August 2024

Evaluation of the Greater Cambridge Investment Fund

Socio-economic Context and Investment Fund Deployment Evidence Paper

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1. Introduction

1.1 This evidence paper sets out the socio-economic and policy context for Greater Cambridge, presents contextual economic forecasts and outturn data, and explains the deployment of the Greater Cambridge Investment Fund (the Investment Fund). It forms part of the evaluation and second Gateway Review process for the Investment Fund that forms part of the Greater Cambridge City Deal.

Introduction to the contextual economic forecasts

1.2 The purpose of the Contextual Economic Forecasting is to provide some context for how the economy in Greater Cambridge was expected to develop at the time the Investment Fund was approved, via a 'baseline projection' in terms of employment, GVA and productivity. This is compared to outturns at the point of the Gateway Review to contextualise the findings from the impact and wider evaluation work. For example, it is important to understand whether interventions have been delivered in a helpful or challenging economic landscape, and how similar or different that was to what was anticipated at the time the interventions were developed. In particular, this work will also be helpful in contextualising the economic shock of Covid-19 to the Greater Cambridge economy, and identifying how the post-pandemic recovery compares with the national trend.

1.3 Economic forecasts are a core part of the National Evaluation Framework (NEF). Importantly, the NEF also recognises that differences between the forecast and outturn performance of the economy will be influenced by multiple factors, largely outside of the control of, and unrelated to, the Investment Fund. Therefore, at the Gateway Review, the Area will not be assessed in terms of its performance against the economic forecasts, which are contextual only.

Approach to forecasting

1.4 The evaluation activity for Gateway Review 1 included the development of tailored baseline forecasts through to Years 5 and 10 after the Investment Fund approval. This tailoring process involved updating 'standard' projections to take account of specific growth plans or major interventions that were in place at the time the Investment Fund was approved, but which would not be captured in published datasets used to generate the forecasts. Importantly, the forecasts were only tailored to reflect plans/interventions which could reasonably be expected to influence economic growth over the period to the first Gateway Review. At this Gateway Review 2 stage, headline projections are compared to outturn data for employment, Gross Value Added (GVA), and productivity.

1.5 This Evidence Paper also presents a new set of contextual economic forecasts to cover the period up to 2030. These were produced by Cambridge Econometrics based on historical growth in Greater Cambridge relative to the region or UK (depending on which area it has the

strongest relationship with), on a sector-by-sector basis; they assume that those relationships continue into the future.

1.6 The use of the Cambridge Econometrics model in this instance was chosen because it provides consistency with the approach used for Gateway Review 1, and is consistent with the approach set out in the approved Local Evaluation Framework (LEF).

1.7 However, there are alternative approaches to economic profiling and forecasting, and one has been used to inform local policy across the wider Cambridgeshire and Peterborough area (which is summarised in Section 5). Both data sets show Greater Cambridge to have a strong economy and one that has recovered faster since Covid-19 than nationally, although the pace of this growth varies between the data sets. This report is not designed to compare different economic models' assessment of the area, rather its purpose is to provide the broad economic context within which the City Deal Investment Fund has been deployed.

Structure

1.8 The remainder of this report is structured as follows:

- Socio-economic context
- Forecasts up to Gateway Review 2
- Forecasts up to 2030
- Local growth data
- Policy context
- Investment Fund deployment.

2. Socio-economic context

2.1 Greater Cambridge consists of two local authorities, Cambridge City and South Cambridgeshire. It is home to over 310,000 people and generated GVA of £14.6bn in 2022. The area has one main settlement at the centre, the city of Cambridge. There are numerous villages, including some large villages of over 10,000 people, in the city's commuter hinterland that are part of South Cambridgeshire. A snapshot of socio-economic data is in Table 2-1.

Table 2-1: Summary of socio-economic context

	Year	Greater Cambridge	East of England	UK
GVA (balanced), £m	2022	14,567	189,303	2,246,047
GVA per job, £k/job	2021	Cambridge: 59,615 South Cambs: 61,125	54,084	58,327
Total population	Various	312,628 (*2022*)	6,398,497 (*2022*)	67,026,292 (*2021*)
Working age population as % total population	2023	67%	61%	62%
Business enterprises per 10,000 working age population	2022	638	695	657
Jobs	2022	218,000	3,278,000	36,506,000
% who are economically inactive aged 16-64	2023	16.0%	19.4%	21.3%
% with RQF4+ aged 16-64	2023	58%	42%	47%
% with no qualifications (RQF) aged 16-64	2023	3%	5%	7%

Source: ONS, NOMIS Annual Population Survey, NOMIS UK business counts, NOMIS population estimates projections, NOMIS job density

2.2 For the last two decades, Greater Cambridge has been characterised by rapid growth on many indicators. Census data point to sustained and rapid population growth: between 2001 and 2021, the population of Cambridge (LAD) grew by 33.8% while South Cambridgeshire (LAD) saw an increase of 24.5%. In parallel, there has been significant housing development and overall Local Plan targets have been exceeded. Data published by Cambridge Ahead[1] – based on MHCLG/DLUHC Live Tables and Local Plans – suggest that over the decade from 2012:

- Cambridge surpassed its Local Plan requirement – delivering an average of 811 new homes per annum against a plan requirement of 700 (average delivery rate)

[1] Cambridge Ahead – Housing Dashboard, January 2023

- South Cambridgeshire delivered average of 885 new homes per annum against a plan requirement of 975 (average delivery rate)

- collectively the two districts delivered an average of 1,695 new homes per annum against a collective plan requirement of 1,675.

2.3 Greater Cambridge has a substantial concentration of knowledge-based assets. This includes the University of Cambridge and its colleges, departments and institutes, major research organisations and a strong cadre of research-intensive businesses – ranging from the research facilities/labs linked to multinational companies (e.g. Astra Zeneca, Arm, Microsoft); to now well-established 'Cambridge companies' (e.g. Cambridge Consultants, Amgen); and to smaller, venture-backed companies, some of which are growing quickly (e.g. Owlstone Medical, Qkine, etc.). Key hubs within Greater Cambridge include sites in or close to the city (e.g., Cambridge Science Park to the north and Cambridge Biomedical Campus, around Addenbrooke's Hospital, to the south), alongside major sites which are well into South Cambridgeshire (e.g.. Babraham Research Campus and Wellcome Genome Campus (Hinxton)).

2.4 However defined, Greater Cambridge's knowledge economy has grown (and is growing) rapidly; and as a cluster context, there has been a premium on adjacency and more general proximity. This cluster profile is reflected in the occupational and sectoral mix relative to regional and national comparators. For example, in 2023, 38% of employed residents in Greater Cambridge were in 'professional' occupations, compared to 26% in the East of England and 27% in England. In 2022, 21% of workplace employment in Greater Cambridge was in 'Professional, scientific & technical' industries, compared to 8% in the East of England and 9% in England overall.[2]

2.5 In parallel, Cambridge has grown as a city within a wider Greater Cambridge context. There have been (and will be) many major housing schemes – some through new settlements (e.g., Cambourne, Northstowe, Bourn Airfield), others as major *de facto* urban extensions (e.g., Eddington to the west of central Cambridge, Trumpington Meadows to the south, Marleigh to the east). Cambridge '*as a city*' is adjusting and adapting. Although there have been some major investments in infrastructure over the last decade – notably the Cambridgeshire Guided Busway, significant improvements to the A14 and the new railway station at Cambridge North – the pressures linked to congestion, travel and traffic continue to be acute.

2.6 Alongside the growth narrative, Greater Cambridge is characterised by high and rising levels of inequality; Centre for Cities identified Cambridge as the UK's most unequal city. Many local areas are still characterised by high levels of deprivation. In Cambridge itself, areas to the east (e.g., Abbey ward) and north (e.g., King's Hedges ward) are characterised by high levels of deprivation. Cambridge has been identified as a 'cold spot' in terms of social mobility. In response, Cambridge City Council's vision is of a united city, '*One Cambridge - Fair for All*', in which economic dynamism and prosperity are combined with social justice and equality.

[2] Annual Population Survey and Business Register and Employment Survey

3. Forecasts up to Gateway Review 2

Outturns at Gateway Review 1

3.1 The projections developed for Gateway Review 1 were at the level of Greater Cambridge as a whole (i.e. not for individual Local Authority Districts). The Local Authority Districts included in the Greater Cambridge definition were: Cambridge City and South Cambridgeshire. The last year of historical data in the projections was 2012. They therefore did not anticipate the economic shock caused by Covid-19.

3.2 At Gateway Review 1, outturns were compared to the baseline projections position in terms of employment, GVA and productivity. This comparison covered the period 2012-18.

3.3 GVA and productivity growth in Greater Cambridge over 2012-18 was slower than projected, while employment grew stronger than expected. This followed a UK-wide trend, with the unemployment rates near record lows and the phenomenon of flatlining productivity.

Forecasts for Gateway Review 2

3.4 Consistent with the NEF, baseline projections used for Gateway Review 1 have been used for Gateway Review 2, now covering the 2012-2022 period. The last year of local area data available from ONS at the time the analysis for the Evidence Paper was undertaken was 2022 for employment, and 2021 for GVA. The local area (i.e. Greater Cambridge) GVA data used for 2022, are therefore estimates based on actual UK data. The data for 2022 have been used in the calculation of the outturn per annum change 2012-2022 for GVA and productivity[3]. The headline projections and outturn data for employment, Gross Value Added (GVA), and productivity are set out below.

Table 3-1: Comparison of projected and outturn headline economic performance in Greater Cambridge: 2012-22

	Greater Cambridge		UK	
Per annum change over 2012-22	**Projection**	**Outturn**	**Projection**	**Outturn**
Change in employment	1.6%	2.2%	0.9%	1.2%
Change in GVA	3.2%	3.4%	2.6%	1.6%
Change in productivity	1.6%	1.3%	1.6%	0.5%

Source: Cambridge Econometrics.

3.5 The key findings related to the comparison of the projection to outturns for employment, GVA and productivity are set out below.

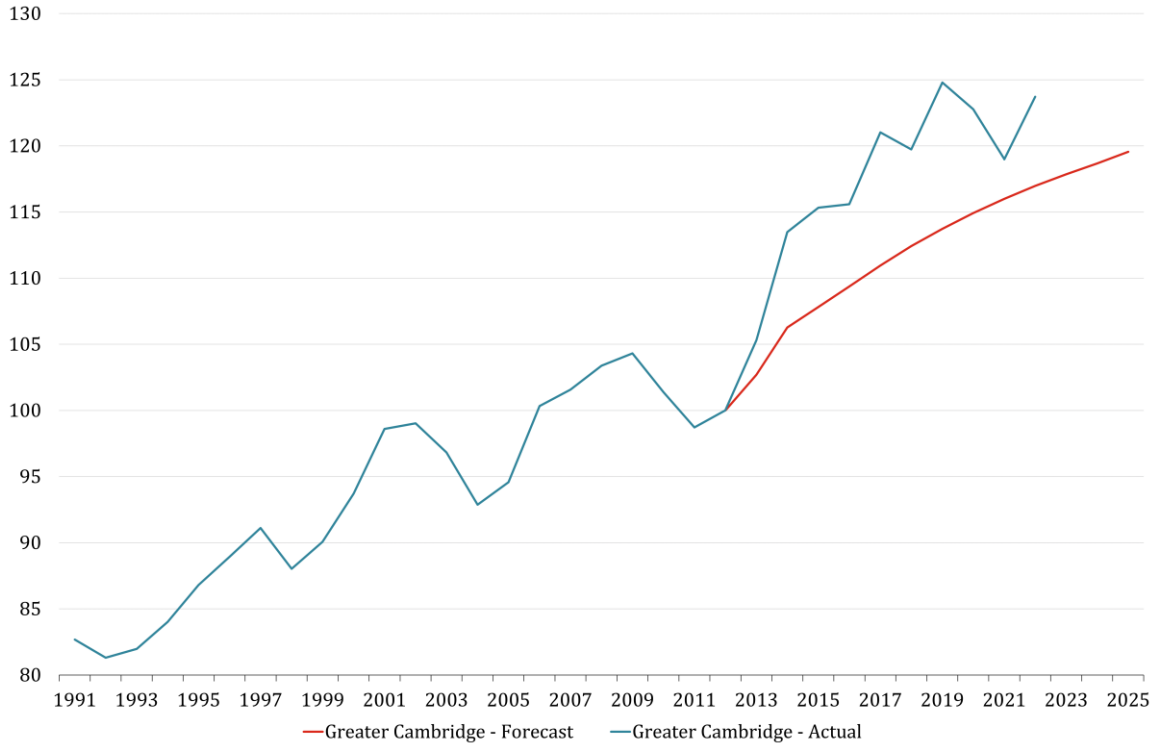
[3] This approach to use estimates of GVA in 2022 based on actual UK GVA data is consistent with the approach taken to deal with lags in published data in Gateway Review 1.The ONS 2022 local and regional GVA data were published after the analysis had been completed, and as such, they have not been included in this analysis.

Employment

3.6 Employment has grown faster than expected in Greater Cambridge (Figure 3-1) and in the UK, while growing slower than projected in the East of England (Figure 3-2). Employment in Greater Cambridge grew by 2.2% pa over 2012-22, compared to a projection of 1.6% pa. This difference compares favourably with the wider context of the East of England, which underperformed relative to the projection by 0.2 percentage points (pp).. Greater Cambridge started to deviate from the expected growth path in 2013, and overall employment remained higher than projected over the period, including during the drop in employment in 2020 and 2021 due to the COVID-19 pandemic.

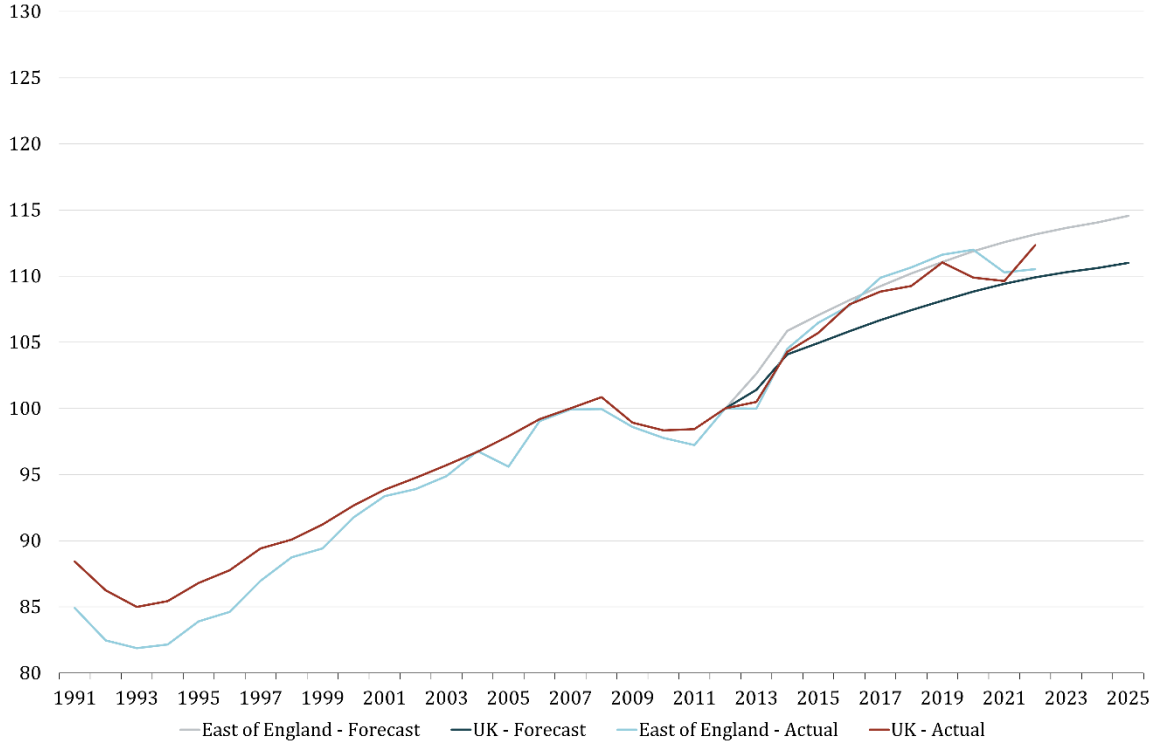
3.7 The main sectors driving the higher than expected employment growth in Greater Cambridge are 'Manufacturing', 'Construction', 'Accommodation & food services', 'Financial & business services', 'Government services' and 'Other services', which together accounted for almost 80% of total employment in 2022 (up from 75% in 2012). Employment in 'Distribution' and 'Transport and storage', were projected to increase by 1.0% pa over 2012-22, but actually declined by 1.0% pa and 3.6% pa respectively.

Figure 3-1: Employment growth – Greater Cambridge (2012=100)



Source: Cambridge Econometrics.

Figure 3-2: Employment growth: East of England and UK (2012=100)



Source: Cambridge Econometrics.

GVA

3.8 GVA growth in Greater Cambridge broadly followed the economic projections since 2012 with a recent uptick since 2021 which was higher than projected, due to a strong post-COVID recovery since 2020 (Figure 3-3)[4]. However, GVA growth in East of England and the UK over 2012-22 was slower than was expected (Figure 3-4), especially since 2020. GVA in Greater Cambridge grew by 3.4% pa over 2012-22, well above the East of England and the UK as a whole, which grew by 1.9% pa and 1.6% pa over this period respectively.

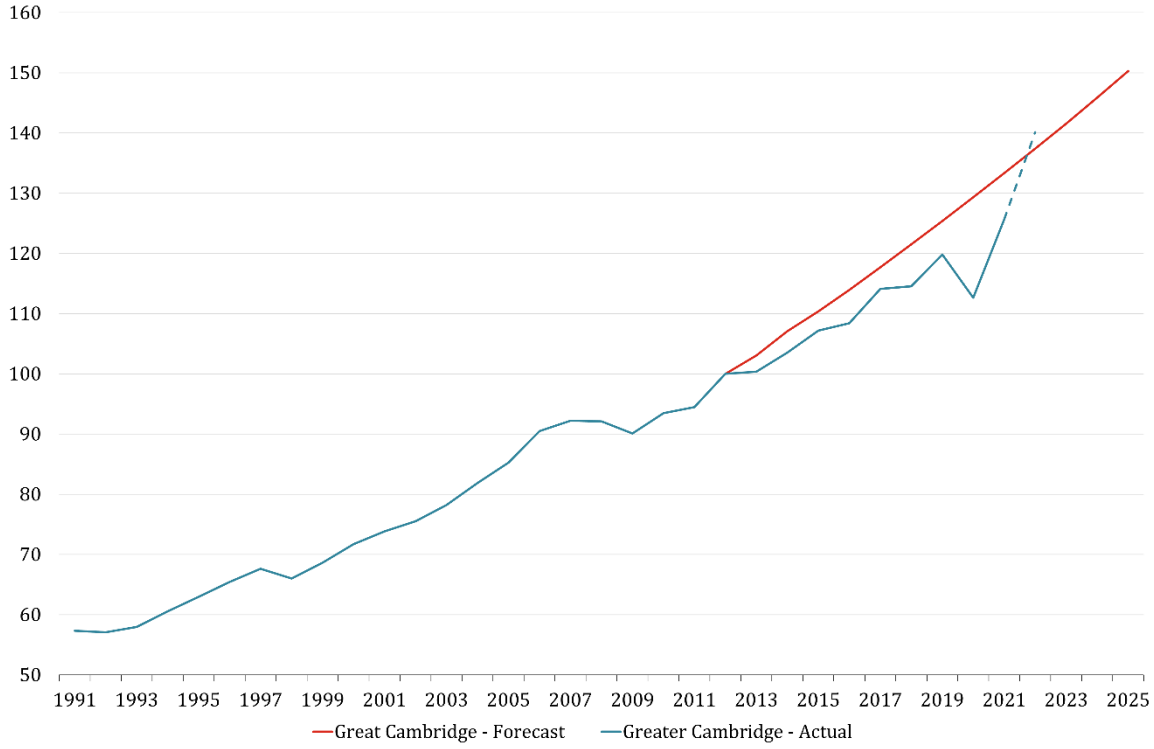
3.9 Outturn GVA growth per annum in Greater Cambridge over 2012-22 was 0.2 pp higher than projected. This is in contrast to the East of England and the UK, where GVA growth per annum underperformed the projection by 0.8 pp and 1.0 pp respectively.

3.10 The main drivers of higher than expected GVA growth in Greater Cambridge were 'Manufacturing', 'Construction', 'Information & communications' and 'Government services', which together accounted for 53% of total GVA in Greater Cambridge in 2022. While GVA growth in 'Distribution', 'Accommodation & food services' and 'Financial & business services'

[4] As noted above, at the time the analysis was carried out, historical GVA data for the UK were available to 2022 and to 2021 for local authorities (Cambridge and South Cambridgeshire). GVA in Cambridge and South Cambridgeshire in 2022, therefore, was projected in the same way it was for all other years from 2023 onwards. All local authority level GVA in each year are scaled to regional and UK GVA to ensure they provide a consistent estimate at the UK level. Since actual UK GVA in 2022 was available, the 2022 GVA estimated for Cambridge and South Cambridgeshire were scaled to be consistent with actual historical GVA in the UK. The GVA estimates for Cambridge and South Cambridgeshire from 2023 onwards were also scaled to UK GVA; the UK GVA data for these years are forecasts, developed in CE's macroeconomic model (MDM-E3) of the UK economy.

over 2012-22 was slower than expected, GVA in those sectors still increased over the period. However, GVA in 'Electricity, gas & water' and 'Transport and storage' were expected to increase by 2.2-2.3% pa over 2012-22, but declined by 3.5% pa and 2.5% pa respectively.[5]

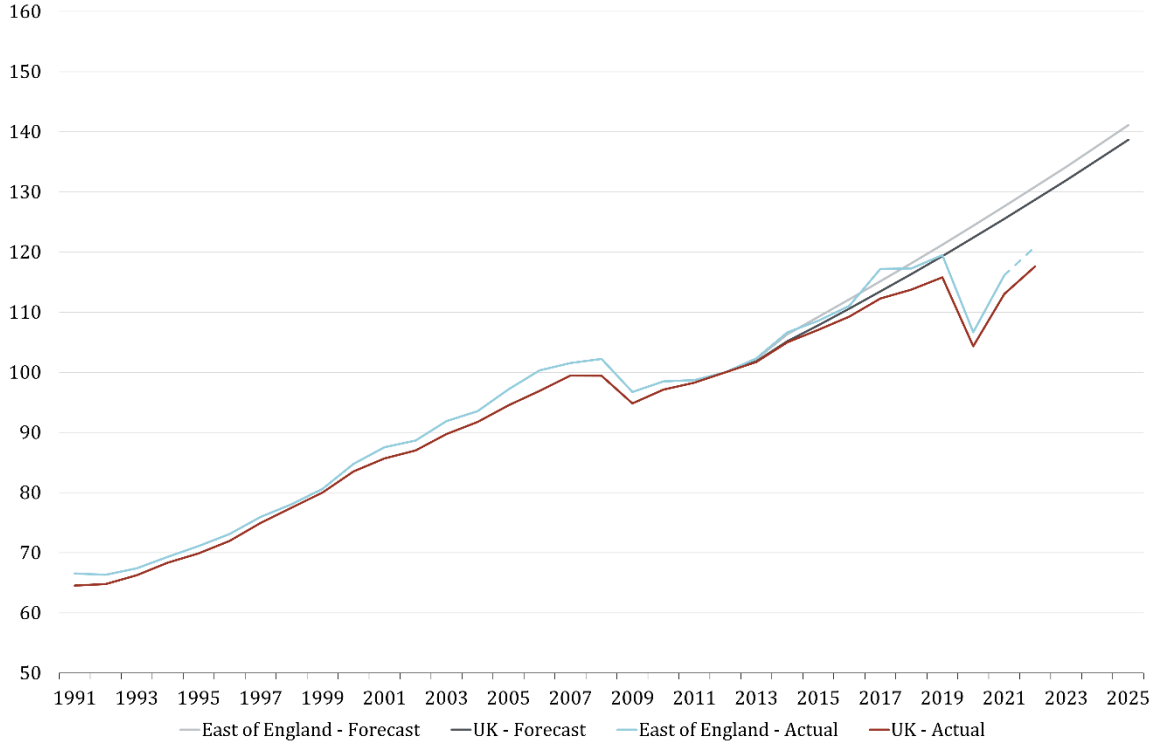
Figure 3-3: GVA growth in Greater Cambridge (2012=100)



Source: Cambridge Econometrics.
Note: GVA in Greater Cambridge in 2022 is an estimate that has been scaled to historical UK GVA data.

[5] The Greater Cambridge Employment and Housing Evidence Update (2023) shows that the pandemic appears to have negatively affected a number of endogenous (population-related) sectors (e.g. construction, retail, food & accommodation), exogenous (investment-led) higher value sectors (e.g. life science and ICT) have generally remained resilient or seen growth through the pandemic.

Figure 3-4: GVA growth in East of England and UK (2012=100)



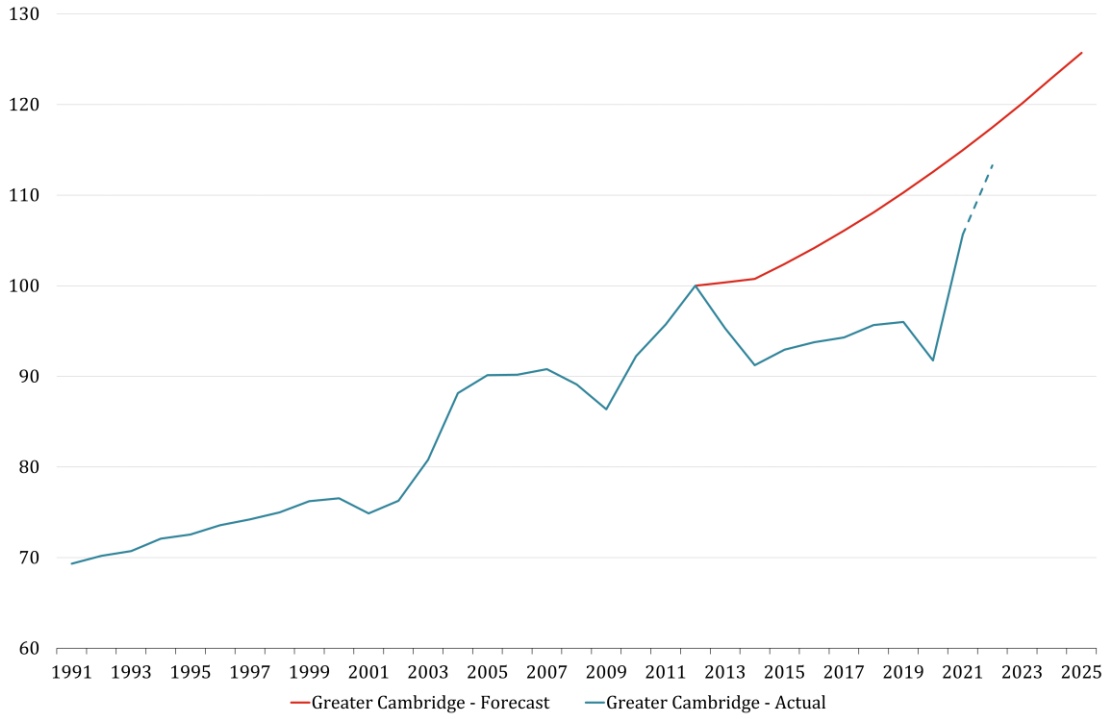
Source: Projections from Cambridge Econometrics, outturns from ONS.
Note: GVA in the East of England in 2022 is an estimate that has been scaled to historical UK GVA data.

Productivity

3.11 Productivity growth was below expectations for all areas (see Figure 3-5 and Figure 3-6). This follows from the trends of slow GVA growth over a period of relatively stronger employment growth. Productivity growth in Greater Cambridge was 1.3% pa over 2012-22, 0.3 pp slower than was expected (1.6% pa). Productivity growth in the East of England as a whole was 0.9% pa over 2012-22, compared to an expected 1.5% pa, highlighting that productivity growth has been weak across the entire region relative to expectations. Greater Cambridge outperformed the region as a whole over the period. This reflects in part the strength and resilience of the Greater Cambridge economy through the COVID-19 pandemic, with strong GVA growth since 2020.

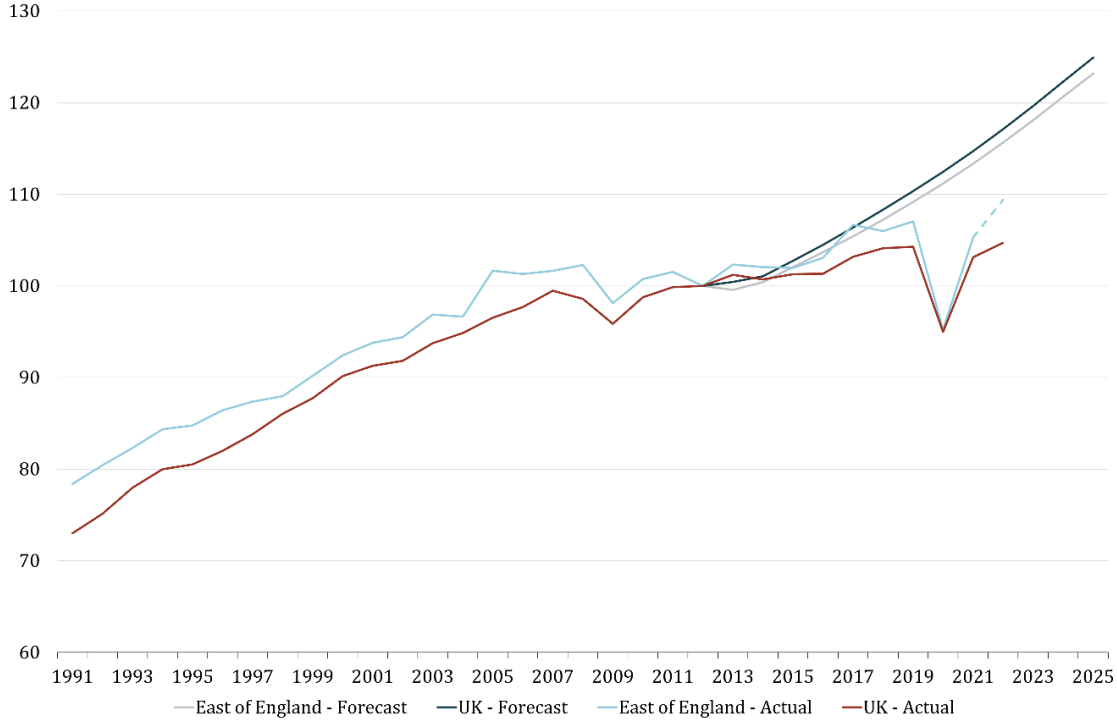
3.12 The larger sectors in which productivity growth outperformed expectations are 'Construction', 'Distribution' and 'Information & communications'. While productivity growth in 'Manufacturing' over 2012-22 was slower than expected, it still increased over the period. Productivity in 'Accommodation & food services' and 'Financial & business services', however, were projected to increase by 0.9% pa and 1.2% pa respectively over 2012-22, but declined by 1.5% pa and 0.7% pa respectively.

Figure 3-5: Productivity growth in Greater Cambridge (2012=100)



Source: Cambridge Econometrics.
Note: Productivity in Greater Cambridge in 2022 is an estimate based on GVA that has been scaled to historical UK GVA data.

Figure 3-6: Productivity growth in East of England and UK (2012=100)



Source: Projections from Cambridge Econometrics, outturns from ONS.
Note: Productivity in the East of England in 2022 is an estimate based on an estimate of GVA that has been scaled to historical UK GVA data.

Implications for the evaluation

3.13 Employment and GVA growth in Greater Cambridge since 2012 has been either as expected or better compared to the Baseline projections but with a particularly strong uptick since 2021. Since Gateway Review 1, employment continued to grow steadily and GVA growth was strong in 2021 and 2022 during the COVID-19 pandemic recovery period. This contrasted the experience in the East of England and the UK, where employment and GVA growth has been slow since 2020.

3.14 Productivity in Greater Cambridge has improved since the Gateway Review 1 period. At that time, productivity in the area was falling over 2012-18. This has since recovered to 1.3% pa growth over the 2012-22 period as a whole. This level of productivity growth, while below the projection (of 1.6% pa over 2012-22) is stronger than productivity growth in the East of England (0.9% pa) and the UK (0.5% pa) over the same period.

3.15 Overall, Greater Cambridge's economy has performed strongly over the decade starting in 2012. This success is especially notable considering the challenges of the COVID-19 pandemic and the subsequent recovery, which could not have been foreseen when the original Baseline projections were developed. Greater Cambridge's economic performance exceeds that of the East of England and of the UK as a whole.

4. Forecasts up to 2030

Approach

4.1 As stated in the Local Evaluation Framework which was finalised in April 2023, a new set of projections to 2030 for Greater Cambridge (Cambridge and South Cambridgeshire) with a baseline year of 2023 have been produced by Cambridge Econometrics on behalf of GCP using the most recently available data.

4.2 Cambridge Econometrics (CE) have maintained and developed a highly disaggregated database of employment and GVA projections by 45 sectors from 1981 for all unitary authorities and local authority districts (UALADs) in Great Britain.

4.3 CE's projections are baseline economic projections based on historical growth in a local area (in this case, Greater Cambridge) relative to the region or UK (depending on which area it has the strongest relationship with), on a sector-by-sector basis. They assume that those relationships continue into the future. Thus, if a sector in the local area outperformed the sector in the region (or UK) as a whole in the past, then it will be assumed to do so in the future. Similarly, if it underperformed the region (or UK) in the past then it will be assumed to underperform the region (or UK) in the future.

4.4 The projections further assume that economic growth in the local area is not constrained by supply-side factors, such as population and the supply of labour, i.e. they are based on the assumption that there will be a sufficient supply of labour (either locally or through commuting) with the right skills to fill the jobs that are demanded. If, in reality, the labour supply is not there to meet projected growth in employment, growth could be slower.

4.5 These local area projections are produced as part of a top-down process, beginning with macro assumptions and estimates for the UK and regions. The Greater Cambridge projections will therefore be consistent with CE's UK and regional data. The baseline projections will not take account of specific local growth plans or major interventions which may reasonably be expected to influence future economic growth. They should be viewed in this context.

Forecasts to 2030

4.6 To 2030, employment, GVA, and productivity growth in Greater Cambridge is expected to continue, with knowledge-intensive business services driving growth in both employment and productivity (Table 4-1). However, employment growth is expected to be below comparators.

Table 4-1: Economic growth, 2022-2030

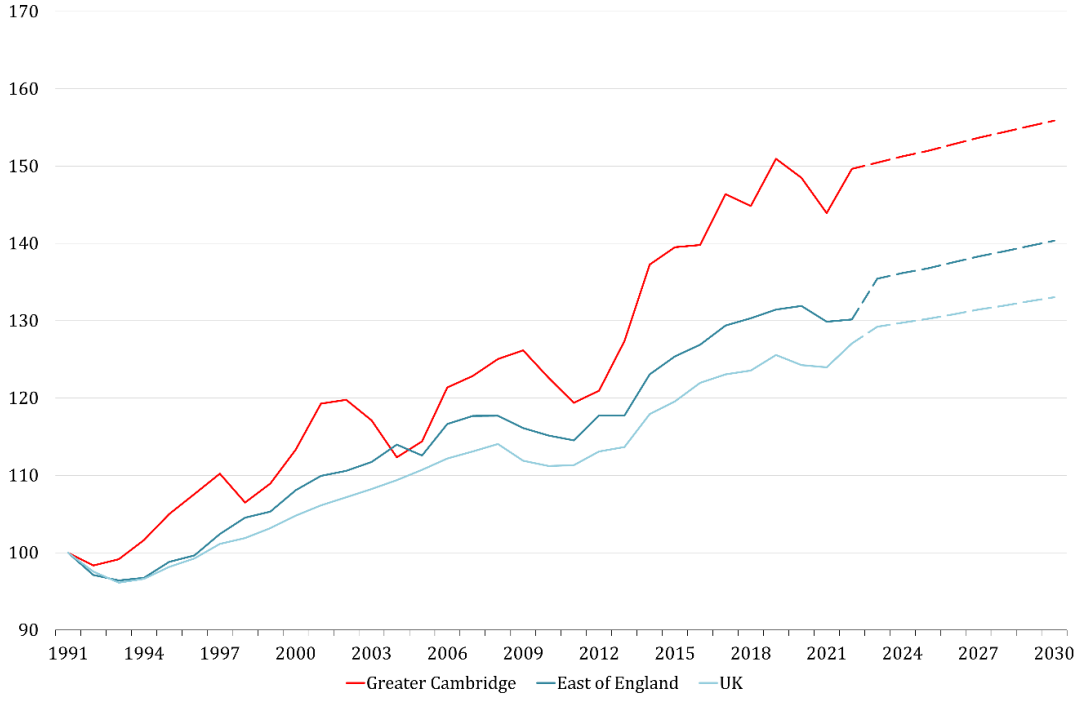
Per annum change over period	Greater Cambridge	East of England	UK
Change in employment (% pa)	0.5	0.9	0.6
Change in GVA (% pa)	1.2	1.2	1.1
Change in productivity (% pa)	0.7	0.2	0.5

Source: Cambridge Econometrics.

Employment

4.7 Employment growth in Greater Cambridge has been stronger than the East of England and the UK as a whole since 1991. Going forward, employment growth in Greater Cambridge is projected to compare slightly less favourably (0.5% pa in Greater Cambridge compared with 0.6% pa in the UK over 2022-30) than the region and the UK, reflecting the low unemployment rate in 2022 (2.4% in Greater Cambridge). Figure 4-1 shows the employment growth for Greater Cambridge, East of England, and the UK from 1991 to the end of the forecast in 2030.

Figure 4-1: Trends in employment growth in Greater Cambridge, East of England, and the UK (1991=100)



Source: Cambridge Econometrics.
Note: Dotted lines represent forecast years.

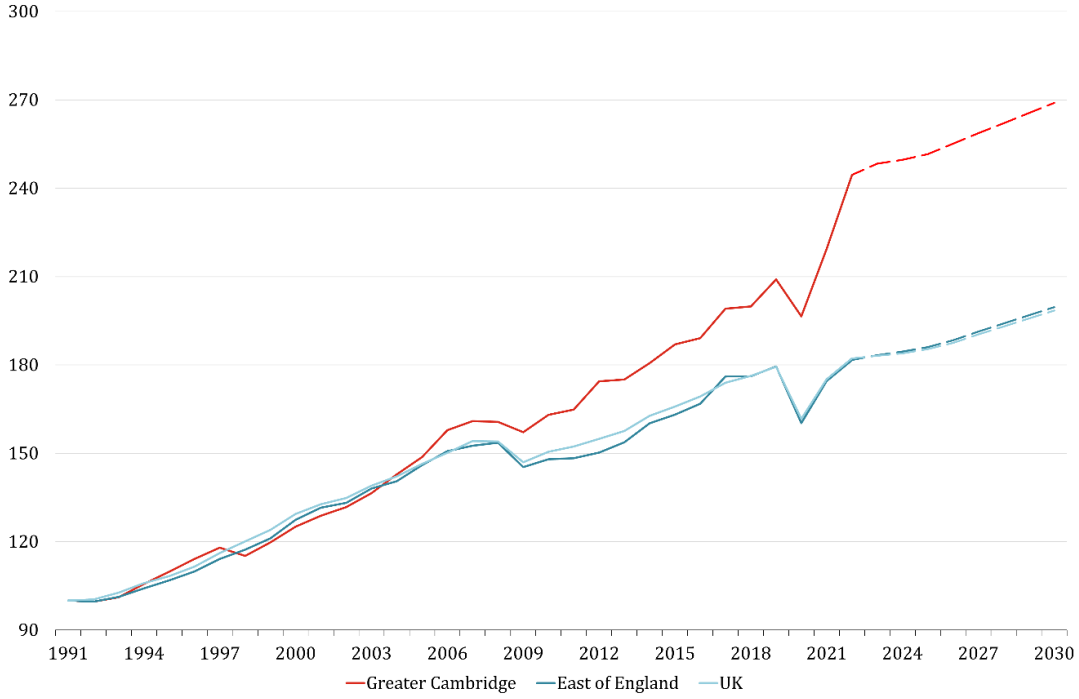
4.8 High employment growth in Greater Cambridge over 2022-30 is projected for 'Accommodation and food services' (2.5% pa growth), 'Information and communications' (1.2% pa growth), 'Construction' (0.9% pa growth) and 'Financial and business services' (0.6% pa growth). By 2030, nearly 36% of jobs in Greater Cambridge are projected to be in 'Information and communications' and 'Financial and businesses services', two high productivity sectors. Jobs in 'Manufacturing', and 'Distribution' are projected to decrease,

though the sectors are (in relative terms) modest, accounting for 15% of total jobs in Greater Cambridge in 2022.

GVA

4.9 GVA growth in Greater Cambridge over 1991-2022 was markedly stronger than GVA growth in the East of England and the UK as a whole, especially since the early 2000s (Figure 4-2). There was estimated to be especially strong GVA growth in 2021 and 2022, outperforming the region and UK over that period. GVA is projected to grow by 1.2% pa in Greater Cambridge over 2022-30, in line with expected growth in the East of England (1.2% pa) and the UK (1.1% pa). As with employment, more subdued GVA growth is expected over the short and medium term due to poor economic outlook across the broader economy.

Figure 4-2: Trends in GVA growth in Greater Cambridge, East of England, and the UK (1991=100)



Source: Cambridge Econometrics.
Note: Dotted lines represent forecast years.

4.10 GVA growth in Greater Cambridge over 2022-30 is projected to be in 'Manufacturing' (1.8% pa), 'Construction' (1.6% pa), 'Financial and business services' (1.6% pa), and 'Accommodation and food services' (1.2% pa). GVA in 'Electricity, gas & water' is expected to fall by -0.1% pa over 2022-30, though this is a small sector, accounting for less than 1% of total GVA in Greater Cambridge. Despite the differences in expected growth between sectors, the structure of the economy in 2030 is expected to remain the same as in 2022, with the

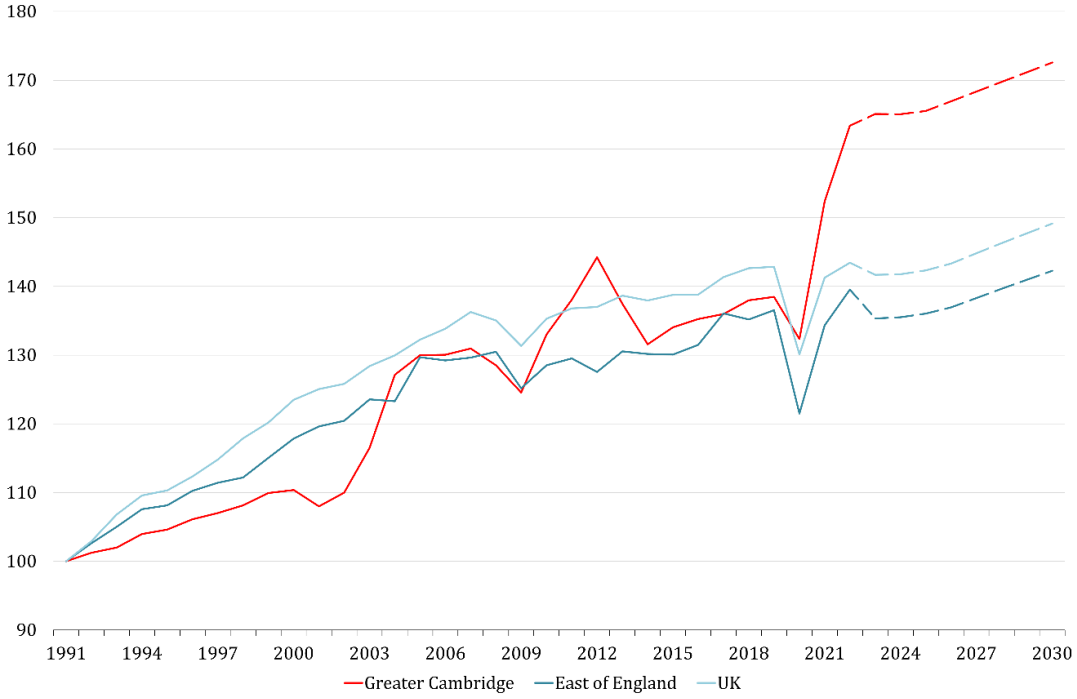
service sectors[6] expected to account for 75% of total GVA in Greater Cambridge and manufacturing 10% of total GVA.

Productivity

4.11 Productivity in Greater Cambridge grew broadly in line with the East of England and the UK up until 2020. In 2021 and 2022, productivity in Greater Cambridge was estimated to have grown sharply, with very strong GVA growth and less strong employment growth. This post-pandemic productivity growth was stronger than in the East of England and the UK (see Figure 4-3).

4.12 To 2030, productivity is projected to grow by 0.7% pa in Greater Cambridge due to slightly stronger projected GVA growth relative to employment growth. This expected growth is higher than expected in the East of England (0.2% pa) and the UK (0.5% pa) over 2022-30.

Figure 4-3: Trends in Productivity growth in Greater Cambridge, East of England, and the UK (1991=100)



Source: Cambridge Econometrics.
Note: Dotted lines represent forecast years.

4.13 Productivity in Greater Cambridge over 2022-30 is projected to grow most in 'Manufacturing' (3.0% pa) and 'Distribution' (1.3% pa), which could be a reflection of automation playing a larger role in these sectors. By 2030, the sectors with the highest average productivity are projected to be 'Manufacturing', 'Utilities', and 'Information and communications'.

[6] This includes: Distribution; Transport and storage; Accommodation and food services; Information and communications; Financial and business services; Government services; and Other services.

Summary

4.14 Employment, GVA, and productivity in Greater Cambridge is expected to continue to grow over 2022-30. This growth is projected to be more subdued than historical growth over 1991-2022, which reflects macro-economic trends. Relative to these higher-level geographies, Greater Cambridge is projected to have slower employment growth, similar GVA growth, and faster productivity growth to 2030.

5. Local growth data

Context

5.1 As outlined in Section 2, the Greater Cambridge and Cambridgeshire economy has a number of unique characteristics based its knowledge economy and innovation assets, the socio-economic profile of its inhabitants, and its situation in a rural hinterland with transport connectivity to commercial hubs. Policy makers and businesses across the area recognise the importance of basing investment and policy decisions on current data that is bespoke to the area.

5.2 The Centre for Business Research based at the University of Cambridge Judge Business School support regional policy makers in a number of ways[7] including their development of a model of economic profiling that uses a bespoke set of data as its basis. Their data is based on an annual draw of companies from the FAME dataset within the region and their reported accounts which are supplemented by in depth examination of a sub-set of these companies reports to provide employment and turnover data based on c 40% of the company population which represent about 66% of corporate employment across the area. This dataset provides a different basis for economic profiling compared with the ONS data used in the forecasts describe in sections 3 and 4 of this report.

5.3 This underlying core corporate database has been established and maintained with the ongoing support of Cambridge Ahead, and is currently sponsored by Arm, Cambridgeshire and Peterborough Combined Authority, Greater Cambridge Partnership, Marshall of Cambridge and Mills & Reeve.

5.4 The CBR data uses a distinctive method of economic profiling, developed to reflect the specific circumstances and context in Cambridge and Cambridgeshire. The estimates generated are therefore different to those generated by CE, which are based on ONS data and CE's well-established forecasting model.

5.5 The Investment Fund evaluation does not need to consider which approach is more 'accurate'; they offer alternative and complementary insights into economic performance. Rather, it is important to note that multiple sources of evidence are used to inform policy, that the evidence is used by both the GCP and the Combined Authority as an example of aligned thinking, and that both identify trends associated with employment growth across the area that needs both encouragement and management.

[7] CBR work includes an annual data draw of the local business population, blended data with BRES data, to provide estimates of employment for the overall economy. This CBR/BRES blended data informed the Cambridgeshire and Peterborough Independent Economic Review (CPIER) and the local plan work.

Latest local estimates of economic performance

5.6 The data release for April 2024[8] from the CBR estimates that:

- **Employment growth in the Greater Cambridge area** slowed down from 7.7% in 2021-22 **to 5.2% in 2022-23**, suggesting that the onset of recession in the second half of 2023 has had some impact on business. Nevertheless, employment growth in the Greater Cambridge corporate economy in the year to mid-October 2023 outperformed the national economy in this period.
- The robust performance of the Greater Cambridge corporate economy was driven by a **dynamic KI economy, which saw employment grow by 6.1% in 2022-23** (8.6% in 2021-22)
- Overall employment growth also benefited from the continued growth of non-KI sectors. **Non-KI employment increased by 4.0% in 2022-23**, down from 6.5% in 2021-22.
- Using a subset of company data **total turnover for the knowledge intensive group of companies grew by 18% in the first six months of the 2023-24 financial year** compared with the same period the previous year. Whilst a strong growth, this is slower than the 25% growth achieved in the preceding year.

5.7 The CBR concluded that the results indicated a resilient corporate economy in Greater Cambridge against a backdrop of macroeconomic and geopolitical instability. However, it also noted that the onset of recession in the second half of 2023 was felt by some businesses and sectors, particularly in the non-KI economy.

[8] Cosh and Caselli (2024) Greater Cambridge Employment Update April 2024

6. Policy context

Greater Cambridge City Deal

6.1 The devolved Investment Fund covered by this evaluation forms a key part of the Greater Cambridge City Deal, which was approved in June 2014 between the UK Government and Greater Cambridge (represented by the three local authorities that serve the area, the University of Cambridge and local business as initially represented by the Greater Cambridge and Greater Peterborough Local Enterprise Partnership).

6.2 Over its lifetime, by investing up to £1bn of national and local public sector funding in housing, transport infrastructure and skills – it was estimated that the Greater Cambridge City Deal would[9]:

- create an infrastructure Investment Fund worth a total of £500m, with an initial £100m over the first five years and then a further £400m over the next 10-15 years (the Investment Fund is the focus of this evaluation)
- support an additional overall increase of around 44,000 jobs in the City Region (including the delivery of 420 new Apprenticeships to young people)
- accelerate the delivery of around 33,500 planned homes, and enable the delivery of 1,000 extra new homes on rural exception sites
- enable an estimated £4bn of private sector investment in the Greater Cambridge area
- create a governance arrangement for joint decision making between the councils.

6.3 The City Deal and the Fund are based on a partnership between the three local authorities; Cambridgeshire County Council, and two of the district authorities within it, namely Cambridge City Council and South Cambridgeshire District Council. The districts of Cambridge and South Cambridgeshire map onto the functional economic area referred to in this report as Greater Cambridge encompassing the whole city and its commuter hinterland. The GCP was established by the authorities to deliver the City Deal and Investment Fund.

Greater Cambridge policy priorities

Economic strategy

6.4 A summary of the governance context for implementation of the City Deal Investment Fund is provided in the accompanying evidence paper: 'Process Review and Capacity Development

[9] *Greater Cambridge City Deal*

and Partnership'. This describes the different spatial levels of governance and decision making that operate in the Greater Cambridge area and note the importance of the Cambridgeshire and Peterborough Combined Authority (CPCA) in certain policy areas including economic strategy and adult skills. Although a **Local Economic Recovery Strategy** was produced by the CPCA at the height of the pandemic, the key overarching economic statement at the early stage of the Gateway Review 2 period was the Combined Authority's **Local Industrial Strategy for Cambridgeshire and Peterborough** from 2019 (even though its links back to the Industrial Strategy White Paper are now dated and its commitment to the Oxford-Cambridge Arc has varied over time).

6.5 The LIS used analysis provided in the Cambridgeshire and Peterborough Independent Economic Review[10] and set out three overarching priorities for Cambridgeshire and Peterborough: improve the long-term capacity for growth in Greater Cambridge by supporting the foundations of productivity; increase sustainability and broaden the base of local economic growth; and expand and build upon the clusters and networks that have enabled Cambridge to become a global leader in innovative growth. Underneath these high-level priorities were more specific ambitions linked to key sectors/clusters. The LIS also identified a wide range of actions under the five foundations of productivity.

6.6 Subsequently, in 2022 an **Economic Growth Strategy for Cambridgeshire and Peterborough** was developed by the CPCA. This established a vision that:

"Cambridgeshire and Peterborough is the place where unique business, natural and research assets tackle world problems whilst creating good jobs and healthy lives for all our residents in all our places. We are globally leading and competitive, and also more equal and sustainable."

6.7 This vision was underpinned by a set of objectives to:

- reduce inequality, in terms of health, wealth and opportunity
- ensure transition to a green/low carbon economy
- deliver good quality jobs in high-performing businesses
- deliver better quality skills via a world-class skills system
- accelerate local placemaking and renewal
- accelerate business growth.

[10] See: https://www.cpier.org.uk/

Transport Plan

6.8 Within this context, in relation to transport, CPCA has strategic transport powers and is the Local Transport Authority for the Cambridgeshire and Peterborough area. In November 2023, it published a refresh of the **Local Transport and Connectivity Plan (LTCP)**. This is now the region's statutory transport plan. The LTCP sets out a vision for transport to support a more prosperous, fairer, more accessible, better connected, less polluting and lower carbon transport network, which also delivers better public health. The plan aims to cut the miles driven on roads in the region by 15%, as well as support national carbon targets.

6.9 To achieve this vision and aims, the LTCP outlines the following principles, which will shape the overarching direction of travel for transport and associated schemes:

- **Avoid.** Avoiding unnecessary travel by reducing the number and length of trips needed through improved digital connectivity and increased access to home working.
- **Shift.** Shifting travel choices to more sustainable modes of transport, away from car use, and encouraging and switch to active travel.
- **Improve.** Improving the operational efficiency and journey experience of our transport network.

6.10 Several other strategies have been – or are being – developed for the wider area, including:

- Employment and Skills Strategy (2022) – focusing on whole system leadership across the statutory education, post-16 skills, higher education, and employment sectors
- Cambridgeshire and Peterborough Digital Connectivity Infrastructure Strategy 2021-2025

Local area plans

6.11 At a more local level, various **planning statements** are key. Cambridge City Council and South Cambridgeshire District Councils currently have separate Local Plans – although the two councils worked together to develop an evidence base with many shared elements and the level of co-operation was high throughout. The existing Local Plans were adopted in 2018. They are now being refreshed. For the next iteration, Cambridge City Council and South Cambridgeshire District Council are working together to create a joint Local Plan for the two local areas (i.e., across Greater Cambridge as a whole). This will ensure that there is a consistent approach to planning and development across Greater Cambridge to 2041. The Joint Plan's overarching vision is stated as follows: "*we want Greater Cambridge to be a place where a big decrease in our climate impacts comes with a big increase in the quality of everyday life for all our communities.*"

6.12 The plan making process started in 2019. To date, this has focused on the engagement of key stakeholders, through a series of formal consultation and informal engagement stages, and the development of the First Proposals (Preferred Options). The proposals set out in the Preferred Options include, but are not limited to: solutions to ensure there is an adequate supply of water over the new plan period, without causing environmental harm; the identification of new strategic sites in the most sustainable locations for jobs and homes to support development objectives, whilst responding to the climate emergency; identification of Cambourne as a broad location for future growth in the 2030s, given its positioning along the proposed East West Rail Bedford to Cambridge Line; and the relocation of Cambridge Airport for development of a new sustainable urban quarter. A revised timetable for the development of the Joint Plan was agreed in March 2024.[11]

Cambridge Vision

6.13 Separately, in March 2024, the Cambridge Delivery Group (CDG), established in 2023 by the Department of Levelling Up, Housing and Communities, published '**The Case for Cambridge'** which is also known locally as the Cambridge Vision. The plan recognises an opportunity to harness Greater Cambridge's future economic growth potential in order to pay for the new infrastructure necessary to grow the city and improve life for its residents. The plan notes four key challenges faced by Greater Cambridge: housing affordability, water supply, road congestion and a shortage of laboratory space.

6.14 The plan sets out the government's longer term infrastructure ambitions for Greater Cambridge, looking to 2050 and beyond, which include significant housing growth. Key priorities in relation to infrastructure and movement include:

- **Addressing water scarcity,** through interventions including a new reservoir in the Fens, an offsetting intervention and the appointment of Dr Paul Leinster to chair the Water Scarcity Group that will advise the government on further interventions
- **Improving transport options** to address the city's immediate requirements and facilitate long-term ambitions, through interventions including the delivery of East West rail and investment to ensure the Cambridge Biomedical Campus has sufficient transport links
- **Creating an integrated approach** between digital, health, power, drainage and waste infrastructure that build on existing local plans. This should also be done alongside considerations of transport and land-use requirements to create a fully integrated approach.

Five capitals approach to reporting impact

6.15 As noted in Section 2, Greater Cambridge is characterised by high and rising levels of inequality, and recent years has seen an increasing understanding locally of the elements that

[11] lp-timetable-update_addendum-to-the-gc-development-scheme-2022-march-2024.pdf (greatercambridgeplanning.org)

will be needed to support growth which enhances quality of life and prosperity. This includes reducing carbon emissions, enhancing the environment, addressing inequalities, and improving health. In response, GCP are developing an inclusive and sustainable economic approach to balance these issues using the City Deal programme to highlight ways in which infrastructure can overcome such issues. A **framework of Five Capitals** has been developed by the GCP which aims to capture the broader aspects of the GCP programme and thereby provide a more holistic view of the programme's impacts on Greater Cambridge.

6.16 The GCP has identified a suite of indicators related to each of the components of the framework set out above to track how Greater Cambridge has changed and is changing over time.

Figure 6-1: GCP's suggested balanced scorecard framework



Source: GCP 2024,p.67 (Document.ashx (cmis.uk.com))

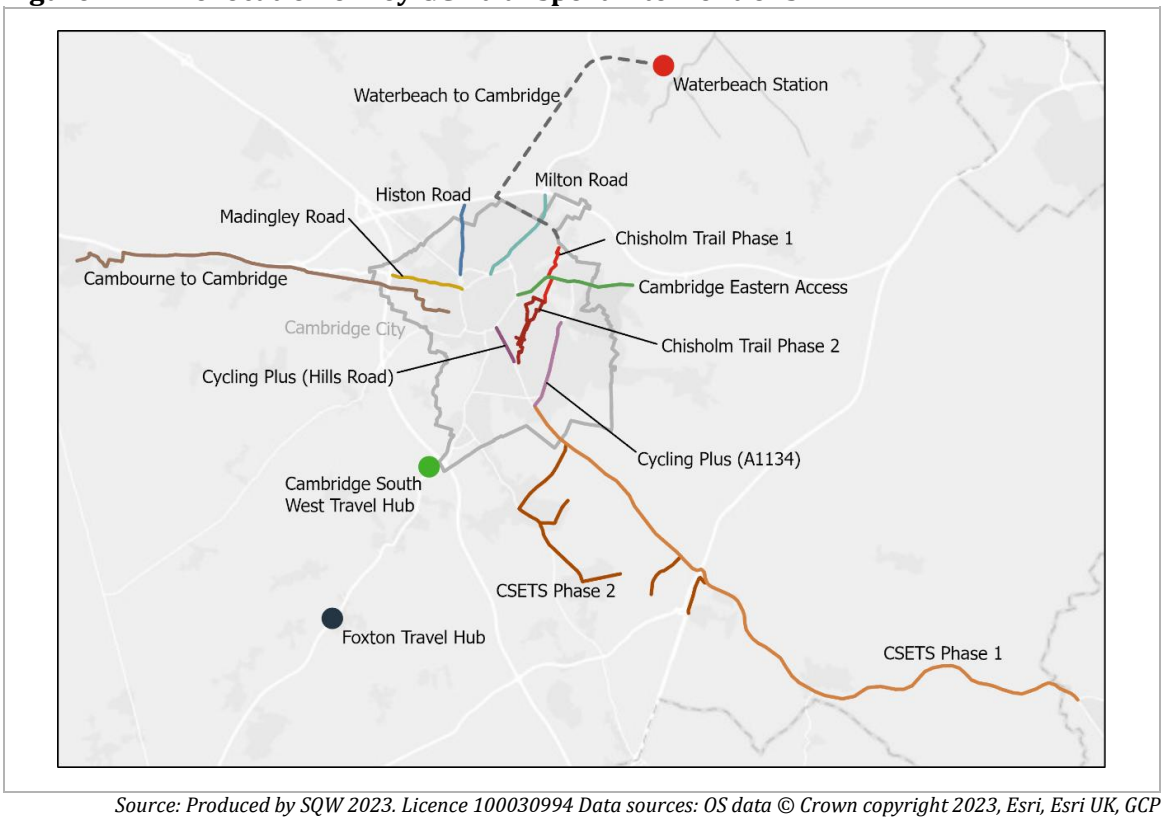
7. Investment Fund deployment

7.1 The core driving principle of the Greater Cambridge City Deal, of which the Investment Fund is a core part, is to unleash the potential of the 'Cambridge Phenomenon' by relieving the transport, housing and skills constraints that currently prevent it from driving growth as effectively as it could do.

7.2 Investment is needed to deliver fast, reliable and affordable ways of travelling between employment and housing hubs, and to deliver the right number, types and tenures of housing, in the right places and well-connected to employment centres. This is crucial so that workers can find the housing they need at a price they can afford, can get to work to take up the jobs essential to the economic success of Greater Cambridge and the UK, and can benefit from the high quality of life offer which is essential to maintaining and enhancing Cambridge's competitive position internationally as a place to do business, invest and grow.

7.3 In response to this agenda, the Investment Fund focuses primarily (though not exclusively) on enhancing transport infrastructure, through a suite of interventions designed to address blockages to growth resulting from congestion and the impacts this has on the economy. The interventions comprise a mix of schemes intended to encourage people out of their cars and onto other modes of transport, with a particular focus on active and sustainable travel modes, including walking/wheeling, cycling, and bus usage. This represents a long-term package of complementary interventions, with the full impacts expected over the medium-to-long-term.

Figure 7-1: The location of key GCP transport interventions



Source: Produced by SQW 2023. Licence 100030994 Data sources: OS data © Crown copyright 2023, Esri, Esri UK, GCP

7.4 This principal focus on transforming transport infrastructure has been consistent across both the Gateway Review 1 and Gateway Review 2 periods. This includes schemes focused on providing residents and workers with improved means to travel into and around Greater Cambridge, by public transport, cycling, walking or wheeling to prevent its growing pains from limiting Greater Cambridge's growth potential. The strategy includes enhanced 'green' transport routes into and through the city, improved public transport with dedicated bus routes and improved bus infrastructure on existing routes, city centre solutions to reduce traffic in the historic core, and enhanced transport interchanges and public transport infrastructure in and outside the city.

7.5 This core focus on transforming transport infrastructure across Greater Cambridge – both in and around the city of Cambridge itself and in the wider functional area – has been complemented with the strategic and targeted deployment of the Investment Fund on several other 'pinch points' for the local economy. These included interventions to address skills needs (via a two-phase skills intervention working with local skills providers), to pilot and deploy transport technology innovation (through the Smart Cambridge programme) and to increase the area's electrical grid capacity via strategic engagement with key public and private actors.

7.6 The expectation is that over the long-term, and once a 'critical mass' of delivery has been realised through the Investment Fund, there will be a cumulative effect through these integrated and related activities, as different parts of the network connect to create new routes for people to move around and within the city. Delivery of these schemes individually would have meant less coordination of effort and less impactful interventions overall. However, this will take time to be realised as interventions are completed and embedded within the local transport network. At this Gateway Review 2 stage this cumulative impact therefore remains an underpinning 'theory of change' for the overall development of the Investment Fund, rather than an outcome that can be demonstrated or tested via quantitative evidence.

7.7 Importantly, the Investment Fund is also one part of a wider suite of developments and investments (both public and private) to support the ongoing growth of Greater Cambridge. Other key initiatives include the development of new settlements, such as Northstowe, Cambourne West and Waterbeach around the city to alleviate the growth pressure on the city itself, spreading growth beyond the immediate area of Cambridge, consistent with the emerging Greater Cambridge Local Plan (covering Cambridge and South Cambridgeshire).

The deployment of the Investment Fund also aligns with significant rail infrastructure investment in Cambridge South Station adjacent to the Cambridge Biomedical Campus. Planned to open in 2025, this will encourage further modal shift for travel into railway stations.