



**GREATER
CAMBRIDGE
CITY DEAL**

Securing future prosperity

Report To: Greater Cambridge City Deal Executive Board

08 March 2017

Lead Officer: Rachel Stopard, City Deal Interim Chief Executive

Greater Cambridge Response to the Government's Industrial Strategy

Purpose

1. This report seeks input to help shape the key themes that Greater Cambridge partners wish to emphasise in response to the Government's Industrial Strategy.

Recommendations

2. It is recommended that the Executive Board:
 - (a) Identify any key themes or issues that should be emphasised in the Greater Cambridge response to the Government's Green Paper "Building our Industrial Strategy"
 - (b) Delegate authority to the City Deal Interim Chief Executive, in consultation with the Executive Board, to work with partners and stakeholders to develop a response to be submitted to Government by 17th April 2017.

Reasons for Recommendations

3. The Government's Industrial Strategy document is a Green Paper which invites input on a range of themes (ten "pillars") and questions. Greater Cambridge is a functional economic area with a clearly defined international strength in the science, research and innovation sectors that have the potential to underpin the UK economy in the future.
4. The City Deal partnership is a broad partnership of academic, business and council partners which has been created specifically to facilitate further sustainable growth of the Cambridge Cluster. It is therefore well-placed to bring together the views of a range of partners and make a well-evidenced input to Government's thinking on industrial strategy.
5. The Green Paper was launched in late January, with a deadline for responses of 17 April. The timing of City Deal meetings is such that it has not been possible to draft a detailed response at this stage. This report rather seeks to highlight some possible key themes for a Greater Cambridge response, and to invite input from partners to develop a more detailed response in time to submit by mid-April.
6. Subject to Board approval, officers would welcome contributions and conversations with business and academic partners to ensure that the Greater Cambridge response reflects the genuine concerns and aspirations of those partners and to facilitate

alignment with responses from the Greater Cambridge Greater Peterborough Local Enterprise Partnership and potentially other partners in the area.

Executive Summary

7. The Government is inviting responses to its industrial strategy. Greater Cambridge partners are recommended to develop and submit a response which emphasises:
 - (a) the importance of Greater Cambridge's globally competitive cluster to the UK economy,
 - (b) the potential wealth that could flow to other parts of Greater Cambridge Greater Peterborough and the wider UK from innovations and research that takes place in Greater Cambridge, and
 - (c) the need to underpin that research and innovation strength through continued support for infrastructure investment (transport, utilities, digital), access to skilled labour (including from abroad, and including through housing that is more affordable and of an appropriate tenure mix) and research funding.
8. Officers propose to work with business and academic institutions and networks to develop a more detailed response in the month before the deadline for submission.

Background

9. Although the UK economy has grown in recent years, there are structural challenges which have created gaps between the UK and its international competitors in terms of investment and productivity, and gaps within the UK between the more prosperous places (mostly in London and the South East) and other cities and regions.
10. The UK economy is still seeking to rebalance from an over-reliance on London in general and the financial services sector in particular. In the context of the EU Referendum result, the Government has launched its industrial strategy as "a critical part of our plan for post-Brexit Britain."
11. The industrial strategy is a green paper which Government has emphasised it is keen to see as a genuine consultation "in order to make the industrial strategy effective in delivering an economy that works for everyone."
12. The Greater Cambridge City Deal was negotiated by local partners as a way of creating a cross-sectoral partnership with strong and streamlined decision-making powers, and access to funding, to tackle the key barriers that the business and academic community were identifying to further economic growth in the Cambridge Cluster. Those barriers were identified as connectivity, housing affordability and skills.
13. The City Deal has developed a programme, based on the strategic vision in the Local Plans for Cambridge and South Cambridgeshire, and the Transport Strategy that was developed to underpin those Local Plans. This programme is starting to be delivered, and will be complemented by investments due to come through the Cambridge and Peterborough Combined Authority and the Greater Cambridge Greater Peterborough Enterprise Partnership.
14. While recent data gathered by the University of Cambridge for Cambridge Ahead suggests rapid growth in employment in the area within 25 miles of Cambridge, business leaders have voiced concerns that the challenges of connectivity (both transport and digital), housing affordability and access to skilled labour remain.

15. Indeed, with the Greater Cambridge economy having benefited from European funding and skilled labour from Europe, there is a risk going forward that Government needs to be cognisant of in its post-Brexit policy-making, to ensure the conditions for the continued growth of Cambridge Cluster remain strong.
16. **With the right conditions and investment in infrastructure, research, and access to skilled labour (including housing), Greater Cambridge can play a key role in generating the ideas and the wealth that can be spread and shared across neighbouring areas and the wider UK.**
17. The green paper is structured around ten “pillars”, listed at Appendix A. They are: science, research and innovation; skills; infrastructure, business growth and investment; procurement; trade and investment; procurement; affordable energy; sectoral policies; driving growth across the whole country; and creating the right institutions to bring together sectors and places.
18. The green paper also asks a number of specific questions against each theme, but makes clear that the themes and questions “are there to provoke debate, not to constrain it”. Officers recommend that the Greater Cambridge response does not attempt to answer each point in detail, or even necessarily give a detailed response against each theme. Rather officers suggest that greater impact will be achieved by focussing on those themes and issues most relevant to the Greater Cambridge economy in the round, and the purpose that the City Deal has in creating the conditions for sustainable growth of that economy.
19. Those key themes would appear to include the following, although input from the Board and Assembly is welcomed on whether there are alternative or additional issues that the Greater Cambridge response should focus on as a priority.
 - (a) Access to skilled labour
 - (i) Greater Cambridge has global strengths in knowledge intensive business sectors (KIBS) stemming from the presence of a world leading university with an unparalleled track record in science, research and discovery. The global pre-eminence of this cluster has been boosted significantly throughout history by the arrival and contribution of leading scientists, researchers, innovators and entrepreneurs from around the world. Those who are here and want to stay need to have that opportunity, for our business and research institutions to continue to flourish.
 - (ii) In the light of the EU Referendum result, for Cambridge to continue to genuinely be at the forefront of the global market, it will need policy arrangements that allow (potentially relatively small numbers of) the brightest and best talent to come to Cambridge and to ensure that skills interventions can help address inequality, so all local people can share prosperity.
 - (iii) The Greater Cambridge economy also needs skilled labour to work as technicians and in the care and other sectors.
 - (iv) Greater Cambridge partners have demonstrated an awareness of the skills challenge and an ambition to address it through the establishment under the City Deal of the Skills Service, working alongside the GCGP. To ensure that we meet business needs for skilled labour, and to ensure that we involve young people from the area and its neighbouring communities (sharing prosperity and creating wealth for all, in all places), it will be imperative that the Government’s skills policy supports the continuation and deepening of this kind of approach.

- (v) Officers would welcome input from the Joint Assembly Skills Sub-Group, the Skills Service, the LEP and the FE sector representatives to finesse and evidence this element of the Greater Cambridge response to the Industrial Strategy.
- (b) Infrastructure
 - (i) Connectivity between business and research parks, campuses and institutions remains a high priority. Connectivity between areas where new housing is due to be built, or where existing housing is more affordable (including in the north of the Combined Authority area and to the East of the GCGP area) is also a major issue.
 - (ii) The City Deal, Combined Authority and Enterprise Partnership have infrastructure funding to address some of the key corridors and linkages. But Government will need to play a significant part in addressing the longer range connectivity opportunities in the wider Greater Cambridge Greater Peterborough geography, for instance through rail, road and other modes; and in potentially supporting the development and delivery of innovative solutions to rapidly moving the growing population of Greater Cambridge to and between employment centres.
 - (iii) The Greater Cambridge partnership needs to have a more direct and dynamic two-way relationship with the national infrastructure agencies such as Network Rail and Highways England to ensure that schemes such as East-West Rail, Cambridge South Station, new rail lines and stations to the North and East of the area and road improvements to the A10 and A505 come forward rapidly and connect seamlessly to the existing network and to the improvements the City Deal partnership and others are putting in place.
 - (iv) Local access to more flexible funding, e.g. through a Tax Increment Financing deal or other structures to utilise the significant private patient capital that exists, would enable more rapid and locally-responsive infrastructure investment.
 - (v) Utilities infrastructure also represents a potential constraint. Electricity grid capacity, renewables connections and water supply and treatment all need Government attention including to ensure the regulatory framework does not constrain utility providers from investing in infrastructure capacity that would support or enable further economic and housing growth.
 - (vi) Digital connectivity remains key for almost all businesses and communities too, and Greater Cambridge needs more consistent, high bandwidth broadband and mobile coverage.
- (c) Science, Research and Innovation
 - (i) Officers working on this Greater Cambridge response are liaising closely with partners at the University of Cambridge who are co-ordinating an East of England HE response.
 - (ii) We will seek to reflect the key messages coming forward from that sector, and would anticipate that messages around access to research funding would feature, emphasising the need to maintain research excellence in one of the UK's few genuinely globally competitive research clusters.
- (d) Housing
 - (i) Although housing is not an explicit theme of the industrial strategy, it is clearly linked to the access to skilled labour point. If workers cannot find or afford housing of the type and tenure that they need, employers will find it increasingly hard to recruit and retain skilled workers.
 - (ii) Officers will liaise with colleagues who are digesting the Government's recent Housing and Planning White Paper and will seek to make

constructive input to the industrial strategy on the types of policy responses that would be required to create the conditions for growth in Greater Cambridge given its particular housing challenges.

- (e) Sectors
 - (i) Officers should seek input from the key sector networks (Cambridge Network, One Nucleus, Cleantech and others) to ensure the Greater Cambridge response reflects the views and needs of these sectors on the questions Government is asking.
- (f) Driving Local Growth
 - (i) Greater Cambridge has much to offer to the Government's aspirations around an economy that works for everyone. Cambridge innovations are being manufactured in other parts of the UK, bringing jobs and wealth to Yorkshire, Glasgow, South Wales and elsewhere. We are keen to see this trend continue, including within the Cambridgeshire and Peterborough area, which it must not be forgotten also contains areas of deprivation and disadvantage (including some within Cambridge itself). In order for this sharing of prosperity to continue and deepen, however, Greater Cambridge itself must be nurtured. Without investment in science and research, infrastructure, housing and access to skilled labour, Greater Cambridge may not continue to produce the innovations that can be commercialised elsewhere. The UK can only realistically support a small number of genuinely world class clusters, and if these are not supported and nurtured, footloose capital and skilled talent may relocate overseas. This would harm the whole of the UK. The Case for Cambridge needs to be well-evidenced and well-understood.
- (g) Institutions
 - (i) Greater Cambridge has a strong track record of innovative ecosystems, collaboration and partnership working. The Cambridge Phenomenon is cited in the green paper as a case study, both in terms of the innovation ecosystem and the economic partnerships that have been put in place in the last five years, including the City Deal and Mayoral Combined Authority. We need to continue to nurture and invest in these institutions, partnerships and networks. Government needs to allow such institutions, both here and in other parts of the country, to be sensitive to local circumstances, and to give those locally responsive institutions the genuine powers (including fiscal devolution) that would allow them to drive their particular economic strengths and potential even further.

20. As mentioned above, these are suggested positions which officers would seek to develop in concert with partner bodies, agencies and networks over the coming month. We would welcome a steer on whether the basic analysis described above is along the right lines, or whether there are other key themes we should be emphasising.

Considerations

21. The deadline of 17 April, and the capacity of officers and partners to collate and present Greater Cambridge's evidence most persuasively is a possible consideration or constraint. Officers would seek to liaise closely with other agencies and institutions in the wider area that may also be planning to submit a response, to ensure that they are coherent and complementary, and ensure we deliver clear messages to Government.

Options

22. The Assembly and Board could helpfully shape the key points to be emphasised in the Greater Cambridge response.
23. The Board could decide not to support a Greater Cambridge response. Having a single response for the whole Combined Authority or GCGP area would be one option. This would have the benefit of a single message to Government, but could have the disbenefit of perhaps not fully reflect the nuanced perspective of the Greater Cambridge partners and the somewhat unique functional economy in this particular geography.

Implications

24. There are no significant financial, legal, staffing, risk, equality, climate change, or community safety implications of the recommendations in this report.

Consultation responses and Communication

25. In the time available, this early paper has been put together by officers of the partner councils, without wide engagement. It is intended to liaise with partner bodies to develop the detailed response.

Background Papers

Building our industrial strategy green paper

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/586626/building-our-industrial-strategy-green-paper.pdf

Appendix A The ten pillars of the Government Industrial Strategy

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The pillars

- 1. Investing in science, research and innovation** – we must become a more innovative economy and do more to commercialise our world leading science base to drive growth across the UK.
- 2. Developing skills** – we must help people and businesses to thrive by: ensuring everyone has the basic skills needed in a modern economy; building a new system of technical education to benefit the half of young people who do not go to university; boosting STEM (science, technology, engineering and maths) skills, digital skills and numeracy; and by raising skill levels in lagging areas.
- 3. Upgrading infrastructure** – we must upgrade our standards of performance on digital, energy, transport, water and flood defence infrastructure, and better align central government infrastructure investment with local growth priorities.
- 4. Supporting businesses to start and grow** – we must ensure that businesses across the UK can access the finance and management skills they need to grow; and we must create the right conditions for companies to invest for the long term.
- 5. Improving procurement** – we must use strategic government procurement to drive innovation and enable the development of UK supply chains.
- 6. Encouraging trade and inward investment** – government policy can help boost productivity and growth across our economy, including by increasing competition and helping to bring new ways of doing things to the UK.
- 7. Delivering affordable energy and clean growth** – we need to keep costs down for businesses, and secure the economic benefits of the transition to a low-carbon economy.
- 8. Cultivating world-leading sectors** – we must build on our areas of competitive advantage, and help new sectors to flourish, in many cases challenging existing institutions and incumbents.
- 9. Driving growth across the whole country** – we will create a framework to build on the particular strengths of different places and address factors that hold places back – whether it is investing in key infrastructure projects to encourage growth, increasing skill levels, or backing local innovation strengths.
- 10. Creating the right institutions to bring together sectors and places** – we will consider the best structures to support people, industries and places. In some places and sectors there may be missing institutions which we could create, or existing ones we could strengthen, be they local civic or educational institutions, trade associations or financial networks.