



DRAFT Cambridgeshire and Peterborough Local Industrial Strategy

[18th January 2019]



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1. Executive Summary

This Cambridgeshire and Peterborough Local Industrial Strategy sets out a vision for our area, the achievement of which will be essential for delivering the Devolution Agreement and confirmed by the Cambridgeshire and Peterborough Independent Economic Review (CPIER). Cambridgeshire and Peterborough is committed to doubling its economy (measured by Gross Value Added or GVA) over 25 years. This is a stretching but achievable goal.

The Cambridgeshire and Peterborough Local Industrial Strategy has been developed following the CPIER – one of the most ambitious analyses ever undertaken of a place in the UK - and benefits greatly from the depth of research it undertook and reported. Its opening words set out in clear terms what is at stake in our area when it is stated: “the Success of Cambridgeshire and Peterborough is a project of national importance”.

The Local Industrial Strategy is one of the most important tools for delivering this success and ensuring that every business is able to play its part and that the opportunities and benefits of growth reach deep into every part of the community.

Section 3 of the Strategy sets out the economic background to the Cambridgeshire and Peterborough Local Industrial Strategy and Section 4, the three priorities which underpin it.

The Cambridgeshire and Peterborough economy is large, with GVA of £22bn. As the CPIER established, it is actually three distinct sub-economies. The largest is Cambridge and South Cambridgeshire, characterised by high levels of output and skills, a rich mix of biomedical, pharmaceutical, IT and other technology companies operating across an international footprint and underpinned by one of the greatest Universities in the world. In the North, Peterborough and its surroundings are important both as the largest city and the fastest growing in the area and one of the fastest growing in the country. It is an area with an important manufacturing history and existing base as well as a growing range of service companies. In between are the Fens with a diverse range of market towns, much of the best farmland in the UK and world class agricultural production. It is a rural economy but one which has highly successful niche manufacturing and service companies. Some of these are indigenous whilst others gravitate to and benefit from the more developed areas in Cambridge and Peterborough.

The governance of the area is a unique asset too. Devolution to the new Mayoral Combined Authority and the creating of the new Business Board mean that more of the levers to achieve growth sit at this level than ever before, and industry has a stronger voice than ever. Therefore our Local Industrial Strategy is built upon the principle of interventions which are achievable at a local level, and invites Government to come forward with co-investment, further devolution, and pilots which will go further in achieving the UK Industrial Strategy at a local level.

This set of unique assets and opportunities frame the three priorities set out in section 4 of the Strategy. They are as follows:

- First, to recalibrate economic growth, sustaining the growth underway across the area by identifying opportunities for high growth companies to develop and take root in suitable locations across the area, by necessity beyond the Cambridge area
- Second, ensuring that Cambridge's growth itself is sustained by the prioritising of step-change infrastructure that overcomes current constraints and the economic "burn out" forecast in the CPIER, such as the Cambridgeshire Autonomous Metro
- Third, ensuring that there is better integration of industry across the area, encouraging business to support one another where this makes business sense to promote innovation, investment, skills development and a more resilient economy

Section 5 sets out what we see as the key challenge of raising productivity which underlies the strategy: increasing levels of employment, but above all ensuring that Cambridgeshire and Peterborough grows better quality jobs, improving business output and providing better opportunities for people. Section 6 sets out how we see Cambridgeshire and Peterborough fitting within a growth corridor from Oxford through Milton Keynes, linking the area more effectively into the national economy.

The programmes of activity to be undertaken under the Cambridgeshire and Peterborough Local Industrial Strategy are set out in Sections 7 to 11. Our approach is to ensure that Cambridgeshire and Peterborough has the foundations in place on which everyone involved in our economy can build the economic success we need.

Section 7: Foundation #1 – People, looks at the steps that need to be taken through the Cambridgeshire and Peterborough Local Industrial Strategy and beyond it to improve the levels of education and training, to ensure business has the supply of skills it needs and that people are able to fulfil their potential. Key Local Industrial Strategy programmes included in the Local Industrial Strategy include the completion of the new University of Peterborough and flexing the Adult Skills Budget as well as new programmes: a Digital Talent Portal and skills brokerage service to connect firms better with talent, a network of business champions through an Ambassador Network, a Work Readiness Pilot and Apprenticeship Challenge Fund and help specifically targeted on the Construction and Health & Social Care sectors.

Section 8: Foundation #2 – Ideas, sets out how the Local Industrial Strategy will provide the conditions for businesses in the city region to adopt and exploit new ideas either through incremental process innovation or the development of new businesses based on emerging technologies. Our priorities are ensuring that the economic base of the area grows by ensuring that finance is in place and that Intellectual Property can be exploited; that businesses have the right kind of space at every part of their growth and evolution and that there are both the support programmes for businesses and the networks and linkages to help them maximize their opportunities and manage their challenges. Key programmes include the creation of a network of Innovation Fellows events and growth champions, creating access funding to Government innovation funds as well as R&D grants in advanced manufacturing and agri-tech. We plan the creation of new "launchpads" where different kinds of business can interact, modelled on successful examples in Cambridge, as well as an Enterprise Zone attached to the new Technical University of Peterborough and incubator

space where there is market need. To help firms along the growth journey we propose a new business growth and scale up programme.

Section 9: Foundation #3 – Business Environment sets out the steps we will take through the Local Industrial Strategy to deliver an integrated approach to business support to as to ensure that we have the business start-ups and the business scale-ups to enable Cambridgeshire and Peterborough to achieve its growth and productivity ambitions. That means more businesses, more successful businesses and the creation of more places with the ability to absorb economic growth in a sustainable way with a particular emphasis on the Peterborough and Fen parts of the area which have lower productivity growth. This will be delivered by three strategic interventions.

Firstly, an integrated business growth offer and service, targeted at the places and firms that will have the most impact on our goals.

Secondly, a new approach to internationalisation, trade and inward investment support, integrated with existing UKTI activity and designed to both increase the number of new to export and new to market firms and increasing the pace at which firms move to export.

Thirdly, we will develop a number of hyper local opportunity test beds and cluster support programmes where there is clear evidence of business demand and the market is failing to provide the relevant elements of the necessary innovation and growth ecosystem.

Section 10: Foundation #4 – Infrastructure looks at the evidence that inadequate infrastructure is having on the economy of Cambridgeshire & Peterborough. The views of businesses surveyed in the CPIER were that this issue is already hampering growth. In Cambridge and the south, the transport system struggles to manage the movement of people and goods. Elsewhere, particularly in and around the market towns, poor road and at best infrequent and sporadic bus connectivity prevent the formation of what, elsewhere, might be considered normal patterns of travel and trade. Unlocking productivity growth is only possible if the right kind of infrastructure is in place.

Transport. We will look to make major upgrades to some of our vital artery roads – in particular the A10 and A47. We will build transport that enables greater levels of business-rich agglomeration – building the Cambridge Autonomous Metro (CAM) and developing business cases for more ambitious and longer term propositions too.

Housing. We will work with local authority partners and LEAs across the Oxford Cambridge arc to deliver the houses desperately needed for our businesses. At the same time there is the opportunity to work towards the Government’s Mission to halve the energy usage of new buildings, using new approaches.

Broadband and Mobile connectivity. We will fully support CityFibre in their work with Peterborough to deliver full fibre broadband by 2033 in Peterborough. Gigabit speed broadband services will be delivered to the first homes in early 2019. Elsewhere we will ensure superfast broadband coverage, which currently reaches 97% of properties rises to 99% coverage by the end of 2020. The Combined Authority will maintain its investment into the Connecting Cambridgeshire programme to strengthen mobile signal, especially for rural communities.

Energy. We are adopting smart grids and battery storage to create energy resilience and will pioneer smart grid technology to optimise the energy capacity we currently have, and to help people sell their own generated energy to other residents. We will continue to update key substations where necessary to ensure our businesses can access the energy they need.

Section 11: Foundation #5 – Place considers a series of issues about Cambridgeshire and Peterborough and how it relates both with to its neighbours and to the communities within it. Businesses doesn't exist in a vacuum but responds to the attractors or disincentives a place offers. So amenity, beyond the issues of education and transport considered earlier, matter. We will ensure both in its links to other areas and in its own development, that Cambridgeshire and Peterborough is a place that is and feels more connected, open and vibrant, on an upward economic, social and environmental trajectory.

We fully support the ambitions for the Oxford – Cambridge Arc, and will play our part in supporting the housing and infrastructure plans associated with it as we have with the London Stansted Cambridge Corridor ensuring that we play our role in securing the 400,000 new jobs this area has the potential to generate. We will also develop our other links: to international ports, most notably Felixstowe, in the Cambridge – Norwich tech corridor as well as connections to the Midlands and the North

In addition to the new business premises to stimulate place-based innovation considered earlier we will ensure the construction of a further 100,000 homes across Cambridgeshire and Peterborough and oversee the creation of bespoke Market Towns Masterplans for the eleven towns of Cambridgeshire. These will show how the key industries in each town can be nurtured, and how a new type of worker with a strong focus on high quality of life can be attracted to set up in the towns.

2. Purpose of the strategy

The heart of any economy is its industry. Businesses generate wealth, employ people, drive productivity improvements, and lead innovation. The effects of a thriving business environment are immediately apparent in a community, as is the opposite.

Given the centrality of business to the success of a society, an overly hands-off approach that fails to respond to market failures does not make sense. Its legacy, seen in many of the deindustrialised areas of our nation where rapid change has occurred and where, absent of a market response, support has not been provided to transition to new industries, has been shown to be bankrupt. While the public sector can do much harm if it interferes in the wrong way in the private sector, the opposite approach of doing nothing can be just as damaging.

Therefore, a sophisticated and nuanced approach to industrial strategy is needed. This is true now more than ever, as sectors change and overlap at faster and faster rates, and as productivity problems remain intractable. It requires a focus on creating an environment where the right companies thrive, and where the benefits of business investment can be seen clearly by all.

This is our industrial strategy. We address ourselves wholeheartedly to the Government's challenge to "create an economy that boosts productivity and earning power"¹. Because we have already made excellent progress. And because we have the innovators, the entrepreneurs, the financial backing and the drive. But most importantly we have the ability to get things done. Devolution has given Cambridgeshire and Peterborough a key advantage – to be able to be on the front foot of creating the conditions our businesses need to prosper.

The Devolution Deal has set out a clear ambition – to double our output in 25 years. Independent analysis has shown that this can only be achieved by strong increases in productivity – like so much of the UK our recent growth has been more driven by increasing the numbers of people in work than by increasing their ability to work well.

This means we need to change the growth dynamic. At the moment, the innovation hub that is Cambridge is global in its reach but extremely localised in its impact. Businesses in the Fens lead the world in bringing cutting edge research to market but tend to do so in relative isolation. Peterborough is one of the fastest growing cities in the UK but has not translated industrial heritage and recent growth into prosperity.

Our economic successes are highly place-specific. Within a few miles of Cambridge there are many businesses which are not sharing in its success, let alone those much further away. There are other patches of real brilliance in Peterborough and the fens – but these hotspots are generally very isolated. This means we must help replicate some of the conditions that make some places so successful – dense business networks, a right balance of competition and collaboration, access to finance, and the support of key anchor institutions – across the area.

¹ Industrial Strategy: Building a Britain Fit for the Future.

At the same time, we recognise that the success of Cambridge, which has contributed so much already to tackling the nation's grand challenges, cannot be taken for granted. There are serious risks that without investment in the housing and infrastructure the city needs businesses may take flight. This presents one of the most serious long-term risks to the productivity of our economy.

Therefore, our industrial strategy pays serious heed to the fifth foundation of productivity: place. The approach we take varies on the needs of our different places, across one of the largest Combined Authority areas in the UK. Greater Cambridge, Greater Peterborough, and the Fens each present different opportunities and challenges. Our industrial strategy responds to these.

Our broad ambition for our area since the inception of the Combined Authority has been to be "the leading place in the world to live, learn and work." To this we now add a fourth aspect, implicit in the other three – to be the leading place in the world to **do business**. This industrial strategy shows how we will get there.

3. The Cambridgeshire and Peterborough Economy

A solid understanding of the economy of Cambridgeshire and Peterborough is the keystone of our Local Industrial Strategy. We are not looking to invent new industries, put forward unsubstantiated aims, or adopt a ‘build it and they will come’ approach. Instead, we have developed a rich evidence base, which shows us where action needs to be taken.

This is found in the Combined Authority’s foundational document, the Cambridgeshire and Peterborough Independent Economic Review (CPIER)². CPIER was developed to inform the Combined Authority of the nature of the economy, developing trends, and issues to be addressed. To ensure this was free from political influence, an independent commission was set up to chair it, led by prolific economist Dame Kate Barker. Others on the Commission included business people and academics with specialist expertise relevant to the work. Much of the detail that sits behind the key economic features identified here can be found in the review.

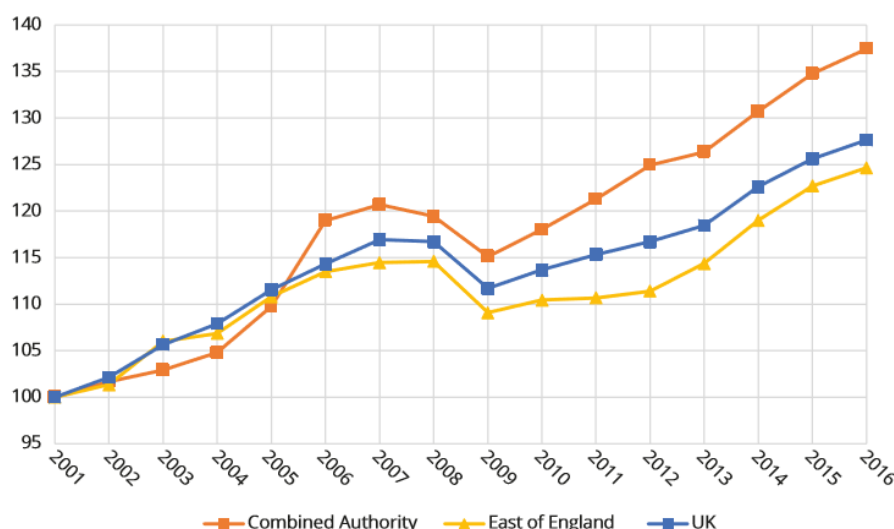
Our base engine - strong business performance

Businesses in our area are performing strongly. Employment growth has been strong, and, as revealed by independent analysis of all registered businesses in the area, significantly outpacing official sample-based figures, by as much as 1% per annum. This is not just true in the urban hotspots of Cambridge and Peterborough, but right across the Combined Authority.

[Insert table comparing CPIER view with official figures]

This has translated into strong growth in output, as measured by Gross Value Added (GVA).

Real Gross Value Added (GVA) – index – 2001=100



² The CPIER final report can be found at <http://www.cpier.org.uk/final-report/>

Strikingly, the region has bucked the wider regional trend of the East of England, to *outperform* the UK.

A diverse economy with three sub-areas

One of the central findings of CPIER is that the Combined Authority is not one, but three separate economies – Greater Cambridge, Greater Peterborough, and the Fens. This can be seen from observing travel to work patterns and examining concentrations of sectors. This insight is central to any economic strategy for the area, as it recognises that different economies have different opportunities and challenges and therefore must be treated differently. The boundaries are “fuzzy” – it is not exactly clear where one economy stops and another starts.

The Greater Cambridge Economy

This economy is generally prosperous, with high skills and wage levels. With its prestigious university at its core, it attracts many international businesses to operate in the area, eager to capitalise on the wealth of talent and innovative potential. Through various waves of innovation, Cambridge has cemented its position as one of *the* key tech centres in the world, with multiple clusters of knowledge-based industries (most notable life sciences) with a global profile. Science parks have filled up quickly, and the city hugely outstrips all UK competitors in measures of innovation, such as patents per head. Cambridge has also developed a rich business networking culture, which brings together entrepreneurs from different disciplines and backgrounds, leading to knowledge spillovers and cross-sector collaboration.

However, Cambridge has become in some ways the victim of its own success. Strong employment growth has been achieved by many moving to the area. Infrastructure which was designed for a small town is struggling to cope with the weight of commuters looking to work in the city. Many of the big tech giants (such as Apple, Google, and Microsoft) have



located in the city centre, which has added to the burden of congestion. And this rapid influx of high salary workers has had some negative consequences: average house prices have risen from [X] to [X] times average income in [X] years, and Cambridge has been pronounced the most unequal city in the UK³. These various constraints have led to rising business costs, with modelling showing growth in Cambridge is likely to seize up if they are not addressed.

The Greater Peterborough Economy

Peterborough is one of the youngest and fastest growing cities (by population) in the UK. It has gone from strength to strength since its establishment on the East Coast Mainline took it from being a small market town to, firstly, a centre of the brickmaking industry, and more latterly, a centre for high-end engineering. It has also developed specialisms in professional services, agri-tech, logistics (complemented by its strong road and rail connectivity) and environmental sectors such as water management. Peterborough was named world smart city in 2015 (beating Moscow and Dubai) in recognition of its innovative approaches to developing the circular economy through waste-sharing platforms.

Peterborough has suffered, however, from poorer skills outcomes than the south of the Combined Authority, with relatively low levels of degree-level qualifications, and relatively high levels of individuals with no qualifications. This is partly due to the lack of a university in the city. Its business culture is also less developed than in Cambridge, with less collaboration within and across sectors.

The Fens

The Fens is an area with a history rich in innovation and ingenuity, developed over generations through necessity of making a success in demanding natural conditions. The very land itself is a testimony to the ingenuity of engineers and the calculated risk taking of funders, who recognised the potential that use of pumping technology and water management techniques could have to create an area of fertile farmland. The Fens contain much of the UK's best farmland, and an associated industry of agriculture, agri-tech, and food manufacturing has grown up as a result – carrying the legacy of ingenuity into modern-day industry. The Fens are also home to a network of market towns which each have their own unique character and industrial specialisms, and plentiful natural capital.

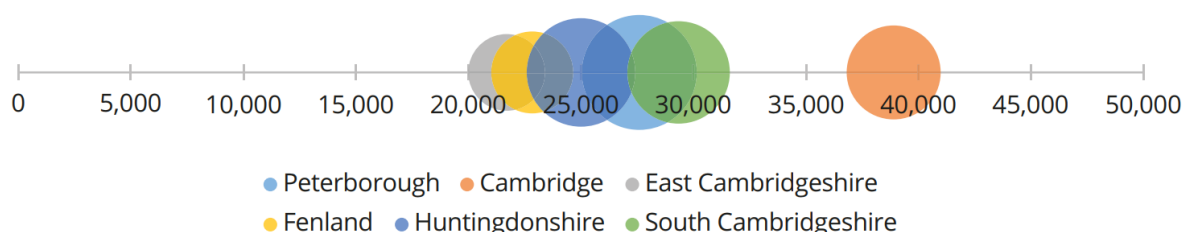
Nonetheless, the Fens have some unique economic challenges. The distance of some of the market towns from local cities, combined with poor transport infrastructure, has meant that populations are ageing as young people move away, and there can be a sense of economic isolation. There is a high rate of “high employment, low productivity” business, which manifests itself in low skill rates and reduced wages. There are few interactions between businesses, and a culture of distrust between firms, which reduces the scope for innovation.

An Inclusive Growth Challenge

Despite business growth having been strong everywhere recently, it is clear that the economy around Cambridge has been performing the most strongly. The positive effects of this have been felt in some of the wider Cambridge ecosystem, with market towns in close proximity

³ Ref centre for cities...

to Cambridge such as Ely and Huntingdon prospering. However, further north the effects are not being felt. Wages are notably lower in the northern districts of Peterborough and Fenland than the southern districts of Cambridge and South Cambridgeshire. There are related challenges of poorer health and education outcomes, with healthy life expectancy falling below the retirement age in some parts of the north of the Combined Authority. We can see how this plays out in productivity terms by looking at GVA per head (a proxy for productivity) across the Combined Authority.



(size of the bubble indicates quantity of employment)

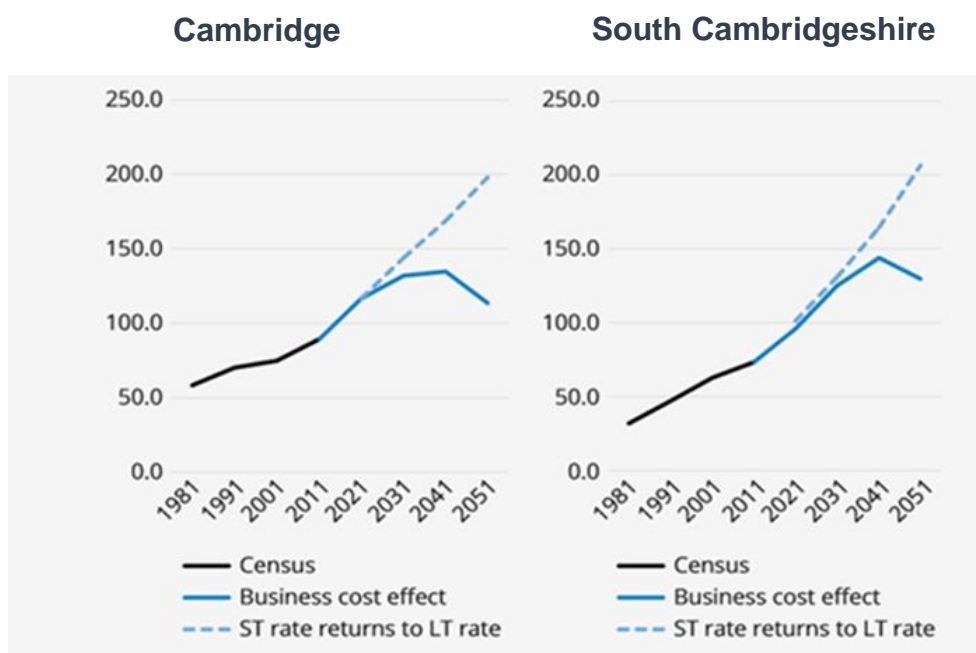
Furthermore, the pace of recent growth facilitated by a proactive coalition of local authorities has brought pressures on public service delivery across the whole county – which has also contributed towards a disparity between those who directly benefit from the local economy and those that don't. Historical underfunding through national formulas, the lag between actual growth and updated national estimates, and the questionable accuracy of those estimates (as highlighted by the CPIER research), all combine in Cambridgeshire and Peterborough with national austerity to amplify the pressures on public services that tackle inequality of opportunity at a root cause level.

In many ways, our area is a microcosm of the UK as a whole. It has a prosperous south based around one principle city, which receives a great deal of foreign investment and attracts high value companies. This causes high living standards, but also significant inequality. Further north, there is much industry and innovation – but while there are many success stories, business investment, skill levels and wages are lower. We want to use our Local Industrial Strategy to trial solutions in this representative part of the UK which can be used elsewhere.

Significant risks to industrial success

The CPIER also identified a significant risk to the national economy if infrastructure and housing issues were not tackled in the Greater Cambridge area. Advanced land use and transport modelling from the University of Cambridge (similar to that carried out for some of London's bigger transport projects) has shown that, on current rates of infrastructure development and housing delivery, the growth of the economy will slow, before eventually going into reverse within 10-15 years. This leads the CPIER to make its seventh key recommendation, that "A package of transport and other infrastructure projects to alleviate the growing pains of Greater Cambridge should be considered the single most important infrastructure priority facing the Combined Authority in the short to medium term."

University of Cambridge modelling: employment growth set to stall in the medium term, and go into reverse in the long term

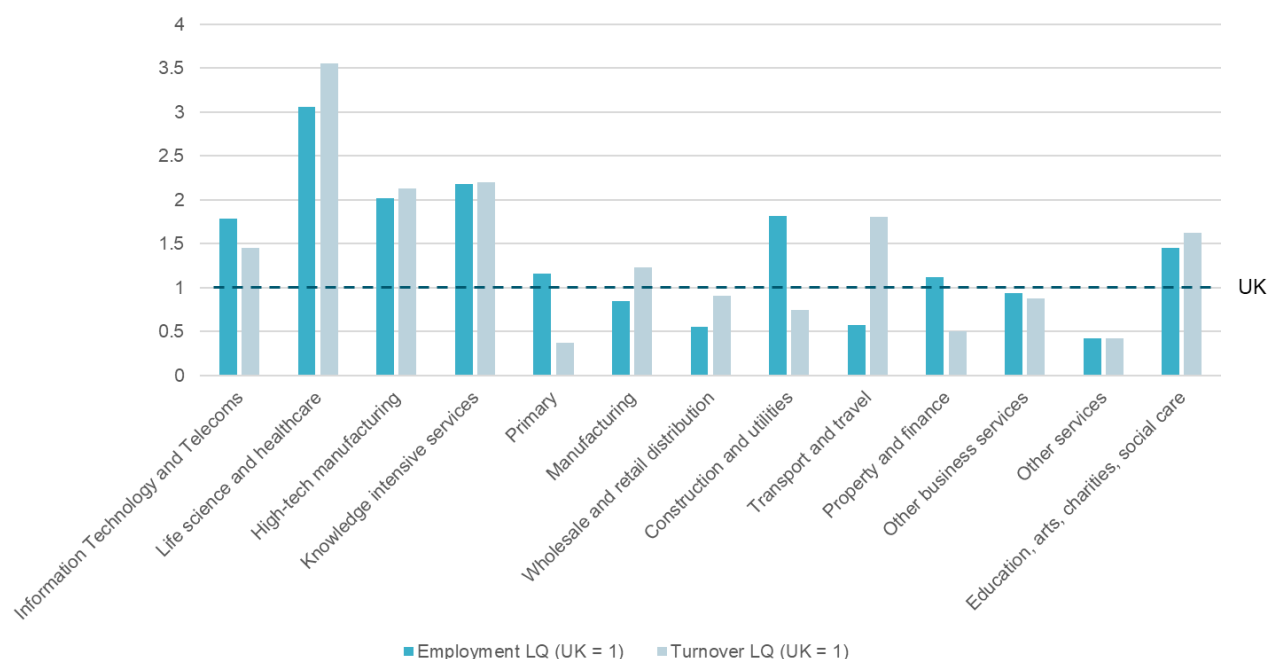


Particular Sectoral Strengths

Cambridgeshire and Peterborough already specialises in many high-productivity sectors. We can see this by drawing upon our detailed business database, drawn up as part of the CPIER. This identifies 'location quotients' for employment and turnover of businesses – wherever the numbers are greater than one, there is a higher concentration of employment or turnover in that sector here than nationwide.

As the evidence shows, we particularly excel in life sciences and healthcare, high-tech manufacturing, knowledge-intensive services, and IT and Telecoms. These are all high value added sectors, which directly contribute towards the UK's grand challenges. Given we already have a high concentration of these business, we have identified **Life sciences, Digital and IT,** and **Advanced Manufacturing** as *strategic growth sectors*. Agri-Tech is very hard to statistically define and capture – it crosses the boundaries between primary, life sciences, advanced manufacturing and IT – but we have local companies and clusters which set it aside as another strategic growth sector.

Location Quotients for employment and turnover in businesses in Cambridgeshire and Peterborough



Source: University of Cambridge Centre for Business Research

Strategic growth sectors

Life Sciences

Life sciences is one of the UK's greatest business strengths, and the reach of the biomedical industry in Cambridge and South Cambridgeshire is international. The industry covers a variety of interrelated fields, including pharmaceuticals, genomics, and biodata. Local industry generates numerous spin-outs with innovative products, including Abcam (which offers research tools into proteins and other chemicals), Crescendo Biologics (therapeutics in oncology) and Kymab (developing antibody technologies), and has attracted large international businesses to the region, including Astra Zeneca, Eisai (a Japanese pharmaceutical company) and Glaxo Smith Kline (GSK).

AgriTech

The high-grade soil available in the fens means that agricultural production is sizeable. This has brought with it a sizeable food processing and packaging industry. Many very large firms, such as McCain and Del Monte export from here around the world. These industries are growing in importance as the prominence of food security on the international agenda increases, and there are new openings to boost productivity using new technology. AgriTech tackles global challenges including hunger, resource sustainability, disease resistance, adapting to and mitigating climate change, and delivery of healthy food. We are home to AgriTech companies such as Dogtooth Robotics, which builds robots to pick soft fruit, using artificial intelligence to recognise ripe fruit, pick it, and place into punnets. NIAB – the National Institute of Agricultural Botany, which researches plant genetics and disease – and AgriTech East are also located here.

Digital and IT

IT and digital technologies comprise another very significant business cluster, which is dynamic and evolving. In the district of Cambridge, this is very concentrated – 23% of the district's employment and 32% of its turnover come from Information Technology and Telecoms. Arm, a software design and semiconductor company was started in Cambridge with less than twenty employees, but grew to be a company that was bought for £24bn in 2016. Microsoft, Google, Samsung, and Apple, have all established bases.

Advanced Manufacturing

There are manufacturing strengths in many areas of the region. Peterborough has a strong manufacturing history, and large firms such as Caterpillar have engineering bases there. 20% of business turnover generated in Peterborough's comes from high-tech manufacturing (with a further 6% stemming from other manufacturing). Prototype fabrications for the first MRI machines were built at Chatteris, and Stainless Metalcraft continues to produce high-end scientific products, such as cryostats, chambers that can maintain very low temperatures. Composites are a particular strength in the west of the area, with Forward Composites, Paxford Composites and Codem Composites based in and around Huntingdon, producing alternatives to steel and aluminium for aerospace, motosport and other industries.

Supporting sectors

We have also identified five supporting sectors, where we can build upon our strong market position:

Logistics

The connectedness of parts of the region to the UK transport network means it plays a significant part in the UK logistics sector. In particular, Peterborough has a base on the A1, which has attracted many firms to establish distribution centres there, including Amazon. Due to the UK's strong preference for online shopping, this industry is likely to both grow and change in future as new methods of transport and distribution become available.

Health and Social Care

[Placeholder]

Education

Education is a key UK export – recent Department for Education statistics found the value of UK education-related exports (including transnational education (TNE)) to be £18.8bn in 2014. This figure had grown by 18% since 2010⁴. Cambridge University's strong reputation attracts many students from abroad – when these spend money in the UK, it registers as an export contribution to the national economy. Due to the prestige of Cambridge, there are numerous language schools, and colleges offering preparatory courses, which attract students from around the world.

⁴ Department for Education: UK revenue from education related exports and transnational education activity 2010-2014 (released July 2017)

Visitor Economy

We are home to key visitor attractions – such as Ely Cathedral, the Holme Fen nature reserve, and of course, the city of Cambridge. Cambridge struggles with the weight of tourist attraction at times, and like many world cities, “overtourism” is a risk. Many of the market towns surrounding Cambridge have rich visitor opportunities, which if developed can bring in revenue and create business opportunities. Business tourism is very important as well – though in Cambridge a lack of large conference facilities hampers potential growth here.

Construction

Much of the development in Cambridgeshire and Peterborough is fueling strong growth in the construction sector. We are home to key businesses, including MJS Construction in March, and []. We are also demonstrating the very best of building quality, such as the University of Cambridge’s development at Eddington, which reuses surface level water, reducing wastage and minimising flood risk. The Government’s Clean Growth Mission to halve the energy use of new buildings by 2030 will require us to keep innovating and developing new products.

4. Our priorities for Cambridgeshire and Peterborough

Our priorities arise from the key features of our economy. We have three principle ambitions.

1. Recalibrate the growth dynamic

Growth has not been evenly balanced across the Combined Authority, and growth in high value companies has been very unevenly spread. The global success of Cambridge has, for the most part, remained very localised. By better linking into this innovation hotspot we can power the whole Combined Authority area forward. While there have been some positive developments in this regard – and CPIER notes that there are signs some non-knowledge intensive businesses are moving out of Cambridge to the wider area – we will act to ensure these other areas can also thrive. This means building on their industrial strengths and helping them hone a unique offer, specifically targeting international markets.

2. Remove constraints to the growth of Greater Cambridge

Cambridge is a magnet to companies from across the globe. It's labour supply and prolific reputation are of the highest order. But there are worrying signs that some constraints are starting to bite – as noted above, businesses are unhappy with transport and housing issues, and modelling shows that these issues will overwhelm the success of Cambridge if not dealt with. We will act, with Government's support, to remove these constraints by increasing housing targets and investing in a state-of-the-art transport system.

3. Better integration of industry across the area

The three-economy nature of Cambridgeshire and Peterborough is a strength. Each economy has individual specialisms, which mean the area as a whole can and does lead the UK on multiple fronts. However, the current disconnects between the different economies represents a missed opportunity. By enabling them to work together more closely, our Local Industrial Strategy will look to widen the benefits of high growth in some areas, most notably in Cambridge, to others. We will connect up the business support networks and skills provision across the area to ensure that all areas benefit from the wealth of expertise that exists.

The benefits of our success will not just be felt here, locally. As noted by the CPIER, for many of the leading business tackling these grand challenges the location decision is here or overseas. In numerous specialisms, we compete with the world's top tech clusters for business. Often we are the only UK option on the table. By supporting our Local Industrial Strategy, the UK government will see particular progress on two of our grand challenges:

AI and Data

Our area is a magnet for companies which are leading the advance of artificial intelligence and data science. Google, Amazon, Apple and Samsung all have technical laboratories here. Samsung note in their decision to come here that the area "is a global epicentre of machine learning and one of the world's foremost hubs for AI research and development, home not only to world-class talent but also some of the most well-renowned AI scholars with whom we will co-operate closely."

Ageing Society

We are home to many of the most significant pharmaceutical and life sciences companies. These are researching many of the genetic causes of problems in ageing, and examining where therapies and treatments can have a real impact. The Cambridge Centre for Ageing and Neuroscience is using epidemiological, behavioural, and neuroimaging data to understand how individuals can best retain cognitive abilities into old age.

5. Driving productivity growth: the role of the Local Industrial Strategy

Productivity is both vital and elusive. Vital, because without productivity improvements, standards of living and long-term economic output will not increase. But also elusive – national productivity has remained largely static since the financial crisis. And productivity can be affected by multiple factors, both at the micro and macro level.

The need for productivity growth

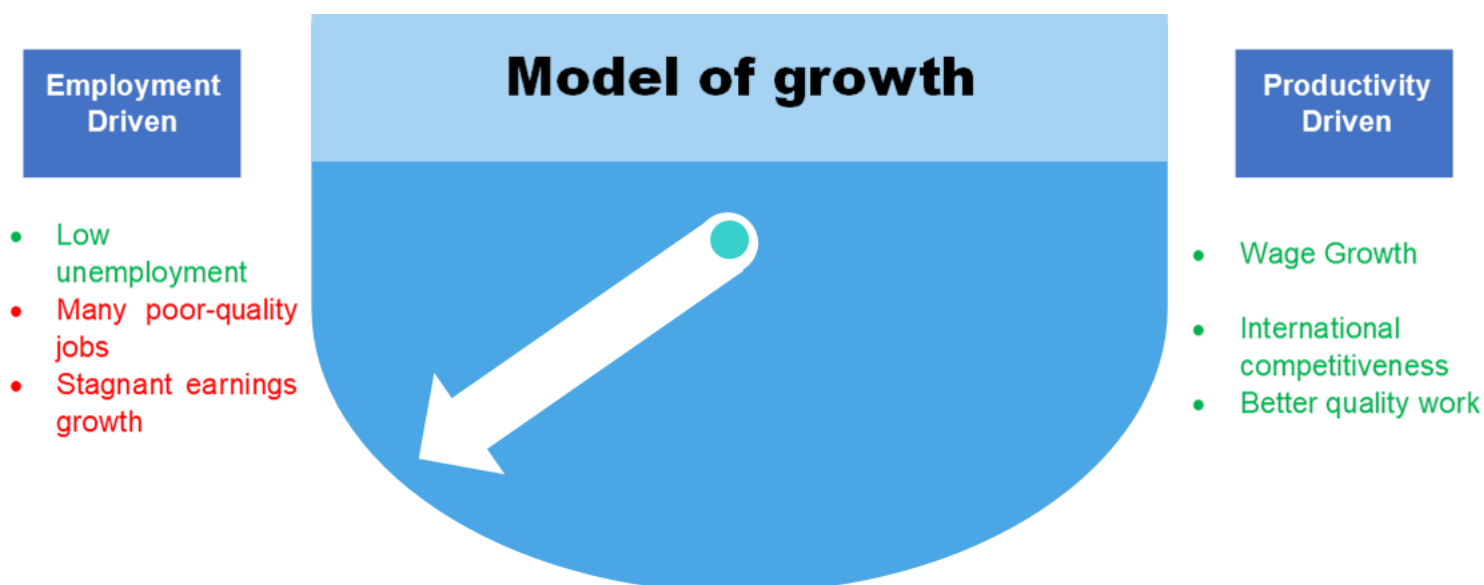
There are two ways to grow an economy. The first is to increase *employment*. This could look like taking on more workers, and/or increasing the hours of the workers you have. The second is to increase *productivity*. This means that, even if the amount of hours worked stays constant, more is being achieved in those hours. (It is of course possible to have elements of both of these approaches.)

However, the outcomes of which model is adopted vary hugely. While an employment-driven model has the positive benefit of reducing unemployment, it comes with a raft of other issues. It is often associated with poor quality work, low wages, and workers experiencing stress and associated health problems from overwork. Furthermore, it cannot lead to a long term increase in the overall productive potential of the economy – a short-term boost can be achieved by more work being done, but if, in the long-term, the quality of that work doesn't improve then growth will grind to a halt as resources are exhausted.

The productivity-driven model has much more positive outcomes. If people are generating more income, they will be better rewarded, leading to higher wages, better quality work, and an overall higher standard of living. [say more on this]

Of the two, the UK has been broadly using the first model, rather than the second. This has been seen particularly extremely in our economy where, as noted, employment growth has been exceptionally high. The CPIER comments: "Future growth [in Cambridgeshire and Peterborough] will have to involve elements of both employment growth and productivity growth, with the dial pushed firmly in the direction of productivity improvement."⁵

⁵ CPIER ref



The UK economy: The need to move the dial towards productivity-driven growth

Moving towards a productivity-driven model of growth is not easy. Low productivity growth has become ingrained. Nothing less than a revision of the very foundations of our economy can suffice.

The Industrial Strategy identifies five key foundations of productivity:



Our local industrial strategy sets out key interventions in each of these areas we will make to drive up productivity.

The Place of the LIS in our strategic programme

The LIS is one among many strategy documents. It is not intended to set out all of our priorities, or be used to achieve all of our aims. We focus specifically on what will most help business to flourish, while we take up many other concerns, on areas such as quality of life, housing, and the environment, in other documents. The relationship between this and other key documents and strategies can be seen below.

Strategic Delivery	Local Industrial Strategy	Non-Statutory Strategic Spatial Framework	Skills Strategy	Local Transport Plan	Greater South East Local Energy Strategy	Housing Strategy
Overarching Vision and Mandate	CPCA Growth Ambition Statement					
Foundational Documents	Devolution Deal with Government			Cambridgeshire and Peterborough Independent Economic Review		

The first foundational document is the Devolution Deal with Government, which established the Combined Authority and conferred some of the key objectives for it. A target was set to double GVA over 25 years, in return for the new powers.

The other foundational document is the CPIER, which gives a broad and thorough analysis of all facets of our economy, including business, housing, education, and health. This provides us a solid understanding, and makes many recommendations for top economic priorities.

The Combined Authority Growth Ambition Statement draws these two together. It sets out a local political mandate for how the powers conferred in the devolution deal will be used to enact the recommendations of the CPIER. It is clear that this will require close working with partners from the public and private sectors to deliver on the ambition.

Then on top of this, there are a number of other strategies, which deal with specific areas of the policy programme. This, our Local Industrial Strategy, addresses how to drive up productivity in business. Our non-statutory spatial plan (NSSP) shows how we will deliver growth by improving and developing our places. Other strategies look at the interventions in infrastructure needed to connect people to jobs, guarantee a clean energy future, and ensure digital inclusion for all.

These strategies will be brought to reality through the delivery of strategic schemes, many of which are already underway in feasibility and business case development – such as the University of Peterborough and the Cambridge Autonomous Metro (CAM).

6. Collaborating to drive change: A joint strategy across the Oxford – Cambridge Arc

The Oxford – Cambridge Arc is the UK's major growth and productivity opportunity. This region, which takes in our Combined Authority, Buckinghamshire Thames Valley LEP, the South East Midlands LEP, and Oxfordshire LEP contains some of the UK's most successful businesses. The National Infrastructure commission comments that the arc contains: “a highly skilled labour force; world-leading research facilities; knowledge-intensive firms and technology clusters which compete on the world stage”⁶.



While each of our areas has its own unique strengths (which are addressed through our local industrial strategies) there is a strong degree of common interest between us. We have

⁶ <https://www.nic.org.uk/wp-content/uploads/Partnering-for-Prosperity.pdf>

therefore developed three key propositions for what the arc is, and can increasingly be as the government and business invest in the arc:

1. Where knowledge collides with globally leading R&D assets to create and shape industries

The arc offers rich opportunities for groups across sector and academic institutions to collaborate, opening up new sectors and bringing forward new ideas. We are greater than the sum of our parts.

2. The test bed for innovations which shape the 21st century

The arc will also take ideas to the next stage of testing, refining, and shaping them. It draws upon a wealth of expertise and intellectual capital to hone innovations which will transform the ways we live our lives.

3. An environment where ideas and inventions are rapidly commercialised and spun out into high growth ventures

The UK has often been first to have ideas, but last to commercialise and benefit from them. The arc will become increasingly proficient at turning ideas into final products which can be exported around the world, bringing returns to workers and business owners.

To deliver on this vision requires three collaborative partnerships:

1. With each other

The Local Industrial Strategy process is a springboard for deeper collaboration across the arc, identifying complementarities between our offerings, and pioneering new initiatives. It will allow us to deliver interventions at a greater scale, and therefore achieve greater impacts. The Growth Company model being developed in Cambridgeshire and Peterborough has attracted interest across the arc – there may be an opportunity for collaboration here, particularly to increase scale up space.

2. With the Department for Transport and National Infrastructure Commission

The Government has put forward bold proposals for new and improved transport infrastructure across the Arc, to unlock the productive potential of wider labour markets and great collaboration. This also allows the delivery of much needed housing to support an aspirational and highly skilled workforce to work in the arc. We will support these initiatives and work with local authority partners to make these plans a reality.

3. With the Department for International Trade

The Department for International Trade has already made its support for the arc clear, and begun the work of marketing the huge opportunities involved to investors⁷. These pan-regional approaches to attracting inward investment from around the world have worked well for other groupings, such as Midlands Engine and the Northern Powerhouse. We will

⁷ DIT: The Investment Opportunity: The Cambridge – Milton Keynes – Oxford Opportunity

work to develop this offer, identifying the strengths of particular places and developing bespoke prospectuses for investors.

7. Foundation #1 – People

Evidence and Barriers

The Cambridgeshire and Peterborough economy is successful on any level. GVA growth has outpaced that in the region or nationally consistently over recent years.

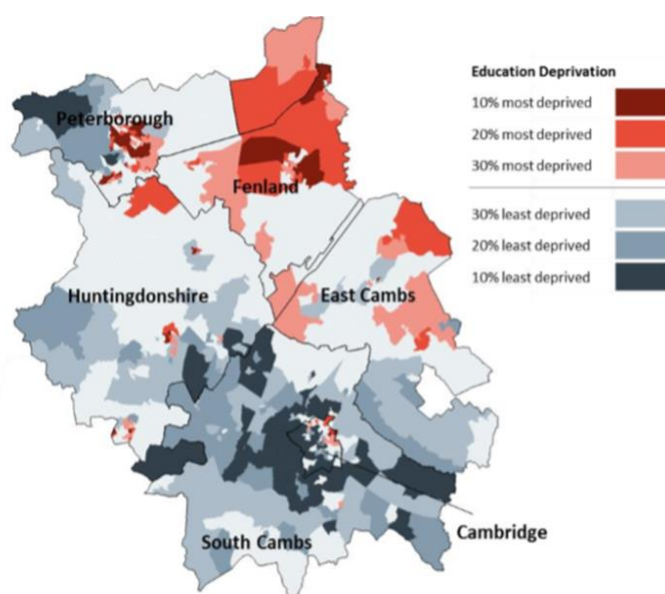
But as noted, the three different economies have different needs, and that is particularly true for this first foundation of productivity. The interface between demand for labour and places plays out in consequentially different ways. Despite very significantly higher wages in the south of Cambridgeshire and Peterborough, house prices are now some thirteen times wage levels in Cambridge putting massive pressure on wages, productivity and business competitiveness. Elsewhere, whilst skills issues remain vital, high efficiency can be coupled with low wages and skills and hence low productivity.

The Combined Authority's Public Service Reform programme will bring local public services together with Government to explore ways to overcome deep-rooted social challenges in the context of significantly reduced public funding.

Government must however recognise the implications of rapid economic growth upon all local public services, from health and social care to policing, and the impact this has amplifying divides rather than creating inclusivity.

The challenge of the LIS is to work with the different parts of Cambridgeshire and Peterborough: those at each end of this spectrum and those in between, ensuring that the education and skills offer of the area is adapting to enable employers in each economy to get the skills and abilities they need from the resident workforce, who in turn have access to high quality and well-paid work.

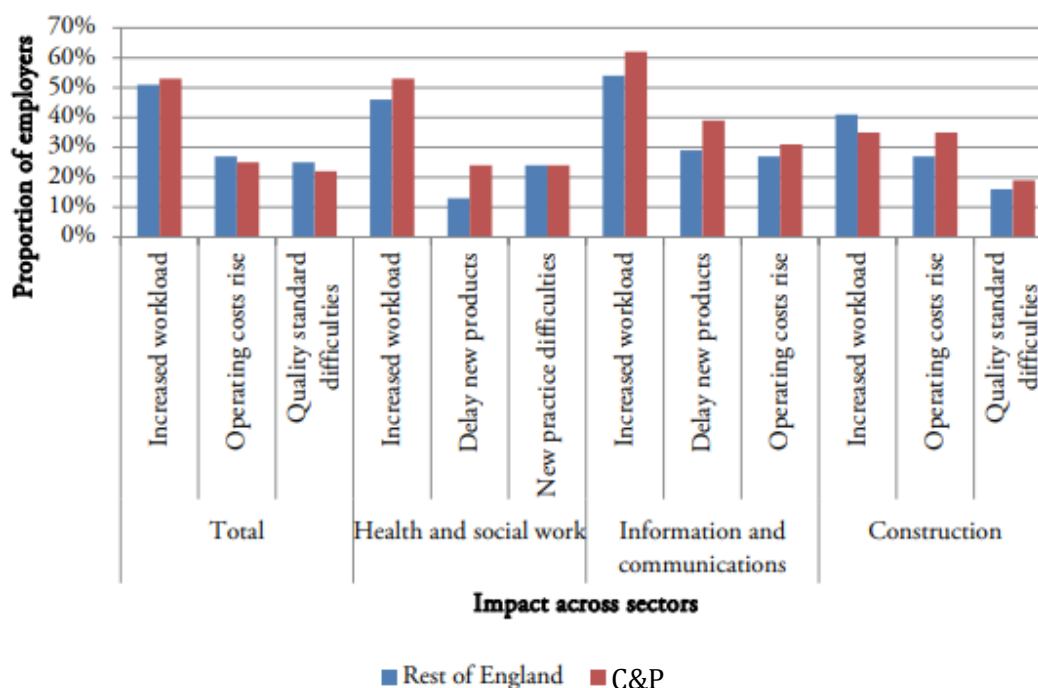
Nothing is more foundational for people than their education which is why it is important to if not central to the LIS. Within Cambridge and Peterborough, educational outcomes are highly uneven. South Cambridgeshire has some outstanding educational outcomes for example, whilst East Cambridgeshire and Fenland score 308th and 241st respectively out of 324 Local Authorities in England – hence why the Government has declared them a Social Mobility Opportunity Area. The map, right, shows how educational deprivation is unevenly spread.



If some of the schools of Cambridgeshire and Peterborough aren't equipping young people with these outcomes, they can't play their part in the economy of the area. If so, aspiration and achievement will remain low, the Apprenticeship Levy will fail to work in the way intended, and too much of Cambridge and Peterborough will remain locked in a low skills, low pay equilibrium, structurally unable to provide the absorptive capacity the high growth areas of Cambridge and Peterborough very much need. Rebalancing educational outcomes is essential to rebalancing the economy of Cambridge and Peterborough. It is also essential to raising productivity and therefore a key underpinning of the LIS.

A lack of necessary skills is also having a real impact on businesses in our area. A survey of employers, looking at some of the key sectors in our area, found that the impact of skills gaps was more severe than in the rest of England on several metrics, such as increasing workload, creating higher operating costs in the IT and Construction sectors, and meaning delays in new products coming forward – therefore acting to slow down innovation.

Impact of skills gaps by sector



Source: UKCES Employer Skills Survey.

Skills

As the Cambridge and Peterborough Combined Authority beds in and it takes full responsibility for the Adult Education Budget, it needs to take responsibility for outcomes for adults too. The evidence base assembled for the CA Skills Strategy has established that a disproportionate level of the AEB is spent on activities which seem unlikely to contribute directly to the economic output of the area.

As part of the LIS we will make **More Effective Use of the Devolved Adult Education Budget**: better connecting adult skills provision with the needs of our businesses, creating better opportunity for retraining and upskilling in a dynamic modern marketplace.

But better provision alone will not provide the skills for our economy and ensure that business and able to access them. The labour market is very prone to information failure in which people are unable to understand what it on offer or the benefits of investing their time and resources in courses or differentiating between them. Similarly, employers can find it hard to access the people they need. So we will, through our Local Industrial Strategy, take three sets of actions to bridge the information gap:

- We will create a **Digital Talent Portal**: connecting employers, providers, and learners together in single online platform. This will be Supported by central administration. Though at first it will need to be supported. Once operation there is the potential in the future for revenue generation through commercial activity.
- Learning from experience in the past, there should be the opportunity for specific brokerage to bring together demand and supply through dedicated skills brokerage. We therefore propose to create a **Skills Brokerage Service**: specialist activity building relationships between businesses, providers and learners – focussed on achieving an increase in the number of apprenticeships
- One of the most challenging areas of matching need and opportunity is in relation to apprenticeships. On the supply side there is still an issue a perceived lack of parity of esteem between vocational and academic education and training. On the demand side, creating the critical mass of demand from employers to make the support for employer based apprenticeships feasible can be a challenge too. **We propose an ATA/Levy Handling Agency**: where brokerage makes connections within the existing market. The ATA would directly intervene to facilitate new apprenticeships – pooling common needs across groups of employers.
- More is needed to help employers to make apprenticeships available. So, in addition, we propose the create an **Apprenticeship Ambassador Network**: a voluntary network of business champions, encouraging businesses to overcome reticence to create apprenticeships, and encouraging uptake.
- Further help is needed to get more people into apprenticeships. So we will create a **Mayor's Apprenticeship Challenge Fund**: offering financial incentives to help overcome barriers to uptake, including travel costs and expenses

There are two particular sectors where there are occupations in which the skills needs of Cambridgeshire and Peterborough are particularly acute. They are also areas where there is opportunity for people to obtain new skills and careers. We therefore propose interventions focused on these areas:

- We will create a **CITB Construction Hub**: on-site training hub at Alconbury, working across the county. Supporting the hard-to-reach, workers from declining sectors, and military veterans into careers in construction

- We have also created the **Health and Social Care Progression Academy**: with DWP funding pilot to support progression within and across priority sector

The three priorities identified thus far: education, skills and young people and adults, will all require careful steering, balancing the needs of young and older workers and employers, ensuring that purposeful change in provision occurs in ways that help the provider community to adapt quickly, minimising disruption. Innovation is also needed in the way public money supports businesses in their training, promoting innovation, cooperation and joint procurement of skills across supply chains and sectors. For all these reasons, stronger systems leadership and governance is needed via a **New Skills Advisory Panel** charged with overseeing these reforms. The Panel needs to be expert in skills but also in business with a heavy emphasis on innovation, experimentation and evaluation to promote new ways of supporting skill development.

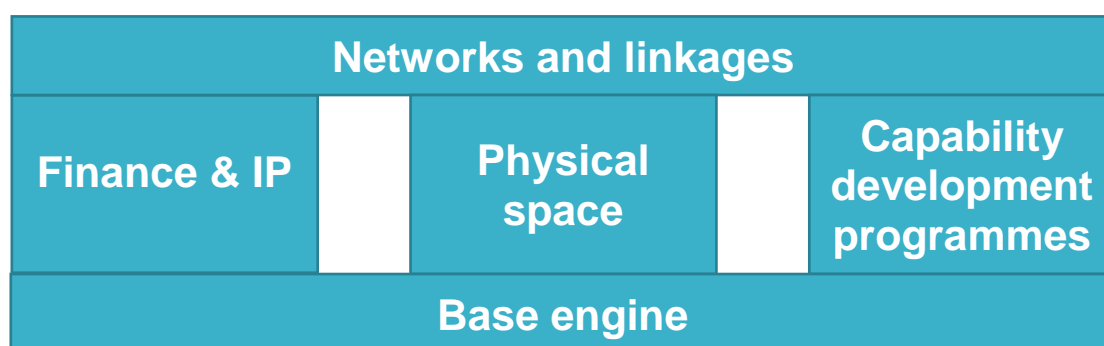
Higher Education

This Panel should also inform the future of Higher Education in the area. The Combined Authority has supported proposals for a new Technical University in Peterborough. It is vital to the LIS that this the Technical University of Peterborough provides a bridge between the world class industries in the North of our area as well as more traditional sectors where the skills and knowledge of an HEI can help their transition to excellence.

8. Foundation #2 – Ideas

Evidence and Barriers

Productivity growth is heavily dependent on the introduction of innovative new products and services and the ideas and the circumstances which give rise to them. Whilst much process innovation happens in situ in offices and laboratories in companies wherever they are, the nature of innovation is changing more generally in a way that is becoming more context sensitive. If the major innovations of the motor age happened in a handful of places and a small number of large companies, the model of today is more complex, diverse and more broadly based. So place matters for innovation.



A model of place-based innovation

This is in a general sense as well as in more specific one. The **Economic Base** of a place needs to be sound. For example, its connectivity (physical as well as digital) needs to be right. Attractive and well-priced housing needs to be in place as well as high quality education, and levels of amenity in other respects such as environment and retail. Without a strong economic base of this kind, the core of the innovation system will be based on poor foundations and consequentially weak by design. So a successful supply side policy framework is essential to develop an industrial strategy in general, and an innovation ecosystem in particular. The picture is different across the Combined Authority area.

In Cambridge and South Cambridgeshire, we have a well-established base engine, global University, high quality culture and leisure offer and working and living environment that continues to attract creative, knowledge driven people and businesses. In Peterborough we have a well-connected cluster of engineering based manufacturing firms and logistics, with, the potential to grow. Proposal for a new Technical University would significantly boost the base engine. The Fenland base engine is less developed – with innovative firms in high tech food production, but no central hub which is driving innovation.

This model of innovation sees this Economic Base as the foundation for three pillars of policy, namely Finance and Intellectual Property, Physical Space and Capability Development Programmes.

The picture on **Finance and Intellectual Property** is mixed but nowhere is it as clearly excellent as might be desirable. Cambridge has the best endowment with a deep pool of early stage finance through the likes of Cambridge Angels and Cambridge Capital Group but even here firms report low levels of access to scale up support. Elsewhere there is a lack both of seed finance and an absence of the collaborative approach to innovation which seems to be so important a part of Cambridge's success.

Physical space like finance has stages. What a business needs in its start-up phase is different as it matures and grows. It is vital, if an innovation ecosystem is to be effective for there to be the right offer at every stage and of the appropriate kind.

There is evidence that Cambridge needs more start up space, which is less likely to attract private sector funding given the risk profile, and need for more commercially focussed wet labs for product development and testing. Peterborough has a potential shortage of incubator space needed, to encourage entrepreneurs to set up and locate. The Fens lack space but perhaps also the innovative space that links to specific sectors and can support wider start up and innovation activity in market towns.

Both the finance and property offers in Cambridge are more developed than those elsewhere. This is the case in relation to the presence or otherwise of **capability development programmes**. In Peterborough there is need which could be met linked to the proposed new university and sector specific programmes. The Fens are similarly in need – focused on sectors e.g. Agri-Tech.

One key reason for the differential development of the areas which reflects the strength of the innovation ecosystems in each area is the **Strength of Networks and Linkages** in each area. Cambridge has highly effective networks, whereas in Peterborough there is good work going on through Opportunity Peterborough, but a need for sector-led networks, which are business-led but with public sector support. The Fens needs to encourage firms who compete to collaborate and build knowledge.

Interventions to deliver place-based innovation

Putting all of these factors together in to a programme leads us to **place-based innovation districts, integrated with our new business growth support programme**, in the following broad areas of activity.

Networks and Linkages

- Taking the CPIER recommendation to develop a “Regional Fellows network” to strengthen networks across the area – beginning with the role that the Growth Service will play in creating new linkages across high-growth firms in places and sectors (more detail on page 34)

- Establish a business network for the Fens economy, which is most lacking in this regard
- Host series of targeted events and introductions to bring together new and established innovation based entrepreneurs and young people.

Funding and IP

- Expand the Eastern Agri-tech “Research, Development and Prototyping Fund” across the CPCA and New Anglia LEP area (committed to by the Business Board in November 2018)
- Set up a Work with prominent R&D and IP generators to take a leading role in their fields and improve **access funding** from Innovate UK through sector deals etc.
- Invest in further **R&D infrastructure** and grant support in the fields of Agri-tech and advanced manufacturing where we can add value.
- Establish a pilot SME Tech Transfer fund to promote R&D – offering match funding to up to 50 SMEs to write bids to access R&D grants

Physical Space

- Facilitating the creation of 2-3 new “launchpads” for innovation and product development to support key growth sectors – bringing together established firms with training, R&D, and incubation facilities. Designing with input and learning from the on-patch success of such centres in Cambridge
- Continuing the development of the Cambridge Compass and Alconbury Enterprise Zones as key locations for high-value business activity in the region
- Facilitate new start up and incubation space where market failures are identified – beginning with the co-investment partnership between the Business Board and Illumina within the Life Science sector (TBC following January Business Board)
- Creation of a new University Enterprise Zone as part of the Technical University of Peterborough
- Develop new start up space partnerships in Cambridge – privately led if possible

Programmes

- Develop a CA wide business growth & scale-up programme. This will identify firms with high growth potential who are experiencing barriers to growth and productivity and provide structured access to support on IP, skills, finance, internationalising etc.
- Support Micro Innovation systems. In specific locations (to be finalised through this and relevant market town strategies) the growth programmes would be integrated with new business growth space as set out above in new business growth and innovation hubs, both

sector specific and targeted at cross sector SME opportunities in specific places (e.g. March).

Base engine

- Delivered through wider strategic interventions in housing, infrastructure etc.
- Establish a new University in Peterborough to address low take-up of HE and provide more comprehensive links to industry.

9. Foundation #3 – Business Environment

The evidence and the barriers

As set out above, delivering our overall growth ambitions means that we must increase productivity, changing the spatial distribution of growth and supporting an increase in business growth and skills levels across the whole of the C and P area.

Overall, we are a dynamic business environment. 5,646 companies were born between 2010 and 2016, compared with deaths of 9,245. We have seen growth in turnover of companies in the area over the last six years at least 2% per annum, over 10% in South Cambridgeshire.

We have a strong track record of supporting indigenous high growth firms, supported by dense networks in the Cambridge economy between entrepreneurs across sectors, educational establishments, and the groups which have developed and play a key role on the life of the city and business environment. This is reflected in the type of business growth clustered in Cambridge with agglomeration benefits around high value industries including life sciences and digital. The CPIER concluded that there is strong investor interest in firms in the C and P area, but also business tell us that access to scale up funding related to R&D continues to be an issue, including within Cambridge.

As we have seen there are both risks to future business growth rates within the Cambridge / South Cams engine and opportunities to strengthen innovation, infrastructure and skills support for business growth in Peterborough and the Fens. There are specific opportunities relating to clean growth and higher value agricultural production, further improving the links between research conducted within Cambridge and the capacity of less knowledge intensive but high growth and export focused firms in the Fens and Peterborough.

Goals and Approach

Our approach to the Business Environment is to bring together a range of interventions into a new, targeted approach to business growth support.

We will do this through integrating capacity to support businesses on a number of issues that are core to achieving growth, working with targeted firms to increase capacity for growth in small businesses. This support will also be spatial targeted in those places with greater capacity to absorb economic growth in the next 3 to 5 years.

At the same time, we will develop the transport and housing solutions needed to remove the pressures on growth in the Greater Cambridge area.

Specifically, we will provide enhanced business growth support to at least 500 firms per annum, with an emphasis on sectors and clusters in Greater Peterborough and the Fens.

Secondly, to support productivity growth in the two sub-economies where it is currently lower, namely Greater Peterborough and The Fens we will structure this enhanced support so that it delivers growth in the firms supported, that is 10% more productive in terms of *[measure to be agreed]* than the firms previous baseline business.

Thirdly, we will build on the major opportunities that exist to increase trade, supporting exports growth from 30% to 35% of GDP across the area, specifically delivering growth in the firms engaged, that is 10% more export intensive than their baseline business.

Interventions

We will deliver the goals above through three strategic interventions:

- An integrated business growth offer and service, targeted at the places and firms that will have the most impact on our goals
- A new approach to internationalization, trade and inward investment support, integrated with existing UKTI activity and designed to both increase the number of new to export and new to market firms and increasing the pace at which firms move to export.
- Develop a number of hyper local opportunity test beds and cluster support programmes where there is clear evidence of business demand and the market is failing to provide the relevant elements of the necessary innovation and growth ecosystem.

These are set out in more detail below:

Place Based Business Growth support

A new **Cambridgeshire and Peterborough Growth programme** will **profile** key firms that can help deliver a shift in productivity and exports in places. We will **target** firms for support and engage them with a unique growth focused offer. We will **diagnose** barriers to growth in the firm's capacity to innovate, productivity and market access.

We will then **broker** solutions to meet individual firm needs through defined packages of support to unlock productive and global growth opportunities. And we will invest in **Collaborative workspace** in key locations to encourage sharing and learning and network businesses across sectors and places.

Addressing **market failure** will occur through co-investment to establish an increasingly mature commercial marketplace and a managed and assured pool of experts will act as **advisors and mentors** to firms receiving support.

CPCA will design an operating and delivery model based on existing assets and work with a range of strong partners at each step.

The Growth Service will also play a proactive role in establishing better networks and clusters across the region, by linking together high growth firms based upon geographical and sector connections. This is anticipated to begin with advanced manufacturing networks across Chatteris, Littleport, March and Ely, and Agri-tech and food production networks across Wisbech and Peterborough.

Access to finance

The Combined Authority will signpost to investors, and a new CPCA Growth Fund to provide **equity growth funding**. Additional **capital for growth** will be arranged by partnering with banks and offering grants and loans for growth. The fund will be available to all scaling businesses based or moving into CPCA area that augments or works in partnership with local investment funds, local angels and VC's.

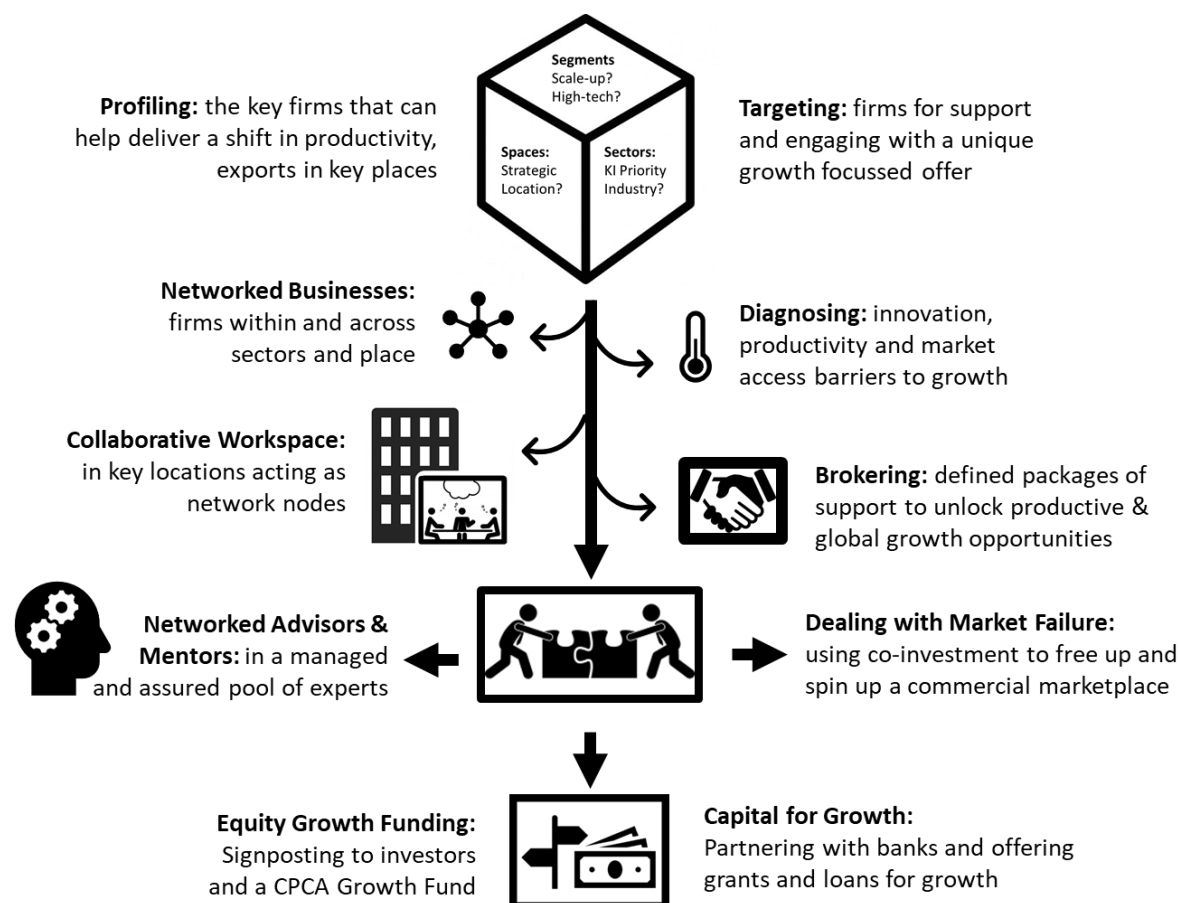
This model will complement other strategic interventions to support start-up and scale-up activity across the whole region, for example in 2019 the Business Board is also supporting start-up Life Sciences firms in collaboration with Illumina, investing £3m Local Growth Fund in a £30m accelerator programme based in Greater Cambridge.

Operationalising the approach

The diagram below shows how will integrate the different elements of our new business support offer, targeting place and firms. We are proposing to establish a new Growth Company to provide capacity and drive forward the proposed growth programme. Its role will be to shift the growth dynamic to create more sustainable growth and de-risk growth. It will guide investment and interventions more strategically through innovative use of funding and business models.

The delivery models and interventions used by the Growth Company will be **piloted over a three-year period** and will include a **random control trial** to validate the interventions' effectiveness and additionality. The pilot will provide essential data for a technical and economic review of the impact of the CPCAs business growth strategy.

If successful it will lead to the strategic application of the planned Shared Prosperity Fund, to roll-out the pilot into a full five-year programme to 2028.



The evidence for a co-investment approach

- The use of a co-investment grant, offered to firms to nudge them to take-up professional and commercially provided advice has been extensively studied by the Business and International trade departments, both of which attempt to provide firms with growth and export advice.
- Both Departments have run Random Control Tests on large SME populations to study the effectiveness of using co-investment grants to nudge smaller firms to increase the take-up rates on professional business advice.
- BEIS ran a large-scale programme between 2014-16 involving 26,000 SMEs with some provided with a co-investment grant and some randomly selected to be asked to pay the full costs of the growth and productivity advice they received.
- The Department for International Trade more recently ran a smaller RCT pilot for co-investment grants for commercially available export advice between 2017-18.

Internationalisation and Inward Investment

We will work with DIT's UK Export Finance (UKEF) arm to encourage more local large firms conducting >£100m deals to build local SMEs into their supply chain.

We will also work with DIT to develop a Map-Match-Mobilise Strategy to help CPCA firms access high value opportunities in key markets.

Capital investment

We will establish a new programme to encourage investment into CPCA strategic investment sites, including our Enterprise Zones our new Launchpads and any other strategic business locations which emerge between us and our local authority partners.

Domestic/FDI company investment

Working with Greater Cambridge and Greater Peterborough to pilot new place-based approaches to drive greater inward investment that brings inclusive growth to the area. Piloting this approach in partnership with Opportunity Peterborough and the Greater Cambridge Partnership respectively (detail to be added following upcoming meetings).

Working with HMRC to pilot of an Air Passenger Duty holiday on newly established long haul flights from Stansted to high potential market destinations, to stimulate the opening up of new export and FDI routes through increased ease of access from CPCA area to new key markets and to provide new low cost capacity for increased exports within the "belly hold" of the larger-scale long haul vehicles.

Launchpads and Innovation Clusters

As described in the ideas chapter above, we will facilitate the creation of 2-3 new "launchpads" for innovation and product development, reflecting business demand for research and innovation space and capability that is accessible and connected to industry operations and need.

The evidence of the CPIER and regular feedback from local businesses and institutions in the development of this LIS is that our respective strengths in innovation and production are too often disconnected – especially outside of Greater Cambridge. Cutting edge research is too far from real life market need, and this is where our opportunity to facilitate a stronger ecosystem can have real impact. This is a particular issue for our agri tech and advanced manufacturing businesses.

Advanced manufacturing R&D centre and high-tech incubator in the Fens economy, which will represent a partnership between the Combined Authority, a major manufacturing business partner, an R&D institution, training provider, and bespoke incubator/scale-up space. The Launchpad will build upon the industrial and institutional expertise onsite to bring new products to the domestic and international markets.

This will expand the footprint of current expertise and operation in the Fens, using the existing business base to facilitate a stronger cluster of innovation and industry – which will play a long-term role in the future prosperity of the Fenland Market Towns.

Agri-tech Centre and Demonstration Farm that will provide new focus to the emerging centre of UK and international agri-industry expertise in Cambridgeshire and Peterborough, and the wider Eastern region, Building upon the success of the Innovation Farm joint venture between the Business Board and the National Institute for Botany (NIAB), further centres of excellence will be supported by the Combined Authority across the Fens, Greater Peterborough and Greater Cambridge – connecting this vital sector strength together.

Smart cities/transport applications development centre near Huntingdon, currently in discussion with local partners. Where other opportunities for new business space come forward with a strong business case and with the recognised features set out above, the Combined Authority and Business Board will look to support these.

10. Foundation #4 – Infrastructure

The Industrial Strategy notes that “having modern and accessible infrastructure throughout the country is essential to our future growth and prosperity.” We agree. The capacity of our infrastructure is the limit of what is possible – without continually updating and improving our infrastructure to meet our businesses’ needs, other attempts to boost business productivity and output will have rapidly diminishing returns. But better infrastructure doesn’t just enable. It can effect change, by giving confidence to investors and companies that the success of an area is a project the government is willing to put its money behind. And infrastructure spending should itself be considered an investment – the financial and social returns of strategic infrastructure projects will repay the initial outlay many times over.

Whereas we have previously had to compete with other places for a share of national infrastructure investment, with devolution the government has placed its trust in us to deliver some of our infrastructure needs ourselves. We have responsibility for a devolved transport budget, and have also been awarded £21m from the Transforming Cities Fund, to put towards improvements in transport.

The list of potential projects is long – it is vital that we prioritise. Key Recommendation #8 of the CPIER states that: “A process for scheme prioritisation and development should be implemented in full to ensure that the overall approach reflects the goal of doubling the size of the Combined Authority economy, and over time better connecting the three economies of the area.” We have fully accepted this recommendation, and are working to understand which projects could have the most impact.

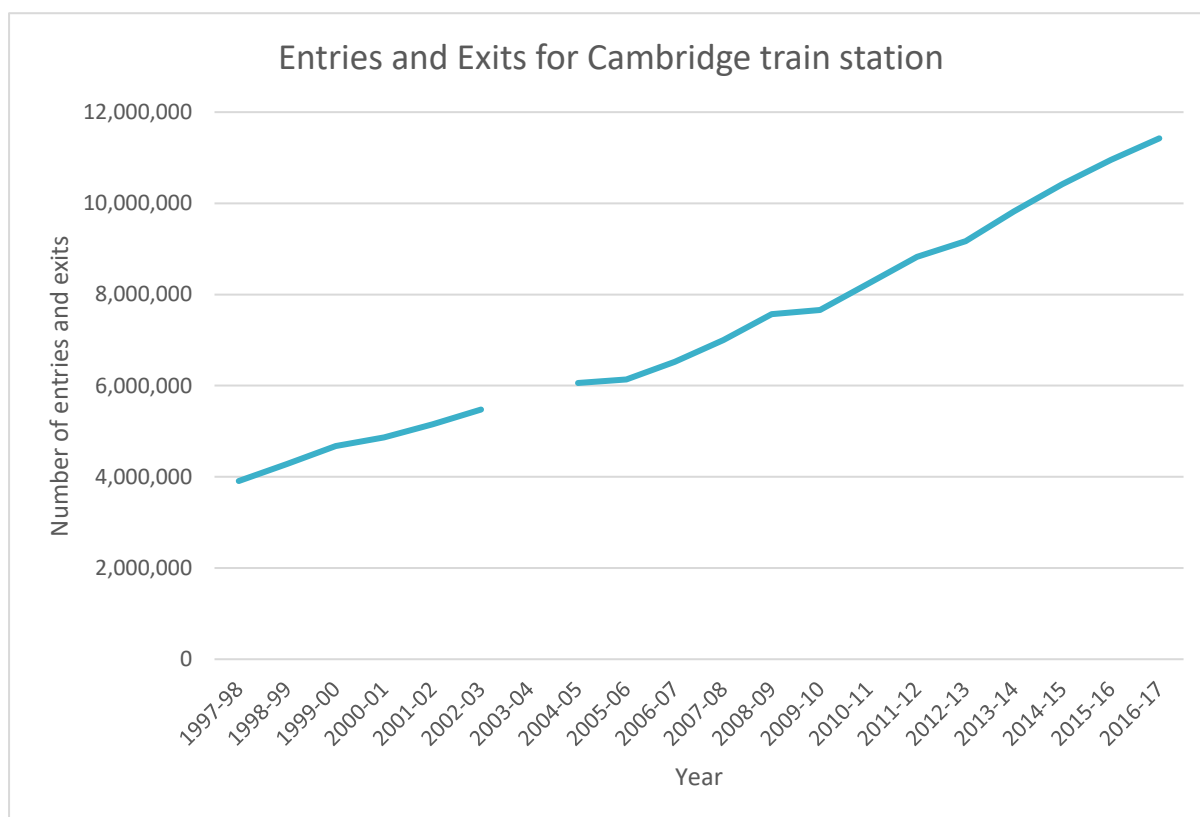
The Evidence – insufficient infrastructure is hampering productivity growth

As part of the CPIER, a survey of businesses in the area was carried out by PriceWaterhouse Coopers to understand what the most important issues for them were. The findings were striking. Poor infrastructure was repeatedly identified as a brake on growth in the area. 30% of businesses surveyed felt that digital infrastructure was constraining their growth. Transport was another often cited limitation – one business stressing that “better road networks and finding a solution to reduce traffic congestion in Cambridge” was a top priority. The clear growth in demand for transportation into Cambridge can be seen by looking at the number of entries and exits to Cambridge station, which has almost tripled since 1997/98. The

30%

The proportion of businesses which think digital infrastructure is limiting their growth

travel to work area of the city has “expanded since 2001 more than any other TTWA in England.”⁸



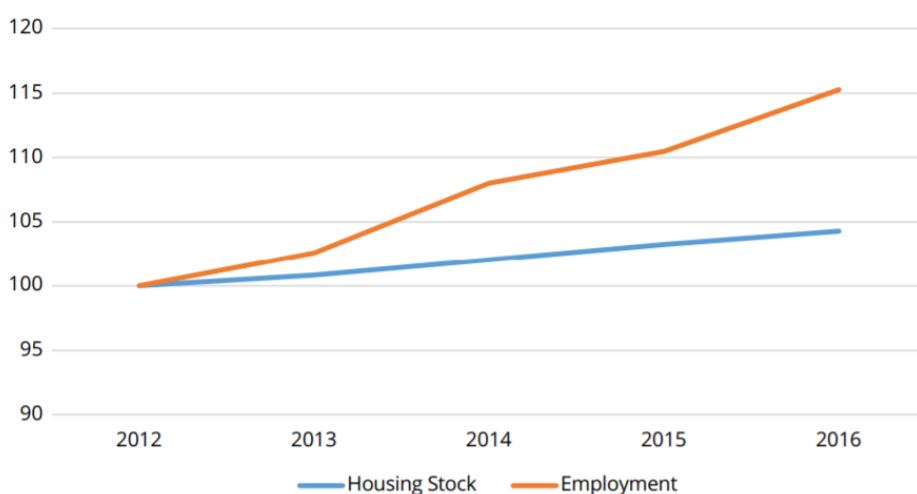
Source: Office for Road and Rail. NB Data is not available for 2003-03.

Transport is not just a problem in Cambridge, though. Many of the services to our market towns are infrequent, or finish early. Many of the main roads connecting up our urban centres are single carriageway, slow and dangerous, such as the A10 and A47. All of this is taking a real toll on businesses, with one commenting that ““We constantly have people stuck in traffic either on the way to work or clients”, and others noting that some new recruits were being put off by how bad the situation had become.

⁸ <https://www.cchpr.landecon.cam.ac.uk/Projects/Start-Year/2015/Refining-the-recent-release-of-the-ONS-Travel-To-Work-Areas/Experimental-review-of-the-Cambridge-Travel-to-Work-Area/Report>

Closely tied to issues around transport are housing difficulties – with transport infrastructure often being key to opening up new areas for housing. As shown below, employment growth has been consistently outpacing housing growth, especially in the south of our area. Employment growth is closely linked to demand for housing, with much of the employment need being met by people moving to the

Growth in employment and housing stock, 2012=100



area. The CPIER identifies both the need to increase housing targets, and the need to develop housing which meets a range of needs, such as “intermediate” housing for those who don’t qualify for social housing, but are unable to get on the housing ladder. These housing issues are not just important for quality of life (though they are), but have been identified as a key problem in business surveys.

To meet this need, our housing strategy has established a £40 million revolving fund, which allows us to go beyond our Devolution Deal target of 2,500 affordable homes. We will also use the Spatial Framework and direct investment in new settlements to encourage extra affordable housing provision, including by developing homes for first time buyers with price target based on earnings.

Another big area of concern is our energy infrastructure with some of the energy substations reaching capacity. As we lead the way on AI and Data technologies, this adds significantly to the power burden. This has meant that a Combined Heat and Power facility at a site in the North of Cambridge has not been able to switch on due to extra grid pressure, and schools have been unable to install solar panels. Conversations with local councils have revealed this as their biggest concern about utilities, with an organisation, the Southern Cluster Forum, set up to tackle this issue.

Interventions – unlocking productivity growth through infrastructure

We have identified the key interventions in infrastructure which will free up extra capacity for businesses, and bring investment to areas which are not yet fulfilling their potential. A map showing some of these is overleaf.

The most vital of these for improving productivity are:

- **Alleviating transport bottlenecks and building transport for the future**

We will look to make major upgrades to some of our vital artery roads – in particular the A10 and A47. These are hampering business activity and adding to journey costs. But we will go beyond simply fixing our current problems. We will build transport that enables greater levels of business-rich agglomeration – building the Cambridge Autonomous Metro (CAM) and developing business cases ambitious propositions like extending the M11 or re-establishing rail links to cut-off places. For this we will need government support to realise our ambition.

- **Becoming a broadband optimised Combined Authority**

One of our districts, Fenland, is in the top 25 nationwide for availability of ultrafast “full fibre”⁹. We fully support the National Infrastructure Commission’s ambition to achieve nationwide full fibre broadband by 2033, and CityFibre are working with Peterborough to make this a reality in the city. By early 2019, the first homes will have access to Gigabit speed broadband services of up to 1000mbps. Across Cambridgeshire, Connecting Cambridgeshire is already running a programme to improve rates of superfast broadband coverage, which at current reaches 97% of properties – our aim is to reach 99% coverage by the end of 2020.

- **Adopting smart grids and battery storage to create energy resilience**

We will pioneer smart grid technology to optimise the energy capacity we currently have, and to help people sell their own generated energy to other residents. We will use battery storage to release extra capacity at peak times, and store energy when it is being underused. In addition to this we will continue to update key substations where necessary to ensure our businesses can access the energy they need.

⁹ <https://www.ispreview.co.uk/index.php/2018/10/the-top-25-uk-local-authorities-for-full-fibre-broadband-2018-vs-2017.html>

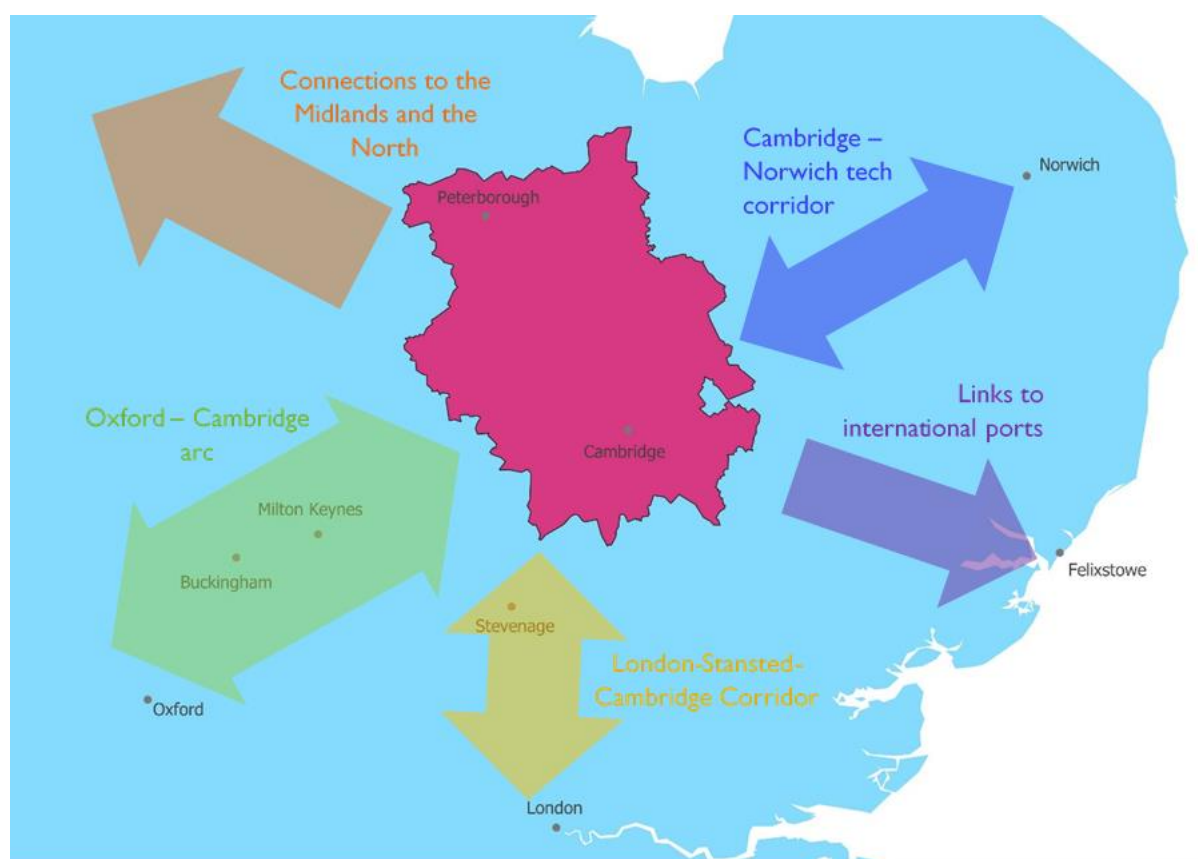
11. Foundation #5 – Place

No economic activity takes place in a vacuum. While the importance of place has often been left out of nationwide economic strategies, its inclusion as a foundation of productivity recognises a fundamental truth: how places work affects how their people and businesses work.

But place can be viewed on different levels. There are wider regional partnerships, such as Midlands and Engine and the Northern powerhouse. There are local enterprise partnerships and Combined Authority areas, covering smaller areas of the country. And then there are the lower levels geographies, both administrative and economic.

Industrial strategy beyond the border: key regional and national links

Cambridgeshire and Peterborough is the central nexus for many important corridors and national connections.



Oxford – Cambridge Arc

The development of links to Oxford, via Milton Keynes, Northampton, and Buckingham presents a huge opportunity for our area. Oxford is home to a wealth of research expertise, and collaboration with researchers and businesses there will create new knowledge spillovers and business opportunities. The arc is home to leading automotive, space, and

digital firms. We fully support the ambitions for the arc, and will play our part in supporting the housing and infrastructure plans associated with it.

London Stansted Cambridge Corridor

This corridor, also known as the UK's Innovation Corridor, connects us to the capital, via the research centres of Hertfordshire and Essex, and the international airport at Stansted. Key assets include GSK, Harlow Enterprise Zone, and the London universities. This area has the potential to generate 400,000 new jobs, half of which would be in technological jobs, by 2036¹⁰.

Links to international ports

The East Coast ports, most notably Felixstowe, connect to the world, and are a key outlet for our exports. As we look to grow our export contribution to GDP, and thrive in the post-Brexit world, these links to the global marketplace put us in a strong position to trade.

Cambridge – Norwich tech corridor

Our area shares many common business interests and sectors with Norfolk, most notably around AgriTech and food sciences, where the University of East Anglia is a world-leading research centre. This Corridor presents opportunities to work together, cementing the East of England as a global centre of excellence.

Connections to the Midlands and the North

Just as important as our links south to London and east to Norwich, are our links to the Midlands and the North. These regional powerhouses are leading the UK in many areas of innovation and progress – by connecting into them through key transport links like the East Coast Mainline and A1 we stand to benefit from, and contribute to, their productivity growth.

Industrial strategy within the border: responding to the needs of our sub-economies

As discussed earlier, Cambridgeshire and Peterborough is **not one but three economies**, Greater Cambridge, Greater Peterborough, and the Fens. Our industrial strategy responds to these different areas differently depending on their needs – these have been detailed in other chapters. We also recognise the need, as called for in the CPIER, for the strong local leadership discussed by the industrial strategy at both the Combined Authority and sub-economy levels.

Some specific place-based interventions we will enact are:

- **New business premises to stimulate place-based innovation**

¹⁰ LSCC report

For entrepreneurs to collaborate and innovate, they need a place to do so. One of the causes of success in Cambridge is that there are so many opportunities for entrepreneurs to interact and share ideas. Part of the way to produce this across the Combined Authority is create the places where they can do so, drawing on successful examples at Alconbury and Wisbech. At the same time, for start ups in the life sciences sector, wet lab space is very hard to come by and there is a need to develop more of these spaces for small companies to move into. We will work to create more of this space within the Greater Cambridge economy.

- **100,000 homes across the Combined Authority**

Issues around housing are stymying growth and productivity. In some areas, firms struggle to recruit workers because the cost of housing them is too high. Insufficient supply of housing has led to the ratio of house prices to earnings reaching thirteen times in some areas. In others, it is difficult to build houses for the workers the labour market needs due to problems with viability or flood risk. We will improve rates of housebuilding, working with developers and the construction industry to restore the skills base and supply chains which were affected by the economic downturn; and to ensure an appropriate mix of housing, particularly affordable housing to meet the area's social and economic needs. We will continue to bid for future rounds of the Housing Infrastructure Fund to bring in the infrastructure we need to unlock this housing.



The Boathouse, Wisbech

- **Creation of bespoke Market Towns Masterplans**

The eleven market towns of Cambridgeshire are each unique: in character, industrial composition, and demographic. However, in common with market towns across the UK, they have not until now been subject to strategic process. We are developing market town masterplans for all of these towns (the first, for St Neots, is already complete). These will show how the key industries in each towns can be nurtured, and how a new type of worker with a strong focus on high quality of life can be attracted to set up in the towns.

- **Working with groups at the subeconomy level**

In order for each of the three economies within our area to perform at their best, we will support and work with key groups leading on their economic development. These include Opportunity Peterborough, who work with businesses across the city, and drive economic development, and the Greater Cambridgeshire Partnership (GCP), established as part of the Cambridge City Growth Deal, with responsibilities for delivery of housing and infrastructure. We will also support the development of a Fenland Business Network, and work with Fenland, East Cambridgeshire and Huntingdonshire councils to ensure the economy receives the support it needs.

12. Programme

INSERT MAP OF INTERVENTIONS when finalised.

Foundation	Headline	Interventions (existing devolved funding and powers)	Delivery Start Date	Interventions for development with Government (new funding and powers)
Ideas	A place based approach, connecting existing capabilities and targeting place specific gaps in performance and ecosystem	Establishing new networks, starting with a Fens Business Group, targeted events and region wide network of Innovation Growth champions.	<ul style="list-style-type: none"> March 2019 	New Enterprise Zone at Peterborough Technical University.
		Expanded Agri-Tech R&D and prototype funding across CPCA and NALEP - <i>£4m expansion committed 2019-21</i>	<ul style="list-style-type: none"> Fund currently live £4m fund extension from April 2019 	
		A new SME Tech Transfer Fund – <i>£250k supporting up to 50 SMEs</i>	<ul style="list-style-type: none"> August 2019 	
		Invest where market fails to provide start up and grow on space, including micro innovation systems and spaces in market towns - <i>£3m Local Growth Fund investment in Life Science Accelerator programme in Greater Cambridge (TBC Business Board January)</i>	<ul style="list-style-type: none"> March 2019 	
People	Ensuring that further and higher education provides the capacity and offer needed to drive growth and productivity	New flagship University for Peterborough	<ul style="list-style-type: none"> 2000 learners by 2022 	Apprenticeship Levy Handling flexibility to address under utilisation Improve linkages between AEB and business demand
		Recommissioned Brokerage service with strategic partners	<ul style="list-style-type: none"> Brokerage Service currently live New Service 2021-onwards 	

		Adult Education Budget – <i>devolved administration of £12m fund from 2019/20</i>	• August 2019	Joint approach on remaining ESIF funding to integrate with CPCA investment
		Skills Hub - Digital Talent Portal	• August 2019	
		Apprenticeship Ambassador Service	• Live	
		Work Readiness and Aspiration pilot	• April 2019	
		Mayor's Apprentice Challenge fund	• August 2019	
		CITB Construction skills hub	• May 2019	
Infrastructure	Tackling constraints on continued growth and connecting up the three areas of our economy to improve productivity	<ul style="list-style-type: none"> • Tackling acute housing affordability through 100,000 new homes. • Deliver Energy Strategy to improve supply and grid capacity • Deliver 99% superfast Broadband and strengthen mobile signal in rural areas • Major transport priorities: <ul style="list-style-type: none"> • A47 - Wisbech to Peterborough • A10 • Huntingdon Third River Crossing • Cambridge Autonomous Metro • Soham • Cambridge South Station • Kings Dyke • Wisbech Rail 	<i>Connections to Local Transport Plan and Housing Strategy to be added</i>	Tax Increment Financing and Development Corporation powers linked to delivering major new scheme
Business Environment	Improving productivity and business growth through targeted and integrated support	Major new business growth programme delivered by new Growth Company – <i>supporting 500 firms per year</i>	<ul style="list-style-type: none"> • Growth Hub live • New Service live from August 2019 	Extend targeted growth programme across wider OxCam arc.

		Development of enhanced FDI offers for Greater Cambridge and Greater Peterborough	<ul style="list-style-type: none"> Greater Cambridge <i>in development</i> Greater Peterborough pilot 2019/20 	Pilot air passenger duty holiday on long haul flights to new destinations from Stanstead to drive up exports
		Facilitate 2/3 new “launchpad” spaces for process and product development in key opportunity markets, responding to market demand and investment.	<ul style="list-style-type: none"> TBC 	
		Internationalisation support to drive exports and increase SME supply chain opportunities.	<ul style="list-style-type: none"> September 2019 	
		New investment marketing and support programme for strategic investment sites	<ul style="list-style-type: none"> September 2019 	
Place	Working with local authorities and others to target investment into the towns and communities of our three economies.	Facilitating new employment space in key sectors in Greater Cambridge, in partnership with GCP		
		Work with construction industry to remove barriers to housebuilding?		
		Market Town Masterplans for Growth	<ul style="list-style-type: none"> Masterplans for all 11 Market Towns by end 2019 	
		Working with all partners to support development of delivery arrangements for growth across three functional economies		

