

CAMBRIDGESHIRE AND PETERBOROUGH AUTHORITIES' STATUTORY GOVERNANCE REVIEW

17 June 2016



Contents

Executive summary	Page 3
The statutory process of the governance review	Page 7
The Cambridgeshire and Peterborough Geography	Page 9
Review of the economic evidence	Page 12
The current governance arrangements and the case for change	Page 14
Conclusions	Page 18

Executive summary

1. The region will benefit by improving governance. A Mayoral Combined Authority would be the most appropriate governance model for the local authorities to act together to deliver their economic ambitions, including transport, skills and housing, as well as shared public service objectives. This stronger governance will deliver a more joined up strategic approach. It will bring together policy interventions in respect of the key economic drivers to deliver enhanced growth and create a platform for further public service reform. By working this way, members of a Combined Authority can deliver shared strategic priorities that are best addressed at a scale above local boundaries.
2. The area has a good track record of collaboration between local authorities, local public service delivery organisations and the Local Enterprise Partnership on issues that affect the area covered by the local authority areas of Cambridge City Council, Cambridgeshire County Council, East Cambridgeshire District Council, Fenland District Council, Huntingdonshire District Council, Peterborough City Council and South Cambridgeshire District Council – referred to as “Cambridgeshire and Peterborough”. However, the governance needs to change if Cambridgeshire and Peterborough is to demonstrate stronger, more efficient and more effective delivery of economic responsibilities, particularly new housing, with the necessary infrastructure and skills and employment opportunities to support that, and greater public service reform.
3. To do this, a Mayoral Combined Authority needs the means and flexibilities to tailor the delivery of national scale interventions to address local issues, making the best use of existing local delivery mechanisms and partnerships. To support this, there needs to be clear and effective governance arrangements in place with a long term strategic focus.
4. There are a number of alternative models of governance that could be adopted. The following options have been considered:
 - Option 1 – status quo;
 - Option 2 – establish an Economic Prosperity Board;
 - Option 3 – establish a Combined Authority; and
 - Option 4 – establish a Mayoral Combined Authority.
5. This review examines the options above and concludes that the most appropriate option for Cambridgeshire and Peterborough is to establish a Mayoral Combined Authority.
6. Cambridgeshire and Peterborough is a functional economic market area. There is strong evidence that the area covered by the contiguous local authority areas of Cambridge City Council, Cambridgeshire County Council, East Cambridgeshire District Council, Fenland District Council, Huntingdonshire District Council, Peterborough City Council and South Cambridgeshire District Council (for the purposes of this review this area is defined as “Cambridgeshire and Peterborough”) forms a functional economic market area. This is one of the statutory requirements under proposals to change governance requirements under section 108 of the Local Democracy, Economic Development and Construction Act 2009 (LDEDCA) (as amended by the Cities and Local Government and Devolution Act 2016). A review of the evidence detailing the economic structure of the region shows high levels of economic integration, in terms of the labour market, travel to work areas and a

number of the area's key sectors.

7. Furthermore, Cambridgeshire and Peterborough sits within a broader market area covered by one Local Enterprise Partnership, with connections to Norfolk and Suffolk, and other growth opportunities to the South, North and West. The broader area covered by the Local Enterprise Partnership (LEP), Greater Cambridge/Greater Peterborough reflects the fact that there are wider functioning markets outside Cambridgeshire and Peterborough and is a key reason why the LEP would form part of the Combined Authority. There is also a recognition that there are wider growth opportunities that include Norfolk and Suffolk, but also Growth Corridors between Cambridge, Oxford and London, and Cambridge, Stansted and London.
8. The Leaders of the local Authorities of Cambridgeshire and Peterborough agree that a Mayoral Combined Authority, which collaborates and identifies opportunities for further joint-working across a much wider geography is critical to meet our growth potential.
9. The challenge for Cambridgeshire and Peterborough is to address the inter-related issues which have held back its full growth potential, as well as its public services challenges. Cambridgeshire and Peterborough's annual Gross Value Added (GVA) is over £22bn, over £27,000 GVA per capita and the area is one of the fastest growing in the country. The wider Greater Cambridge Greater Peterborough (GCGP) LEP area also annually contributes more than £35bn GVA. However there are a number of challenges that, if successfully addressed, could accelerate this growth further.
10. Despite much progress being made, Cambridgeshire and Peterborough's housing provision remains well below what is required to meet the needs of such a rapidly growing area. Affordable housing options within reasonable commutes to employment opportunities are driving up house prices to unsustainable levels, whilst other areas, which could provide more affordable housing options, struggle with issues of viability and connectivity.
11. Cambridgeshire and Peterborough's transport network is struggling to cope with current usage and is likely to get worse as demand increases. There is a need for significant investment to address these pressures and provide the connected and integrated transport network the economy needs. This means quick and frequent transport options that connect people to employment opportunities and freight transport and business travel options that connect businesses to supply chains, key markets and strategic gateways within and beyond our immediate geography.
12. Whilst Cambridgeshire and Peterborough's overall skills and qualifications levels are a strength, with a high share of Degree-level (or equivalent) qualified residents and residents in high level professional occupations, there continues to be an inadequate mix of skilled labour for rapidly growing businesses in the area and communities where a significant proportion of adults have low-level qualifications.
13. There are a range of challenges to delivering public services effectively, including financial pressures, increased expectations, and an aging and growing population. In order to successfully meet these challenges and reduce system costs, a transformation of the way services are currently run is required. Strong existing local partnerships of Cambridgeshire and Peterborough Local Authorities, health, police and fire organisations need to go much further in integrating provision, generating efficiencies, increasing prevention and reducing dependency across the entire public services landscape.

14. Further increasing Cambridgeshire and Peterborough's net contribution to the country's prosperity is a driver for enhancing the governance of the area. Cambridgeshire and Peterborough's aim is to double the area's economic output over the next 25 years by meeting its potential as a world-leading low-carbon, knowledge-based economy. This would see the region further increase its net contribution to the UK economy through a combination of measures to support growth including more new homes and sustainable communities, a skills base that matches business needs, and world class connectivity and transport systems.
15. Cambridgeshire and Peterborough intends to create the most effective Combined Authority in the country, in order to propel the economy to further growth than can be achieved at present and to assist the transformation of public service delivery, with strong scrutiny and high-levels of transparency in how it operates. The region's leaders are committed to delivering growth, prosperity and well-being for the benefit of all residents. Collaboration through the LEP and with our other growth corridors will enable the wider regional economy to increase its contribution to UK growth.
16. National and international evidence suggests that dealing with regional issues is best achieved at a regional level. The Chancellor of the Exchequer, George Osborne MP, has stated that "the old model of trying to run everything in our country from the centre of London is broken". Furthermore, economic analysis from the Organisation for Economic Co-operation and Development ("OECD") demonstrates that strategy integration across key policy areas can deliver economic benefits at the regional scale in terms of sustainable economic growth and employment; for example, dealing with regional skills shortages with locally developed policies.
17. The research emphasised the importance of having governance capacity at the level at which the local economy functions, this is a level which would be consistent with the proposed Cambridgeshire and Peterborough Mayoral Combined Authority area. A Mayoral Combined Authority, with appropriate resources, offers the most beneficial option to enhance the region's ability to address its underlying economic challenges, particularly around joining-up new housing development with infrastructure delivery and skills and employment opportunities.
18. The Mayoral Combined Authority will have a strategic focus and will reduce bureaucracy. The Combined Authority will not be another layer of politicians. It is a way of bringing together existing activities to create greater coherence. It will be a streamlined and strategically focused body, appropriately resourced to ensure more effective and efficient delivery of economic functions. It will make the best use of existing delivery mechanisms, whether that be individual councils, council partnerships, such as the Greater Cambridge City Deal, or agencies such as Opportunity Peterborough.
19. It will also put in place new structures to enable a more co-ordinated approach to public service reforms across Cambridgeshire and Peterborough, including through agreeing and establishing a Memorandum of Understanding with key public service organisations in health, police and fire services outside the Combined Authority.
20. It will be underpinned by strong research, intelligence and advocacy functions. It will deliver area-wide functions around the co-ordination of funding streams, seeking investment and collective resourcing and other responsibilities devolved from central government and other agencies. This will lead to greater self-reliance as Cambridgeshire and Peterborough will have the means to unlock its economic potential and public service transformation.

21. Although the consultation draft statutory guidance states that Combined Authorities are not primarily aimed at producing efficiencies, there is a desire to maximise the opportunities that this structure will create to reduce duplication, create efficiencies and lower overall costs. The intention is for a potential for a Mayoral Combined Authority to be at least cost neutral and reduce costs over time and reduce bureaucracy.
22. The Mayoral Combined Authority will be democratic, accountable, transparent and effective. A Mayoral Combined Authority that reflects the functional economic market area would enable decisions to be made by the democratically elected Leaders from the seven local authorities and the Directly-Elected Mayor, together with the Chair of the LEP. This joint accountability and leadership would increase collective responsibility. It would create a transparent and effective decision making process. The Mayoral Combined Authority would provide a visible, stable and statutory body which could act as an Accountable Body to attract further funding to Cambridgeshire and Peterborough. It would also be a vehicle capable of seeking additional powers which can be devolved from Government.
23. Collaboration will continue and improve. The Mayoral Combined Authority would build on and give legal form to successful public and private sector partnerships established through the work of the LEP. It will enhance the already close working relationships that exist between the local authorities and the LEP to make them more effective and efficient. A Combined Authority would bring together strategic decision making powers relating to economic issues as well as public service provision. By creating a sub-regional body with legal personality and a governance mechanism that collaborates across the region, the prospects for further improvements in the economic conditions of the area and public service improvements are likely to be maximised. The need for issues to be considered at various bodies will be significantly streamlined through the strengthened governance process.
24. The partnerships between the private and public sectors will be central to the ambition of Cambridgeshire and Peterborough. There is a shared recognition of the importance of enabling further economic growth at a faster pace whilst undertaking necessary public sector reform. The private sector Chair of the LEP Board will have a place on the Mayoral Combined Authority board. This will ensure that the partnerships between the private and public sectors across Greater Cambridge and Greater Peterborough will be central to the considerations of the decisions that will affect the region. Existing enduring partnerships can be built upon through the Mayoral Combined Authority and offer an opportunity to show how public and private sectors working together can deliver jobs, growth and reform.
25. The creation of a Mayoral Combined Authority is the best way forward. The Combined Authority will operate across a broad area and will be able to achieve a greater impact than the sum of its parts as a result of more effective and efficient governance. The Mayoral Combined Authority option brings together the governance of economic and public service issues, as well as the potential for further devolved powers. It therefore affords the area the best possible chance of addressing the issues that have held the region back from achieving its true potential. Working together across geographic boundaries and sectors and recognising the crucial role the private sector has to play will deliver conditions for growing businesses, more skilled and better paid jobs, increased investment, improved health outcomes, effective public services and increased skills and productivity.

Review Conclusions

26. In order to deliver the identified improvements in the efficiency and effectiveness of governance of economic issues and public service reform in Cambridgeshire and Peterborough, and receive future devolved functions, a Mayoral Combined Authority should be established pursuant to Section 103 of the Local Democracy, Economic Development and Construction Act 2009 (as amended by the Cities and Local Government and Devolution Act 2016). The Leaders of the seven authorities of the Cambridgeshire and Peterborough area are all committed to a Mayoral Combined Authority for their area. They agree that a Combined Authority collaborating across the much wider and important geography is crucial and that LEP representation on the board will be key to the area's success and aligned priorities.

The statutory process of the governance review

Introduction

27. This report has been prepared by the seven Cambridgeshire and Peterborough Chief Executives of Cambridge City Council, Cambridgeshire County Council, East Cambridgeshire District Council, Fenland District Council, Huntingdonshire District Council, Peterborough City Council and South Cambridgeshire District Council, on behalf of their Leaders. It sets out the findings of the governance review undertaken in accordance with section 108 of the Local Democracy, Economic Development and Construction Act 2009 (as amended by the Cities and Local Government and Devolution Act 2016).

Purpose of the review

28. The purpose of the review is to determine:
- a. Whether the area covered by the local authorities of Cambridge City Council, Cambridgeshire County Council, East Cambridgeshire District Council, Fenland District Council, Huntingdonshire District Council, Peterborough City Council and South Cambridgeshire District Council can properly be seen as constituting a functional economic area for the purpose under consideration under the review;
 - b. Whether the existing governance arrangements for housing, transport, skills, employment and public services are effective or would benefit from changes;
 - c. The options available and in relation to each option, to evaluate the likely improvement in the:
 - i. exercise of statutory functions relating to economic development, regeneration and transport in the area
 - ii. effectiveness and efficiency of transport in the area; and
 - iii. economic conditions in the area
29. Having examined these questions the report draws conclusions on what is considered to be the most effective form of governance.

Legal context

30. Legislation enables the creation of economic prosperity boards (EPBs), combined authorities (CAs) and Mayoral Combined Authorities (MCAs).
31. These are all sub-national structures with a separate legal personality to the local authorities who come together to create them.

32. EPBs are statutory bodies to integrate economic development functions but not transport, and none have been established so far. They have no levying or borrowing powers.
33. CAs are also statutory bodies that Local Authorities can set up that have a legal basis. Consisting of the Local Authority Leaders and/or LEP in their area, they are able to integrate economic and transport functions, and other devolved functions, and they can have levying and borrowing powers.
34. MCAs have a Directly-Elected Mayor as their Chair, who works together with other members of the Combined Authority, to discharge their functions. Government is offering MCA areas greater control over functions such as local transport, housing, skills and healthcare.

Delegation of additional powers from Central Government

35. The Localism Act 2011 contains powers for the Secretary of State to transfer certain powers between authorities (including Mayoral Combined Authorities) and also to transfer ministerial functions to such authorities. Property, assets and liabilities relating to those functions can also be transferred. Notably, transfers and delegations of additional functions under this legislation can be made at any time and independently from the procedure to create EPBs or Combined Authorities. A Combined Authority or Mayoral Combined Authority is differentiated from an EPB due to the inclusion of transport functions but the process for review is broadly similar.

The Four Steps to Creation of a Combined Authority or Economic Prosperity Board

36. The process for creating an Economic Prosperity Board, Combined Authority or Mayoral Combined Authority involves four main steps:
 - a. A review of existing governance arrangements for the delivery of economic development, regeneration, transport and other potentially devolved issues. This must lead to a conclusion that there is a case for changing these arrangements based on improvements;
 - b. A period of engagement with stakeholders to ascertain their views. This is not a statutory requirement but, to ensure views are understood, engagement will be undertaken;
 - c. Drafting a Scheme for the Mayoral Combined Authority. The Scheme will be the basis for the creation of the new body and should contain information on the area it will cover; its membership, voting and any executive arrangements; its functions and the way in which it will be funded. All constituent councils are required to approve the Scheme and governance review for submission to the Secretary of State for Communities and Local Government.
 - d. Finally, the Secretary of State will consider the Scheme and undertake a formal consultation. If he is satisfied with the proposals a draft Order will be laid before both Houses of Parliament for adoption by affirmative resolution. To approve a Scheme the Secretary of State must be satisfied that (in accordance with section 99 (1) (for Economic Prosperity Boards) or 110(1) (for Combined Authorities) of the 2009 Act) improvements are 'likely' if the Scheme proposed is adopted.

Flexibility and Control

37. A Mayoral Combined Authority, Combined Authority or an Economic Prosperity Board is not a merger or a takeover of existing local authority functions. Instead they seek to complement local authority functions and enhance the effectiveness of the way they are discharged. In particular, it is the enhancement of collaboration, strength of decisions and accelerating growth across the region at a strategic level.
38. Once established, Mayoral Combined Authorities, Combined Authorities and Economic Prosperity Boards have wide general powers. However, the mechanisms by which those powers can be exercised, the functions to be discharged and the resources available will be determined by the members through the drafting of the constitution.

Creating the right governance arrangements for growth

39. The further purpose of this governance review is to consider ways to secure greater influence over key levers and resources affecting local growth that are currently in the control of central government.
40. The Growth Deals that have been agreed in the region have sought to capitalise on the region's strengths to attract investment into the area and create additional jobs. However, other areas have shown that in order to maximise opportunity to enhance local growth a strengthened governance model is required.
41. In the absence of improved governance, Cambridgeshire and Peterborough risks lagging behind areas which have taken this step and will not meet its ambition to fulfil its potential as a world-leading science and technology area, further increasing the net contribution to the UK economy. By joining up governance in a more transparent and effective decision making process, decisions will be made in a more effective and efficient way, and deliver the extensive new powers and responsibilities the area needs. Any new governance arrangements must eliminate time consuming bureaucracy in the making of strategic decisions for the benefit of the region.

The Cambridgeshire and Peterborough Geography

42. This governance review covers the seven local authority areas Cambridge City Council, Cambridgeshire County Council, East Cambridgeshire District Council, Fenland District Council, Huntingdonshire District Council, Peterborough City Council and South Cambridgeshire District Council ('Cambridgeshire and Peterborough'). Leaders of all the seven Councils are committed to collaboration across Cambridgeshire and Peterborough. In addition, they agree that collaboration over a much wider and important geography across the Greater Cambridge and Greater Peterborough Local Enterprise Partnership area and beyond is crucial.
43. The Local Enterprise Partnership is a partnership between public and private sector. This collaboration has been responsible for the setting of strategic objectives and the development of innovative and cost effective delivery models, leading to local growth and job creation.

Local context

44. Cambridge and Peterborough's annual Gross Value Added (GVA) is over £22bn, over 33,000 businesses, over £27,000 GVA per capita and it is one of the fastest growing regions in the country. The wider Greater Cambridge Greater Peterborough (GCGP) LEP area also annually contributes more than £35bn GVA with 767,000 jobs

and over 60,000 businesses.

45. There is a world-class higher education and further education offer, including Cambridge University, with its global leading strengths in technology and life sciences as well as Anglia Ruskin University and a number of regional colleges.
46. Cambridgeshire and Peterborough's economy has national and international strengths in life sciences, information and communications technologies (ICT), creative and digital industries, cleantech, high value engineering and manufacturing including:
 - a. Nearly 300 biotech and life sciences companies (including Napp Pharmaceuticals, Amgen, Bepak, Nestor and Medimmune) supported by internationally renowned NHS Trust university teaching hospital Addenbrooke's and the Cambridge BioMedical Campus, home of the new Medical Research Council Laboratory of Molecular Biology, Cancer Research UK and GlaxoSmithKline. Astra Zeneca is also moving its global HQ and main UK research facility there.
 - b. An internationally significant ICT, software and telecoms cluster including ARM, the world's premier semiconductor IP supplier and Autonomy.
 - c. 350 Cleantech companies and organisations with 6,000 jobs and a £600m turnover.
 - d. High Value Manufacturing including global engineering firms such as Perkins, BAe Systems and Marshall Aerospace.
 - e. UK market leaders in food processing and agribusiness sector, including British Sugar, Premier Foods, Nestlé Purina, Hilton Food Group and Produce World Group.
 - f. Technology-based creative companies turning over more than £1billion per annum in the area, including Cambridge University Press, Sony Computer Entertainment's Cambridge Studio, Supreme Being (urban fashion) and Bauer.

Challenges to address in Cambridgeshire and Peterborough

47. Despite the many positive features highlighted above, Cambridgeshire and Peterborough is not maximizing its potential to further increase its output and productivity. There are a number of challenges that need to be overcome. These are summarised below.

Housing pressures holding back Cambridgeshire and Peterborough's economy

48. Despite much progress being made, Cambridgeshire and Peterborough's housing provision remains well below what is required to meet the needs of such a rapidly growing area. Affordable housing options within reasonable commutes to employment opportunities are driving up house prices to unsustainable levels, whilst other areas, which could provide more affordable housing options, struggle with issues of viability and connectivity.

A transport and infrastructure network under massive pressure.

49. Closely linked to the housing problems, the region does not have an effective fully integrated rail and rapid transport network that can meet the enormous demands placed upon it by the area's growth. A network that connects its main centres with quick frequent services, and effectively links up passengers and freight between Cambridge, Peterborough, our network of market towns and the rest of the country is urgently required. By delivering this, there will be a reduced impact on the environment, improved air quality, reduced carbon emissions and improved road safety. The resulting network will enable more efficient movement of goods to support businesses to connect to supply chains, key markets and strategic gateways, unlocking economic growth and regeneration locally but also in other directions.

Skills and employment issues to be addressed

50. Cambridgeshire and Peterborough has high rates of labour market participation, and low levels of unemployment. Levels of economic inactivity for South Cambridgeshire and Huntingdonshire are very low (around 14.3-15.6%) while unemployment rates for South and East Cambridgeshire are at the lowest level (around 2.1-3%).
51. The overall skills and qualifications attainment of residents is a strength, with a high share of degree-level (or equivalent) qualified residents and high share of residents in high level occupations, especially professionals. The share of the population of South Cambridgeshire with no qualifications is as low as 2.8-4.5%.
52. However there remain challenges for local fast-growing businesses in finding the right skills mix for their needs, with a shortage of applicants with the necessary technical, practical and job specific skills and experience, in areas such as engineering. There are also significant differences between some communities in the North and South of the area, with skills and employment figures not as high as the South. For example, 23.4 – 31.6% of Fenland and Peterborough's population have NVQ Level 4 or higher qualifications, 7.8 – 10.2% of Fenland, Peterborough and East Cambridgeshire's population have no qualifications at all and Peterborough has 23.2 – 30.4% of its population economically inactive. If these issues were effectively addressed then Cambridgeshire and Peterborough could contribute even further to the growth of the UK economy.
53. Addressing the region's skills deficit and employment issues is therefore a priority. Partners in the area have already conducted important work in developing the skills of local people further, including funding local skills services. Cambridgeshire and Peterborough will build upon this work to put in place arrangements for the effective delivery of more devolved skills commissioning and budgets, including creating an Education Committee with the Regional Skills Commissioner and other local education stakeholders to support education in schools.
54. There is also a need to collaborate regionally on the underlying causes of worklessness, sustained employment and lack of career pay and progression. Driving economic growth and increasing the understanding of these issues within the local labour market will move more Cambridgeshire and Peterborough residents into sustained jobs and skills progression and advancement at work.

A Public Service Challenge

55. In addition to its ambitious aims to further grow its economy, Cambridgeshire and Peterborough needs to transform its public service delivery and consistently reduce its system costs. Increased population growth, an aging population, financial pressures and high expectations will continue to put increased strain on these public services. The area benefits from strong co-terminous existing partnerships of Cambridgeshire and Peterborough Local Authorities, health, police and fire organisations, but this collaboration needs to go much further in delivering more integrated provision, greater efficiencies, increased prevention and reduced dependency across the entire public services landscape. This includes across health and social care, community safety and health-based employment support.

Review of the economic evidence

Overview

56. The initial step for the governance review was to underpin the case for change with the preparation of a detailed review of economic evidence. This section summarises this evidence, which addresses the following key question:
- a. Can the geography be understood as a 'functional economic market area'?

Analysis of functional economic market areas (FEMAs)

Introduction

57. The Department for Communities and Local Government (DCLG) define FEMAs as, "the area over which the local economy and its key markets operate". They vary in size and boundary, depending on the issue under consideration (e.g. labour market, housing markets) and the criteria used to define them.
58. FEMAs reflect the real world in which the economy operates; they do not respect the boundaries of administrative areas. Collaboration across these borders is therefore essential to deliver economic functions, such as transport, economic development, and skills in the most effective way.
59. The Cambridgeshire and Peterborough Local Authorities commissioned a study by MetroDynamics to consider whether the following geographies could be considered to be FEMAs:
- a. The authorities that make up the Cambridgeshire and Peterborough area [Cambridge City Council, Cambridgeshire County Council, East Cambridgeshire District Council, Fenland District Council, Huntingdonshire District Council, Peterborough City Council and South Cambridgeshire District Council]
 - b. The study analysed three separate metrics:
 - i. Travel to work areas (TTWA) as an effective definition of the local labour market;
 - ii. Migration data as a tool for analysing the local housing market, and;
 - iii. Industrial specialisation.

60. Each of these is discussed in more detail below.

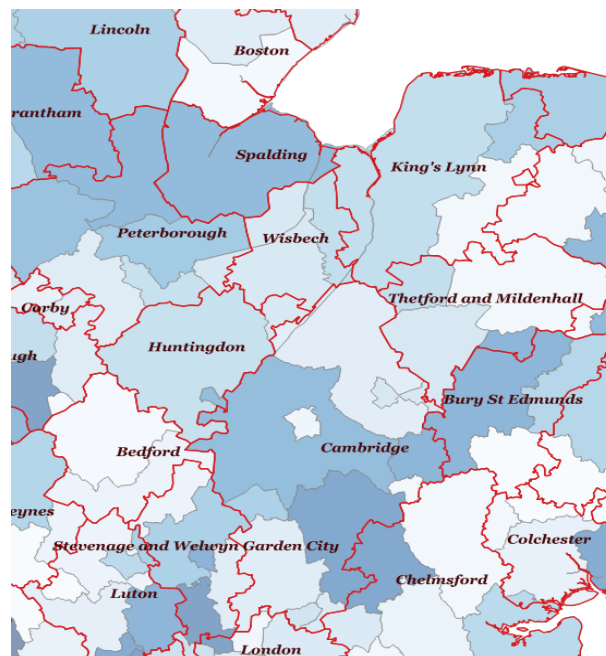
Travel to Work Areas

61. A TTWA is a collection of areas for which "at least 75% of the resident economically active population work in the area, and also, that of everyone working in the area, at least 75% live in the area". The ratio of the population who live and work in the area is known as the self- containment ratio.

62. Our work considered whether the areas above are a TTWA. The results of this work is shown in the map below:

Travel to Work Areas (2011)

The red lines identify the different travel to work areas. Beneath them, differentiated by colour, are local authorities.



63. The conclusion drawn from this work is that while labour markets do not sit neatly on local authorities, clear TTWAs exist in Cambridgeshire and Peterborough around the economic centres of Cambridge and Peterborough, as well as Huntingdon and Wisbech. There are strong links to the boundaries of the LEP and beyond (to the East, Northwest, South and West) in what is a fluid, flexible and well-connected labour market. The travel to work relationships between South Cambridgeshire, East Cambridgeshire and Huntingdonshire and Cambridge and South Kesteven (in Lincolnshire), Huntingdonshire and Fenland and Peterborough are strong and form the basis of any consideration of a functional economic market area.

64. Furthermore the self-containment level for Cambridgeshire and Peterborough (the level of people living and working within a defined area) is at 78.77%, above the 75% considered to constitute self-containment.

65. It is evident from the analysis of individual travel to work patterns that there is a high

level of inter-connectivity across Cambridgeshire and Peterborough, and beyond into Norfolk and Suffolk, and to growth opportunities with Bedfordshire, Hertfordshire, Lincolnshire, Northamptonshire, and Essex. It is precisely this level of interconnectivity that provides the evidence of employers in one area accessing labour pools in a connected area, and is the basis for the conclusion in respect of the existence of TTWAs across our area.

Migration data

66. Migration data is derived from an analysis of where individuals were moving to and from in the year preceding the 2011 Census. It broadly replicates the pattern of the TTWA data, although with a considerably smaller number of transactions. In particular most house moves to and from Cambridge were with South Cambridgeshire and to a lesser extent East Cambridgeshire and Huntingdonshire, while most house moves for Peterborough were with South Kesteven, Huntingdonshire and Fenland.

Industrial specialisation data

67. In order to look at industrial specialisation a data set called “location quotients” is considered. These compare the number of people employed in a particular industry in an area to the national average.
68. The industrial specialisation data demonstrated that the area has a particularly strong representation in information and communication, manufacturing, wholesale and the motor trade, with Peterborough having additional strengths in business administration and support services and retail.
69. Within manufacturing there are also a number of specialisms in the area, with Cambridgeshire highly represented in pharmaceuticals, paper, computer, electrical and optical products and Peterborough well represented in machinery and equipment and leather and related manufacturing. There are also significant strengths in these specialisms in other surrounding contiguous areas, which offer considerable economic potential.

Conclusion

70. A FEMA exists at the level of the seven local authorities within what is a fluid, flexible and very connected market. This gives a positive rationale for collaborative working in a stronger governance arrangement in this area. In some instances, economic markets extend beyond the LEP boundaries, and in formulating its economic strategy, these linkages and markets will need to be taken into account.

The current governance arrangements and the case for change

Introduction

71. This chapter sets out the current arrangements in relation to the local government functions that are the subject of this review and seeks to establish if an alternative model of governance is likely to improve the:
- a. exercise of the statutory functions relating to economic functions, including transport, housing and skills in the area;
 - b. effectiveness and efficiency of economic functions, including housing, transport and skills in the area;

- c. exercise of statutory functions relating to economic issues in the area, including housing, transport and skills; and
- d. economic conditions in the area.

72. The alternative models of governance considered were as follows:

- Option 1 – status quo;
- Option 2 – establish an Economic Prosperity Board;
- Option 3 – establish a Combined Authority; and
- Option 4 – establish a Mayoral Combined Authority.

Current governance arrangements

73. We consist of the unitary authority of Peterborough together with the county of Cambridgeshire and its constituent five districts. Our public services are also covered by one Clinical Commissioning Group, one Police and Crime Commissioner and one Fire Authority. Our work is underpinned by the Greater Cambridge Greater Peterborough LEP which in addition covers the Local Authority areas of Forest Heath, North Hertfordshire, Rutland, St. Edmundsbury, Uttlesford and West Norfolk and King's Lynn.

74. Working with a range of other local partners and networks, we have a strong track record of voluntary joint-working to achieve shared goals, through mechanisms such as local authority partnerships such as the Greater Cambridge City Deal, Opportunity Peterborough and innovative projects by District Councils. Our current arrangements have delivered significant development and growth projects in areas like transport. We have secured significant funding through our Greater Cambridge City Deal and managed to secure funding for the £44m Cambridge North Station and the £1.5bn upgrade of the A14. However, many of these projects have not been able to be agreed and delivered at the scale, speed or level to which such a fast-growing area needs.

75. Current voluntary arrangements have also made it harder to go further in integrating our existing transport networks, being able to join-up different modes of transport (road, rail, bus) to effectively manage and plan transport provision for our high-growth needs, reduce congestion and provide solutions such as smart-ticketing.

76. Current arrangements mean there is not a single formally constituted body with clear responsibility for taking decisions related to strategic economic growth, skills, housing, land, infrastructure, skills and other issues across Cambridgeshire and Peterborough, with decisions being reliant on voluntary relationships between partners interested in working collaboratively, and multiple, disparate decision-making processes of the relevant authorities. This has meant that a joined-up approach to development covering housing, infrastructure, land and skills together has been difficult – with the necessary transport provision lagging behind progress made on building new homes.

77. These governance arrangements are also clearly not sufficient to convince Government to be able to devolve further significant funds and responsibilities. The current powers and responsibilities we seek, as set out in Annex 1, illustrate why we need to go further now in our governance in order to take on and deliver the powers we are being given.

78. The seven Local Authorities firmly believe they can build upon their success by

strengthening and formalising partnership arrangements to work more closely and effectively with Government to further drive economic growth, further integrate the delivery of shared plans for delivery and, in the face of significant reductions in Government funding, reduce duplication and increase efficiency in existing arrangements (as set out in Annex 1). Alternative arrangements for clear and co-ordinated governance for Cambridgeshire and Peterborough will form the foundation for strong devolution to this area.

Options analysis

Preservation of the status quo

79. The leaders of the seven authorities are committed to the pursuit of collaborative working. Under the status quo there are not strong enough governance arrangements in place for the more ambitious agenda for the region that we set out in annex 1. This option would leave the region without a single strategic transport and economic development decision-making body at the Cambridgeshire and Peterborough level. The region would miss out on the benefits of working collaboratively on economic issues which are inherently closely linked as well as public service issues.
80. Maintaining the status quo would leave the region behind a number of other parts of the country that have already, or are in the process of, strengthening and aligning their decision making process in relation to devolution.
81. The deficiencies of the current arrangements, i.e. the fact that there is not a body corporate nor can it hold funding in its own right, would remain. The lack of a formal link between the range of economic issues (as well as public service areas) would also continue.
82. The current arrangements are insufficient to take advantage of the move towards greater devolution from central government to the regions.

Establishing an economic prosperity board

83. An economic prosperity board would be a statutory body and would share many of the features of a Combined Authority. It would be a basis for taking on devolved powers and funding relating to economic development and regeneration. However, transport functions could not be brought into this body and the benefits of bringing economic issues together would not be realised.
84. This does not align with the aspiration held across the region to fully exploit the potential to unite economy and transport and reap the benefits of a more joined-up approach and would not be a platform to build further public service integration and devolution upon.

Establishing a Combined Authority

85. The existing governance arrangements in Cambridgeshire and Peterborough can be improved. The governance structures in the area have worked well to date through a series of ad-hoc and informal arrangements but are not sufficient to meet our devolution ambitions for the area.
86. A combined authority would better realise a sensitive, co-ordinated approach to strategic planning that better links up unlocking sites for development with the necessary supporting infrastructure and employment and skills provision.

87. It would also be able to better take on devolved functions from government on this basis, as it could act as the Accountable Body for devolved funding, have long-term engagement with business through the LEP, and facilitate collaborative efforts across local and national public service partners to transform public services, including through a Memorandum of Understanding (MoU) with key public service organisations in health, police and fire services outside the Combined Authority.

Establishing a Mayoral Combined Authority

88. Establishing a Mayoral Combined Authority would offer the same opportunities as for a Combined Authority in terms of joining-up local decision-making and collaborative activity, including establishing a MoU with key public service organisations to transform public services. Mayoral Combined Authorities are also afforded additional flexibilities, including the ability to raise Business Rate Supplements, with the facility for much greater devolutionary powers in future.

89. Also this option, would maximise the opportunity for the area to negotiate for devolved budgets, powers and responsibilities, and be consistent with our aim of transforming our relationship with national government. It would also provide visible, strategic leadership across Cambridgeshire and Peterborough, enabling the area to utilise this post to effectively promote the area nationally and internationally, bring in investment and gather support from local stakeholders for the area's agenda.

Overview of the options

90. The following table sets out the assessment of the potential options considered:

Option	Evaluation	Rationale
Status Quo	No	The current structures leave space for ambiguity and overlap between the various roles and functions of the sub-regional bodies. The opportunity to address the deficiencies highlighted in this review would be missed.
Establish an Economic Prosperity Board	No	This option does not provide the opportunity to fully achieve coordinated transport and economic benefits or a platform for devolution in other areas.
Form a Combined Authority	No	Supports a coherent approach to strategic planning and infrastructure and able to take on devolved powers from Government.
Form a Mayoral Combined Authority	Yes	Supports a coherent approach to strategic planning and infrastructure, able to take on devolved powers from Government, and maximises both the flexibilities available for devolution and the ability to negotiate further devolved budgets, powers and responsibilities with Government.

Conclusions

91. In conclusion, the recommendation of this review is that the functional economic area of Cambridgeshire and Peterborough will be best served by a Mayoral Combined Authority model of governance, bringing together local authorities, the LEP and other public service partners to drive growth and reform.
92. Coordination of economic issues, including strategic economic growth, transport, skills, housing, land and infrastructure across the area is a central rationale for the statutory basis for a Mayoral Combined Authority, and therefore fundamental to its creation in the area. The Mayoral Combined Authority will be well-placed to provide leadership and an area-wide voice on key strategic economic issues, join-up national and local economic services strategy and delivery, and strongly represent the area in areas like attracting inward investment, improving the availability and affordability of housing, the rail network, the strategic road system and support for business growth.
93. Further up-skilling and improving the employability of the workforce in Cambridgeshire and Peterborough will be a priority in order that residents share in the further growth that strengthened governance will lay the foundations for. The Mayoral Combined Authority will ensure that the benefits of economic progress are distributed broadly across Cambridgeshire and Peterborough.
94. Our ambitious plans to transform public service delivery at a lower cost base will also be facilitated by a new Mayoral Combined Authority governance. By further collaboration across our public service partners in health, police and fire, we will deliver further efficiencies, prevention and integration of delivery as well as maximizing the potential for further devolution in these areas.

The Combined Authority Area

95. The Mayoral Combined Authority Area will be the area of the seven Local Authorities of the Cambridgeshire and Peterborough area [Cambridge City Council, Cambridgeshire County Council, East Cambridgeshire District Council, Fenland District Council, Huntingdonshire District Council, Peterborough City Council and South Cambridgeshire District Council]. Greater Cambridge and Greater Peterborough Local Enterprise Partnership will also be a member of the Mayoral Combined Authority, with wider connections to Norfolk and Suffolk, and wider growth opportunities.

Governance model

96. In order to maximise the use of available resources to the benefit of the whole of Cambridgeshire and Peterborough a new governance structure is required. The Mayoral Combined Authority option would afford Cambridgeshire and Peterborough the best prospect of improving the efficiency and effectiveness of economic activity (in strategic economic growth, skills, housing, land and infrastructure) as well as supporting further public service reform.

Summary of benefits

97. The Mayoral Combined Authority will:

- a. Provide a clear and effective platform for more timely, effective and efficient exercise of statutory function through the creation of a single entity for the acceptance of devolved powers from central government in line with the Government's current devolution agenda.
- b. Ensure a co-ordinated collaborative working with central government, through integration and effective strategic frameworks and delivery of investment plans.
- c. Strengthen existing joint-working between existing authorities on economic issues, including linking up housing delivery and infrastructure and business partnerships working through the LEP being a member of the Combined Authority.
- d. Strengthen joint-working between existing authorities, health, police and fire, on public service transformation through their participation in the Combined Authority's work through a shared Memorandum of Understanding around collaboration on public service transformation.
- e. Maximise the opportunities for taking on devolved powers, flexibility and devolution capacity from Government legislation, and the ability to negotiate further devolved budgets, powers and responsibilities from Government.
- f. Create a basis for further joint-working and mutually-beneficial relationships with neighbouring authorities and areas to the East, North West, South and West of Cambridgeshire and Peterborough.

Annex 1

Powers to be conferred on the Cambridgeshire and Peterborough Mayoral Combined Authority

Function/ responsibility	Rationale
Annual Single Investment Fund, funded over 30 years.	Will enable a long-term infrastructure investment programme to support Cambridgeshire and Peterborough's growth by creating a Single Investment Fund that draws together funding streams, seeks to attract and leverage private sector funding and uses borrowing powers to bring forward investment more quickly. This will involve putting in place measures to ensure this spending meets 5 year gateway assessment of its use and assurance framework requirements.
Business Rate Supplement power.	If required for infrastructure needs, and supported by the LEP, a precept upon local business rates of up to 2% could be levied by the Mayor.
Responsibility for a multi-year consolidated and devolved transport budget	The creation of a single, multi-year transport budget to bring greater co-ordination in line with our transport and infrastructure strategy, and ensure increased value for money from funds that have previously been delivered. This should mean strategic delivery of transport interventions over a longer time period, alignment of transport with the area's economic development and investment requirements, including housing development, scope for match-funding and leverage with other funding sources due to the additional certainty and the potential for future expansion to accommodate further devolved funding, flexibility and freedoms.
Key Route Network of Roads	Moving beyond existing Highways Authority arrangements to provide the Mayoral Combined Authority with widened powers over a defined Key Route Network of local roads (to be managed and maintained by the Combined Authority). This would enable a greater ability for the area to govern, develop and manage a safe, smooth, reliable, comfortable, less congested network, moves towards a single asset management plan (with shared procurement and delivery for road maintenance), better integrated land-use planning and transport decision making e.g. aligning road investment with planned housing growth and scope for further devolution of transport responsibilities to enable the Mayoral Combined Authority to work across different transport modes.
Bus franchising/enhanced partnership for bus services powers.	The ability to franchise bus services in the combined authority area or the use of an 'Enhanced Partnership' model (subject to necessary legislation and local consultation) would enable new functions to support the delivery of a high quality bus network, enhance the local bus offer, including around emissions standards, and support moves towards better integration of transport provision and smarter-ticketing arrangements for the area.
Sub-National Transport Body	In order to fulfil our ambitions to deliver a better connected, less congested transport network within our highly connected area and outwards to surrounding areas, we will work with local partners towards the creation of a Sub-National Transport Body with our neighbouring areas, including Norfolk and Suffolk, to work together to influence national transport investment, similar to Transport for the North and Midlands Connect.
Housing and infrastructure fund	Significant additional funding to help meet the high levels of growth and exceptional housing market conditions in Greater Cambridge, by addressing affordability challenges in Cambridge as well as demand in surrounding areas and viability issues in other parts of

	Cambridgeshire and Peterborough.
Mayoral Development Corporations	Use the planning and land assembly powers that come with Mayoral Development Corporations or similar vehicles to support the delivery of strategic development sites in the Combined Authority area.
Joint Investment & Assets Board and Land Commission	Building upon existing processes around rationalising and making the best use of existing local assets in Cambridgeshire and Peterborough, the Joint Investment & Assets Board will enable all public sector land under the responsibility of national and local government agencies to be reviewed to determine how this land and assets would be best utilised to provide a ready supply of land for commercial and residential land to support the area's growth. This would be informed by a Land Commission that would generate a database of available public and private sector land, identify barriers to its disposal and help to develop solutions to overcoming these.
Area-based Review of 16+ skills provision	Cambridgeshire and Peterborough will work with Government around the Area Review of post-16 education and training to shape provision around meeting the skills mix required by businesses in the area, refine local skills strategies and collaborate with providers to deliver this plan effectively.
Devolved 19+ skills budget (from 18/19)	Control of Adult Skills budgets will enable Cambridgeshire and Peterborough to reshape and restructure skills provision in the area, aligning post-19 provision with locally determined priorities to ensure residents have the right balance and mix of skills to help businesses to grow, including targeting provision towards areas of specialisation, improvements to the curriculum, and increasing responsiveness of the system.
Apprenticeship support	Building upon our existing work to increase the number of apprenticeships in Cambridgeshire and Peterborough, our ability to use the Apprenticeship Grant for Employers locally to tailor incentives for employers in line with local market needs will enable us to better match up apprenticeship provision with what employers want. We will also work on developing the new system, including the levy, and exploring creation of an Apprenticeship Training Agency.
Co-design of the National Work and Health Programme	In order to build upon our work so far to support people into employment and progression in work, we want to work with DWP to help shape welfare and employment provision in the area. Recognising DWP's desire to operate at scale and our willingness to form partnerships with other areas where appropriate, we will form an East Anglia Employment and Skills Board to work with DWP to help deliver a locally integrated employment service, maximising the opportunities from the Youth Obligation, co-design and co-commission the new National Work and Health Programme to focus on those with a health condition or disability and the very long term unemployed.
Business Support	Taking forward our ambitious plans to improve local business support through the work of the LEP, including delivery of our key Enterprise Zones, will also include seeking to maximise our trade and investment potential through a Joint Export Plan with UKTI.
Community Safety, Health and Social Care and public services.	We have a range of ambitious plans to transform our health and social care, community safety and other public service provision. We want to move towards further devolution in order to help address these issues with national government. For our current plans we will be creating a Memorandum of Understanding with our local public service partners to bring them into the Mayoral Combined Authority collaborative approach.