the Lancashire Sector Skills Plan to include:

- A mismatch between supply and demand – including an undersupply of graduates completing financial and professional services related degrees.
- High levels of replacement demand and a need for effective succession planning – particularly true for higher level occupations presenting a need to upskill workers to take over roles to be vacated, particularly in family run businesses where the departure of key staff members may otherwise result in business closure.
- Rise of professional occupations with fewer administrative roles – requiring a fuller pool of labour to draw on in order to satisfy demand for higher level occupations.
- Shortages in specialist technical skills – currently requiring the importing of skills but that could in future be addressed through more specialist skills provision within the County.
- Issues with new entrants – specifically in relation to work readiness, including possessing basic English and maths, a strong work ethic and 'people skills'
- Coordination and information failures – with opportunities to improve relationships between HE and FE providers and employers to increase internships and apprenticeships.
- Image issues for the county – with a need to promote Lancashire's offer to both attract and retain workers in the sector and compete with neighbouring cities.
- Workforce profile – there is a need to secure greater workforce diversity in the sector, including for those that have not taken the university education route.
- Intelligence issues – presented by limited communication between employers and providers requiring a better understanding of requirements and associated lead times.
- Diversity of the sector – the composition of the sector's employment is forecast to change with the skills system required to respond.

5.16 It will be important for the City Deal local authorities and their residents to effectively support the delivery of activity under four thematic areas, identified in the Financial and Professional Services Sector Skills Plan in response to:

- meet the demand for skills, including addressing skills gaps and shortages and meeting replacement demand requirements;
- develop the supply side, so that it can address the changing needs of employers;
- increase the attraction of the sector and the location, to improve the retention of workers; and
- increase intelligence by tracking sector development, horizon scanning and articulating employer needs to providers.

5.17 Supporting these actions will help the City Deal area to attract new investors and growing businesses as well as secure growth in the sector's workforce.

Manufacturing

5.18 The manufacturing sector is forecast to experience continued turbulence but City Deal activity is expected to help stabilise the sector, reducing the considerable scale of job cuts that would otherwise be experienced. Although demand led forecasts have been reduced from the scale of supply led development potential, the City Deal investments will play an important role in maintaining the sector's presence and performance.

5.19 A series of City Deal sites are expected to continue to support Lancashire's manufacturing sector. The Samesbury Enterprise Zone site will play a key role in supporting the attraction of advanced manufacturing activities into Lancashire, both to the sites themselves and potentially supporting the growth of associated supply chains.

5.20 The recently produced Lancashire Sector Skills Plan identified the following challenges to achieving forecast growth:

- Ageing of the workforce and a need to plan for replacement demand, including widening the sector's appeal to young people.
- Technology is changing skills needs with a requirement to embrace technological change to enhance competitiveness and innovation.
- Challenges to attracting higher skilled employees, particularly technical specialists and leadership and management positions, with a requirement to generate more local supply.
- Securing a coherent and responsive model of skills provision that covers both core and specialist requirements.
- Ensuring the skills and growth capacity to become preferred suppliers through supply chain opportunities.

5.21 Sector skills plan priorities emphasise the importance of the following to drive sector growth:

- inspiring and engaging young people;
- recruiting and retaining a competitive workforce;
- developing a responsive learning infrastructure system; and
- securing employer investment in training.

5.22 Given the role that City Deal is expected to have in retaining high levels of manufacturing employment in Lancashire, partners will need to consider how best to respond to local opportunities.

Energy and Environmental Technologies

5.23 Opportunities in this sector have been forecast as part of the overall manufacturing figure with opportunities also evident in the growth of the professional, scientific and technical sector which, taking account of demand, is forecast to generate the highest number of net additional jobs on the City Deal sites. The Energy and Environmental Technologies Sector Skills Plan suggests that there are uncertainties about the rate of growth in the sector with forecasts suggesting that employment in Lancashire will grow by between 500 jobs (using a narrow definition) and 12,000 jobs (using a broad definition).

5.24 Sites to be developed as part of the City Deal that could accommodate increased employment in the sector include Cuerden, due to its relative size and mixed development opportunities. Office developments in Preston City Centre could also accommodate office-based functions of companies in the energy sector.

5.25 The Lancashire wide Sector Skills Plan identifies the following challenges to achieving growth:

- Shortage in specialist technical skills – including new and experienced engineers across a range of disciplines.
- Gaps in multi-disciplinary and softer skills – including communication and team working, high calibre management competencies and the ability to manage and commercialise innovation.
- Issues with new entrants – with particular challenges around work readiness and identifying engineers with business acumen.
- Workforce profile – including an ageing workforce, contractors who are mobile and a small overall labour pool which results in poaching.
- Image issues – seen in the low numbers of people studying STEM subjects (particularly women) and competition from other sectors for graduates.

- Intelligence issues – lack of communication between providers and employers to ensure appropriate skills provision with a need for more effective planning.
- Supply side issues – recruitment challenges in identifying FE teaching staff in the sector.

5.26 Four thematic areas have been identified in the Energy and Environmental Technologies Skills Plan to support the sector to:

- meet demand for skills, including technical skills, softer skills and business skills;
- increase the attraction of the sector in Lancashire through changing perceptions of both the industry and the location;
- improve intelligence by tracking developments in the sector; and
- develop the supply side by ensuring availability of appropriately skilled FE staff and adjusting provision to meet employer needs.

5.27 Ensuring that sector specific skills actions are aligned with timescales for relevant site developments and the attraction of new occupiers working in the sector will be important to allow the City Deal area to capture its employment share.

Visitor Economy

5.28 The visitor economy is forecast to experience employment growth over the City Deal delivery period and levels of replacement demand are also forecast to be significant. In a City Deal context, Preston City Centre is already an important attractor of visitors (including international visitors, potentially linked to the location of the University of Central Lancashire) with the vibrancy of the centre to be further driven by City Deal activities as well as supporting investments being taken forward by others, for example investment in the city centre public realm and proposals for a new cinema development.

5.29 Securing the forecast scale of new employment will require consideration of the sector's skills needs. The recently produced Visitor Economy Sector Skills Plan for Lancashire identified the following skills challenges facing the sector:

- Opportunities in the sector are under-sold – the breadth of opportunities offered by the sector is poorly understood, particularly in advice offered through schools.
- Negative perceptions persist – jobs in the sector are often, wrongly, seen as second best, in part due to attitudes towards the service sector and low average pay.
- Applicants are not work ready and lack soft skills – employers are demanding higher standards than those currently delivered through the skills system to ensure applicants have a rounded skills set.
- Pay and conditions are not favourable – entry level roles are often at the minimum wage, average wages remain low and the need for weekend and evening working presents a further challenge to recruitment.

5.30 In response, the Sector Skills Plan has prioritised activity around three key themes:

- preparing the future workforce, to attract more appropriately skilled young people into the sector;
- developing the existing workforce, addressing skills gaps relating to management and leadership, increasing online sales capabilities and ensuring the sector is prioritised within workforce development programmes; and
- learning from good practice, by supporting the roll-out of innovative and effective practice.

5.31 There may be opportunities for the City Deal authorities to position themselves to take a leading role in delivering some actions (e.g. delivering a pilot of a Visitor Economy Ambassador Programme) to support the capture of forecast employment growth.

Skills Forecasts

Economy Wide Forecasts

5.32 Workforce skills demands are changing across the economy, for both new recruits and existing workers. OEF forecasts (prepared under a policy off scenario) provide data on Lancashire’s skills requirements over the next ten years. These suggest that:

- Skills requirements across the workforce will increase with the proportion of employment requiring people qualified at Level 4 + expected to rise from 34% to 38% between 2015 and 2025 (an additional 33,500 people) and the proportion requiring no qualifications to fall from 8% to 6% (a reduction of 8,600 people).
- The four sectors forecast to report the largest employment uplifts will all require a higher proportion of people qualified to Level 4 + by 2025.

5.33 OEF forecasts for the City Deal area show that in Preston the proportion of employment requiring people qualified at Level 4+ is expected to reach 36% by 2025 (a 12% increase over 10 years) and in South Ribble the rate will reach 19% (a 17% increase from a low base). Across the two authorities this equates to an additional 6,700 people qualified to Level 4+. Conversely, the proportion of employment requiring no qualifications is forecast to fall by 17% in Preston and 14% in South Ribble, a total reduction of 1,700 people. Providing people with the skills needed to access and progress in employment will therefore be a priority.

5.34 In general, there is a move to up-skill the labour force and this applies across all sectors. In some of the most important growth sectors, the future workforce is based on a younger and better educated and qualified workforce.

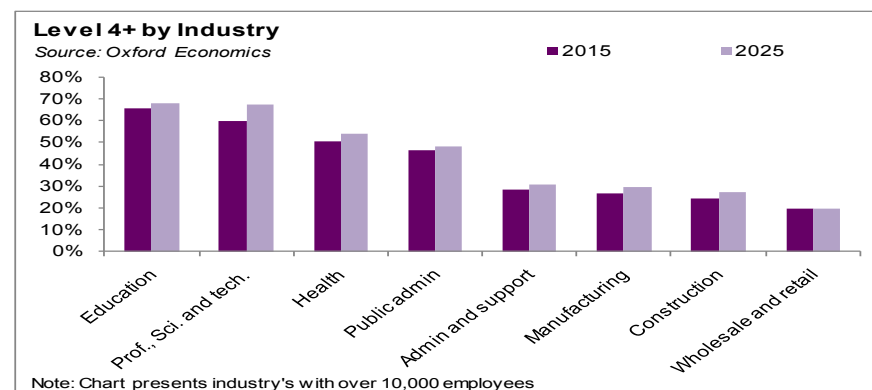
5.35 The need for greater anticipation and planning for local skills challenges has been widely acknowledged through both research and policy in recent years. The 2010 Skills for Sustainable Growth Strategy emphasised the need to ensure that skills provision meets the needs of employers and individuals. A report prepared by the OECD in the same year, drawing on an international review of local skills strategies, stated that “the assessment and anticipation of local skills and labour market needs is required to improve the efficiency of the local labour market; better match labour supply and demand to reduce bottlenecks; and better define the content and structure of education and training systems¹¹.”

5.36 Reviews of vocational education have been particularly keen to promote greater employer engagement in the planning of provision. The Richard Review of Apprenticeships noted the facilitation role local partners could play between employers and apprentices while the Wolf Review of Vocational Education

recommended employer involvement in quality assessment and assessment activities.

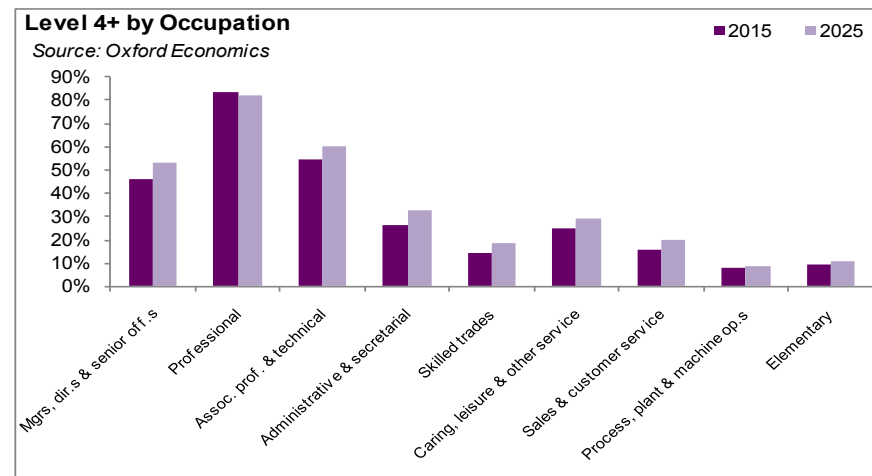
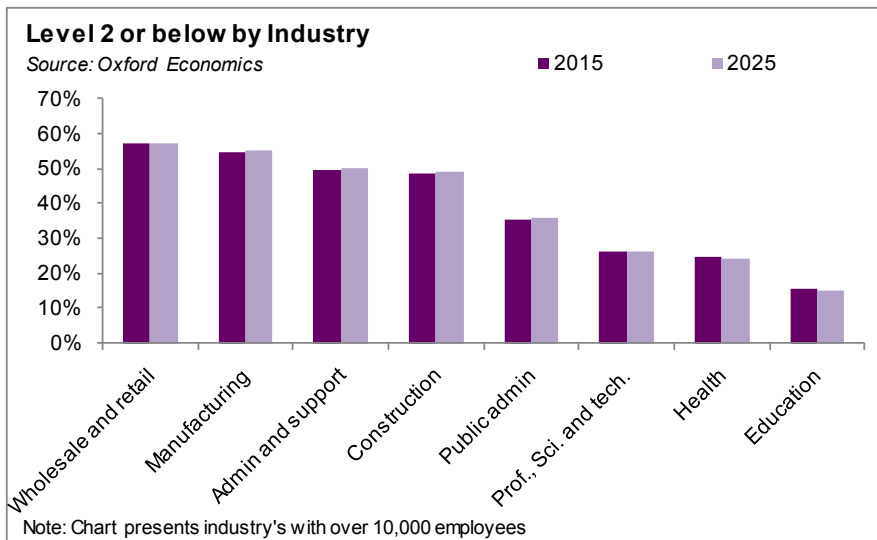
Forecasts by Industry

5.37 Most sectors are expected to see an increase in skills over the next decade, with the largest increase being in the professional, scientific and technological industry. Construction and manufacturing are expected to increase slightly in terms of the employees with level 4 qualifications and over, however the figure is forecast to remain under 30% in 2025.



5.38 The percentage of the workforce with level 2 qualifications or below is expected to stay much the same by 2025, decreasing slightly in sectors such as health and education at one end and increasing slightly in sectors such as manufacturing and construction at the other. These figures combined with those for level 4 qualifications suggest a polarisation of the workforce, between high skilled and low skilled employees which has been a common feature across broader geographies and timescales. Changing requirements will have implications for the planning and delivery of future education and training provision as well as information, advice and guidance offered through the education system, access to employment initiatives and job search support.

¹¹ Measuring Skills and Human Capital in Local Economies, OECD, 2010



Forecasts by Occupation

5.39 The occupation with the highest proportion of employees with level 4+ qualifications is professional occupations; however this is expected to decrease slightly by 2025. In all other occupations, skills levels are expected to increase slightly in the same time period, the largest being in administrative and secretarial occupations.

5.40 Overall employees holding level 2 or below qualifications are expected to decrease across all sectors over the next 10 years, with the exception being amongst skilled trades which is expected to increase slightly. Given the strong manufacturing and construction sectors in the City Deal area, this may be an important consideration.

Conclusions

5.41 The level of employment growth in the City Deal area will play an important role in the Lancashire LEP meeting its economic growth ambitions set out in the Strategic Economic Plan. An additional 20,000 jobs would represent an increase of 12% from 2015, against a policy off forecast of 4% (which in itself does however not take account of recent and planned investment in Preston and South Ribble).

5.42 City Deal employment growth will be driven by new investment in manufacturing jobs (helping to arrest the decline), predominantly in the Enterprise Zone, logistics and distribution with a leading role for South Ribble and office based employment in and around Preston City Centre. Based on the nature of floorspace to be created and applying Homes and Communities Agency employment density guidance, the City Deal supported sites have the potential to accommodate over 30,800 jobs if fully developed and occupied. This is in effect the City Deal long term (20 year) legacy.

5.43 Over the medium to long term, the City Deal area will support employment growth across a range of sectors and play an important role in increasing opportunities available in a number of the priority sectors, as well as supporting sectors. This will follow a short to medium term focus on employment in the construction sector to facilitate the development of infrastructure as well as new employment premises and homes for a growing workforce.

5.44 Achieving the scale of forecast growth will potentially present challenges. For example, it is not clear how the construction industry and other growth sectors will be able to recruit the numbers of experienced personnel required over the next three to five years, and increasing demand may impact on some of the planned Lancashire infrastructure projects.

5.45 There is a strong case to work with employers to increase apprenticeships, graduate recruitment and the recruitment of older workers to help companies meet their skills needs over the next five years. Greater awareness of the scale of employment and skills opportunities is also required across Lancashire and beyond to support businesses and individuals to prepare.

5.46 The City Deal employment growth will benefit from Lancashire wide training and skills initiatives as well as locally planned and delivered activity. New initiatives with regard to the construction industry are particularly important to Preston and South Ribble, as are sector skills plans for advanced manufacturing and financial and professional services.

5.47 FE Colleges will need to provide a regular supply of well qualified and motivated young people for the growth sectors. While FE provision covers a range of occupations and sectors, it will be important to focus on the types of business services and IT employment which will dominate employment growth. Apprenticeships will also play an important role in providing employers with a young well qualified workforce in many sectors. Working with employers to increase the provision of apprenticeships will be a key priority for local partners as well as promoting the availability of local graduates as an important element in up-skilling the workforce and attracting investment and occupiers.

5.48 A large workforce catchment will be important for employers' and strengthening the connectivity and accessibility of the City Deal area will contribute to economic growth. Similarly, housing is an important element of economic growth – supporting population growth and providing housing for a young well educated workforce will make an important contribution to achieving economic growth ambitions.

6 Short to Medium Term Construction Requirements

Key Findings

- Construction is already an important element of the local economy with City Deal activity to generate considerable further opportunities for the sector.
- There are three components to labour demand for City Deal related construction:
 - Housing, particularly new housing development
 - City Deal infrastructure investment
 - New commercial and industrial space.
- New building housing will require an annual workforce of almost 3,000 in the initial period, increasing to almost 5,000 post 2019, although it is not clear if the envisaged scale of completions can be achieved.
- The total jobs requirement averages 4,156 jobs each year from 2014/15 to 2018/19 and 6,363 from 2019/20 to 2023/24. Not all of this employment will be in Preston and South Ribble companies, although it will support the expansion of the employment base, in line with economic forecasts.
- Demand forecasts for higher level skilled construction posts (e.g. architects and surveyors) suggests over 1,500 jobs each year in the initial period, increasing to over 2,400 in the final five years of City Deal.
- There will also be substantial demand for skilled trades. Overall, the demand forecast suggests over 2,300 jobs each year in the initial period, increasing to over 3,670 in the final five years of City Deal.
- Employment forecasts show the sector's substantial scale of opportunity. There is a need to support the recruitment of required numbers of experienced personnel over the next three to five years including through increased apprenticeships and recruitment of graduates and older workers.
- There is a rationale for local City Deal partners agreeing construction as a priority growth sector and developing new initiatives to tackle business, innovation and skills issues. A public-private super-initiative, which brings together all of the relevant resources, and deals with both short and medium term industry challenges would be beneficial.

Total Scale of Anticipated Employment

6.1 Assessment of the capital spend required to support a construction job year in the North West economy, suggests that the City Deal infrastructure investments will support over 4,300 construction job years with the build out of residential sites to support a further 16,100 construction job years and employment sites 11,800 construction job years.

6.2 Forecasts produced by the CITB Labour Forecasting Model, recognising the varied nature of both directly and indirectly supported City Deal activities, suggest that the total construction workforce requirement by year will peak in 2019/20 with a requirement for over 7,200 construction workers. In eight of the ten years considered, requirements will exceed 4,000 workers.

6.3 On average, an annual requirement of over 4,000 workers has been identified for the first half of the programme rising to 6,300 during the second half of delivery. Forecasts suggest that residential development will be a leading employment requirement.

Annual Average Employment Requirement

	Annual Average 2014/15-2018/19	Annual Average 2019/20-2023/24
Major highways/transport schemes	351	150
Local Highways/public realm	51	15
Education and community infrastructure	108	152
Housing: new build	2,958	4,965
Housing: refurbishment	32	32
Employment uses: office	441	544
Employment uses: industrial	110	329
Employment uses: warehousing	17	55
Employment uses: leisure and retail	88	93
Total	4,156	6,363

Source: CITB Labour Forecasting Model

6.4 CITB forecasts suggest that in the first five years, City Deal will lead to a 5% increase in construction activity across Lancashire and potentially a 16% increase within Preston and South Ribble. In terms of employment growth, this makes construction a priority sector for the City Deal area.

Higher Level Skills Requirement

6.5 Delivery of a large scale construction programme will require a considerable skilled workforce to plan, develop and oversee activity. Forecasts suggest that higher level skills requirements will average 1,584 during the first half of the programme and 2,434 during the second half. This represents approximately two fifths of overall forecast labour demand for construction.

6.6 The occupations in greatest demand are non-construction professional, technical and IT, other construction process managers and other construction professionals and technical staff.

Annual Average Employment Requirement: Higher Level Skills		
	Annual Average 2014/15-2018/19	Annual Average 2019/20-2023/24
Senior, executive, and business process managers	226	365
Construction project managers	67	93
Other construction process managers	276	396
Non-construction professional, technical, IT	491	778
Civil engineers	115	153
Other construction professionals, technical staff	240	377
Architects	59	96
Surveyors	110	176
Total	1,584	2,434

Source: CITB Labour Forecasting Model

Other Construction Skills Requirement

6.7 Forecasts suggest that there will also be considerable demand across a range of construction trades. Again the demand for these is expected to be higher during the second half of the programme, with an average requirement of 2,376 workers in the first half compared to 3,673 in the second. These figures equate to approximately three fifths of overall labour demand.

6.8 The occupations forecast to be in greatest demand are wood trades and interior fit-out, labourers, plumbing, heating, ventilation and air condition trades and electrical trades and installation.

Annual Average Employment Requirement: Other Construction Skills		
	Annual Average 2014/15-2018/19	Annual Average 2019/20-2023/24
Wood trades and interior fit-out	381	622
Plumbing, heating, ventilation, air con. trades	255	419
Electrical trades and installation	249	405
Painters and decorators	173	284
Building envelope specialists	165	266
Bricklayers	112	181
Specialist building operatives (other)	106	156
Construction trades supervisors	96	121
Plasterers and dry liners	89	147
Roofers	81	132
Floorers	42	69
Glaziers	51	84
Scaffolders	39	64
Plant operatives	91	111
Plant mechanics/fitters	52	75
Steel erectors/structural	43	67
Logistics	49	63
Labourers nec*	293	407
Total	2,376	3,673

Source: CITB Labour Forecasting Model

6.9 Future skills requirements emphasise the range of opportunities available in the construction sector, including in higher skilled, typically higher paid occupations which are not always recognised. Publicising these could help to overcome negative perceptions of the industry. One stakeholder echoed the views of many when stating: *“The biggest challenge is getting people to see construction as a worthy occupation to fill the skills gaps we have”* while another commented *“Our industry has been frowned upon as a last choice...[it is seen as an option] if you are not academically astute enough”*.

Recognising the Wider Construction Context

6.10 Delivery of the Preston, South Ribble and Lancashire City Deal programme will not occur in isolation. Construction markets typically operate at a level higher than individual local authorities and LEP areas. Skilled trade people travel across local authority and sub-region boundaries and Lancashire construction companies operate in a North West marketplace. This position is likely to become more pronounced as the level of demand for construction workers increases over the next four years and beyond, reflecting the considerable scale of construction forecast in the region.

6.11 The recently produced North West Construction Pipeline Analysis 2015, commissioned by the Greater Manchester Chamber of Commerce, sets the regional development context and emphasises the scale of potential employment and skills challenges and opportunities, which will have implications for Lancashire.

The Scale and Nature of North West Development

6.12 There is a strong sense of optimism in the North West's construction sector. Agencies note that both the overall scale and ambition of development is increasing and demand from potential occupiers of commercial and residential development is growing.

6.13 Research identified a £29.9 billion (bn) construction output pipeline for delivery across the North West between 2015 and 2018 inclusive. The total (which is recognised to exclude some major projects due to limitations in available data) is only marginally less than the pipeline for the South East of the UK which has been valued at £33 bn.

6.14 Within these figures, the research suggests that Lancashire's output will be £2.6bn – the smallest sub-regional programme in the North West and a proportion considerably below Lancashire's share of construction employment. Reflecting the scale of development anticipated through City Deal, Lancashire has a higher than average proportion of housing projects in the pipeline (51% - £1.35bn).

6.15 Ensuring Lancashire can compete for labour in a competitive marketplace will be a priority. As one consultee commented, *“you can always tell when there are big jobs in Manchester – it is difficult to recruit”*. This challenge is expected to grow as all parts of the region embark on major construction programmes. At a time of high demand, it will be important for the sector to remain competitive and productive, including through effective management of supply chains. However, a competitive market is likely to result in recruitment and retention challenges for many employers.

Anticipated Employment and Skills Requirements

6.16 Forecasts produced through the CITB Labour Forecasting model suggest that the scale of construction programme outlined above will result in:

- Labour demand in the North West for 184,064 workers in 2015 and average labour demand for 122,000 workers between 2015 and 2018.
- Training needs between 2015-2018 which will be 45% higher than the 2011-2014 average.
- The top five professions in demand during 2015 being:
 - Non-construction professional, technical, IT and other office-based staff
 - Wood trades and interior fit out
 - Construction managers
 - Plumbing and heating, ventilation and air conditioning trades
 - Electrical trades and installation
- A typical training need for 10% of the workforce across all occupations, totalling 18,420 requirements during 2015.
- Across all occupations, the increase in average training needs between 2011-2014 and 2015-18 exceeds 40%, ranging from 43% in plumbing and heating, ventilation and air conditioning trades to 53% for scaffolders.

6.17 Research also noted that even when people are training in construction, only a third receive the on-site competency based qualifications required to work in the sector.

6.18 Ensuring training providers and employers are alert to this required uplift and the employment and skills challenges it presents is now a priority. There are signs that some organisations are looking ahead, for example in the construction and engineering sector the iSTEM Centre created by Eric Wright in partnership with Preston's College provides modern facilities in 'real work environments' and some FE colleges are offering roll-on, roll-off provision to meet employer needs. Given the scale of the opportunity outlined through this report, more work does however need to be done.

Conclusions

6.19 There are three components to labour demand for City Deal related construction:

- Housing, particularly new housing development
- investment in highways, education and community infrastructure
- New commercial and industrial space.

6.20 The major housing building programme is the main driver of labour demand, although it is not clear if the envisaged scale of completions can be achieved. New build housing will require a workforce of almost 3,000 in the initial period, increasing to almost 5,000 post 2019.

6.21 Across all development types, the total construction jobs requirement averages 4,156 jobs each year between 2014/15-2018/19 and 6,363 between 2019/20 to 2023/24. Not all of this employment will be in companies based in Preston and South Ribble, although it will support the expansion of the current employment base, in line with economic forecasts.

6.22 There will be considerable demand for higher level skilled construction workers including project managers, civil engineers, architects and surveyors. Overall demand forecasts suggest over 1,500 higher skills jobs will be required each year in the initial period, increasing to over 2,400 in the final five years.

6.23 There will also be substantial demand for a broad range of skilled trades including bricklayers, scaffolders, roofers, painters and decorators, glaziers and wood trades. Overall, the demand forecast suggests over 2,300 jobs each year in the initial period, increasing to over 3,670 in the final five years of City Deal.

6.24 It is likely that the construction industry will expand considerably in Preston and South Ribble, and this will in part be due to City Deal related infrastructure commercial and residential development. There may however be considerable recruitment and skills issues over the coming years due to the scale of forecast workforce requirements and the time taken to train a growing workforce. It is not currently clear how the sector will be able to recruit the numbers of experienced personnel required over the next 3-5 years.

6.25 There is likely to be considerable scope to increase apprenticeships, graduate and older workers recruitment (including from the unemployed), as companies seek to address the challenges of recruiting and retaining a skilled workforce. The construction sector needs to plan ahead to cater for increased demand. Lancashire City Deal's direct infrastructure investments and related commercial and residential development will be delivered in a very busy and competitive regional marketplace where skills shortages and recruitment difficulties are already apparent.

6.26 There are already a number of organisations involved in addressing the challenges facing the construction industry at both a regional and national level, in recognition of the scale of activity forecast to be taken forward and existing challenges within the sector. More importantly there are strong local industry networks and experienced training providers involved with some of the company base. Resources are available from a number of sources, although funding can be short term and limited.

6.27 Some of the solutions for industry challenges will involve the provision of more partnerships and more industry relevant FE courses, although these respond to medium term challenges. At the same time, the industry may have to consider recruiting older workers to meet some of the immediate challenges. Given these challenges, along with the need to introduce new technologies and processes, a single initiative, well-resourced and with close industry involvement, could be the most effective way of addressing challenges and supporting company and employment growth. An initial challenge will be to increase awareness of the current position, the scale of opportunities and the need for collective action to allow individual businesses and Lancashire as a whole to take advantage of construction opportunities and the longer term benefits they will generate (e.g. through the build out of new employment sites).