

# Appendix B

## Determining the economic impact of MAA interventions in Pennine Lancashire

Reference INV131931

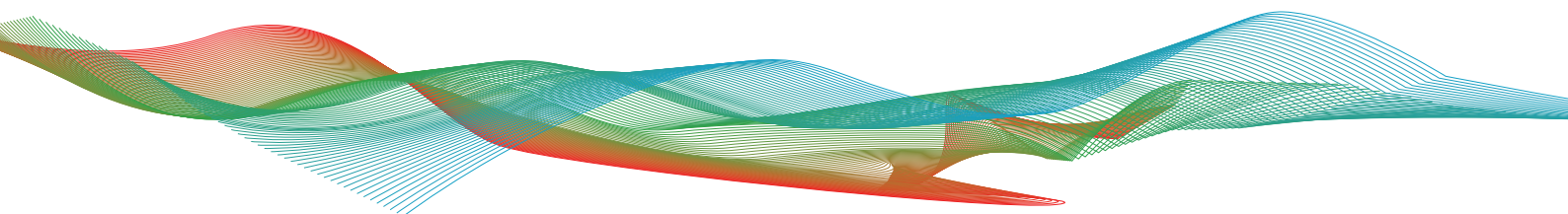
A report to the  
Pennine Lancashire Leaders and Chief Executives (PLACE)

September 2008



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Pennine Lancashire



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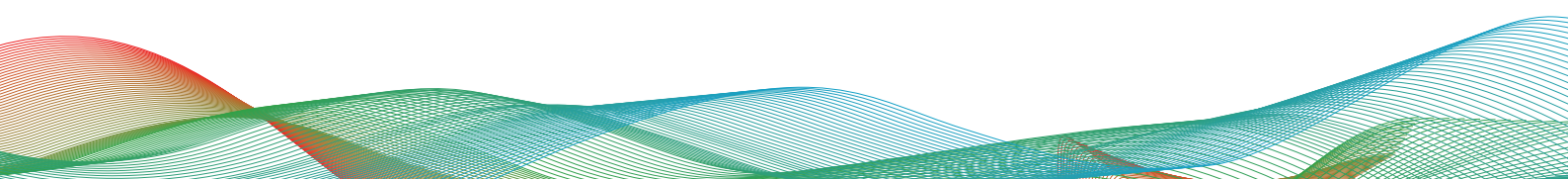
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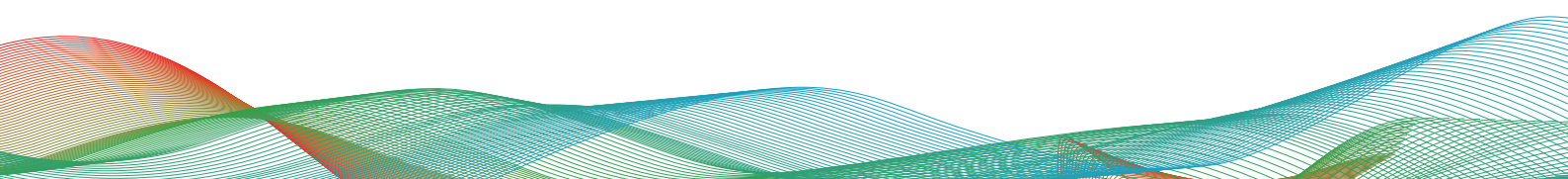
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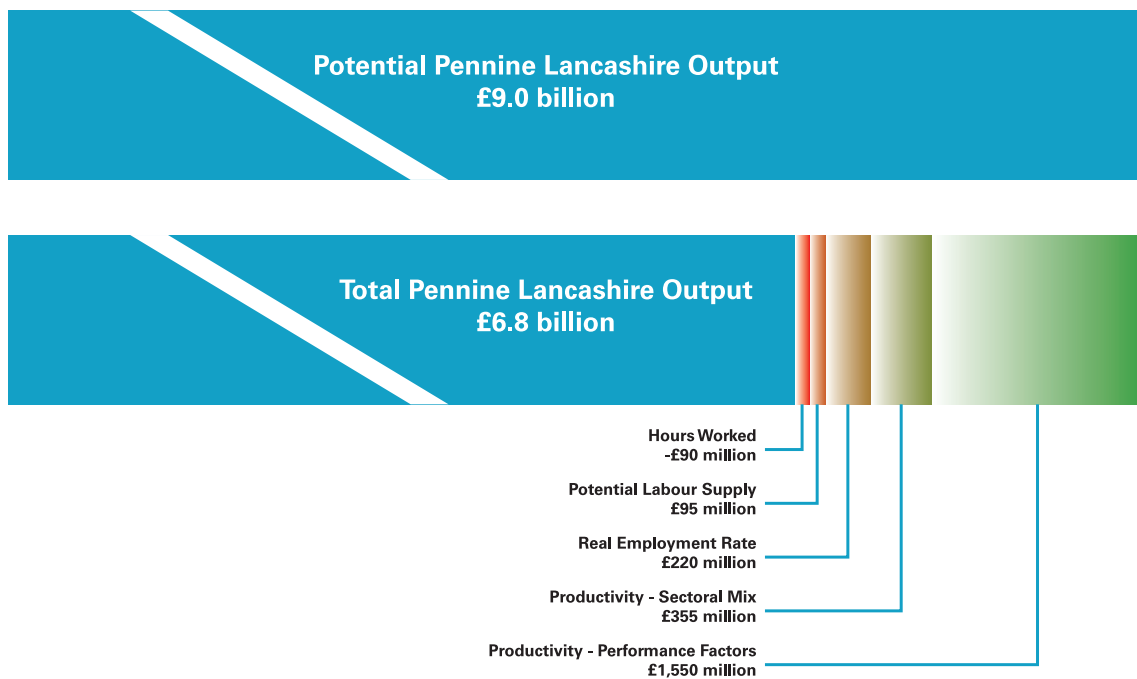
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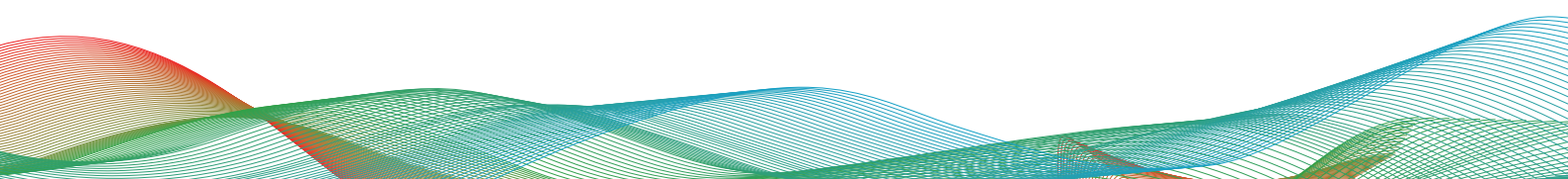
# 1 - Introduction

**1.1.** The Pennine Lancashire Multi Area Agreement (MAA) represents an important opportunity to deliver elements of the Pennine Lancashire Economic Strategy priorities and accelerate the area’s economic growth. As the graph below shows, Pennine Lancashire’s economy operates at only 76% of the English average – closing the gap would generate an additional £4,200 per resident or £8,400 per employee per annum. Illustrating the impact that interventions will have on narrowing the GVA gap is therefore a key opportunity in promoting the importance of MAA support and the ability of Pennine Lancashire partners to deliver economic change.



**1.2.** Closing the gap with the regional average is also a major challenge. GVA per head in Pennine Lancashire is only 85% of the North West average, giving a total output gap of £1.2billion.

**1.3.** This report considers the wider economic impacts that will be achieved through delivery of the identified MAA priorities. As well as GVA, it considers the impact on employment and skills levels within the workforce and the generation of savings for the public purse. Within each section, the forecast impact and core assumptions for calculation are set out.



## Report Structure

**1.4.** For the purpose of this report key activities proposed through the MAA are grouped under the following headings:

- Land and development, including development of priority employment sites;
- Transport, including improvements to the road and rail network;
- Education, knowledge and connectivity, including development of a Pennine Lancashire university and a knowledge zone and enhanced broadband access;
- Public sector relocation;
- Funding / Strategic investment block allocation.

**1.5.** For each scheme, an overview of activity is provided followed by an assessment of the outputs and economic outcomes to be achieved through intervention. This is accompanied by an explanation of the topic specific assumptions adopted in calculating impact.

**1.6.** An impact model has been developed in order to generate the estimates of gross and net employment, GVA and fiscal benefits. The model draws upon a range of evaluation and other evidence for different intervention types, adjusted where appropriate to the proposed investment by the Pennine Lancashire partners. No primary research has been carried out as part of the assignment, nor has a full economic appraisal been undertaken of each proposed intervention. The estimates should be treated as illustrative of the potential impacts and the scope for variation in the estimates depending on the assumptions adopted should be borne in mind when interpreting the results.

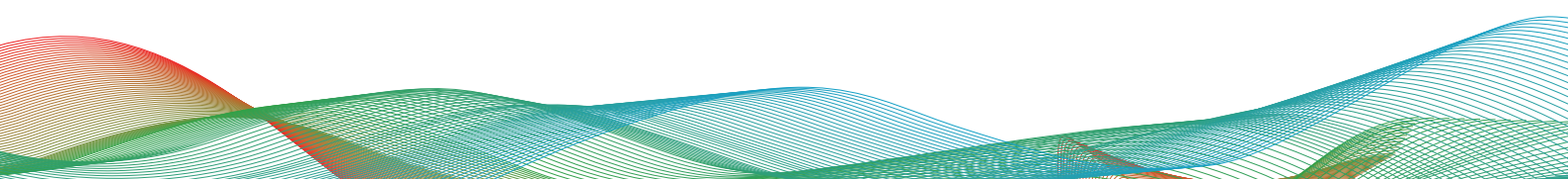
## Study Assumptions

**1.7.** The following assumptions are common throughout the report:

Indicator	Assumption
GVA impact	<p>The following sectoral rates of GVA per FTE worker have been utilised:</p> <ul style="list-style-type: none"> <li>• Agriculture, hunting and fishing £55,522</li> <li>• Manufacturing £47,426</li> <li>• Electricity, gas &amp; water supply £193,756</li> <li>• Construction £44,419</li> <li>• Wholesale and retail £33,245</li> <li>• Hotels and restaurants £25,170</li> <li>• Transport, storage and communication £48,121</li> <li>• Financial intermediation £68,777</li> <li>• Real estate, renting and business activity £62,045</li> <li>• Public admin, defence, social security £32,719</li> <li>• Education £32,080</li> <li>• Health and social work £30,548</li> <li>• Other community, social and personal £43,951</li> <li>• Economy average £42,952</li> </ul> <p>These figures are based on regional GVA by sector for 2004 taken from the North West forecasting model apportioned to sectoral FTE employment, taken from the Annual Business Inquiry. Figures have then been updated to allow for change in the Retail Price Index to generate figures for 2009 (as shown above). As self-employment accounts for 10% of employment across the region, GVA has been discounted by 10% across all sectors to account for this section of the workforce not captured through ABI figures.</p>

Indicator	Assumption
Reduction in unemployment	Based on take up of new NVQ2 employment opportunities, assuming that 30% of jobs are taken up by the previously unemployed. In calculating the figures, all employment is taken as the lowest whole number, e.g. if 30% is 215.7 jobs taken as 215 jobs.
Higher level jobs	Opportunities created at NVQ4 and above
Savings to the public purse	<p>Calculated to include reductions in Job Seekers Allowance and other out of work benefits and increased income due to business rates and income tax payments. All figures are per annum based on the assumptions below.</p> <p>Job Seekers Allowance savings are £3,076 per annum for each former workless claimant entering employment.</p> <p>Income tax calculations assume that all those entering employment who were former workless secure opportunities paying the minimum wage. Only income secured through the former workless entering employment is captured within this report.</p> <p>Fiscal benefits identified through the report refer to the two elements above.</p> <p>Business rates are calculated on an indicative basis of:</p> <ul style="list-style-type: none"> <li>£110 per sqm for B1b;</li> <li>£60 per sqm for B1c;</li> <li>£50 per sqm for B2;</li> <li>£35 per sqm for B8 uses;</li> <li>£130 per sqm for leisure uses; and</li> <li>£130 per sqm for retail uses.</li> </ul> <p>It is assumed that a proportion of floorspace in each use class will be occupied by businesses eligible for rate relief. The estimates are based on evidence collected by the Pennine Lancashire partners.</p>
Net employment gain	Net employment has been calculated from the total employment impact of each scheme to take account of leakage, deadweight/substitution and displacement. Figures have been determined to reflect individual scheme details so methods of discount are considered within each section of the report.

**1.8.** Topic specific assumptions are detailed within subsequent sections of this report to reflect the nature of projects and activity proposed.



# 2 - Land and development

## Proposed investment programme

2.1. Land and development projects form a significant part of the proposed MAA programme. Three projects have been identified under this category:

Project	Description
Whitebirk	Development of an 86 acre strategic employment site at junction 6 of the M65. The site is proposed to support the continuing development of advanced manufacturing and knowledge based activities within Pennine Lancashire, it is recognised to be the area's largest employment site.
Pollard Moor (Burnley Bridge)	Pollard Moor (Burnley Bridge) has been identified as a potential strategic employment site. The site is a 70 acre brownfield opportunity with potential to accommodate 680,000 sq ft of development. Space will be targeted for distribution, logistics and light industry uses.
Blackburn Knowledge Zone	Redundant and under-utilised property and potentially contaminated land will be cleared to create a high quality business environment. Expansion of the region's knowledge economy will be encouraged by linking Blackburn's Cathedral Quarter, Freckleton Street and the College Campus Masterplan to allow students, employers and organisations to work more closely together.

2.2. These developments will help to compensate for jobs lost within the local manufacturing sector which has long represented a significant component of the Pennine Lancashire economy. A net additional 32,500 jobs would need to be created to allow Pennine Lancashire to satisfy the government's aspiration for an 80% employment rate by 2020.

## Gross to Net Assumptions

2.3. The following assumptions have been made in determining the forecast impact of land and development schemes:

Whitebirk	Pollard Moor	Blackburn Knowledge Zone
Deadweight: 10%	Deadweight: 10%	Deadweight 28%
Leakage and substitution: 30%	Leakage and substitution: 20%	Leakage and substitution: 10%-25%
Displacement: 12%	Displacement: 40%	Displacement: 17% - 50%
Indirect multiplier: 1.17	Indirect multiplier: 1.17	Indirect multiplier: 1.21
Induced multiplier 1.1	Induced multiplier: 1.1	Induced multiplier: 1.21-1.29

## Forecast Outputs and Outcomes

2.4. Direct outputs to be achieved through each scheme are summarised below. This is based on information provided by the Pennine Lancashire partners.

Project	Floorspace by type (m <sup>2</sup> )				Total
	B1	B2	B8	Other	
Whitebirk	46,667	5,917	8,876	3,373	64,833
Pollard Moor	23,692	-	23,692	-	47,385
Knowledge Zone	13,375	-	-	13,488	27,223
<b>Total</b>	<b>83,734</b>	<b>5,917</b>	<b>32,568</b>	<b>16,861</b>	<b>139,441</b>

2.5. The Whitebirk development will also comprise development of a neighbourhood centre, providing new facilities for the area. This is proposed to comprise a fitness centre, retail provision, a café/restaurant/takeaway and a limited number of apartments.

2.6. Similarly, the Knowledge Zone will include a hotel complex, retail provision, apartments, parking and a bus interchange. As the table below shows, a broad mix of jobs will be generated in the Zone, with the estimated 263 higher level jobs and investment acting as a catalyst for the wider regeneration of the town centre including new employment in the leisure and retail sectors. A key feature of the proposal is to maximise the impact of the expansion of Blackburn College.

2.7. Development of new business space at Whitebirk, Pollard Moor and the Blackburn Knowledge Zone will allow for the realisation of wider economic impacts. The Whitebirk and Pollard Moor schemes have been calculated to directly accommodate 3,408 jobs, including opportunities in the aerospace, advanced manufacturing and environmental technologies sectors. Direct employment figures for the Knowledge Zone remain to be confirmed but have been forecast to be 1,128.

2.8. The total gross employment impact of the three schemes will be in the region of 4,536 jobs, including direct, indirect and induced employment. Net new jobs are anticipated to be 2,979. These employment opportunities will provide opportunities for people currently out of the labour market to access employment and for others to secure high level employment opportunities to progress their careers. Such developments will also help to raise the outward facing image of Pennine Lancashire to help secure further investment into the area.

2.9. Savings for the public purse as a result of development of the three facilities will comprise three elements:

- A reduction in levels of Job Seekers Allowance as local residents enter the new employment opportunities created – calculated to be in the region of £3,076 per annum;
- An increase in income tax and National Insurance payments of approximately £1,974 per annum for those leaving unemployment; and
- Increases in business rate incomes for the local authorities as business premises are developed across the three sites of approximately £4,750,298 per annum.

2.10. Outcomes to be realised as a result of the projects above are therefore forecast to include:

Project	GVA Impact	Total gross employment impact	Total net employment benefit	Fiscal benefit
Whitebirk	£119m	2,194	1,638	£8m
Pollard Moor	£61m	1,214	625	£4m
Knowledge Zone	£63m	1,128	716	£4m
<b>Total</b>	<b>£243m</b>	<b>4,536</b>	<b>2,979</b>	<b>£16m</b>

2.11. The profile of gross employment forecast to be created across the three sites can be summarised as follows. Opportunities for the former workless and for the upskilling of the workforce are forecast to be significant.

Project	NVQ2 and below	NVQ3	Higher level jobs (NVQ4+)	Employment taken by the former workless
Whitebirk	1,406	222	566	421
Pollard Moor	824	100	290	247
Knowledge Zone	719	146	263	215
<b>Total</b>	<b>2,949</b>	<b>468</b>	<b>1,199</b>	<b>883</b>

# 3 - Transport

## Proposed investment programme

**3.1.** Transport improvements are proposed to include the area's rail and road links. Poor commuter transport links and limited trade links are currently recognised to be restricting the benefit that Pennine Lancashire captures through proximity to Greater Manchester and Leeds. Very low commuting rates from Blackburn (3.6% of resident employees) and Burnley (2.6%) into Manchester demonstrate the scale of the missed opportunity<sup>1</sup>. Investment will directly support realisation of economic objectives within Pennine Lancashire and the wider region, and help residents to access employment in these surrounding areas.

**3.2.** Five priority transport projects have been identified:

Project	Description
Todmorden curve	Re-instatement of a direct rail service between Burnley and Manchester offering competitive journey times
Clitheroe – Manchester	Implementation of service enhancements on the Clitheroe-Manchester rail line to accommodate growing demand
Rawtenstall – Bury rail line	Extension of the Manchester-Bury rail/Metrolink line to accommodate growing passenger numbers and reduce average journey times
M65 congestion measures	Undertake improvements at Junction 5 and 6 to ease congestion. At peak times junction capacity will increase to 6,000 from 4,000. Alternative option is to allow for use of the hard shoulder at peak times, albeit this option is more costly
A56 bypass	Introduce a bypass to mitigate the impact of increased congestion on the M62

**3.3.** All transport issues and priorities for Pennine Lancashire will be identified through a Lancashire Integrated Transport Strategy and Pennine Lancashire Implementation Plan. The projects above will have an important role in realising the strategy's objectives.

<sup>1</sup> Centre for Cities – City Links: Integration and Isolation (2008)

## Forecast outputs and outcomes

**3.4.** Delivery of the identified projects is forecast to generate the following direct outputs:

- 90,000 additional passenger journeys per annum on the Clitheroe-Blackburn-Manchester line,
- approximately 170,000 residents benefiting from the Todmorden Curve improvements;
- 67,000 residents benefiting from the rail/Metrolink line extension to Rawtenstall;
- 20,000 vehicles benefiting from the A56 bypass; and
- Additional capacity for 2,000 vehicles on the M65 around junction 6 at peak times.

**3.5.** No direct employment impact is assumed to be generated as a result of transport investment. In line with standard approaches to the economic appraisal of the wider benefits of transport improvements, the principal benefits relate to the value of travel time savings for businesses and commuters as a result of improved connectivity. These measures include enhanced access to employment opportunities and ability to work a longer day for individuals and enhanced productivity for businesses. In each case, the benefits are expressed as a change in GVA. It is recognised that the approach has limitations and does not fully capture the range of benefits envisaged from this investment including enabling residents to access a wider range of, and potentially better paid, employment opportunities. Increased access to better paid employment opportunities can be expected to have a positive impact on household incomes and expenditures made within the Pennine Lancashire economy.

## Assumptions

**3.6.** The following assumptions have been adopted in calculating the economic impact to be achieved through transport investment:

Project	Assumptions
Todmorden curve	Reduced journey time equates to a 18% saving of the working day; A forecast 941 beneficiaries based on the size of the working age population, current commuting and business to business travel patterns and anticipated modal shift
Clitheroe – Manchester	Reduced travel time equates to 14% saving of the working day; A forecast 986 beneficiaries based on the size of the working age population, current commuting and business to business travel patterns and anticipated modal shift

Project	Assumptions
Rawtenstall – Bury rail line	Reduced journey time equates to 9% saving of the working day; A forecast 390 beneficiaries based on the size of the working age population, current commuting and business to business travel patterns, and anticipated modal shift
M65 congestion measures	Total user miles of 21,200 based on 10,600 users covering the 2 mile stretch; Gross impact per daily user per annum of £80.60; Congestion measures considered as a stand alone element of investment to support Whitebirk
A56 bypass	Total vehicle movements 25,000 of which 15% business trips Time saving per day: 0.5 Value of time saved per hour: £30.36

Sources: Department for Transport New Approach to Appraisal, Economic Impact of Newbury Bypass; Economic Impact of Barnstaple Western Bypass; Department for Transport Value of Travel Time Savings in the UK; Transport, Wider Economic Benefits and Impacts on GDP

## Forecast Impacts

3.7. As Pennine Lancashire residents secure access to a broader range of employment locations and opportunities wider benefits will be realised for the area as a whole. The introduction of improved links will also provide a more attractive offer to potential incoming businesses and households. The GVA impact generated by the proposed investment is forecast to be in the region of £34m per annum, broken down as follows.

Project	GVA impact per annum
Todmorden curve	£8.39m
Clitheroe – Manchester	£6.67m
Rawtenstall – Bury rail line	£3.93m
M65 congestion measures	£2.47m
A56 bypass	£12.81
<b>Total</b>	<b>£34.27m</b>

# 4 - Education and Digital Connectivity

## Proposed investment programme

**4.1.** Through the MAA the Pennine Lancashire authorities wish to raise their education and knowledge offer for local people and business. Skills levels in Pennine Lancashire are currently below national averages. The Pennine Lancashire economy has 14,000 less graduates than would be expected for an area of its size and just 22% of the population hold NVQ level 4 qualifications. As well as generating local benefits, it is anticipated that investment will attract business and investor interest into the area, generating wider economic benefits.

**4.2.** Two core projects have been identified under this theme:

Project	Description
Pennine Lancashire University	Prioritise establishment of a Pennine Lancashire University by 2014 under the 'University Challenge' programme. Blackburn and Burnley have been identified as priority locations through the HEFCE review of July 2008
Broadband access	Lobbying to prioritise Pennine Lancashire to achieve 100% broadband coverage to the advantage of business and residents

**4.3.** A 'Graduates into Industry' scheme is proposed as part of the new university scheme. This scheme is intended to help to attract and retain degree qualified workers in accordance with the objective of the Integrated Economic Strategy.

**4.4.** Delivery of these MAA priorities will be supported by implementation of a Pennine Lancashire Skills Strategy to ensure that low skills levels can be addressed across the population in response to employer requirements. Consideration will also be given to how graduates can be actively encouraged to remain within the area.

## Assumptions

4.5. The following assumptions have been made in calculating the impact of education and connectivity interventions:

University development	Broadband access
An additional 6,129 HE places will be supported in Pennine Lancashire, thereby increasing provision to 8500 places; 100 students generate 8.1 direct jobs; The skills profile of the workforce reflects industry average rates; Student expenditure will average £6,519 per annum of which 50% will be additional to Pennine Lancashire; and Indirect expenditure of £70,000 supports one additional job in the local economy.	40% of businesses are currently without broadband, 30% of which will take up provision as a result of the scheme; Connect 10,000 households and take up of 5% will be achieved, allowing 550 people to work from home.

Sources: Combined Universities of Cornwall Impact Study, Universities UK Economic Impact Model

Sources: Blackburn with Darwen Digital Development Unit, Cebr report on economic impact of broadband; Scottish Enterprise report on economic impact of next generation of broadband

## Forecast Impacts

4.6. Direct outputs to be realised under this strand are:

- Achievement of a GVA impact of £63m;
- Creation of an additional 1,635 student places per annum in local institutions;
- The generation of 202 direct jobs;
- Establishment of a fully networked Pennine Lancashire, providing opportunities for greater business linkage, higher levels of home working and greater social inclusion.

4.7. The economic impact of intervention is anticipated to be wide ranging. The direct creation of 202 jobs and increased levels of expenditure in the local economy due to increased student numbers will generate significant benefits for the local economy.

Project	GVA Impact	Total gross employment impact	Total net employment benefit	Fiscal benefit
University	£42.6m	757	670	£0.49m
Broadband	£29.8m	220	127	£0.17m
<b>Total</b>	<b>£72.4m</b>	<b>977</b>	<b>797</b>	<b>£0.66m</b>

4.8. Over 50% of employment opportunities are forecast to be created at NVQ level 2. This will create significant opportunities for Pennine Lancashire residents who are currently workless to secure employment opportunities, through active promotion. Academic posts within the university will also provide opportunities for the upskilling of the current workforce and the attraction of potential new households into the area.

Project	NVQ2 and below	NVQ3	Higher level jobs (NVQ4+)
University	339	54	364
Broadband	117	22	81
<b>Total</b>	<b>456</b>	<b>76</b>	<b>445</b>

# 5 - Public Sector Relocation

## Proposed investment programme

**5.1.** The scope for the relocation of public sector staff from London and the South East to other parts of the UK is considered in the Lyons review. The Pennine Lancashire partners have identified a desire to prioritise the area for public sector relocation as part of the MAA. The partners are developing materials to support this ambition, raising the profile of the area and detailing the local support on offer for a potential relocation. Forecast outputs and outcomes

**5.2.** A Government commitment was made to disperse 20,000 public sector jobs countrywide by 2011, with a further 7,000 to be relocated through efficiency savings. Whilst a specific relocation proposal has not been determined, the model estimates the impact of securing a relocation of 750 FTE jobs to Pennine Lancashire as well as the retention of 320 existing jobs as a result of the second stage consideration set out in the MAA. This will result in a direct increase in local employment opportunities and a total net gain of approximately 969 jobs.

**5.3.** Forecast outcomes are therefore:

Project	GVA Impact	Total gross employment impact	Total net employment benefit*	Fiscal benefit
1st tranche	£24.9m	750	679	679
Existing	£11.3m	320	290	£1m
<b>Total</b>	<b>£36.2m</b>	<b>1,070</b>	<b>969</b>	<b>£3m</b>

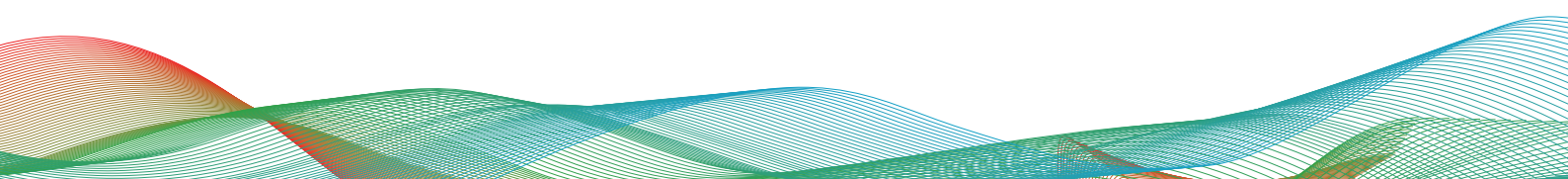
\* An adjustment for leakage has been applied to calculate net benefit, reflecting the fact that a proportion of jobs will be taken up by non Pennine Lancashire residents.

**5.4.** The range of jobs affected by proposals will provide opportunities for lower as well as higher skilled workers to secure employment. Active recruitment policies will ensure that a significant proportion of lower skilled jobs can be secured by those who are currently unemployed and resident in Pennine Lancashire. Where additional employment is created it will also generate increased spending power within the local economy, potentially providing a catalyst for the regeneration of deprived areas.

Project	NVQ2 and below	NVQ3	Higher level jobs (NVQ4+)	Employment taken by the former workless
1st tranche	188	263	300	56
Existing	80	112	128	24
<b>Total</b>	<b>268</b>	<b>375</b>	<b>428</b>	<b>80</b>

## Assumptions

5.5. In calculating impact, the following assumptions have been made:

- Scenarios have been modelled for the attraction of 750 job relocations and for the retention of existing public sector employment within Pennine Lancashire;
  - Employment will be spread over three years, 2009-2011;
  - The employment profile of relocated opportunities will focus on the public administration, defence & compulsory social security (67%) and education sectors (33%). Retained employment will be focused solely on the public administration, defence and compulsory social security sector;
  - The skills profile of opportunities will be 40% at NVQ4, 35% at NVQ3 and 25% at NVQ2;
  - An active recruitment process is adopted to allow 30% of low skilled jobs to be secured by those currently out of work; and
  - In calculating the net employment impact, deadweight is assumed to be 0%; leakage & substitution 25%; displacement 0%; indirect multiplier 1.05; and the induced multiplier 1.15.
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# 6 - Strategic Investment Block Allocation

## Proposed investment programme

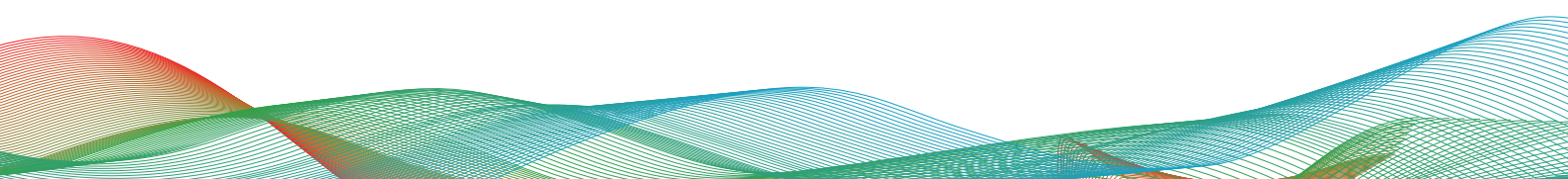
**6.1.** As part of their MAA, the Pennine Lancashire authorities have asked that a single funding allocation be awarded to support regeneration activity across the area. Funding to be included within the single allocation currently comprises:

- Pennine Lancashire's elements of the RDA single programme Housing Market Renewal;
- Transport funding through the Regional Funding Allocation;
- North West Operational Programme (ERDF) which will support development of a competitive business base;
- Local Enterprise Growth Initiative, equating to £29m for the financial years 2007/8 to 2010/11;
- Pennine Lancashire Flexible New Deal,
- Homes and Communities Agency support; and
- Network Rail investment.

**6.2.** The core elements of the request to Government are:

- Provision of a five year funding commitment with rolling biennial review;
- To secure a commitment to honour the HMR and LEGI programme within the current CSR period and beyond;
- Allow for virement of funds between funding streams, subject to local partner agreement;
- Offer flexibility to re-profile project expenditure up to 25% within a year; and
- Projects under £10m are appraised at a Pennine Lancashire level.

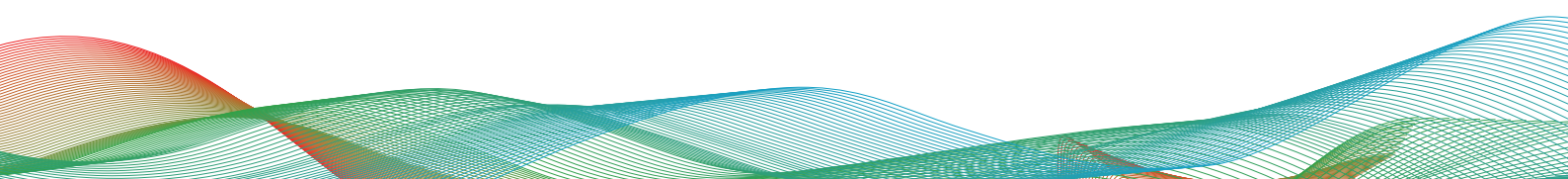
**6.3.** Delegation of funding to the area on a programme basis is identified as a key ask. This flexibility is requested to provide greater certainty over resources and the capacity to deliver projects. A number of benefits will potentially accrue:

- Reinforce the prioritisation on those interventions which will have the greatest economic impact.
  - Swift action to address needs and opportunities as they arise
  - Capacity to adjust phasing and delivery schedules in order to support key priorities as they evolve.
  - Ability to attract more private sector investment.
- 

## Forecast Impact

**6.4.** In comparison to the other actions, it is not possible to readily model the economic impact of the strategic investment block allocation and delegation. It is anticipated that the phasing of impact will be accelerated as a result of this action, thereby generating a number of benefits including increased market confidence

**6.5.** Efficiency savings can also be expected to be achieved as a result of this action, albeit these savings can not be readily translated into impacts. Evidence from elsewhere indicates that a savings of 5% could be achieved, enabling additional activity to be delivered or the quality of priority interventions to be enhanced. Over the lifetime of the MAA, there is the potential for these savings to accumulate and to make a demonstrable difference to the aggregate impact from MAA interventions. In the medium term, if the efficiency savings can be quantified and attributed to specific interventions, it will be possible to update the aggregate estimates of impact to take account of these benefits.



# 7 - Assessing the Impact of Increased Funding Allocations

## Proposed investment programme

**7.1.** The Pennine Lancashire Economic Strategy Delivery Plan envisages investment of £110m<sup>2</sup> over the next 3 years, broken down as follows:

- 2009/10: £29m
- 2010/11: £39m
- 2011/12: £42m

**7.2.** As part of the assessment we have considered the impacts that could be realised as a result of higher funding allocations for the Pennine Lancashire authorities. An assessment has been made of the additional economic benefits that could be realised as a result of a 5%, 10% or 15% increase in the funding allocation. These potential benefits include economies of scale and catalytic effects.

## Forecast Impacts

**7.3.** The cumulative effect of the MAA proposals is estimated to be £384m of GVA per annum from 2018. Additional benefits will be secured from other priorities identified in the Integrated Economic Strategy. Pennine Lancashire partners have undertaken a major prioritisation exercise in order to arrive at the final set of proposed interventions. The exercise was based on a range of criteria including estimated GVA impact, skills and employment access benefits, and contribution to securing transformational change. Only those interventions which scored highly on all criteria are being put forward by partners for funding.

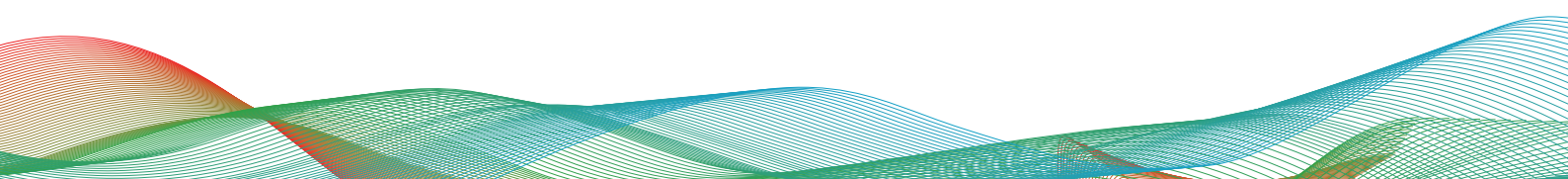
**7.4.** An increase in funding allocation would enable the GVA gap with regional and national averages to be narrowed further. Were a linear relationship to be assumed, then the following additional impacts could be expected:

- 5% additional funding – £18.6m additional GVA per annum
- 10% additional funding – £37.2m additional GVA per annum
- 15% additional funding – £55.8m additional GVA per annum

<sup>2</sup> These figures are indicative at this stage the Economic Strategy Delivery Plan is still in development, however they represent early calculations and are used to illustrate the impact of increased funding allocations. These exclude any allocations related to the college schemes in PL.

**7.5.** Pennine Lancashire partners have identified the investments which would be implemented, were any additional funding to be made available. Potential investments which could be progressed with additional funding are set out in the Economic Strategy.

**7.6.** As a result, it is not possible to model the GVA and other impacts at this stage. Given the focus of the priority interventions on broadening the business and employment base and assisting PL residents to access employment opportunities, the analysis would need to take account of, amongst other things, the scope for the attraction of further high value jobs and the balance of demand/supply of skills in the existing and emerging workforce.



# 8 - Conclusions

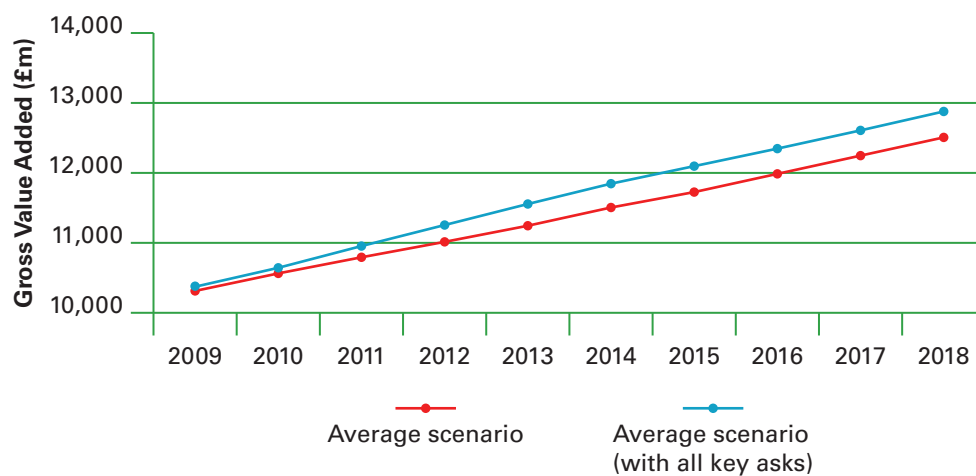
**8.1.** Agreement of MAA priorities and delivery against these will generate significant benefits for the Pennine Lancashire economy. Direct outputs will be significant in their own right but the wider economic impact demonstrates the wide ranging benefits to be realised for the Pennine Lancashire economy. As a direct impact of MAA delivery there is clear evidence of an improving GVA position for Pennine Lancashire and delivery against government objectives.

**8.2.** Economic impacts to be achieved through the MAA programme can be summarised as:

GVA generated	£384m
Gross employment impact	6,583
Net employment impact	4,745
New jobs at NVQ2	3,732
New jobs at NVQ3	962
Higher level jobs (NVQ4 and above) introduced	2,251

**8.3.** The current skills profile of Pennine Lancashire is as follows: NVQ2 or below – 58%, NVQ3 – 20%, NVQ4+ 22%. In proportionate terms, MAA interventions will boost the number of higher level skills jobs by 2.6% compared to 1.9% for those jobs at NVQ2 or below. An important contribution will be made to increasing the share of higher skilled jobs available in Pennine Lancashire.

**8.4.** Growth in GVA will allow Pennine Lancashire's current output gap of £2.2billion, to be narrowed by 17%, marking a significant achievement for limited financial investment. The potential for this trajectory to continue to be developed will also be established.

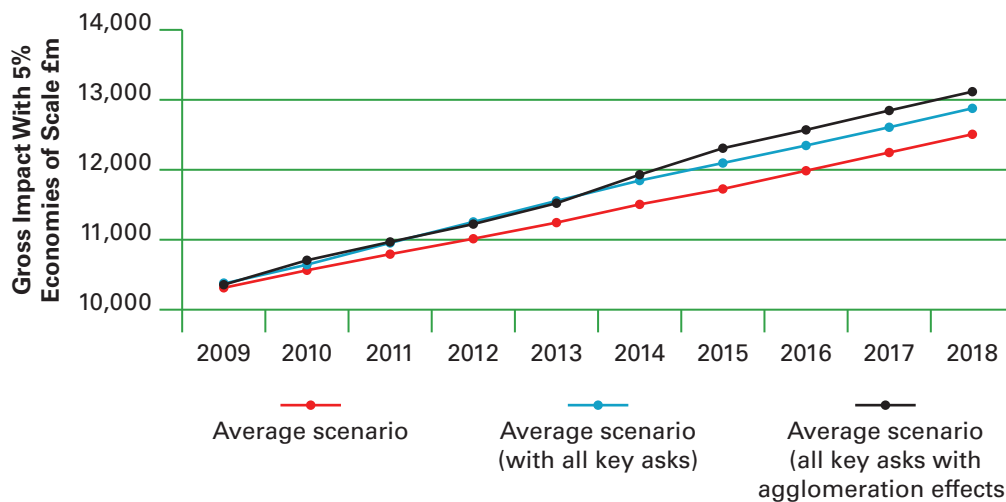


**8.5.** The bulk of the Pennine Lancashire's GVA gap is accounted for by the area's sectoral mix and lower than average levels of productivity. As the Pennine Lancashire Economic Strategy recognises, the most significant challenge to narrow the GVA gap is to raise levels of competitiveness and productivity across the entire business base, implying a mix of skills, infrastructure and business growth interventions. This is

consistent with the composition of the interventions being proposed by the Pennine Lancashire partners.

**8.6.** It is evident that there is a degree of interdependency between the interventions. In some cases e.g. the M65 improvements and Whitebirk, the impacts from one scheme are inextricably linked to the other scheme. For other schemes, the interdependencies are more indirect e.g. expanding the pool of HE students/graduates and improving transport links to Greater Manchester. Clustering or agglomeration effects can be expected to result in Pennine Lancashire, albeit it has not been possible to model these effects robustly within the scope of this assignment.

**8.7.** Were economies of scale to be generated, then the potential impact of GVA could be significant. In the scenario set out below, agglomeration benefits arising from firms being more productive as a result of better transport links and access to a wider labour generate additional GVA per annum of £245m from 2018, over and above the GVA impact of the MAA interventions.



**8.8.** Activity will also contribute to the realisation of other local objectives, including delivery of LAA priorities. As a result of MAA promoted interventions, 1,102 currently workless residents are forecast to enter employment, this will be vital in achieving the ambitious overall benefit reduction target set by Pennine Lancashire partners through the MAA, as well as the LAA target.

Project	Employment forecast to be secured by those out of work <sup>3</sup>
Whitebirk	422
Pollard Moor	247
Blackburn Knowledge Zone	216
Broadband access	35
Pennine Lancashire University	102
Public sector relocations	56
Public sector employment retention	24
<b>Total</b>	<b>1,102</b>

<sup>3</sup> Totals may not add up due to rounding

**8.9.** Through the two LAAs, Pennine Lancashire partners have adopted National Indicator 153, which equates to a net reduction of 1,364 working age benefit claimants in our worst performing neighbourhoods. This target is broken down as follows:

LA Area	Reduction in number of benefit claimants
Blackburn with Darwen	560
Burnley	322
Hyndburn	203
Pendle	229
Rosendale	50
Ribble Valley	0
<b>Pennine Lancashire Total</b>	<b>1,364</b>

**8.10.** Linking the proposed MAA investments with the City Strategy targets, it can be seen that their collective implementation can make a major contribution to the achievement of the Partnership's objectives in relation to worklessness as well as BERR's PSA7 and DWP's PSA2 targets.

**8.11.** As a result of intervention it is forecast that substantial gains will be secured for the public purse. Across all schemes identified above, business rate income for the local authorities will increase by a forecast £4.7m per annum. By moving the former worklessness into employment, reduced out of work benefit payments and increased income tax and National Insurance payments are forecast to total a gain of £5.3m per annum for the public purse.

**8.12.** This analysis does not consider the additional income to be secured through income tax payments and National Insurance for the 5,481 jobs anticipated to be created that are not taken by the former workless. The additional public income to be secured through this route and additional spending power within the local economy will be substantial, generating wide ranging benefits for individuals and the area's economic standing.

**8.13.** Benefits will also extend beyond the economic impacts summarised above. It will raise the opportunities available to local people and their long term prospects as well as providing a strong opportunity to raise Pennine Lancashire's profile as a place to live and do business. This will help to attract further investment into the area, further accelerating progress against economic strategy objectives. The award of a single funding pot will further enhance this ability, allowing prioritisation of strategic schemes at key points within the programme. Through comparatively limited additional public sector investment significant gains can be achieved for the Pennine Lancashire economy and prospects of local people.