

Written evidence submitted by Cambridge Ahead (PEG0242)

CONTENTS

Executive Summary	1
Introduction	3
Guiding Principles for the UK Recovery Strategy	4
Action to Aid the Achievement of these Principles	7
Translation of the Industrial Strategy into Post-Pandemic Recovery Strategy	9
Securing the Workforce Needed to Deliver Sustained Economic Growth	11
Local Governance to Deliver Growth Effectively	14

EXECUTIVE SUMMARY

Cambridge Ahead welcomes this opportunity to share recommendations for a post-pandemic growth strategy. The Cambridge economy has grown from strength to strength as an innovation powerhouse over the last six decades. It is an internationally renowned science and technology cluster generating £51bn turnover a year, GDP per worker of £59,751 per annum, and as a city region making a significant positive contribution to the UK's public finances. Perhaps of even more importance is the contribution that the Cambridge eco-system makes to overcoming the biggest challenges our society faces, underlined this year by the COVID-19 pandemic.

The footprint and reach of the Cambridge economy goes far beyond the city boundaries, with networks and relationships growing, particularly across the OxCam Arc. The success of the Cambridge economy is of critical importance to Government because:

- This economy is at the forefront of the Global Britain agenda, representing clusters that are truly competitive with the most attractive innovation hotspots in the world
- The scientific and technological R&D that will meet our Grand Challenges and the Green Recovery will come, in the large part, from these clusters
- This economy has real growth potential, their benefits spread across all constituent parts of the country, and as such have a direct role to play in both the post-pandemic recovery, and in delivering the Government's "levelling up" ambitions

These guiding principles should be taken forward within the UK Recovery Strategy and can be translated into delivery through several proposals that are put forward in this submission:

- Decision-making and investment prioritisation should be driven by the best possible data on high-growth clusters, and Government should respond to issues in national datasets that have been identified
- The importance of entrepreneurs and start-ups, and their particular susceptibility to market downturns, was recognised initially through the Future Fund and this should now be carried forward into substantive recovery strategies
- The Cambridge economy suffers from an infrastructure deficit that puts future growth potential at risk. Government should prioritise investment into, and accelerate delivery of, key infrastructure schemes. These will generate new jobs in high-value sectors, promote sustainable travel, and give more people the ability to access these jobs
- The collaboration between Government and industry in the development of Sector Deals and Grand Challenges as part of the Industrial Strategy was welcome, and this framework should be continued into the UK Recovery Strategy to prioritise support to key sectors
- Priority support for R&D activity in areas that will support the Green Recovery, for example by supporting University of Cambridge proposals to pioneer zero carbon flight through the New Whittle Laboratory

Securing the workforce that we need depends on our ability to continue to attract the best talent from across the globe, at the same time as empowering local skills systems to build the pipeline of homegrown talent.

- Forthcoming trade deals should ensure that innovation clusters like Cambridge can continue to attract the very best talent from across the world

- Government should further devolve skills budgets and powers to local areas, thereby increasing the ability of local skills and education systems to integrate around the tailored needs of their economies
- Government should, in particular, focus on making transformational improvements to the career education young people receive at school so that they are fully aware of the range of career opportunities and paths available to them

The inquiry raises the question of determining the local governance that is best equipped to deliver growth. In the Cambridge area the context for this includes recent Government announcements to create Development Corporations, as well as the experiences of working within a particularly complex system of authorities and agencies. These local arrangements are not well-designed to best deliver sustained economic growth. Since this inquiry was established, the Minister of State for Regional Growth and Local Government has made a series of public statements relating to the forthcoming Devolution and Local Recovery White Paper. We look forward to understanding further how these new principles within the White Paper will respond, as a priority, to the needs of the Cambridge economy, and for the benefit of the wider region Cambridge lies within.

In summary, the national importance of our area's economy was recognised in the recent Cambridgeshire & Peterborough Independent Economic Review. Ensuring that the remarkable success of our economy continues over the coming years and decades is all the more critical now, given the impacts of Covid-19 on the national economy, and the particular strengths that our clusters brings in the very areas that will be most critical for the global recovery from the pandemic. However, there is a real risk that these benefits will not be realised if the proposals we set out here are not taken forward.

INTRODUCTION

This year marks the sixtieth anniversary of the Cambridge Phenomenon. The explosion of knowledge intensive industry that began in 1960 and was first noted as a phenomenon by the Financial Times in 1980, has now persisted through six decades. The most recent annual data published by Cambridge Ahead showed that the Cambridge economy is now worth £51bn of turnover per year, employing over 250,000 people. This innovation powerhouse is fuelled by world-leading academic institutions, and clusters in technology and life sciences which grow in size and global reputation apace. In the last year alone Cambridge-based technology and life sciences companies grew their employment base by 16% and 8% respectively¹. GDP per worker in Cambridge City is £59,751 per annum².

Unsurprisingly this means that Greater Cambridge is one of the minority of places that is a net financial contributor to the country. In 2014/15 The Cambridge economy generated an estimated £3bn in taxes for the Exchequer, double the £1.5bn cost of public expenditure here.³ (NB: if Greater Cambridge's share of national budgets like defence and international aid are taken into account, public expenditure is still only £2.4bn compared to the £3bn tax take).

Understanding why and how the Cambridge economy has grown so successfully, its place within the regional and national picture, and what should be done to ensure continued sustainable growth, were the aims of the Cambridgeshire and Peterborough Independent Economic Review (CPIER), Chaired by Dame Kate Barker, published in 2018. The CPIER made a series of recommendations to Central Government, Local Authorities, and industry in order that the economic growth potential of Cambridge is realised and spread to the benefit of the region and the country.

Cambridge Ahead is a business and academic member organisation dedicated to the sustainable growth of Cambridge, spreading the benefits of the economy over a wider region over the long-term. It represents 48 of the most influential organisations in Cambridge and the surrounding region, representing a collective workforce of over 40,000 people.

Since the publication of the CPIER, Cambridge Ahead has worked closely with local and national authorities in support of their statutory duties, to implement the Review's recommendations which were unanimously agreed upon by Local Authority Leaders in the Combined Authority Growth Ambition Statement⁴ in 2019.

Since the outset of the pandemic Cambridge Ahead has focused on understanding from the business and academic community how the growth priorities identified in the CPIER now relate to our economic recovery context, and what new priorities have emerged. The following response considers the questions asked by the Super-Inquiry with this background. Further research and analysis on the impact and implications of the pandemic on the Cambridge economy have been commissioned by Cambridge Ahead, and these will be shared with national and local policymakers as they become available over coming months.

¹ <https://www.cambridgeahead.co.uk/cambridge-cluster-insights/> - CBR 2018/19 data

² <https://www.centreforcities.org/data-tool/> - Centre for Cities, 2018 data

³ <https://www.greatermanchester-ca.gov.uk/what-we-do/research/research-investment/> - ESPRESSO Tax and Spend Tool

⁴ <https://cambridgeshirepeterborough-ca.gov.uk/assets/Uploads/GROWTH-AMBITION-STATEMENT-.pdf>

GUIDING PRINCIPLES FOR THE UK RECOVERY STRATEGY

Super-Inquiry Questions:

- What core/guiding principles should the Government adopt/prioritise in its recovery package, and why?
- What opportunities does this provide to reset the economy to drive forward progress on broader Government priorities, including (but not limited to) Net Zero, the UK outside of the EU and the 'levelling up' agenda? What should the Government do to ensure that delivering on these priorities does not exacerbate the vulnerability of businesses, consumers and communities/workers that have been impacted by COVID-19?
- Whether the government should give a higher priority to environmental goals in future support?
- What lessons should the Government learn from the pandemic about actions required to improve the UK's resilience to future external shocks (including – but not limited to – health, financial, domestic and global supply chains and climate crises)?

In order to achieve the full potential of the Cambridge economy, to the benefit of regions across the UK, Government's guiding principles in the national recovery strategy should be to:

- Maintain the UK's **international competitiveness** by harnessing the growth of innovation economies – through a "UK or overseas" mentality
- Spread the benefits of those economies to more places within the UK to support the **levelling up** agenda – looking particularly at opportunities to do so within the OxCam Arc
- **Align industrial strategy with a green recovery**, by prioritising support and investment into R&D focussed on carbon reduction and environmental sustainability
- To fast-track achievement against these all of these principles, Government should **look to Cambridge, within the context of the OxCam Arc, as a pilot for the UK R&D Place Strategy** recently committed to through the new Office for Talent

The leading role that the Cambridge economy, and the wider business and academic community stretching across the OxCam Arc, has played during the fight against COVID-19 has been an exemplar of the "global Britain" policy for the UK to "take a leading role in responding to the global challenges and in making the most of opportunity for our country."⁵ The difficult circumstances of the pandemic have brought the sixty years of the Cambridge Phenomenon into the stark focus of the challenges and opportunities we all face in 2020.

The prominence of Cambridge is clear from the national and international headlines that have been generated by medical research and technical innovation, a range of examples relating to Cambridge Ahead member organisations have been collated here; <https://www.cambridgeahead.co.uk/news-media/covid-19-advice-information/supporting-the-nhs/>. This prominence is borne out too through recent data. The latest financial data for March to May 2020 demonstrates that investment into the UK life sciences sector, which is centred within the so called Golden Triangle of London, Oxford and

⁵ <https://www.gov.uk/government/collections/global-britain-delivering-on-our-international-ambition>

Cambridge (and within that is centred around Cambridge), exceeded the same period last year – which itself was a record-breaking year⁶.

However, the powerhouse of the Cambridge economy could and should be doing much more to spread prosperity and enhance the quality of life experienced by all communities within the Cambridge region as well as across the whole of the UK. That is the strategic objective at the heart of Cambridge Ahead, and research has been commissioned by Cambridge Ahead, and undertaken by RAND Europe, to understand the factors that are most significant in translating economic success into quality of life. This research is available at;
https://www.rand.org/pubs/research_reports/RR4435.html.

Case Study: Cambridge economy contribution to levelling up the UK

AstraZeneca is at the forefront of the international action to develop and produce at scale a vaccine for COVID-19, doing so from its global headquarters in Cambridge and in partnership with Oxford University. This clearly exemplifies the very best of the global innovation economy located in the OxCam Arc, but the reach and benefit of this across the whole country is often much less obvious.

As well as the 3,500 employees at the global HQ in Cambridge, AstraZeneca has a substantial medical development and manufacturing presence in the North West, over 400 academic collaborations with institutions across the UK, and indirectly supports 38,000 jobs over the country. The majority of these jobs are outside the Cambridge area.

To ensure the long-term success and competitiveness of the UK economy, Government will need to adopt a “UK or overseas” mentality within its national recovery strategy. As a priority this should be applied to the development of trade deals following the UK departure from the EU. These trade deals should ensure that the best people from across the world (not just the EU) can come to Cambridge to bring the specific skills our innovation economy needs. The Global Talent Visa is a welcome policy development in this regard, however the eligibility criteria should be expanded to allow highly skilled scientists, researchers and entrepreneurs from across the globe to come to the UK.

The UK is currently home to many world-leading clusters of knowledge intensive industry. Many of the companies in these clusters are at risk over the course of a recession not because of their inherent business model, but because of reduced market/customer spending over a prolonged period. The major risk to the long-term UK economy is that if the country loses these assets during the recession, they may be impossible to recreate. Assessing this issue in 2018 the CPIER identified this issue in a Cambridge context. The Review found that “large international businesses have based themselves (or established a presence) in the region... many of these businesses report that their alternatives to being based around Cambridge are outside the UK, in similar clusters in Europe, America or Southeast Asia. Therefore, there is clearly a high *national* significance to these industries in this area: they bring in business that would otherwise look abroad.” On these findings, the Review concluded “the UK Government should adopt a ‘Cambridge or overseas’ mentality towards knowledge intensive business in this area, recognising in an era of international connectivity and

⁶ <https://www.bioindustry.org/uploads/assets/uploaded/ce1cedbd-7e25-40e1-8ebbcd9dff8e83d.pdf>

footloose labour, many high-value companies will need to relocate abroad if this area no longer meets their needs.” In a recession context this recommendation is even starker as the “micro” local pressures that might drive companies to relocate, largely because of insufficient infrastructure and unaffordable housing in Cambridge, found by the CPIER are now combined with “macro” issues arising from a dramatically more turbulent and uncertain global market.

Linked to the above principle of maintaining strategic economic assets, we propose that Government considers how the recession affects the policy ambition to level up the UK as a whole, reducing inequalities and increasing opportunities within places that have found themselves left behind in recent economic cycles. We believe there are opportunities, and Greater Cambridge could be an exemplar, to spread and share the benefits of high-performing economies to more communities across the country.

Economic powerhouses are often highly centralised around cities, having the effect that high levels of inequality are masked within and near to those cities. In a Cambridgeshire and Peterborough context this can be seen in plain terms. As well as the visible pockets of affluence in this area, there are 62 communities that rank within the 20% most deprived places in the country⁷, three of which are within Cambridge City itself.

Levelling up means tackling inequalities and deep-rooted societal challenges wherever they exist. The sustained economic growth and spread of the Cambridge economy will create more jobs for communities that need them across the OxCam Arc and beyond in many other UK regions.

Case Study: Cambridge economy contribution to levelling up the UK (2)

Volac is a fast-growing and ambitious international business who are world leaders in dairy nutrition. Their mission is to pioneer ways in which dairy nutrition can help to solve global farming and food production challenges.

Volac began in 1970 as a collaboration between a dairy industry entrepreneur and a veterinary student. Through a series of pioneering scientific and manufacturing advances since then, Volac has grown to be an international company with headquarters in the Cambridge region and manufacturing and production facilities in Felinfach and Port Talbot in Wales, Liverpool, and Sleaford. There are further Volac production facilities in County Meath in Ireland and Gresik in Indonesia.

Volac employs around 350 people within the UK, and 70% of these are outside of the Cambridge region.

The Government should also recognise the opportunity and necessity for the response to this recession to be a green recovery. This should be focussed upon support to local areas to achieve their carbon reduction and biodiversity gain ambitions, through spatial planning and development choices but should also direct investment and support to research and innovation which has the potential to bring forward transformational technology to the benefit of the UK and the world.

⁷ <https://cambridgeshireinsight.org.uk/wp-content/uploads/2019/10/IMD-2019-Briefing-Including-Peterborough.pdf>

The R&D Roadmap⁸ is a welcome and positive development in relation to these principles. The ambition to prioritise strengths in research, science, and innovation is a welcome recognition of the importance of economies like Cambridge in a national and international context. The internationally competitive nature of clusters like Cambridge attract significant inward investment into the UK, and this flow of significant global investment is an important asset to consider as part of the levelling up agenda. Government should look to Cambridge, within the context of the OxCam Arc, to pilot the UK R&D Place Strategy to ensure that innovation systems “make the fullest contribution to the levelling up agenda.” The CPIER outlined how Cambridgeshire and Peterborough as a region is a “microcosm of the UK” and as such, represents an ideal location to shape and test strategies to spread the benefits of high-performing innovation economies across more communities.

ACTION TO AID THE ACHIEVEMENT OF THESE PRINCIPLES

Super-Inquiry Questions:

- **How can the Government borrow and/or invest to help the UK deliver on these principles?**
- **What measures and support will businesses need to rebuild consumer confidence and stimulate growth that is sustainable, both economically and environmentally?**
- **What opportunities exist for the UK economy post Brexit and the pandemic for export growth?**

Specific action recommended to Government to achieve recovery strategy principles are:

- Government should prioritise efforts to monitor employment rates in high-growth city regions like Cambridge, and corridors like the OxCam Arc, by using the **most effective data** methodologies to understand the true needs of such areas.
- Maintain the focus on the financial **support needs of the entrepreneurial start-ups sector** that was first recognised by the Future Fund. This scheme needs to be developed to ensure the long-term needs of this vital sector are met over a prolonged downturn period
- Accelerate the delivery of **Cambridge South Station** to facilitate the growth of the globally recognised Cambridge Biomedical Campus
- Support and accelerate the delivery to **CAM Metro** scheme to enable the benefits of the growth of Greater Cambridge to be shared more widely
- Support proposals to develop **Zero Carbon Aircraft** at the University of Cambridge’s New Whittle Laboratory

In Cambridgeshire and Peterborough, the independent analysis of the CPIER and the national/local co-production of the Local Industrial Strategy have established the investment that is needed to support the growth of the Cambridge economy and how this is connected to the growth of nearby economies like Greater Peterborough and the Fens. Many of the priorities identified through this recent work have been heightened by the pandemic.

Understanding of these priorities is driven first by a close monitoring of what is really happening on the ground in the local economy. The CPIER found that there are significant differences between the Office for National Statistics (ONS) reporting of employment growth in the region and that captured by the Centre for Business Research at the University of Cambridge. In 2018 the CPIER

⁸ <https://www.gov.uk/government/publications/uk-research-and-development-roadmap>

recommended that “it is important to establish a sound employment database to inform key decisions. The ONS should continue to work with the Centre for Business Research (CBR) to clarify why differences exist between the two sources of employment growth rates.” These conversations have not been concluded and the most recent 2018/19 data again illustrated the difference between these datasets. Government should prioritise efforts to monitor employment rates in high-growth areas like Cambridge by using the most effective data methodologies to best understand the needs of such areas.

This is a long-standing issue that has been compounded in Greater Cambridge over recent years, where the mismatch in data has meant that growth has outstripped infrastructure investment and planning. As such a significant infrastructure deficit has accumulated. This deficit has constrained the growth potential of the local economy, limiting the overall growth potential as well as limiting its spread over the region. The infrastructure deficit is such that lack of delivery will continue to constrain growth in the post-pandemic context. The priority infrastructure schemes identified in the Local Industrial Strategy remain the priorities for post-pandemic growth:

- Cambridge South Station – providing sustainable transport connectivity to a globally recognised biomedical campus, and allowing for the site to reach its potential for 40,000 jobs
- The CAM Metro, as a transformational and innovative public transport system to serve the needs of the region, with specific priority for:
 - The first phase of the CAM Metro through the four new public transport corridors being brought forward by the Greater Cambridge Partnership

In order to maintain the international competitiveness of the Cambridge economy Government has rightly acknowledged that world-class research and development activity must be supported, so that the pipeline of innovation stays secure and competitive. In this context it is vital that the UK continues to be part of cutting-edge international research programmes, such as Horizon 2020.

The creation of the Future Fund was a welcome aspiration from the Government to quickly provide financial support to start-ups, spin outs, and other innovative smaller business to help them to weather the immediate shock of the pandemic. Looking to the long-term needs of this sector though, as the Office for Talent develops funding packages to meet the R&D Roadmap objective of “Providing long-term flexible investment into infrastructure and institutions” it should engage with successful innovation ecosystems in places like Cambridge, where the interactions and collaborations across these institutions have generated prolonged success. Crucially in the case of Cambridge, it is the maturity of the ecosystem to be able to translate ideas into commercial and societal value that has driven economic outputs. It is by understanding the power of whole-system innovation that Government will best design funding support packages that achieve the ambitions of the R&D Roadmap.

Zero Carbon Aircraft – New Whittle Laboratory and the Cambridge Green Mobility Ecosystem

For the last 50 years the Whittle Laboratory, in the University of Cambridge, has been the world’s leading jet propulsion laboratory. This centre of excellence extends across the Cambridge ecosystem, as demonstrated by Faradair’s July 2020 announcement that it will move its headquarters to Cambridge to develop the world’s most environmentally-friendly aeroplane. The Faradair Bioelectric Hybrid Aircraft is scheduled for its first maiden flight in 2023-24, and will enable quiet, green, regional air transport for all.

Proposals for the development of the New Whittle Laboratory and the National Centre for Propulsion and Power which it houses, should be supported by Government to ensure that the UK leads global efforts to develop zero carbon flight. Working across its network of UK industry partners and universities, the New Whittle Laboratory will meet the Government's aim of both levelling up and delivering a zero carbon economy by 2050.

TRANSLATION OF THE UK INDUSTRIAL STRATEGY INTO NEW POST-PANDEMIC RECOVERY STRATEGY

Super-Inquiry Questions:

- Whether the Government should prioritise certain sectors within its recovery package, and if so, what criteria should it use when making such decisions? What conditions, if any, should it attach to future support?
- Is the Industrial Strategy still a relevant and appropriate vehicle through which to deliver post pandemic growth?
- What role might Government play as a shareholder or investor in businesses post-pandemic and how this should be governed, actioned and held to account?

Government should maintain key aspects from the Industrial Strategy within new recovery strategy. Recommendations are that:

- The Industrial Strategy created a framework for sector deals and grand challenges that enable **collaboration between Government and industry in strategically important areas**. This principle should be retained in post-pandemic recovery strategy
- Government should **prioritise certain sectors**, and these should be identified based upon their contribution to the green recovery, the UK's international competitiveness, and local insight
- Government should recognise the **unique contribution of Cambridge and the OxCam Arc** towards Grand Challenges and other sector priorities

The Industrial Strategy was developed in collaboration with business and local areas, and much of the framework this process established is still relevant in planning for post-pandemic growth.

The Cambridge innovation economy is at the forefront of many of the priorities identified in the Industrial Strategy. This not only speaks to the presence of world-leading clusters in Cambridge, but more widely highlights that the knowledge-intensive, highly-productive, and future-facing, nature of the Cambridge ecosystem mirrors the blueprint for where Government wants the UK economy to be heading. Key elements of this to be taken forward into recovery strategy are:

- The five foundations of productivity; ideas, people, infrastructure, business environment and places
- The principle of Grand Challenges for the UK economy to focus on, although there may now be a case for revisiting these grand challenges
- The principle of Sector Deals as partnerships between Government and key sectors, these too should now be revisited and updated in line with the new economic landscape

- The principle of Local Industrial Strategies as mechanisms for Government to collaborate with local areas, which is the lens Government should look through to empower local areas to allocate resources and activities

Case Study: Cambridge's strength in Artificial Intelligence and Data Grand Challenge

Cambridge start-up AI VIVO, has used cutting edge machine learning techniques to dramatically accelerate the path to find effective drugs to treat COVID-19. AI VIVO successfully identified dexamethasone as a drug with high potential 10 weeks ahead of its adoption by the NHS as a clinically proven treatment.

Its AI-powered prediction engine took just 15 days to rank 90,000 compound models in order of efficacy and identified a shortlist

Spun out of the University of Cambridge and now based at Cambridge Science Park, AI VIVO is a team of molecular biologists, system pharmacologists, control engineers utilising AI techniques to pioneer medical advances.⁹

Government should absolutely prioritise certain sectors within a national recovery strategy. Existing sector deals should be updated, and new sector deals should be considered. Key criteria for prioritising support to sectors should be:

- Their contribution to the development of green energy and other technologies that support sustainable living
- Their contribution to the UK's international economic competitiveness
- Their identification – within Local Industrial Strategies – as being sectors for the future of national and local economies

The Cambridgeshire and Peterborough Local Industrial Strategy¹⁰ (LIS) 2019, developed upon the evidence base of the CPIER, used these criteria to identify the following sectors as “a partner within the Oxford to Cambridge Arc”:

- Life Sciences
- Digital and IT (including AI)
- Advanced Manufacturing and Materials
- Agri-tech

Latest data commissioned by Cambridge Ahead continues to show the dynamic growth potential of the Life Sciences and Technology sectors (which are most relevant to the Cambridge economy from those listed from the LIS above):

- The Life Sciences cluster in Cambridge generated £6bn in turnover in 2018/19, an 11.3% increase on the previous year. Its employment grew by 8.4% over the same year
- The Technology Cluster in Cambridge generated £5bn in turnover in 2018/10, an 11.9% increase on the previous year. Its employment grew by 16% over the same year¹¹

⁹ <https://www.cambridgeindependent.co.uk/business/ai-vivo-identified-potential-of-covid-19-treatment-dexamethasone-10-weeks-ago-9113918/>

¹⁰

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/818886/Cambridge_SINGLE_PAGE.pdf

Government should maintain a sector-based approach to the recovery strategy, and within Cambridge Government has the opportunity to strengthen internationally strategic economic assets at the same time as spreading prosperity to more communities. As referenced earlier, a pragmatic way to achieve this would be for Government to look to Cambridge, within the context of the OxCam Arc, as a pilot for the UK R&D Place Strategy.

SECURING THE WORKFORCE NEEDED TO DELIVER SUSTAINED ECONOMIC GROWTH

- **How can the Government best retain key skills and reskill and upskill the UK workforce to support the recovery and sustainable growth?**

Securing the workforce that the UK economy needs depends on our ability to continue to attract the best talent from across the globe, at the same time as empowering local skills systems to build the pipeline of homegrown talent. In order to achieve this Government should:

- **Further devolve skills budgets** and powers to local areas, thereby increasing the ability of local skills and education systems to integrate around the tailored needs of their economies
- **Increase investment for, and recognition of, career education in schools** to grow the pipeline of homegrown talent in line with the needs of the UK economy
- Reform the **Apprenticeship Levy system to be more flexible and adept** at responding to labour market trends, so that employers are better able to create vocational training pathways in current and emerging professions
- Support the **Class of 2020** to complete their studies and make the transition into the labour market

Employers across the Cambridge economy continue to cite the current and future provision of skilled workers as one of their largest concerns. The CPIER reported that “consultation using employer surveys and engagement revealed widespread discontent among businesses with the skills system.”

This workforce demand spans a range of sectors and professions but is driven in large part by the demand for highly skilled workers within our knowledge intensive industries. 75% of all new UK vacancies in life sciences are located within golden triangle that links the OxCam Arc with London¹².

We welcome the recent commitments from Government to continue to attract the brightest and best from around the world to the UK to learn and work. The ability to continue to do so over recent decades has been a foundation of the Cambridge Phenomenon and the Cambridge economy relies upon highly skilled workers.

However, this need not be at the expense of investing in the development of homegrown talent. The Cambridge economy also has a rich history of investment skills development from local communities.

Case Study: Homegrown Talent – the Importance of Apprenticeships in the Cambridge Economy

This year Marshall of Cambridge marked the centenary of its flagship apprenticeship programme.

¹¹ <https://www.cambridgeahead.co.uk/cambridge-cluster-insights/>

¹² <https://www.clinicalprofessionals.co.uk/oxford-cambridge-london/>

Over that time 20,000 young people have begun their career with the firm as apprentices.

The leading aerospace engineering and automotive industry firm marked this centenary by launching a new Marshall Apprenticeship Centre. This Centre will extend the range of courses available at the firm to include degrees, professional management training and education, along with accredited qualifications within aviation and other industries.

Apprenticeships are highly valued in developing industry leaders within Marshall. In 2019 former Marshall Aerospace and Defence apprentice Haydn Jakes beat competition from across the globe to win gold at the World Skills Championships in Russia.

Programmes to develop homegrown talent like this can play a major role in spreading the benefits and opportunities of successful economies to less affluent communities, and the necessity in doing so over a period when attracting international talent to the UK is less assured is also recognised.

Fundamentally, local areas need to be empowered and incentivised to bring institutions together so that young people, and their parents, have a much clearer line of sight to the career paths and training opportunities that are open to them. It is this holistic approach across all forms of education (primary, secondary, further, and higher), employment and civic community at the heart of current initiatives in Greater Cambridge and across Cambridgeshire and Peterborough.

Government should achieve this by:

- Devolving further skills budgets and powers to local areas, thereby increasing the ability of local skills and education systems to integrate around the tailored needs of their economies
- Increasing investment for, and recognition of, career education in schools to grow the pipeline of homegrown talent in line with the needs of the UK economy
- Reform the Apprenticeship Levy system to be more flexible and adept at responding to labour market trends, so that employers are better able to create vocational training pathways in current and emerging professions

Government strategy for post-pandemic growth must focussing upstream on the choices that young people make about their future career. New research by RAND Europe published this year¹³ from Cambridgeshire and Peterborough (jointly commissioned by Cambridge Ahead, One Nucleus, Cambridge Regional College, the Cambridgeshire and Peterborough Combined Authority, the Greater Cambridge Partnership, and a number of individual employers) has mapped and analysed the provision of career guidance in the region's schools.

This research finds that current provision is failing to adequately meet the needs of young people as well as the needs of businesses:

- What should be the most important factor – quality – is not given enough attention
- Vocational and technical pathways are not given equal weighting with academic routes
- Career guidance is too separate from the school curriculum, including in STEM subjects
- Employers are not well enough engaged with schools
- Schools often struggle to navigate a crowded and confusing market of career guidance providers

¹³ https://www.rand.org/pubs/research_reports/RR4491.html

- Schools, providers and employers all want to do more to improve the education that young people get about their future career options

The research study makes a number of concluding recommendations, of which the following are most relevant for Government consideration:

- Capacity needs to be built within schools – with funding provided for a dedicated Careers Lead and budget in every secondary school
- Employers should build lasting relationships with schools, and offer more meaningful opportunities to students
- Providers should be accredited based upon quality to enable schools to better commission their services
- Devolved administrations and Local Authorities should be empowered to generate closer working within their local systems
- Parents are better engaged in career education
- Nationally, a review of the Gatsby Benchmarks and future evaluations undertaken by Ofsted should focus more on the quality of careers programmes in schools

With regard to supporting the creation and uptake of apprenticeships, Cambridge Ahead has recently made a submission to the All-Party Parliamentary Group for Apprenticeships, making the case for the following:

- Progression to higher level apprenticeships, particularly supporting degree apprenticeships, should be recognised as a priority by Government. These higher-level apprenticeships are particularly important for STEM industries and professions, and the jobs that are likely to feature more in our future economy. There should be ambitious targets set nationally for degree apprenticeships, and funding provided to support their uptake.
- Government should give employers greater flexibility in the use of Apprenticeship Levy funds, and how they transfer them to other businesses. Employers should be granted the ability to bulk transfer funds in a single, simple digital transaction.
- Government should also grant flexibility in the 20% time off the job for training, where this makes sense to particular professions or industries (can we add specific examples here?)
- Apprenticeship Standards development, approval, and review processes are length and resource intensive. The impact of this is that often employers and training providers are held back from providing apprenticeships they need (can we add specific examples here?). Government should speed up the system for reviewing and approving Apprenticeship Standards

LOCAL GOVERNANCE TO DELIVER GROWTH EFFECTIVELY

- **How should regional and local government in England, (including the role of powerhouses, LEPs and growth hubs, mayoralities, and councils) be reformed and better equipped to deliver growth locally?**

- Governance serving the Cambridge economy today is multi-faceted and complex, having evolved and iterated over recent years in response to successive Government initiatives applied within a two-tier Local Government area
- Assessing these complex governance systems against the conclusions of the recent Cambridgeshire & Peterborough Independent Economic Review, the Local Industrial Strategy, and the principles expected to be at heart of the forthcoming Devolution and Local Recovery White Paper, suggests that the current system will not best meet the needs of our rapidly growing economy
- Improvements are needed to the structure of local government to better align the key levers for economic growth with the functional economic geographies of our area
- The forthcoming Devolution and Local Recovery White Paper should prioritise improving the governance serving the Cambridge economy, including the consideration of unitary authorities which are expected to be established as a foundation for devolution. This will instigate a process which all local stakeholders can engage with

In the March 2020 Budget, Government announced its intention to establish Development Corporations in the Cambridgeshire and Peterborough region, one of which would be “at Cambridge.” This announcement, alongside the further announcements regarding the OxCam Arc, and continued governance difficulties experienced locally have prompted Cambridge Ahead consideration of this question now asked by the Super-Inquiry.

Local governance arrangements in Cambridgeshire and Peterborough are complex. Government policy, through the recent creation of a City Deal, and then a Mayoral Combined Authority within a two-tier local government county, has evolved to create a multi-layered system with responsibilities and remits often overlapping over geographical and organisational boundaries.

Questions raised publicly by local leaders since 2018, and still publicly unresolved, have led to the delay of priority schemes, including the delivery of key transport infrastructure, that are crucial to the Cambridge economy. Even following recent Ministerial review and endorsement of specific elements of the local governance system through the GCP Gateway Review¹⁴, the overall system is not functioning and collaborating effectively – as is being seen publicly by local, national, and international audiences.

In order to consider the question posed by this Super-Inquiry, within our local context, Cambridge Ahead has looked to the CPIER (2018) and the Cambridgeshire and Peterborough Local Industrial Strategy (2019) and the principles that these recognised documents set out. From this, we propose that there are five key principles, and associated tests, that should guide policymakers in determining the most appropriate governance to delivery sustained growth.

¹⁴ <https://www.greatercambridge.org.uk/news/government-review-success-2020>

Principles and Source	Key Test for Governance
<p>CPIER “Key Recommendation 13: New collaborative ways of working need to be developed, which provide for tailored solutions to the needs of each of the three distinct economies. Whilst overall strategic direction for the area rests with the elected Mayor, there needs to be effective representation for each economy – though the needs of each vary. The Greater Cambridge Partnership (GCP) provides a ready-made solution for the Greater Cambridge area, Opportunity Peterborough fulfils a key economic function for Greater Peterborough, and we would recommend creating a new body to represent the economy of the fens.”</p>	<p>1. Governance arrangements meet the distinct needs of the three functional economic areas identified by the CPIER</p>
<p>CPIER “Key Recommendation 7: 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.”</p> <p>LIS priority “Improve the long-term capacity for growth in Greater Cambridge.”</p>	<p>2. Governance arrangements enable the rapid delivery of transport and infrastructure for Greater Cambridge</p>
<p>CPIER “Key Recommendation 8: 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 economies of the three areas.”</p> <p>CPIER “Key Recommendation 12: Regular meetings should be set up between those developing the Local Industrial Strategy, and those developing Market Town Masterplans, to ensure consistency. This should include proposals coming forward as part of the Cambridge-Milton Keynes-Oxford Arc.”</p> <p>LIS priority “increase sustainability and broaden the base of local economic growth.”</p>	<p>3. Governance arrangements enable strategic decision-making across a regional area (particularly the OxCam Arc), and work towards growing Greater Cambridge’s connections with Peterborough and the Fens to reduce inequality and share prosperity</p>
<p>CPIER “the Commission reached the conclusion that the Cambridgeshire and Peterborough area is not one, but three economies – the Greater Cambridge area, the Greater Peterborough area, and the fens. Boundaries are fuzzy, and don’t align clearly with local authority districts.”</p> <p>LIS priority “expand and build on the clusters and networks that have enabled Cambridge to become a global leader.”</p>	<p>4. Governance arrangements enable spatial development strategies to respond to the needs of the functional Cambridge economy area</p>
<p>CPIER “Key Recommendation 14: The Government should recognise the benefits further devolution to Cambridgeshire and Peterborough would bring, and commit itself to negotiating with Cambridgeshire and Peterborough to bring the area firstly into line with other Combined</p>	<p>5. Governance arrangements should work towards long-term devolution, strengthening local</p>

Authorities and secondly to breaking new ground in the devolution revolution.”	democracy
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The first conclusion to be drawn from these governance tests, in Cambridge Ahead’s assessment, is that the current arrangements serving the Cambridge economy – whilst having undoubtedly brought more investment into the area, and brought much-needed focus on the needs of “left behind” places like Market Towns –are not well designed to best deliver sustained economic growth.

It is our view, from our engagement within our Membership and with external observers, that the evolution and iteration of this local system over time has led to a design which is too vulnerable and indecisive. This, therefore, is not an optimum governance system for delivering local economic growth, particularly in areas experiencing rapid economic growth and change. Looking ahead at the intense economic challenges we will be facing during a lengthy global recession these governance issues gain even more bearing and significance.

Assessed against the five governance tests above, our judgement of current arrangements is that they:

- Do not meet the distinct needs of the three functional economies identified by the CPIER and the LIS – as evidenced, for example, by the experiences of the City Access programme
- Have not enabled the rapid delivery of the transport and infrastructure package that the CPIER and the LIS identified as a regional and national priority – as evidenced, for example, by the experiences of the Cambridge to Cambourne Corridor
- Have not enabled strategic spatial planning to come forward in a timely fashion – as evidenced, for example, by the difficulties in bringing forward a Non-Statutory Strategic Spatial Framework
- Do not easily allow for spatial development strategies that respond to the needs of the functional Cambridge economy area, which spans multiple planning authorities – whilst the commitment to create a joint Local Plan between Cambridge City Council and South Cambridgeshire District Council is a very positive collaboration, this Local Plan area will not be able to reflect the full functional economic area of Greater Cambridge
- Have brought some welcome devolution to the area, but have not yet acted to strengthen local democracy or attract further devolution (particularly much-needed fiscal devolution) – as evidenced, for example, by the ongoing strains in relationships between local leaders being played out in the public domain

The second conclusion is that the creation of Development Corporations, as put forward by Government, could potentially offer some temporary progress against these tests, but crucially:

- This depends upon the detail of the model and remit of the Development Corporation(s), which Government should share more detail on at the earliest opportunity, and
- Any options should consider the interplay between Development Corporations and local democratic accountability and should be working towards a structural change in governance that will best support locally led economic growth over the long-term. This is likely to require a move towards unitary authorities, as is expected to be established as a foundation for devolution and local recovery in the forthcoming White Paper.

These governance questions are of critical importance – to ensure that the Cambridge economy, and the other functional economic areas identified by the CPIER, can achieve their full potential during extraordinarily challenging times. Strong and effective local leadership of these areas must treat the importance of outcomes for these communities equally. Within this, the Cambridge economy will create high-value jobs, cutting edge innovation, and GVA at a level which national, as well as local, leaders should pay particular attention to.

Since this inquiry was established, the Minister of State for Regional Growth and Local Government has made a series of public statements relating to the forthcoming Devolution and Local Recovery White Paper. We look forward to understanding further how these new principles within the White Paper will respond to the needs of the Cambridge economy, and for the benefit of the wider region Cambridge lies within.

August 2020