

Agenda Item No. 10

West Midlands Regional Assembly – 18 January 2006

REVIEW OF THE WEST MIDLANDS ECONOMIC STRATEGY

Objective

- (i) To set out proposals for the review of the West Midlands Economic Strategy.

(1) Background

(1.1) *Delivering Advantage, the West Midlands Economic Strategy and Action Plan* was published in January 2004. Government guidance specifies that the Regional Economic Strategy should be reviewed every three years. The next publication date for the West Midlands Economic Strategy is therefore 2007.

(1.2) The review will be undertaken in line with the new Regional Economic Strategy (RES) Guidance that has been issued by Government. Key elements of this are:

- A RES should set out a medium to long term (5-10 years) strategy;
- It needs to be based on a substantive body of evidence;
- It should be consistent with other key strategies, especially the Regional Spatial Strategy;
- It needs to set out clear policy options and costed policies; and
- It will need to incorporate a full Sustainability Appraisal and a Strategic Environmental Assessment.

(2) Nature of the Review

(2.1) The first West Midlands Economic Strategy, published at the end of 1999, set out a vision and direction for the region up to 2010. Every three years since then, the Strategy has been updated, with a three-year Action Plan. To meet the Guidance, the 2007 Strategy should extend beyond 2010. An end date of 2020 will align it with the Regional Spatial Strategy. The three-year Action Plan cycle is proving to be effective. We should not, however, lose sight of the 2010 vision and therefore the new Strategy would allow for a more substantial stock take in 2010 about the progress made.

(2.2) The review will start with the working assumption that the structure of the Strategy will remain the same - the four pillars and powerful voice are well established and used across the region. However, this review needs to take a firm look at the objectives of the strategy and whether they remain valid. That will include examining the key delivery mechanisms and their continuing relevance and purpose. It also needs to take into account changes in national and European policy, including the emergence of Local Area Agreements and the concept of City-Regions.

(3) Evidence Base

(3.1) There are four key elements to developing an evidence base:

- A. Looking ahead and providing a picture of reasonable ambition for the Strategy.
- B. Identifying the key issues that are specific to the West Midlands and upon which the strategy needs to concentrate.
- C. Evaluating what has been achieved so far.
- D. Testing policy options to address the issues identified and move the region in the right direction.

(3.2) Based on those four elements, the following work programme is proposed:

- A. Expert, or Reference, Panel. Consideration is being to establishing an expert economics panel, chaired by a figure with a national profile, and including government department representatives and economists from regional partners and academia, to provide advice and understanding on the future prospects of the region's economy.
- B. Analysis based on the drivers of productivity - This requires a structured analysis of the strengths and weaknesses surrounding the drivers of productivity (including current and past trends) outlined in the Regional Economic Performance PSA Targets: skills, enterprise; infrastructure; competition; and employment. It will include sub-regional analysis and the outcome of research work shared with the RSS partial review.
- C. Evaluation of the achievements of the current WMES, including evaluation of the delivery mechanisms.
- D. Testing policy options will take various forms: scenario work; using Regional Economic Model and other techniques; sustainability appraisal and Strategic Environmental Assessment. It will also be necessary to re-visit and look in greater depth at alignment of public sector funding. In order to influence as much as possible of the public sector funding in the region, it is vital to update previous work and develop a realistic picture of funding assumptions and analyse public sector funding within the region, and carry out specific analysis of the way in which certain sources of funding can be used to provide greater added value.

(4) Strategy Alignment

(4.1) The continued alignment with the Regional Spatial Strategy (RSS) will be critical. The published RSS review timetable does not match with the timetable for the WMES review. Nevertheless, Agency and Assembly officers are working together to ensure a complementary approach.

(4.2) The next Comprehensive Spending Review announcement will be in 2007. The region will be looking to make (and will be expected to make) a greater

contribution to the process than for previous spending reviews and the West Midlands Economic Strategy will need to respond to the Spending Review's conclusions.

- (4.3) The region's submission for Regional Funding Allocations (which is on the agenda for this Assembly meeting) will be one key starting point for ensuring continued alignment.

(5) Involvement of partners in the review

- (5.1) The aim is to ensure engagement throughout the period of the review, with the Assembly and other key partners. How the Assembly formally works with the Agency during the WMES review period, to ensure shared ownership of the final document is subject to further discussion between the Agency and Assembly and the Agency welcomes suggestions from Assembly Members. Once a process has been agreed, there are a number of issues we would like to work on, including the appropriate way of consulting on a draft document later in the year.
- (5.2) During the evidence collection phase, we intend to work closely with the West Midlands Observatory, and its network of partners that exists in the Regional Data and Intelligence network. The Observatory will be asked to lead on the production of the analysis of the key issues the region needs to address.

(6) Timetable

- (6.1) The proposed timetable is summarised below (see Annex A for details):
- Evidence gathering: January - July 2006
 - Policy options (including workshops): July - September 2006
 - Consultation draft: October 2006 - March 2007
 - Final publication: September 2007.

