



Ministry of Housing,  
Communities &  
Local Government

## The Oxford-Cambridge Arc

Government ambition and joint declaration between  
Government and local partners



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March 2019

ISBN: 978-1-4098-5430-2

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# Ministerial Foreword

The arching sweep of land between Oxford, Milton Keynes and Cambridge has a unique opportunity to become an economic asset of international standing – a place that demonstrates the very best of British business and innovation, and for the benefit of local communities and the country as a whole.

The Arc already contains globally renowned universities, at the heart of a business, science and technology ecosystem that makes it one of the most exciting economic growth opportunities in the world. Realising this potential can mean more jobs, of a higher quality, for existing communities and future residents, and can encourage international investment and exports for the benefit of local businesses and the national economy.

But it will also require new ways of working between the Government, local partners and businesses to ensure benefits are felt both by local people in the Arc and the national economy. It will require taking a long-term view, up to 2050 and beyond, when we plan for the future of the Arc, recognising that this must include protecting and enhancing the natural environment. It will require making the most of current investments in infrastructure, particularly in railways and roads, to ensure that they can support business growth and the delivery of the new homes that the area needs to fulfil its potential.

Following its response to the National Infrastructure Commission's report on the Arc in October 2018, the Government re-affirms in this document its long-term economic ambitions for the Arc, including an ambition for up to one million high-quality new homes by 2050, to tackle the severe housing affordability issues faced by many, and unlock the Arc's full potential.

This document also provides an initial report on the long-term economic analysis commissioned by the Government at an Arc-wide scale. Together with the Local Industrial Strategies currently being developed in the area, aligned with the national Industrial Strategy, this will provide a rich and up-to-date picture of the economic opportunities and challenges facing the Arc, on which its future success will depend.

Crucially, the document also sets out the Government's commitment to embed 'natural capital' thinking throughout our approach to the Arc, so that we create sustainable places for people and wildlife, and ensure that we leave the environment in a better state for future generations.

As four ministers at four departments, we have different responsibilities but a shared commitment to work together to realise the Arc's full potential.

We strongly endorse the joint declaration (on pages 7-8) agreed between Government and local partners. It demonstrates an understanding that realising the Arc's potential will require us to work together in new ways, and sets out our shared aim to deliver benefits for existing and future communities in the Arc.

Meeting the Arc's full economic potential will demand our collective determination, over the long-term. Now is the time to act to ensure this potential is realised.



**Thérèse Coffey MP**  
Parliamentary Under Secretary of State  
for the Environment



**Robert Jenrick MP**  
Exchequer Secretary to the Treasury



**Kit Malthouse MP**  
Minister of State for Housing



**Jesse Norman MP**  
Minister of State for Transport

# Foreword from the Chair of the Arc Leaders Group

On behalf of the Local Authority Leaders and Chairs of the Local Enterprise Partnerships that represent the Oxford to Cambridge Arc, I welcome the Government's positive response to the recommendations of the National Infrastructure Commission and the commitment shown to date to support investment in this vibrant part of the country.

It is clear to us as locally elected members and chairs that we have a responsibility to promote the strengths of the Arc and help realise its full potential as an economic engine for the country whilst ensuring this delivers sustainable benefits both for our existing and future residents; however, we can only realise this potential by working collectively and with other stakeholders both within and beyond the public sector.

We welcome the willingness of Government to work in partnership and in particular, we are encouraged by the financial and political commitment to the Arc through major Government infrastructure investment such as East West Rail, through the commitment to support our emerging Local Industrial Strategies but also critically through recent announcements to invest in the environment through the natural capital work of the Department for Environment, Food and Rural Affairs and its delivery bodies. These and future commitments will allow us to plan positively for growth, including to ensure our communities continue to thrive.

We have made positive progress in bringing together local government alongside our Local Enterprise Partnerships and look forward to ever deeper dialogue and collaboration with the Arc's universities. Working with Government to achieve our ambitions for sustainable prosperity, we stand ready to work through the challenges of how many jobs will be created, how many homes will be needed and what infrastructure and services will be needed to meet the needs of our communities. We will do this with stakeholders and the public to ensure we are inclusive in our approach from the start.

Along with my fellow Leaders and Chairs, I look forward to working with Government over the coming months to strengthen our vision and approach to the Arc, and in the longer term to deliver our shared ambition.

Councillor Barry Wood

Chair of The Arc Leaders Group  
Leader Cherwell District Council



# Joint Declaration of Ambition between Government and the Arc

This joint declaration has been agreed between the Government, local authorities across the Oxford to Cambridge Arc, Cambridgeshire and Peterborough Combined Authority, the Arc's four local enterprise partnerships (LEPs), and England's Economic Heartland.

We, the parties mentioned above, recognise that the area incorporating the ceremonial county areas of Oxfordshire, Buckinghamshire, Northamptonshire, Bedfordshire and Cambridgeshire forms a strategic belt, which we refer to as the Oxford-Cambridge Arc ('the Arc'). We also acknowledge the vital links beyond the Arc: for example, there are important relationships with the Midlands, with the M4 corridor and Heathrow Airport, with London and the Greater South East, and with the rest of East Anglia.

We recognise that the Arc is first and foremost an area of significant economic strength and opportunity, which can further benefit its existing and future communities and businesses by realising its potential. It has a population of over 3 million and a Gross Value Added over £100 billion per year. Building upon strengths in individual parts of the Arc, especially in science, technology and high-value manufacturing, there is the long-term potential to transform the Arc as a whole into a world-leading economic area, acting as a testbed for innovation. Because of this potential, the Government has already designated the Arc a key economic priority. We jointly set out to meet its full economic potential, building on forthcoming Local Industrial Strategies, for the benefit of existing and future local communities and businesses, and in the national interest.

We acknowledge that meeting this economic potential will demand our collective determination, over the long-term, to deliver significantly more homes in the Arc, of the right quality and in the right places to meet its needs. We recognise that this could include the development and expansion of existing, as well as new, settlements. This will be needed both to address the housing affordability issues already felt in many parts of the Arc, and to provide places to live for future communities attracted by the Arc's economic opportunities.

We know that meeting our long-term economic and housing delivery ambitions for the Arc will require long-term commitments to provide the enabling infrastructure, in the widest sense, that communities and business will need. We support the delivery of transport links such as East West Rail and improvements to the strategically important roads network, and remain committed to involving local communities and businesses in helping to decide where and how infrastructure is built. We recognise the need to plan for and deliver substantial additional infrastructure ahead of the arrival of new communities, including necessary transport infrastructure, utilities, digital connectivity, health and education.

Crucially, we value the natural environment highly, and aim to meet our economic and housing ambitions while overall improving, rather than degrading, the environment in the Arc. We want better places to live, which are beautiful and inspiring, to benefit the Arc's residents today as well as tomorrow. The Government has already set out its intention for the Arc to embody England's 25 Year Environment Plan, which we will work together to deliver, including through planning for local natural capital. We want new developments to use intelligent and sensitive design to create or enhance habitats and improve habitat

connectivity, in situ and in the surrounding area. We also want to improve access to the environment for existing and new communities in order to improve health and wellbeing.

We recognise that meeting all these ambitions for the Arc requires us to take a long-term view, at least to 2050, and for us to work collaboratively across geographical, political and thematic boundaries. Doing so will require open thinking and dialogue without harming the ongoing plan-making process. While extant local development plans and joint plans must evidently retain their integrity whilst they are in place, we will consider what planning approaches and flexibilities may be appropriate in future, within and across the Arc, to better support meeting our overall ambitions. This could include considering the role of a spatial vision or strategy for the Arc as a whole, as well as the most suitable delivery vehicles for specific developments. We recognise that resources would need to be available for this work.

We agree that a collaborative approach to meeting our ambitions also means changing the way we work, as organisations and collectively. The Government has established a cross-cutting portfolio and delivery team for the Arc, bringing together departments, agencies and projects, with common high-level reporting lines at a ministerial and departmental level. Local authorities and LEPs have established Arc-wide coordination groups both for council leaders and LEP chairs, and for council and LEP chief executive officers. England's Economic Heartland provides a single local voice for strategic infrastructure across the Arc and beyond its boundaries. Both within Government and locally, we have organised our work relevant to the Arc across four thematic areas, reflecting our ambitions set out in this joint declaration:

- **Productivity** – ensuring we support businesses to maximise the Arc's economic prosperity, including through the skills needed to enable communities to benefit from the jobs created;
- **Place-making** – creating places valued by local communities, including through the delivery of sufficient, affordable and high-quality homes, to increase affordability and support growth in the Arc, as well as wider services including health and education;
- **Connectivity** – delivering the infrastructure communities need, including transport and digital connectivity, as well as utilities;
- **Environment** – ensuring we meet our ambitions for growth while leaving the environment in a better state for future generations.

To act as a bridge between Government and the Arc itself, the Government has committed to establishing a joint Advisory Group comprising experts and leaders across these themes, led by an independent Business Chair. Their role will not only be to provide expertise, but to be a figurehead for the Arc nationally and internationally, galvanising the necessary leadership and support to help realise our ambitions across these four thematic areas.

Our ambitions for the Arc are long-term, and while we believe it is right to maintain pace of delivery on existing commitments such as East West Rail, we recognise the need to plan to meet our full ambitions for the Arc in an integrated and inclusive way. As a next step, we are therefore going to launch a broad, joint, public engagement exercise over Summer 2019. This will engage with the public across the four themes above and will be used to help inform our future plans for the Arc and ensure they benefit existing and new communities and businesses.



# 1 Introduction

## Defining the Oxford-Cambridge Arc



- 1.1 The Oxford-Cambridge Arc (the Arc) is a globally significant place and has the potential to become even greater. It is already home to 3.7 million people and currently supports over 2 million jobs, contributing £111 billion of annual Gross Value Added (GVA) to the UK economy per year.
- 1.2 The area between Oxford and Cambridge, incorporating the ceremonial county areas of Oxfordshire, Buckinghamshire, Bedfordshire, Northamptonshire and Cambridgeshire forms a core spine that the government recognises as the Oxford-Cambridge Arc. There are also vital links beyond the Arc. For example, there are important connections with the Midlands, with the M4 corridor and Heathrow Airport, with London and the Greater South East, and with the rest of East Anglia.

### 1.3 The Arc contains:

- 31 Local Authorities: <sup>1</sup>
  - 4 county councils: Oxfordshire, Buckinghamshire, Northamptonshire and Cambridgeshire;
  - 21 district councils: City of Oxford, South Oxfordshire, Vale of the White Horse, West Oxfordshire, Cherwell, South Bucks, Chiltern, Wycombe, Aylesbury Vale, Northampton, South Northamptonshire, Daventry, Wellingborough, Kettering, Corby, East Northamptonshire, City of Cambridge, South Cambridgeshire, Huntingdonshire, Fenland and East Cambridgeshire;
  - 5 unitary authorities: Milton Keynes, Luton, Bedford, Central Bedfordshire and City of Peterborough;
  - Cambridgeshire and Peterborough Combined Authority.
- 4 Local Enterprise Partnerships:
  - Oxfordshire Local Enterprise Partnership (OxLEP);
  - Buckinghamshire Thames Valley Local Enterprise Partnership (BTVLEP);
  - South East Midlands Local Enterprise Partnership (SEMLEP);
  - The Business Board of the Cambridgeshire and Peterborough Combined Authority.
- 10 universities, including two of the world’s greatest and most internationally recognisable centres of learning, University of Oxford and University of Cambridge. The eight further universities include world leading specialisms in areas such as automotive and aerospace engineering.
- The Arc’s historic assets include Blenheim Palace World Heritage Site, 205 Scheduled Monuments, 48 Registered parks and gardens, 7,321 listed buildings, and 144 Conservation Areas.

### **Working together to achieve economic and social prosperity across the Oxford-Cambridge Arc**

1.4 This document sets out the Government’s ambition for the Oxford-Cambridge Arc as an area of significant economic potential, and provides an update on the emerging

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<sup>1</sup> Buckinghamshire’s county council and four district councils will be replaced by a single unitary authority in April 2020 subject to parliamentary approval. Secretary of State for Housing, Communities and Local Government is currently considering a proposal to replace Northamptonshire’s county council and seven district councils with two unitary authorities.

approach of Government and local partners to support growth and prosperity in the area.<sup>2</sup>

- 1.5 The Government commissioned the National Infrastructure Commission (NIC) to increase understanding of the area's potential and in 2017, the NIC published their report "Partnering for Prosperity: A new deal for the Cambridge–Milton Keynes–Oxford Arc".<sup>3</sup> Following this, the Government has made a number of commitments to invest in the area, including in its formal response to the NIC report in 2018.<sup>4</sup>
- 1.6 In its response to the NIC report, the Government designated the Oxford-Cambridge Arc a key economic priority, affirmed its ambition for up to one million high-quality new homes across the Arc by 2050, committed to completing East West Rail and the Expressway, and committed to achieving growth in the Arc while improving the environment for future generations.
- 1.7 Since then, the Government has established new teams and developed a coordinated way of working across the Arc that matches our level of ambition for the area. This has included working with local partners to unlock the area's potential through identifying four inter-related policy pillars:
  - **Productivity** – ensuring we support businesses to maximise the Arc's economic prosperity, including through the skills needed to enable communities to benefit from the jobs created;
  - **Place-making** – creating places valued by local communities, including through the delivery of sufficient, affordable and high-quality homes, to increase affordability and support growth in the Arc, as well as wider services including health and education;
  - **Connectivity** – delivering the infrastructure communities need, including transport and digital connectivity, as well as utilities;
  - **Environment** – ensuring we meet our ambitions for growth while leaving the environment in a better state for future generations.
- 1.8 We want to continue engaging with local partners and stakeholders across the Arc. This is why we look forward to launching a broad, public engagement exercise later this year, which we will use so that the voices of communities and businesses can help to inform our future plans for the Arc.
- 1.9 In advance of this engagement opportunity, this document provides an update on our overarching ambition for the Arc, including a joint declaration between Government and local partners, signalling the importance of collaboration to achieve these aims. The document also provides an early update on the Government's work to develop a robust economic evidence base for the Arc, covered in the next chapter.

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<sup>2</sup> This document is not a spatial plan, nor does it seek to influence any development consenting decisions on projects or schemes within the Arc, including on East West Rail and the Oxford-Cambridge Expressway, and should not be taken into account as a material consideration in such decisions.

<sup>3</sup> Partnering for Prosperity: a new deal for the Cambridge-Milton Keynes-Oxford Arc, National Infrastructure Commission, 2017. Available at: <https://www.nic.org.uk/publications/partnering-prosperity-new-deal-cambridge-milton-keynes-oxford-arc/>

<sup>4</sup> Government Response to "Partnering for Prosperity: a new deal for the Cambridge-Milton Keynes-Oxford Arc", 2018. Available at: <https://www.gov.uk/government/publications/cambridge-milton-keynes-oxford-arc-study-government-response>

# 2 The Oxford-Cambridge Arc: a significant opportunity for economic growth

## Deepening the economic evidence base

### Introduction

- 2.1 In 2016, the Government instructed the National Infrastructure Commission to produce a report on the Oxford-Cambridge Arc to strengthen our collective understanding of its economic growth potential (see Box 2.1).
- 2.2 The report's core findings were that meeting the long-term economic potential of the Arc would require both significantly more homes to be built and significantly improved east-west transport connectivity, findings that support the Government's recent progress in the Arc and decisions to date, as set out in this document.
- 2.3 Furthermore, we expect that through the current work being undertaken by the Arc's LEPs to develop Local Industrial Strategies, further opportunities for growth can be identified and planned for. This work supports the national Industrial Strategy's aims to boost productivity and earning power across the country.
- 2.4 Building on the steps taken so far, but recognising that some data used by the NIC is now several years old, and that Local Industrial Strategies individually consider the smaller scale of LEPs rather than the larger Arc as a whole. The Government has commissioned fresh analysis to develop a rich and deep economic evidence base, and ensure the strongest possible footing for the Arc going forwards. The consultancy firm AECOM, working with the economic consultancy Oxford Economics, are delivering this work.
- 2.5 In this chapter, the Government sets out an initial picture of the Arc's economic characteristics, identified through this work, based on patterns and trends from the past 25 years. Though this is just the initial work, the findings endorse having significant aspirations for the Arc's economic potential over the long-term, and the early steps being taken by the Government and local partners to unlock that potential.
- 2.6 The Government will publish updated findings, including forecasts or scenarios for the Arc's economy up to 2050, in Summer 2019.
- 2.7 We have grouped the initial findings under three headings, which between them cover some key economic characteristics of the Arc. These different aspects are considered in the following sections:
  1. **Productivity & Gross Value Added (GVA)**
  2. **Population and demographics**
  3. **Housing affordability and supply**

## Box 2.1

### National Infrastructure Commission (NIC)

The NIC's 2017 report "*Partnering for Prosperity: a new deal for the Cambridge-Milton Keynes-Oxford Arc*", found that the Oxford-Cambridge Arc is home to some of the UK's most productive and fast-growing cities and has significant potential for transformative growth. However, the NIC argued this is constrained by poor east-west infrastructure and a lack of suitable housing that hinders the continued success of the area. In order to realise the Arc's full economic potential, the NIC set out that an integrated approach to infrastructure, place-making and business growth is needed, including building up to 1 million homes by 2050. The NIC offered 9 recommendations:

1. Establish a single-coordinated delivery programme with cross-Government ministerial commitment and oversight;
2. To work together with local authorities to designate locations for new and expanded settlements with the appropriate delivery vehicles such as Development Corporations;
3. To work with local authorities across the Arc to ensure that strategic infrastructure is planned and designed to make the most of existing infrastructure and community assets and achieving net gains in biodiversity and natural capital;
4. To work with local authorities across the Arc to establish an indicative long-term pipeline of strategic national and local infrastructure investments;
5. To make changes to the operation and application of CIL and s106 agreements through bespoke deals across the Arc;
6. To extend flexibilities in the application of five-year land supply requirements with local authorities that agree to accommodate significantly higher levels of housing growth;
7. To work with local authorities across the Arc to develop a pan-Arc spatial vision up to 2050 identifying locations for growth and enabling infrastructure requirements;
8. To work with local authorities across the Arc to put in place appropriate governance arrangements;
9. To publish six-monthly updates to enable the NIC to assess progress.

The Government responded to the NIC's report and recommendations in the Autumn Budget of 2018. Whilst the detail of some of the recommendations means the Government has not endorsed them all in full, the priority that Government has now given to the Arc supports the NIC's overall economic vision.

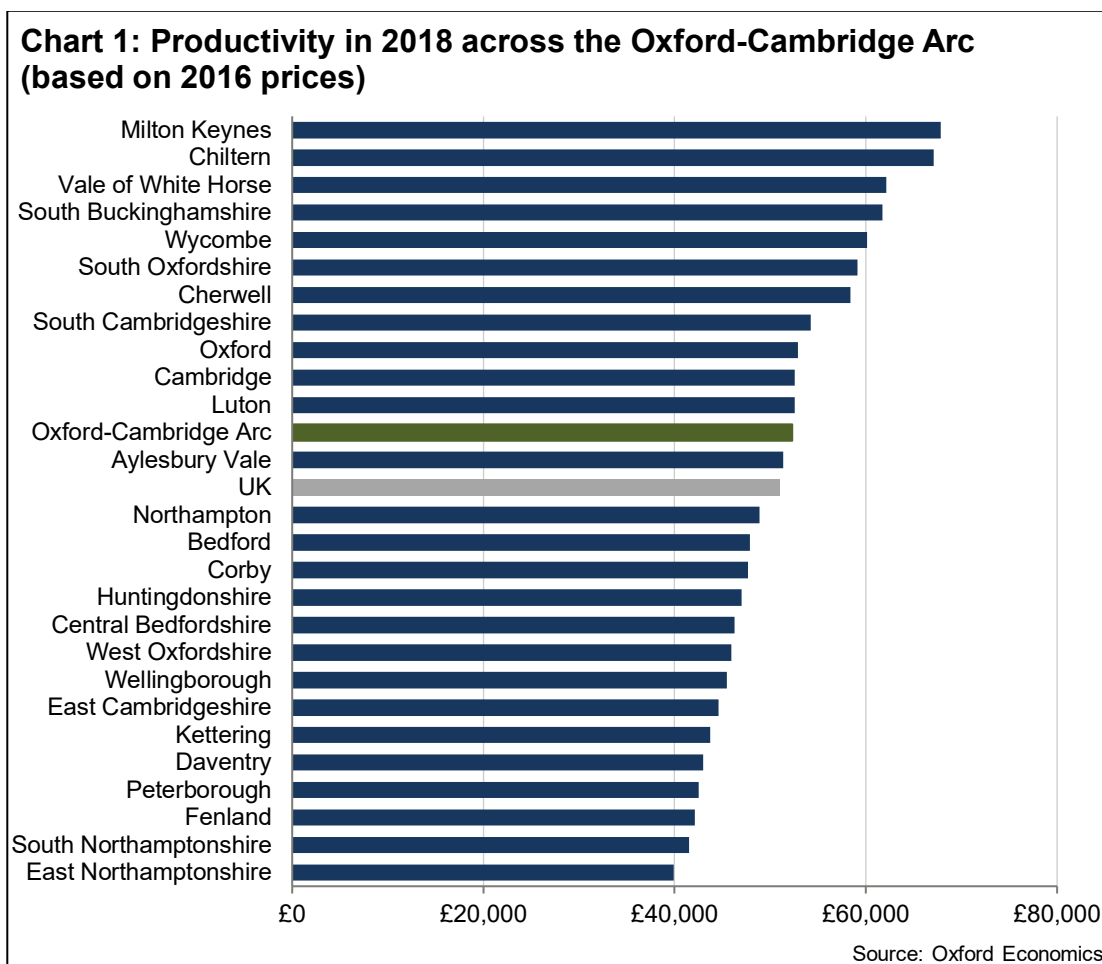
## Productivity & Gross Value Added

2.8 Increasing productivity is a key way to boost economic growth and prosperity, and deliver better jobs and higher incomes for people, as outlined in the government's Industrial Strategy. A productive economy is characterised by higher wages and international competitiveness. Higher wages generate higher tax receipts, and this in turn boosts the Government's ability to provide quality public services.

2.9 Since the financial crisis, productivity growth in the UK as a whole has slowed, and the Government has been clear that addressing this is a national priority.<sup>5</sup>

2.10 However, analysis so far suggests that productivity in the Oxford-Cambridge Arc has somewhat bucked the national trend (as Chart 1 and Chart 2 help to illustrate):

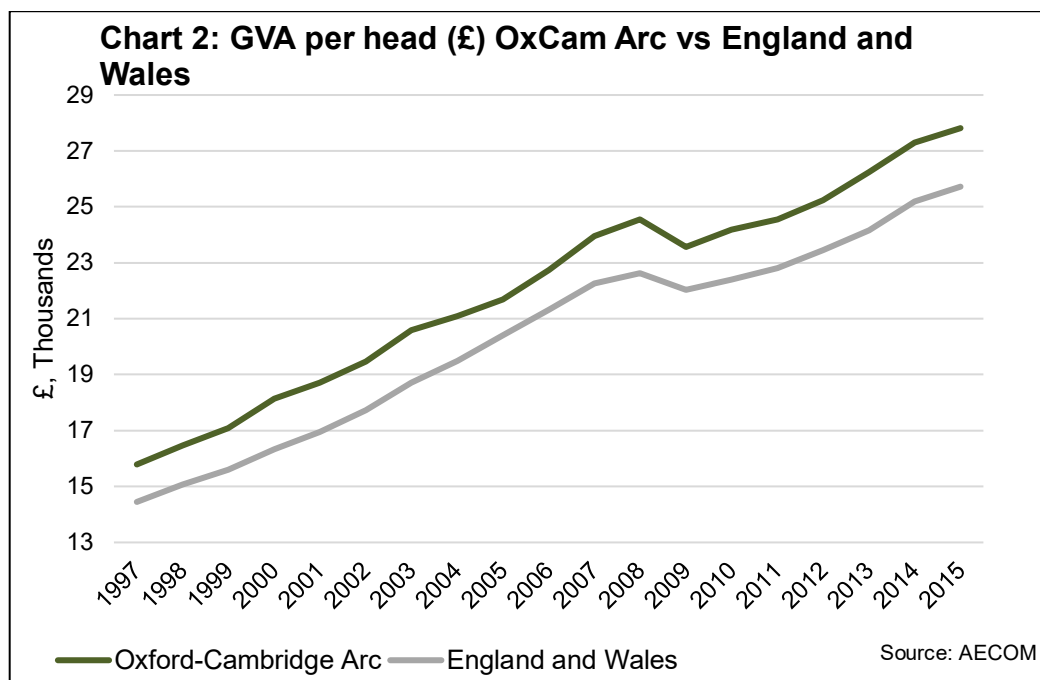
- Productivity in the Arc as a whole is around 2.55 % higher than the UK average;<sup>6</sup>
- More significantly, *growth* in GVA per head between 2005 and 2015 has been greater in the Arc (28.2 percentage points) when compared to England and Wales as a whole (26.0 percentage points).



<sup>5</sup> Industrial Strategy: building a Britain fit for the future, 2017. Available at: <https://www.gov.uk/government/publications/industrial-strategy-building-a-britain-fit-for-the-future>

<sup>6</sup> Productivity is estimated through dividing annual GVA by total workplace employment

- 2.11 The Arc's economy also appears to be more resilient than the national average, with 2.5 percentage point growth in GVA per head between 2009 and 2010, compared to 1.3 percentage points in London and 1.7 percentage points in England and Wales as a whole.
- 2.12 However, GVA and productivity are not uniform across the Arc. Milton Keynes has the highest productivity per worker, almost 45% higher than the national average outside of London, whilst productivity in around half of the Arc's constituent local authority areas is below the UK average.
- 2.13 As our analysis develops, we will further test opportunities to spur productivity growth in these areas, as well as the currently more productive areas, for the benefit of the Arc as a whole up to 2050. Further analysis will also consider how different sectors of the economy could make contributions to productivity growth to 2050.



## Population & demographics

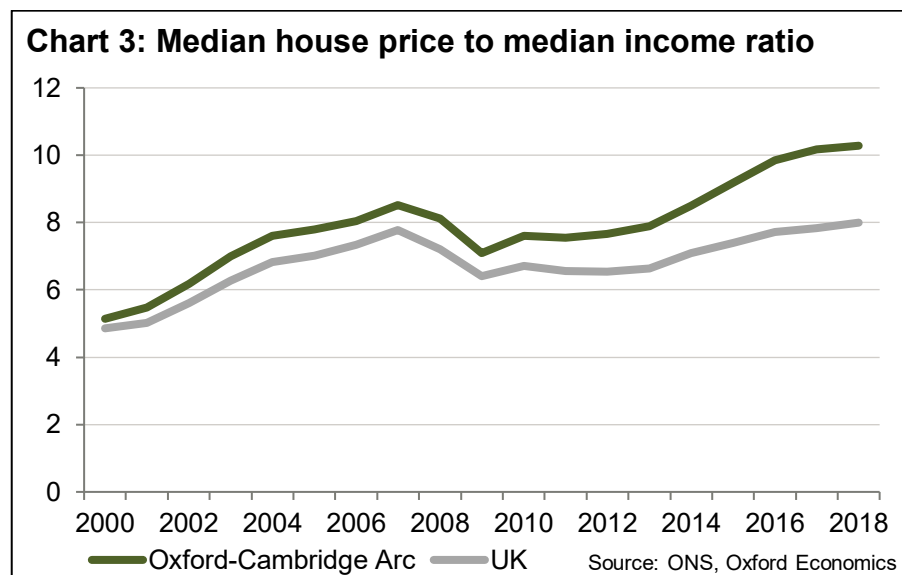
- 2.14 As with economic growth, population growth in the Oxford-Cambridge Arc has outpaced the UK as a whole, rising from 2.99 million in 1991 to 3.74 million in 2017. This represents an increase of 25% over that period compared to national growth of just under 15%.
- 2.15 The Oxford-Cambridge Arc also has a younger demographic profile than the UK as a whole, and the analysis forecasts that this trend will continue over the coming years. This suggests that the Arc's employment base will continue to grow, and in turn its economic output and tax base.
- 2.16 Generally, those of working age are more likely to live in the Arc's urban centres. Luton (81.6%), Cambridge (70.7%) and Oxford (70.6%) all have a working age population significantly above the national average (62.8%). The Arc's more rural local authority areas, including Central Bedfordshire (48.7%), Chiltern (58%) and South Buckinghamshire (59.6%) have the lowest proportion of working age residents.

2.17 Initial work on international migration into the Arc suggests that the Arc has historically seen levels of inward non-UK migration above the national average, in line with higher growth and job creation in the Arc. Since 2010, rates of net international migration have slowed, as they have nationally, but this has been more pronounced in the Arc.

2.18 Further analysis will be done to look at how these demographic and migration patterns will interact with the labour market and skills base of the Arc, looking forward to 2050.

### Housing affordability and supply

2.19 The standard measure of housing affordability is the ratio of median house price to median income.<sup>7</sup> That ratio has expanded significantly across the UK as a whole since 2000. Moreover, as Chart 3 shows, affordability pressures in the Arc have grown even more significantly than in the UK as a whole, while the affordability ratio is particularly high in Oxford (12.34) and Cambridge (13.35).



2.20 Initial analysis suggests that in some areas, affordability pressures are contributing to net out-migration from (less affordable) urban areas to (more affordable) rural areas. If employment remains more concentrated in urban centres, this could put increased pressure on transport systems as commuting distances increase.

2.21 The analysis has also considered how the growth in new jobs and new homes over the past 10 years compares with future delivery targets for homes and jobs from current or emerging local plans (Charts 4 and 5).

2.22 Chart 4 shows that the average annual job creation in the Arc since 2010 has been high, in some places significantly higher than the future annual jobs targets in local plans.

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<sup>7</sup> This is the measure used in the Government's standard methodology for calculating a minimum local housing need figure. See: <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>.



2.23 Chart 5 shows that in most parts of the Arc, the delivery of new homes will need to increase significantly above 10 year of average net additions, in order to meet future targets set out in current or emerging local plans. The chart also shows that over the past three years there has been an uplift in delivery, in some cases above the targets set out in current local plans, but overall at the Arc-wide scale, it remains slightly below the targets for future delivery.

2.24 Moreover, 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. Further analysis will consider in more detail the impact on economic outcomes if current trends continue.

#### Chart 4: Historic jobs creation vs targets for future job creation

Local Authority	Current Annual Jobs Target	Average Annual Jobs Growth (2010-2017)	Difference between Historic Jobs Growth and Current Target
Cherwell	1,025	1,571	+53%
Oxford	NA	3,000	NA
South Oxfordshire	333	1,714	+415%
Vale of White Horse	1,150	1,286	+12%
West Oxfordshire	NA	1,857	NA
Aylesbury Vale	845	2,857	+238%
Chiltern	64	1,143	+1684%
South Bucks	233	1,000	+329%
Wycombe	568	1,286	+127%
Milton Keynes	1,867	5,714	+206%
Corby	485	571	+18%
East Northamptonshire	360	429	+19%
Kettering	405	2,143	+429%
Northampton	528	2,143	+306%
South Northamptonshire	528	1,143	+116%
Daventry	528	714	+35%
Wellingborough	305	571	+87%
Bedford	460	1,143	+148%
Central Beds	1,200	1,571	+31%
Luton	900	2,143	+138%
Cambridge	1,105	3,286	+197%
East Cambridgeshire	460	1,571	+242%
Fenland	360	1,286	+257%
Huntingdonshire	720	-286	-140%
Peterborough	880	3,714	+322%
South Cambridgeshire	1,100	2,286	+108%
<b>Oxford-Cambridge Arc Total</b>	<b>NA</b>	<b>45,857</b>	<b>NA</b>

Source: ONS Jobs Density (AECOM calculations to obtain annual job growth). Target figures taken from adopted or emerging local plan documents. Figures reflect research at April 2019.

**Chart 5: Historic housing delivery vs housing targets for future delivery**

Local Authority	Current Annual Housing Target	10-year Average Annual Net Additions (2008/09-2017/18)	Difference between 10-year Average Annual Net Additions and Current Target	3-year Average Annual Net Additions (2015/16-2017/18)	Difference between 3-year Average Annual Net Additions and Current Target
Cherwell	1,362	678	-50%	1,305	-4%
Oxford	431	251	-42%	292	-32%
South Oxfordshire	990	503	-49%	737	-26%
Vale of White Horse	1,138	751	-34%	1,444	27%
West Oxfordshire	798	379	-52%	436	-45%
Aylesbury Vale	1,370	1,024	-25%	1,309	-4%
Chiltern	378	397	5%	548	45%
South Bucks					
Wycombe	546	483	-12%	572	5%
Milton Keynes	1,767	1,410	-20%	1,303	-26%
Corby	460	430	-7%	447	-3%
East Northamptonshire	420	340	-19%	493	17%
Kettering	520	458	-12%	583	12%
Northampton	1,048	634	-40%	845	-19%
South Northamptonshire	612	380	-38%	659	8%
Daventry	707	334	-53%	664	-6%
Wellingborough	350	226	-35%	300	-14%
Bedford	970	860	-11%	1,190	23%
Central Beds	1,968	1,358	-31%	1,834	-7%
Luton	425	438	3%	765	80%
Cambridge	700	736	5%	1,071	53%
East Cambridgeshire	575	261	-55%	234	-59%
Fenland	550	343	-38%	376	-32%
Huntingdonshire	804	676	-16%	654	-19%
Peterborough	1,066	932	-13%	942	-12%
South Cambridgeshire	975	677	-31%	648	-34%
<b>Oxford-Cambridge Arc Total</b>	<b>20,929</b>	<b>14,960</b>	<b>-29%</b>	<b>19,652</b>	<b>-6%</b>

Source: AECOM, MHCLG. Annual targets taken from adopted/emerging local plan documents, or agreements between authorities on distribution of housing need, and as such some are subject to change through the examination process. In some cases, annual targets include unmet housing need from neighbouring authorities. 10-year and 3-year annual average net additions from MHCLG. Figures reflect research at April 2019.

## Conclusion

2.25 This analysis provides some initial findings from the work being carried out by AECOM and Oxford Economics for the Government. It builds on the NIC's report and the current work being undertaken by LEPs on forthcoming Local Industrial Strategies, and aims, going forwards, to further enrich and deepen the available evidence base in relation to the Arc.

2.26 The initial analysis confirms strong GVA and productivity growth, matched by high employment and population growth. However, there is uneven economic growth, and

many areas seeing small productivity increases in comparison to other areas, with rising housing unaffordability threatening to constrain the growth trajectory of the Arc.

2.27 These initial findings further reinforce the need for action in the Arc to ensure its growth is sustainable in the long-term, and support the approach taken by the Government to date.

2.28 This economic analysis will now move into its next phase, to explore trends and the relationships between them in more detail, generating a strengthened evidence base which could help inform decisions to support the long-term sustainable growth of the Arc.

# 3 Recent Progress

- 3.1 Following the Government's 2018 response to the National Infrastructure Commission's report "Partnering for Prosperity: A new deal for the Cambridge–Milton Keynes–Oxford Arc", we have worked together across central Government and local partners, in order to ensure a coordinated approach across the Arc.
- 3.2 Our ways of working, as set out below, put us in a strong position to achieve our ambitions for the area and ensure a shared strategic focus on our four agreed policy pillars.

## How we work together

- 3.3 We recognise that leadership and effective coordination is important in order to deliver our ambition for the Arc. The Government has supported the development of strong and accountable coordination mechanisms, both at central government level and at the local level. In addition, we will ensure that independent advice and leadership is available to challenge decision-makers and provide fresh ideas. These improved ways of working will ensure that the opportunities and potential of the area can be successfully harnessed to benefit and support local communities while retaining appropriate democratic accountability.
- 3.4 To ensure coordination across central Government, we have established:
  - An inter-ministerial group across the Ministry of Housing, Communities and Local Government, Her Majesty's Treasury, the Department for Transport and the Department for Environment, Food and Rural Affairs, reflecting the four policy pillars. A ministerial champion for the Arc will also be announced in due course;
  - An inter-departmental Board chaired by a Director General in the Ministry of Housing, Communities and Local Government; and
  - A dedicated portfolio team in the Ministry of Housing, Communities and Local Government, with an aim to ensure a coordinated approach across departments and agencies.
- 3.5 To ensure local coordination across the Arc, local partners have established:
  - An Arc Leaders Group of local authority Leaders and Local Enterprise Partnerships (LEPs) Chairs;
  - An Arc Chief Executives Group of local authority and LEP chief executives;
  - Thematic groups across different policy pillars with local leadership and engagement, including from the LEPs, local authorities across the Arc, and England's Economic Heartland;
  - Increased coordination with the universities based in Arc.

- 3.6 To provide independent advice and leadership, the Government has committed to establishing:
- An independent Business Chair, who will be appointed shortly, to provide advice on how Government and local partners can meet our ambitions for the Arc, and to galvanise national and international support;
  - An Arc Advisory Group, led by the Business Chair, providing expertise across the different priorities for the Arc.
- 3.7 To listen to and engage with local communities and business, we will:
- Launch a broad public engagement exercise jointly with local partners over the Summer of 2019, which we will use to help inform our future plans for the Arc and to ensure they benefit communities and businesses;
  - Support additional stakeholder engagement, utilising the breadth and depth of our networks of leaders and local partners, as well as government departments and their agencies, to drive conversations and engagement with groups, communities and businesses across the Arc.

## Policy Pillars: Recent Progress

- 3.8 Central government and local partners have worked together to agree a shared strategic focus on four policy pillars: productivity; place-making; connectivity; and the environment. This section sets out the scope of the four policy pillars. Within each of these, there has been progress on various independent initiatives since Budget 2017, a number of which are summarised below.

### Policy Pillar 1: Productivity

- 3.9 The Government continues to recognise the Arc as a key economic priority, with above average productivity compared to national levels and key strengths in science, technology and high-value manufacturing. We remain committed to enabling local communities and businesses to benefit from better jobs, increased wages and greater prosperity. By doing so, there is the long-term potential to transform the Arc as a whole into a world-leading economic area, acting as a testbed for innovation. The Government is committed to work with local authorities, LEPs, businesses and universities across the Arc to achieve this.
- 3.10 The Government has:
- Published its Industrial Strategy and invited partners across the Arc to develop ambitious Local Industrial Strategies (see Box 3.1), led by the four LEPs, to back the Arc's world-class science and innovation assets, as well as identify and grow new sectors and businesses. Alongside this, the four LEPs are working to ensure the Local Industrial Strategies support an overall economic vision for the Arc;

- Provided LEPs in the Arc with Local Growth Funding totalling £58.7m in 2018-19. Local Growth Funding has enabled the delivery of recent projects such as:
  - The Ely Southern Bypass, a £49m infrastructure project which is key to driving growth across the north of Cambridgeshire;
  - The £5m Bedford College Advanced Engineering Centre, which will help ensure that the Arc can deliver the skills and training required for future growth;
- Provided continued funding for the four LEPs' Growth Hubs to provide business support across the Arc and investment in the Greater South East Energy Hub;
- Progressed the accelerated development of key sites through our Enterprise Zone programme, including in Science Vale, Northampton Waterside, Aylesbury Vale and Alconbury Weald;
- Undertaken an evidence-based economic study to analyse past economic growth and spatial growth options across the Arc, and to test future economic growth projections;
- Supported the formation of a productivity group composed of the LEPs across the Arc.

## Box 3.1

### Developing Local Industrial Strategies in the Oxford-Cambridge Arc

The aim of the UK's Industrial Strategy is to boost productivity by supporting businesses to create good jobs and increasing the earning power of people throughout the UK with investment in skills, industries and infrastructure. It outlines five foundations of productivity – ideas, people, infrastructure, business environment and places – and shows what the Government will do in each of these areas to drive the creation of an economy that works for all. Recognising the importance of place, Local Industrial Strategies will provide the local “chapters” of our national strategy, detailing how local areas will build on their individual strengths and realise economic opportunities.

Given its significant potential for future growth and internationally significant strengths in a breadth of sectors, including life sciences, creative, digital and space industries, the Oxford-Cambridge Arc was designated as a priority area in which to develop the first wave of Local Industrial Strategies.

Four strategies are being developed for the Arc; one for each Local Enterprise Partnership area. These will be published in the coming months, detailing how partners in the Arc can build on their local strengths and deliver a step-change in their contribution to UK national growth and the Industrial Strategy Grand Challenges. They will outline how local partners plan to:

- Build on the innovation strengths of Oxfordshire and support the commercialisation of transformative technologies;
- Mobilise the economic assets of Buckinghamshire in the space, creative, digital and advanced engineering sectors;
- Support the establishment of a “connected core” of the Arc, the South East Midlands, which will have the space, skills and assets to support incubation, scale-up and innovation;
- Broaden the economic base of Cambridgeshire and Peterborough, by expanding its key industrial sector clusters and networks, and by improving the long-term capacity for growth in Greater Cambridge.

## Policy Pillar 2: Place-making

3.11 Place-making in the Oxford-Cambridge Arc means creating places valued by local communities, including through the delivery of sufficient, affordable and high-quality homes, and wider services including health and education. This focus on quality place-making may also mean considering what planning flexibilities may be appropriate in the future to better support planning and increased housing supply to deliver local ambitions. The Government has set out its ambition for up to one million new homes in the Arc by 2050. But realising the full potential of the Arc also means a focus on quality and design, ensuring communities have access to infrastructure and services, and enhancing the environment.

### 3.12 The Government has:

- Begun to develop evidence-based analysis to explore the contribution that new or expanded settlements could make in delivering the potential of the Arc, including looking at where economic and housing growth could maximise the benefits of new road and rail infrastructure;
- Secured a Housing & Growth Deal with Oxfordshire supporting the delivery of 100,000 homes by 2031, alongside commitment to adopt a Joint Statutory Spatial Plan by 2021 (see Box 3.2);
- Spent £150m through the Home Building Fund (both long-term and short-term funds) across nine local authorities in the Arc. Long-term funding is for infrastructure, with the emphasis on developments on brownfield land, aiming to unlock homes over the longer term, whereas short-term loan funding is designed to support small builders, custom builders, and innovators;
- Announced eight successful Marginal Viability projects in the Arc through the Housing Infrastructure Fund, which are currently progressing through funding clarification. Marginal Viability Funding supports smaller projects, and will provide the final or missing piece of infrastructure funding in order to get existing sites unblocked quickly or new sites allocated;
- Unlock up to 22,036 homes in Cambridge and Oxfordshire, through Housing Infrastructure Fund investments worth a total of £445m;
- Set an ambitious mission to at least halve the energy use of all new buildings by 2030 as part of delivering the Clean Growth Grand Challenge and committed up to £170 million, matched by £250 million from industry, through the Industrial Strategy Challenge Fund to support innovation to transform construction;
- Published a nationwide prospectus on Garden Communities on 15 August 2018, which invited ambitious, locally supported proposals for new garden communities by 9 November 2018. 100 proposals were received for 523,000 homes, of which a number are within the Arc;
- Supported the formation of a place-making group composed of local authorities and partners across the Arc.



## **Box 3.2**

### **Oxfordshire Housing and Growth Deal**

The Government has worked closely with the six local authorities in Oxfordshire and the Oxfordshire LEP to develop the Oxfordshire Housing and Growth Deal to support the delivery of new homes in the county. This deal commits Oxfordshire to deliver 100,000 homes by 2031 in exchange for a funding package of up to £215m to support infrastructure, affordable housing, and local capacity. It also commits to development of a Joint Statutory Spatial Plan across Oxfordshire, supporting local authorities to maximise the available land for housing growth post-2031.

As part of the Oxfordshire Housing and Growth Deal, the Government is providing:

- Up to £5m to support local capacity, bolstering the authorities' planning functions and supporting them in identifying new opportunities for housing and economic growth;
- Planning flexibilities to local authorities, including short-term flexibility to maintain a three year land supply to support their housing ambitions in the longer term;
- Up to £150m investment in the infrastructure required to bring forward significant new homes;
- Up to £60m to deliver affordable housing, which will support the delivery of over 1,300 affordable homes in addition to those delivered through the Affordable Homes Programme and by the market.

The deal has supported greater collaboration between councils, a more strategic approach to decisions on housing and infrastructure, more innovation and high-quality design in new homes, and has continued to create the right conditions for new private investment.

## **Policy Pillar 3: Connectivity**

3.13 Infrastructure and better connectivity can play an important role in achieving our economic ambition for the Arc, creating closer communities and improving links across the area and beyond, and supporting the delivery of new homes and employment opportunities. This policy pillar is about delivering the infrastructure communities need, including transport, utilities and digital connectivity.

3.14 The Government has:

- Established the new East West Rail Company (see Box 3.3), with work progressing at pace on the planning and delivery of East West Rail;
- Committed £1bn for the Western Section of East West Rail (see Box 3.3), with Enabling Works continuing to be delivered on this section (Bicester to Bedford);
- Announced £20m development funding in Autumn Budget 2018 to support the development of a Strategic Outline Business Case for the Central Section of East West Rail (Bedford to Cambridge);
- Held the first public consultation on route options for the East West Rail Central Section from 28 January 2019 to the 11 March 2019;

- Announced on 12 September 2018 that option B, the central corridor which approximately aligns with the East West Rail, is the preferred corridor for the Expressway;
- Committed £5 million to develop proposals for Cambridge South station and £300k to match local funding for an Oxfordshire Rail Corridor study to explore rail growth and potential new services, stations and routes;
- Allocated £95m to Cambridgeshire and Peterborough from the Department for Transport's Transforming Cities Fund for transport interventions to support increased access to jobs and prosperity;
- Selected in February 2019, following a consultation, the preferred route for the A428 Black Cat to Caxton Gibbet.

### **Box 3.3**

#### **East West Rail**

East West Rail will transform journeys in one of Europe's most vibrant economic regions, providing passengers and businesses with a transport system that unlocks economic opportunity and drives forward new housing and jobs.

In December 2016, the Secretary of State for Transport set out his vision of the future of the rail network. As part of this, he announced the creation of a new organisation that would optimise the delivery of East West Rail. The East West Rail Company was created late 2017 to develop the case for the Central Section and drive forward progress of the Western section. Creation of the company is a new way of delivering rail infrastructure and signifies government's commitment to realising the scheme.

Providing greater connectivity across the Arc will raise its international competitiveness as a leading knowledge cluster, at the forefront of innovation and research with a highly skilled workforce. This scheme will form a central part of multi-modal connectivity improvements linking places within the Arc and beyond.

East West Rail Company are committed to working with stakeholders to develop a rail link which works for the communities it will service. A consultation on route options for the section linking Bedford to Cambridge has recently finished. East West Rail Company are reviewing representations to inform selection of a preferred route.

## **Policy Pillar 4: Environment**

3.15 Conserving and enhancing the natural environment is at the heart of Government's ambitions for the Arc. The 25 Year Environment Plan also sets out our comprehensive approach to improving landscapes and habitats, and the aspiration to move to a policy of net environmental gain. We expect the policy for the wider Oxford-Cambridge corridor to embody this approach. We have begun to engage with national groups and local partners in order to realise this opportunity for environmental enhancement, which in turn can deliver benefits to communities and

businesses. Central to this is planning for local natural capital in the Arc, and Government has committed £1.2m, demonstrating its commitment to this work and the environment.

### 3.16 The Government has:

- Consulted on mandating biodiversity net gain and taken steps to strengthen biodiversity net gain in planning policy and will ensure that development in the Arc aligns with this policy and delivers for nature;
- Committed to explore natural capital thinking throughout our approach to the Arc, including providing £1.2m to develop local natural capital planning (see Box 3.4);
- Continued to work with partners locally to encourage strategic thinking around climate resilience, water management and biodiversity net gain. There are opportunities to deliver strategic flood alleviation across multiple river catchments whilst providing benefits to people including access and recreation, and we have secured key support from Regional Flood and Coastal Committees;
- Continued to work with Local Enterprise Partnerships in the Arc to explore opportunities for local delivery of the 25 Year Environment Plan, including delivering biodiversity net gain and enhancing natural capital, and how this thinking could be integrated into Local Industrial Strategies;
- Established a dedicated Arc policy team within the Department for Environment, Food and Rural Affairs (Defra).

#### **Box 3.4**

##### **Planning for local natural capital in the Oxford-Cambridge Arc**

Natural capital, as set out in the Government's 25 Year Environment Plan, is the sum of our ecosystems, species, freshwater, land, soils, minerals, our air and our seas. These are all elements of nature that either directly or indirectly bring value to people and the country at large. Using a natural capital approach can help us to make decisions that support environmental enhancements, deliver benefits for communities and boost long-term prosperity.

Planning for local natural capital in the Arc involves working with key partners to create attractive, sustainable places for people and businesses, and supporting transformational growth. The Department for Environment, Food, and Rural Affairs and its delivery bodies will coordinate this innovative project, which will include a shared environmental evidence baseline, to help inform growth proposals. This approach can help to include natural capital thinking in growth plans, harnessing nature to adapt to climate change, manage flood risk, create great places for people and attract investment. It can help improve strategic planning and decision-making, achieving better environmental outcomes.

Government will work closely with local stakeholders to co-design this new approach. Initial work on baseline assessment and local engagement will start in March 2019. Mapping, identification of environmental opportunities and risks, and determining natural capital priorities will be central to the process.

# 4 Conclusion and Next Steps

- 4.1 This document has set out our ambitions for the Oxford-Cambridge Arc; it shows how we are working together across central Government and with local partners through a strategic focus on productivity, place-making, connectivity and the environment in order to achieve economic and social prosperity across the area.
- 4.2 We want to support businesses and skills-development in the Arc, create places that are valued by local communities, deliver the infrastructure that communities need, and ensure we leave the environment in a better state for future generations.
- 4.3 Over the course of the next 12 months, there will be a series of key announcements, some centred around Government fiscal events, that will set further direction for this work, including opportunities for communities, businesses, and universities to contribute to and inform these long-term plans in collaboration with central and local government. Key next steps over the course of the next 12 months are set out below.

## **How we work together**

4.4 The Government will:

- Appoint an independent Business Chair for the Arc shortly, who will provide expert advice on how Government and local partners can meet our ambitions for the Arc, and to galvanise national and international support;
- Establish an Arc Advisory Group by late Spring 2019, comprising experts and leaders, and led by the independent Business Chair;
- Launch a broad, joint, public engagement exercise over the summer of 2019;
- Support additional stakeholder engagement, utilising the breadth and depth of our networks of leaders and local partners, as well as Government departments and their agencies, to drive conversations and engagement with groups, communities and businesses across the Arc.

## **Policy Pillar 1: Productivity**

4.5 The Government will:

- Continue to engage with universities in the Arc, building on the recent increased level of coordination between them, and explore opportunities for maximising cutting-edge innovation focused on the four Grand Challenges of the Industrial Strategy;
- Publish the final report of the economic study of the Oxford-Cambridge Arc commissioned by the Government in the summer of 2019;

- Support the finalisation and publication of the four LEPs' Local Industrial Strategies by summer 2019. The Government and local areas will work together to deliver the priorities of the Local Industrial Strategies.

## **Policy Pillar 2: Place-making**

### 4.6 The Government will:

- Complete the analysis into new or expanded settlements and consider where economic and housing growth, including through locally-led plans, could maximise the benefits of new road and rail infrastructure;
- Consider how the design of new settlements can support the Industrial Strategy Grand Challenges, through the demonstration and deployment of new technologies;
- Complete underway assessments on Garden Communities bids, and announce successful proposals in spring 2019;
- Work with the Building Better, Building Beautiful Commission to gather evidence on design and quality place-making in order to identify opportunities to promote improved design quality and greater community consent; the Commission will publish an interim research report by July 2019;<sup>8</sup>
- Work with local authorities to consider what planning approaches and flexibilities may be appropriate to better support planning and increased housing supply over the long-term.

## **Policy Pillar 3: Connectivity**

### 4.7 The Government will:

- Begin consulting on the route options for the Expressway in the autumn of 2019, with a decision on, and detailed development of, the preferred route to be undertaken in the early 2020s;
- Work with the East West Rail Company to continue developing route options for East West Rail Central Section, with a preferred route announcement expected later in 2019;
- Work with local partners to create a step change in digital infrastructure provision by exploring how best to embed the principles of the Government's Future Telecoms Infrastructure Review in new development, ensuring that the ambitions of significantly increasing housing and world-class digital infrastructure are aligned.

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<sup>8</sup> Building Better, Building Beautiful Commission: draft terms of reference, 2018, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/753671/Building\\_Better\\_Commission\\_Submission\\_-\\_ToR.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/753671/Building_Better_Commission_Submission_-_ToR.pdf)

## **Policy Pillar 4: Environment**

4.8 The Government will:

- Identify opportunities to explore biodiversity net gain, meeting the aspiration of the 25 Year Environment Plan;
- Develop a local natural capital approach in the Arc;
- Embed sustainability in place-making and establish strong, effective partnerships with local bodies.