

Section A: Summary information

A1. Proposal title

Greater Cambridge - unleashing the phenomenon

Our economic challenge is to provide the infrastructure that will unlock the unrivalled potential of the Cambridge city region, build on its track record of success and launch into a new phase of stronger and sustainable international competitiveness.

Without the co-ordinated and focussed investment the city deal can deliver we risk choking off future growth, stalling the next wave of the Cambridge Phenomenon, and harming the wider rebalancing and recovery of the UK economy.

To maximise the Cambridge city region's ability to innovate and grow highly successful businesses in the international knowledge economy, public and private partners need to work together to improve the connectivity and networks between the city region's clusters and labour markets so that the right conditions are in place to deliver further growth.

These connections and networks need to be both intellectual and physical - so we can continue to exploit and support the city region's capacity for turning innovation into commercial ideas, keeping more of the second and third phase development of those ideas within the UK, and adding to the already outstanding GVA per capita we already deliver.

A2. Key partners involved in the proposal

The key local partners involved in this proposal are:

- Greater Cambridge Greater Peterborough Enterprise Partnership
- University of Cambridge
- Cambridge City Council
- South Cambridgeshire District Council
- Cambridgeshire County Council
- The Greater Cambridge business community

We hope that Government departments and agencies will also become partners in a Greater Cambridge city deal.

A3. Local point of contact

- Working level contact: [Andrew Limb](#), Cambridge City Council, 01223 457004
- Senior level contact: [Alex Plant](#), Cambridgeshire County Council, 01223 715660

Section B: Problem definition

B1. What is the single economic challenge or opportunity that you want to address through a city deal? Why has this been chosen as the focus of your proposal?

Our economic challenge is to provide the infrastructure that will unlock the unrivalled potential of the Cambridge city region, build on its track record of success and launch into a new phase of stronger and sustainable international competitiveness. In a globally competitive environment we face a stark choice between ensuring investment and growth in the UK or facing stagnation or decline as other city regions overtake us.

The opportunity to deliver a City Deal for greater Cambridge area could not have come at a better time to maximise the inherent strengths of our internationally recognised city region and to enhance the economic potential of the developments already planned, but which we risk failing to optimise.

Greater Cambridge's economic success to date is the story of a networked and connected city region. Research into the Cambridge phenomenon shows success happened in Cambridge because:

- A world class university drew talent into the area from all over the world, fostered innovation and encouraged business spinout from that innovation which developed into a strong hi-tech and bio-medical cluster
- The City's scale and connectedness allowed overlapping networks to develop and facilitated a culture of cooperation and cross fertilisation between entrepreneurs.
- The city is attractive as a place and therefore competes with other world cities as a good place for business leaders and their families to live, not just a good place to do business.

The global nature of Cambridge businesses means that they do have the opportunity to move their operations elsewhere in the world and retaining our success stories in the local area is as important as generating the ARMs and Autonomys of tomorrow.

In order to deliver more jobs and economic growth, the city region needs to grow physically and to work in a different way. The effect of the planned developments will mean that the city region will have new centres of gravity at the Addenbrookes Bio-Medical campus to the south and at the University of Cambridge's Northwest Cambridge site to the north.

These hi-tech, high-potential clusters need to be connected to each other, to the centre of the city, to the proposed new station in the north east of the city and to the necklace of science parks and research institutes. They also need to be easily connected to the major new 10,000 housing settlement we are seeking to deliver at Northstowe, significant new housing on the city fringes, the existing new development of Cambourne and proposed settlements at Waterbeach, as well as to the Enterprise Zone at Alconbury. Businesses and the universities tell us this connectivity is crucial.

In order to achieve that connectivity we need to tackle limited housing stock, high house prices and dated infrastructure, whilst retaining the high quality of life standards that has helped to attract some of the most talented people in the world to want to come and live, work and grow businesses here. Critical challenges that risk limiting our potential include:

- Shortage of housing within reasonable journey time of key employment centres has driven unsustainable levels of house prices as well as in rental prices, meaning that many key workers cannot afford to live in, or within a reasonable distance of, our key job sites. Average house prices in Cambridge are currently 8.85 times the average salary. Housing needs (i.e. waiting lists) are over 8,500 in Cambridge and over 3,200 in South Cambs.

- Transport infrastructure constraints mean that commuters have unreasonably lengthy, unreliable and congested journeys that reduce the attractiveness and reliability of doing business in the area. Traffic on Cambridgeshire's roads increased by 30% from 1999-2009, compared to a national average of 19%. By 2021, travel time is forecast to increase by 23% in the Cambridge sub-region.
- The infrastructure gap associated with existing plans has been independently assessed in one recent study to total around £1.82bn.
- The impact of these things together builds inefficiency into the economic landscape, making it harder for firms to recruit and retain the staff and access the markets they need.
- We are competing with Silicon Valley, Boston area, Bangalore but are much smaller and constrained than these areas by the issues set out above.

We need to be able to move people and intellectual property around the larger city region as effectively as we did around the smaller city of 40 years ago, for the networks and connectivity that uniquely characterise Cambridge's phenomenon to drive the UK economy in the decades ahead.

We need to achieve:

- New ways of funding and delivering infrastructure to support growth, and to grow, retain and attract world-class businesses.
- Fast, reliable, clean, affordable ways of travelling between business and housing centres.
- The right number, types and tenures of housing, in the right places, well-connected to employment centres (both virtually and physically).
- Immigration policies that recognise the value to our knowledge-based economy of retaining and attracting very high-skilled workers.
- Ways of supporting small businesses to access the finance they need to grow and develop
- A sense of "Cambridge" incorporating the whole City-Region

We need to secure some of the dividends from growth to invest in new infrastructure. Without that investment, the potential of city region to help drive a significant and sustainable rebalancing and growth of the UK economy will be lost, as we lose out to international rivals and growth rates fall.

B2. Why can't this be taken forward by the private sector or through existing policy tools?

- Private sector demand is extremely strong in our city-region, but without the enabling infrastructure that only the public sector can provide, this demand will not be met
- We have one of the fastest growing populations but high and increasing demands on the Council Tax base from cost-hungry services such as Adult Social Care.
- A transformative approach to infrastructure requires a scale and nature of investment that is unfeasible within current policy tools: We have utilised a range of existing tools creatively, e.g. investing through prudential borrowing, creating an innovative Revolving Fund by investing in loans and equity deals to facilitate development, and combining other existing funding sources. But whilst new policy tools such as CIL, New Homes Bonus, Business Rates Retention and GPF are welcome, they are not sufficient either to deliver the scale of infrastructure funding that is needed, or to deliver investment up front, when it is needed.
- The scale of the challenge we face means we need to move to more integrated approaches around developer contributions and tax increment financing to support a sizeable Revolving Fund to invest for growth. This in turn requires Government to allow local retention of some of the growth dividends we create, to enable the investments we need.
- This, alongside even closer integration of planning and delivery across administrative boundaries, is required to help unlock our full economic potential. The city deal would provide a potential framework, and a real impetus, for this transformation to take place.

Section C: Broad approach

C1. What broad approach do you intend to take to addressing the challenge or opportunity identified above?

- Integration in governance and strong city-wide leadership to develop a unified vision for the future of Greater Cambridge including the ability to combine key economic levers such as strategic planning, transport, skills and broadband – to meet the needs of people and businesses now and in the future.
- Innovative funding mechanisms, including ‘earn back’ and TIF-style powers, to create a revolving infrastructure fund to allow for the delivery of more transformative and ambitious infrastructure projects that unlock and connect housing and business growth as never before, as well as contributing to a virtuous cycle of investment and growth through the retention of greater growth dividends for reinvestment.
- Implementing an ambitious transport package to improve connectivity and speed delivery of planned significant housing developments.
- Better tailoring provision of services – e.g. skills – to genuinely meet local business needs and address gaps.
- Increased input from businesses and other partners.
- Link to measures through Future Cities, super-connected cities, etc. to build a transformative approach and ensure that systems are properly inter-connected.

C2. How can this approach ‘do more with less’ by delivering greater efficiency in public spend?

- More effective use of existing resources by tailoring them to local needs.
- Leveraging private investment to reduce the burden on public resources.
- Generating resources through business growth, etc. – for local and national benefit.
- Introduction of focus on loans through investment fund/venture capital fund to generate receipts on top of public investment.
- Unified local government teams supporting the Board, with shared service style efficiencies experienced.

C3. What local resources do you expect to invest in addressing this problem and what resources can be leveraged from the private sector?

- £220m committed to revolving investment fund from 2013-18.
- Possibly business rates pooling gain for the area.
- Public assets to de-risk private projects and deliver affordable housing.
- CIL investment.
- £25m capital investment at Northstowe.
- University leverage and private sector investment through housebuilding and commercial development flowing from new station and other developments.
- Opportunity cost from business rates incentives.
- University and college investments.
- Private sector developer funding.
- Leverage considerable private sector funding – e.g. critical mass in investment fund to attract pension funds, etc.

Section D: Expected benefits

D1. How do you expect your proposal to have an impact on local jobs and growth, and at what scale?

Greater Cambridge competes on a global stage and acts as a gateway for high-tech investment in the UK – the growth that we expect to drive through a city deal is net growth to the UK rather than displacing economic activity from elsewhere in the country.

There is huge economic potential – the city region is one of the few net contributors to the UK economy through its unique blend of innovation and technology and the local economy has continued to grow throughout the recession.

Our proposal is about

- Unlocking considerable suppressed demand – now and in the future – by generating additional funding to address our deficit.
- Increasing attractiveness and reliability of doing business in the area.
- Better targeting investment to the needs of our economy.
- The easing of the labour market problems that our proposals on housing and infrastructure will deliver, which will in turn allow a long term increase in jobs emerging from our growing internationally competitive clusters and more spin-outs.
- Direct job impact from construction activity.
- Enhanced business and Higher Education input into the employment of economic levers to increase their effectiveness.
- Integration allows more effective targeting of employment levers at big wins.
- Even more effective translation of university ideas into commercial outputs and spreading the Cambridge brand wider to cover the whole city deal geography, enhance our inward investment offer and increase the effective labour market catchment.

Section E: Governance

E1. Over what geographical area will you address this problem? Why?

- Cambridge and South Cambridgeshire.
- Practical approximation of the travel to work area of Cambridge. (over 50% of the population of the TTWA, and the vast majority of the economic activity and employment base).
- Inherent cross-boundary interactions in lives of people and businesses.
- Existing strong joint working arrangements to build upon – increases potential for a city deal to be truly effective in the area.
- The 3 partner authorities are ready to go – considerable practical difficulties with a wider area than this.

E2. What governance structures will ensure effective, binding and strategic decision-making across the relevant economic area?

- Greater Cambridge Economy & Transport Board as the core – ancillary panels to bring more specific focus, e.g. on transport and skills. The local authority partners will put various powers into this Board. It will be based on legally binding commitments
- We have a strong track record of working together between the public partners – e.g. joint strategic transport and planning member group, JDCCs, etc. – however not so much between sectors, which needs improving.
- Headlines of powers, etc. in proposed governance framework – integrated strategy incorporating strategic planning, transport, skills, broadband, etc. and control of investment fund.
- Bringing in partners/key stakeholders to drive greater efficiency and effectiveness.
- Strategic control vested in new governance framework, with binding, decision-making powers – dilution of sovereignty from existing local authority partners.

E3. How will you generate momentum in developing a workable city deal proposal?

- We have already done a lot of work – effectively have a working group formed.
- Senior officers and Members are on board, as are the LEP and Cambridge University.
- Political commitment has already been demonstrated to pooling powers and funding.
- We have a local consensus in favour of the growth agenda, as a key example of the commitment among both local authorities and businesses in the area to the growth we expect to drive through a city deal. This consensus could fracture if there is sense that growth is not supported by adequate infrastructure to support the needs of the expanding number of residents and also ensure they have a good quality of life.

SUPPORTING EVIDENCE

Strengths of the Greater Cambridge City Region include:

- One of UK's few genuinely internationally-recognised brands
- One of fastest growing city-regions in the fastest growing county in the UK (a third of the businesses here are “knowledge-based” and the region attracts 8% of the UK’s venture capital investment; the city generates more patents per 100,000 residents than the next six UK cities combined; 100 company formations per week, including 25 hi-tech; combined population is expected to grow to 340,000 by 2031, and jobs to 226,000).
- An economy already contributing £29,000 of GVA per resident (around £40,000 per job)¹ into the British economy and which has weathered the recession well
- A number of international business based in Cambridge including two FTSE100 £1bn+ firms – ARM and Autonomy started and developed within the city-region
- A world class University – consistently ranked in the top 2 in the world, and winning unparalleled funding (e.g. bringing around £300m p.a. in research funds into the City, almost 25% of which is from EU and other international sources and topping the list of institutions hosting ERC grantees) with the highest level of commercialisation of university research in UK
- Highly educated work force – (Cambridge has the highest proportion of higher skilled workers, and the lowest percentage with no qualifications) and complementary educational establishments including Cambridge Regional College and Anglia Ruskin University
- Addenbrookes Bio-Medical Campus – of the largest and most internationally competitive concentrations of healthcare-related talent and enterprise in Europe, whose current occupiers employ 7,000 people².
- A necklace of research and incubator units
 - Babraham Research Campus – home to 35 early-stage life science companies and winning £37m of BBSRC funding in 2011
 - Hinxton Genome Campus, home to the Sanger Institute and the European Bioinformatics Institute, and employing 1500 people
 - Cambridge Science Park - Europe’s longest-serving and largest centre for commercial research and development.
 - Granta Park, home to TWI.
 - Incubator space e.g. Hauser Forum

While a number of these facilities and projects have benefited from recent Government investment, the region has traditionally not seen levels of public spend and investment comparable with other parts of the UK, particularly on infrastructure. The City Deal would create a co-ordinated and strategic approach for ensuring that future infrastructure investment would be focussed on delivering and unlocking sustainable economic growth that more than paid back its investment costs to UK PLC.

¹ East of England Forecasting Model, latest data September 2012

² <http://www.cambridge-biomedical.com/the-opportunities>

- Established business networks including Cambridge Network, Cambridge Cleantech, Cambridge Wireless and One Nucleus which facilitate the exchange of ideas knowledge and innovation
- Significant developments planned or underway to help underpin economic success:
 - Long term commitment housing growth in locality (currently consulting on options to provide for 32,000 additional homes and 44,000 jobs by 2031)
 - Northstowe – Biggest new town since Milton Keynes (approximately 10,000 homes)
 - Major development to meet the University’s needs at North West Cambridge, which will eventually deliver homes for over 8000 people and around 7000 jobs.
 - Improvements to the A14, Cambridge Station and a new station at the Science Park

These strengths, challenges and issues are described in some detail in the study “The Cambridge Cluster at 50” http://www.sqw.co.uk/file_download/284.

TRANSPORT ASPIRATIONS

The vision for transport is to achieve a system that supports economic growth and mitigates the transport impacts of the growth agenda. To achieve this, we need to provide sustainable transport capacity in the city region between key economic hubs in and around the city, and to where people live and access services. This would strengthen the economic hubs and the high tech clusters in and around the city by making movement between them straightforward and convenient.

The backbone of this strategy could be a high quality public transport network of bus and busways providing a complete orbital route around the city, connecting key employment and residential sites, complemented by rail services and fed by comprehensive pedestrian and cycle networks.

Highways capacity enhancements would ensure that traffic could move efficiently in appropriate locations without interfering with public transport corridors.

Further detail on the scale of challenge

Housing affordability

While affordability compared to average salary is 8.85, for those on lower quartile incomes, the multiplier from income to average house price is 13.74.

Average rents for a two-bedroom property in the private sector are £219pw.

Infrastructure Gap

Infrastructure required Cambridge	£234m.	Funding gap £185m
Infrastructure required South Cambridgeshire	£484m.	Funding Gap - £412m
Infrastructure required on Cross Boundary Sites	£198m.	Funding Gap £109m
Additional Strategic Infrastructure - (This strategic funding gap is largely attributable to the A14)	£1.29bn	Funding Gap - £1.12bn
Total Infrastructure Required	£2.21bn	Funding Gap - £1.82bn

For full detail see:

http://www.cambridge.gov.uk/democracy/documents/s13449/Appendix%20A%20-%20Executive%20Summary%20-%20Infrastructure%20Delivery%20Repor_4.pdf