



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

JAMES PALMER
CAMBRIDGESHIRE &
PETERBOROUGH MAYOR

Cambridgeshire & Peterborough **Local Economic Recovery Strategy (LERS)**

November update

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ACKNOWLEDGEMENTS

This recovery strategy has been a collaborative process strengthened by significant co-ownership and broader business community, education and public consultation. It is designed to be a living document, that evolves as the immediate and longer term impact of Covid 19 evolves. This Local Economic Recovery Strategy is a co-created product of the Covid-19 Local Economic Recovery Sub-Group, consisting of Local Authority economic development officers in partnership with representatives of all the key local business organisations. All Local Authority and business representatives have played an active role in shaping this strategy, within a highly collaborative and very positive environment. The vision and interventions developed by this group have been subsequently workshopped and developed by a sub-group of the CPCA's Business Board and undergone a local consultation process with 100 businesses.

The Local Authority officer, business representative and individual business leader input that has created the proposed strategy is recommended for adoption by the Business Board. As the longer term implications of Covid 19 emerge it will continue to be updated, alongside other strategies such as the Arc Prospectus, CPCA Investment Prospectus and CPCA LIS. Individual Local Authorities are expected to present this "whole of economy" recovery strategy to their cabinets for endorsement during October and November, which will lead to local recovery plans being developed in alignment, on the basis that it will evolve as the economic situation unfolds

The strategy is further underpinned by a common understanding that to lead the region to economic recovery, behaviours will also need to change in order to support the interventions proposed. All those involved in the creation of this strategy share a steadfast drive to make things happen and do things in new and innovative ways that are more collaborative and more impactful than ever before, setting the Cambridgeshire & Peterborough economy as a trailblazer and exemplar of sustainable and sustained economic recovery and renewal for the rest of the UK.

Contributors to development of the Cambridgeshire & Peterborough Local Economic Recovery Strategy include:

- Cambridgeshire & Peterborough Combined Authority & Business Board
- Cambridgeshire County Council
- Cambridge City Council
- Huntingdonshire District Council
- Fenland District Council
- East Cambridgeshire District Council
- South Cambridgeshire District Council
- Peterborough City Council
- Greater Cambridge Partnership
- Public Health England
- Police Commission
- Cambridgeshire Chambers of Commerce
- Federation of Small Businesses
- Opportunity Peterborough
- Cambridge Network

FOREWORD

Since March, employers and employees have had to encounter unforeseen challenges and we have seen incomparable levels of adaptability and resilience. The economy has begun to reopen following the end of the national lockdown, but the recent upsurge in cases nationally and globally, and further restrictions (so far outside the CPCA area) have continued to have a severe impact on people and businesses. As we seek to continue to reopen whilst managing the ongoing public health response in the weeks and months ahead, residents and employers will continue to meet a series of challenges and obstacles head-on to ensure survival before they can consider resuming on a new and very different journey of growth. We will also need to support those effected by the mental and physical health impacts.

Many employers in our region have also been directly involved in the national and international fight against the disease, from the global development and testing of vaccines, to uncovering effective medical treatments, through to the design and engineering of new ventilators for hospitals. In a time of crisis, this has highlighted the importance of rapid commercial innovation to our own economies and of the UK.

Our region's employees will also face huge challenges in the future. Many are already facing huge uncertainty with the very real threat of redundancy or, at least, a seismic change in their job looming. The future workers in our region, our young students, face the daunting prospect of entering a severely contracted jobs market that is now newly congested with competition from experienced talent who have found themselves jobless.

The huge and unprecedented response by National and Local Government has provided vital lifelines to residents, business leaders and entrepreneurs. This strategy sets out the actions needed now and the longer term. The investment and interventions it sets out are crucial if we are to avoid a situation in which recovery will be longer, less inclusive and the gaps between our sub-economies will widen.

We are determined to do better than just recover. The CPCA area is absolutely central to the UK's renewal and future growth. The major strategic investments that underpin our leading contribution to the UK's transition to a zero carbon, more sustainable economy, are set out in the Ox-Cam Arc Economic Prospectus and CPCA Spending Review submission.

We have been influential in ensuring that the five primary requests for funding in the Ox-Cam Arc Economic Prospectus were centred on innovation. Three are focused on net zero technology development. Cambridgeshire & Peterborough innovators are significant in those projects. We have also prioritised green recovery in the CPCA Spending Review submission, in which of the nine requests for funding, we have four that are about getting people out of cars and into bus or rail and two that are about developing new net zero technology. This means that 60% of the ideas we have set out for recovery across the OxCam Arc, and 77% of the CPCA's major initiatives are climate focused.

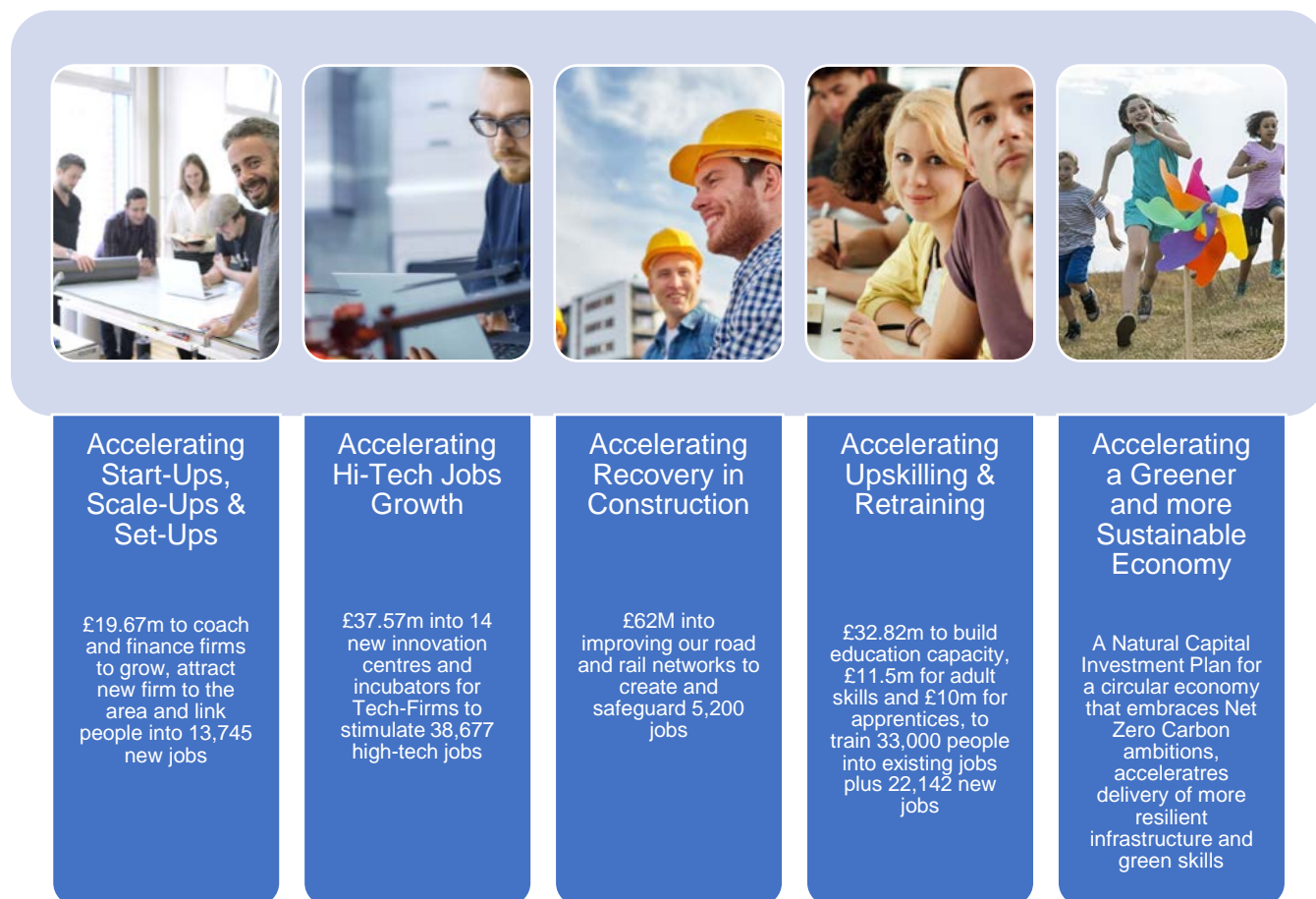
1. THE RECOVERY MISSION & TOP-LEVEL STRATEGY

1.1 The Mission

Our region is focussed on providing sustainable and healthy places in which to live and work. The core mission of our Covid-19 Economic Recovery Strategy is to:

“To lead the nation out of recession - by accelerating the recovery, rebound and renewal of our economy and achieving our ambition to double GVA by 2042 - in a new and more digitally enabled, greener, healthier and more inclusive way than ever before.

Accelerating recovery will be achieved through strengthening our businesses’ and workforce’ capacity for rebound and regrowth. Our local strategy is constructed to address the three phases of recovery and has 5 Pillars of delivery:



These 5 pillars align with and reflect the aims of the Local Industrial Strategy:

- People:** Through local collaboration and strong leadership, deliver a fair and inclusive economy by empowering local people to access the education and skills needed to meet the needs of the local economy and business, both now and in the future.

- **Ideas:** Ensuring that the area's economic base grows by harnessing innovation, enhancing Cambridge's position nationally and globally, especially around life science, artificial intelligence and data technologies, whilst bringing innovation-based growth to Peterborough and the Fens too.
- **Business Environment:** Accelerating and sustaining higher levels of business growth in start-ups and scale-ups, whilst attracting new and more knowledge intensive firms to our economy, to drive both growth and productivity.
- **Infrastructure:** Enhancing the current transport and housing infrastructure that is hampering growth in the south, whilst investing in commercial infrastructure to bring inclusive growth to the north.
- **Place:** Tailoring interventions to meet the needs of our cities and districts at local level.

The CPCA economy was in a very strong position at the start of the Covid 19 shock. We have the ability, track record and potential to lead the UK's recovery:

- Prior to Covid 19 the Cambridge City region was the fastest growing economy in the UK and is arguably the most likely to rapidly reverse the impacts of Covid 19 on overall output and regain its previous growth trajectory, which is vital for the UK's sustainable economy.
- One of a very few net contributors to the Treasury, with the potential to regain that position to aid Government in the recovery period.
- Breadbasket of England –over 50% of the UK's grade 1 highest quality land for food growing in the country, which is critical to sustainable food production and future food security in the UK. The Fens are also considered one of the country's greatest natural assets and wet ecosystems.
- A microcosm of the UK as a whole – with the potential to harness the strengths of the three local economies to demonstrate best practice in recovery.
- Global leadership in Life Sciences, Agritech and Education with 16% of the UK's knowledge intensive business services, with high potential for productivity and growth in recovery.
- Cambridge has more patent applications per 100,000 population than any city in the UK and more than western EU countries put together. Peterborough is another leading area for innovation - in top 15 UK Cities for patent applications, so the area leads in innovation.
- Peterborough has a major cluster in environmental technologies supporting the drive for green recovery.
- Peterborough and Cambridge are “smart cities”

1.2 The Strategy in Summary

Our recovery strategy includes the interventions that will have the most positive impact over the near/medium term whilst at the same time laying the road for longer term and sustainable recovery. Covid 19 has effected all sectors and communities, so our economic response is core to supporting people effected and ensuring we minimise the long term health and wellbeing impacts, working in parallel and supporting wider needs based public services locally.

Cambridgeshire and Peterborough is an industrially diverse region, made up of three connected but distinct sub-economies. This recovery strategy reflects our commitment to respond effectively to the specific needs of Greater Peterborough, the Fens, and Greater Cambridge – whilst building the connections and relationships that will unlock the full economic potential of the whole region.

Our interventions for medium-term recovery over the next 12-18 months will help ensure the C&P economy rebounds faster and with growth that is more inclusive, greener and sustained longer at higher rebound rates than would have naturally occurred. This also includes a specific focus being placed on those sectors and places in most need and with the longest forecast recovery rates so they start to recover sooner.

Planning for longer-term recovery by making strategic investments that enable greater future resilience, strengthen our economic assets, and address the inherent disparities across sectors and place, that have presented barriers to greater inclusive growth in the past, including:

- Skills deficits and lower quality employment in the north of the economy.
- Broadening the base of our knowledge intensive companies so that economic opportunities in resilient growth sectors are brought to more Cambridgeshire and Peterborough communities.
- Maintaining our standing as a world-leading centre for innovation – ensuring that international businesses continue to choose to grow or relocate here, and in doing so create inclusive opportunities.
- Providing an attractive commercial, housing and quality of life offer across our Cities and Market Towns for businesses and people relocating from major cities like the capital.
- Ensuring that the economies of the CPCA are developed sustainably to actively contribute to tackling Climate Change and adapting to its impacts.

Supporting appendices:

Details on all our proposed interventions can be found in **Appendix 1: LERS Interventions Explained.**

Details on proposed intervention priorities and actions at local level can be found in **Appendix 2: City, Districts and Town Level Recovery Strategies.**

In addition, of course, are the many other, powerful interventions and initiatives of the Business Board, the wider Combined Authority and its key partners, that make up the 5 Pillars of our COVID 19 Local Economic Recovery Strategy. Details on Business Board LGF investments that will support economic recovery by creating 50,644 new jobs to 2042 can be found in **Appendix 3: Business Board LGF Investments.**

1.3 The Interventions in Summary

We have categorised our recovery projects into three groups: **Primary**, **Secondary** and **Tertiary**.

Primary interventions are those which have been approved for funding and have clear cost benefit data, showing how money spent links through to jobs, skills, and other outcomes.

Secondary interventions are those which are either approved in principle but don't yet have clear cost and benefit data; or those which have cost benefit data but where lobbying for funding is ongoing.

Tertiary interventions are those which neither have clear cost-benefit data nor are formally approved.

Impact assessment methodology

We have given an indicative assessment of the impact of each intervention in the three different phases - Recover, Rebound and Renew. 1 is lower impact and 3 is higher. It is important to note that many projects have higher impact in some phases than others. This should be a strength not a weakness. It means they are targeted at a specific need or opportunity. Some projects also score relatively low, simply because they were immediate recovery projects and relatively small scale - but again, that does not mean that they were not worth doing.

PRIMARY INTERVENTIONS

App. 1 ref	Description	Funding	Cost per job/outcome	Impact on Recover	Impact on Rebound	Impact on Renew	Risks in a worst case scenario
A1	A TOTAL OF £29M INVESTMENT INTO NEW BUSINESS GROWTH SERVICE TO DELIVER REBOUND & GROW COACHING SERVICES	BGS APPROVED AND FUNDED	£2,264 per job	3	3	3	If the economy remains in survival mode for a prolonged period, the growth service may have to focus on helping firms access financial support ahead of ambitions for long-term growth
A2	£4M OF TARGETED INVESTMENT INTO NEW INWARD INVESTMENT SERVICE TO ATTRACT MORE FIRMS	BGS APPROVED AND FUNDED	£3,000 per job	1	3	3	While the outlook remains uncertain, firms may be cautious about making major new investments
A3	£18M EQUITY INVESTMENT INTO THREE NEW LIFE SCIENCE AND TRANSPORT TECH-ACCELERATORS	LGF APPROVED AND FUNDED	£827 per job	1	2	3	Tenants could be at higher risk due to Covid uncertainty, increasing the risk of funding spent on empty buildings

NOT GOVERNMENT POLICY

App. 1 ref	Description	Funding	Cost per job/outcome	Impact on Recover	Impact on Rebound	Impact on Renew	Risks in a worst case scenario
A4 + A5	£500K OF CAPITAL GRANTS & START-UP ADVICE FOR EMPLOYEES TRANSITIONING TO ENTREPRENEURSHIP	BGS APPROVED AND FUNDED	Capital Grants - £4,000 per job created. Growth advice - £2,264 per job.	2	3	3	If there is another significant economic downturn, new entrepreneurs will be facing a very harsh environment
A6	FOCUSING RECOVERY & GROWTH WHERE IT CAN IMPROVE HEALTH & WELLBEING MOST	EXPANDED ACTIVITY WITHIN BGS	£2,264 per job	1	1	3	-
A7	£30M INVESTMENT INTO A NEW UNIVERSITY FOR PETERBOROUGH (PHASE 1) PLUS FURTHER £20M INVESTMENT INTO R&D CENTRE (PHASE 2)	APPROVED AND FUNDED BY CPCA, LGF, ARU AND PCC	£3,000 per skills outcome £2,142 per job	1	3	3	Many of the courses offered will not be easily deliverable online, so virus resurgence may challenge delivery
A8	£2.5M INVESTMENT TO INCREASE SKILLS CAPACITY IN THE CONSTRUCTION SECTOR TO SUPPORT A BOOST IN INFRASTRUCTURE INVESTMENT	LGF APPROVED AND FUNDED	Entry level: £550 per learner Level 1: £600 per learner Level 2: £2,000 per learner	2	3	2	-
A9	CONNECTING DISPLACED TALENT	BGS APPROVED AND FUNDED	£1,428 per individual skills outcome	3	2	1	-

NOT GOVERNMENT POLICY

App. 1 ref	Description	Funding	Cost per job/outcome	Impact on Recover	Impact on Rebound	Impact on Renew	Risks in a worst case scenario
A10	£125K INVESTMENT INTO MORE RESOURCES INTO SCHOOLS TO BETTER CONNECT LEAVERS WITH JOBS	BGS AND CAREERS AND ENTERPRISE COMPANY – APPROVED AND FUNDED	£120 per learner	3	2	1	-
A11	LEVERAGING THE ADULT EDUCATION BUDGET TO IMPROVE DIGITAL SKILLS	AEB APPROVED AND FUNDED	£1,100 per enrolment	3	2	1	-
A12	£450K OF INNOVATE TO GROW GRANTS FOR SMALL FIRMS WITH BIG IDEAS	BGS APPROVED AND FUNDED	£6,000 per job	3	3	2	-
A13	£5M INVESTMENT INTO NEW MANUFACTURING & AGRI-TECH INNOVATION LAUNCH PADS	£5M LGF APPROVED AND FUNDED £20M APPROVED AND FUNDED BY GBF, PCC AND PHOTOCENTRIC	£2,350 per job	2	3	3	-

NOT GOVERNMENT POLICY

App. 1 ref	Description	Funding	Cost per job/outcome	Impact on Recover	Impact on Rebound	Impact on Renew	Risks in a worst case scenario
A14	£715K INVESTMENT INTO A SMART MANUFACTURING ASSOCIATION IN THE NORTH OF THE ECONOMY	LGF APPROVED AND FUNDED	£2,173 per job	1	1	3	-
A15	£100M INVESTMENT IN STIMULATING THE HOUSING MARKET	CPCA APPROVED AND FUNDED	Peterborough: £35k per 'Shared' unit / £45k per 'Affordable' unit. Cambridge: £50k per unit. Based on 2,000 units. For £100k Homes & Community Land Trust – zero net cost per unit	1	1	2	Possible developers may have a lower appetite for trying new products if pessimistic about the future
A16	£13.9M OF INVESTMENT TO SUPPORT FOR CITY & TOWN CENTRE FIRMS TO REBOUND	CPCA APPROVED AND FUNDED	£7,000 per job (target)	3	3	1	Town centre recovery may be delayed due to future restrictions on non-essential retail, and a resurgence of the virus will damage consumer confidence
A17	£145K INVESTMENT TO SUPPORT FOR THE VISITOR ECONOMY TO RECOVER & ADAPT	ERDF APPROVED AND FUNDED	£1,160 per job (retained)	1	2	1	This scores low simply because of the scale of the intervention. Restrictions on travel may limit the ability of the visitor economy to recover

SECONDARY INTERVENTIONS

App. 1 ref	Description	Funding	Cost per job/outcome	Impact on Recover	Impact on Rebound	Impact on Renew	Risks in a worst case scenario
A18	A £500M LIFE SCIENCE INNOVATION NETWORK TO PRODUCE A NEW GENERATION OF UNICORNS	PROPOSED ACTIVITY ACROSS OXCAM ARC SUBMITTED IN OXCAM CSR	£10,000 per job	1	1	3	-
A19	GUARANTEED TRAINING & INTERVIEWS FOR JOBS IN HEALTHCARE & CONSTRUCTION (SECTOR BASED WORK ACADEMIES PILOT)	DFE APPROVED AND FUNDED	No data or forecast available	3	2	1	-
A20	NEW FUNDING FOR TRAINING FOR SCHOOL & COLLEGE LEAVERS UNABLE TO FIND A JOB	DFE APPROVED AND FUNDED	No data or forecast available	3	1	1	-
A21	£80.1K INVESTMENT INTO LOCAL PILOTING OF A NEW RETRAINING SCHEME	DFE APPROVED AND FUNDED	No data or forecast available	3	2	1	Some uncertainty as to new growth sectors and professions post-covid

NOT GOVERNMENT POLICY

App. 1 ref	Description	Funding	Cost per job/outcome	Impact on Recover	Impact on Rebound	Impact on Renew	Risks in a worst case scenario
A22	£1M CPCA DIGITAL INFRASTRUCTURE PROGRAMME “KEEPING EVERYONE CONNECTED”	CPCA APPROVED AND FUNDED	No data or forecast available.	2	2	1	N/A

TERTIARY INTERVENTIONS

App. 1 ref	Description	Funding	Cost per job/outcome	Impact on Recover	Impact on Rebound	Impact on Renew	Risks in a worst case scenario
A23	£50M INVESTMENT IN RECOVERY AND DEVELOPMENT OF THE CREATIVE ECONOMY	PROPOSED ACTIVITY BY CAMBRIDGE CITY & GCP - FUNDING TBD	No data or forecast available.	1	2	3	Social distancing into the longer term may make it very challenging for the creative sector to recover
A24	FRAMEWORK FOR SUSTAINABLE ECONOMIC DEVELOPMENT	PROPOSED BY CAMBS COUNTY COUNCIL - FUNDING TBD	No data or forecast available.	1	2	3	-
A25	RESOURCE AND WASTE CIRCULAR ECONOMY BUSINESS MODELS	PROPOSED BY CAMBS COUNTY COUNCIL - FUNDING TBD	No data or forecast available.	1	2	3	-
A26	£20M OF LOCALLY INTEGRATED FUNDING FOCUSING ON ALL POST-16 VOCATIONAL EDUCATION TO SUPPORT RETRAINING OF WORKERS IN TRANSITION ACROSS SECTORS	PROPOSED BY CPCA – FUNDING TBD	No data or forecast available	1	2	3	There is some uncertainty around which sectors will emerge as winners after the pandemic, and therefore where retraining efforts would be best focused.
A27	ADVANCED DIGITAL INFRASTRUCTURE DEPLOYMENTS TO SUPPORT ACCELERATORS AND INCUBATORS	PROPOSED ACTIVITY BY CONNECTING CAMBRIDGESHIRE – FUNDING TBD	No data or forecast available.	1	1	2	-

NOT GOVERNMENT POLICY

A28	ADAPTING COMMERCIAL SPACE PROVISION TO REMOTE WORKING	PROPOSED ACTIVITY BY SOUTH CAMBRIDGESHIRE & CAMBRIDGE AHEAD – FUNDING TBD	No data or forecast available.	1	1	3	-
A29	LOCAL AUTHORITY PLANNING ADAPTIONS FOR HOUSING & SCHOOLS RENEWAL	PROPOSED ACTIVITY BY CAMBRIDGE CITY COUNCIL – FUNDING TBD	No data or forecast available.	1	1	2	-
A29(a)	£155M INVESTMENT INTO DEVELOPMENT OF NEW COUNCIL HOMES (CASE INVESTMENT)	PROPOSED ACTIVITY BY CAMBRIDGE CITY COUNCIL – FUNDING TBD	No data or forecast available.	1	1	2	N/A

2. THE DATA: *UPON WHICH WE BASE OUR DECISIONS*

Partners in the CPCS area have put in place a robust and evolving approach to understanding the emerging impacts of Covid-19 across a wide range of economic and social indicators and how they impact on communities, services and business.

Our approach has two main elements. Firstly, we have carried out a number of point in time analysis reports, to take stock at different phases of the crisis so far. This includes external analysis from Hatch and Metro Dynamics in July and October 2020 respectively, regular business surveys and a September analysis of the impact on needs based services carried out by Cambridgeshire County Council's Research Group.

These analysis reports sit alongside a new dashboard of local economic and social impact data and analysis of its implications that is updated monthly and will be expanded as new relevant data sets become available.

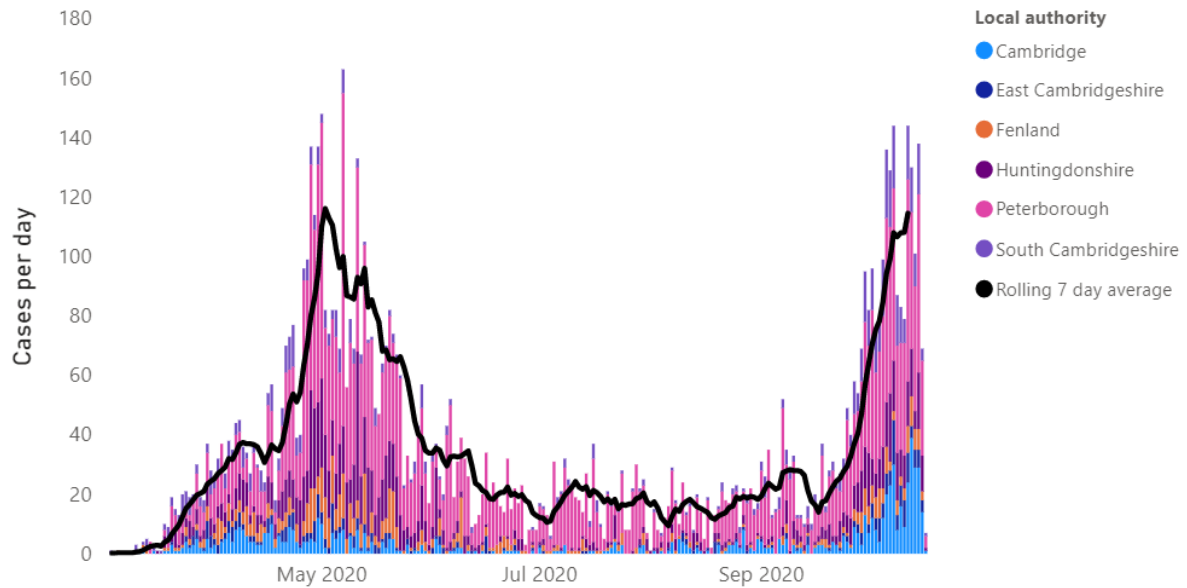
2.1 The Backdrop: Rising Covid Cases

Since the first version of this recovery plan was prepared it is clear that cases are rising again across the CPCA area.

Currently, the area has been spared some of the much higher rates seen in other parts of the country, and every district is in the Government's "Tier One" of having lower restrictions. However, this will not necessarily remain the case. Many cities have seen outbreaks at local universities, and students at Cambridge University have returned later than in most other cities. It should also be noted that cases of Covid-19 have been much higher in Peterborough than elsewhere in the Combined Authority.

Google Mobility data shows that the steady return to leisure and retail spaces dropped off as cases began to rise again during September. This suggests that, even in Tier 1 areas, the rule of six and general concerns are having an impact on consumer behaviour and that support for affected businesses and workers will continue to be needed for longer than Government had originally planned. This is reflected in the 22nd October announcement of further support for Tier 2 area businesses.

Daily Covid cases by District in CPCA since beginning of March



8,373

Total cases

84

cases (rolling 7 day average)

1,650

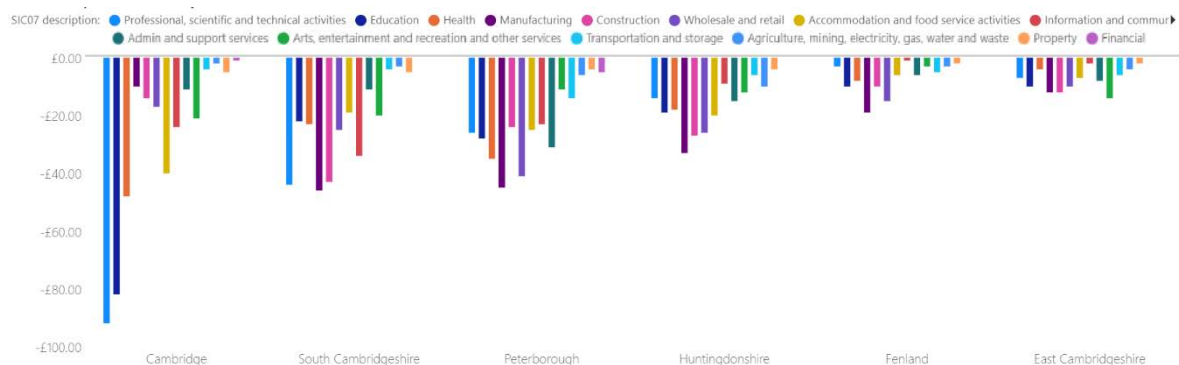
tests (rolling 7 day average)

Source: Metro Dynamics Dashboard, data up to the 21st October. Cases in the last few days should be disregarded due to reporting delays.

Immediate Economic Impact

Applying ONS GDP impact numbers to local sectors suggests that in quarter 2 of the year, our area experienced a £1.3bn loss in output. While this is less severe than previous analysis suggested, it is still a big impact, which has been felt especially in Cambridge.

Q2 sector impact across CPCA

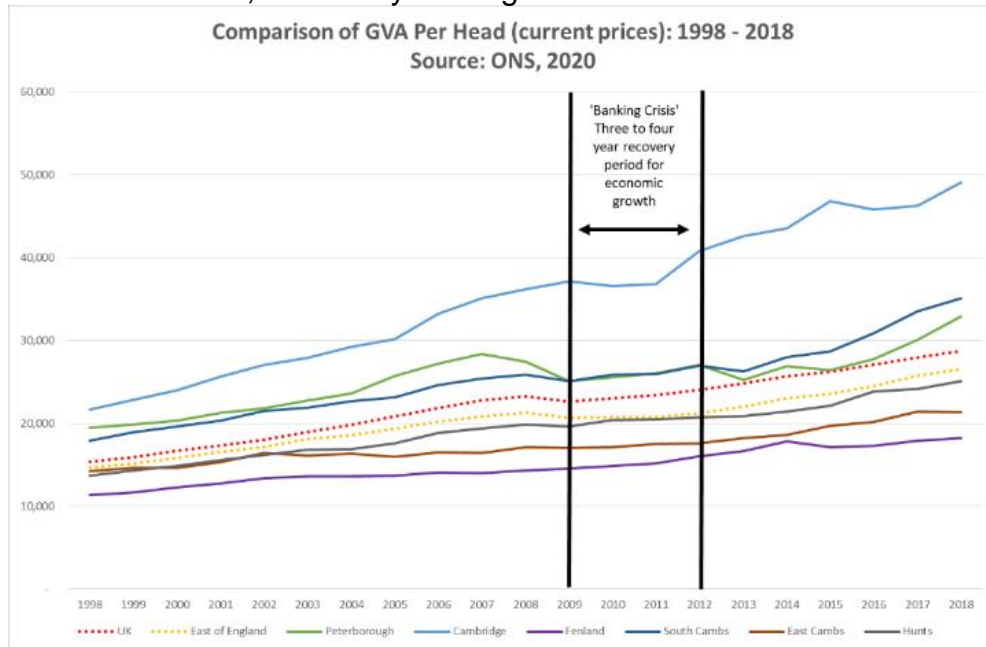


Source: Metro Dynamics analysis of ONS GDP Quarterly Estimates

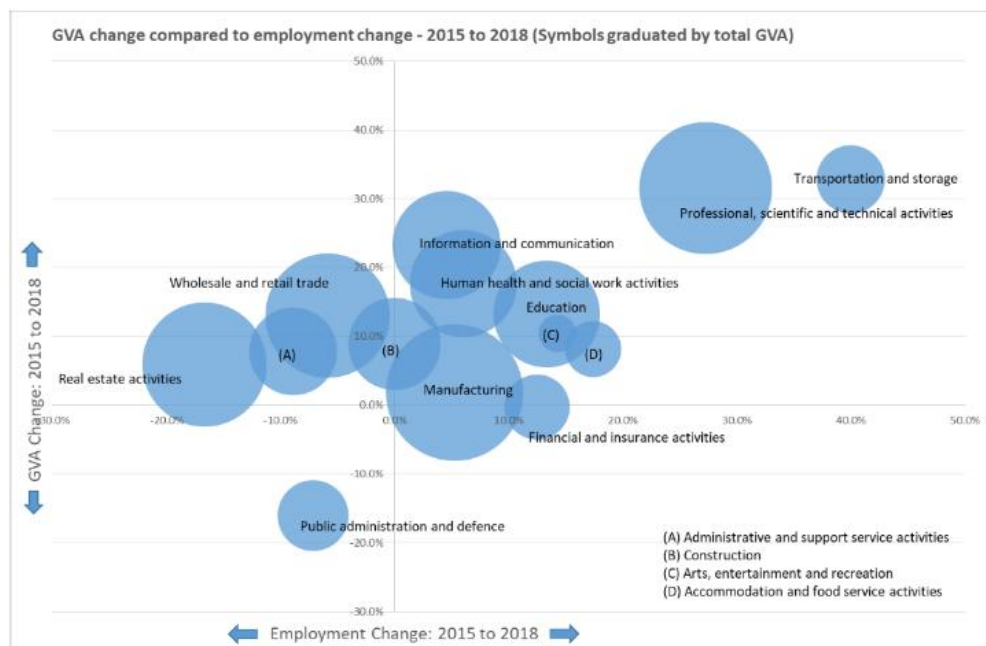
Extracted from Metro Dynamics dashboard

NOT GOVERNMENT POLICY

The long-term (1998 – 2018) trend in Gross Value Added (GVA) broadly illustrates that the 2008/09 'Banking Crisis' recession led to a three- to four-year (depending on district) stagnation in economic growth before a very strong recovery led primarily by Cambridge and South Cambridgeshire and latterly by Peterborough. Indeed, Cambridge recovered the economic value lost during the 2008/09 recession much quicker than other areas, effectively leading the UK out of recession.



The sectors leading both employment and GVA growth over the previous three years (2015 – 2018) for the CPCA area have been Professional, Scientific and Technical Activities (based in the Greater Cambridge area), Information and Communication, Education, Transport and Storage, and Human Health and Social Work Activities.



Interestingly, sectors expected to be worse hit by the current crisis have grown alongside the sectors mentioned above, e.g. Accommodation and Food Services, but contribute a relatively low proportion of the area's GVA. Indeed, whilst employment in the Accommodation and Food sector is high, approximately 27,000 employee jobs, productivity is low (approximately £20k GVA per job compared to £54k per job in the Professional, Scientific and Technical sector). Alongside this, the level of skill (measured in terms of average qualification levels) is also relatively low in the areas most at risk of further redundancies. This underlines the potential 'skills challenge' that the area faces; can people losing work in one sector be supported to transfer to higher skilled and more productive work in another sector?

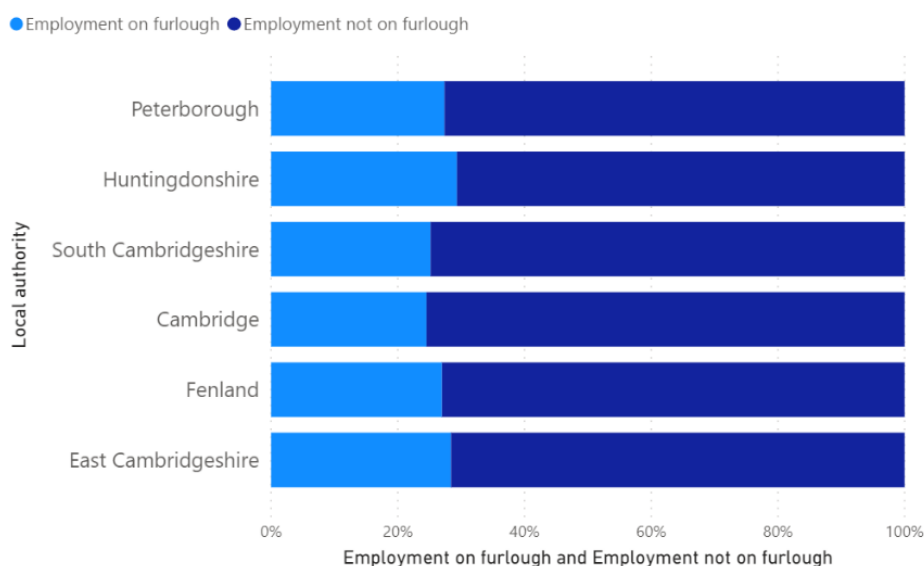
2.2 Impact on Businesses

Survey data nationally and locally shows that businesses have continued to reduce immediate overheads where possible. Some have successfully pivoted to new approaches and markets, but where consumer demand is down, there is little that firms can do apart from try to survive. Recent upward trends in cases, the rule of six, 10pm rule and further restrictions in Tier 2 and 3 areas have further dampened confidence in affected sectors. There is growing anecdotal evidence that both manufacturing and service firms who have now had people on furlough for a number of months have found technology-based work arounds and will not look to bring them all back.

Across the UK economy, 62% of those in the construction sector who had been furloughed at the peak of furloughing were back at work by the end of July. Much lower rates were seen in the professional, scientific, and technical sector (34%) and the information and communication sector (29%). This suggests that where work is less hands on, people are being brought back more slowly, and *may* precipitate a white-collar unemployment increase, although this would also arguably see a long heralded increase in service sector productivity driven by more rapid technology adoption.

At the end of July, rates of furlough were fairly constant across Cambridgeshire and Peterborough, ranging between 24% in Cambridge and 29% in Huntingdonshire.

Furloughing rates by local authority at July 31st



Source: *Extracted from Metro Dynamics dashboard*

Firms are also continuing to review supply chain resilience, particularly as firms turn their attention to Brexit, having been focussed on Covid 19. The longer-term effects on the commercial property market are still unclear, although shared workspaces and city centre commercial space nationally have seen declining occupancy rates in the short term. Demand for lab space and technical production and research space has not shown any evidence of significant decline.

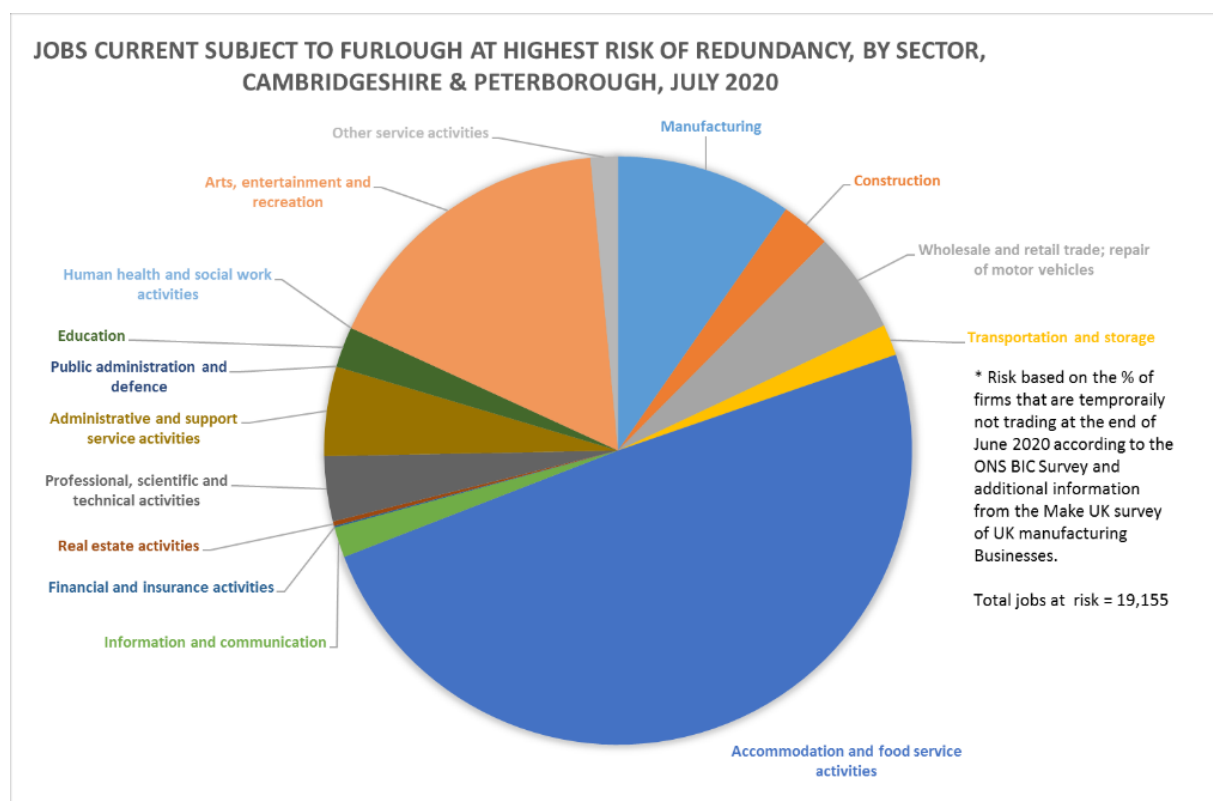
We will continue to monitor the development of trends in commercial property space, homeworking and travel patterns, recognising that these are long term in nature and that we are still in the early stages of this pandemic.

Early research in July 2020 combined local and national surveys and showed that around half (46%) of business respondents reported that they had effectively shut down during the Covid-19 lockdown and more than 17% reported that there 'was a good chance' that the business wouldn't recover. Local business surveys have continued as the crisis has evolved – for example Enterprise East Cambridgeshire are conducting a Business Recovery Survey for which the results will be available imminently.

Businesses have also consistently reported their plans to reassess supply chain resilience following the disruption. This has led to discussion of a possible increase in onshoring to boost resilience – though the end of the transition period with the European Union is likely to be more significant. Businesses are likely to reassess both the cost and the use of commercial property space, with some downsizing premises to take advantage of the acceleration of homeworking. Impacts on further education could possibly see an increase in the rate at which the labour market demands higher, level three or above, qualifications. Infrastructure demands are also likely to be different, focusing on the roll out of digital connectivity and changes in usage patterns for public transport.

The number of claimants is still much lower than the reported (HMRC August 2020¹) 115,000 jobs (27% of all jobs) in the CPCA area that are currently protected by the Job Retention Scheme. With the scheme changing from the end of October it is likely that further redundancies will occur. It is still too early to tell how many jobs will be affected and how the January 2021 job retention bonus will affect or delay redundancies.

One way to provide a sense of relative risk by sector is to consider the national profile of businesses temporarily closed according to the on-going ONS Business Impact of Covid-19 (BIC) Survey² and combine this with the furlough profile³ and local employee data⁴. The assumption being that the risk of further redundancies is far greater for sectors where many businesses are still paused (as at end June 2020) compared to those that have a proportion of workers on furlough but are also continuing some business activity. This provides a first estimate for Cambridgeshire and Peterborough of approximately 17% of jobs currently being protected by furlough possibly becoming redundant when the scheme ends; materially, this would double the current claimant rate. Approximately half the jobs at risk are in the Accommodation and Food sector with a further 18% in Arts and Entertainment and 6% within Retail.



Commentary from Cambridge Econometrics⁵ supports this assumption with an anticipated transition from economic problems centred upon 'production' (the

¹ <https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-august-2020>
² <https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-july-2020>

³ <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessimpactofcovid19surveybicsresults>

⁴ Local Profile has been requested from HMRC, Eastern Region Profile has been used 17th July 2020.

⁵ Employee Jobs, 2018, Source NOMIS

⁶ <https://www.camecon.com/blog/the-economics-of-the-coronavirus-pandemic/>

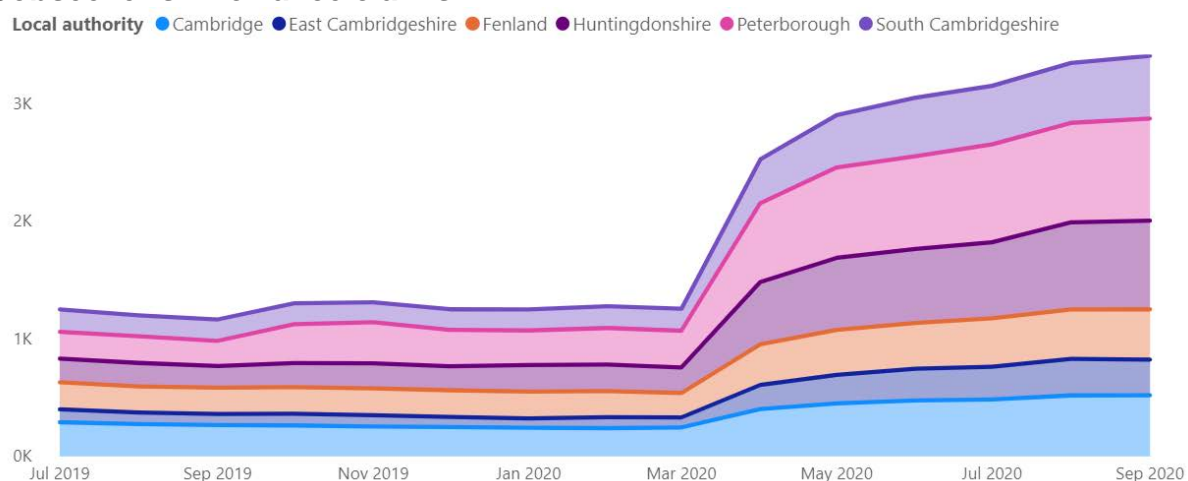
lockdown impacting supply chains and the creation of economic value) to problems of ‘consumption’; in particular a contraction in demand for consumer goods and services.

We will continue to build in to our evidence and assessment of potential business impacts new surveys or studies that emerge. For example, we have incorporated a more specialist survey from MakeUK of manufacturing businesses, which reports that 53% of manufacturing firms with some staff on furlough expect to make redundancies for the most part affecting up to 25% of the workforce. Applying this to our local profile for furlough employees implies that around 1,800 local manufacturing jobs are at risk.

2.3 Impact On People And Jobs

Claimant rates have more than doubled across CPCA. While the biggest jump was between March and April, rates have continued to climb. There is a suggestion of some levelling off between August and September, but an uncertain economic outlook means further significant rises should not be discounted.

Jobseeker’s Allowance claims



Extracted from Metro Dynamics dashboard

The extent to which these high numbers persist will depend on the ‘shape’ of the recovery (discussed in later paragraphs). It should be noted though that whilst Cambridgeshire and Peterborough returned to economic growth in 2012, relatively high claimant rates persisted through into 2015. Unemployment is general is a lagging indicator, but the unique nature of this recession means it isn’t clear how quickly it will contract.

The increase in claimants has exacerbated the sub-regional inequalities identified within the CPIER⁶. *Peterborough’s claimant rate has worsened significantly compared to that of Great Britain* whereas areas in the south of the Cambridgeshire and Peterborough region have seen relatively low increases in claimant count

⁶ Cambridgeshire and Peterborough Independent Economic Review

compared to the country as a whole. Fenland has seen a slight worsening compared to Great Britain but may have been partly insulated from the economic shock due to the relative importance of the food production and processing sectors in the area which have continued to operate during the lockdown.

Social Impacts and Needs Assessment

Effective support for those who could potentially ‘fall out’ of the job market in the same way as a result of the current recession is key to minimising the long term damage experienced by people and society. So too is support for people affected by shorter term restrictions on economic and social activity. We estimate that a possible 19,000 adults could develop anxiety and 59,000 develop depression (a 104% increase) from the impacts of social and economic restrictions alone with 18% of people experiencing unemployment developing mental ill health as a result.⁷

Youth unemployment has also risen dramatically, with our young people overrepresented in sectors at risk and entering a labour market in which they are likely to be both less entry level opportunities and opportunities for progression into higher wage roles.⁸

The numbers of JSA claimants aged 16-24 has risen from 95 by 263% to 290 between March and September, compared to 186% nationally. If we combine this with the number of young people claiming Universal Credit and seeking work then the figure for September was **5,400 claims** from 16-24 year olds, with a growth of **143.8%** since March compared to nationally **121.9%**.⁹ There is ample research to show that this is likely to have a long-term negative impact on these young people’s future employment outcomes, which will have ramifications for the local labour market for decades to come.

2.4 The Possible Shape of Recovery

Since the September version of the LERS, the incidence of the virus has begun to increase steadily again, with concentrated clusters seen particularly in the North West and large cities with big student populations. As a result, the idea that the economic hit of Covid-19 was a one-off event from which the economy is now recovering has been thrown into doubt. It is therefore important to refresh thinking about possible forward paths for the next few quarters. We have developed three scenarios for the future growth of output:

- 1. Best realistic case: a quick return to old growth rates.** In this scenario, the recovery continues to level off, but the economy quickly regains its rhythm, with growth rates (if not overall levels) returning to pre-crisis normal. In Cambridgeshire and Peterborough virus rates are kept under control through

⁷ Impacts of Covid 19 in Cambridgeshire and Peterborough Needs Assessment September 2020

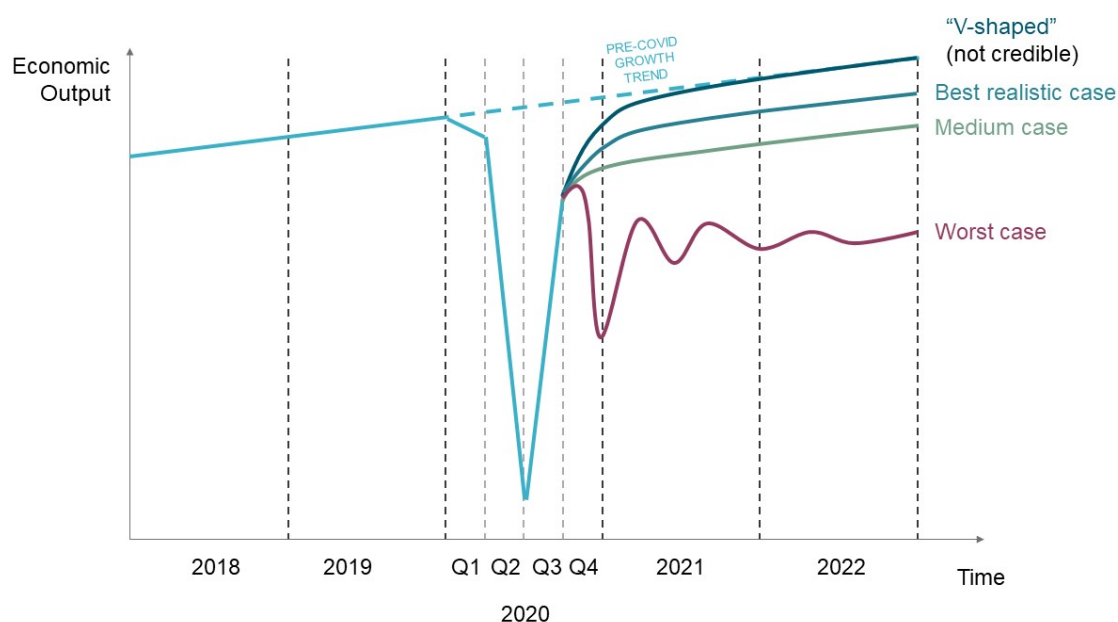
⁸ As above

⁹ Metro Dynamics analysis of DWP data

generally high adherence to social distancing norms, meaning further economic curbs are not necessary and consumer confidence returns. Pre-pandemic output levels are regained by the end of 2022.

2. **Medium case: a cautious road back to growth.** In this scenario, the recovery peters out rather more quickly, as new restrictions “put the brakes on”, with the return of consumer and business confidence stunted. However, the majority of economic activity currently happening is able to continue in a Covid-secure manner, allowing growth rates to return, but starting from a lower base.
3. **Worst case: Oscillations, scarring, and long-term damage.** In this scenario, a strong resurgence of the virus, combined with less public willingness to follow guidelines, leads to strict curbs on economic life, with several sectors shut down again. While this does not return the economy to levels seen in Q2 of the year (as a better understanding of the virus allows more activity to continue), the fall in GDP is large by historic terms. Continued reopening and closing during the wait for a vaccine leads to an oscillating growth pattern, which becomes more muted over time. However, the damage of economic “scarring” to the supply side means long term output is significantly below pre-crisis levels, with growth stagnant.

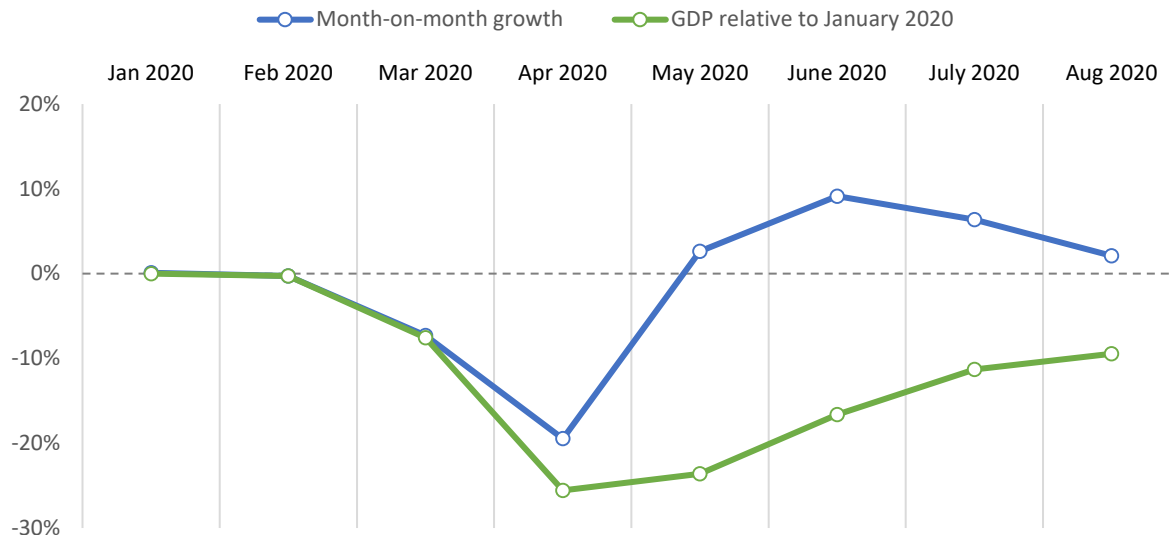
Illustrative scenario diagram



We also include a “V-shaped” scenario, where the economy returns to its pre-covid growth trend in 2021. However, we do not deem this to be credible, and it is important to acknowledge this. Although at first glance the economy has rebounded quickly in the third quarter of 2020, when you examine the *monthly* data it becomes clear that economic growth is already stalling. While GDP has grown every month from May onwards, the rate of growth has been slowing, meaning that *overall* GDP is levelling out while it is still almost 10% lower than at the start of the year. August’s GDP was only 2.1% higher than July’s, in spite of the widespread take up of the Eat Out to Help Out scheme in that month. If month-on-month growth continues to fall,

the economic recovery will stop fairly abruptly. The focus of most recent Government intervention is to prevent recent output in recovery from slipping back to far, as the infection rate rises again.

Monthly GDP growth begins to stall



Source: Metro Dynamics analysis of ONS monthly GDP data

2.5 The Impact of Brexit

As of October 2020, the outcome of the post-Brexit trade talks between the EU and the British Government remain uncertain. A deal still remains possible and is perhaps still the most likely outcome. According to the Bank of England the positive side of an outcome being reached in the talks is the 'reduction in drag' on investment; whereby investment that is currently 'on hold' is made in the UK once its trading position becomes clear. Set against this is the potential for additional trade barriers with the EU hampering business activity.

The London School of Economics (LSE) is one of the first organisations to produce a combined analysis of Covid-19 and Brexit¹⁰. Their analysis shows that sectors affected by Brexit are generally different to those currently impacted by Covid-19. When comparing the effect of Covid-19 with the predicted impact of increased trade barriers with the EU, there is some evidence that those less hit by Covid-19 are likely to suffer more from Brexit e.g. Electrical and Optical Equipment and Chemicals and Chemical Products.

That is not to say there will be a 'double whammy' rather the impact of Brexit will overlap, or possibly be partially masked by Covid-19. For example, the Institute of Economic Affairs suggests that "any costs from a change in our relationship with the EU are likely to be trivial compared to the impact of Covid-19 on GDP". The worst scenarios for Brexit (UK Government, 2018) suggested an 8% reduction in GDP over

¹⁰ <https://www.lse.ac.uk/News/Latest-news-from-LSE/2020/g-July-20/Brexit-hit-looms-for-industries-that-escaped-worst-of-pandemic>

NOT GOVERNMENT POLICY

a period of years whereas the Covid-19 crisis is already estimated to have reduced UK GDP by 13.8% in a single year.

Regardless of the outcome of talks it is evident that the resources expended in responding to Covid-19 has set back planning for Brexit at both a government and business level. The transition period ends on 1st January 2021, so business adaptation may now necessarily be hurried. This is where the most important local policy response lies, in supporting businesses with rapid adaption as the position for January 2021 becomes clear.

3. THE STRATEGIC APPROACH

3.1 The Opportunity

The Cambridgeshire & Peterborough economy is already home to a high concentration of high-growth firms and a highly skilled and entrepreneurial workforce. We are one of a small number of regional economies that provide a net contribution to the Treasury and offer the potential to play an important role in leading national economic recovery from the impacts of Covid-19. The regions strength comes from:

Greater Cambridge which is the UK's fastest growing economy and the most likely part of the county to recover quickest to help regain the £3.7bn GVA lost. It gives us Global Leadership in life sciences and education and has the largest share (16%) of the UK's knowledge intensive business services. It generates more patents per head of population than any city in the UK and more than all the EU put together.

Greater Peterborough which has reinvented itself as a Smart City, with leading levels of digital connectivity and a major cluster in environmental technologies. It is home to a high-tech manufacturing base that has grown whilst the sector has shrunk nationally, now representing 18% of its businesses, compared to 9% nationally.

The Fens which are considered one of the country's greatest natural assets and contain over 50% of the UK's grade one, highest quality, land for food growing.

However, there is still much untapped potential and, as markets recover to a new norm and permanent shifts in customer behaviours and workforce practices, offers a fantastic opportunity to support our brightest firms to adapt to grow faster, longer and more sustainably, given the right support and investment. Successful implementation of this Economic Recovery Strategy, with the right investment from our partners in Central Government, will enable this national powerhouse economy to return quicker to our previous growth trajectory and our previous contribution of £5bn pa to Treasury to help finance recover in other areas of the UK, especially in the midlands and north. The spine of our strategy focuses on solutions based on:

- **Primary Interventions** - programmes already planned within the LIS, for mobilisation in the 3rd quarter of this year, adapted to post Covid-19 recovery conditions.
- **Secondary Interventions** - entirely new interventions funded through combinations of local and national funding.
- **Tertiary Interventions** – wider policy changes and local tailoring and facilitation of national programmes to take account of our specific economy and communities, optimising them for local conditions and amplifying their impact

All of this is underpinned by a focus on sustainability and building future economic resilience, which is prioritised in the CPCA and OxCam Arc approaches to Government for future long term investment.

3.2 The Challenges

To double the size of our economy, and prior to Covid-19, GVA growth needs to average at 2.8%, a challenging target which requires growing both employment and productivity. To meet this challenge, the Business Rebound & Growth Service was tasked by the Business Board, to stimulate business growth in firms to generate an additional 5,890 jobs, measured over the 3 years the Service's delivery and the following 3 to capture the delayed effects between intervention and jobs growth realisation. This would have produced a net-impact on additional jobs growth of 982pa, substantially contributing to the required 1,254pa to enable the doubling of our economy. In addition, there are the many other, powerful interventions and initiatives of the Business Board, the wider Combined Authority and its partners such as GCP, that make up the five pillars of our Covid-19 Local Economic Recovery Strategy. Both the original and a future revised Local Industrial Strategy and Local Economic Recovery Strategy will support our businesses and people to rebound and regrow to still meet and beat our target to double our economy by 2042¹¹.

In this unprecedented situation, it is difficult to predict over what period recovery can occur, but, subject to new waves of virus, we have experience from other economic recessions, where local economies bounced back faster than in some other areas of the country, to reset their net contributions and to support the area's growth. Critical to recovery in this case is activity which supports the retention of current employment, supports businesses to restructure where required, supports skills development and transfer for those transitioning employment, but as importantly, supports the creation of new jobs and related infrastructure. Further strengthened by a strong innovation and skills base, this gives Cambridgeshire & Peterborough a differentiation from other areas in the UK.

Even before Covid-19, the CPIER (2018), had already identified challenges to such growth in particular with infrastructure around housing as well as transport. In addressing both of those, the recovery approach needs to continue an evolving paradigm around housing. Changes in employment practice resulting in more flexibility in working from home for some, the demographic changes which see us living for longer but having changing needs in housing as we age, as well as evolving demands for younger generations, will see developing requirements for different tenures. The desired trajectory towards net zero carbon homes, the use of innovative automation to make our lives easier, reducing the need to travel or promoting easy public, pedestrian and cycle access, and increasing the part the environment for the housing plays in supporting health and wellbeing as well as amenity space etc, are all increasingly important. This to build upon the fact that Cambridgeshire & Peterborough have one of the lowest ratios of greenspace/rich wildlife areas.

Establishing and delivering the appropriate community development and social cohesion from the earliest stages is also vital. Ensuring we provide those things through a tenure-blind approach for all those who need them in as close proximity to their employment and facilities as possible is critical.

¹¹ Cambridgeshire & Peterborough Combined Authority Growth Ambition Statement

3.3 The Phases of Recovery

- **Recover:** Mitigating local labour and property market scarring, in terms of retraining for those who have lost jobs and maintaining house building and sales. We have set plans for this phase to run between October 2020 and September 2023, this being the horizon for funding most partners have for the typical interventions required. Should recovery take longer this strategy will be revised.
- **Rebound:** Accelerating regrowth, ensuring firms are supported to adapt and regrow, with effective access to new staff and skills to maximise the bounce in our recovery. This phase is subject to scenario forecasts between two quarters and two years. Our strategy is designed to accelerate rebound whilst being able to adapt to delays.
- **Renew:** Investing in critical infrastructure that will reduce the barriers to growth for our hardest hit and slowest recover places, whilst ensuring future growth is greener. In the main, the types of intervention that produce a genuinely renewing impact will be agreed and planned now, but launch and run over the next five to ten years, some like the CAM, even longer

3.4 The Priority Sectors

The LIS identified four priority sectors upon which to focus our strategy for long-term, innovation-based growth. These included:

- **Life Science:** Consolidating Greater Cambridge as a Global Centre for discovery and connecting it across the Arc to create a Global Player in diagnostics markets.
- **Digital & AI:** Establishing Greater Cambridge and the Arc as the preferred base for firms across the world to create and adopt the technologies of tomorrow.
- **Agri-Tech:** Strengthening the university spin-out culture and capability in Cambridge and developing a scale-up and tech-transfer capacity in Peterborough and the Fens.
- **Advanced Manufacturing & Materials:** Expanding the Greater Cambridge science base northward to rejuvenate Peterborough's manufacturing heritage to establish a manufacturing innovation eco-system to spread high-value, inclusive growth.

These sectors will continue to provide the largest scope for long term growth. However, Covid 19 has effected a much wider set of sectors, including those that employ a far higher number of our residents than our growth sectors. To support short and long term recovery, we must therefore balance support for our hardest hit sectors, with investment into those with the greatest potential for long-term growth. Our recovery strategy therefore includes these wider sectors, will embrace additional sectors as a priority upon which to focus the interventions we design and develop to drive recovery and support regrowth. Post Covid-19 there may be new and emerging sectors and we need to be able to rapidly respond to these as and when they materialise. Currently, the identified sectors and our recovery priorities for each include:

- **Retail, Hospitality and Leisure:** Helping firms to deal with the continuing and long-term social distancing and behaviour change, especially in the Visitor Economy.
- **Construction:** Helping firms to adapt to a new commercial market as businesses adopt remote working longer-term, helping developers stimulate demand in the homeowner market and creating new demand through infrastructure investments.
- **Transport:** Helping operators to shift current public perception of mass-transit safety that threaten a structural shift in the commercial operation of public transport
- **Education:** Supporting HE and FE to transition permanently towards greater digital delivery for remote learning, embracing more business model innovation to harnesses blended learning to embed more of the curriculum in businesses.
- **General Manufacturing:** Helping firms deal with the disruption in their supply chains, the slow recovery in demand and the potential impacts of a no deal Brexit.

Health & Care: Early indications were that there was likely to be greater demand for health care professionals, potentially on the back of more people being supported in the community and greater use of technology – trends that were well evidenced in health care pre Covid but which are likely to now accelerate, potentially creating additional health and care jobs, construction and education roles (associated with retraining).

4.1 The Need for Partners in Government to Invest

The CPCA Investment Prospectus and OxCam Arc equivalent make a clear and integrated case to Government for major, long term investment that priorities putting the transition to a zero carbon, more sustainable economy at the heart of future growth. These will deliver a combination of improved inclusivity in our growth, levelling up within the CPCA economy, strengthening Peterborough and the Fens, whilst protecting and enhancing Greater Cambridge's position as a global player in life sciences and digital technologies, as part of our partnerships across the OxCam Arc.

Locally, this will include the continuation of Combined Authority Gainshare funding to enable many of the commitments made within this strategy, but also a small number of strategic investments into key long term infrastructure projects, requested from Government, through a future Spending Review, such as:

- Delivering the Cambridge Autonomous Metro Phase 1 implementation by 2030
- Delivering Cambridge to Ely A10 enhancements by 2025
- Dualling of the A47 by 2028
- 1,000 more £100k homes by 2026 through an expanded £100m loans fund
- Delivering Peterborough University expansion to 10,000 students by 2030
- Delivering Peterborough Station Quarter commercial district by 2028

Whilst the major road schemes above will not have an impact on short term recovery, they remain important for the long term growth of the different CPCA economic areas.

Regionally, this will include a vision for the Arc that amplifies the themes in our Recovery Strategy, to bring together greater levels of resource to ensure recovery here and across the Arc is built on growth that is:

- Innovative and based future of industries.
- Greener through a transition to net zero carbon emissions.
- Small business based, backing start-ups, scale-ups and unicorns.
- Inclusive, levelling up economic performance and skills.
- Global, open for business and international.

4.2 The Partnership between the CPCA, Local Authorities & GCP

Locally, councils and the GCP have or have planned to produced city, town or district recovery plans and each of these partners has worked to co-create this strategy to ensure it complements theirs, and adds value to them through the additional resources that the Combined Authority can bring to bear, both directly and through the influence of the Mayor in central government and through the M9.

Local recovery plans will focus on the various themes such as the social, community, economy and environment needs within an area and these objectives will need to align with the other recovery plans that are geographically based for example around the Oxfordshire-Cambridge Arc, Cambridgeshire and Peterborough Combined Authority and Cambridgeshire County Council all of which will have received specific funding to support the recovery process. Within local areas the engagement with town councils particularly on reopening the high street and parish councils on supporting local communities will be important.

Whilst there are many ways that the recovery work can be cut the alignment between the different layers of the Local Resilience Framework will also be critical. Various thematic groups have been established including the Business Recovery Group that oversees this work and whilst the focus of each group will be thematic there will also be many cross-cutting themes such as unemployment, skills, travel, safety and funding that will be captured and aligned wherever possible.