

An Engine for the Nation's Prosperity

East of England Submission to Spending Review and Autumn Budget 2019



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It is crucial that the East of England continues to flourish and realises its potential to be a world leader. Building on its considerable strengths, we believe it has the potential to be an engine for the nation's prosperity complementing the global city of London and benefiting via its net tax contribution, all areas of the UK.

We are one of the fastest growing regions in the UK, in terms of both population¹ and economy.² Research and development investment in the region's business sector is the second highest of any region in the UK, even greater than London.³ The East of England is one of just three UK regions to contribute more to the Exchequer than it receives in public money.

These strengths, taken together with the fact that it has a rich tapestry of leading local authorities, eight leading universities and thirteen major international transport hubs, mean that the East of England is already an engine for prosperity. However, despite these diverse strengths, the region also faces a number of common challenges, which are inhibiting us reaching our potential.

Since its submission to the Budget in 2018, the East of England APPG has therefore continued to take evidence from a wide range of private and public-sector organisations, including the National Infrastructure Commission, the region's Local Enterprise Partnerships (LEPs), infrastructure providers, housing developers, trade unions and emerging sub-national transport bodies, on the critical issues of Industrial Strategy (including skills), transport, infrastructure, and housing investment.

For us, as representatives of constituencies and councils, we are committed to securing long term inclusive growth so that no part of the region is left behind. We know the key issue is how to manage and spread Cambridge's growth to market towns and coastal communities so that all the East of England is a great place to work, study, live and invest. We are also acutely aware that a sustainable, long term financial settlement for local government is a critical foundation for future wellbeing and prosperity.

For the Government, we believe their challenge is to prioritise not just the Cambridge-Milton Keynes-Oxford (CamMKOX) corridor but also the other key cities and towns across the region. This must be through strategic investments and initiatives that ensure the East of England receives its fair share of infrastructure investment, addresses the challenges it faces, and continues to grow its net contribution to the Treasury.

We conclude that the East of England could create a more productive, prosperous and inclusive economy. As we look beyond Brexit, the UK must continue to strive to be a global leader in a variety of fields. The East of England can help secure this goal through its leading industries especially life sciences and agri-tech, research institutions, and its global connections. The Local Industrial Strategies provide an important vehicle to deliver on these ambitions.

In its Autumn Budget and Spending Review, we expect the Government to reflect careful consideration of our six recommendations on how to deliver a fully firing engine for growth, benefiting both the Exchequer and taken together, all the communities within the East of England.

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Six Strengths of the East

The East of England has long been an engine of growth for the national economy but unlocking its full potential depends on growing its productivity, profitability and inclusivity. There is a strong economic case for greater public investment in the East of England to complement the already high level of private sector investment.

We are one of the fastest growing regions, both in terms of population and economic growth.

With a population of 6.1 million, 9.3% of the UK's inhabitants live in the East of England. The region's population is growing rapidly, at a pace that is second only to London - in the decade to 2024 it is estimated that the population will increase by 8.9%.⁴ The region occupies four of the top ten cities for Gross Value Added (GVA) growth in the country.⁵ As the Cambridgeshire and Peterborough Independent Economic Review concluded, the success of Cambridge and Peterborough is of national importance. It is also a region of natural beauty, our 500 mile long coast provides an important focal point for our visitor economy. Our proximity to London is also significant, with a symbiotic relationship between our economies, particularly in terms of employment and housing markets.

We are a front runner in attracting business and creating jobs. In 2017 the East of England saw the largest increase in new business of all the UK regions, with growth of 6.1%.⁶ There were 1134 businesses for every 10,000 people in the region in 2018, higher than the national average of 1,059.⁷ Businesses increasingly want to (re)locate here rather than elsewhere in the world due to the high quality of life that can be found here. We are also one of the four biggest exporting regions in the UK, along with London, the South East and the



West Midlands. Total employment is expected to rise by 7% over the next 15 years (equivalent to 232,000 extra jobs), with a 25% increase in the region's economic output by 2032.⁸ Both exports and employment would be even greater if the region could secure increased public investment.

We are at the forefront of global excellence, innovation and business investment. The region is a centre for nationally and internationally recognised expertise in sectors such as life sciences, ICT, finance and manufacturing as well as agriculture, farming, food production and agri-tech. Business sector R&D expenditure is the second highest of the regions in the UK and 63% above the national average. A recently commissioned report showed that if the Cambridge life sciences cluster can continue to grow to its potential, it could generate an additional £1 billion per annum for the UK economy and provide an extra 6,000 jobs by

¹ <https://www.civilis.org.uk/content/files/britainsdemographicchallengeweb.pdf>, p. xiii.

² <https://researchbriefings.files.parliament.uk/documents/SN05795/SN05795.pdf>, p. 3.

³ <https://www.ons.gov.uk/economy/governmentandpublicsectorandtaxes/researchanddevelopmentexpenditurebulletins/ukgrossdomesticexpenditureonresearchanddevelopment/2017#south-east-east-of-england-and-london-continue-to-perform-most-rd>

⁴ <https://ec.europa.eu/growth/tools-databases/regional-innovation-monitor/base-profile/east-england>

⁵ UK Powerhouse Report May 2019 – GVA Q4 2018 <https://www.institutefortheeast.com/ukpowerhouse>

⁶ East of England Economic Forecasting Model 2017 Forecasts dated 13-06-2018 <https://cambridgeshireinsight.org.uk/eem/>

⁷ <https://researchbriefings.files.parliament.uk/documents/SN06152/SN06152.pdf>, p. 6.

⁸ East of England Economic Forecasting Model 2017 Forecasts dated 13-06-2018 <https://cambridgeshireinsight.org.uk/eem/>

⁹ <https://apps.flarevision.com/dastazemca-infographic-w2/public/>

¹⁰ <http://www.esssexgrowth.co.uk/media/7036/eeec-final-report-march-2018.pdf> pg 18



2032.⁹ The East is already a centre for the UK's clean energy sector, with 63% of the UK offshore wind capacity sited off the East of England coast¹⁰.

We are a vital and increasingly important global and UK gateway. The East of England is home to thirteen major international transport hubs. Our airports have a pivotal role in the expansion of air traffic in the South East of England and 40% of UK freight goes through the Haven Ports, including Ipswich, Harwich and Felixstowe.¹¹

We are home to eight leading universities and research institutions and fifty local authorities.

We have centres of learning, innovation and training that with the right nurturing and co-ordination have the potential to become global leaders in life sciences and also in the low carbon economy. Not only do we have the universities at Cambridge, University of East Anglia and Suffolk, but also the colleges on the East Coast and West Suffolk and the Orbis Energy Centre in Lowestoft. The region's 50 local authorities have a successful history of working together to deliver thriving, inclusive and sustainable communities for our residents and businesses. There are many examples of innovative cross-boundary strategic planning approaches to tackling a wide range of local housing and regeneration needs as well as some of the highest performing and most efficient adults' and children's social care services.



In 2017, government analysis showed that the East of England was one of just three UK regions to contribute more in tax than it received in public money.¹² The region had the second lowest public spending (£8,376 per capita) in 2018 out of all countries and regions in the UK, second only to the South East.¹³ It is crucial to the Exchequer that the East of England continues to flourish.¹⁴ Investment in the East of England yields a very good rate of return and the Government must not be tempted to cut spending due to its strong growth.

Six Challenges for the East

In 2019 the East of England APFG has continued to take evidence from a wide range of private and public-sector organisations on the critical issues facing the region. It is clear that there are six major challenges that must be addressed.

Lack of quality transport and digital connectivity is frustrating the potential of the region. There is a need for better connected ports and airports and enhanced links between our fastest growing places and businesses clusters. The APFG heard the East of England has a number of important transport corridors some running north-south such as the A1, A10 and M11 and others east-west including the A14, A47 and A120 – the latter are in need of a range of improvements. Rail infrastructure investment is needed along the Great Eastern Main Line (GEML), the West Anglia Main Line and the key freight and passenger corridor between Felixstowe and the West Midlands – to provide better connectivity for Norwich, Cambridge and Ipswich and to maximise the impact of new trains. Key priorities include increased capacity on the GEML, south of Colchester, the Haughley Junction upgrade, quicker journeys to London Stansted Airport achieved through four-tracking and/or digital signalling and completion of the Ely area upgrade programme, as well as the planned East-West Rail (connecting Oxford and Cambridge). The region's ports and airports also require support to fulfil their potential as global gateways. Overall transport investment is too low. Government figures show that public spending on transport in the East of England per capita is approximately 65% lower than in London. Spending per head in the East of England is just £402 per head of population compared to £1,019 for Londoners. The UK average is £483.¹⁵ Meanwhile there remain a small but increasingly challenged number of communities that do not yet have universal access to fibre enabled broadband, and there are too many businesses still without full fibre connection.

Affordable housing is becoming an increasingly important issue. Housing need is set to increase by 20% - 520,290 extra homes - over the fifteen-year period from 2016.¹⁷ But delivery of all types of housing – social, private rented and owner occupied – is hampered by a number of constraints. Those mentioned at the APFG evidence session included right to buy, lack of skills, a shortage of SME Building companies, and undersupply of the required infrastructure, such as transport and schools, to support new developments. It was also reported that homelessness is a significant issue as is the need to provide the appropriate accommodation required by those reaching retirement. There were also strong concerns raised about the unintended consequences of Permitted Development Rights bypassing local planning rules and jeopardising housing affordability and quality. There has been an increase in the number of converted office blocks being used to house homeless people and families particularly in Essex. Concerns about the suitability of these places and pressures on local housing markets were raised. The lack of linkage between building consent and climate change including problems caused by drier winters and floods was noted.

There are serious concerns about skills shortages at both the low and high skilled levels. The APFG heard that in the context of uncertainty surrounding Britain's exit from the European Union the labour market faces increasing pressures. For example, many companies rely heavily on STEM and related subjects and there is currently a severe shortage of such skills amongst young people. It was also told that the care sector is currently experiencing extreme difficulties in recruitment especially for lower skilled jobs such as some healthcare workers. In addition, there were calls for the apprenticeship levy to be more flexible and for far better, and earlier, careers advice so that those living in the region are aware of future employment opportunities. The importance of 'upskilling' training and ongoing adult education was also emphasised.

¹¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/762200/port-freight-statistics-2017.pdf
¹² <https://blog.ons.gov.uk/2017/06/12/the-wealth-of-regions-measuring-the-uks-tax-and-spending-imbalance/>
¹³ <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/SNO4033>
¹⁴ <https://blog.ons.gov.uk/2017/06/12/the-wealth-of-regions-measuring-the-uks-tax-and-spending-imbalance/>

¹⁵ <https://researchbriefings.files.parliament.uk/documents/CBP-8130/CBP-8130.pdf>, p. 8.
¹⁶ <https://www.ipip.org/news-and-media/press-releases/transport-spending-has-risen-twice-as-much-per-person-in-london-than-in-the-north-since-faunuch-of-northern-powerhouse>
¹⁷ Total dwelling stock in 2016 is 2,625,020 (NHCLG Line Table 100) and 'Planning for the right homes in the right places' Housing need consultation data table, <https://www.gov.uk/government/consultations/planning-for-the-right-homes-in-the-right-places-consultation-proposals>

Growth in overheating areas needs to be spread so all can benefit. Government support must benefit all parts of the East of England and not just those areas with proximity to Cambridge. Some coastal areas and market towns feel 'left behind' – others too long 'left alone'. The Industrial Strategy represents an opportunity to take action and spread prosperity in a way that has not happened under successive Governments. Specifically, the Government should consider how to use Cambridge's world leading science and innovation assets and growth to support inclusive and sustainable growth and economic development across the whole of the region. Other areas have the potential for endogenous growth but will need external support to catalyse this capability, for example Ipswich which, like Brighton, is only one hour from London

Climate change represents a significant threat for the region. The region is classed as water-stressed by the Environment Agency, receiving only two thirds of the national average rainfall – to the same as some areas of the Middle East. It is vulnerable to drought, which could have a devastating impact on the region's agricultural output and the nation's food supply. And the high growth rates mean extra consideration must be given to our precious

natural resources. The flat nature of the region makes it vulnerable to surface water flooding as well as coastal flooding from tidal surges. As a low-lying region with a long coast, rising sea levels also present a threat. There is a need to safeguard the environment through promoting responsible and managed sustainable growth. Whilst we can make a large contribution to the UK's efforts to decarbonise the economy, we also need to step up measures to mitigate and manage the impacts climate change.

The ability of local authorities to support the growth and wellbeing of the population is limited by the lack of a sustainable, long term financial settlement for local government. In particular, the huge funding pressures facing adults' and children's social care services is one of the biggest challenges facing local government. Essex County Council for example is recognised as an exemplar for Children's Social Care Services in the country. Additional investment from government to accelerate the adoption of innovation and best practice is needed. This would also allow local government to support education, transport and housing initiatives that would create the foundations for the region to unlock its full potential.

Six Conclusions and Recommendations

We hope that as a partner the Government will take a keen interest in our endeavours to improve prosperity and wellbeing for all those in the East of England – and provide the required powers and funding. We have six overarching conclusions and for each make three specific recommendations.

Invest in urgent transport schemes and empower our emerging two subnational transport bodies.

- There is a clear case for urgent funding for, and delivery of, the region's key transport priority schemes.
- Government should commit to raising transport investment per head of population to the England average during the Spending Review period.
- It should also enable England's Economic Heartland and Transport East to become statutory bodies and provide them with the necessary capacity and resources, to fund and deliver mass transit, road and rail transport improvements - including to local and sub-regional rail connectivity - as well as support current plans to make full and efficient use of available runway capacity at the region's largest international gateway, London Stansted Airport.

Prioritise support for delivery of housing.

- Councils should have greater discretionary powers to encourage housing delivery, including action to free-up finances to build affordable homes to high environmental standards at scale. Ministers should explore innovative funding options that could help deliver infrastructure to enable new housing, including further exploration of existing and new methods on capturing land value uplift to help fund much-needed infrastructure for new homes.
- The Government should also facilitate greater cooperation between developers, infrastructure providers, and local planning authority providers to improve housing delivery and environmental standards of new homes.
- Aligning housing and infrastructure will ensure that we build sustainable communities, and

not simply just new homes. For example, the automatic right for developers to connect to the sewage network should be removed, and water and sewage companies should become statutory consultees in the planning to bring England in line with the rest of the UK.

Make the East of England a leader in digital connectivity.

- In a region as large and diverse as the East of England improved digital connectivity will help to drive productivity and inclusive communities. Government should provide financial incentives to Mobile Network Operators to minimise "hot spots" and councils should facilitate better collaboration with landowners and Local Planning Authorities, for example EE's Rural Pledge.
- Further support is needed for the Cambridge Norwich Tech Corridor and for Local Full Fibre Networks (LFFN) in our key cities of Cambridge, Norwich and Ipswich to support development of ICT, Agri Tech, and Power Generation sectors. Investment in data connectivity across health organisations would also support health and life sciences innovation.
- Moving at an early stage to enhanced 5G coverage, including in rural areas, should be a priority. A rural approach to LFFN through the "outside-in" model should also be focussed in the most rural areas of the region where full fibre is not currently being invested.

Apprenticeships and skills need a boost to ensure fit for purpose in economy of the future.

- LEPs are key to developing and enacting an effective industrial strategy for the region but they all need to be able to draw on the right powers and adequate funding to help deliver successful and inclusive economies.
- The region's five LEPs are already focussing on supporting the East of England's flagship industries (life sciences, agri-tech, ICT and clean energy) - in order to make the region the 'go-to' place for new and already successful businesses



in these fields – and on helping local people develop transferrable, adaptable skills.

- The Government should reform the Apprenticeship Levy to provide more flexibility in how funds can be used; encourage and support lifelong learning, including the provision of in-work training; and devolve responsibility, and funding, for strategic skills commissioning.

Ensure the region has the funds to be able to meet the impact of climate change.

- We believe that Government need to give much greater focus on reducing surface water flood risk and clearly flood defences will need to be strengthened as climate change occurs.
- Our strategic and key role in decarbonising the economy, in particular with the supply of energy - through the large array of wind farms developing off our coast, the proposed new nuclear power stations at Sizewell and Bradwell and emerging opportunities for carbon storage in the Southern North Sea gasfields - also need Government support.
- Some of the region's leading businesses, like Anglian Water, have committed to carbon neutrality by 2030. We welcome the government's commitment to carbon neutrality by 2050, but we urge them to go further, faster.

Devolve decision making and finance to local authorities and local partnerships in the East of England.

- The East of England's various accountable bodies - local authorities, the Mayor of Cambridgeshire and Peterborough Combined Authority, emerging Sub National Transport Bodies (STBs) and Local Enterprise Partnerships (LEPs)- are capable, and more than willing, to face up to, and address, the region's challenges and work with the Government to unlock its economic potential.
- Local authorities are essential in understanding and responding to the needs of their residents and business. There needs to be a sustainable, long term financial settlement for local government
- Moving forward greater devolution including of the future Shared Prosperity Fund – to councils, the Mayor of Cambridgeshire and Peterborough Combined Authority, emerging STBs and LEPs - is part of the solution for growing local economies. However, some challenges are best met at a regional level, particularly climate change, water resource management, and sustainable growth and this should be recognised too.

The APPG is kindly supported by:



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