

Invest 2035

East Midlands
Chamber's submission
to the government on its
Industrial Strategy

east midlands
chamber

Derbyshire | Leicestershire | Nottinghamshire

Introduction

Following the launch of Invest 2035 – the new government’s Industrial Strategy – an open consultation was held for a limited period, inviting comment on the plans announced in the 10 year strategy.

East Midlands Chamber held three webinars across November where businesses from a wide range of sectors were invited to share their asks for the region, for inclusion in the Chamber’s submission to Invest 2035

The insight gathered from those sessions formed East Midlands Chamber’s submission to the UK Government, as detailed below

East Midland Chamber Invest 2035: UK Modern Industrial Strategy Consultation Submission

Overview:

The East Midlands: A Key Driver of the UK Modern Industrial Strategy Invest 2035

The East Midlands stands as a vital cornerstone of the UK economy, uniquely positioned to deliver the ambitions of the UK Industrial Strategy Invest 2035. With a GDP of approximately £146.5 billion, the region accounts for 5.8% of the UK’s total economic output, underpinned by thriving industries and world-class education institutions.

Economic Strengths and Sector Leadership

The East Midlands boasts diverse and high-performing sectors, including advanced manufacturing, green energy, logistics, and life sciences. The region is home to iconic businesses such as Rolls-Royce, Toyota, Boots, Alstom, Next and Walkers, supported by a regional supply chain, all of which demonstrate its strength in innovation and production. This industrial expertise positions the East Midlands as a driver of productivity and innovation, key pillars of the UK’s long-term economic growth strategy.

Strategic Location and Connectivity

The East Midlands is centrally located, offering exceptional connectivity to major markets within the UK and beyond. East Midlands Airport serves as the country’s largest freight hub outside of London, supporting global trade and underpinning the region’s role as a logistics powerhouse with national significance. Complementing this is the East Midlands Freeport, the UK’s only inland freeport, which enhances the region’s position as a trade and investment magnet.

World-Class Education and Skills Development

Education institutions, including six universities and nine further education colleges drive research and talent development in the region. These institutions are leaders in innovation, fostering industry-academia partnerships and supplying a highly skilled workforce essential for modern industry.

Energy and Sustainability Leadership

The East Midlands presents ‘The Big Opportunity’ (East Midlands Chamber 2024 Manifesto For Growth) to lead in sustainable energy production, storage, and distribution. Investments in renewable energy infrastructure, coupled with the region’s commitment to decarbonisation, will support the UK’s transition to a green economy.

A Vision for the Future

The East Midlands combines industrial strength, connectivity, and innovation with an ambitious vision for the future. By investing in this region, the UK government can unlock immense potential, enabling the East Midlands to lead on national priorities such as productivity, sustainability, and global competitiveness, key to achieving the goals of Invest

Business Environment

What are the most significant barriers to investment? Do they vary across the growth-driving sectors? What evidence can you share to illustrate this?

People & Skills

- Over the past 24 months, the East Midlands Chamber's Economic Surveys have consistently highlighted recruitment challenges among businesses in the region. On average, 67% of firms reported difficulties in finding individuals with the necessary skills for their job roles. This issue has been particularly pronounced in sectors requiring skilled manual and technical staff. The persistent skill shortages underscore the need for enhanced training programs and stronger collaboration between educational institutions and industries to better align workforce capabilities with market demands.
- The FE sector faces challenges stemming from limited funding and workforce capacity support to deliver on behalf of business in the region with commercial decisions juxtaposing with skills demands from employers. These constraints make it more difficult to fully meet the growing demand for skills development, align with evolving industry needs, and consistently deliver high-quality education and training.
- Short-term funding and interventions present a significant challenge, particularly for SMEs, as they fail to provide the stability and continuity needed to develop and implement long-term strategies. This approach limits businesses' ability to fully embed initiatives, develop long term plans for skills development, adapt to evolving market conditions, and achieve sustainable growth, leaving many SMEs unable to maximise the potential of available support.

Planning system

- Inadequate resourcing in local authority planning departments presents a significant challenge, with 76% of SME developers identifying council staff shortages as the primary cause of delays, according to the Home Builders Federation. These staffing gaps slow down planning approvals, hinder project timelines, and create barriers to the efficient delivery of development projects, particularly for small and medium-sized enterprises. Rural planning is cited as particularly protracted, in some cases, often taking years to progress.
- A lack of coordinated and consistent thinking between planning departments poses a challenge in ensuring that local plans are designed at a scale that reflects the realities of how people live, work, and move. This disconnect often leads to fragmented planning strategies that fail to address cross-boundary issues such as housing, transportation, and economic development, resulting in inefficiencies and missed opportunities for cohesive regional growth.
- In the East Midlands, blockages and delays in accessing the National Grid present a significant challenge, particularly for renewable energy projects and infrastructure development. Prolonged wait times for grid connections hinder the region's ability to capitalise on its renewable energy potential, delay critical projects, and

stifle economic growth. These barriers undermine efforts to achieve sustainability goals, attract investment, and meet the rising energy demands of businesses and communities across the region.

Infrastructure

- The East Midlands has consistently seen under investment in infrastructure in comparison to other UK regions for decades. In the fiscal year 2022/23, public spending per person in the East Midlands was £11,225, which is 11% below the UK average of £12,549. Specifically, transport investment per capita in the East Midlands was £361, significantly lower than the £1,272 per capita spent in London during the same period.
- Urban areas in the East Midlands are benefiting from improved digital infrastructure however rural regions continue to face connectivity challenges, creating economic divides and limiting business location considerations. Ongoing investments and targeted initiatives are essential to bridge this digital divide and ensure equitable access across the region.

Innovation & Technology

- Regulatory frameworks create critical bottlenecks that hinder progress, limiting the translation of research and innovation into tangible economic and societal benefits. Universities in the East Midlands have highlighted this as an obstacle leading to slower the pace of commercialisation, restrict collaborative opportunities, and create inefficiencies in navigating compliance and approval processes.
- The lack of early collaboration between regulators and innovators presents a significant challenge, leading to delays and obstacles in the adoption of new technologies. This disconnect often results in mismatched expectations, lengthy approval processes, and a failure to anticipate and address regulatory concerns early in the development cycle, ultimately stifling innovation and market entry

Business Environment – People and Skills

Where you identified barriers in response to Question 7 which relate to people and skills (including issues such as delivery of employment support, careers, and skills provision), what UK government policy solutions could best address these?

In response to Question 7, several barriers related to people and skills were identified through consultation with East Midland Chamber members.

- The East Midlands faces significant barriers to developing a workforce equipped for the demands of a rapidly evolving economy. A lack of targeted and consistent upskilling programmes leaves many workers underprepared for technological advancements and emerging industries, while training programmes often fail to balance technical expertise with essential core skills such as leadership, adaptability, and collaboration. In schools, limited opportunities for early industry exposure and outdated curricula hinder students' readiness for future career demands coupled with differing academic views of 'what good looks like' depending on the school model. Furthermore, apprenticeship and placement programs are constrained by administrative complexity, limited scalability of successful models, and inflexible funding mechanisms, preventing businesses from fully

investing in staff training and development. These challenges collectively impede the region's ability to cultivate a dynamic, adaptable, and industry-aligned workforce.

- **Focus Training for Career Readiness:**

- Targeted Upskilling Programs: Develop specialised training initiatives for Gen Z and Gen X, emphasising digital literacy, adaptability, and the skills needed to thrive in an increasingly technology-driven workplace.

- Integrate Core and Technical Skills: Design training programs that balance technical expertise with essential core skills such as collaboration, leadership, and adaptability, ensuring a well-rounded workforce prepared for diverse challenges.

- **Primary and Secondary Education:**

- Facilitate Early Industry Exposure: Introduce structured work placement programs for school-age children to provide hands-on experience and early insight into industry demands, helping them make informed career choices and develop practical skills.

- Align Curriculum with Future Economic Needs: Adapt school curricula to reflect the evolving demands of the economy, incorporating skills and knowledge essential for emerging industries and technological advancements over the next decade.

- **Apprenticeships & Placements:**

- Streamline Apprenticeship Onboarding: Simplify the apprenticeship onboarding process to reduce administrative burdens and make it more accessible for smaller businesses (SMEs) and participants, encouraging wider adoption and greater participation.

- Replicate Successful Partnerships: Expand models like the Vaillant Group-Derby College collaboration, which integrates practical training with academic learning to equip students with industry-relevant skills.

- Flexible Business Incentives for Staff Training: Implement adaptable incentives for businesses investing in workforce development, modelled after the Annual Investment Allowance for capital expenses. Allow greater flexibility in how the Apprenticeship Levy is allocated to support diverse training needs and maximise its impact.

Business Environment - Infrastructure

Where you identified barriers in response to Question 7 which relate to planning, infrastructure and transport, what UK government policy solutions could best address these in addition to existing reforms? How can this best support regional growth?

- **Addressing Resource Shortages:** Shortages in local authority planning departments is critical, as 76% of SME developers highlight staff constraints as a major cause of delays. It's time to challenge the status quo and harness private sector support to drive efficiency and unlock progress.
- **Promote Integrated Planning:** Across departments to align local plans with real-world patterns of living, working, and commuting. Empower decision-making at appropriate

levels to match the scale of developments and avoid delays caused by local committees. Streamline access to the National Grid for renewable energy projects and expedite the implementation of the Connections Action Plan, reducing project delays from five years to six months.

- **Electricity Infrastructure:** Outdated electricity infrastructure is holding back progress, with capacity issues limiting SPV additions and restricting grid exports. Businesses face the dual challenge of managing Scope 3 emissions and reducing energy consumption in older buildings, all while grappling with a grid unable to support the demands of modern industry. Addressing these critical barriers is essential for enabling sustainable growth and innovation.
- **Funding:** Initiatives including the Derbyshire Green Entrepreneur Fund, decarbonisation projects, and carbon literacy training demonstrate the value of targeted programmes in helping businesses reduce energy use. Expanding such projects, alongside knowledge exchange efforts like the Toyota/East Midland Chamber Energy Workshops supported by UKSPF, can provide vital support for businesses to achieve sustainability goals and drive innovation.

Business Environment - Innovation

Where you identified barriers in response to Question 7 which relate to RDI and technology adoption and diffusion, what policy solutions could best address these?

- **R&D Tax Credits:** Streamline the R&D tax credits system with an 'ask me once' approach for repeat applicants, reducing unnecessary complexity and fostering a more collaborative process aligned with the benefits provided.
- **Foster Collaboration:** Regulators and innovators should be incentivised to increase the adoption of new technologies, ensuring regulations enable progress while maintaining compliance and safety.
- **Innovation Hubs:** Expand innovation hubs in emerging technologies to drive growth and competitiveness. Draw on international best practices, including those in the US experienced by Derby business, Bloc Digital, to integrate proven strategies and accelerate success.

Business Environment - Regulation

Do you have suggestions on where regulation can be reformed or introduced to encourage growth and innovation, including addressing any barriers you identified in Question 7

- **Language and Accessibility:** Regulatory language often lacks clarity, creating barriers to understanding, differing interpretations and compliance. Regulations need to be more accessible by using clear, actionable language that supports businesses and stakeholders in meeting requirements effectively.
- **Collaboration Across Institutions:** Collaboration between industry and regulators is limited, slowing the development of effective solutions. The opportunity exists in fostering partnerships that enable co-designed, practical approaches to meet industry needs while maintaining regulatory integrity.

- Simplify Regulatory Frameworks: Complex and rigid regulatory frameworks in sectors including financial services, building control, and care sector hinder efficiency and innovation. The challenge is to simplify these systems and create adaptable regulations that evolve with sectors enabling scalable growth while maintaining oversight.

Business Environment – Trade and International Partnerships

How can international partnerships (government-to-government or government-to-business) support the Industrial Strategy?

- Simplify processes and systems to export: Exports are a crucial part of solving the country's productivity puzzle, with huge opportunities for sectors such as advanced manufacturing and green innovation. Current barriers to exporting include custom checks and declarations, taxes and duties due to tariffs, and increased regulation such as product certification.
- Fragmented Access to the EU: Businesses face the challenge of navigating fragmented access to the EU, having to work separately with each country on issues like CE marking. Streamlining processes and improving unified access to the EU market are essential to reducing barriers and enhancing competitiveness.

Place

How should the Industrial Strategy accelerate growth in city regions and clusters of growth sectors across the UK through Local Growth Plans and other policy mechanisms?

- The East Midlands, as a region with partial devolution, faces the risk of unequal investment and support, with non-devolved areas potentially being penalised compared to those under Mayoral Combined Authorities (MCAs). This imbalance is particularly concerning for key economic areas like Leicester and Leicestershire, which contribute over £24.5 billion in Gross Value Added (GVA) and has a business community of 42,000 supporting a workforce of more than 540,000, making them vital to the UK economy. A fragmented approach in the East Midlands could threaten to undermine the potential of strategic sectors such as advanced manufacturing, logistics, food production, textiles, and renewable energy, which are critical both regionally and nationally. To unlock the full potential of the East Midlands, it is essential to ensure equitable funding, strategic alignment, and cohesive collaboration across both devolved and non-devolved areas.