

Opportunity East Executive Summary

July 2024

How the East of England will
drive national productivity
through innovation



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1 Foreword

The East of England makes a major contribution to national economic growth and prosperity. Some of our success stories are well known: Europe's largest centre of medical research and health science in Cambridge, world leading food and plant research institutions in Norfolk, and BT's global R&D headquarters at Adastral Park, Ipswich, to name just a few.

What is less well known is that innovation can be found right across our region: from the new Airbus space and defence headquarters in Stevenage, where the company has built the ExoMars Rover ahead of the first European rover mission to Mars, to Colorifix who are based at the Norwich Research Park and developing a revolutionary dyeing process to help the textile industry dramatically reduce its environmental impact. From Maycast Nokes in Essex, who make precision parts for aerospace, defence and automotive industries, to Iona Logistics in Bedfordshire, who are creating autonomous drones that can deliver efficiently to rural areas. Quite simply the East of England is the UK's innovation region. As the former Minister for Science, Innovation and Technology recently noted, it is "bursting with innovation, talent and opportunity". It is time to make the benefits of this creativity - including for future UK growth and productivity - clearer.

It is also time to make the extent to which the East of England supports national resilience and security more widely understood. Our energy production is set to play a major role in the UK's transition to a low carbon future. We are a hub of food innovation, production and manufacturing - providing the country with vital food security at a time of increasing climate challenges. Our ports and airports keep the UK's goods and passengers moving.

This report tells this regional story at an important time. Nationally, economic growth is underperforming and the country faces a long-term productivity slump. However, the East of England is one of the fastest growing and most productive regions and therefore provides a national opportunity to drive economic growth and resilience.

This opportunity requires investment to unlock it. The East of England receives less funding per head compared to other regions, working out at over £1,000 per capita less than the UK average annually - an £8bn gap every year. This is despite the region consistently being one of the highest contributors to the exchequer over the last two decades.

This historic underinvestment is apparent in our infrastructure. This report highlights a range of challenges across the region: from unreliable road journeys and rail links to patchy digital infrastructure, to grid and water challenges which are creating huge uncertainty for businesses and development.

We are also the region most affected by climate change, with one fifth of the region below sea level, and challenges around drought and nature conservation. Whilst much of our region is highly skilled, with a high quality of life, we also have many communities that are deprived, with challenges in terms of skills, access to work, health and housing affordability.

It is therefore essential that we redress the balance in public funding so that our region can continue to grow. Without significant investment in our infrastructure, it is likely that we will see more and more stalled development sites, businesses unable to expand and lost investment. This is not merely a future hypothetical – in the course of this work we have heard several examples of firms that are, or are considering, withdrawing or moving investment outside the region. If this continues it will be disastrous for the region, and the country.

However, with the right level of investment in key infrastructure, our contribution to UK plc could grow significantly. The East of England is already projected to grow to a £220bn economy by 2035. But with stronger infrastructure we will not only achieve higher, sustainable and inclusive growth, and drive forward productivity nationally, but also support the UK's goals around innovation, technology, net zero and food security. Devolution will also be an important component in achieving success, presenting us with future opportunities to take more control over local decision-making to help drive forward progress.

We would like to extend our thanks to stakeholders from across the region who have helped shape Opportunity East, produced in collaboration with the All Party Parliamentary Group for the East of England, helping us to arrive at a shared set of priorities which can help us to unlock our full economic potential. We look forward to working with these partners and with government to fulfil our aspirations, for the benefit of our region's residents and businesses as well as the UK as a whole.



**Cllr Graham Butland, Chairperson of EELGA
and Leader of Braintree District Council**

A handwritten signature in black ink, appearing to read 'Graham Butland', written over a light blue horizontal line.

2 Executive Summary

Opportunity East: Driving National Productivity Through Innovation

A strong growing economy

Our economy makes a major contribution to UK growth, driven by expertise in a number of critical sectors.



£163bn Gross Value Added (GVA)



46% economic growth since 1998
(36% nationally exc. London)



Life sciences



Agri-tech



Net Zero



Higher employment rate and higher productivity than the national average (exc. London)



Highest business R&D per capita of any region
(double national average)



Digital



Advance manufacturing



Creative

Foundational Sectors:



Logistics



Construction



Visitor economy

Supporting national resilience and security

Our region is home to assets that drive the security and effectiveness of the UK economy.



Energy security and Net Zero
We are key to the UK achieving its net zero ambitions



National food security
major food producer and innovator



International Gateway
home to two freeports and four major airports

Challenges to our infrastructure and communities

But our region faces significant challenges due to inadequate infrastructure. And our communities need support to achieve their full potential.

We need to invest in key infrastructure



Adapt and mitigate against climate change



Support better skills, health and housing

Opportunity East: Driving National Productivity Through Innovation

We need stronger investment in our region



We receive one of the lowest rates of public funding of any region in the country



Despite this, we are a net contributor to the Exchequer



If we received the same public funding as the national average, we would have **an additional £8bn per year** of public investment

The risk: lack of investment results in slow growth

Historic growth has been strong, but our infrastructure challenges are severe. There is a risk that without further investment, growth will falter due to:



Stalled sites



Reduced investment



Congestion / delays



Climate change



Lack of skills

The opportunity: investment in infrastructure creates higher long-term growth

On current growth trends we will be a **£220bn economy by 2035**.

However, if we can correct the imbalance in our regional investment we can achieve even greater growth and productivity, benefiting our region and the whole of the UK.

With more investment we can:



Support national economic and productivity growth



Grow stronger technology sectors



Support national energy security and net zero



Support food security

The East of England has an extremely important role to play in supporting the UK to achieve renewed economic prosperity. Having formally entered into recession in the latter half of 2023, economic growth is clearly at the top of the agenda for the incoming Government.

As one of the fastest growing economies in the country, we continue to be a major economic contributor. We are an international gateway for the UK; our ports and airports are crucial to the movement of goods and people across the country. As a major source of food and energy production, we are also at the forefront of ensuring national food and energy security, which have come under increasing strain through global events putting pressure on the supply of oil and gas, contributing to higher food prices.

But we can do so much more. We continue to perform strongly despite a relative lack of funding, among the lowest per head across the UK.

If we were to receive additional investment to address this funding gap, with a strong focus on infrastructure, we could create the right conditions to boost growth further, not only benefitting our region but making an even greater contribution to the national economy, whilst securing the resilience of the country in the face of external challenges.

Without additional support, the UK is at risk of underutilising our key economic assets, pushing not only the East of England towards slower growth, but the whole country in the process. Failing to overcome crucial infrastructure obstacles will result in major projects being delayed and investment opportunities disappearing, in turn preventing our residents from benefiting from our many strengths.

We ask for further investment for major projects and other improvements across transport, digital, water, grid and skills - and to mitigate against the impacts of climate change, to set our region, and the country, on a path to higher growth.



Our economic contribution and national role

The East of England economy contributes £163bn of Gross Value Added (GVA) to national economic output. Our economy is home to 270,000 businesses and 3.2m jobs. Ours is a high employment and high productivity economy, employment at 76.3% is above 75% nationally, and productivity 1.5% higher than the national average (excluding London).

In part, this reflects the high rate of economic growth that the region has achieved over the past two decades. Since 1998, our economy has grown by 46% compared to 36% nationally (excluding London). Our economic contribution also reflects the wide range of nationally significant sectoral and innovation clusters with specialisms in life sciences, digital technology, clean energy, agri-tech, advanced manufacturing and creative industries.

Innovation is a real strength of the region, reflecting our many high-quality academic and research institutions as well as business innovation. Business investment per capita in research and development (R&D) is more than double the national average, higher even than London or the South East region. Beyond our high technology sectors, our broader economy has strengths in high value professional services, construction, logistics and the visitor economy.

At a time of slow economic growth nationally, including a long-term, low-productivity challenge, the East of England has a critical role to play in supporting national economic growth and innovation excellence.

Nationally important assets

The East of England is home to a number of nationally important assets, which together play a critical role in safeguarding the long-term security and resilience of the UK. This is increasingly important given the external challenges which the UK faces, in terms of climate change, increased geopolitical risk and the supply chain challenges due to a more uncertain global context.

The region will continue to play **a vital role in the transition towards net zero emissions and national energy security**, with our wide range of generation assets from offshore wind to solar, biomass, natural gas, nuclear and hydrogen. Currently, energy produced in the East of England powers 32% of all UK homes equivalent and by 2035 could power 90% of homes equivalent¹, with all of this coming from low carbon sources. Simply put, the UK cannot achieve its net zero ambitions without the East of England. Sizewell C offers a major opportunity, expected to draw £4bn into the regional economy and support 70,000 UK jobs including stimulating local supply chain opportunities. There are major clean energy proposals to convert Bacton gas terminal to a hydrogen facility, which can provide a significant boost to the local economy by creating hundreds of green jobs. Additional investment in offshore wind will add to the sector, with our region already generating 24% of offshore wind nationally.

The region also plays **a crucial role in ensuring national food security**. We are a major source of food production and agriculture, as the most profitable farming region, with a third of the UK's Grade 1 (highest quality) agricultural land and second largest total farmed area across England. Moreover, we have significant expertise in agri-tech, with five of the eight national Biotechnology and Biological Sciences Research Council's (BBSRC) research institutions being located in our region - leading research in food and plant science, genetics and microbiology.

The East of England also has a role as **a major international gateway for trade and exports**. 50% of the UK's containerised freight moves through our region, reflecting our extensive logistics infrastructure: Freeport East which includes Felixstowe, the busiest container port in the country, Thames Freeport, and our four main airports play a vital role in the movement of goods and people across the country.



¹ Opergy Group

Our challenges

Despite these many important strengths, our region faces a number of challenges that require urgent investment at scale. In particular, there are a number of infrastructure constraints limiting our economic potential.

- **Transport:** We face significant congestion problems on our motorways and A-roads, with delays on the region's roads being 20 worse than the national average. Rail connectivity is hampered by inadequate infrastructure, critical pinch-points and the need for electrification in some parts of the network. Across both road and rail, there is poor east-west connectivity which hampers economic activity. These challenges also affect connectivity to and from our major ports and airports, which, given their national importance, creates a drag on growth and productivity nationally.
- **Digital connectivity:** Digital connectivity, although improving, is below UK levels for both broadband and mobile connections and is particularly weak in rural areas. Our region is the second lowest performing for gigabit and full-fibre broadband coverage, with other research undertaken suggesting that coverage figures are often overly optimistic in terms of reliability and average speeds achieved. This creates challenges for our business base in terms of business operation in an increasingly digital-first environment, as well as for our residents in the context of increased agile working.
- **Energy infrastructure:** Despite being a clean energy leader, our grid faces constraints which create barriers to new developments and limit the amount of additional renewable energy projects it can host. This is particularly true in some of our rural areas, which limit the potential for businesses to expand, especially those which are more energy intensive. Currently, the East Anglia network alone carries 3.2 gigawatts (GW) of electricity generation capacity and 15GW of new generation capacity is expected over the next decade. Our research has identified examples of businesses being unable to invest in the level of renewable energy they need due to an inability to export excess energy to the grid. We have also heard from residents who feel they do not get any of the benefits from the region's clean energy prowess, with much of the energy produced exported back to the grid and not making landfall locally.
- **Water infrastructure:** Water scarcity is already a challenge across the region, preventing businesses from expanding and delaying planned housing developments. Water Resources East estimate that unless action is taken, there will be water shortages of 800 million litres per day by 2050 across Bedfordshire, Cambridgeshire, Essex, Norfolk and Suffolk – the equivalent of a third of current water use in the region. The Water Resources South East area, which covers Hertfordshire, is also facing shortfalls as set out in the draft regional plan².
- **Climate change:** Climate change will heavily disrupt and potentially threaten our residents without further adaptation and mitigation measures. At the same time as the region faces drought, flooding is also an issue where about one fifth of the East of England lies below sea level. We also face issues around coastal erosion, where Norfolk and Suffolk have some of the fastest eroding coastlines in Europe, with over 2,500 homes at risk of erosion and thousands more properties and businesses directly and indirectly affected by loss of property, infrastructure and utilities³.
- **Housing affordability:** Housing presents another major challenge. House prices have risen further and faster than the rest of the country, meaning that average house prices are 10 times average annual earnings, and as high as 14 times in some parts of the region, compared to 8 times as high nationally.
- **Supporting our communities:** In addition to the challenges we face around our infrastructure, we must ensure that we continue to level up our communities. The East of England is less deprived as a whole than much of the country, but there remains entrenched deprivation in some parts of the region, particularly in our more rural and coastal areas, which are amongst the most deprived nationally, as well as in some of our urban centres. This impacts on our health – despite relatively high life expectancy there is inequality in experience, particularly for those in more deprived areas. Skills participation and achievements have been declining significantly over the last 10 years and we are amongst the regions with the lowest skills participation rate in England.

² Water Resources South East (WRSE), Futureproofing our water supplies, 2023

³ Environment Agency, Resilient Coasts - Great Yarmouth and East Suffolk, 2024

The East of England Opportunity

The East of England is one of the fastest growing regions across the country and by 2035 will be a £220bn economy based on our current growth trajectory. Our success over the last two decades has happened despite low levels of public investment. The region has been one of the highest contributors to the UK treasury, but we continue to receive some of the lowest allocations of public sector expenditure per capita, over £1,000 (10%) lower per head of population per year than the UK average. In total, this means that **our region receives £8bn less per year than it would if we were funded at the same level as the rest of the country.**

We also frequently receive low levels of allocations from major funding initiatives – for example the recent Levelling Up funding pots, where the East of England received the second lowest per capita allocation.

This consistent underinvestment is taking its toll on our vital infrastructure and undermining the potential of businesses in the region to grow and invest. There is a **real threat to the continued prosperity of the region** arising from issues associated with slow and stalled development of commercial and housing sites, poor transport and digital connectivity, energy and water utilities, and the unmitigated risks of flooding and drought on the region. Given the importance of the success of the region to the rest of the UK, this is a national challenge.

Without a significant increase in investment, we should expect economic growth in the East of England and the UK to slow.

Given that historic growth has been achieved with limited investment, it stands to reason that there is an opportunity for the East to grow even faster if we receive the right support.

This would not only deliver improved economic performance and higher GVA, it would also:

- Help deliver national objectives around key sectors and clusters, including life sciences, quantum computing, advanced manufacturing, agri-tech and bioscience and energy.
- Support delivery of the UK's energy security and net zero goals, by unlocking improved baseload capacity, renewables, new nuclear and hydrogen.
- Drive innovation in food technology and help secure national food security.
- Adapt to and mitigate against further impacts from climate change.
- Ensure our residents are supported to benefit from the many projects needed in the region, including through employment opportunities and developing new skills.

We call on Government to work with us, and with local partners, to ensure that the East of England can fulfil its potential - and continue to deliver for our residents, our businesses, and the whole of the UK.



What we need

To unlock the East of England's full economic potential, we ask the Government to support on the following infrastructure improvements:

Transport

- Confirm commitment to major transport schemes such as East West Rail, and Ely and Haughley rail junction improvements.
- Extension of Bus Service Improvement Plan (BSIP) / new funding to support bus networks, particularly in rural areas.
- Simpler, longer-term funding mechanisms to facilitate stable regional transport investment pipelines supporting priorities set out in the strategies of the region's two Sub-national Transport Bodies (STBs).
- Increase of maintenance budgets to support necessary repairs to our road and rail networks.
- Commitment to work in partnership with local councils to facilitate an acceleration in the roll out of the infrastructure needed for electric vehicles.
- Enhance the role and powers of the Sub-national Transport Body partnerships of local authorities and other partners, to better join-up strategic transport planning across the East with Government and national delivery bodies, to improve outcomes and achieve cost efficiencies.

Digital Connectivity

- Follow through with the national Wireless Infrastructure Strategy to boost the reliability of mobile and internet connectivity reporting measures.
- Look to hold both providers and the regulator to account, in part by ensuring that measurements of connectivity reporting are accurate.
- Provide more funding for the Gigabit voucher for rural communities.
- Undertake a risk assessment of the 'Big witch Off' of copper lines and G to ensure businesses and residents are protected from any adverse effects.
- Provide an up-to-date roadmap for the Shared Rural Network for the East of England.

Energy

- Ensure sufficient grid reinforcements take place to allow for clean energy developments.
- Consideration for alternatives to current National Grid overhead lines and pylon proposals such as offshore solutions.
- Collaborate with National Grid and Distribution Network Operators to explore innovative power solutions for constrained areas.
- Ensure that our communities benefit from energy infrastructure investments.
- Investment in hydrogen network opportunities to maximise the potential of green hydrogen.



Water

- To provide stability in light of troubles faced by Thames Water.
- To take urgent action at a national level to reduce water pollution, both directly with providers and ensuring sufficient resourcing for regulators.
- Assure the delivery of a major new reservoir in Fenland expected to supply 250,000 households a year. A new Lincolnshire reservoir will also be relevant for our region.
- Interim solution to transfer water from Grafham Water to Cambridge to help alleviate pressures on sensitive chalk rivers before the Fens reservoir comes into supply.
- A smaller winter storage reservoir in North Suffolk by 2040 along with water reuse schemes at Colchester and Lowestoft.
- Greater investment in network leakage identification and mitigation.
- More national support for business and domestic water efficiency – including smart metering.
- Investing ahead of need to support growth – including desalination.

Climate change and planning

- Independent climate change risk assessment for the East of England.
- Resources to facilitate place-based climate action networks.
- Investment needed in strategic flood defences to protect our communities and key economic assets, and to enable growth in currently at-risk areas.
- Investment needed in waste facilities, wastewater and minerals provision to support the continued growth of our communities.
- Greater, simplified, less competitive funding for councils to deliver against net zero ambitions.

Skills

- Further devolve skills funding to single devolved funding for all post-16 skills, including apprenticeship funding and the Apprenticeship Levy Transfer (which should be made more flexible).
- Increase the adult education budget in the East of England to support infrastructure projects, including the delivery of at least one more Institute of Technology in the region.
- Conduct a region-wide plan to meet the need of Health and Social Care skills across the East of England.
- Address the lack of funding for transport to industry placements (for T levels; 45 days+ and work experience) and training. Also provide funding to meet the costs of travel to first jobs.
- Continue with Local Skills Improvement Plans beyond March 2025 to ensure employers remain at the heart of skills planning.

Tying this all together: Regional co-ordination

A key enabler will be to bring regional partners together to co-ordinate a stronger regional approach to infrastructure. This co-ordination should include representation from: local government, STBs, business representative groups, universities, the Regional Climate Change Forum, utilities, infrastructure companies and Freeports. We ask for support and engagement from government to ensure that our regional work informs and drives stronger public investment.

As part of developing stronger regional co-ordination, we ask for support and to work in partnership with Government and alongside regional partners to develop a full economic analysis of the impact of required infrastructure to make a more quantified case for long-term funding.

