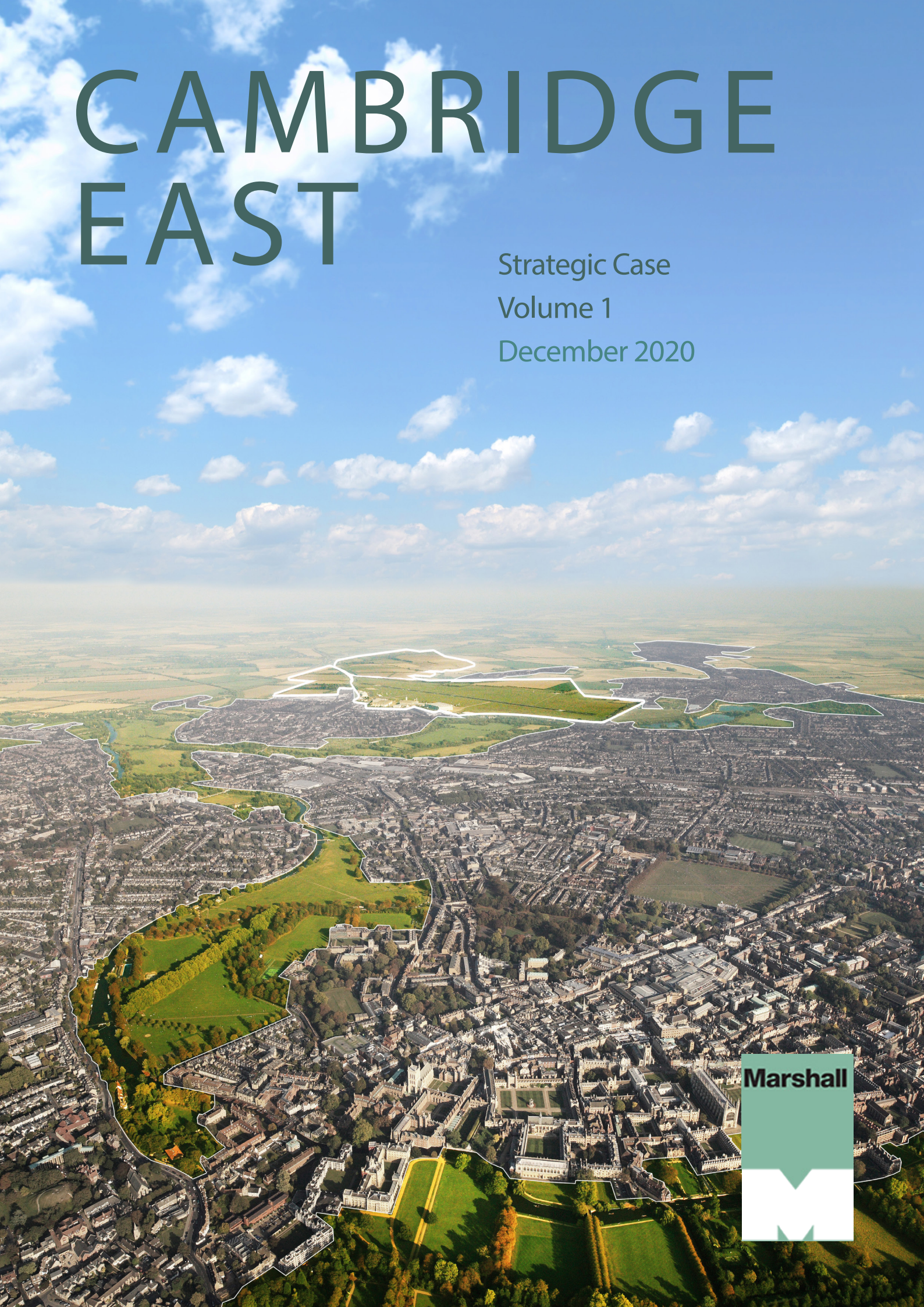
CAMBRIDGE EAST

Strategic Case

Volume 1

December 2020

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Contents – Volume 1

"Cambridge is at a decisive moment in its history where it must choose whether it wants to once again reshape itself for growth, or let itself stagnate and potentially wither. We believe the latter would be disastrous for its people and the UK economy."

Cambridgeshire and Peterborough Independent Economic Review (CPIER Final Report)

1 Executive Summary

1.1 The Marshall Group has been a key employer in Cambridge for over 100 years. This report sets out the role that the company intends playing in the coming decades through its proposals for Cambridge East.

1.2 The company supports the Councils' ambitions for growth that both meets local needs and doubles the area's contribution to the UK's GDP. Cambridge East will make a significant contribution to both objectives.

1.3 Cambridge has seen remarkable success over the last 30 years and Marshall is determined to ensure that new quarter at Cambridge East helps the city to achieve growth that is socially, economically and environmentally sustainable. The site's scale and location, substantially embedded within the established urban area of Cambridge, allows for large scale development which can add to and complete the city, rather than be separate from it.

Supporting Sustainable growth

1.4 Cambridge's success has been remarkably consistent over the last thirty years and the recent high growth is not exceptional. The Local Plan Evidence Base shows a long-term growth rate of 1.6% a year over 25 years with high growth sectors sustaining significantly higher growth. Commercial vacancy rates and rents in the city suggest that more growth could have been achieved if the sites and infrastructure were available.

1.5 The question is not whether there is demand for employment space in Cambridge, rising rents and high take-up demonstrate the existence of pent-up demand. The question is whether there is the appropriate space to accommodate this new demand.

1.6 Cambridge East is the best place to meet that growth, combining some of the best elements of the northern and southern city clusters to offer something different – something of scale that can attract and grow existing and new businesses and sectors – as part of a thriving mixed community.

1.7 These growth areas are global sectors such as computer science and AI. They are not unique to Cambridge, and there are plenty of locations they can locate outside of the UK, but Cambridge is uniquely well placed to accommodate them within the UK.

1.8 We cannot be sure exactly what the growth sectors will be or who the new generation of global business will be. But we can be sure that if the right environment can be created – they will arrive and grow and contribute to the continued success of the City.

1.9 This means development must be located in or near the City. This is where the market wants to be, and it is telling that Cambridge is one of the few places where commercial land is as valuable as residential.

1.10 Cambridge East is within 15 minutes' cycle of Parker's Piece (closer than the Science Park). It is uniquely well located even before investment in new transport infrastructure.

1.11 Accommodating demand and facilitating growth means development needs to be planned holistically. It requires high quality development, the right space and density, and the appropriate mix of uses.

Cambridge East will enhance Cambridge's unique role in the UK economy

1.12 Cambridge is unique in the UK and the University is at the heart of its research and commercial success. These underpin one of the most important R&D clusters in the country that is fundamental to the UK Government's ambitions for economic growth and prosperity.

1.13 The City has been a magnet for Foreign Direct Investment (FDI) and is home to many companies for whom the options are not Cambridge or somewhere else in the UK, but Cambridge or somewhere overseas. If Cambridge does not plan for adequate growth, these companies will be lost to the UK.

1.14 Cambridge East's combination of laboratory and research space alongside the potential for university presence, incubators, general commercial space and maker space will provide an offer that is targeted at all of Cambridge's needs and strengths.

It will help tackle inequality

1.15 Marshall strongly supports the Councils' aim to ensure growth benefits local residents and wants to play its part. Cambridge is one of the most unequal cities in the UK and has some of the least affordable housing. It also has pockets of deprivation, especially in the east of the city.

1.16 The Skills Charter (included in Volume 2) sets out the initial approach to address the challenges in the east of Cambridge and ensure that the benefits of Cambridge East to local residents are maximised. Marshall knows this is a key priority and shares this ambition.

1.17 As well as supporting advanced service sector jobs, the proposals will also deliver space that is designed to support mid and advanced-level technical skills and entry level jobs across a range of sectors. Cambridge East will deliver a significant number of jobs in construction and ICT employment, two sectors with significant opportunities for access and promotion to well-paid jobs through vocational routes. Marshall is also proposing low-cost "maker space" for local businesses.

1.18 Marshalls has a proud track record of training local residents and will continue to do so through the life of the development as it creates:

- Up to 38,000 jobs in a range of occupations – enough to employ every unemployed, low and mid-level skilled resident in east Cambridge
- An average of over 1,500 construction jobs a year for around 30 years
- £4.1bn of Gross Value Added (the local component of GDP) each year by completion
- 12,000 homes

It will ease the constraints that threaten the City's success

1.19 Many of the constraints on growth in Cambridge are well-understood – in particular on infrastructure and housing – and that they threaten the City's success. They are leading to

rising costs (especially housing and city centre commercial rents) and exacerbating inequality. In response, the Government agreed additional funding under the City Deal to deliver infrastructure improvements that would accelerate delivery of homes and jobs, but more is needed.

1.20 The Cambridgeshire and Peterborough Independent Economic Review (CPIER) identified that these constraints would start to impact on competitiveness so that by the middle of the decade, Cambridge's growth would stall. Since the report was published, there are already emerging signs that the constraints are biting, and that competitiveness is already falling.

1.21 Cambridge East will deliver a large amount of housing and commercial space that will directly tackle rising costs. It will be a catalyst for the funding and delivery of transport infrastructure that will change travel patterns across the city. It will reduce congestion and increase public transport use and make it easier to travel to and from the city centre.

1.22 As well as helping to combat existing problems, growth at Cambridge East be catalyst for sustainable development across the east of the city that is not reliant on car travel but benefits from the connectivity to the existing clusters of employment. Investment in infrastructure here will unlock the new growth (both at Cambridge East and elsewhere) and reduce existing problems – this cannot be achieved in other locations. There is a real opportunity to transform congested streets into high quality transport corridors, making space for people, not cars.

It will create a new cluster

1.23 Cambridge East will create a new option for businesses to locate and grow. It will create a new cluster to ensure that the challenges facing the city do not restrict its ability to perform as one of the top-ranking R&D hubs in the world.

1.24 The mix of uses and University presence will support a fourth cluster of advanced businesses and will do it in the best location.

- It is where the market wants to be – the market has a clear preference for being in the city
- It is an opportunity for a high productivity cluster – productivity is higher in city locations
- In a sustainable location – it will reduce total car use and increase public transport use
- It will provide inclusive growth in the East – jobs and training for local people
- It is an opportunity to create a destination - with a significant cultural and leisure offer

1.25 Without significant employment at Cambridge East, jobs will be more widely dispersed around South Cambridgeshire leading to more traffic and lower productivity. This will make it harder to achieve the target of doubling the contribution to the UK's GDP.

1.26 Cambridge East is an opportunity for the sustainable, inclusive and highly productive growth that can ensure that the success that Cambridge has experienced will continue for decades in the future. Marshall are committed to playing their part and continuing their legacy in the city.

2 Introduction

2.1 For over 100 years the Marshall Group has been a key stakeholder in the city of Cambridge and its economic success. The company's proposals for Cambridge East will ensure that it continues to play a major role in the City's next phase of development through to the middle of the 21st Century and beyond. It will relocate some of its existing businesses in order to deliver a world class and globally significant mixed-use development. The vision is to create a new quarter that will support a step change in growth in the east of the city and provide a range jobs and opportunities for local residents.

2.2 The proposals will help tackle widening inequality in the city by delivering a large amount of housing to help improve affordability and, in keeping with the company's traditions, the site will deliver jobs for local people and support training in key technical qualifications and apprenticeships. The Skills Charter (included in Volume 2) sets out our initial approach to address the challenges in the east of Cambridge

2.3 Cambridge is one of the UK's few globally significant and competitive cities. It is home to one of the world's best universities and through its tradition of innovation and research and development (R&D) it has seen rapid economic growth and is one of the few places in the UK to make a positive contribution to the exchequer.

2.4 Cambridge's network of private and public sector, and the knowledge held within it, means that the city is a catalyst for growth and enterprise. The University of Cambridge has facilitated more emerging companies – start-ups, spinouts, not for profit and student companies – than any other university in England since 2000, and Cambridge has more patents per head than any other city in the UK. The city is now at the heart of one of the UK's most productive business clusters centred around information technology, medical technology and research and development.

2.5 As a result, it can attract businesses that no other place in the UK can attract. For many current and potential companies, the choice is not Cambridge or Manchester or even Cambridge or Oxford, it's Cambridge or Silicon Valley or Boston. These businesses want city locations, linked to University research and innovation centres. Cambridge East will deliver this.

2.6 The UK's success in the 21st century will be increasingly based on places like Cambridge. The city therefore needs to grow significantly and do so in a way which tackles some of its existing problems of congestion, high house prices and inequality. The Government has recognised this and made investment in the Cambridge region a priority through the City Deal and the establishment of the Cambridgeshire and Peterborough Combined Authority.

2.7 The local authorities in and around the city have already committed to an ambitious but realistic target of doubling the area's contribution to the UK's gross domestic product (GDP – the local version of which is called Gross Value Added or GVA). Doing so will require more jobs and more productive jobs as well as increasing the productivity of existing jobs. Cambridge East will help deliver all three.

2.8 Cambridge East will ensure that the doubling of GVA can be achieved in the most sustainable and inclusive manner. It will raise the productivity of the existing workforce through employment and training opportunities – and by supporting businesses to ensure they do the same. It will create a mix of space that accommodates a range of uses appropriate for both high productivity global business and the spin-offs and start-ups for which Cambridge is renowned, but also by providing low cost and flexible maker spaces and studios to support creative industries and businesses that need lower cost space.

2.9 **Volume 1** of this report sets out the context in which Marshall and its team has developed the proposals for Cambridge East. It builds on the work of the Cambridgeshire and Peterborough Independent Economic Review (CPIER) which set out a number of scenarios for how the area could double its GVA. These demonstrate the need for more jobs, but also the need for both these new jobs and existing ones to become more productive. This will be through a combination of training and investment in new sites and infrastructure. The fewer new jobs that are delivered, the bigger the increase in productivity amongst existing jobs that is required.

2.10 Cambridge has been hugely successful and is better placed to grow than almost any other place in Britain. However, it is facing a number of constraints – some of these are long-standing and well-understood, others are emerging but pose significant risks. Emerging data suggests that these could already be starting to impact Cambridge's competitiveness.

2.11 Historic growth in and around Cambridge has been constrained and the economy is segregated with three distinct clusters in the city – the science park cluster in the north, the biomedical cluster in the south and the City Centre which are highly successful sectors in their own right. The historic policy of dispersing growth outside the city has to some extent been resisted by the market which has indicated a preference for locations close to the centre of Cambridge. A lack of commercial space in the location that the market wants to locate has constrained economic growth, as evidenced by the rapidly increasing prime rents for office and lab space. There are also clear productivity benefits to having more jobs in and on the edge of the city.

2.12 A lack of housing delivery – and poor transport connectivity has contributed to Cambridge becoming a less desirable place to live as houses are unaffordable (affordability ratio is the worst of any city outside of London) and commutes become longer. This affects the quality of life or residents – both new and future – and ultimately means that Cambridge becomes a less attractive place for talented people, and the businesses who want to attract them, to locate.

2.13 Major investment will be needed to support the plans for growth. There is a need for 126,000 additional jobs by 2041 across Cambridge and South Cambridgeshire in order to meet the target for doubling GVA. Without significantly improved productivity this rises to 177,000 extra jobs.

2.14 The emerging Local Plan Evidence base suggests that this level of growth may not be planned for and Greater Cambridge is therefore not planning for the growth required to achieve the target of doubling GVA as was agreed as part of the Devolution Deal. Even at these lower levels of growth, Cambridge East is the best location for delivering both productivity and employment growth, and achieving the Councils' aims of economically, socially and environmentally sustainable growth.

2.15 **Volume 2** sets out the contribution that Cambridge East can make to tackling these issues. This includes both the contribution in terms of the mix of uses, homes, jobs, and GVA but also how Cambridge East can contribute to sustainable and inclusive growth in the east of the city. This includes the Skills Charter and investment in skills and training, the cultural and leisure offer and the improvements in transport providing an opportunity to unlock wider growth.

2.16 The masterplanning team has developed four scenarios.

- **Scenario A** – a scheme covering the Safeguarded Airport land which is compliant with the adopted Cambridge East Area Action Plan. This scheme includes high quality public transport (HQPT)[1] links as envisaged in the AAP, a relocated P&R and dedicated transit corridor through the site. It does not require a dedicated off site mass transit link connecting to Cambridge Station. It includes delivery of a Country Park to the east of Airport Way.
- **Scenario B** – a scheme covering the Safeguarded Airport land but which achieves a greater mix of uses than is envisaged in the AAP, including a significant increase in the provision of commercial development to enable and capitalise on the delivery of a research hub. This scheme is supported by comparable on site transport infrastructure as Scenario A (including relocated P&R and dedicated on segregated transit corridor), but with a dedicated off-site mass rapid transit link[2] connecting to Cambridge Station with further connections to Cambridge North.
- **Scenario C** – a scheme covering the Safeguarded Airport land and additional Green Belt land to the east of Airport Way, which enables the delivery of a significantly greater quantum of development than Scenarios A or B, including a greater mix of uses, notably more residential units, and a greater scale of commercial development. This scheme is supported by comparable on site transport infrastructure as Scenario A (including relocated P&R and segregated transit corridor), but with a dedicated off-site mass rapid transit link connecting to Cambridge Station with further connections to Cambridge North. It also provides a Green Infrastructure network which extends beyond the redline of the site to the east.
- **Scenario D** – a scheme which achieves the same amount of development as Scenario C but covering the Safeguarded Airport land only. This scheme is supported by comparable on site transport infrastructure as Scenario A (including relocated P&R and segregated transit corridor), but with a dedicated off-site mass rapid transit link connecting to Cambridge Station with further connections to Cambridge North. It is being tested to examine the potential to densify Option B.
- Scenario B, C and D would be supported by a new rapid transit link connecting to Cambridge Station and a relocated Park & Ride to the east of Airport Way. Scenario A would not include the rapid transit link, albeit it would include some transport improvements as envisaged by the AAP. Cambridge East will accommodate a range of spaces to suit the needs of different occupiers, including lab space and big floorspaces

[1] High Quality Public Transport (HQPT) - surface, bus based rapid transit solutions which will operate in existing street corridors and will be supported by priority measures and alongside design features to reduce delays caused by passengers boarding or leaving buses, or purchasing fares.

[2] Mass rapid transit link – fully segregated high capacity transit solutions with the potential to be part of the CAM

for global operators, incubator spaces to support the growth of SMEs, and maker space / artist studios to support small and creative industries.

2.17 It's not just the commercial space that will be important to attracting the global occupiers; a University presence on the site would be attractive in terms of knowledge spill-over and opportunities for joint working and the retail, leisure and cultural offer will support placemaking. The housing offer will contribute to meeting the needs of local people, through providing a mix of housing that provides different options to support people on different incomes and at different points in their life.

2.18 The combination of all of the above will combine to create a 'great place' that is more than the sum of its parts. It will make it attractive to high value and innovative global companies but will also provide the space that start-up and spin-offs need to get started. These small and innovative companies are part of what makes Cambridge unique; it is uniquely good at fostering and growing innovative young companies which contribute to both the Cambridge and the national economy.

2.19 The opportunities will not be limited to those who are highly qualified. Marshall has a long legacy of investing in skills and is committed to ensuring that the benefits of the scheme felt equally across the local area – the Skills Charter sets out our initial approach to address the challenges in the east of Cambridge. The scale and ambition of Cambridge East will allow for a comprehensive effort to address barriers to training and employment and there is an opportunity to provide a range of employment and training opportunities in growing sectors, such as ICT, that are well paid but do not always have high entry requirements.

2.20 The economic benefits do not end at the site boundary – the improved transport unlocked by the development will help to fix the economic geography of the city, linking the existing clusters together so they benefit from agglomeration as well as a better access to labour. The employment growth at Cambridge East would also increase the effective density of Cambridge – this is the number of other jobs that can be accessed withing given area. The relationship between effective density is well proven – the more people and business you can interact with, compete with, and learn from – the more productive you and your firm is likely to be.

2.21 Volume 1 of this this report sets out the importance of Cambridge (Section 3), the constraints it faces (Section 4), and these are challenging its competitiveness (Section 5). The final section (Section 6) then sets out the future growth requirements and the emerging Local Plan that underpins the growth strategy.

2.22 Volume 2 starts by setting out the scale of the opportunity and how the plans for Cambridge East respond to that (Section 7). It then sets out how this will contribute to inclusive growth in the east of the City (Section 8), the Skills Charter for maximising benefits in the local area (Section 9), how its housing will meet local needs (Section 10) and its role supporting culture and leisure (Section 11). It sets out how Government funding can help deliver infrastructure (Section 12) and finally, presents a comparison of the different scenarios for Cambridge East (Section 13) and conclusions (Section 14).

3 Cambridge: a UK success story

Introduction

3.1 Cambridge has been one of the UK's most successful cities for many years. It has seen consistent growth in both its population and jobs and is now one of the few places in the UK that is globally significant in a number of advanced sectors.

3.2 Its success is underpinned by the excellence and global reputation of the University, which in turn supports one of the most highly skilled populations in the country. Together these have proven to be a magnet for major foreign direct investment (FDI) and for some of the best innovation and knowledge transfer out of universities and into applied and commercial research and development.

3.3 Cambridge is the UK leader in two of the four sectors in the first round of the Government's National Industrial Strategy and is critical to the UK's future economic success.[3] Sustaining and maximising Cambridge's success will be central to delivering "Global Britain's" next generation of advanced manufacturing, research and innovation.

3.4 This importance has been recognised by the Government through the City Deal and support for the Combined Authority.

3.5 Britain is not fulfilling its potential if it cannot turn world-renowned universities, workers and ideas into products and services which will be at the forefront of tomorrow. The National Industrial Strategy aims to address this disconnect, maximising the value generated in places like Cambridge by ensuring a better transition from ideas and innovation to tangible output.

3.6 The Strategy seeks to channel energy towards high value clusters of activity. Cambridge is internationally recognised as a well-established cluster of activity, blending a unique mixture of success factors such as highly qualified labour and researchers, a core competency and research strength, and access to public and private funding[4], which together mutually reinforce Cambridge's ability to support the delivery of the National Industrial Strategy.

3.7 Furthermore, Cambridge is especially well placed as the city's people, research and commerce expertise aligns to the sector foci of the National Industrial Strategy, notably to the Sector Deal in life sciences.

3.8 Such is the ability for Cambridge and its hinterland to support the Government in this endeavour, the Cambridgeshire and Peterborough Local Industrial Strategy (one of four nationally) sets out Cambridge's role in boosting productivity regionally.

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[3] The National Industrial Strategy (2017) refers to Sector Deals as partnerships between government and industry to increase productivity. The first Sector Deals are in life sciences, construction, artificial intelligence and the automotive sector.

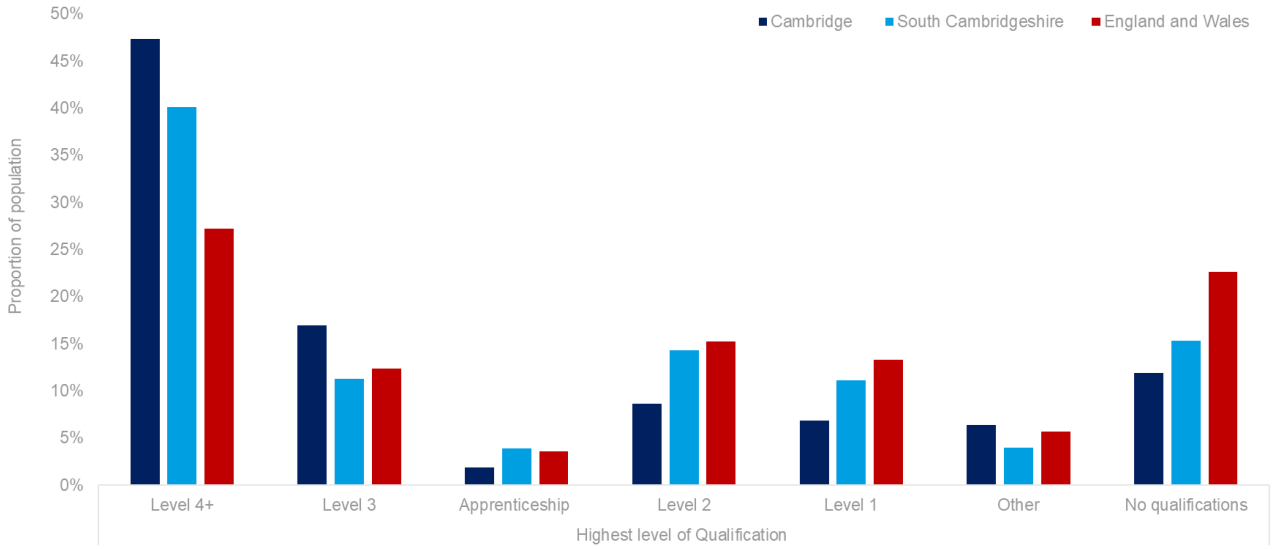
[4] Could reference to the 2017 Brookings report.

The University of Cambridge is at the heart of the city's success

3.9 The University of Cambridge is internationally recognised as one of the world's best universities for learning as well as cutting edge research excellence. The Times Higher Education ranking puts it second in the UK (behind the University of Oxford) and sixth globally (2021 rank), as well as being ranked first in the life sciences field and in the top five in seven other fields (out of ten)[5]. The Complete University Guide ranks the University of Cambridge as first overall, and fourth for 'research quality'.

3.10 It follows that its workforce is disproportionately well-educated: 41% of Cambridge's population have a degree or higher degree qualification, which is almost 2.5 times the England and Wales average[6]. Almost half of Cambridge's working population have qualifications at Level 4 or above (such as higher education and professional qualifications)[7].

Figure 3.1: Highest level of qualification (residents)



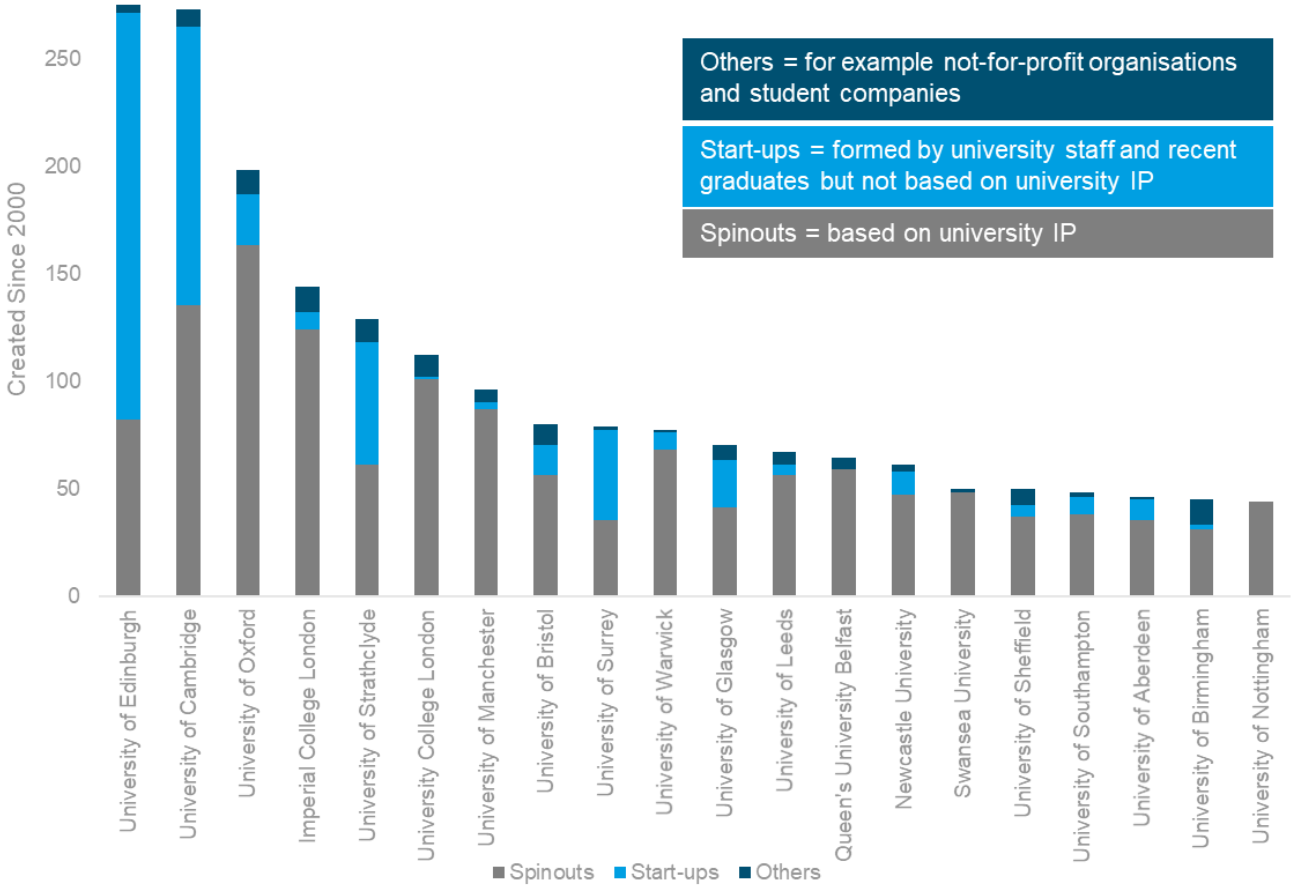
Source: Census (2011)

3.11 The University is a globally significant spinout power, consistently ranked amongst the leading universities internationally by number and total value of spinout deals, raising over $2bn of capital between 2013 and 2017[8]. The University itself is one of the most active investors nationally, funding the fourth highest number of deals between 2011 and 2018[9].

[5] https://www.timeshighereducation.com/world-university-rankings/university-cambridge#
[6] Source: Census (2011), Qualifications gained (QS502W)
[7] Source: Census (2011), Qualifications and students (KS501EW)
[8] Figure 36, Developing University Spinouts in the UK (July 2019). Available online here.
[9] Table 18, Developing University Spinouts in the UK (July 2019). Available online here.

3.12 The University is a catalyst for growth and enterprise: it ranks nationally as the second biggest university generator of companies over the past twenty years, creating over 270 start-ups, spinouts or not-for-profit companies.

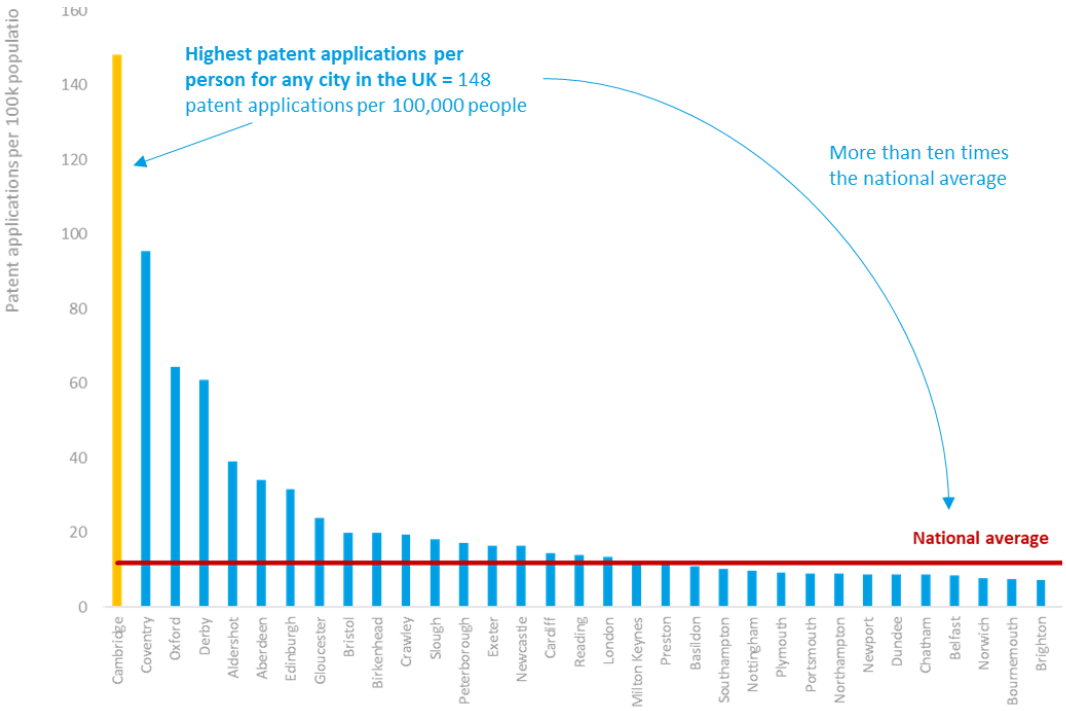
Figure 3.2: All companies emerging from UK universities, since 2000



Source: Spinouts UK 2020

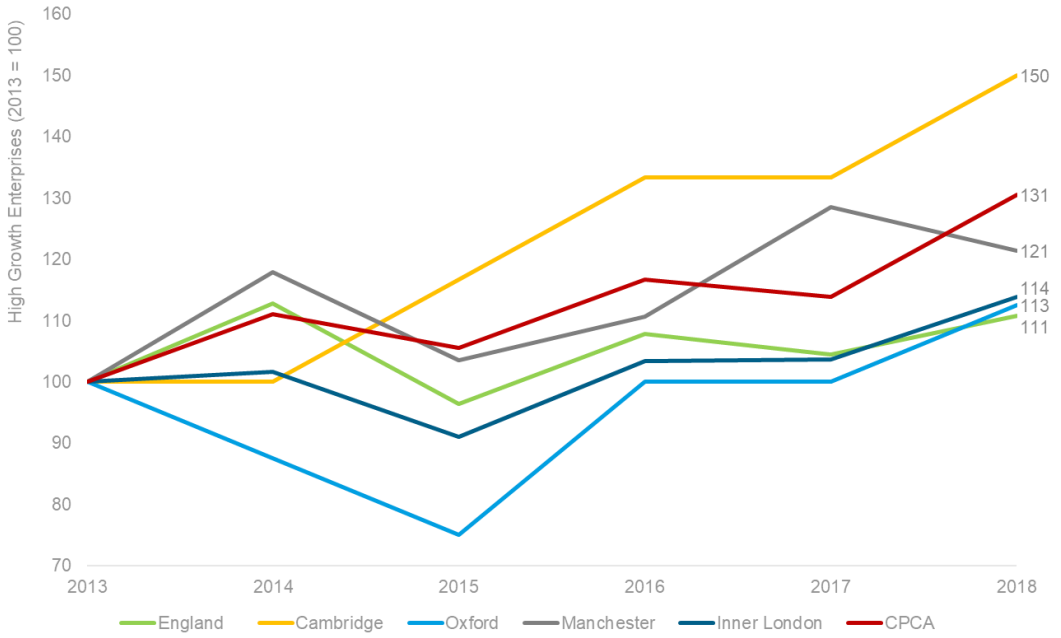
3.13 The combination of a world-class educational institution with substantial spinout activity has resulted in the city recording the highest rate of patent applications nationally, and a record growth in early-stage enterprise. Cambridge, as a home to high value knowledge transfer from academia to business, exists as an environment to turbocharge ideas and ambition.

Figure 3.3: Patent applications per 100,000 people



Source: Centre for Cities

Figure 3.4 Growth in high-growth enterprises[10], 2013 to 2018[11]



Source: Business Demography 2018 (ONS)

[10] High growth enterprises are defined as those with an annualised growth rate of >20% per annum, with at least 10 employees.
[11] Source: Tables 7.1a and 7.1b Count of High Growth Enterprises, ONS (2018)

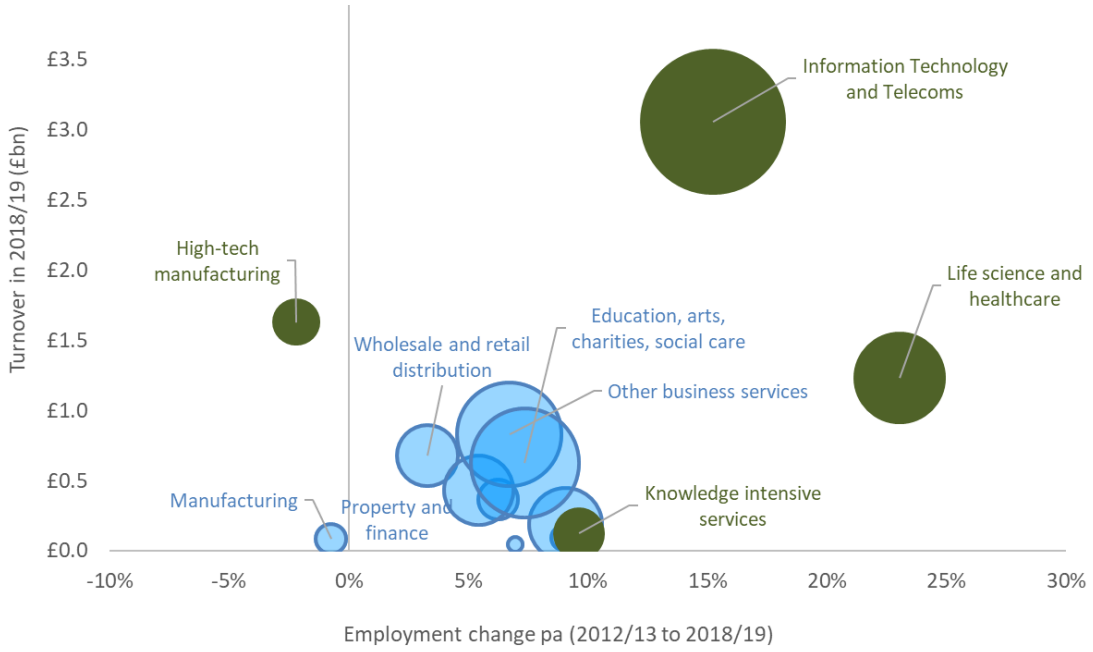
Cambridge: the UK's most advanced economy?

3.14 The result of the University and the city's skills base is that the economy is dominated by high value, knowledge-based activities, with a particular focus on research and development.

3.15 Cambridge's workers are engaged in solving and addressing many of the great challenges of our time, bringing together research, experimentation and commercial nous to innovate, research, generate economic activity and secure our future prosperity.

3.16 Cambridge is disproportionately home to the nation's scientists, information technology experts, and biotechnology specialists. There is a high concentration of these high value sectors and workers, unlike anywhere else in the UK. These key sectors support a myriad of complementary activities across knowledge-based industries, innovation, research, manufacturing, and pharmaceuticals activity. Together the agglomeration of these industries creates a unique ecosystem of national and international importance.

Figure 3.5: Employment and Turnover in Cambridge



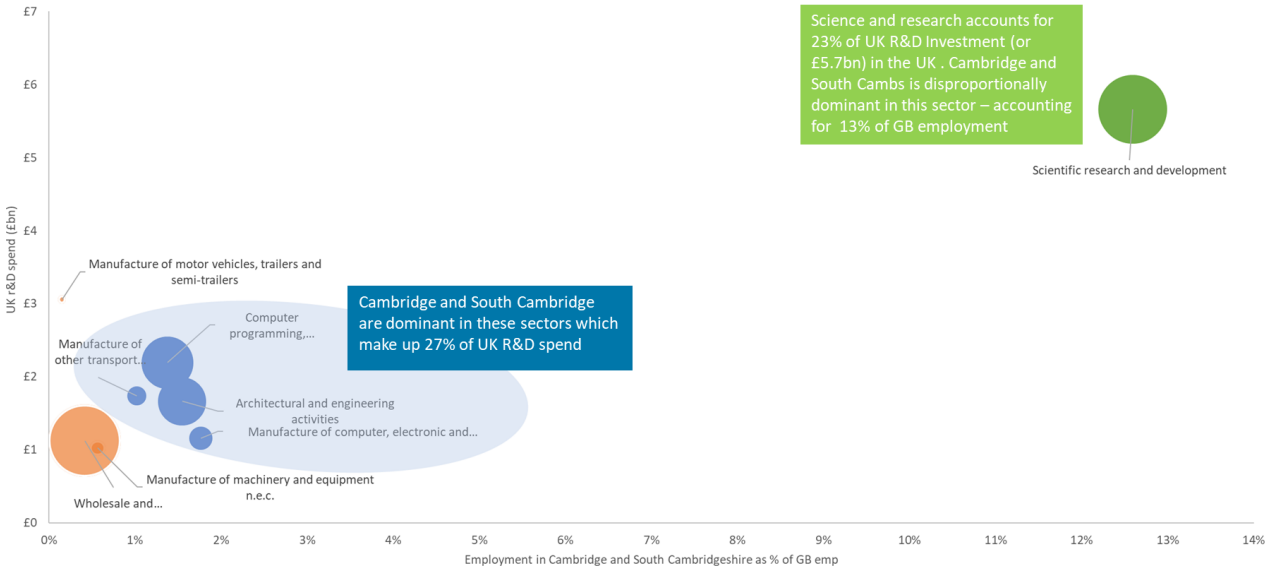
Source: Cambridge Ahead (2020)

Cambridge is a global leader in solving the world's challenges

3.17 Over £37bn was spent on research and development in the UK in 2018. Cambridge is already at the heart of the UK's research and development sector, in particular scientific R&D which is the largest sector nationally by R&D investment, at almost £6bn in 2018.

3.18 Together, Cambridge and South Cambridgeshire are home to over 17,000 scientific R&D jobs, representing 14% nationally[12]. The innovation facilitated by this R&D is a globally-significant contribution to solving the scientific challenges of our time and driving the UK's position as a science superpower.

Figure 3.6 UK R&D spend against Greater Cambridge employment, 2018



Source: Expenditure on R&D Performed in UK Businesses, BRES, ONS (2019)

3.19 The East of England sees a particularly strong ratio of private to public R&D expenditure; in 2018 the region spent 4.5 times[13] as much private R&D money as it did public (the national average is around double). The region leads the market in private-backed R&D activity, spending 20% of national private funding in 2018[14]. The driving force of Cambridge generates spillover activities across the region, raising levels of activity across a wide area. It is therefore imperative for Cambridge to continue to be at the heart of R&D growth, in order to deliver this Government growth objective.

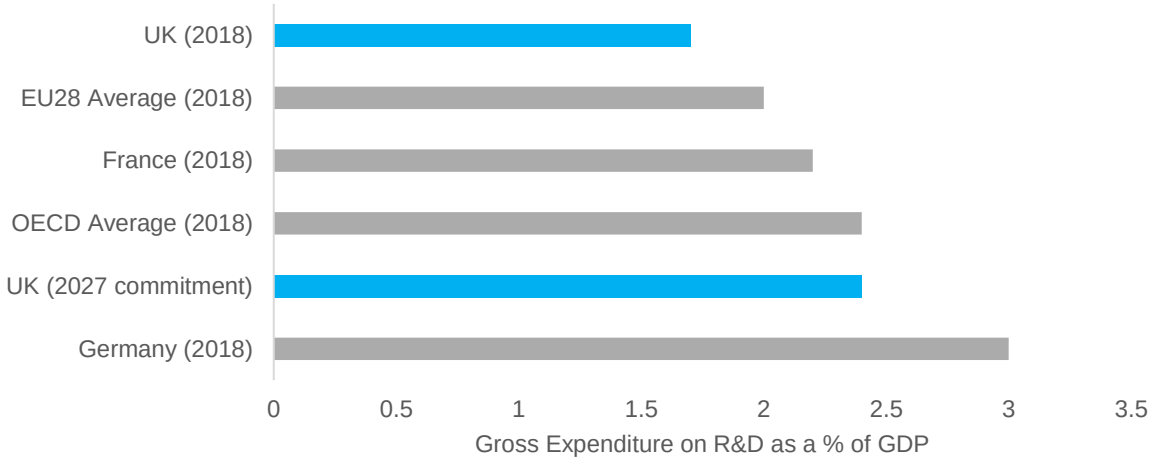
3.20 The UK Government is making the biggest ever increase in public investment in research and development[15], establishing a new fund to drive productivity. The Government has committed to spending 2.4% of GDP on research and development by 2027 (compared to 1.7% today). This means almost doubling public R&D spend from £12.8bn (2018) to £22bn by 2025, in order

[12] BRES (ONS) 2019
[13] Country and Regional Breakdown of Expenditure on R&D in the UK by Sector of Performance 2001 to 2018 (2020).
[14] Country and Regional Breakdown of Expenditure on R&D in the UK by Sector of Performance 2001 to 2018 (2020).
[15] 'BEIS research and development budget allocations 2020 to 2021' (29 May 2020). Available here.

to create more high skilled, high value jobs and to shore up Britain's position as a science superpower.

3.21 The Government recognises that there has not been enough investment in research and development in the recent past, neither private nor public. The Government sees the long-term value which can be generated by securing the UK's status as a global leader in investment in R&D[16].

Figure 3.7: Proportion of GDP spent on R&D



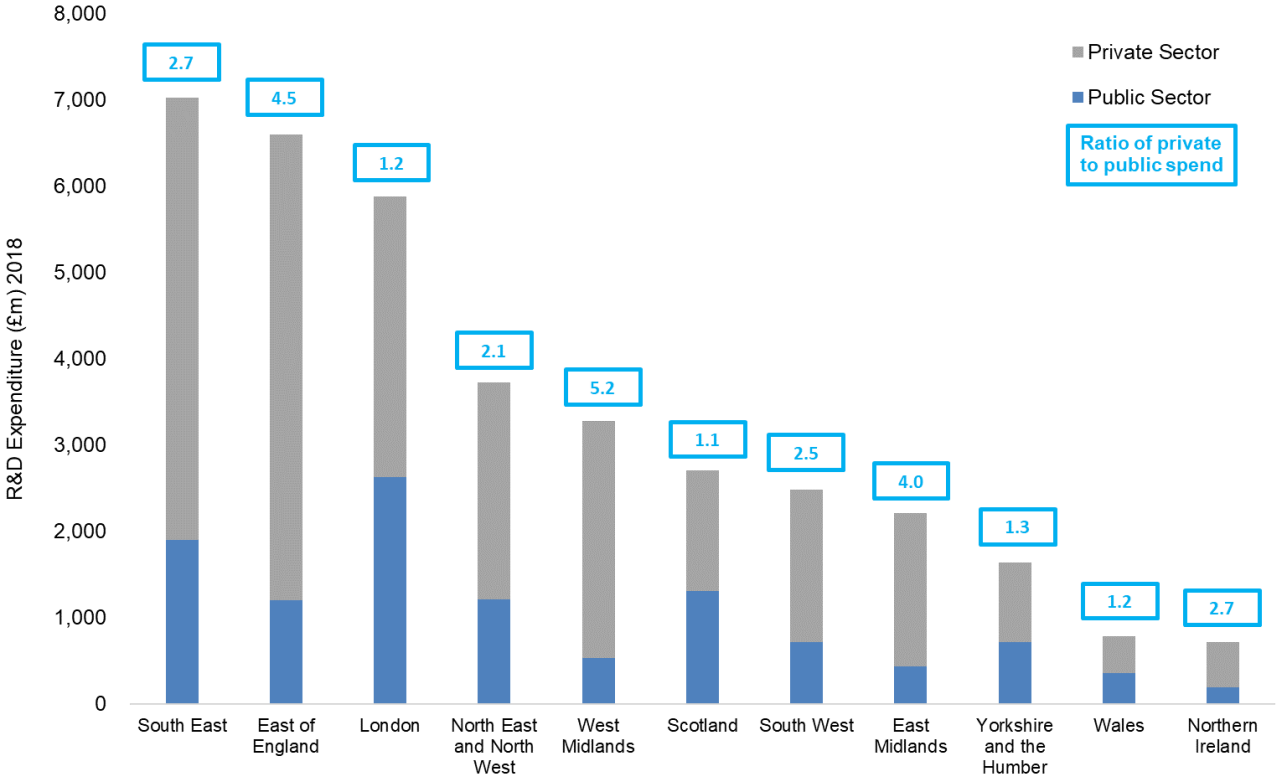
Source: BEIS research and development budget allocations 2020 to 2021 (29 May 2020).

3.22 As public investment grows, private investment should too. Typically for every £1 of public sector investment in R&D, £2.30 is invested by the private sector[17]. In the East of England, this rate is significantly higher – £4.50 is invested by the private sector for every £1 of public money. This means that public investment is significantly better value for money in terms of total R&D spend if invested here.

3.23 As one of the biggest recipients of R&D investment nationally, the East of England is well placed to expand its R&D capacity – the government should take advantage of this, and the success of the private sector, to achieve its aim of increasing R&D spending to drive productivity and innovation.

[16]:'BEIS research and development budget allocations 2020 to 2021' (29 May 2020). Available here.
[17] In 2018, 26% of R&D investment was provided by Government and 55% by business.
Source: House of Commons Briefing Paper Research and Development Spending (June 2020). Available online here.

Figure 3.8 R&D Expenditure by Region (2018)



Source: Country and Regional Breakdown of Expenditure on R&D in the UK by Sector of Performance 2001 to 2018 (2020).

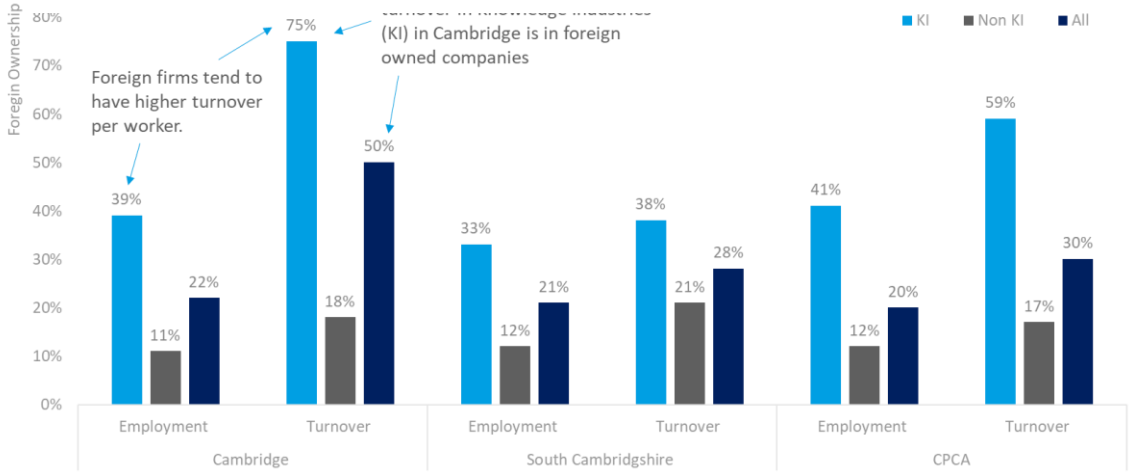
Cambridge is a national hot spot of foreign investment

3.24 Foreign investment is a driving force for employment and productivity in the UK, creating local spillover benefits as well as sought-after opportunities for knowledge-led businesses.

3.25 Cambridge is the location-of-choice for many international firms which are attracted to its well-educated workforce, its track record in innovation and advancement, and the city's good quality of life for workers. Cambridge is regarded as a great place to build a business, maximising the benefits of being close to many hugely successful enterprises, education establishments, and world-leading research and development activity.

3.26 Over a fifth (22%) of all employment and almost two fifths (39%) of knowledge industries in Cambridge is in foreign owned firms. The turnover figures are even higher with half of all turnover and three quarters of turnover in Knowledge industries being in in foreign owned firms.

Figure 3.9: Foreign ownership by turnover and employment (2016/17)



Source: Cambridge Ahead (2018)

3.27 The role of foreign investment in UK plc is only growing, particularly in R&D; it has grown from representing 8% of R&D funding (£1.6bn) in 1985 to 14% (£5.1bn) in 2017[18]. As a home of research and development, and being attractive to foreign firms, Cambridge is especially well placed to continue to benefit from this growing investment stream to the UK economy.

3.28 The city competes internationally for this business and investment, which would otherwise not locate in the UK at all. However, its attractiveness is finely balanced, and this footloose investment will not be afraid of relocating should the city fall short of expectations – most likely to somewhere outside the UK. It is therefore in the national interest to sustain Cambridge's most appealing qualities, not least through supporting its continued growth. This is essential to fuelling the post-Brexit freedoms of the UK economy, enticing international investment in order to lead the world in innovation and invention.

Cambridge is unique – but this should not be taken for granted

3.29 Altogether these factors make Cambridge a unique place of high-value activity, attractive to workers and organisations alike. This means that Cambridge's competitors are not national but international.

3.30 As the UK embarks on its next phase towards world-beating growth, Cambridge cannot rest on its laurels or take a breather. The city must maintain its competitive advantage, otherwise footloose labour and businesses will relocate, not elsewhere in the UK but more likely overseas, taking with them highly valuable skills and investment, as well as all the additional benefits to the local economy which flow today. These knowledge-intensive industries see the option as "Cambridge, or overseas"[19].

3.31 Therefore, the growth of the Cambridge economy is of national and international importance. The city must continue to push for growth, improve productivity, and seek out prosperity for all.

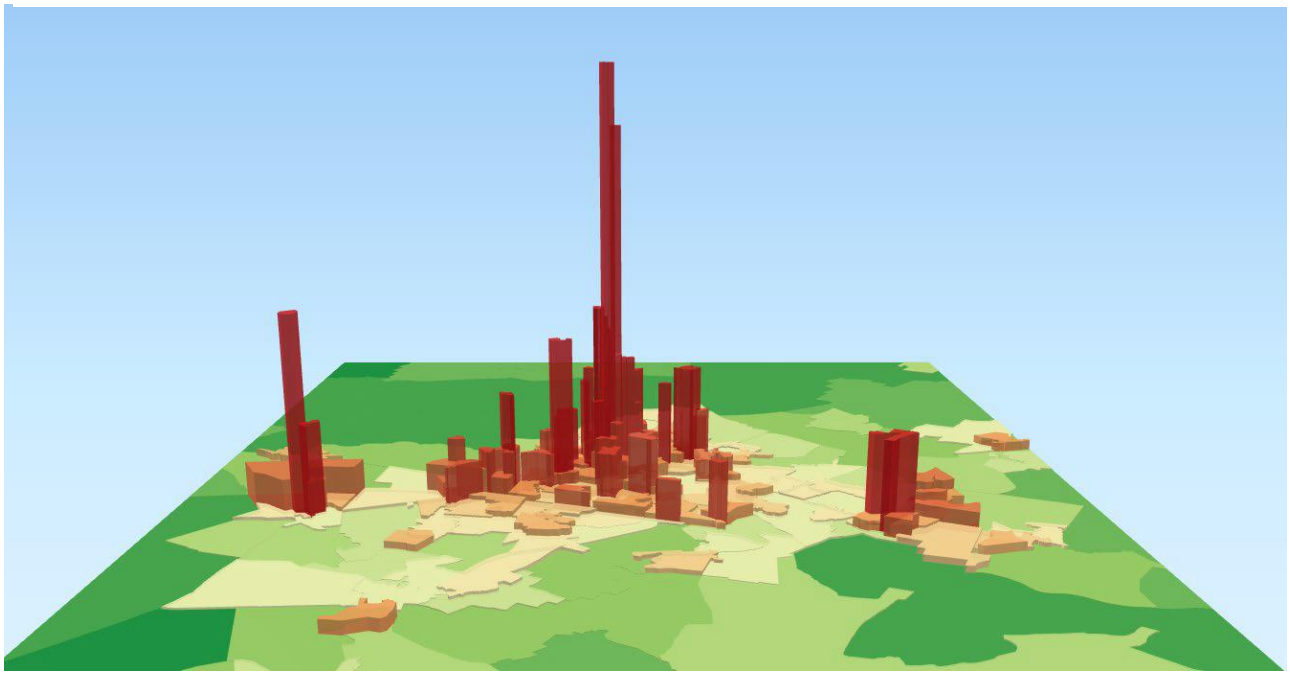
[18] House of Commons Briefing Paper: Research and Development Spending (June 2020)
[19] Page 11, CPIER (2018)

4 Constraints on Growth

Introduction

4.1 For a variety of reasons, Cambridge has a very spatially concentrated economy. It has three distinct clusters – around the science park in the north, the biomedical cluster in the south and the centre of Cambridge, dominated by education and research, alongside typical city-centre uses.

Figure 4.1: Employment in Cambridge



4.2 These clusters are extremely successful in their own right and demonstrate the benefits of agglomeration. Clusters of dense employment are more productive because they benefit from deeper labour markets and therefore better job matching, deeper product markets meaning more competition in the supply chain and the innovation that results from knowledge spill overs.

4.3 Beyond the city, there are numerous locations that have emerged with concentrations of jobs around science and business parks. Whilst productive by national standards, these typically have lower productivity than locations in and on the edge of the city, because they are not as well plugged into the dense networks in the city. Partly because of this, there is a clear market preference to be close to the city centre which can be seen in both the behaviour of commercial rents (where Cambridge has the highest outside London) and in responses to business surveys.

4.4 Planning policy prior to 2003 was partly responsible for the development of science parks away from the city. Whilst these now have relatively high occupancy, it has taken time to achieve

and they have struggled to compete with preferred locations such as the biomedical campus and the Science Park.

4.5 Started in 1970, the Science Park has evolved from a relatively low density out-of-town-style development, as it has been re-developed over time. It is now much denser and has a wider range of facilities to support its workers including a gym, nursery, beauty salon and numerous places to eat and drink. By doing so, it has remained the preferred location for many of the most advanced businesses seeking space in Cambridge.

4.6 The development of the new Local Plan provides an opportunity to align policy with market preference and to tackle some of the constraints that have prevented both faster growth and that are harming Cambridge and leading to widening inequality amongst its residents.

The high productive clusters are being held back by transport connectivity

4.7 The spatial development of Cambridge partly reflects a lack of transport investment that reduces agglomeration effects. One benefit of agglomeration is a deeper labour market: when businesses have a higher pool of talent to choose from, they are more likely to recruit someone who is 'well matched' to the job role.

4.8 A lack of transport connectivity in Cambridge means that the northern cluster is predominantly served by those who commute from the north, the southern biomedical cluster is served by those who commute from the south and the education cluster is predominantly served by those in the west.

4.9 This means that the clusters are not benefiting from whole of Cambridge's labour pool – and as such are the productivity of these clusters is constrained. Either businesses recruit staff who are not as well suited for the job or they have to pay higher wages to attracts people to commute further (or indeed to move house).

4.10 This contributes to rising business costs making Cambridge less attractive to businesses and rising congestion making it a less attractive place to live. This was recognised the CPIER which highlights that the "failure to invest in the development of infrastructure in and around Cambridge is the single biggest endogenous risk to growth facing the area".

Figure 4.2: Industry by home location

Source: Census 2011

Source: Census 2011

4.11 The other benefits of agglomeration are related to the effective density of the economy – essentially the higher the number of jobs that are accessible to a location the higher its effective density. The effective density of a location can increase either because there is employment growth in an area to which it is well located – or because the improvements in transport result in increases in density by improving accessibility between areas of employment.

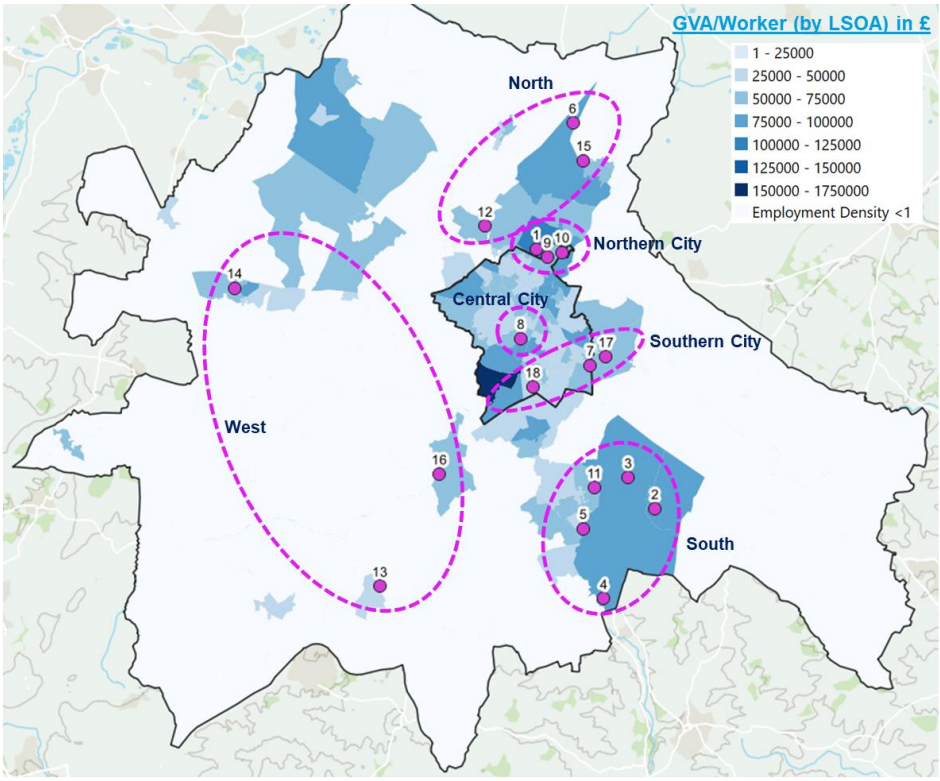
4.12 The relationship between density and productivity explains why businesses are willing to pay significantly higher rents to be in accessible locations, typically in the Central Business Districts of major cities.

4.13 In Cambridge it explains why the densest locations, the existing clusters, are also the most productive. However, the lack of connectivity between the employment locations significantly reduced the effective density of Cambridge. While each of the clusters benefits from the agglomeration effects of its own cluster – they do not benefit from the proximity to the other clusters.

4.14 A business operating in the biomedical cluster in the south is less likely to benefit from the innovation or competition from a firm in the northern science park – meaning both businesses are likely to be less productive than they otherwise would have been.

Figure 4.3: GVA per worker by LSOA and location of science parks

Park		GVA/worker, LSOA
1	Cambridge Science Park	£ 101,000
2	Granta Science Park	£ 86,000
3	Babreham Research Campus	£ 85,000
4	Wellcome Trust Genome Campus	£ 85,000
5	Iconix Park / Unity Campus	£ 85,000
6	Cambridge Research Park	£ 81,000
7	Peterhouse Technology Park	£ 75,000
8	Station Road	£ 74,000
9	Cambridge Business Park	£ 67,000
10	St John's Innovation Park	£ 67,000
11	South Cambridge Business Park	£ 65,000
12	Vision Park Histon	£ 63,000
13	Melbourn Science Park	£ 63,000
14	Cambourne Business Park	£ 60,000
15	Cambridge Innovation Park North	£ 58,000
16	Harston Mill	£ 54,000
17	Capital Park Fulbourn	£ 54,000
18	Biomedical Research Campus	£ 48,000

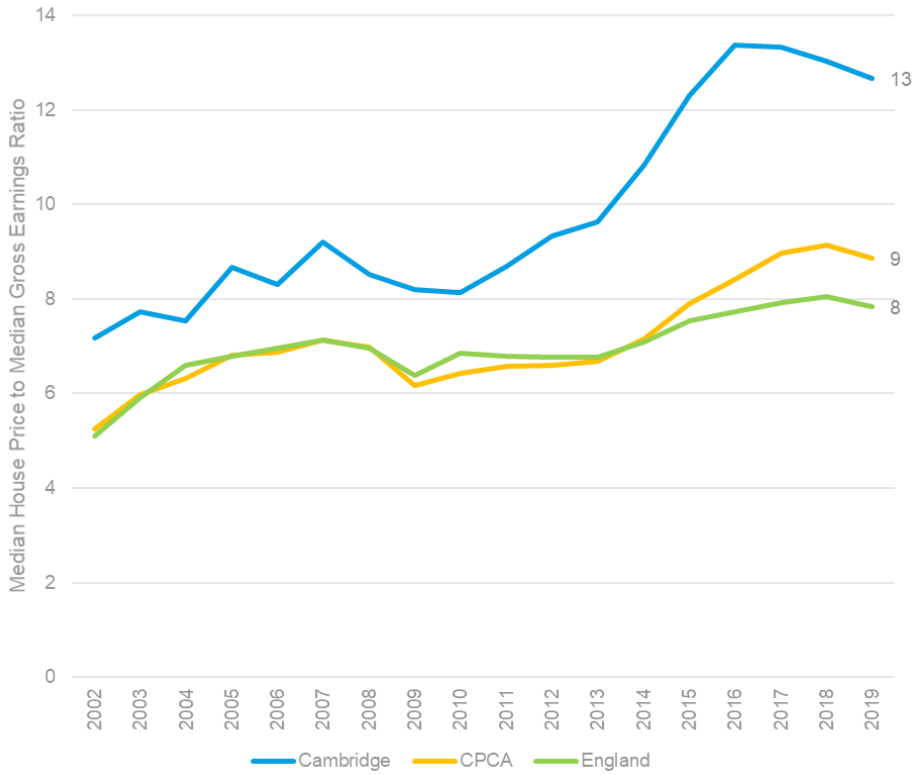


Source: Quod calculations based on BRES (2018) and ONS GVA balanced (2018)

Housing affordability is a problem

4.15 Historic under-delivery of housing, combined with the economic growth Cambridge has experienced in recent years, has resulted in an affordability crisis. The median house price in Cambridge was 13 times the median income in 2019; this is higher than any other English city outside of London.

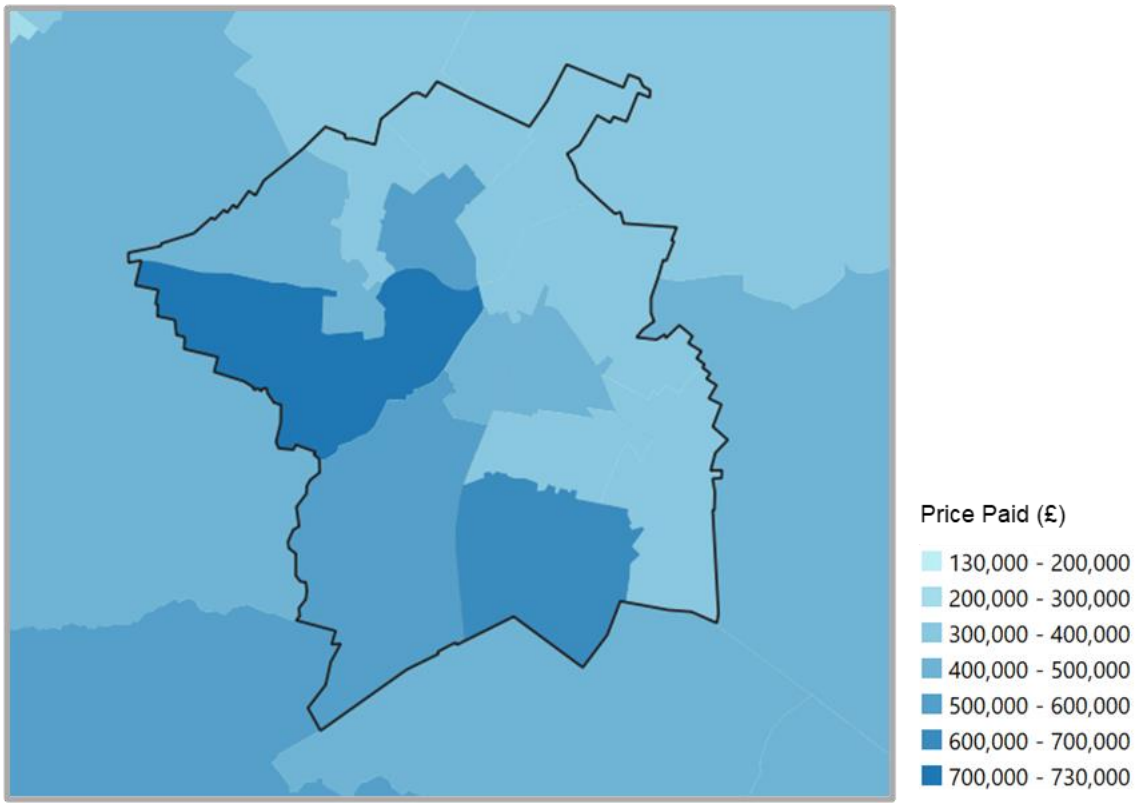
Figure 4.4: House price to earnings ratio



Source: Ratio of house price to residence-based earnings, 2002 to 2019 (ONS)

4.16 The average house price in Cambridge is over £460,000; houses in the north east are typically highest (median over £600,000) while median house prices in the east are generally between £300,000 and £400,000. To put this in context – the median house price across the Combined Authority was c.£300,000, while the national average is £280,000.

Figure 4.5: Median House Price Paid, Year Ending September 2019, by MSOA



Source: Ratio of house price to residence-based earnings, 2002 to 2019 (ONS)

4.17 Cambridge also has a high proportion of people living in private rented accommodated accommodation – over a quarter of people (26%) live in the private rented sector (PRS). This compares to a national average of 17% and has grown significantly in recent years. The affordability crisis extends to rented accommodation with median rents in Cambridge accounting for over 40% of median income. The high occupancy of PRS and of flats reflects the high proportion of researchers and postgrads linked to the University, young professional and workers moving from overseas for short periods of time.

4.18 There are four key reasons[20] why more houses must be built (and more quickly):

- **Quality of life**: People are either forced to move out of the area (and therefore have longer commutes or change jobs) or they spend more of their income on accommodation resulting in a deteriorating quality of life.
- **Companies will be deterred from locating in Cambridge** due to a lack of suitable housing options for workers.
- **Economic and social dynamism** is at 'grave risk' as the population ages (but typically do not move house) and there is a lack of households for younger generations to move into.
- **Need for housing for care workers** which are not often highly paid and therefore need affordable accommodation.

[20] CPIER Final Report

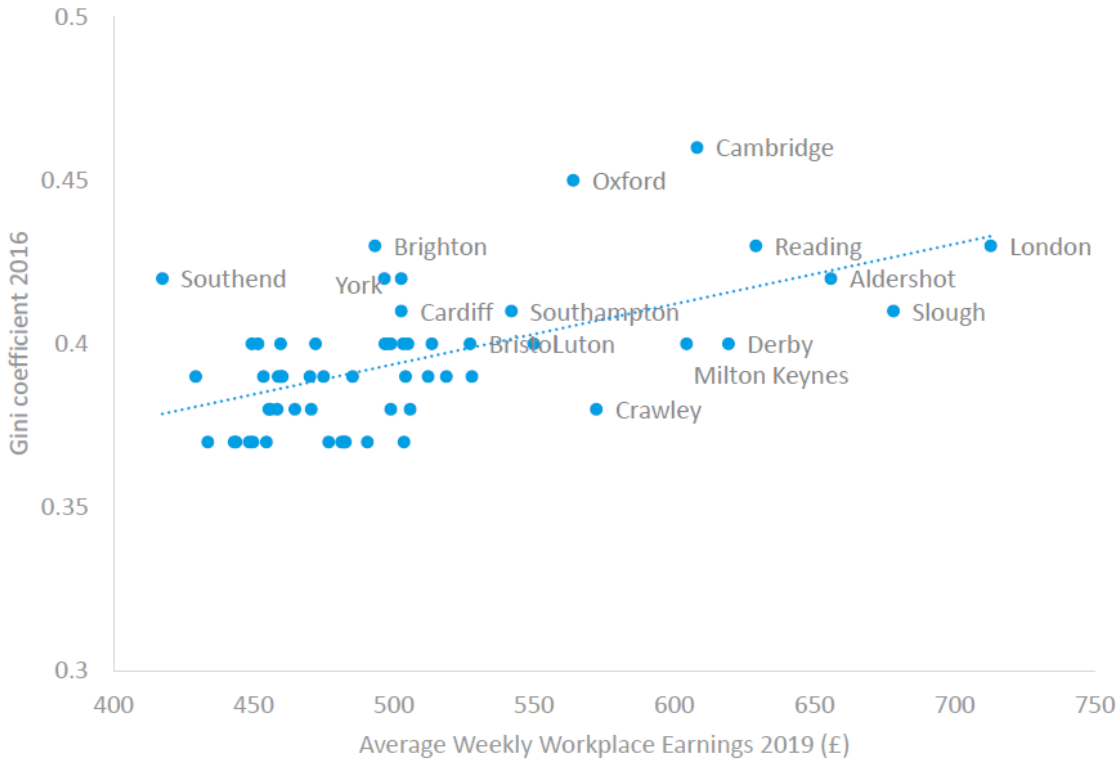
4.19 A range of affordable accommodation options is crucial to maintaining quality of life and ultimately to attract people and workers to live in Cambridge. Access to a well-educated and highly skilled workforce is one of Cambridge's key strengths – but a lack of housing options threatens to undermine this. If businesses struggle to recruit or maintain staff, Cambridge will become less desirable for them to locate.

> Business survey response: *"Cambridge is very attractive but very few new staff can afford to live there, which makes it potentially unsustainable in the longer term."*
>
> CPIER Final Report

4.20 Housing also exacerbates one of Cambridge's other problems – it is an increasingly unequal place to live and sustain a lifestyle. It has a high number of highly paid jobs, but it is one of the most unequal cities in the UK in terms of pay.

4.21 The Gini Coefficient measures the degree of inequality in the distribution of incomes. On this measure Cambridge has the highest inequality of any city in the UK.

Figure 4.6 Gini Coefficient – UK Cities



Source: Centre for Cities

4.22 It should be noted that this is a measure of people in work – it does not include those who are unemployed. Cambridge has very low rates of unemployment suggesting that the cause of inequality is variation in pay rather than barriers to employment.

5 Competitiveness Challenge

5.1 The CPIER Final Report was published in September 2018 and largely relied on employment data from 2016. It warned that unless employment growth was matched with investment in housing and infrastructure – business costs would increase as workers need to be paid more to account for rising housing costs and longer commutes – which would ultimately mean business no longer locate in Cambridge. This has local, regional and national consequences, particularly where companies choose to move abroad in the event they cannot afford to locate in Cambridge.

> "We are rapidly approaching the point where even high-value businesses may decide that being based in Cambridge is no longer attractive."
>
> *Source: CPIER Final Report (page 9)*

> "And as high-value companies are likely to move abroad if they cannot be in Cambridge, this will constitute a net loss for the UK, and irreversible damage to one of our foremost business clusters. Investment above what is planned into infrastructure and housing is vital to prevent this eventuality."
>
> *Source: CPIER Final Report (page 47)*

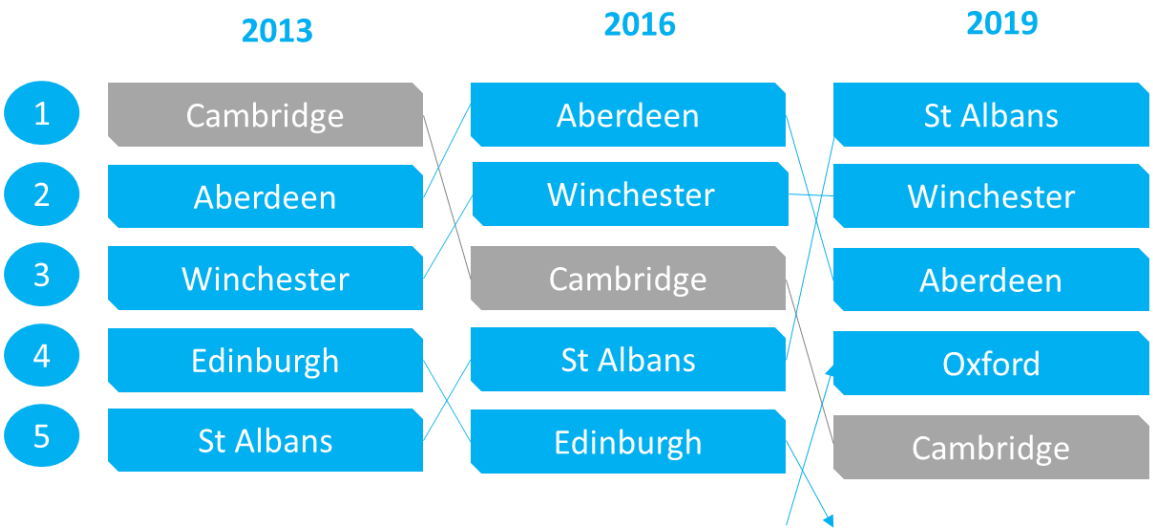
5.2 There is evidence that Cambridge is already beginning to lose its edge; the number of business start-ups and patent per head of population has fallen in recent years and Cambridge is falling down the rankings.

5.3 The UK Competitiveness Index[21] measures the relative competitive levels of different areas of the UK. It is a *'measure of competitiveness focusing on both the development and sustainability of businesses and the economic welfare of individuals. In this respect, competitiveness is considered to consist of the capability of an economy to attract and maintain firms with stable or rising market shares in an activity, while maintaining stable or increasing standards of living for those who participate in it.'*

5.4 Cambridge was in first place in the measure of competitiveness of UK Cities, but has fallen twice and is now in 5th place behind St Albans, Winchester, Aberdeen and, notably, Oxford.

[21] UK Competitiveness Index (2019, 2016, 2013), Cardiff University and Nottingham Business School

Figure 5.1: UK Competitiveness Index (City)

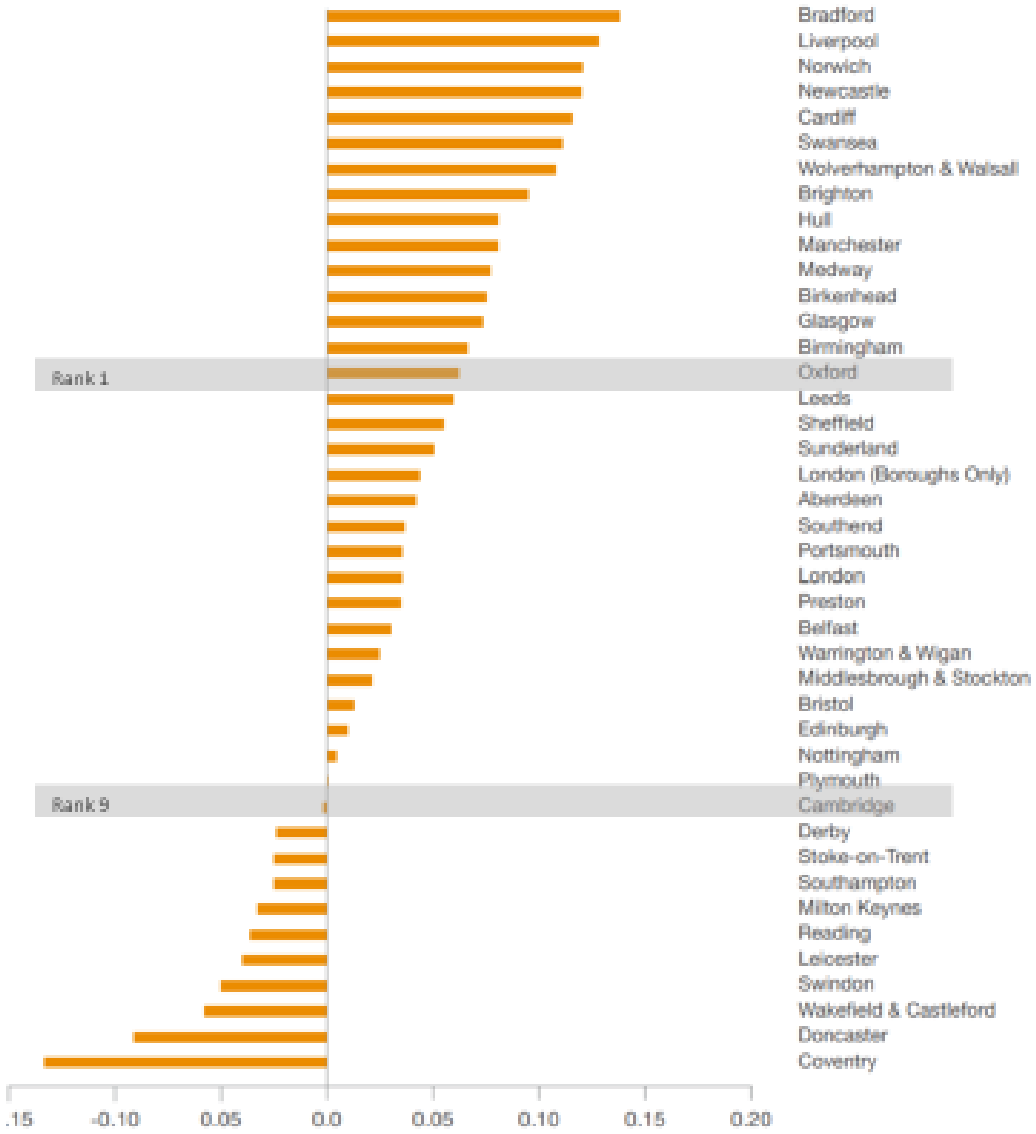


Source: UK Competitiveness Index (2019, 2016, 2013), Cardiff University and Nottingham Business School

5.5 The PWC 'Good growth for Cities' *measures 'the performance of the UK's largest cities against 10 indicators that the public think are most important when it comes to economic wellbeing'*. In the most recent report (2019 reporting for the period 2016 to 2018), Cambridge ranks within the top ten (9th) but is behind some significant competitors, including Oxford (first place) and Reading (second place).

5.6 Cambridge's index has also reduced since the last report (2018 reporting for the period 2015 to 2017), while Oxford has increased.

Figure 5.2: Change in index 2015-17 to 2016-18



Source: PWC ‘Good growth for Cities’

6 Future Growth Requirements

Introduction

6.1 As part of the devolution deal the councils signed up to doubling GVA of the Cambridgeshire and Peterborough Combined Authority. This is the right thing to do. Cambridge is uniquely important to the UK economy – it can attract people, businesses, research, innovation and investment that will not locate elsewhere in the UK.

6.2 It is also an extremely challenging target. It will require both more jobs and more productive jobs.

6.3 Increasing productivity is extremely challenging, various governments have tried and few have succeeded. The Industrial Strategy signals the current Government's more proactive approach to increasing innovation and productivity. Increasing productivity requires either making the existing workforce more productive – largely achieved through agglomeration or education and training, or attracting disproportionately productive new firms or sectors.

6.4 The CPIER sets out three scenarios for growth; each is a combination of employment growth and productivity growth. The lower the employment forecast – the higher the productivity increase required to meet the growth target. The central scenario is the one it refers to as the 'most reasonable'. This still requires productivity growth of 0.8% per year, which is significant and challenging but not impossible.

6.5 To achieve the GVA target, employment growth must be focused in the most productive locations. If employment growth is distributed across less productive locations, significantly higher employment growth will be required to meet the GVA target.

The combined authority has committed to doubling GVA by 2040

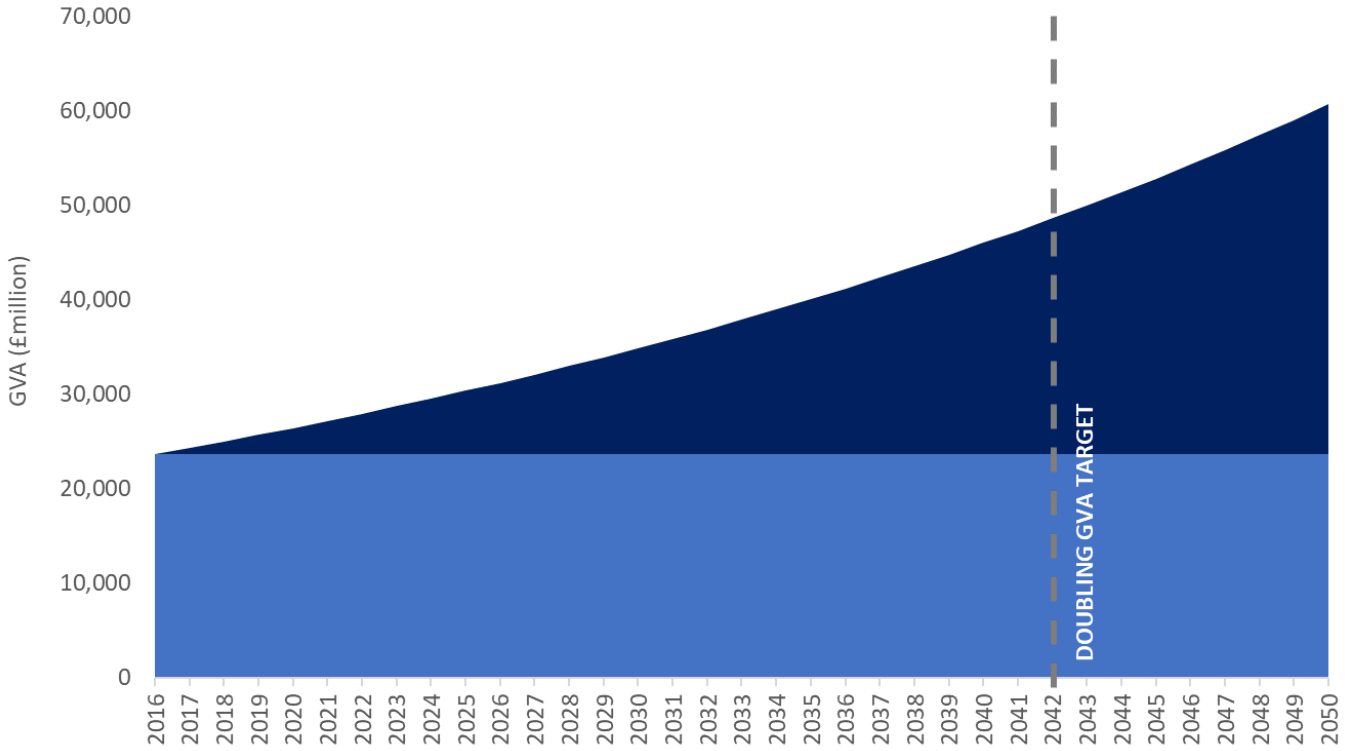
6.6 The Councils committed to doubling GVA as part of the Devolution Deal (2017), recommitted to it in the C&P Combined Authority Growth Ambition Statement and restated it in the Greater Cambridge Local Plan documentation.

6.7 The Devolution Deal (2017) was *'an agreement between Government, the seven local authorities covering Cambridgeshire and Peterborough and the Greater Cambridge Greater Peterborough Local Enterprise Partnership'*. Part of the Devolution Deal was to enable the combined authority to deliver *'substantial economic growth – economic output will increase by nearly 100% over the next 25 years. Underpinned by a strong economic and productivity plan GVA will increase from £22bn to over £40bn'.*

6.8 The C&P Combined Authority Growth Ambition Statement reiterates the commitments made in the Devolution Deal: *'The Cambridgeshire and Peterborough Combined Authority has an ambition, set out in our devolution deal, to double GVA over 25 years.'*

6.9 The Greater Cambridge Local Plan (Regulation 18: Issues and Options 2020) again reiterates the commitment: *'The Councils have committed to a goal of doubling the total economic output of the Cambridgeshire and Peterborough area over 25 years.'*

Figure 6.1: Doubling GVA - Cambridgeshire and Peterborough



6.10 Doubling the GVA of Cambridge is the right thing to do. Cambridge is uniquely important to the UK economy – it can attract people, businesses, research, innovation and investment that will not locate elsewhere in the UK.

> "We consider that the aim of doubling GVA in this area by 2040 is realistic, and will be achieved in part by attracting knowledge-intensive businesses which would not locate elsewhere in the UK. Success here is of national significance"
>
> *Source: CPIER Final Report (page 79)*

6.11 Clusters of high value, high productive economic activity will be crucial to delivering the Industrial Strategy and the government ambition of productivity growth. The alternative to growth in Cambridge is not growth elsewhere in the UK, nor does it mean Cambridge will stay as it is. To not plan for growth means planning for Cambridge to decline. This would be disastrous for Cambridge and disastrous for the UK.

Achieving the doubling GVA target

6.12 The CPIER sets out three scenarios for how the doubling GVA target may be achieved. Each scenario is a combination of employment growth and productivity growth – the more you achieve of one the less you need of the other.

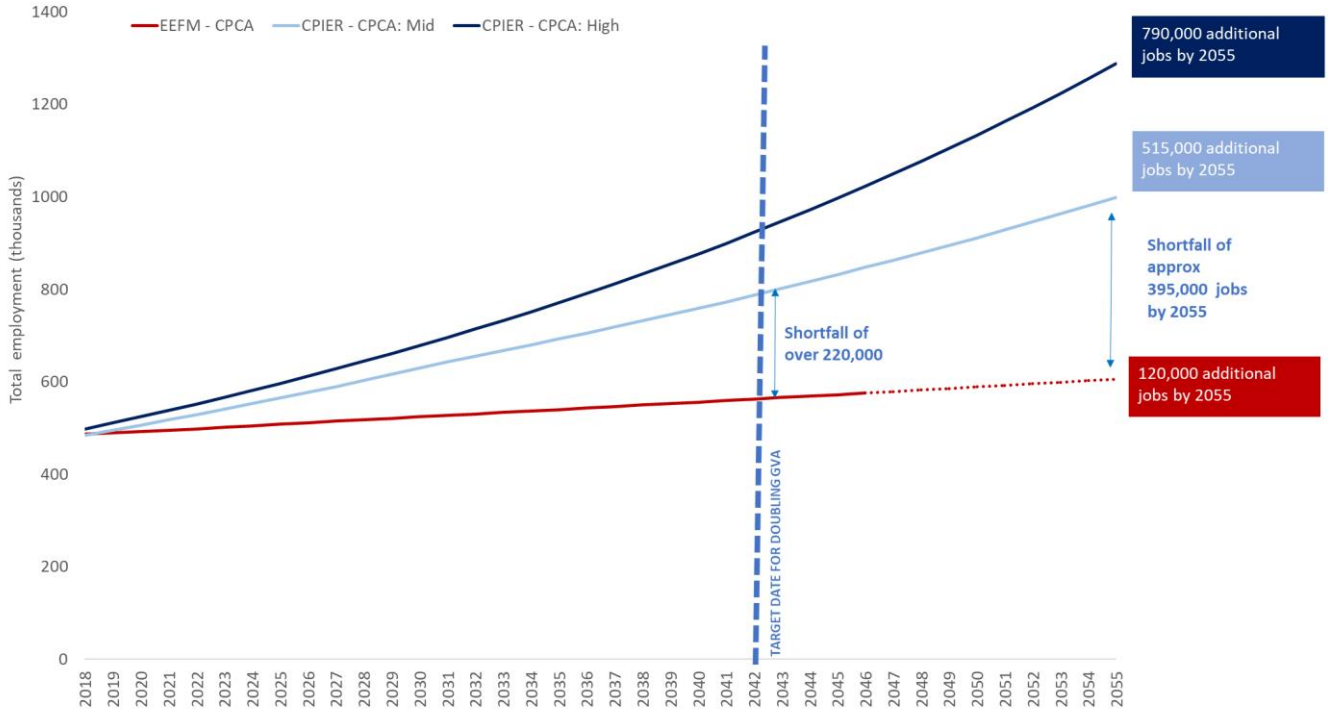
- '**Employment Growth – longer term rate** ('CPIER – Low') is a continuation of the 1981-2016 trend of employment growth. This assumes the lowest employment rate and therefore requires productivity growth of 1.2% per year.
- **Employment Growth – shorter term (ST) rate returning to longer term (LT) rate** ('CPIER – Mid) is the central projection in the CPIER. It assumes first a continuation of growth rates closer to higher recent employment growth rates, before gradually returning to longer term growth rates. This requires productivity growth of 0.8% per year – this is challenging through not impossible.
- **Employment Growth – shorter term rate** ('CPIEIR – High') is a continuation of the 2010-2015 employment growth trends based upon recent CPIER data, which suggest much higher rates of growth have been occurring recently. This requires lower productivity growth (0.2% per year) but would have implications in terms of land use.

> "Future growth will have to involve elements of both employment growth and productivity growth, with the dial pushed firmly in the direction of productivity improvement. Much of this report takes up themes relating to productivity, such as those on health, skills, and business culture. The recommendations of the Commission must be responded to in these areas if there is to be a chance of reaching the GVA target."
>
> *Source: CPIER Final Report (page 79)*

6.13 The CPIER mid scenario requires approximately 300,000 additional jobs across the combined authority area between 2018 and 2042 – the target date for doubling GVA. This is approximately 220,000 more jobs than is forecast in the East of England Forecasting Model (EEFM – 2017 edition). Extending the growth out to 2055, this shortfall is increased to approximately 395,000 jobs.

6.14 In the high employment growth scenario, approximately 425,000 additional jobs would be required across the combined authority by 2042, increasing to 790,000 additional jobs by 2055. This is the level of growth needed were the high productivity growth (0.8% per year) in the mid scenario were not achieved.

Figure 6.2: CPIER scenarios for the Cambridgeshire and Peterborough Combined Authority

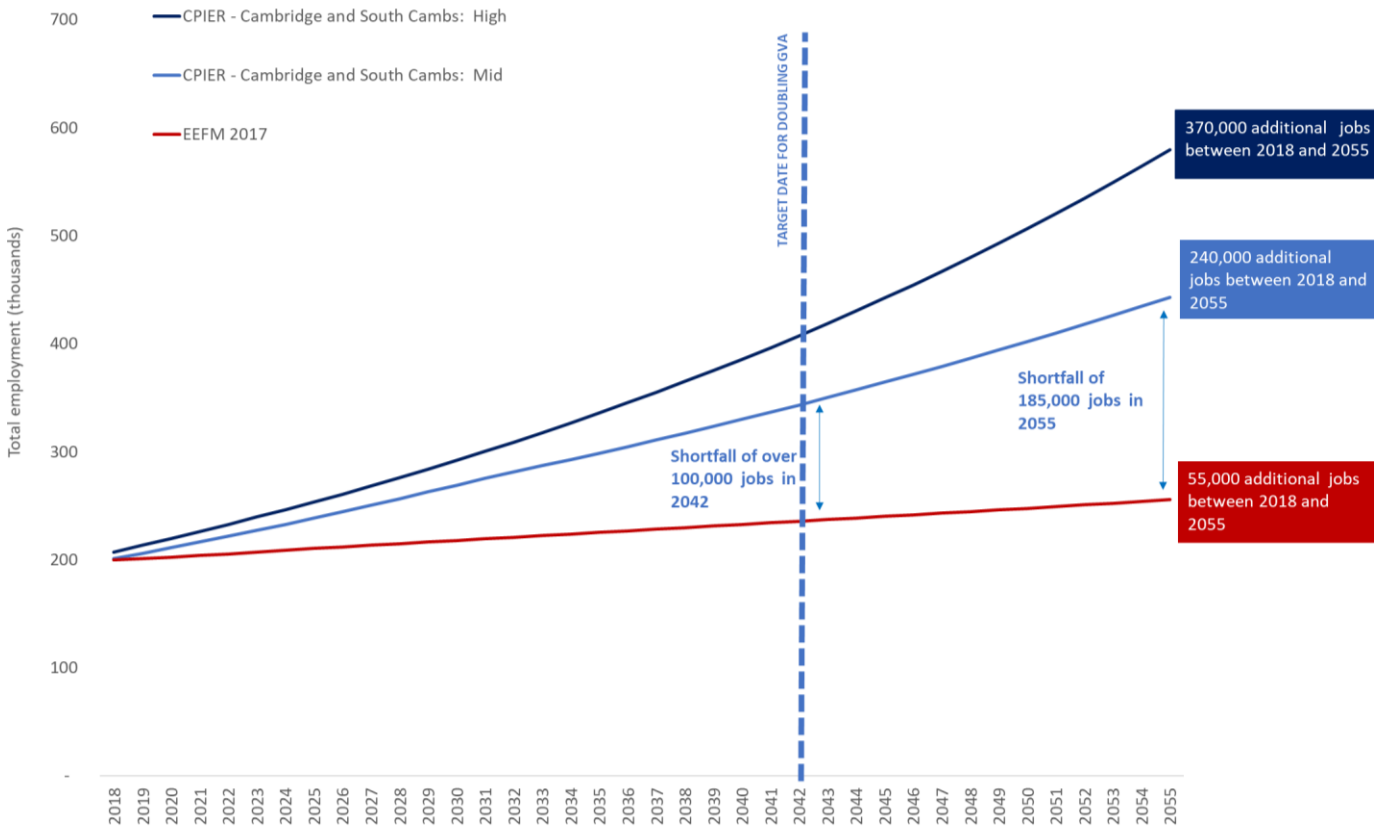


6.15 In order to achieve the productivity growth required to achieve the GVA target, employment growth much be located in the most productive locations. This means in the city or its immediate surrounds, which is also where the market wants to be located and where growth is most sustainable.

6.16 The EEFM forecasts that 47% of employment growth across the CPCA is in Greater Cambridge. On this basis, Greater Cambridge would need to accommodate 140,000 additional jobs between 2018 and 2042 to meet the CPIER mid scenario. This is 100,000 additional jobs compared to the EEFM.

6.17 By 2055, Greater Cambridge would need to accommodate 240,000 additional jobs (compared to 2018) to meet the CPIER mid scenario. This is 185,000 additional jobs compared to the EEFM.

Figure 6.3: CPIER scenarios for Greater Cambridge



6.18 The Greater Cambridge Local Plan is expected to cover the period between 2020 and 2041. Over this period the CPIER mid scenario would require 126,000 additional jobs, increasing to 232,000 by 2055.

6.19 In conclusion, the central scenario is what the CPIER refers to as 'most reasonable'. This requires both **more jobs and more productive jobs** and will require significant employment growth in Cambridge City and its immediate surrounds.

6.20 Attracting highly productive jobs, sectors and businesses requires a range a range of spaces to suit occupier needs including lab space and big floorspaces for global operators. This must be well located both in terms of proximity of research institutions, global firms, small business and start-ups and the University on the same site, and also in terms of connectivity to the existing sectors. But attracting firms and people is about more than the commercial floorspace provided, it's also about creating a vibrant and sustainable place where people want to live and work – with a range of job and training opportunities for local people, high quality public realm and a range of cultural and leisure activities.

6.21 All of this must be facilitated into order to achieve the challenging productivity growth (0.8% per annum) and the employment growth required to meet the CPIER mid scenario. Without employment growth in productive locations – will need significantly more jobs growth, the high CPIER scenario would result in 177,000 additional jobs by 2041 to meet the doubling GVA target (compared to 126,000 in the CPIER mid scenario).

Where should the growth go?

6.22 Despite historic planning policy designed to achieve the opposite, market preference has resulted in the polycentric city with the three distinct clusters that are evident today. Tech businesses want to be located in the northern cluster, life sciences in the south, and those linked to the University in the centre.

6.23 Between the 1950s and the early 2000s, planning policy sought to protect the character of Cambridge as a university city and supported employment and population growth beyond the boundaries on the city. As such, employment growth in the City over this time largely occurred despite, rather than because of, the planning policy.

6.24 Planning policy over this time period (spanning approximately five decades) supported the dispersal of population and employment growth beyond the boundaries of the city and limited development was permitted in the city centre. This policy of dispersal resulted in the construction of many peripheral parks seeking tenants.

6.25 In 2003, the Cambridgeshire and Peterborough Structure Plan reversed the policy of dispersal and placed greater emphasis on growth within the City. The Greater Cambridge City Deal (2014) builds on and further reinforces this growth agenda.

6.26 The First Conversation[22] consultation material acknowledges the need to consider where 'new business space should be sited, in relation to public transport and residential areas, given that we have a highly mobile workforce who tend to move jobs much more frequently than they move house'.

Market preference is still central

6.27 Despite planning policy discouraging employment growth within the City for several decades, the market continued to show preference for locations central/city peripheral locations – contributing to employment growth in the city (and in particular in the clusters).

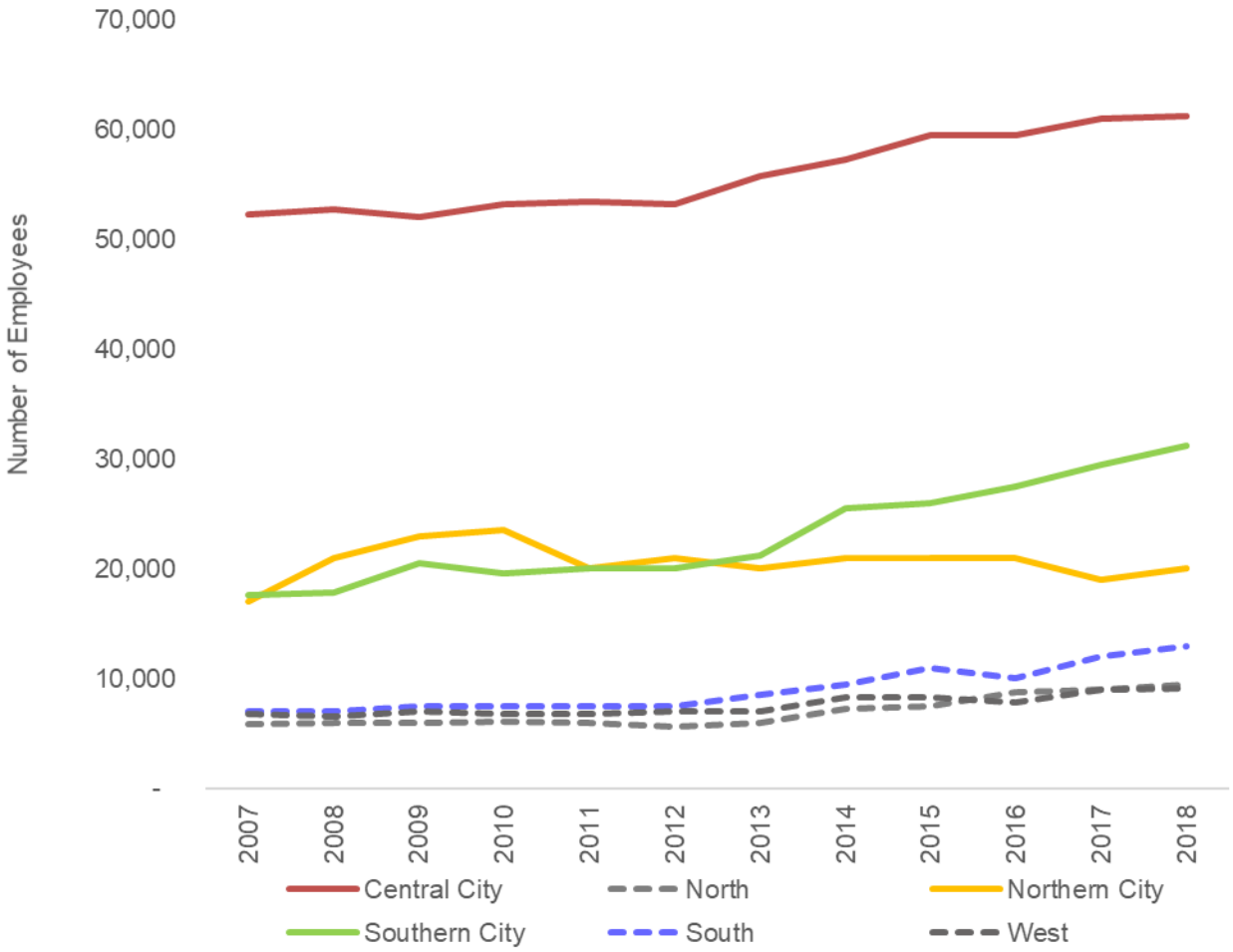
6.28 Peripheral parks that were built in response to the policy of dispersal, typically tend to be low density and many are under-let or have unimplemented consents to expand. In recent years these parks have begun to fill up – largely as the alternatives the city became full.

6.29 Indeed, the majority of employment growth in Cambridge has been in the centre (c. 9,000 jobs) and the south of the city (over 13,000). The southern part of South Cambridgeshire has also

[22] The First Conversation, Greater Cambridge Local Plan (Regulation 18: Issues and Options 2020)

experienced growth (c. 5,000 jobs) while growth elsewhere in the district has been relatively low.

Figure 6.4: Employees 2007 to 2018 - Greater Cambridge

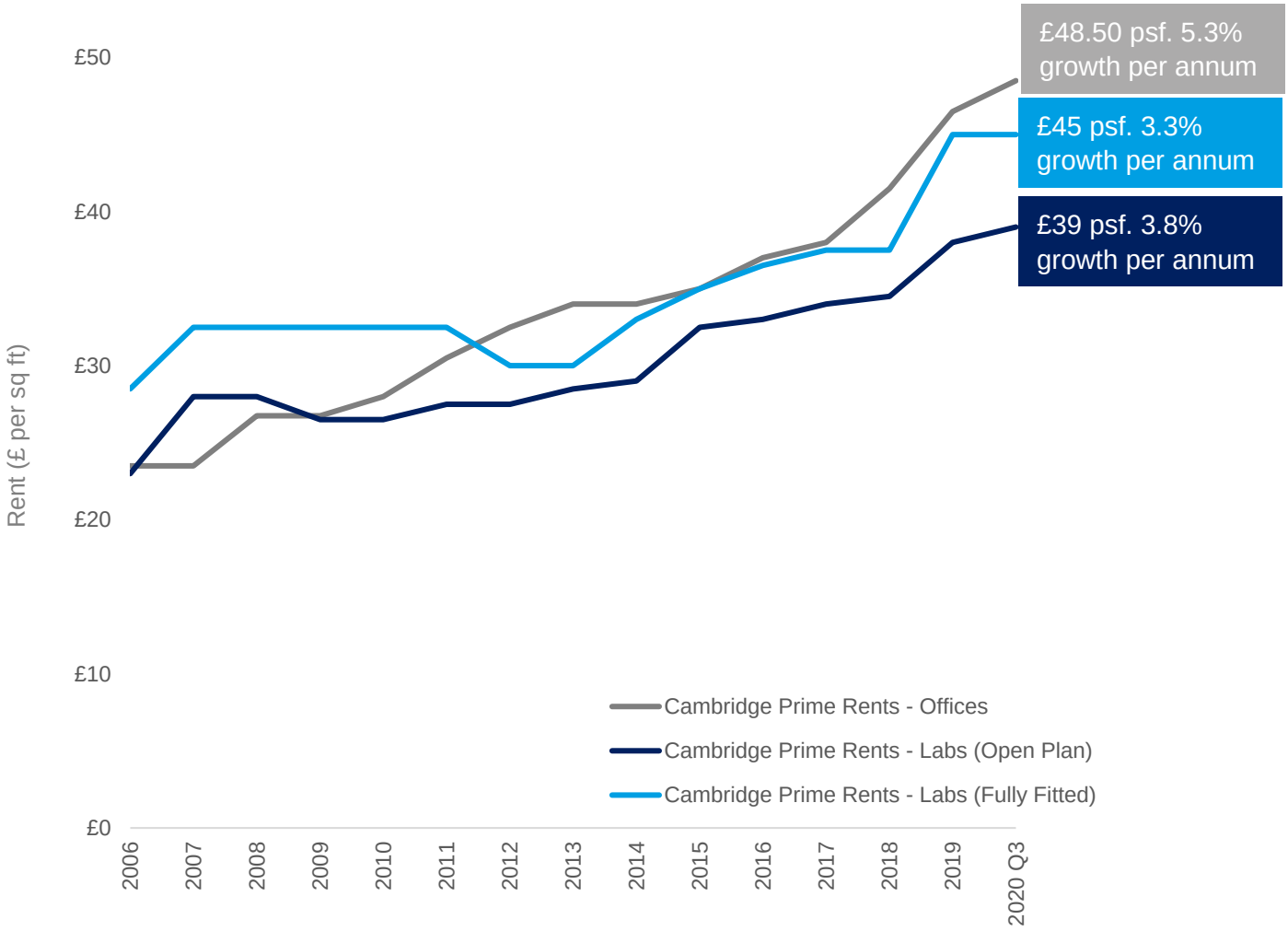


Source: BRES (ONS)

6.30 When demand is greater than supply, prices rise. The market preference to be in Cambridge has not been matched by an increase in supply. This has resulted in Cambridge having significant growth in commercial rents, and now has the highest rents of anywhere outside of London.

6.31 Cambridge prime office space now costs £48.50 per square foot – having increased by an average of 5.3% per annum since 2006. More recently, growth in rents has been even higher, reflecting a growing imbalance between demand and supply, with annual growth per annum at 8.5% for the last three years.

Figure 6.5: Commercial rents in Cambridge

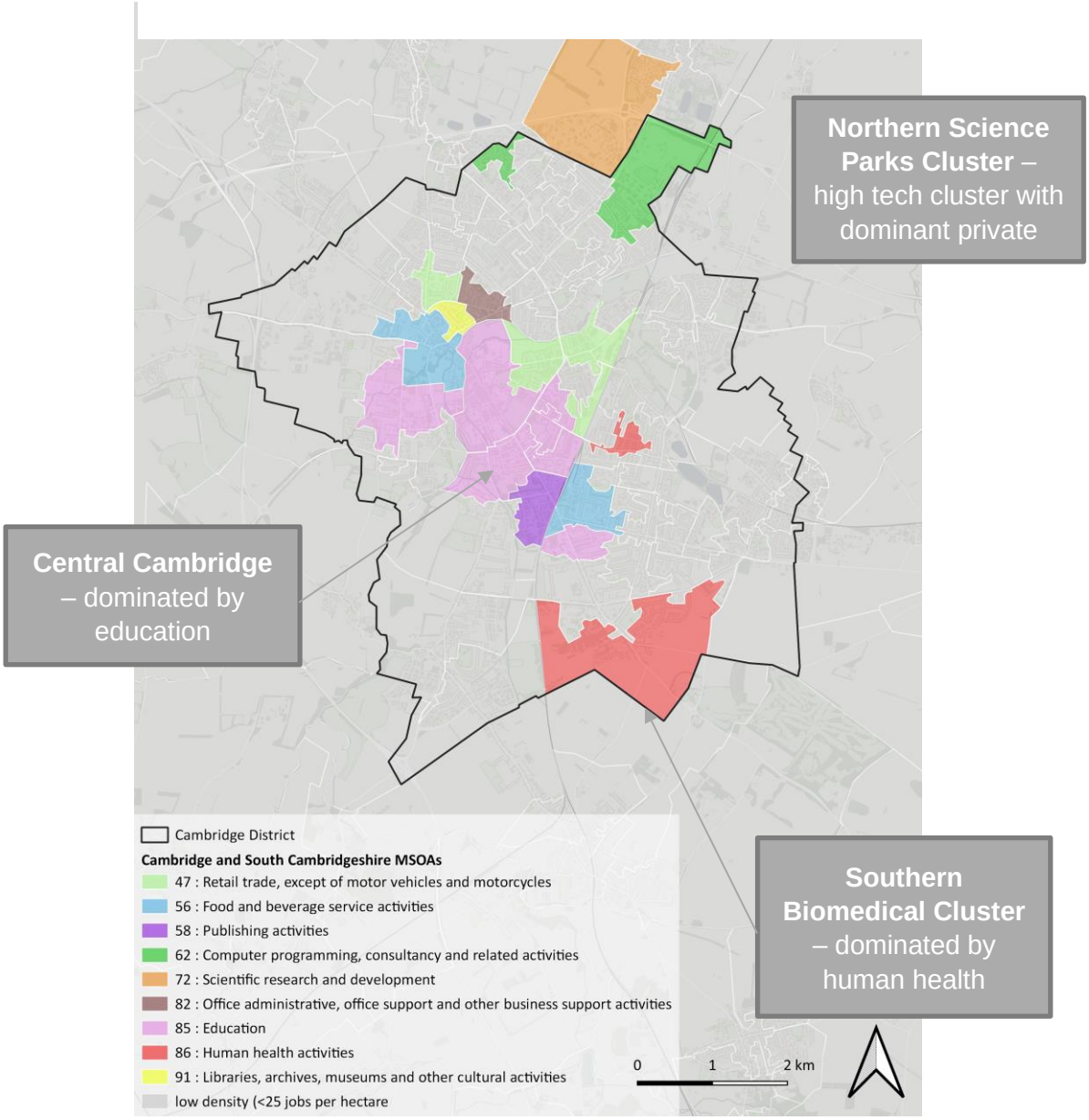


Source: Bidwells

6.32 Despite the success of the city, performance could be improved further. The three main clusters in the north, centre and south would be more successful, and benefit from higher agglomeration effects – if there was better transport connectivity between them. This would increase the effective density of the city – the number of people and business that can interact with, compete with, and learn from each other – thereby increasing the productivity across the city.

6.33 The challenges to Cambridge's success cannot be achieved by development alone – it needs a holistic approach that combines infrastructure (transport, social and environmental), commercial space and homes.

Figure 6.6: Dominant employment sector in high density locations



Local Plan Emerging Evidence

6.34 Unfortunately, the evidence for the emerging Local Plan does not meet the previously stated ambition to double GVA. The underlying Employment Land and Economics Needs Study sets out a number of growth scenarios, only one of which is close to achieving the target. However, this is not proposed to be taken forward into the Plan, and the maximum scenario that is taken forward falls short, delivering only 79,000 of the additional 126,000 jobs needed by 2041. The low growth scenario is also significantly lower than the Needs Study itself states will be needed.

6.35 The employment growth is then translated into demand for floorspace and again, the Plan risks under-estimating the necessary level of growth. It seems to assume that some high growth sectors will require no B-class employment space and over-estimates the number of jobs that will be part-time thereby underestimating the full-time equivalent level.

6.36 More fundamentally, it overestimates the ability of the existing pipeline of sites to meet the area's real economic needs and concludes that only 50,000 to 100,000 sqm of additional floorspace is required.

The employment forecasts are unnecessarily constrained

6.37 The employment forecasts are arbitrarily constrained, both in terms of which sectors are defined as high growth and therefore allowed to grow and secondly because high growth sectors are arbitrary constrained.

6.38 The Local Plan Evidence Base splits the economy into two groups – one group is assumed to grow in line with the base model (the East of England Forecasting Model or EEFM) and the other includes 'key sectors' that are assumed to grow more quickly.

6.39 There are only three 'key sectors': R&D; health and professional services (excluding ICT). This misses out key growth sectors in the Greater Cambridge economy, such as ICT. The Employment Land and Economic Needs Study acknowledges that computer related employment is a *'a key cluster in the local economy'* and has *'seen very recent fast growth particularly in South Cambridgeshire'* (paragraph 9.41 - Employment Land and Economic Needs Study). Yet it appears to be forecasting almost no growth (EEFM 2017 forecasts 0.7% per year in Cambridge and 0.6% in South Cambridgeshire) in the sector on the basis that employment growth over the last 20 years has fluctuated.

6.40 The evidence base then sets out three forecasts for employment growth with different rates applied to each of the key sectors:

- KS1 is based on the sector trend rate from 2001-2017
- KS2 is simply the mid-point between KS1 and applying the EEFM growth rate. This is the Local Plan Evidence Base maximum scenario.
- KS3 is the lower quartile between KS1 and the EEFM growth rate. This is the Local Plan Evidence Base medium scenario.

6.41 The study then recommends the use of KS2 and KS3. This seems to be largely on the basis that high employment growth (in percentage terms) cannot be maintained. No evidence to support this is presented and in fact contradicts other evidence within the study which shows that the historic growth rate from 1991 to 2017 is above both KS2 and KS3.[23]

6.42 One reason given for constraining growth in the R&D key sector is that it would *"entail a very strong supply of highly skilled labour being drawn perhaps from university graduates but also from in-migration both domestically and internationally"*.[24] This is actually a description of the success of Cambridge over the last 50 years and highlights why the council should be planning for, and not constraining, growth.

Availability of sites

6.43 The conclusion that the shortfall in supply of B1a/b employment space is only 50,000 to 100,000 sqm is based on the demand assumptions set out above, and that there is c. 625,000 sqm of B1a/b supply in the planning pipeline.

6.44 Even if this were true, it would represent a loss of productivity because a lot of it is away from central Cambridge.

6.45 The existing supply is made up of 444,000 sqm in South Cambridgeshire and 180,000 sqm in Cambridge – suggesting sites would lead to dispersal of employment. This approach '*which seeks to relocate homes and businesses away from city centres is unlikely to be successful, as it is 'agglomeration' – the desire to be near other companies – that attracts companies to the area' (CPIER page 10).* Indeed, a significant proportion of supply is away from Cambridge City at Northstow (37,000 sqm), Waterbeach (48,000 sqm) and Cambourne West (6.3 hectares).

6.46 The Wellcome Genome Campus site accounts for 150,000 sqm, which includes specialist research and translation floorspace, and building on existing clusters including Peterhouse Technology park expansion (85 hectares) and permissions at Cambridge Science Park (46,000 sqm) and Granta Park. The Wellcome space in particular will be aimed at specific occupiers and therefore will have limited (if any space) to accommodate new businesses and growth sectors outside of genomics. The Employment Land and Economic Development Evidence Study notes that this could be an issue: '*Restrictions on occupancy / tenancy type at these locations would be problematic in facilitating wider growth' (paragraph 7.14).*

6.47 The Employment Land and Economic Development Evidence Study also notes that despite an apparent balance in B1a space, this is not reflected by the market: '*notwithstanding the apparent quantitative balance of B1a provision, given the commonalities between B1a and B1b dry labs, the market feedback is that further accommodation of this type is lacking in the city*' (paragraph 7.6).

6.48 The Local Plan Evidence Base (Table 9 of the Employment Land and Economic Development Evidence Study) shows that only a very small proportion of the pipeline is under construction (26,000 sqm) and significant proportion have outline (220,000 sqm) or detailed permission

[23] See Figure 31 of the Employment Land and Economic Needs Study – also presented it the appendix of this document
[24] Paragraph 9.64 - Employment Land and Economic Needs Study

(114,000 sqm) but have not yet started. Some of these permissions have been unimplemented for some time and there is no guarantee that they will come forward as expected.

6.49 The delivery of new sites to facilitate the central scenario (416,000 sqm of B-class space) and the maximum scenario (542,000 sqm of B-class space) is less than would be delivered based on trend growth (568,000 sqm) so it is not unreasonable to assume that more could, and should, be delivered.

Housing

6.50 The proposed approach to housing may also understate need.

6.51 The adopted Local Plans include a target 1,675 homes a year across Cambridge (700 homes) and South Cambridgeshire (975 homes) – resulting in 33,500 new homes by 2031.

6.52 The CPIER recommended 6,000 to 8,000 homes should be delivered per year. If they are distributed broadly similarly to jobs, it follows that approximately 50% of the new homes should be delivered in the city. Therefore, the annual requirement in Greater Cambridge is between 3,000 and 4,000 per annum.

6.53 The Local Plan Evidence Base for Cambridge and South Cambridgeshire includes three scenarios for additional housing which all fall short of the need identified in CPIER. This is despite the fact that the employment forecasts for the plan have been downgraded in part because of a perceived lack of workers which in turn reflects a lack of housing.

- Minimum of 1,748 per annum
- Medium of 2,000 per annum
- Maximum of 2,690 per annum

6.54 The Government ambition for the OxCamb Arc [25] is for one million new homes by 2050. This will require significantly more housing delivery across the Arc compared historic delivery or current targets: *"in order to meet the Government's ambition for up to 1 million homes across the Arc by 2050 to unlock its full economic potential, delivery rates would need to increase further".*

The need for public investment

6.55 The Local Plan Evidence Base concludes that there are a *'significant constraints'* to achieving the max scenario – the issued focuses on water supply but also due to housing numbers. Despite calling these *'deal breaker'* constraints, the evidence base concludes that *'these constraints may not be absolute barriers to achieving the highest growth levels tested'* (Paragraph 7.2.3 of Development Strategy Options – Summary Report) and that national investment will be needed to unlock higher levels of growth.

[25] The Oxford-Cambridge Arc, Government ambition and joint declaration between Government and local partners, MHCLG 2019

6.56 Strategic investment in infrastructure and a proactive approach to planning for development will be required to unlock the level of growth required to double the GVA. This is a reason to plan for rather than constrain growth.