

# **West Midlands Economic Strategy**

**Internal draft, 18<sup>th</sup> April 2007**

**Please note:**

- **This draft has yet to be considered by the Advantage West Midlands Board and may therefore be subject to further change**
- **It has yet to undergo 'document design' and proof reading**

## **FOREWORD (1 side)**

*The text for this section should be drafted at the end of the strategy writing process.*

## **SUMMARY (4 - 6 sides)**

*The text for this section should be drafted at the end of the strategy writing process. It should set out the vision, provide a brief summary of the context and key issues, then summarise the strategic approach and objectives and finish with focusing resources/delivery.*

*This section could be developed as a stand alone summary, containing all of the consultation questions – so that people do not have to read the full document text to get a feel for the main proposals and questions we are asking.*

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# 1. VISION

## 1.1 The West Midlands vision

The vision for the West Midlands set out in the previous version of this economic strategy was that:

*“By 2010, the West Midlands is recognised as a world-class region in which to invest, work, learn, visit and live and the most successful in creating wealth to benefit all of its people”*

Economic development and regeneration are ongoing activities. We will always be striving to improve the region’s economic performance. On this basis we propose that our vision become that:

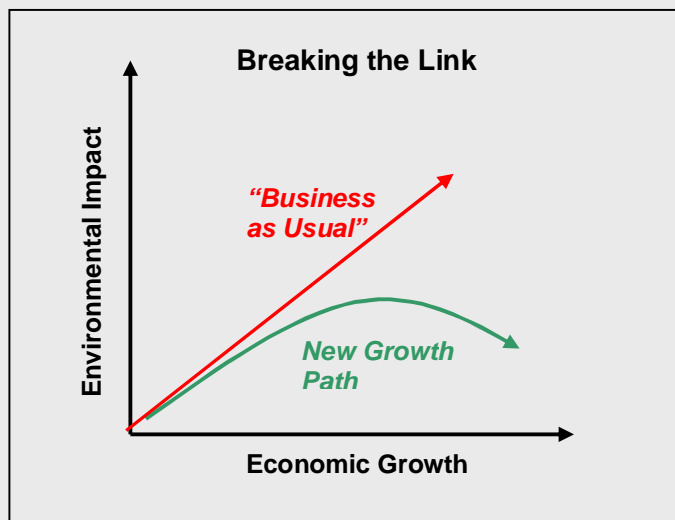
*“the West Midlands is a world-class region in which to invest, work, learn, visit and live and increasingly successful in creating wealth to benefit all of its people.”*

Economic growth must support improvements in the quality of life and wellbeing of all the region’s residents. We must seek to ensure equality of opportunity to the wealth and prosperity generated through continued economic growth. We must also ensure that this economic growth does not come at a net cost to the environment. Our vision can be achieved by focusing on:

- **Growing the regional economy** at a faster rate than the UK average
- Ensuring that everyone in the region has the opportunity to benefit from this economic growth, pursuing equality through **tackling social and economic exclusion**
- Growing the economy in a way that **respects environmental limits**

## Economic Growth & Environmental Impact

Historically, economic development has been strongly related to negative environmental impact – more growth requiring more resources, creating more waste and generating increased levels of pollution and emissions (particularly carbon dioxide and other greenhouse gases). However, this no longer needs to be the case. Advances in technology, process and product innovations now enable significant efficiency gains – allowing natural resources to stretch 5, 10, even 100 times further. Renewable energy and other environmental technologies can mitigate, or even reverse, the environmental impacts associated with further growth, making sustainable communities and zero-emission developments a reality. Exploiting and developing these opportunities can help us to break the link between economic growth and environmental impact, creating a “win-win” situation.



It is often assumed that this new growth path, which breaks the link with increased environmental impact, will cost more and reduce the competitiveness of the economy. The recent Stern Review of the Economics of Climate Change concluded that it is cost effective to take action now to avoid the worst impacts that climate change may generate. Tackling climate change is the pro-growth strategy for the future. Whilst at the global level Stern estimates that many of the actions are cost neutral or negative (for example around energy efficiency), overall action now could cost up to 1% of GDP (compared with 5%-20% later, if we do not). At the regional and national level there are significant economic opportunities available via this new growth path. For example, the UK market for environmental or low carbon technologies is expected to grow to £10 billion in the next three years, with the world wide market growing to \$1 trillion over the same period, followed by annual increases of £70 billion (*The business opportunities for SMEs in tackling climate change, Shell Springboard, October 2006*). This is an opportunity that the West Midlands is extremely well placed to exploit. Already, companies in the region ranging from high technology sectors - such as Converteam Ltd, with advanced electric machines - though to medium added value sectors - such as Gifford's Ltd, with recycled waste wood products - are demonstrating increasing growth as the market for low carbon goods and services continues to develop. Low carbon opportunities will be available across most of the region's business base. More widely the need for improved resource efficiency, within manufacturing in particular, provides an additional way for businesses to improve their competitive position.

## 1.2 Measuring progress

We need to measure progress toward achieving our vision. Our headline focus is on closing the gap between the performance of the West Midlands and that of the UK as a whole. We will measure progress by tracking GVA<sup>1</sup> per head in the region (£15,812 in 2005) compared with the UK average (£18,051 in 2005). If we performed at the UK average today, our economy would be £10 billion richer. We want to close this 'output gap'.

But we do not seek economic growth at any cost. Growth must contribute to improvements in quality of life and cannot be at the expense of the environment. We therefore propose five supplementary headline indicators:

- GVA per employee – a measure of economic productivity
- Worklessness – a measure of unemployment and economic inactivity
- Index of Sustainable Economic Well-being<sup>2</sup> – which can be viewed as a measure of the extent to which economic growth is supporting improvements in sustainable well-being for our citizens
- Carbon Emissions per unit of GVA generated – a measure of the extent to which we are successful in decoupling economic growth from carbon emissions<sup>3</sup>
- An Indicator of Perceptions of the region as a place to invest, work, learn, visit and live – in some sense a leading indicator but also a reality check on what the more standard economic and social statistics are telling us. This would need to involve assessment of the perceptions of a number of specific stakeholder groups.

Further work is required on these proposed indicators – particularly the Index of Sustainable Economic Well-Being and Carbon Emissions per unit of GVA - to better understand the performance of the West Midlands against them and the drivers of that performance.

Further information on how the region currently measures up and on how we will track future progress are provided in section 10, monitoring performance.

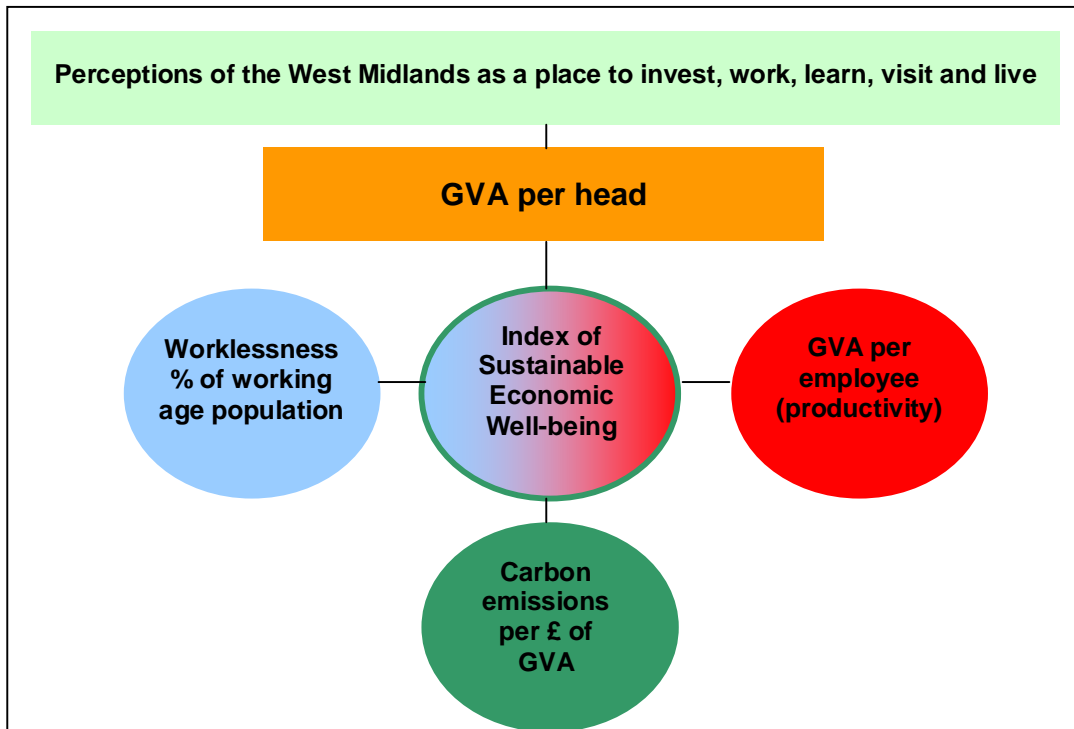
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<sup>1</sup> Gross Value Added, a measure of economic output.

<sup>2</sup> The regional index of sustainable economic well-being (R-ISEW) has been developed by the New Economics Foundation. It is a composite indicator of wellbeing that adapts conventional economic indicators such as GDP/GVA by including financial estimates of economic, social and environmental costs and benefits that lie outside the standard accounting framework. For further information see, for example, Jackson, T (2004), *Chasing Progress? Beyond measuring economic growth*, London: New Economics Foundation.

<sup>3</sup> We intend to undertake further work with partners on appropriate levels of overall regional reduction in carbon dioxide emissions and on how to measure the success of the economy in moving into the new growth areas associated with energy production, efficiency and related goods and services.

## Headline measures of performance



### 1.3 Underlying principles

Economic growth must contribute to improvements in quality of life. The region's economic development must be sustainable. This strategy has therefore been developed on the basis of the following underlying principles, which we have sought to embed throughout the strategy.

- **Using long term thinking** – about future challenges such as demographic change and climate change to inform our response to the opportunities and threats facing the region.
- **Preparing for a lower carbon economy** – seeking economic growth that delivers the biggest business opportunities in energy production and efficiency; in business efficiency more broadly and in related goods and services markets and seeking growth that supports other wider social and environmental objectives.
- **Pursuing equality, reaping the benefits of diversity** - it is vitally important that the actions and initiatives undertaken as a result of this strategy do not disadvantage any particular group and that the strategy identifies and makes the most of opportunities to actively promote equality of opportunity and celebrates and reaps the benefits of the diversity that exists within the West Midlands

- **Valuing the natural environment** – understanding and enhancing the value of our natural capital in the form of parks, landscapes and land based industries and the region’s wildlife.
- **Supporting urban and rural renaissance** – with the Regional Spatial Strategy, seeking to ensure that jobs and people are attracted to vibrant urban areas, while at the same time supporting the development of sustainable rural communities. Whilst it is recognised that many of the challenges facing the region’s rural areas are qualitatively the same as those faced in urban areas, it is recognised that sometimes distinctive approaches are needed to generic issues, or that specific and unique challenges exist for rural areas that must be dealt with using a different approach.

Appendix II summarises the processes we have used to embed these principles within this strategy.

Consultation question 1: Do you agree with the proposed vision? If not, what alternative would you propose?

Consultation question 2: Do you agree with the proposed headline measures of performance? If not, what alternatives would you propose?

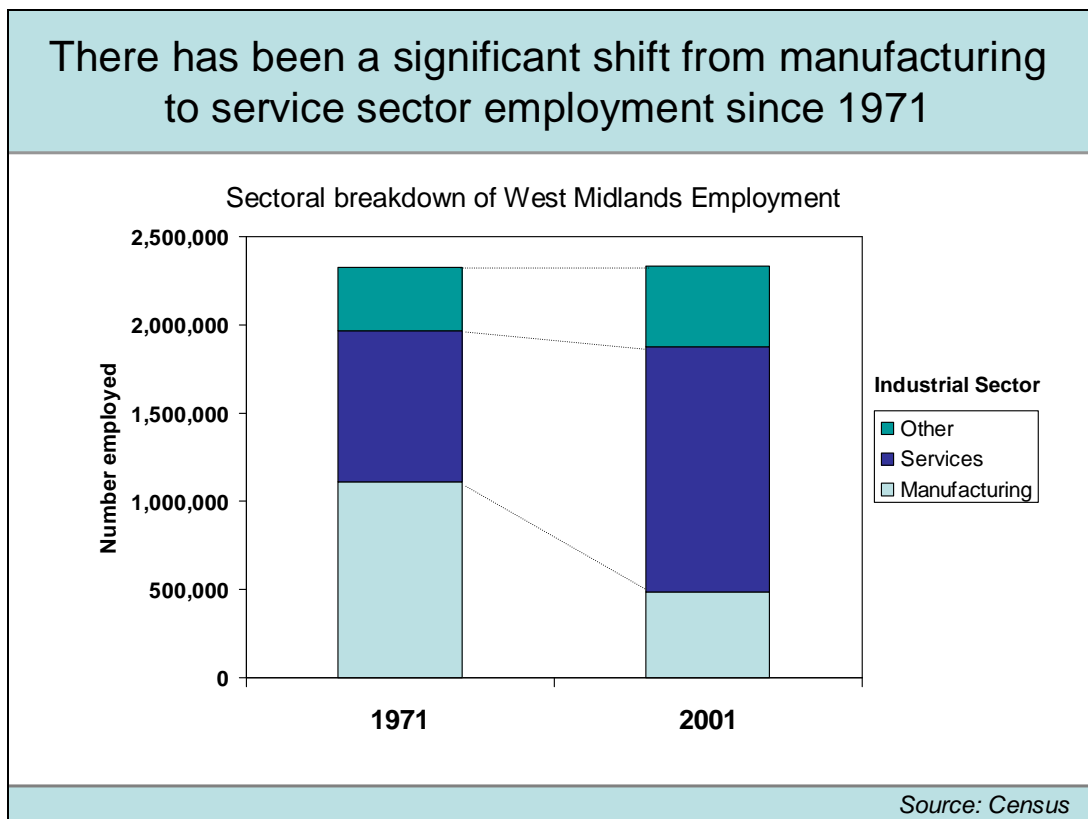
## 2. ECONOMIC CONTEXT

### 2.1 Reinvention and ingenuity

The West Midlands region has a strong history of innovation and entrepreneurship, positively responding to economic change and continually re-inventing itself to remain a significant player in national and international economic growth.

The industrial world was born in a valley in Shropshire, the product of entrepreneurship, technology, skills, natural assets and a passion to succeed. Three centuries later those same elements are again driving the West Midlands forward – building new businesses, applying diverse talents to new fields of endeavour, and translating knowledge into economic success.

Nonetheless, today, the region again faces the need for economic restructuring and re-invention, continuing a process that has been underway for at least 40 years. In line with national trends and partly as a result of increasing globalisation, the West Midlands has shifted from being a predominantly manufacturing region to one that is more heavily oriented towards the service sector. The change in employment by sector is illustrated in the graph below. Despite this change, manufacturing remains extremely important to the regional economy, creating significant wealth and focussing more on niche markets which exploit our unique knowledge base.



In addition, the region needs to address the global challenge of climate change. The scientific evidence that climate change is occurring is overwhelming and widely accepted. However, it is not too late to take the necessary action to avoid its worst impacts. Indeed, the recent Stern Review<sup>4</sup> of the Economics of Climate Change concludes that “*tackling climate change is the pro-growth strategy for the longer term, and it can be done in a way that does not cap the aspirations for growth of rich or poor countries*”. The West Midlands’ economy needs to be at the forefront of this sustainable growth path, reducing carbon emissions while at the same time increasing economic output and realising the associated business opportunities.

This significant restructuring and economic transition should be managed as far as possible by building on the region’s unique strengths and characteristics to exploit the newly emerging market opportunities, but also addressing and overcoming the significant socio-economic problems within areas and communities most affected by these changes.

## 2.2. Overall economic performance

The region’s economy is subject to ongoing processes of change and re-structuring. During the long post-war boom from 1945 to the early/mid 1970s, the West Midlands was one of the more prosperous regions in England, seeing rapid population, output and employment growth. However, 1975 was the last year in which the region’s output per head exceeded the UK average. During the 1970s and 1980s, the regional economy suffered a number of significant economic shocks and major employment losses. Since 1990, the region has experienced a recovery, with economic performance steadily improving. Despite this, the region still underperforms relative to the national economy, and in 2005 output per head in the West Midlands was just 92% of the UK average. When scaled across the whole of the regional economy, this equates to a £10bn output gap – in other words, the region’s economy would be £10bn richer if our output per head were the same as the UK average.

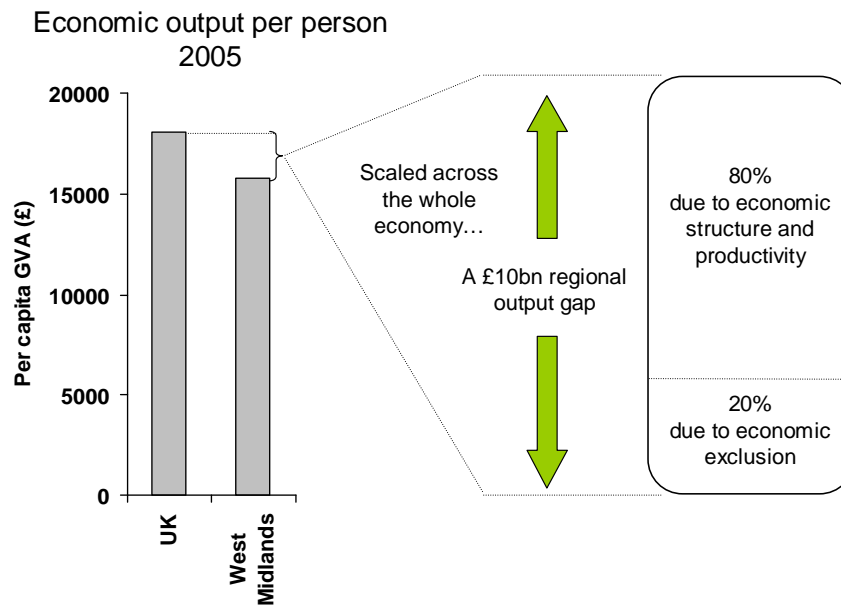
### **The West Midlands Region:**

*Located in the centre of England, the West Midlands region covers an area of 13,004 km<sup>2</sup> and comprises the counties of Herefordshire, Worcestershire, Shropshire, Staffordshire and Warwickshire, the seven Metropolitan boroughs of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton, along with Telford & Wrekin and Stoke-on-Trent. Locations range from Birmingham, the UK’s largest city after London, to historic market towns and scenic countryside such as the Malvern Hills and the Marches. Nowhere in the conurbation is more than 12km from open countryside.*

*The region is one of the most diverse in the UK with a rich cultural heritage and a diverse multicultural population. The population of the West Midlands is 5.25million - 9% of the UK total. The region’s capital city, Birmingham, has a population of almost 1 million people, and is the most ethnically diverse of all the UK’s major cities (after London).*

<sup>4</sup> The Economics of Climate Change, HM Treasury, Oct 2006

## The Challenge – The region has a £10bn Output Gap



Source: Regeneris Consulting

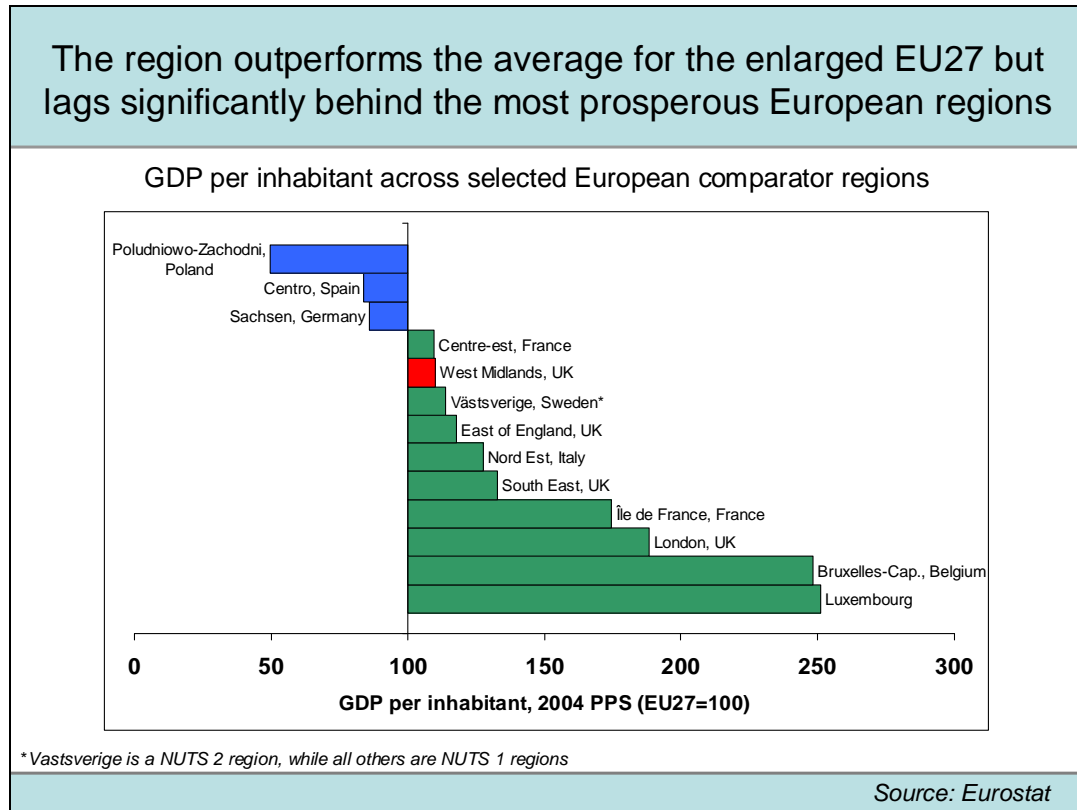
### Looking beyond the UK

Looking beyond the UK, the table below highlights how the West Midlands performs in terms of selected European comparator NUTS 1 regions<sup>5</sup>. On the basis of GDP per head, the region outperforms the average for the enlarged EU27 but lags significantly behind the most prosperous European regions, with economic output just 44% of that of Luxemburg and Brussels, and only two-thirds that of Île de France and Stockholm (although these are capital city-regions, structurally very different to the West Midlands).

The European Single Market provides the crucial economic framework within which this strategy will be delivered. The advantages of a market with 484 million people, with no internal borders, free movement of goods, services, capital and in most cases people are now very evident. It has played an essential role in the considerable growth of trade between countries, the increased interweaving of economies and business life, the growth of a financial Europe and the ever greater mobility of workers and students. In next 20 years this European Economic Area is likely to deepen and extend further. West Midlands companies and staff have to be comfortable and confident working in this

<sup>5</sup> NUTS 1 regions are areas that are similar in size and scale as Government Office regions in the UK, and are therefore used in this table to enable appropriate comparisons to be made. The comparator regions chosen were selected to provide a mix of the best performing regions; regions with a similar socio-economic structure to the West Midlands and regions with which the West Midlands has co-operated on joint projects.

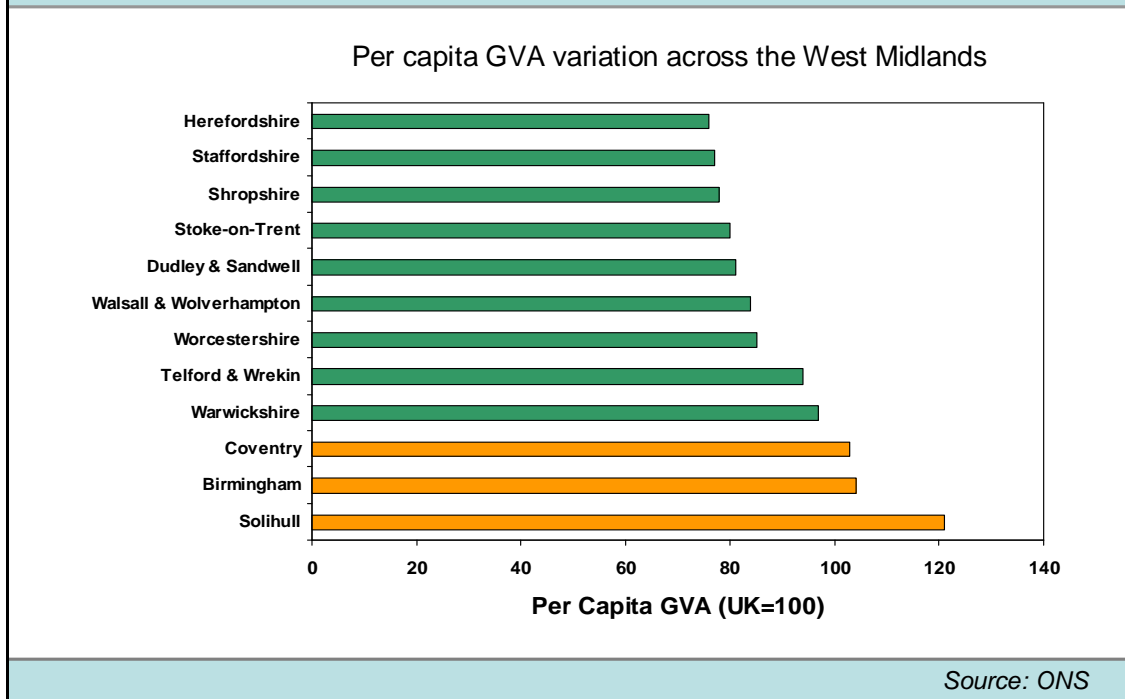
market, while regional policy-makers and shapers have to understand and influence the EU institutions which will frame much economic and environmental policy and legislation.



### Looking within the West Midlands

Looking within the region, there is significant sub-regional variation in economic performance. Some areas, such as Birmingham, Solihull and Coventry, do exceed the UK average GVA per capita while others are significantly below. Indeed, Solihull has experienced significant growth in GVA per capita, and between 1995 and 2004 was the fastest growing sub-regional economy in the country (growth of 115% compared to growth of the whole UK economy of 58% over the same period).

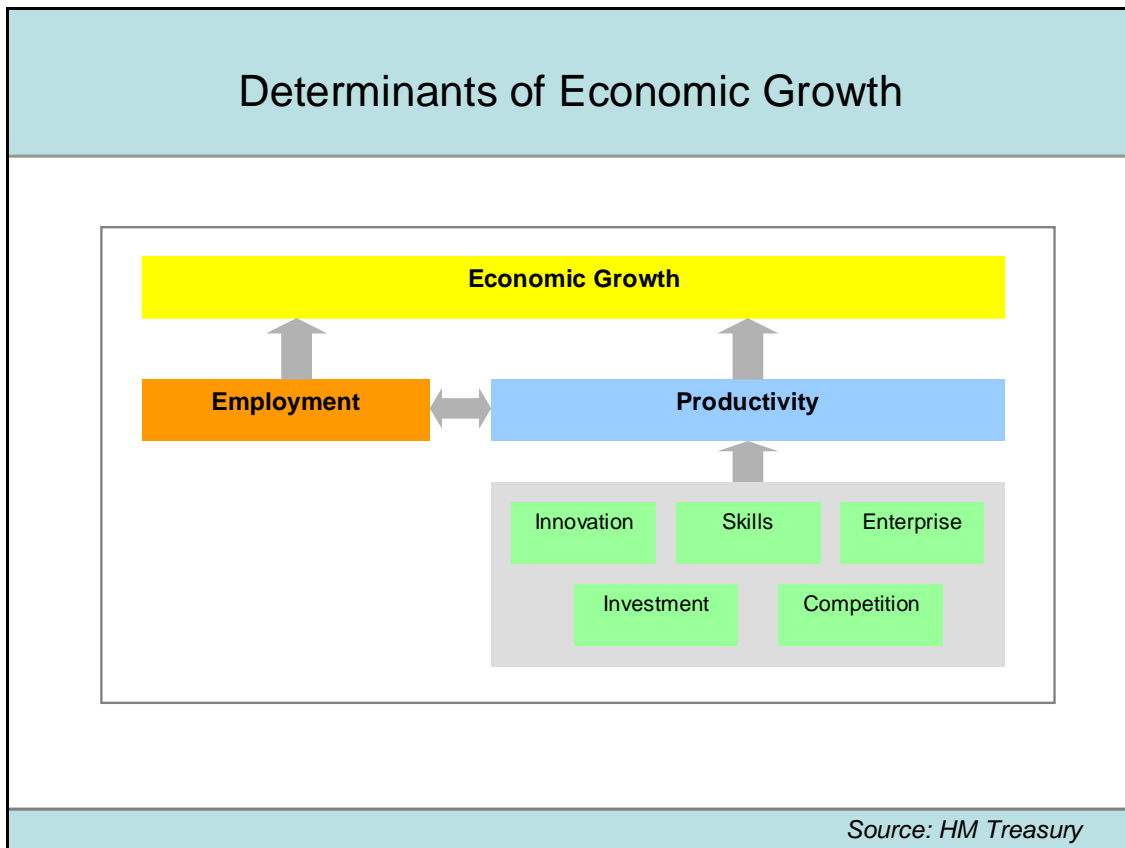
## Significant sub-regional variation in economic performance



### 2.3 Productivity and employment

Work undertaken by HM Treasury<sup>6</sup> suggests that economic performance is influenced by 2 main factors, employment and productivity. Productivity can be further broken down into five main drivers – Innovation, Skills, Enterprise, Investment and Competition.

<sup>6</sup> Productivity in the UK Series, HM Treasury



However, at the regional level, the drivers of investment (defined as capital investment by businesses rather than public sector or inward investment) and competition are less susceptible to regional policy as they are largely influenced by decisions at a national and/or European level. Other factors that have also been shown to impact on the productivity of the economy and that can be addressed at a regional level include the reliability and capacity of the transport network<sup>7</sup> and the quality of life offered within the region<sup>8</sup>.

Research undertaken in developing this strategy concluded that 80% of the “£10bn output gap” is attributable to the structure and productivity of the regional economy, while the remaining 20% can be accounted for through economic exclusion.

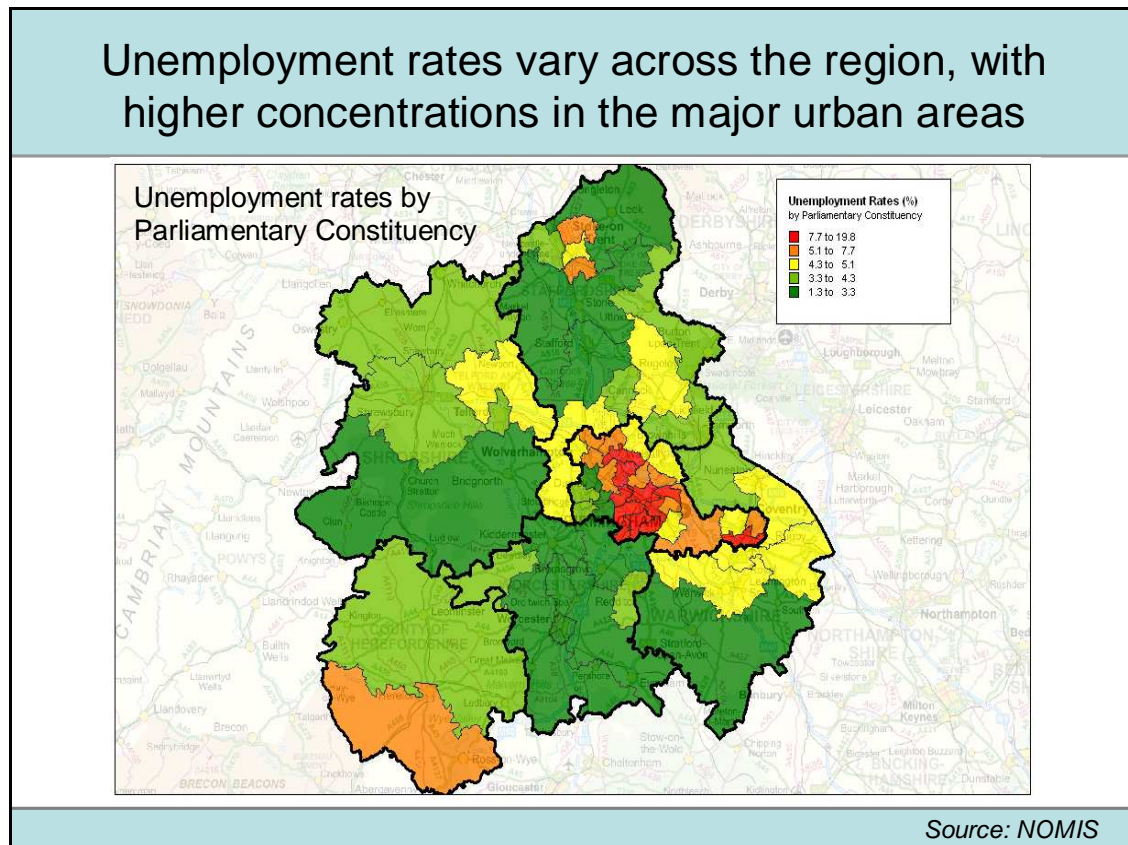
### **Employment and economic inclusion**

The West Midlands has seen a significant reduction in the numbers unemployed over recent years, falling by over 30,000 since February 2000 despite the region experiencing a number of high profile job losses. However, despite this excellent progress, the

<sup>7</sup> See the Eddington Transport Study, 2006

<sup>8</sup> “The Functioning Economic Geography of the West Midlands”, WMRO/Birmingham University 2006

employment rate for the West Midlands (i.e. the proportion of the working age population in employment or who are self-employed) is currently 72.7% compared to the overall UK rate of 74.1%<sup>9</sup>. Closing this gap (which would require an additional 40,000 people entering employment) would address 20% of region's output gap through increasing the output capacity of the region's economy, and through increased demand for goods and services. It would also help to address regeneration and social inclusion issues.



### Drivers of productivity

The remaining 80% of the £10bn output gap is attributable to low regional productivity. The region's relatively poor record on productivity is partly due to weak performance, compared with the UK average, across all sectors of the economy and partly due to the region having a higher concentration of low productivity sectors than the UK average. Analysis of the structure of the economy, and the productivity of various sectors within West Midlands compared to the rest of UK, suggests that up to one-third of the overall productivity difference is caused by the region being skewed towards low productivity sectors. This is particularly the case within manufacturing, with the make-up of the service sector largely the same as the national picture.

<sup>9</sup> Annual Population Survey, July 2005-June 2006

However, manufacturing will remain an important contributor to future prosperity. Even with the current imbalance in its sectoral makeup, the best performing parts of the sector have a significant multiplier effect on regional employment and remain an important driver of productivity growth and source of innovation. The sector as a whole generates 30% higher GVA per head than the regional average (despite its tail of underperforming businesses) and contributes 77% of all Business R&D investment.

Research undertaken in developing this strategy looked at the factors influencing the performance of the West Midlands economy. Analysis of the different drivers of productivity suggests that a poor record on skills and low rates of innovation are the primary sources of the region's productivity challenge. The performance of the region against these and other drivers are summarised in the following paragraphs.

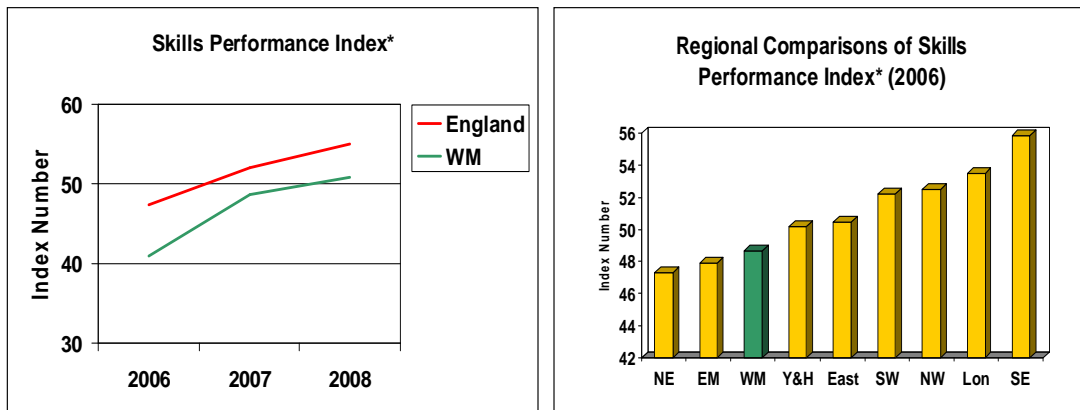
In skills, and the operation of the labour market, the region performs poorly on school level attainment, levels of qualifications in the workforce, graduate retention, leadership and management, work-based training and levels of economic activity. It ranks in the bottom quartile of regions on most skills indicators. There is weak demand for skills from businesses, particularly in relation to higher level skills in private sector firms that are critical to the generation of added value in the region. There is also a strong link between low skill levels and productivity in the West Midlands. Skill gaps and skill shortages (both technical/job specific and generic/transferable), relating to intermediate skills and basic/employability skills, are the critical factors holding back both economic performance and the well-being and life-chances of individuals.

Regional performance on skills also needs to be seen in a European and international context – while the West Midlands performs poorly within the UK, the UK overall lags behind many European and international competitors (as highlighted in the recent Leitch Review on Skills<sup>10</sup>). While the proportion of people qualified to NVQ level 4 and above in the UK is higher than in Germany, France, Italy and Spain, it is considerably lower than in the USA, Japan, Finland, Sweden, Norway and Denmark. In terms of NVQ 2, national attainment levels are nearly 25 percentage points behind the USA and Germany and nearly 20 percentage points behind Japan, Norway and Sweden. In recognition of this significant skills challenge facing the West Midlands, the Regional Skills Partnership has been established to lead the skills agenda and act as a catalyst for real change. Significant progress has already been made, but more is still needed to address the skills issues facing the region and to meet the challenges set out in the Leitch Review.

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<sup>10</sup> Leitch Review on Skills, HM Treasury, Dec 2006

## The region performs poorly on a composite indicator of skills performance



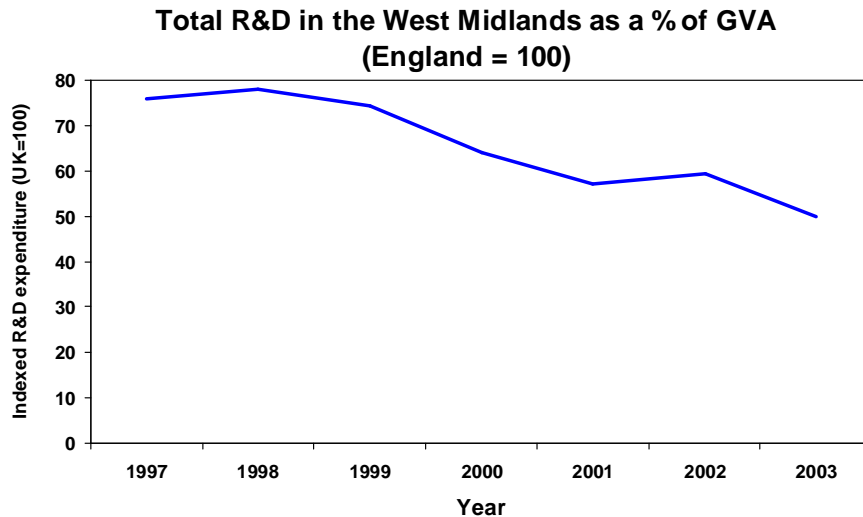
*\*The Skills Performance Index is generated through scores allocated to a set of 8 separate indicators developed by the Regional Skills Partnership, including GCSE attainment, higher level qualifications, participation in job-related training and graduate retention*

Source: WMRO

The region also performs relatively poorly on established measures of innovation and Research & Development (R&D) investment. Business investment in R&D<sup>11</sup> as a share of output is falling relative to the UK average and the West Midlands is ranked 7<sup>th</sup> out of the nine English regions on this measure. The region performs better on measured innovation outputs (such as patent registrations per million inhabitants), although this is dominated by larger firms with SMEs generally underperforming. It would therefore appear that the region needs greater levels of R&D and innovation to increase productivity across all sectors, along with helping diversify the economy towards more knowledge intensive and high value added sectors. Furthermore, relatively low productivity in high-technology sectors suggests the application of technology-based innovation in the West Midlands can be improved.

<sup>11</sup> It should be noted that R&D expenditure is a rather poor measure of genuine innovation, but is used as a proxy measure in this case due to a relative paucity of quality data in this area.

R&D in the Region is falling further behind the England average from 75% in 1997 to only 50% in 2003



Source: BERD, National Statistics

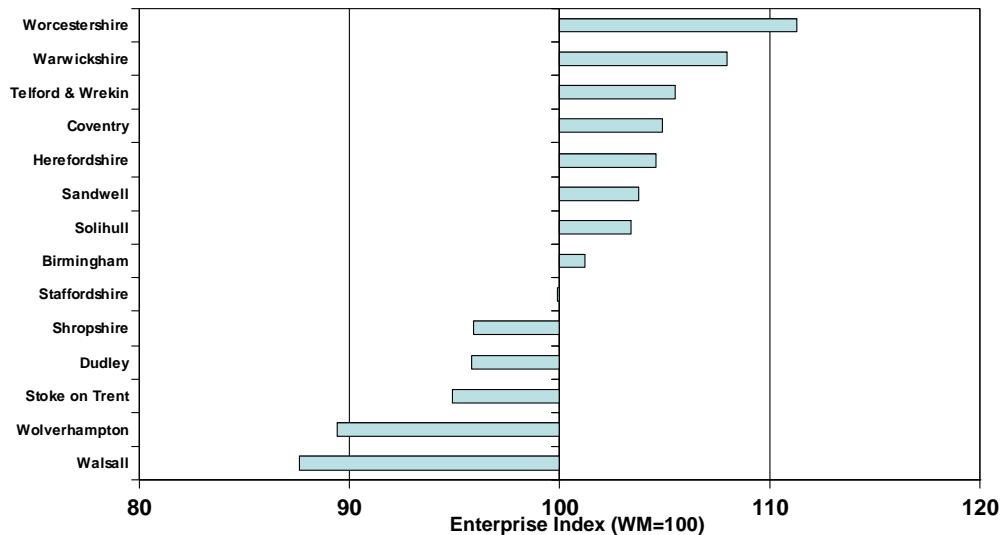
Overall, levels of enterprise activity in the West Midlands are similar to the UK as a whole, with the region attaining middle ranking on this driver when compared to other regions. West Midlands people have generally favourable attitudes to entrepreneurship, more so than in some competitor regions<sup>12</sup>. The UK itself performs reasonably well on enterprise, ahead of its European comparator countries, but still lagging significantly behind levels in the US and Canada<sup>13</sup>.

However, levels of female entrepreneurship in the West Midlands are lower than for males, and evidence from the Global Entrepreneurship Monitor suggests that ethnic minorities in the West Midlands are, in proportionate terms, less likely to be involved in enterprise than those in other regions. Moreover, there is significant variation in enterprise rates across the region, ranging from areas with relatively high levels (for example, rural areas tend to show higher than average rates of business formation, particularly by women) to others that are significantly underperforming (typically in the region's most deprived urban areas). Increased volumes of new business and higher levels of entrepreneurship in general are vital in helping change the sectoral composition of the region's economy and drive up productivity levels.

<sup>12</sup> Global Entrepreneurship Monitor UK, 2006

<sup>13</sup> Ibid

## Significant sub-regional variation in performance on a combined enterprise index\*



\* The Enterprise Index is a combination of the number of new registrations, registrations per 10,000 population, and total Business stock)

Source: SBS/West Midlands Regional Observatory

Other drivers that are important in determining the productivity of the region’s economy include its transport infrastructure and the quality of life offer. The West Midlands region sits at the centre of the UK’s strategic road and rail network, providing clear economic advantages in terms of access to key markets and centres of corporate control in London and the South East. However, there is a potentially unsustainable increasing demand for business and private travel and for goods transport. Many of the region’s roads are experiencing high levels of congestion, and overcrowding is a particular problem on some rail lines, both at peak hour and out of peak. This is increasing the time it takes to make a journey and reducing the reliability of journey times. This is impacting on productivity and having a knock-on impact on air quality, health and the environment.

Quality of life<sup>14</sup> is important in attracting and retaining both businesses (particularly growth orientated firms operating in high value markets) and individuals (especially the more skilled and more entrepreneurial) and is therefore crucial in addressing the region’s productivity gap. Research confirms this, highlighting the concentration of these types of businesses and individuals in areas able to offer a high quality of life<sup>15</sup>.

<sup>14</sup> A broad concept that includes not just a good environment, but also factors such as cultural facilities, housing, health and social factors.

<sup>15</sup> “Functioning Economic Geography of the West Midlands”, University of Birmingham, 2006

## 2.4 The future

Economic modelling<sup>16</sup> suggests that were the economy to continue on its current trend path (“business as usual”), the output gap between the West Midlands and the UK average will continue to grow. Employment levels are expected to grow, but not by as much as the forecast increase in the size of the labour force, raising the prospect of increased unemployment in the region.

The sectoral make-up of the region’s economy is likely to continue to change and diversify, although manufacturing will remain a significant sector – particularly in output terms. The projections show that the changing structure of employment favours higher level, non-manual occupations and a range of generic skills, with fewer opportunities for people with low skill levels. This is likely to increase economic exclusion, particularly amongst older, manual workers who have low skill attainment levels.

There are also major future challenges identified in the work undertaken to develop this strategy and as part of its ‘future proofing’ (see Appendices II and IV). These are future challenges in the sense that each is beginning to, or is already having, an impact today, but their scale and impact is likely to increase in the future:

- **Climate change:** it is becoming increasingly accepted that there will need to be some changes to the way economic activity is organised and technology deployed in response to climate change. These changes present serious challenges to the region’s business base, but also considerable opportunities. Carbon dioxide emissions (the principal greenhouse gas contributing to climate change) are currently strongly linked to economic activity, and modelling predicts that if we were to continue on a ‘business as usual’ basis, carbon emissions would increase by 9.6% between 2006 and 2015. It is essential that this link between economic growth and emissions growth (along with wider environmental impact) is broken to create a sustainable future for the region. In addition, we need to plan for the risks and opportunities for the region’s economy that changing weather patterns will bring.
- **Continued globalisation:** the West Midlands region has and will continue to feel the impacts of globalisation more strongly than other regions, because of its still significant manufacturing base. China and India probably pose both the greatest threat and largest opportunity – they are two of the fastest growing economies in the world (over the past 25 years, China has experienced an average growth of 9% p.a.) and together have a population of 2.4bn – over one-third of the world’s population. However, the region is also part of the world’s largest single market – the EU – with a GDP of \$13 trillion in 2005 and housing 460 million people, a bigger trading area than the US and Japan combined. Exploiting the economic opportunities arising from this single market are crucial to the long-term success of the region’s economy.
- **Demographic change:** the region will be profoundly affected by a number of demographic changes – the ageing workforce; international and internal

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<sup>16</sup> “Future Prospects for the West Midlands Economy and Employment”, Warwick Institute for Employment Research, 2006

migration and increasing diversity among the population. An ageing workforce (in common with the rest of the UK) presents opportunities as well as challenges, particularly through new market opportunities to exploit the “grey pound”. It should also be noted that the ageing of the workforce is not universal across the region, with a number of areas (particularly inner Birmingham and Coventry) having a particularly young population structure. International migration and maximising labour market diversity will help address ageing and generate significant economic advantages, particularly through increasing the size and flexibility of the labour force.

- **The march of technology:** the continued development of ICT and its application across all aspects of the economy has already, and will continue to, produce profound changes in work organisation and consumption/leisure patterns. Technology will also be crucial in improving the efficiency of our business base, reducing resource consumption and stimulating greater levels of innovation. We need to make best use of technological change if we are to achieve our vision.

### 3. STRATEGIC APPROACH

The previous chapter summarised the current performance of the region's economy, using headline indicators based around the Treasury's economic growth framework. This showed that the economy as a whole is underperforming compared to the UK average – particularly around the key drivers of employment, skills and innovation – whilst also highlighting significant sub-regional and sectoral variation.

While this evidence and data is useful in highlighting particular areas of strength or weakness in the region's economy which contribute to its relative position in the UK, they cannot and do not explain *why* this is the case. For example, why are levels of innovation in the region lower than average, and what actions could be taken to change this? Why do employment rates vary so much across the region, and what are the barriers that prevent more people entering employment?

The drivers of economic growth are influenced by a complex range of interrelated factors and issues, which need to be identified and understood to develop effective approaches to addressing them. To aid analysis of these factors and issues, they can be broadly considered under the three main components of the economy – Business, Place and People.

- **Business** refers to the contribution that “businesses” (a term used in its widest sense and including social enterprises, and not for profit organisations) makes to the productivity and growth of the regional economy, and to the demand for employment of the region's workforce
- **Place** focuses on the role of place in both attracting and enabling economic growth (i.e. high quality locations and environments which encourage businesses and a highly skilled workforce); but also dissuading or constraining economic activity (poor quality environments can limit investment, reduce aspirations of the population and lead to negative stereotyping)
- **People** refers to the contribution of the region's population and their skills to the sustainable growth and increased productivity of the West Midlands economy and to ensuring that everyone in the region has the opportunity to develop to their full potential.

A successful and vibrant economy requires a balanced and strong contribution from all three of these components. It is impossible to change the drivers of economic growth and achieve long-term prosperity without positive improvement in all three of these areas. A healthy and dynamic business base is essential to creating wealth and employment within the region, but is dependent upon a strong supply of high quality human capital and consumers. Finally, neither businesses nor individuals will prosper or remain unless the location where they are based meets their particular needs and requirements.

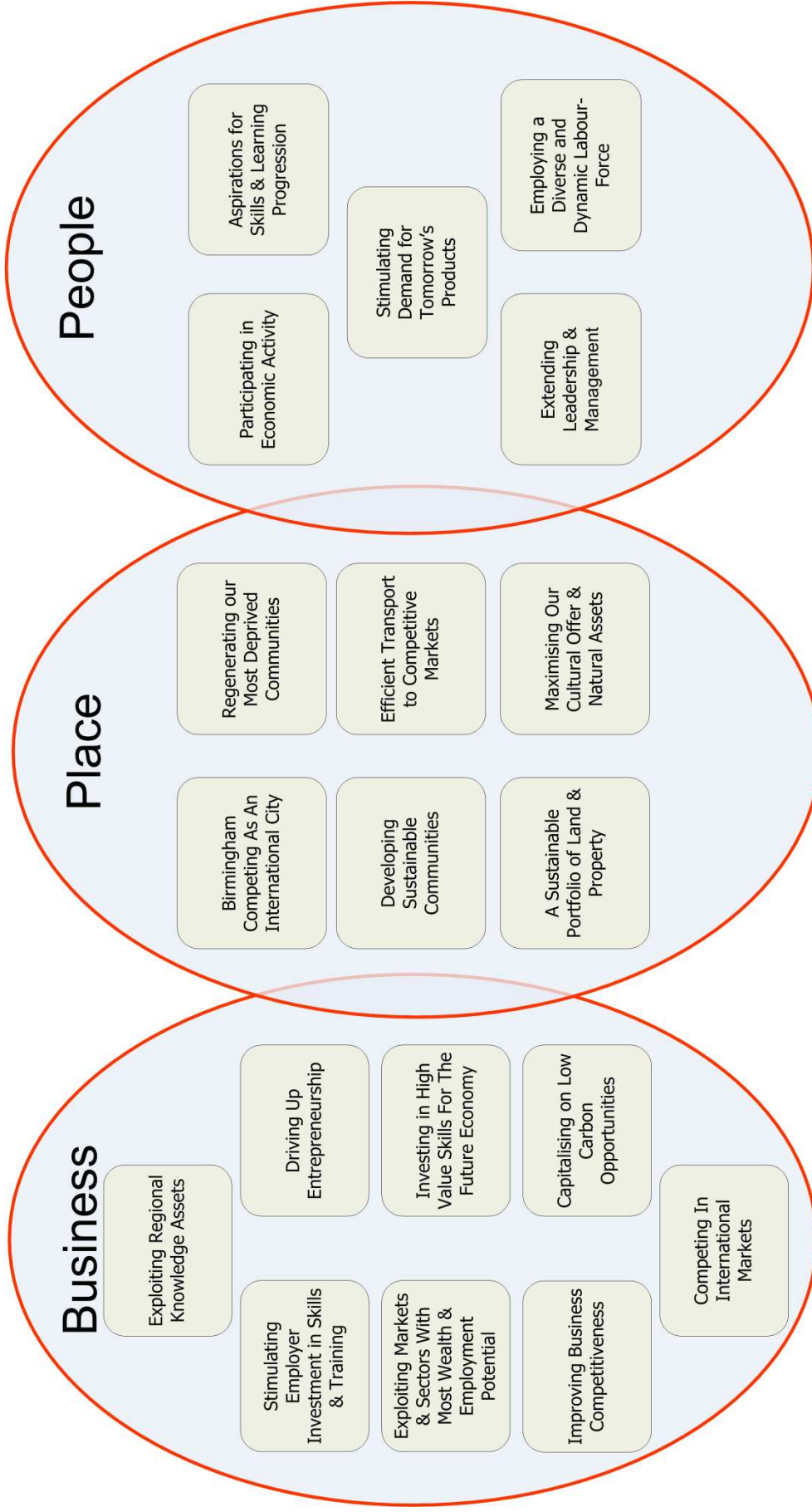
It is also important that we do not just address areas of weakness and market failure, as this will only go some of the way to influencing the key drivers of economic growth and

reducing the £10bn output gap. We must also build on our particular strengths and exploit the significant opportunities that exist or are emerging.

The remainder of this strategy is therefore structured around the three key components of the economy – Business, Place and People. It addresses both strengths and opportunities (investing in success) and weaknesses and threats (tackling need).

The overall framework and its main components are illustrated below.

*(Drafting note: This graphic needs to be updated to include the three Powerful Voice objectives)*



## **4. Business**

### **4.1 Scope**

Businesses are the engine of economic growth and prosperity. The region must establish a clear and ambitious horizon with its business community in order to deliver a step-change in performance vigorously pursuing three main priorities:

- growth in existing businesses, particularly those in the mid-sized bracket
- attracting in-movers
- and stimulating growth among new starts

Together these strands will underpin the objectives which follow to drive up productivity and stimulate demand for employment among the region's workforce.

Business support is central to meeting the aspirations set out in this strategy, and for improving the economic performance of the region. In delivering the indicative actions set out under each objective below it is important to recognise the changes that the region is making to simplify access to, and improve delivery of, business support.

An integrated regional business support structure designed to provide enhanced, focussed, and wide ranging support to the region's new and existing businesses has already been implemented. When coupled with a streamlining of business support products and services it will ensure that support will be more easily accessible for all individuals and businesses in the region.

These changes, which are in line with the Chancellor's 2006 Budget challenge to streamline all publicly funded business support, will require greater collaboration between regional partners to ensure a cohesive and simplified business support infrastructure is available across the whole region. By adopting this approach we will ensure that the region provides the best environment possible for individuals and businesses to start and grow sustainable innovative businesses. It will increase the number of businesses improving their overall performance and help the region meet the challenges it faces.

### **4.2 Strengths and opportunities for the region**

The West Midlands has a diverse and growing base of businesses, many of which are in sectors with real growth potential. The location and historic structure of the region (although presenting some recent challenges) provides us with a strong competitive edge to further grow our regional prosperity.

A range of existing sectors exhibit strong potential for future economic growth and employment opportunities. Manufacturing is still a major employer, is generating higher value employment more quickly than the rest of the economy, and significant elements within this broad sector have a strong future, particularly the higher value strands focussed around product and service development, and design. Manufacturing and our base of rural businesses also put us in a strong position to capitalise on opportunities around the low carbon economy. ICT & Digital Content and associated creative

industries also have healthy prospects, and we have a fast growing service sector in some vital professional services markets.

The West Midlands has a strong and extensive research base located among its universities, private institutions, in commercial R&D and engineering facilities. Our businesses continue to be relatively strong on innovation performance, generating a decent flow of patents and product innovations. The region also has a comprehensive range of venture capital and loan funds to address the equity gap experienced by early stage businesses which can support further collaboration with the region's research base.

The region's business base houses great diversity which is mirrored in our entrepreneurs and business leaders. The region has high levels of enterprise in some BME communities which offer us potentially strong international links. We also have a number of world class businesses and brands in the region such as JCB and Cadbury Schweppes.

Businesses in the region recognise the need to evolve in order to compete. We are well served by some strong underlying attitudes to entrepreneurship with high numbers of people seeing self-employment as a good career choice. Our universal broadband coverage provides us with an excellent platform from which to step up adoption and exploitation of the ICTs undoubted potential.

#### **4.3 Weaknesses and threats for the region**

Despite our strengths, the West Midlands needs to face up to a number of important challenges if we are to turn our undoubted potential into competitive businesses and prosperity. Three quarters of the region's £10bn output gap is attributable to lower levels of productivity in our businesses and the profile of skills in our labour market is substantially out of step with the modern demands of the higher-value global economy in which we need to compete.

Skills is the number one challenge facing the regional economy. Although some progress has been made over the last few years, we still have substantial numbers of poorly qualified people in the labour market, relatively high levels of economic inactivity and too few people qualified to degree level. Employers complain that it is difficult to recruit people with the right skills and attitudes to work but they also have a poor record of investing in the skills of their current workforce. Our private sector employs fewer graduates and has a poor track-record in investing in skills development. Future competitive challenges to the region are likely to require greater specialisation in skills and new business processes to respond to climate change, globalisation and migration. There are already substantial number of vacancies in the region's economy which cannot be filled because of apparent skills shortages. The deficit stretches right across the spectrum from basic employability, through to complex technical skills and on to management and leadership competence which is in turn affecting business' ability to effectively deploy the skills sets which are already available to them.

The undoubted interest among West Midlands' residents in enterprise has not yet translated itself into a significant tide of new business start-ups and too few people actually expect to start a business in the next three years. New firm registrations per

head are below the UK average and there are distinct areas of under-representation, for example among women and in some ethnic minority communities, and in some locations such as the urban centre and more northerly parts of the region. The profile of start-ups is not yet generating sufficient numbers of new businesses in higher value sectors in order to begin to close the productivity output gap. The region also needs to maintain its focus on the wider enterprise and innovation agenda in its existing businesses and employees.

Our existing businesses need to raise up their limited investment in R&D as we are currently the lowest ranking region in England and the amount our businesses spend continues to fall. The West Midlands also has the lowest proportion of Innovation Active<sup>10</sup> firms of any region in England. Manufacturing has been our traditional source of R&D, but this sector is contracting in employment terms and there is a risk this will further erode the knowledge base. At the same time, knowledge-intensive/high-tech service sector employment remains relatively low within the West Midlands.

These long standing challenges to the region are being quickly supplemented with new threats from the changing global environment. Reduced barriers to international trade, international labour markets, significant technological development and the rapidly expanding low carbon agenda are all changing the drivers and priorities impacting on business. Although the region now has a comprehensive broadband infrastructure in place this cannot replace the need for an efficient and effective transport network particularly when levels of ICT adoption and exploitation are so low. Our businesses must play their role in reducing carbon emissions and environmental degradation, but also should be preparing themselves to exploit the market opportunities emerging from this growing agenda.

#### **4.4 Strategic objectives**

Analysis of these key issues has led to the development of the following strategic objectives:

##### **1. Capitalising on low carbon opportunities**

*The low carbon agenda presents both opportunities and challenges to the West Midlands economy. The region must adopt a far-sighted approach to exploiting the new services and products which will flourish in these growing markets. It is also clear that the region will come under growing pressure to reduce its total carbon emissions and that the economy, which accounts for about one-third of emissions, after housing and transport, must play a substantial role in achieving that objective. Energy consumption and production must be central focal points of business attention, alongside new products and processes which reduce waste and their negative impact on the environment. Although carbon emissions per person and per pound of economic output are better than for the UK as a whole, the region needs to do more if it is to play its part in meeting national and international targets and demonstrate it has the solutions to export on a global basis.*

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<sup>10</sup> This is a measure of companies engaged in product/process development or which have invested in innovation or introduced new products, services or processes to the market. Source: DTI Innovation Survey

**Objective: Stimulate a proactive and ambitious business response to the economic opportunities of the low carbon agenda by exploiting new markets and ambitiously responding to the challenges of energy and resource efficiency.**

**Indicative Actions:**

- Deploy a stronger base of intelligence on low carbon economic opportunities to encourage businesses to exploit their wealth generating potential and prepare for environmental change.
- Invest in low carbon technologies and initiatives which move the region towards greater energy self-sufficiency, more decentralised and sustainable production, greater levels of efficient energy consumption and improved waste management facilities.
- Provide advice and support for businesses to improve their resource efficiency which is integrated into mainstream business support provision.
- Develop a regional carbon offset fund to better manage energy consumption.
- Help businesses realise the opportunities and manage the risks of the changing impacts of the weather on their markets, products, premises, people and logistics.

**2. Investing in high value skills for the future economy**

*The West Midlands must compete more effectively on the basis of its skills, ingenuity and know-how. The region's private sector needs to rely upon and utilise greater amounts of graduate level skills. A further 160,000 people with graduate level skills need to be employed or self employed in the West Midlands, particularly in the private sector. The region needs to encourage greater numbers of the graduates produced by our universities to stay and work in the West Midlands and to stimulate a stronger flow of graduate level skills from within the work-force. There is evidence to suggest that the region doesn't currently make best use of the graduates it does retain and the skills they have; there is a noticeable presence of graduates in relatively low value added sectors such as hospitality, rather than in sectors such as manufacturing that need to increase the value-added components of their activity.*

**Objective: To increase the number of people with graduate level skills employed in the West Midlands economy by up-skilling the current workforce and recruiting and retaining more people with the skills needed to develop and deliver higher value added products and services.**

**Indicative Actions:**

- Increase business demand for higher level skills, particularly in SMEs, by developing services and publicising case study examples that demonstrate the value of these skills.

- Encourage more people with graduate level skills to develop the entrepreneurial skills that will enable them to start up successful businesses and be better equipped to work in smaller enterprises.
- Raise the awareness of people with higher level skills about employers' increasing demands for the softer skills associated with team working and effective communications.

### **3. Exploiting markets and sectors with the most wealth and employment potential**

*The prosperity of the region depends on targeted growth in those key markets and sectors which offer the greatest prospects for long-term wealth creation and employment, and where we have competitive strengths on which to build. This means encouraging innovation in longer-established sectors and driving up enterprise in emergent growth areas such as creative industries and business and professional services. Manufacturing is one of the region's major competitive strengths and must continue to be supported.*

**Objective: Develop those sectors and markets with the potential to generate the most wealth and employment over the long term, exploiting the region's distinctive strengths in both manufacturing and services.**

#### **Indicative Actions:**

- Encourage transformational business investment by stimulating demand for investment finance and facilitate the expanded provision of appropriate finance for ambitious businesses.
- Facilitate business collaboration to address priority markets and sectors through a clustering programme and related market exploitation projects.
- Support manufacturing to become more knowledge-intensive by exploiting innovation, technology, design, high-level skills and world-class business techniques.
- Provide access to a range of bespoke business support tailored to priority sectors and markets through the mainstream business support network, to enable businesses to exploit the opportunities available to them.

### **4. Improving business competitiveness**

*All the region's businesses need to be ready to improve their business proficiencies and be receptive to adopting new processes and technologies which can improve their competitive position. Middle sized businesses in particular can, with help, create a disproportionate impact on the region's economy. The West Midlands has low business productivity performance which is a prime cause of the GVA per employee gap with the national average. Process innovation, supply-chain and inter-firm collaboration, and*

*entrepreneurial attitudes need to become hall-marks of the West Midlands business culture*

**Objective: Improve regional competitiveness by building an entrepreneurial and innovation culture in all tiers of all our businesses.**

**Indicative Actions:**

- Targeted awareness-raising about the economic benefits of investing in innovation, design and ICT and promotion of relevant investment funds.
- Focused menu of business support services to boost innovation, focussed particularly on selected business processes and resource efficiency where there are clear needs and opportunities.
- Support for business collaboration activities that facilitate the sharing of best practice on business performance in order to improve business performance, exploit market opportunities and to stimulate greater contact in supply chains and with the knowledge base.

**5. Exploiting regional knowledge assets**

*The region has a strong research and development base within its universities, hospitals and other public sector institutions as well as its businesses and private sector R&D facilities, but generally poor levels of investment in R&D. Year on year spending is falling, both absolutely and as a proportion of GVA. Levels of total R&D investment in the region are now the lowest of all the English regions. Improved knowledge exchange demands focussed attention on finance for R&D, support for businesses to commission & exploit knowledge based innovation, a commitment to design and Intellectual Property creation and encouragement for increased spin out and licensing.*

**Objectives: Take the West Midlands to fore-front of intellectual property development and the commercialisation of opportunities generated by the region's research institutions and businesses.**

**Indicative Actions:**

- Promote the region's knowledge base to businesses through an improved gateway to university expertise, which increases the volume and quality of SME engagement and better promotes our knowledge assets externally.
- Increase the volume of collaborative business-led research and development through Science City demonstrator activity, Knowledge Transfer Partnerships and business networks to support knowledge and staff exchange.
- Provide proof of concept finance and facilitate access to a comprehensive range of sources of risk capital aimed at early stage businesses together with effective investment readiness services for high growth businesses.

## 6. Competing in international markets

*The growth of the West Midlands economy depends on greater numbers of its businesses trading externally. Although manufacturing already has a high level of direct foreign investment, as the pressures from emergent economies grow and the barriers to new markets fall away, international trade and inward investment become a more vital aspect of the economy. Globalisation presents contrasting threats and opportunities for the West Midlands' manufacturing and service sectors which must be tackled head-on. Building networks, developing international partnerships and establishing global supply chains are likely to be key hall-marks for highly competitive markets and companies in the future. The region needs to expand the base of sectors and businesses which are capitalising on international opportunities and stimulate growing levels of investor interest in the region.*

**Objective: Increase the value of international trade engaged in by West Midlands businesses, expand the base of businesses competing in overseas markets and generate a stronger flow of inward investment into the region.**

### Indicative Actions:

- Drive up the international competitiveness of regional businesses by enabling more of them to export more effectively
- Help businesses to increase participation in international networks and partnerships, in order to exploit the knowledge and relationships gained
- Increase inward investment from both existing and new investors by more effective understanding and promotion of the region's distinctive knowledge assets and through improved transport connections to target regions
- Help businesses to exploit the markets of high growth countries (notably China and India) through a focused trade development programme, building on existing links with these countries

## 7. Driving up entrepreneurship

*The West Midlands economy generates lower numbers of new businesses than the UK as a whole; some groups of people and certain places have particularly low levels of enterprise. There are distinct areas of under-representation in enterprise among women, certain BME groups and in urban areas. In order to invigorate and refresh the business base, the West Midlands needs to increase the flow, growth and survival of new businesses particularly high growth companies and new enterprises from disadvantaged groups and communities.*

**Objective: Increase the level of entrepreneurship and raise the region's enterprise capability particularly in groups and communities where enterprise levels are particularly low.**

### **Indicative Actions:**

- Greater support to improve survivability and growth of new businesses, especially high-growth companies and those in target areas and markets, including finance and investment readiness assistance.
- Proactive promotion of the benefits and challenges of starting a business in key target communities, including graduates and under-represented groups.
- Bespoke enterprise support, mentoring and training for those groups and communities that face barriers to creating sustainable enterprises such as women, BMEs and young people.
- Specialist support that assists the creation of sustainable social enterprises and harnesses public sector procurement potential.

### **8. Stimulating employer investment in skills and training**

*For businesses in the West Midlands to acquire the right skills and knowledge to support their business growth, greater levels of investment in skills and training is required. Current levels of employer investment in skills are too low; the West Midlands has the lowest proportion of its staff undergoing training of any region in England. At the same time there are 4,000 vacancies in West Midlands businesses which are directly due to skills shortages.*

**Objective: Increase employer investment in skills training and raise employer awareness of the business case for training for all their workforce.**

### **Indicative Actions:**

- Work with and build up existing businesses networks to encourage more benchmarking and promotion of good practice.
- Engage businesses in the design of training and skills development to ensure they are more relevant to businesses processes.
- Support businesses to develop the skills they need to achieve change and get the most from the skills and competencies of their workforce.

Consultation question 3: For the Business section of the strategy, have we identified the right set of objectives and indicative actions? What actions are you or your organisation likely to lead, or be a significant partner in helping to deliver?

## 5. Place

### 5.1 Scope

Place provides the context in which the Region's businesses and residents generate economic prosperity. Understanding how economic, social and environmental factors interact in different localities is fundamental to shaping policies to encourage sustainable economic development across the Region. The West Midlands needs to create sustainable communities which attract and retain both competitive businesses and highly skilled people. We recognise that poor quality environments can limit investment from the private sector, reduce aspirations and lead to negative perceptions of the region. Our ambitions for place operate at different spatial levels and must recognise the distinct opportunities and challenges each faces.

Our ambitions support the Regional Spatial Strategy's principles of:

- **Urban Renaissance** – supporting the economic and physical restructuring of the Major Urban Areas (MUAs) of Birmingham and other regional cities, which includes inner city locations and surrounding suburbs.
- **Opportunities for growth beyond the MUAs** – ensuring these are linked to meeting needs whilst creating a better balance of housing and employment in the larger settlements
- **Rural Renaissance** – supporting the regeneration of rural areas through the diversification of the rural economy and recognising the role that market towns play across the rural areas and the scarcely populated deep rural areas surrounding them.

The spatial expression of these principles are developed further in the 'Focus' chapter of the Strategy.

### 5.2 Strengths and opportunities for the region

Our central location at the heart of the country's transport network, despite presenting us with some clear challenges, is an intrinsic part of our offer and provides us with unrivalled connections to all parts of the UK and international markets. Our position within the UK motorway network, combined with high-speed rail connectivity and an international airport are enviable assets which can sustain and accelerate further growth. The region is already home to a number of national institutions such as the National Exhibition Centre, International Convention Centre, National Indoor Arena, the Royal Sadlers Wells Ballet and the Royal Agricultural Society at Stoneleigh. Moving forward, we have great potential to further exploit our central location and connectivity.

Birmingham is our central economic powerhouse which boasts a concentration of economic drivers and resources, competes on an international footing and represents a gateway to the entire region. The City's Science City designation further consolidates its position as the focal point at the heart of our economic growth ambitions.

The West Midlands has some extremely well-performing areas which offer a high quality living environment, support a strong base of enterprising firms and experience high demand from inward investors. Beyond our regional capital, the West Midlands contains great diversity among its other cities, larger shire towns, market towns and rural communities which has led to strong patterns of inwards migration. Together, this network of places constitutes a compelling offer to current and potential residents of the region looking for a strong quality of life backed up with unique heritage locations, areas of outstanding natural beauty and major cultural assets. Interest in the region is projected to continue and significant housing growth is predicted in the Regional Spatial Strategy to meet demand.

The region's substantial land base offers great scope and potential for supporting further economic growth. Our rural land mass is one of our key assets which offers significant economic, leisure and environmental potential and can help the region adapt to meet the region's most pressing challenges, through energy production and food sourcing. The region also has a stock of under-utilised industrial land which can sustain further expansion of economy and realisation of our ambitions.

### **5.3 Weaknesses and threats for the region**

Our central location generates enormous demands on our transport network from commuters, visitors and through traffic. Travel demand is expected to grow and travel patterns become more diverse in the future, placing even greater pressure on the region's entire transport infrastructure. Many of the region's transport networks are already experiencing high levels of congestion; journey times are increasing and reliability is falling. This will impact on the region's competitiveness, is already affecting air quality, health and the environment, and has begun to undermine perceptions of the West Midlands as a place to live and do business. The Region must exercise leadership by encouraging behaviour change, targeting more efficient use of the existing network and stimulating further investment in additional infrastructure where required.

Likewise the growth in housing and the expansion of communities across the region needs to be co-ordinated if we are to avoid unsustainable developments, which do not offer appropriate links to transport and employment opportunities. We must also be aware of the role of the economy in maintaining community cohesion, reducing crime and promoting healthy and fulfilling lives.

Parts of the region experience substantial and profound levels of deprivation driven by social, economic and physical problems. The region has pockets of deep and interlocking deprivation, the most substantial of which are located in our urban areas and which have been targeted through the Regeneration Zones (over 80% of the most deprived areas in the region are located in RZs). The pattern is not entirely straightforward as the region's rural areas also house deprivation. One in five rural residents lives in poverty, however this can often be overlooked as rural trends cannot be found in the same sort of concentrations as those found in urban areas.

At the same time, rural areas have been the focus of growing demands on housing which have driven up prices, created threats to affordability, placed additional pressure

on the stock of land and contributed to the outward-migration of people under the age of 30. Urban areas have also experienced a significant growth in prices which, despite wider choice and greater accessibility, also present a potential challenge to our future ambitions.

The region has significant and growing levels of brownfield and derelict land that are not obvious candidates for private investment. Forecast sectoral changes and the upheaval that is likely to cause, suggest the volume of challenging sites will grow. Although such sites present opportunities for investment, they require focussed attention and run the risk of detracting from our ambitions.

Like the rest of the UK, the West Midlands needs to confront the growing challenge from climate change, rising energy costs and shifting patterns of consumption and demography which mean the existing built environment and infrastructure will need to evolve to stay in line with the needs of the future economy

## **5.4 Strategic objectives**

Analysis of these key issues has led to the development of the following strategic objectives:

### **1. Developing sustainable communities**

*Successful, thriving and growing economies require a balanced and co-ordinated approach to housing and employment land development in the region's diverse pattern of urban and rural communities which reduces transport demands and energy use, meets people's evolving residential needs, contributes to a well-designed physical environment, offers accessible services and which are welcoming to all sections of society.*

**Objective: Encourage a network of high quality, sustainable urban and rural communities which attract and retain a diverse and thriving workforce contributing to, and prospering from, the region's growing economy.**

#### **Indicative Actions:**

- Support a sustainable pattern of future development and growth as set out in the Regional Spatial Strategy and which delivers economic growth objectives within an integrated network of residential and businesses destinations which are connected by efficient and sustainable transport systems.
- Improve the quality of the built environment, through raising design & environmental standards for new build, increasing accessibility to work and leisure, minimising crime, bringing underused buildings back into economic use and adapting existing and new buildings to future climate change.
- Maintain and enhance the balance between the region's hierarchy of cities, shire towns and market towns as sustainable settlements providing access to employment, skills development, enterprise support, housing and services.

## **2. Birmingham competing as an international city**

*Many of the images and associations of the West Midlands in the UK and internationally are based on Birmingham. Often the perceptions are weak, partial, and outdated. As the leading city centre in the region and our one internationally recognised economic powerhouse, Birmingham plays a hugely important role in shaping perceptions of the region for investors and mobile workers. It also needs to function as competitive city and gateway to the region, evolving to meet changing needs and committed to staying ahead of other European competitor cities.*

**Objective: Support the on-going development of Birmingham to ensure that its offer and perceptions of the City are in line with its core city and regional capital status.**

### **Indicative Actions:**

- Encourage land-mark developments, attractions, events and facilities and improve the natural environment of the City in order to promote Birmingham as a compelling destination for leisure, residential and business investment purposes to benefit the region as a whole.
- Promote early delivery of redevelopment of Birmingham New Street and enhancement of Birmingham International Airport as key strategic gateways to improve external and internal connectivity and perceptions of the region.
- Support further investment and growth in the residential, commercial and leisure offer of the city-centre to boost its standing as the region's financial and business centre.

## **3. A sustainable portfolio of land and property**

*The geography of the West Midlands is one of our greatest assets and is a critical factor in helping us realise the region's future growth objectives. Land and the property it supports perform a variety of roles from commercial to residential purposes, and from agriculture to leisure. The region needs to continually drive up its re-use of brownfield land and rejuvenation of premises, if it is to make optimal use of its physical resources, while supporting attractive communities and delivering competitive business destinations. The Regional Spatial Strategy offers a framework within which these aspirations may be realised.*

**Objective: to ensure an appropriate supply of land and premises to meet the region's economic and spatial priorities.**

### **Indicative Actions**

- Site assembly and gap funding where remediation costs exceed market returns and which represent a blockage on wider economic growth, regeneration and private investment.

- Support the master planning of key areas to establish compelling and competitive spatial frameworks for their sustainable growth combining mixed uses and encouraging low impact travel patterns.
- Safeguard the natural and agricultural assets of the region's large rural land mass by supporting quality custodianship whilst continuing to support its productive use.
- Support investment in the provision of infrastructure to assist sustainable growth objectives.
- Promote high quality and environmental building design and investment standards which maximise recycling and redevelopment of brownfield land.

#### **4. Improving transport and accessibility to support competitiveness**

*(Drafting note: This title was changed after completion of the diagram at the end of section 3, 'strategic approach'. The diagram needs to be changed accordingly)*

*The West Midlands sits at the centre of the national transport system which plays a pivotal role in building connections to job opportunities, suppliers and customers. The region's advantageous central location is at risk of being threatened by congestion and capacity limitations. Businesses believe the West Midlands' ability to reach markets, labour and suppliers are being hampered by this growing challenge. Reliability is already falling, congestion is spreading, speeds are reducing and travel times are being extended. In recent years, there has been limited evidence of a shift from private car to public transport; Midlands Metro usage is static, bus use is falling and although rail use is up, the region has the highest proportion of trips undertaken by car in England. The region now has comprehensive access to entry level broadband and second generation access is being delivered where it is commercially viable to do so. This can play a crucial part in reducing the constraints of transport system, if adoption and exploitation are driven up.*

**Objective: Enable businesses and people in the region to get efficient and effective access to markets and services, by increasing efficiency and the use of technology alongside improvements to the integration, reliability and capacity of transport networks.**

#### **Indicative Actions:**

- Work with partners to secure the early delivery and subsequent exploitation of priority strategic transport projects which reduce congestion, expand our reach to neighbouring areas and improve perceptions among visitors such as New Street Station, Birmingham International Airport, upgrading of M6 and connections to ports.
- Support technologies which will improve transport management, reduce the demands upon the current transport network and improve the planning and operation of freight transport, logistics activity and business travel.

- Drive up exploitation of the current broadband infrastructure and the adoption of ICT to improve competitiveness and access to new markets.

## **5. Maximising our cultural offer and natural assets**

*The drive to attract ambitious people and businesses is getting ever more intense and is increasingly driven by leisure-based as well as commercial factors such as the natural environment, visitor attractions and cultural pursuits. The West Midlands' cultural, heritage and natural assets, taking in the Royal Shakespeare Company, CBSO, Alton Towers, parts of the Peak District, Cotswolds and Wye Valley along with its social and ethnic diversity are significant elements of its competitive offer which can support economic growth, if they are championed and continually supplemented.*

**Objective: to accelerate the relocation and retention of people and businesses in the region through our highly attractive and interesting make-up of leisure assets.**

### **Indicative Actions:**

- Support the enhancement of existing cultural attractions and natural assets in order to encourage visitor access and attract new businesses and residents to the region.
- Attract high profile events and facilities to the region and maximise benefits from national and international events such as the Olympics.
- Better link together dispersed attractions and assets to enable their sustainable exploitation as tourism resources.

## **6. Regenerating our most deprived communities**

*The region has a significant series of highly deprived communities which demand a co-ordinated and holistic approach to regeneration which bolster cohesion and delivers prosperity. Business performance, poor environmental conditions, low quality housing and limited transport links commonly stand out as key factors holding these areas back from achieving their potential. Low skills, poor health, low levels of employability and limited aspirations tend compound these physical challenges.*

**Objective: Regenerate and support the sustainable growth of our most deprived areas, developing links into economic and employment opportunity.**

### **Indicative Actions:**

- Increase private sector investment in new business formation and expansion in places where enterprise is in short supply and encourage the delivery of modern infrastructure.

- Improve the physical realm by tackling dilapidation, poor natural environment, bad design and low quality construction in the housing and commercial building stock whilst preserving existing built heritage assets.
- Enhance opportunities for local ownership of physical assets in order to develop a market and investment base which can encourage future rounds of investment and sustain capacity building by encouraging local communities to take more control through community and voluntary sector channels.

Consultation question 4: For the Place section of the strategy, have we identified the right set of objectives and indicative actions? What actions are you or your organisation likely to lead, or be a significant partner in helping to deliver?

## **6. People**

### **6.1 Scope**

The West Midlands is home to 5.2 million people who collectively and individually represent our single greatest asset for economic growth which will determine much of our future economic success. The skills and economic inclusion agendas represent the core challenge facing the economy. Our ability to attract and retain enterprising and innovative individuals in competitive, open labour markets will be absolutely crucial as we try to achieve our ambitions. Growth in regional prosperity must be taken forward in a sustainable manner which shares the benefits more widely, whilst continuing to harness the talents and potential of investors, innovators and decision-makers.

### **6.2 Strengths and opportunities for the region**

The West Midlands has a highly diverse population which brings together contrasting cultures and provides the regional economy with a bridge to a wider world of commercial opportunities. This vibrant mix is reflected in a very young population in our major urban areas, whose energy and spirit is vital to securing our economic objectives.

The West Midlands has invested substantially in its Further and Higher Education base and now has a strong learning infrastructure on which to build a stronger portfolio of skills that are more aligned to business need – in terms of both the content and the mode and style of delivery of the skills. We have some outstanding teaching to complement our strong research base, which generates a steady supply of highly skilled graduates each year. We are also seeing a growth in the market for work-based learning to up-skill our current workforce; 70% of whom will still be in work in 2020.

There is no room for complacency, but the rise in knowledge based businesses, the growth in house prices, trends in traffic congestion and the recent growth in the city centre economy of Birmingham all underline that the region already competes in international labour markets which draw upon knowledge, expertise and management leadership.

### **6.3 Weaknesses and threats for the region**

The single greatest factor influencing the productivity of the West Midlands economy is the poor skills profile. Although within the region, there are pockets of excellence with a strong culture of continuous professional development, too few employers invest in the skills of their people. Compared with other regions, the West Midlands has a weak culture of education, learning and skills. This manifests itself in too few people being at the higher end of the qualifications spectrum and too many at the lower end. From NVQ Level 2 upwards, the region's supply of labour falls short. Aspirations among learners and employers are too low. This is particularly pronounced in the lower value parts of the economy and among already disadvantaged groups facing deprivation and economic hard-ship.

Even where strong skill-sets are available to business, we do not have sufficient people with the leadership, management and entrepreneurial abilities to get the maximum out of the knowledge available to them. Too many people are employed in jobs which do not optimise their potential. We know that the *world class* businesses in the region are responding positively to the challenges and opportunities associated with globalisation, new technology and the environmental agenda. However it is not clear that we have sufficient intelligence and foresight to exploit these opportunities and seize their economic potential. For example, the low carbon, high-tech economy requires diverse set of skills which are not yet adequately understood or prepared for.

Like other economies in the UK, our workforce is quickly aging and diversifying, often leading to an even more challenging supply of skills and placing additional pressures on business practices. Work-force development and business involvement in the design of training are key areas where a step-change is required if we are to better align our investment in skills infrastructure with the needs of a competitive economy. Volunteering and community participation will also become increasingly important aspects of the life and work experience people bring to their employment.

Our low qualifications challenge is further compounded by significant numbers of young people not in education, employment or training (NEET) and some entrenched attitudes which sustain worklessness. Economic inactivity explains a major element of the region's output gap on the rest of the country (25%) and is underpinned by too many people having no qualifications and demonstrating limited work-readiness. Unsurprisingly these patterns coincide with deprivation, child poverty, and poor health which all further complicate the challenge and stand in the way of creating a wider share of regional prosperity.

## **6.4 Strategic objectives**

### **1. Stimulating demand for tomorrow's products**

*To meet UK targets for reductions in CO<sub>2</sub>, the West Midlands must consider the three key sources of emissions; the home, transport and the economy. The region must take a proactive lead in shifting demand and consumption to meet the growing supply of low impact products and processes. Alternative patterns of travel, consumer products, use of technology, changes in working practices and investment in energy reduction are all key ingredients in putting the West Midlands at the forefront of demand for the future low carbon agenda. Small-scale energy production through renewables can also improve the region's self-sufficiency.*

**Objective: To encourage and facilitate residents and businesses to shift choices and patterns of consumption, travel and work towards goods & services which are sustainable into the long term.**

#### **Indicative Actions:**

- Encourage organisations to adopt new and creative practices through improvements in technology, changes in working culture and new approaches to

procurement which support greater sustainability in energy and resource consumption and more healthy lifestyles.

- Stimulate demand for low carbon housing, transport and consumer products and encourage lifestyle changes which shift the region towards more sustainable patterns of energy consumption, to support regional supply chains and improve overall efficiency and accessibility.

## **2. Extending leadership and management**

*In the highly competitive global markets where West Midlands businesses need to succeed, attracting, retaining and utilising high quality leadership and management skills is absolutely critical. Knowledge based business and those in competitive and highly complex markets need to call upon world class leadership and decision-making skills. The UK economy has world class business leaders but it has long been characterised by a long tail of weaker performing business leaders and managers. The West Midlands is no different, indeed average earnings for managers are markedly below UK levels. The region's pockets of excellence need to be exploited and extended in order to reach into those sectors and markets which currently fall-short.*

**Objective: The West Midlands will develop and attract the best leadership and management skills to drive innovation, enterprise and growth in the region's businesses.**

### **Indicative Actions**

- Work with our high performing business leaders and key strategic middle market companies through specialist business support services to encourage them to continue to develop the leadership skills they need for sustainable growth and prosperity and to disseminate best practice to benefit other businesses.
- Work with groups of SMEs through action learning, personalised coaching and mentoring to enable them to develop the leadership and management skills needed to exploit new ideas and to seize new commercial opportunities.
- Work with business support services and training providers to develop their capacity to engage with employers and to provide leadership and management training that is better aligned with business needs

## **3. Aspirations for skills and learning progression**

*The West Midlands' workforce remains less qualified than that of other regions; it has the highest proportion of non-qualified workers in England and a deficit is apparent across all qualification levels from NVQ Levels 2 upwards. The region must ensure that every adult and young person in the region has basic skills for employability and opportunities to progress. There will need to be a particular focus on the concentrated challenge in the region's urban centres, particularly around Birmingham, the Black Country and Stoke on Trent.*

**Objective: To develop an appropriately skilled workforce that meets the growing demands of the economy by stimulating a stronger culture of learning which drives up aspirations and accelerates progression.**

**Indicative Actions:**

- Develop a quality standard for careers advice and support to offer clear information, advice and guidance about current and future labour markets, qualifications and employability skills and better use of role models.
- Implement the 14/19 diploma to enhance the vocational training and development opportunities for all young people.
- Engage employer commitment to investment in skills linked into inward investment projects, major new sites & premises developments, sector growth programmes and natural expansion in existing markets.
- Encourage greater involvement from employers in developing solutions to address their business needs, identifying and sharing best practice and examples of success

**4. Employing a diverse and dynamic labour force**

*Demographic and social changes will have a profound impact on the scale and quality of the region's work-force in many ways. The inevitable ageing of the population will shift the skills base as older workers tend to be significantly less qualified than younger people and much less likely to undertake learning and skills development activity. The West Midlands needs to carefully consider how to harness the potential to be found among our base of young and ethnically diverse people. Migration and evolving patterns of ethnicity are bringing about other challenges and opportunities which demand a proactive response through cultural, linguistic and recruitment practice.*

**Objective: To respond proactively to evolving demographic patterns among the region's work-force to ensure a strong match of skills and education alongside recruitment and retention practices to create appropriate and attainable employment opportunities for all.**

**Indicative Actions:**

- Awareness raising among employers in key markets with most to gain from an ageing workforce, increased patterns of migration, emerging young entrants to the labour market and an increasingly ethnically diverse employee base.
- Tailored support to adapt & supplement the unconventional skills and work experience of non-traditional recruits.
- Support programmes aimed at encouraging employers to adopt practices which promote healthy workplaces and which champion equality and diversity.

## 5. Participating in economic activity

*Low levels of economic activity account for around 20% of the region's £10bn output gap. The West Midlands has some specific pockets of very high levels of economic inactivity in its urban areas (i.e. the Black Country, Stoke-on-Trent and Birmingham). These trends coincide with and compound the region's most severe deprivation hot spots and are driving child poverty. Worklessness is most frequently found in people with few if any formal qualifications and who also have significant employability challenges. Overall, the West Midlands needs to reduce the number of adults of working age with no formal qualifications by 230,000 and play its part in meeting the national goal of improving the basic skills of 2.25m adults by 2010.*

**Objective: To increase levels of employment and reduce economic inactivity in the Region's worst affected target hot-spots and long-term challenges.**

### Indicative Actions:

- Establish a clearer understanding of the barriers that prevent individuals from acquiring the skills they need for employment and continuous professional development and support intensive approaches to tackling the barriers, raising aspirations and enabling everyone in the region to reach their full potential.
- Work with employers to build demand for candidates from disadvantaged groups in order to give people detached from work a route back into employment which can then lead to longer term sustainable employment for workless people.
- Tackle identified barriers to economic activity in the most deprived areas focussing on care and health factors alongside skills and aspirations and travel to work hurdles.

Consultation question 5: For the People section of the strategy, have we identified the right set of objectives and indicative actions? What actions are you or your organisation likely to lead, or be a significant partner in helping to deliver?

## 7. POWERFUL VOICE

### 7.1 Scope

The West Midlands is a large and potentially powerful player in a national and international context. However, making the most of the West Midlands regional identity and promoting ourselves effectively as a region remains a challenge for the region's businesses, places and people. Providing a powerful voice for the region means understanding and being able to articulate the factors that are influencing the development of the region. It is about using that information effectively to influence decision-makers in government, businesses and other organisations at national and international levels. Finally, providing a powerful voice is also about presenting positive images of the West Midlands to attract potential new investors, businesses, visitors (for business or pleasure), students and residents to the region and to retain those that currently choose to locate here.

### 7.2 Strengths and opportunities for the region

One of the great strengths and opportunities for the West Midlands is the diversity of the people and places that comprise the region. We need to be better at recognising these strengths and making the most of the associated opportunities.

The West Midlands already has a good record for attracting investment. We have consistently been among the best UK regions for attracting business investment. There are currently around 2,145 overseas companies located in the region from 40 countries, employing some 220,000 people, 10% of the region's workforce. More than 124 million business and leisure tourists visit the West Midlands every year, adding £4.8 billion to the region's economy. Major cultural and sporting events recently held in the region include the European Indoor Athletics Championships and the BBC Sports Personality of the Year.

The West Midlands Regional Marketing Strategy, developed in consultation with a broad range of regional partners, exist to guide regional partners and stakeholders in their work to market the region more effectively. Many are already demonstrating their commitment to developing a more powerful image for the region through delivery of well-executed, forward looking activities. The West Midlands Ambassadors group was formed to bring together dynamic leaders in business, politics, sports, media and the arts to help promote the West Midlands Region.

West Midlands in Europe, the representation office for the region in Brussels, has given the region a high profile on the European stage which has helped West Midlands organisations to develop successful partnerships and projects in the enlarged single market and on the international stage. They have helped secure EU funding for transnational projects supporting the region's automotive cluster, cultural sector, rural development, research potential and business links.

### 7.3 Weaknesses and threats for the region

In an increasingly competitive world, continuing to grow and attract investment requires regions to be as effective as possible at promoting themselves to potential investors,

businesses, tourists, and new residents. The West Midlands must compete, with other UK regions and countries, but more importantly on a European and international basis.

There is currently no shortage of marketing, promotional and lobbying activity targeted at national and international audiences. This is often being undertaken by a range of organisations across the region and not always in the most effective way. Whilst recognising the need for different parts of the region to make the most of their own individual assets or to argue their specific case, we also need to know when to speak and act collectively, with one voice. The more disparate our approach towards promoting our region and attracting investment, the less effective we will be on the national, European and international stage. To be more effective, the West Midlands needs to develop a strong, and cohesive regional voice and not be afraid to use this voice where we have a strong message to give. Having a powerful voice is as much about **what** we have to say as it is about **how** we say it.

## **7.4 Strategic objectives**

Under powerful voice we identify the following objectives:

### **1. Improving the evidence base for policy**

*Successful regions are able to understand and articulate the factors that are influencing their development. They use this information to develop, refine, monitor and evaluate strategy and the implementation of policy. A strong and shared evidence base is also vital in developing common approaches to regional issues and in influencing important decision makers within and outside the region.*

**Objective: Understand, share and deploy information about the development of the region to help refine, monitor and evaluate strategy and the implementation of policy.**

#### **Indicative actions:**

- Ongoing development of the regional evidence base and analysis, for example through the production of regular State of the Region reports by the West Midlands Regional Observatory, to inform regional activity.
- Ensure more widespread use of the regional evidence base to inform the development, monitoring and evaluation of regional strategies and the implementation of policy.

### **2. Engaging with UK, European and international decision makers**

*Successful regions are able to articulate and deploy information about the factors influencing their development to engage with and influence decision-makers in government, business and other organisations at national and international levels. Whilst recognising the need for different parts of the region to make the most of their*

*own individual assets or to argue their specific case, successful regions also know when to speak and act collectively, with one voice.*

**Objective: Pursue effective engagement with and seek to influence decision-makers in government, business and other organisations at national and international levels to benefit the region.**

**Indicative actions:**

- Continue to improve partnership working at a strategic level within the region to enable the development of strong and broadly shared regional positions where appropriate.
- Work with neighbouring regions, or regions with shared interests, on issues of importance to the development of the West Midlands (examples include joint working on strategic transport issues, and inward investment activity)
- Develop a regional European strategy which might include; benchmarking ourselves against major European regions; seeking to exchange best practice and learning from other successful regions; maximising the use of European funding within the region, especially EU Structural Funds, trans-national and research and development programmes; co-operating closely with partners and using our office in Brussels both to influence European policy and legislation to benefit the West Midlands.
- Develop a stronger international profile for the region by engaging with international partners where these partnerships can benefit the region in strategic areas.

### **3. Improving our image and marketing the region**

*Successful regions are able to project positive images to attract and retain potential new investors, businesses, visitors (for business or pleasure), students and residents. Whilst recognising the need for different parts of the region to make the most of their own individual assets, successful regions also know when – and are able - to act collectively.*

**Objective: Develop and make effective use of positive images and marketing material about the region to attract and retain potential new investors, businesses, visitors (for business or pleasure), students and residents.**

**Indicative actions:**

- Review progress against and subsequently develop and improve the Regional Marketing Strategy, seeking buy-in from stakeholders across the region
- Establish a region-wide Major Events and Bid forum to lead in the development and delivery of a regional strategy for attracting/retaining major events and major investment opportunities.
- Support the development and delivery of perception-changing campaigns of activity

targeting business, media and government audiences in the UK and internationally.

Consultation question 6: For the Powerful Voice section of the strategy, have we identified the right set of objectives and indicative actions? What actions are you or your organisation likely to lead, or be a significant partner in helping to deliver?

Consultation question 7: Across the four main sections of the strategy (Business, Place, People and Powerful Voice), have we identified the right balance of objectives? Should some areas receive greater or less emphasis?

## 8. FOCUS

The region faces a wide range of challenges and opportunities. These vary enormously across different parts of the region. The available resources for public intervention in economic development and regeneration, although still substantial (see section 10), will face heavy demands in the future. The Government's 2007 Comprehensive Spending Review is likely to lead to real term budget reductions for many areas of public expenditure. Against this backcloth, this strategy needs to focus resources to make the maximum impact to achieve our ambitious vision for the West Midlands.

It is important that this strategy and West Midlands Regional Spatial Strategy (WMRSS) are consistent. The WMRSS is currently undergoing a partial revision and that process will not be completed until some time after this strategy is finalised. The approach to spatial targeting set out in this section is consistent with the current WMRSS and, in particular, the "Prosperity for All" policy area and its primary focus on the main urban areas. This is particularly true for the focus on Regeneration Zones, which are, themselves, recognised in the WMRSS. However, it is clear that there is a new growth agenda and much greater need for future housing growth than previously anticipated<sup>17</sup>. This is likely to lead to the revised WMRSS recognising the need for the greater development and expansion of sustainable communities outside the main urban areas.

This strategy is more specific in its approach to spatial targeting than previous versions. The interventions proposed can be differentiated into the following three categories:

- Objectives which are intended to be **region-wide with no deliberate spatial focus**. Much of the activity supported by the strategy is, intentionally, available throughout the region.
- Objectives which have a **primary spatial focus**, largely those which are focused on where substantial capital investment will need to take place.
- Objectives which are **region-wide, but with some spatial focus**. Here there will be a base level of support across the region, but additional effort and resources in target areas. This applies to several of the business and people objectives.

In delivering these objectives, there are **three primary areas for spatial focus**:

1. Areas of **multiple market failure** and disadvantage, where there is need to concentrate resources to tackle the overlapping causes of market failure. To date these areas have been defined as the region's six Regeneration Zones. In developing this strategy we have concluded that the Regeneration Zone areas continue to be highly relevant. They contain by far the highest concentration of the region's areas of significant deprivation and disadvantage: 84% of the most deprived areas<sup>18</sup> in the region are

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<sup>17</sup> The latest ONS projects are for the number of households in the West Midlands to rise by 400,000 (19%) from 2003 to 2026 on the back of a 300,000 (6%) increase in population

<sup>18</sup> Those Super Output Areas (SOAs) in the region which fall within the 10% most deprived in England according to the 2004 Index of Multiple Deprivation. Overall 84% of these most deprived SOAs are in the Regeneration Zones, yet overall the RZs contain only account for 37% of all SOAs overall in the region.

located in the Zones. It is therefore proposed that the current Zone areas continue to be used to define the spatial areas of greatest need and multiple market failure. The Regeneration Zones are also about linking need with opportunity and overlap very closely with and include other important policy interventions such as Urban Regeneration Companies and Housing Market Renewal areas. As well as investment in these areas, this strategy supports much improved links to the region's areas of employment growth.

2. Concentrations of **knowledge assets**. There are parts of the region where knowledge assets - research institutions, Higher Education Institutions, research intensive businesses and suitable property opportunities - are concentrated. There are important opportunities to build on and exploit in these areas. The areas are principally recognised in the three High Technology Corridors<sup>19</sup>. This strategy also recognises the important concentration of such assets around North Staffordshire linked to the two Universities there and the related business activities. The Birmingham Science City proposals are also important.

3. The final primary area of spatial focus is the **regional centre in Birmingham**. The importance of the success of the city centre, at the heart of the region, to the regional and national economy is widely acknowledged and critical for the region's international positioning.

This strategy also recognises that significant economic activity takes place in areas beyond those of primary focus, set out above. There is a need to support growth and regeneration in particular sub-regional and local areas. This strategy therefore identifies other areas for more limited investment to support sustainable communities, giving a **secondary spatial focus**. These are:

**Growth Areas and strategic centres** - Outside the main urban areas, we anticipate the identification of a number of locations where the expansion of housing and associated employment and others uses will help accommodate the future growth needs of the region in a sustainable manner<sup>20</sup>. This strategy supports investment in these areas that ensures a sustainable approach to housing and employment and the links between the two. Across the region there are also a number of towns whose economies are undergoing, or have undergone, significant economic restructuring. This strategy supports investment in these towns to assist the ongoing development of these local economies.

**Market towns** (both inside the Rural Regeneration Zone and elsewhere) - The focus on market towns has proven a successful way of developing strong, sustainable centres for employment, investment and services in the region's rural areas. This strategy supports the continuation of this approach.

This strategy is therefore relevant to all parts of the region, though it is also clear about its specific areas of focus. The contribution that each sub-region can make to delivering this strategy is summarised in Appendix V.

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<sup>19</sup> The Central Technology Belt, Wolverhampton-Telford and Coventry/Solihull/Warwickshire

<sup>20</sup> The current WMRSS policy identifies a number of "Sub-Regional Foci" as locations for future growth

Consultation question 8: Have we identified the right focus for the strategy? If not, how should it be different and why?

## 9. DELIVERY

Chapters 1 to 8 set out what needs to be done to achieve the vision for the region's economic development and regeneration. The vision can only be achieved by partners working together across the region. This chapter identifies the resources that are available to help deliver the strategy and indicates the role that different organisations and partnerships have to play in helping to deliver this strategy.

### 9.1 Resources

We estimate<sup>21</sup> that around £120 billion of public sector resources will come into the region over the next 5 years. Around £20 billion of this is directly for economic development and regeneration. £2.2 billion of this is resource from Advantage West Midlands, plus European Structural Funding. In addition, a further £23 billion is likely to be significantly or partially influenced by this strategy. This includes the resources of partners such as the Learning and Skills Council and some elements of local authority expenditure.

Of the £120 billion available to support this strategy, £1.3 billion is related to the activity under 'Business', £20.6 billion to activity under 'Place' and £96.6 billion to activity under 'People.' Further, based on rough estimates of private sector spend, a total of around £14.4 billion will be spent in 2007/8 by the private sector on investment activities related to this strategy.

Figure X (overleaf) summarises the results of our analysis of the public and private sector resources that are either available, or may subject to leverage or influence, to help deliver this strategy. The task for all of us is to ensure that the influence of this strategy on the allocation of resources relevant to the region's economic development and regeneration is maintained and, wherever possible, extended.

### 9.2 Partnerships

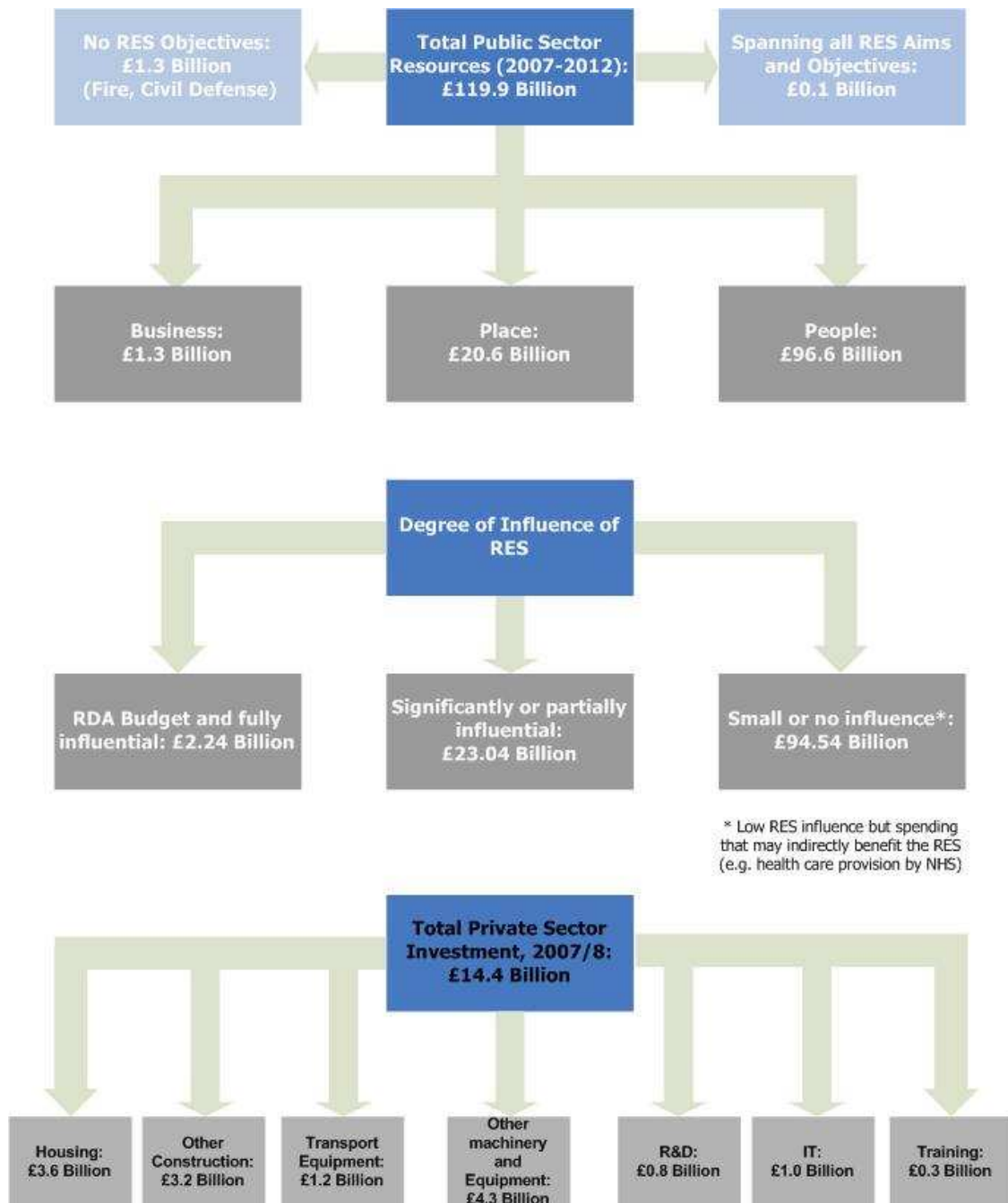
#### Regional partnerships

This strategy can only be delivered in partnership. The region has a strong record of building effective partnerships. At the highest level, partnership activity is co-ordinated through the Regional Concordat, overseen by the West Midlands Regional Assembly (WMRA). The Concordat provides a framework for partnership working between regional organisations and assists WMRA in ensuring coherence between regional strategies.

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<sup>21</sup> This estimate is made on a provisional basis. The allocation of resources between the three main themes (Business, People and Place) is based on a subjective judgement – so, for example, more of the 'skills' related funding streams could have been allocated to 'business' as opposed to 'people'. The estimate draws on current known resource plans and assumes zero real growth in resources beyond 2007/08. It is expressed in current (cash) prices, i.e. they are not converted to a common price basis.

## Resources available to help deliver the strategy, 2007 - 2012



At regional level, a number of partnerships or boards have been established to help address the most important economic development and regeneration issues facing the region. These partnerships or boards, though different in their precise role and functions, are generally composed of the most important delivery organisations, 'experts' and 'customers' for the issues in question. Their functions typically include acting as sounding boards and sources of expertise for the development of regional policies and they sometimes also provide a forum for the co-ordination and prioritisation of activity.

Established regional partnerships or boards that have a particular role to play in the delivery of this strategy include:

In relation to Business:

- Enterprise Board
- Innovation and Technology Council
- Regional Finance Forum

In relation to Place:

- Regional Planning Partnership (a sub-partnership of the WMRA)
- Regional Transport Partnership (also a sub-partnership of the WMRA)
- Regional Housing Partnership (also a sub-partnership of the WMRA)
- Rural Affairs Forum (also a sub-partnership of the WMRA)

In relation to People:

- Regional Skills Partnership
- Economic Inclusion Partnership (yet to be established)

This list is far from exhaustive but is intended to give a flavour of a number of the partnerships operating at regional level that are most important to the delivery of this strategy.

### **Sub-Regional and local partnerships**

The role of partnerships is equally vital at sub-regional and local levels. Sub-regional partnerships often bring together a range of organisations from the public, private and 'third' sectors. Their size, scale and precise remit vary across the region, dependent on local circumstances but they typically play an important role in developing and setting strategy at a more local level. These partnerships also provide an important link between thinking at regional and local levels.

Local Strategic Partnerships (LSPs), through Sustainable Community Strategies, are best placed to identify and address particular and specific local economic development issues, and are crucial in terms of aligning and co-ordinating the activities of local partners and stakeholders. Local Area Agreements, and the emerging concept of Multi-Area Agreements, provide a mechanism that could potentially help to improve co-ordination of - and engagement in - economic development and regeneration activity between regional, sub-regional and local levels. One potential way forward would be

through the development, by each sub-regional partnership, of a multi-area agreement covering economic development and regeneration activity in their area.

### **Working across regional boundaries - Opportunities for cross-regional growth**

The central location of the region presents a number of opportunities for cross-regional activity on economic development and regeneration. Examples include:

- North West – Important strategic transport links (particularly along the M6 and West Coast Mainline); potential to enhance economic linkages between the Potteries/South Cheshire area
- South West – Interaction between housing markets (Gloucester/Cheltenham sub-region); tourism and rural regeneration
- South East – Important strategic transport links (M45-M1, M40 and West Coast Mainline); economic linkages (car industry and high tech engineering); the implications of the Sustainable Communities Plan
- East Midlands – Smart Growth: Midlands Way; regional logistics agenda – links to DIRFT; roles of BIA and East Midlands Airport; the National Forest; interrelationship with Milton Keynes South Midlands Growth Area; functional/ labour market linkages between major settlements (Rugby, Nuneaton, Tamworth, Burton, Coventry); Peak District National Park; Midlands Aerospace Alliance
- Wales – Tourism links and complementary rural regeneration policies; the Central Wales – West Midlands Memorandum of Understanding.

### **International partnerships**

International trade, exports and inward investment are all important factors in helping the region to grow. Transnational activity can be supported by both national and European resources. For example, over €172 billion is available in EU transnational funding programmes between 2007 and 2013. Our region could receive up to €1.7 billion of this funding (in addition to the Structural Funds). In order to attract many of these funds, organisations in the region will have to work with partners in other regions in the EU. It is therefore important that the region has the capacity to build the partnerships that can lead to longer term relationships which will benefit the region.

## **9.3 Delivery**

Section 8 categorised the interventions set out in this strategy into:

- Objectives which are intended to be **region-wide with no deliberate spatial focus**.
- Objectives which have a **primary spatial focus**, largely those which are focused on where substantial capital investment will need to take place.

- Objectives which are **region-wide, but with some spatial focus**. Here there will be a base level of support across the region, but additional effort and resources in target areas.

Delivery of objectives in the first category – those that are intentionally region-wide with no deliberate spatial focus – will be guided by the regional partnerships outlined in the previous section. Delivery of objectives that fall within the second two categories – those with a primary spatial focus or those that are region-wide but with some element of spatial focus – will need to be delivered through the engagement of sub-regional and local partnerships of the type identified above.

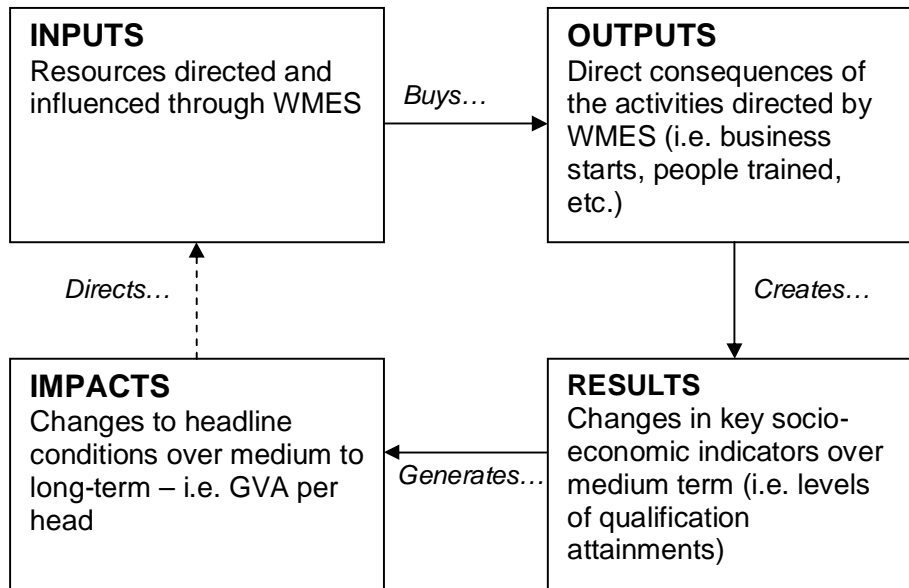
As part of the consultation on this draft strategy, Advantage West Midlands will be seeking to engage regional and sub-regional organisations and partnerships in a dialogue about the role that they can play in helping to deliver this strategy. Consultation questions 2, 3, 4 and 5 will be central to this dialogue but, in addition, we will also be seeking views on how organisations within and outside the region can work more effectively together to help deliver this strategy.

Consultation question 9: What role should regional, sub-regional and local partnerships play in helping to deliver this strategy?

## 10. MONITORING PERFORMANCE

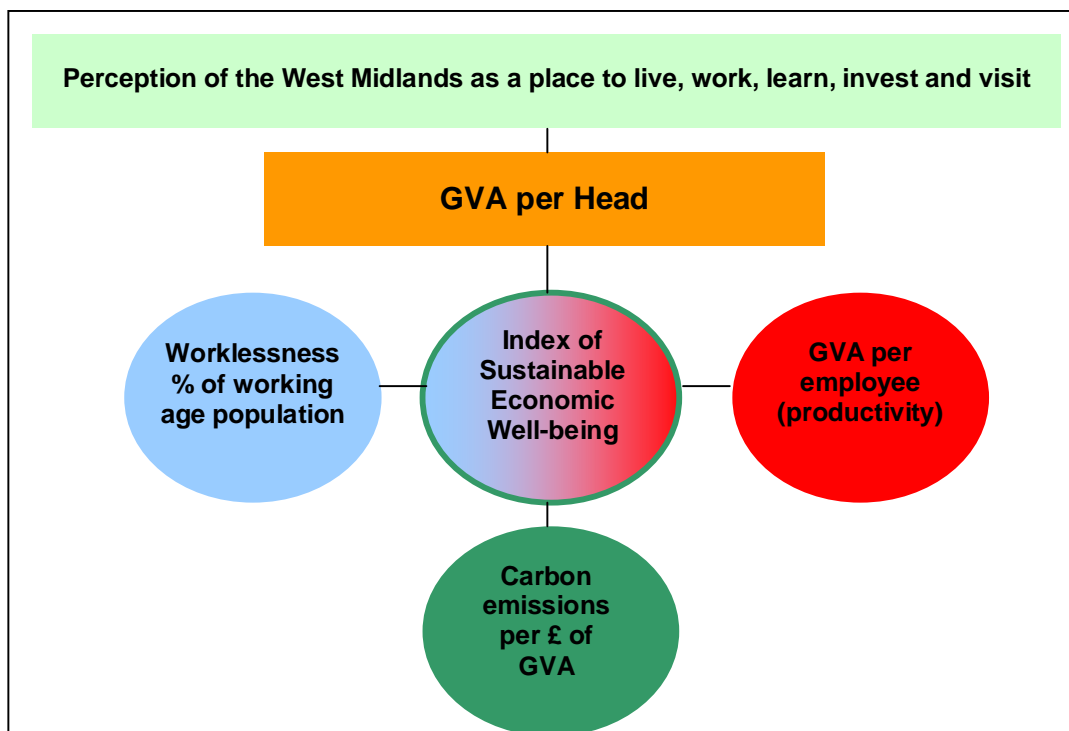
### 10.1 Overall approach

To monitor progress toward achieving our vision we will look at the inputs, outputs, results and impacts directed by the strategy.



### 10.2 Headline impact measures

As set out in Section 1, underpinning the Vision we propose one headline impact indicator (GVA per head), supported by five supplementary indicators that we will use to monitor progress toward achieving our vision.



The following table shows the current baseline for the headline indicator and the five supplementary indicators.

Impact Measure	Baseline		Recent Progress compared to UK/England <sup>22</sup>
	West Mids	UK/England	
GVA per Head	£15,812	£18,051	<b>Worsening</b>
Index of Sustainable Economic Wellbeing	£9,245	£9,714	<b>Worsening</b>
Worklessness - % of working age population unemployed or on incapacity benefit/severe disablement allowance	15.54%	14.53%	<b>Improving</b>
GVA per employee	£35,947	£40,042	<b>Worsening</b>
Carbon emissions (tonnes of CO2) per £10,000 GVA	5.27	5.51	<b>Stable</b>
Indicator on perceptions (to be developed)	tbd	n/a	tbd

<sup>22</sup> This column reflects relative progress of the West Midlands against the UK/England rather than absolute performance. For example, while the region currently has lower carbon emissions per unit of output than the UK, this is increasing while the UK average is decreasing, hence a relative worsening of our position.

Most of these measures of headline impact can only be used to assess progress over the medium term. This is because the data used, for example for regional GVA, is often only available with several years lag. In addition, the indicators are influenced by a wide range of factors – some of which are beyond the control of the region and this strategy.

It is therefore also important to measure progress using a set of lower level indicators, which are more directly related to the specific objectives and actions set out in the strategy. These 'results' indicators, set out in the following section, have been selected in such a way that, all other things being equal, positive progress on these will lead (in time) to an improvement in the headline impact indicators.

### **10.3 Results indicators**

The following results indicators have been broken down according to the three main themes of the strategy – Business, Place and People. Progress against them will be reviewed and reported on a regular basis to help inform and drive forward actions and initiatives within the region. A number of these indicators are the same as those used in the previous version of this strategy, providing an element of continuity and consistency. In addition, data for many of these indicators are available at a sub-regional level, allowing a more sophisticated and detailed analysis of performance.

The table below provides the current baseline data for each indicator for both the West Midlands and the UK, and the trend in the region's performance relative to the UK (improving, stable or worsening). For sake of brevity in this document, sub-regional data (where available) has not been included – although a number are detailed in Section 2.

## Result Indicators

Indicator	Baseline		Recent Progress compared to UK/England <sup>23</sup>	
	West Midlands	UK/England		
<b>Business</b>	Proportion of workforce employed in private sector knowledge intensive (K1) sectors	5.5%	23.3%	Improving
	% of companies reporting innovative activity	55%	57%*	n/a
	Levels of Total Entrepreneurial Activity (TEA)	5.3%	5.8%	Improving
	Investment in training – proportion of staff trained by their employer	56%	61%	Stable
<b>Place</b>	% of regional super output areas classified as in top 20% most deprived nationally	26.3%	23.8%*	No trend data yet available
	Housing affordability – ratio of average house price compared to average salary	7.55	8.24	Stable
	Congestion – mean travel to work time to work (in minutes)	23 mins	26 mins	Worsening
	Net inter-regional population migration within the UK	-4,600	-2,233*	Improving
<b>People</b>	Proportion of graduates finding employment in their region of study after graduation	64.5%	65.1%	Improving
	Proportion of the population with no qualifications	17%	14%	Improving
	% of working age population on incapacity benefit	10.1%	9.2%	Worsening
	Proportion of pupils achieving 5 A*-C GCSE's including Maths and English	40.3%	42.4%	Improving

<sup>23</sup> This column reflects relative progress of the West Midlands against the UK/England rather than absolute performance. For instance, whilst the Housing Affordability Ratio in the region has been increasing significant over recent years, it has been doing so at a similar rate as England as a whole – hence the relative position is stable.

\* These figures relate to the average figure for all English regions.

## **Appendices**

## Appendix I

### List of consultation questions

1. Do you agree with the proposed vision? If not, what alternative would you propose?
2. Do you agree with the proposed headline measures of performance? If not, what alternatives would you propose?
3. For the Business section of the strategy, have we identified the right set of objectives and indicative actions? What actions are you or your organisation likely to lead, or be a significant partner in helping to deliver?
4. For the Place section of the strategy, have we identified the right set of objectives and indicative actions? What actions are you or your organisation likely to lead, or be a significant partner in helping to deliver?
5. For the People section of the strategy, have we identified the right set of objectives and indicative actions? What actions are you or your organisation likely to lead, or be a significant partner in helping to deliver?
6. For the Powerful Voice section of the strategy, have we identified the right set of objectives and indicative actions? What actions are you or your organisation likely to lead, or be a significant partner in helping to deliver?
7. Across the four main sections of the strategy (Business, Place, People and Powerful Voice), have we identified the right balance of objectives? Should some areas receive greater or less emphasis?
8. Have we identified the right focus for the strategy? If not, how should it be different and why?
9. What role should regional, sub-regional and local partnerships play in helping to deliver this strategy?

If you have any other comments relating to this draft strategy, that you have not been able to include in your response to any of the previous questions, please feel free to add these additional comments and the end of your response.

## Appendix II

### Underlying principles

The commitment to sustainable development is a fundamental aspect of this Strategy. Fully informed by the governments' *March 2005 Sustainable Development Strategy (SDS)*, the Regional Sustainable Development Framework (2006) and Future Advantage – Advantage West Midlands Sustainable Development Policy and Action Plan, this strategy is seeking a sustainable economy that supports a healthy and just society, living within environment limits.

#### **Sustainability Appraisal – Integrated Assessment**

To help achieve this, the strategy is put through a Sustainability Appraisal (SA) which is an integrated economic, environmental, and social assessment of the impacts the strategy could have. This process also brings together a range of assessment processes such as the legal requirements of the Strategic Environmental Assessment (SEA), 'Future proofing' (testing the resilience of the strategy to future drivers), and other expertise on low carbon, climate adaptation, equality and diversity

This work is led by Halcrow Consultants, with support from Forum for the Future (Future Proofing), Climate Change Adaptation Partnership, Arthur D Little (Low Carbon) and the Sustainability Working Group which includes the region's statutory environmental partners and Sustainability West Midlands.

This assessment of the strategy began from the earliest possible stage – developing the policy choices. As new evidence and issues arise during the process these are fed into the SA to ensure a consistent assessment approach is used to inform improvements in the strategy at key stages. There have also been a series of 'snapshot' assessments of internal drafts to help support the strategy drafting process.

Our approach to sustainability appraisal has been recognised as national good practice. We have also been the first region to incorporate 'future proofing' consistently into strategy development and our sustainability appraisal process.

Of particular importance to this strategy are several elements of sustainable development that we have chosen for focus – the longer view, type of growth, and ensuring the benefits are shared.

#### **The longer view – Using long term thinking**

We have commissioned a series of work on the future prospects of the regional economy, future drivers the region needs to respond to, and specific work, such as studies on migration, and climate impacts. This has been incorporated into the strategy development and the 'future proofing' part of the sustainability appraisal.

## **The type of growth - Developing a Low Carbon Economy**

The focus on a low carbon economy is a cornerstone of this Strategy. Equipped with the government findings and conclusions of the *Stern Review of the economics of climate change*, this strategy sets out to be the UK's first *low carbon regional economy strategy*. To provide independent verification for this claim we commissioned Arthur D Little consultants who work globally with many of our key sectors to help us define what a low carbon regional economic strategy would look like and how the strategy could achieve this. Further work will be conducted to develop this thinking with the different businesses, places and people within the region to produce relevant tailored targets and actions.

## **The type of growth – valuing the environment**

We have added the value of the environment as a vital component of the right type of economic growth within the strategy development. For example we are using the Index of Sustainable Economic Well-being as one measure of performance. This combines environmental, economic and social indicators. We considered quality of life alongside the Treasury's drivers of productivity, and this has resulted in the economic role and value of the environment being built into several of our objectives. The SEA part of the Sustainability Appraisal has also helped to improve areas where environmental issues need to be considered.

## **Ensuring the benefits are shared - Equality, Diversity and Inclusion**

The focus on equality, diversity and inclusion is central to this Strategy. The West Midlands Strategic Partnership for Equality and Diversity at the West Midlands Regional Assembly and Sustainability West Midlands held a workshop, which developed some key criteria for supporting the development of this strategy in a way that fully reflects the principle of equalities and diversity.

Those criteria have been reflected in the consultation draft, along with the specific responses to the policy choices from the equalities and diversity partnership. The criteria and the expertise of the Partnership will continue to be used to embed equality and diversity into the final Strategy.

## **Urban and Rural Renaissance**

This strategy contains a strong commitment to urban and rural renaissance. Advantage West Midlands have worked very closely with the Rural Affairs Forum and the West Midlands Regional Assembly to ensure that the implications of the Strategy for the rural parts of the region and for rural policy interests have been considered and addressed, a process also known as "rural proofing".

The Rural Affairs Forum is the key regional body in ensuring that the West Midlands Economic Strategy is rural proofed. The RAF, WMRA and AWM have agreed an approach which aligns the proofing of this strategy and the WMRSS. A joint Regional Economic Strategy / Regional Spatial Strategy working group has met on a regular basis during the strategy development process to ensure alignment between the two strategies.

Through this alignment with the WMRSS, this strategy aims to meet the twin aims of urban and rural renaissance. In particular the 'Place' element of the WMES will direct and support activity contributing to this commitment.

## Appendix III

# The role of the West Midlands Economic Strategy and links to other regional strategies

### The role of the Regional Economic Strategy

The role of the Regional Economic Strategy is to set the agenda and provide leadership for achieving economic development in the region. The *DTI – 2005 Guidance to RDAs on Regional Strategies* states that, “The role of the Regional Economic Strategy is to provide a shared vision for the development of the region’s economy, to improve economic performance and enhance the region’s competitiveness. The aim is that the strategy is owned by the whole region and draws on the resources of all the major partners in the region. It needs to provide a strategic vision for the region, backed by a firm evidence base which will help ensure its influence on other regional strategies, and that these are mutually reinforcing, and on national and regional policies. It needs to ensure that delivery is effective at all levels. And it needs to identify priorities and ensure that common goals are adopted.”

By aligning with other regional strategies and by seeking to influence the spending of other partners in the region, the Strategy pulls together the region’s resources towards achieving the shared West Midlands Economic Strategy vision.

### Relationship with the Regional Spatial Strategy

The West Midlands Regional Spatial Strategy (WMRSS) sets out the long-term spatial planning framework for the region. Incorporating the Regional Transport Strategy, the WMRSS provides a coherent framework for the development of local authority development plans and local transport plans.

The Regional Economic Strategy and the WMRSS work together. Whilst the WMRSS focuses on spatial and land use related issues, the economic strategy provides the policy context for economic issues as they relate to development and regeneration. The West Midlands Regional Assembly and Advantage West Midlands have worked closely together to strengthen the relationship and ensure alignment between the two strategies.

### List of linked strategies and other regional frameworks *(this list is not exhaustive)*

- Regional Spatial Strategy
- Regional Sustainable Development Framework
- Regional Housing Strategy
- Regional Energy Strategy

- Regional Transport Delivery Plan
- Regional Cultural Strategy
- European Structural Funds
- Regional Marketing Strategy
- Enterprise Framework
- Skills Priorities for Action
- Regional Innovation Strategy
- West Midlands Visitor Economy Strategy

## Appendix IV

### Overview of the Strategy production process

The West Midlands Economic Strategy (WMES) Review process was launched in March 2006. With the endorsement of the West Midlands Regional Assembly and working closely with the WMES Regional Reference Group (the members are listed at the end of this appendix), the review has proceeded as follows:

- |                                      |                                    |
|--------------------------------------|------------------------------------|
| • <i>March to July 2006</i>          | Build the evidence base            |
| • <i>August to October 2006</i>      | Develop the policy choices         |
| • <i>November 2006 February 2007</i> | Consult on the policy choices      |
| • <i>March to April 2007</i>         | Write consultation draft           |
| • <i>May to July 2007</i>            | Consult on the full draft Strategy |
| • <i>November 2007</i>               | Publication                        |

Alongside these phases and running concurrently with the review process is the work undertaken for the Sustainability Appraisal (SA) and Strategic Environmental Assessment (SEA).

#### Building the evidence base

The first phase of the review involved evidence gathering. This work was structured under five main projects. The West Midlands Regional Observatory was commissioned to undertake the work involved in Projects 1, 2 and 3, alongside some of the region's academic partners. GHK Consulting Ltd was contracted to undertake Projects 4 and 5. A project group, comprising representatives from a range of regional partner organisations, was established to act as a reference group for each of the five projects.

For detailed information on the specific aspects of this phase please visit <http://www.advantagewm.co.uk/phase-1.html> on the Advantage West Midlands Website.

[Project 1: Future Prospects for the Region's Economy](#)

[Project 2: Factors influencing the Relative Performance of the West Midlands' Economy](#)

[Project 3: Functioning Economic Geography](#)

[Project 4: Evaluation of the Impact of the West Midlands Economic Strategy](#)

[Project 5: Evaluation of delivery mechanisms](#)

#### Developing and consulting on policy choices

The second phase of the review developed a series of policy choices. In phase three - the consultation on policy choices - feedback was invited on the identified issues and

choices facing the region. The consultation began on 10<sup>th</sup> November 2006 and ended on 28<sup>th</sup> February 2007.

The consultation took various forms: a series of events took place throughout the region during January and February which more than 600 people attended in total; Advantage West Midlands' staff attended more than 50 meetings of partners and stakeholders to present and discuss the policy choices. Written responses were also invited to the policy choices consultation document. Just under 200 written responses were received.

The feedback from the policy choices consultation was used to inform the development of this revised draft strategy. A summary analysis of the consultation feedback is being published at the same time as this draft strategy.

### **Consulting on the full draft strategy**

Following the close of the policy choices consultation, this full draft strategy has been developed. Consultation on this document will run through May, June and July 2007. Alongside this draft strategy, we are also making available an assessment of the potential environmental impacts of the proposals. This has been undertaken as part of a broader sustainability appraisal and future proofing of the developing strategy. A full statement on how we will meet our obligations under the Strategic Environmental Assessment Directive, forms part of this consultation.

### **Publication**

Following completion of the consultation on this draft strategy, it is anticipated that the final, revised, version of the strategy will be produced in early November 2007.

## WMES Regional Reference Group – Membership

Title	Forename	Surname	Position	Organisation
Mr	John	Edwards <b>(Group Chair)</b>	Chief Executive	Advantage West Midlands
Mr	Tim	Gebbels	Corporate Director	Advantage West Midlands
Ms	Rose	Poulter	Policy Director	WMRA / WMLGA
Ms	Katherine	Kerswell	Chief Executive	Solihull MBC (Regional Chief Executives Group)
Ms	Carolyn	Downs	Chief Executive	Shropshire County Council (Regional Chief Executives Group)
Mr	Peter	Davenport	Head of Policy Development	Staffordshire County Council (Shires Advisor)
Ms	Trudi	Elliot	Regional Director	Government Office for the West Midlands
Mr	Barrie	Williams	Chairman	West Midlands Business Council
Mr	Gerard	Coyne	Midlands Regional Secretary	Transport & General Workers Union
Mr	David	Cragg	Regional Director	Learning & Skills Council
Prof.	Christine	King	Chair	WMHEA - c/o Vice-Chancellor and Chief Executive of Staffordshire University.
Dr	Rashmi	Shukla	Regional Director	West Midlands Public Health Group
Mr	Richard	Quallington	Chair	Regional Action West Midlands
Mr	Bernard	Doyle	Chair	Sustainability West Midlands
Mr	Brian	Woods-Scawen	Chair	Culture West Midlands
Mr	Chris	Clifford	Regional Director	CBI
Mr	Mike	Beasley	Chair	Regional Skills Partnership
Mr	Norman	Price	Chair	Enterprise Board & Regional Finance Forum
Mr	John	Banyard	Chair	Innovation and Technology Council
Ms	Alison	McLean	Vice Chair	Rural Affairs Forum
Mr	Brian	Summers	Chair	Tourism West Midlands
Mr	Mohammed	Nazir	Chair	Ethnic Minority Business Forum
Cllr	Roger	Philips	Chair	Regional Transport Partnership
Cllr	Jo	Jones	Chair	Regional Equalities and Diversity Partnership
Cllr	Rex	Roberts	Chair	Regional Planning Partnerships
Mr	Norman	Cave	Chair	Association of Colleges
Ms	Glynis	Whiting	Director	West Midlands in Europe
Mr	Simon	Murphy	Project Director	Our City Region
Mr	Roger	McKenzie	Regional Secretary	Trade Union Congress
Mr	Mark	Sitton-Kent	Midlands Regional Director	Environment Agency

## Appendix V

### Sub-Regional implications of the strategy

#### Introduction

This appendix summarises the contribution that each sub-region can make to delivering this strategy. It is intended to be illustrative, rather than prescriptive. For this purpose, we have divided the region into five main sub-regions:

- Birmingham and Solihull
- The Black Country
- Coventry and Warwickshire
- Herefordshire, Worcestershire, Shropshire and Telford and Wrekin
- Stoke-on-Trent and Staffordshire

Stronger economic development and regeneration activity in every sub-region is crucial to the successful delivery of this strategy. Beyond this, the specific contribution that each sub-region can make is summarised in the sections below. In each section, the most relevant related objectives of this strategy are shown in italics.

#### Birmingham and Solihull

##### Snapshot of the sub-regional economy:

	GVA per Head* (£), (2004)	Economic Activity Rates (Jul 05-Jun 06)	Enterprise (Combined enterprise index*), (2005)	% of population -no qualifications (2005)	% of population – NVQ 4+ (2005)
<b>W. Mids</b>	£15,325	76.9%	100.0	17.7%	23.0%
<b>Birmingham</b>	£17,783	69.1%	101.2	21.6%	22.4%
<b>Solihull</b>	£20,674	80.1%	103.4	9.8%	30.0%

##### Contribution of the sub-region to delivering the WMES

###### *in relation to Business:*

- Sub-region wide activity on capitalising the low carbon agenda, reducing business carbon emissions, exploiting markets and sectors with growth potential, harnessing process innovation and competing in markets [*Capitalise on low carbon opportunities*]
- Promoting and developing Birmingham Science City, and the connection of UCE, Aston University and Birmingham University into knowledge transfer and business development (the Central Technology Belt). [*Investing in high value skills for the future economy and exploiting regional knowledge assets*]

- Driving up entrepreneurship and stimulating employer investment in skills and training, with extra effort focused on areas of need in the City Centre, Eastern and North West Birmingham, North Solihull. *[Driving up entrepreneurship]*

***in relation to Place:***

- Supporting the development of the City Centre Masterplan and maximising the benefit of the BIA, ICC and NEC as prime assets for the region. *[Birmingham competing as an international city]*
- Emphasizing the importance of New Street and BIA as gateways for the region, and the key part that they play in linking goods, people and services to markets. *[Birmingham competing as an international city and Improving transport and accessibility to support competitiveness]*
- Targeting the most deprived areas of the sub-region, particularly in the City Centre, Eastern and North West Birmingham, and North Solihull. *[Regenerating our most deprived communities]*

***in relation to People:***

- Reducing worklessness and driving up skill levels within the sub-region, focussing on particular areas of need in Birmingham City Centre, Eastern and North West Birmingham, North Solihull. *[Participating in economic activity]*
- Retaining the significant number of graduates from the sub-region's higher education establishments, and maximising the opportunities of a highly diverse population. *[Employing a diverse and dynamic labour force]*

## **The Black Country**

**Snapshot of the sub-regional economy:**

	GVA per Head* (£), (2004)	Economic Activity Rates (Jul 05-Jun 06)	Enterprise (Combined enterprise index*), (2005)	% of population -no qualifications (2005)	% of population – NVQ 4+ (2005)
<b>W. Mids</b>	£15,325	76.9%	100.0	17.7%	23.0%
<b>Dudley</b>	£13,806	79.4%	95.8	14.9%	20.8%
<b>Sandwell</b>		71.2%	103.8	25.5%	16.4%
<b>Walsall</b>	£14,319	73.6%	87.6	21.8%	16.8%
<b>W'hampton</b>		72.6%	89.4	24.0%	18.6%

## **Contribution of the sub-region to delivering the WMES**

### ***in relation to Business:***

- Changing the occupational structure by creating more senior and professional occupations); 60,000 more knowledge jobs in high value added businesses including manufacturing and logistics by 2031. *[Investing in high value skills for the future economy]*
- Increasing the employment rate through the implementation of the BC Incubation Strategy and the creation of 63,000 new jobs and an 80% employment rate by 2031. *[Driving up entrepreneurship and participating in economic activity]*
- Diversifying the economy by attracting more knowledge-based industries; 160,000 new jobs by 2031 including 82,000 new jobs in Financial & Business Services. *[Exploiting markets and sectors with most wealth and employment opportunities]*

### ***in relation to Place:***

- Developing the four strategic centres (Wolverhampton, Walsall, West Bromwich and Brierley Hill) with 1.3m.sq.m of additional office and a further 284,000 sq m of comparison retail floor space by 2031. *[A sustainable portfolio of land and property]*
- Creating Four Employment Land Investment Corridors to provide 2,200 ha of quality employment land including sites for future knowledge-based businesses. *[A sustainable portfolio of land and property]*
- Creating new housing development along public transport corridors (served by rail, Metro and quality bus services) to address issues of low demand and social polarisation. *[Improving transport and accessibility to support competitiveness]*
- Establishing the 'Black Country as an Urban Park' through the principles of beacons (highlighting the most distinctive characteristics) corridors (to facilitate sustainable movement) and communities (emphasising their distinctive character). *[Developing sustainable communities]*

### ***in relation to People:***

- Reversing population decline and achieving population growth to 1.2 m with 22% social class A/B (18% currently) by 2031. *[Developing sustainable communities]*
- Upgrading the skills of the workforce with 100,000 less people with no qualifications and 60,000 more people with degrees by 2031. *[Aspirations for skills and learning progression]*
- Establishing community cohesion as a central plank of the BC vision by treating diversity as a major opportunity, addressing the barriers to equality in education, labour and housing markets, health, policing, and the criminal justice system and

tackling poverty as a theme in its own right. *[Developing sustainable communities and Participating in economic activity]*

## Coventry and Warwickshire

### Snapshot of the sub-regional economy:

	GVA per Head* (£), (2004)	Economic Activity Rates (Jul 05-Jun 06)	Enterprise (Combined enterprise index*), (2005)	% of population -no qualifications (2005)	% of population – NVQ 4+ (2005)
<b>W. Mids</b>	£15,325	76.9%	100.0	17.7%	23.0%
<b>Coventry</b>	£17,609	77.3%	104.9	16.8%	25.4%
<b>Warwickshire</b>	£16,641	81.7%	108.0	13.4%	27.8%

### Contribution of the sub-region to delivering the WMES

#### *in relation to Business:*

- Developing the assets of the business base in the sub-region, in particular, those linked to high technologies, digital technologies, high value added engineering and manufacturing, and the creative industries. *[Exploiting markets and sectors with most wealth and employment opportunities]*
- Focusing on developing and maximising the excellent knowledge-base residing in our two universities, particularly in respect of knowledge transfer to businesses and new business ‘spin-outs’. Both universities have significant roles to play in the Science City Agenda. *[Exploiting regional knowledge assets]*
- Sub-regional activity supporting innovation and exploiting market opportunities in the climate change, environmental technologies and sustainable futures arena. *[Capitalising on low carbon opportunities]*
- Foster enterprise and innovation, increase the demand for higher level skills and skills training, capitalising on the reputation as the ‘Engine of Growth’ for the region. *[Driving up entrepreneurship and Improving business competitiveness]*

#### *in relation to Place:*

- Focusing on vibrant city and town centres supporting the development of Nuneaton Town Centre and Coventry City Centre (through the Swanswell Initiative creating 600 new jobs, 64 ha of mixed use development and 2000 new homes over the next 15 years), along with the smaller Market Towns. *[Developing sustainable communities]*

- Promoting the importance of the world class Stratford and the role it plays in the visitor economy and in creating a positive image for the region. *[Maximising our cultural offer and natural assets]*
- Creating the conditions for sustainable communities by regenerating the most deprived communities in the sub-region like Camp Hill in Nuneaton. *[Developing sustainable communities and Regenerating our most deprived communities]*
- Promoting the added value of the linkages between the urban and rural economies and supporting the development of the regionally significant 'Home of Rural Excellence' at Stoneleigh Park. *[Developing sustainable communities and A sustainable portfolio of land and property]*

***in relation to People:***

- Maximising the employment and enterprise opportunities created by the close proximity of the Coventry, Solihull & Warwickshire High Technology Corridor and the Coventry and Nuneaton Regeneration Zone. *[Participating in economic activity]*
- Investing in skills to meet the demands of the future economy; developing a cradle to grave approach in key areas. Specific areas to be considered would be digital technologies, medical technologies, high value automotive technologies and the emerging technologies associated with dealing with climate change. *[Investing in high value skills for the future economy]*
- Create the conditions by which our graduates are retained in the sub-region and continue to support the development of entrepreneurs. *[Investing in high value skills for the future economy and Employing a diverse and dynamic labour force]*
- Build on the opportunities created through Coventry's Local Enterprise Growth Initiative (LEGI) programme. *[Participating in economic activity and Driving up entrepreneurship]*

**Herefordshire, Worcestershire, Shropshire and Telford and Wrekin**

**Snapshot of the sub-regional economy:**

	GVA per Head* (£), (2004)	Economic Activity Rates (Jul 05-Jun 06)	Enterprise (Combined enterprise index*), (2005)	% of population -no qualifications (2005)	% of population – NVQ 4+ (2005)
<b>W. Mids</b>	£15,325	76.9%	100.0	17.7%	23.0%
<b>Shropshire</b>	£13,291	80.5%	95.9	14.3%	26.1%
<b>Telford &amp; Wrekin</b>	£16,009	79.6%	105.5	14.1%	22.9%
<b>Herefordshire</b>	£12,947	81.9%	104.6	13.8%	26.2%
<b>Worcs</b>	£14,528	81.9%	111.3	16.3%	26.6%

## **Contribution of the sub-region to delivering the WMES**

### ***in relation to Business:***

- Support the burgeoning home enterprise sector by implementing bespoke enterprise support for those groups and communities that face barriers to creating sustainable enterprises. *[Driving up entrepreneurship]*
- Learning the lessons from initiatives such as Herefordshire in Touch and Switch on Shropshire to increase the rural business take up of broadband. *[Improving business competitiveness]*
- Piloting a number of interventions that result in reduced carbon emissions in businesses and creating a sub regional market for alternative sources of fuel. *[Capitalising on low carbon opportunities]*
- Diversifying the economy by building on knowledge assets at locations throughout the west of the Region including the University of Worcester, Harper Adams College, University of Wolverhampton, Qinetiq and the Robert Jones and Agnes Hunt Hospital. *[Exploiting regional knowledge assets]*
- Further development of the Wolverhampton-Telford Technology Corridor and building on the area's strengths in business clusters (notably automotive & electronic engineering, polymers, building technologies, business & leisure tourism and business & professional services) to transform the relatively low value-added, low skill economy into one with a high incidence of employment in technology-driven, knowledge based firms *[Investing in high value skills for the future economy/Exploiting regional knowledge assets]*
- Revitalising the industrial estates to ensure that the abundant supply of serviced employment land fully meets the requirements of the market and/or employment sectors targeted for growth *[Improving business competitiveness]*
- Capitalising upon the track record of excellence in local schools and further and higher education establishments by providing a package of employment, housing and cultural opportunities that will attract and retain home-grown graduates in high-value occupations and encourage the creation of sustainable enterprises *[Exploiting regional knowledge assets/Driving up entrepreneurship]*

### ***in relation to Place:***

- Capitalising upon the natural assets and character of the rural west including the World Heritage Site at Ironbridge, market towns and Areas of Outstanding Natural Beauty to encourage visitor access and attract new businesses and residents to the region. *[Maximising our cultural offer and natural assets]*
- Meeting the needs of new, growing and incoming businesses in the market towns, larger towns and cities by ensuring an appropriate supply of serviced land and premises. *[A sustainable portfolio of land and property]*

- Enhance the role of the sub region's hierarchy of cities and shire towns, larger towns such as Kidderminster and Redditch and market towns as sustainable settlements providing access to employment, skills development, enterprise support, housing and services. *[Developing sustainable communities]*
- Promote live-work developments where appropriate as a contribution towards the development of sustainable rural communities. *[Developing sustainable communities]*
- Transformation of Telford Town Centre to provide a vibrant heart to the town and its district centres underpinning Telford's renewed sense of place *[Developing sustainable communities]*
- Complementing the urban renaissance of the Black Country through a balanced portfolio of capital developments that form a major sub-regional resource for people and businesses *[Participating in economic activity]*

***in relation to People:***

- Helping businesses and residents in rural areas overcome barriers to accessing employment, training and services through specific interventions such as Rural Access to Services Partnerships. *[Participating in economic activity]*
- Tackle identified barriers to economic activity in the most deprived rural areas focussing on care and health factors alongside skills and aspirations and travel to work hurdles. *[Participating in economic activity]*
- Developing business investment in skills through links with major developments such as Edgar Street Grid in Hereford. *[Aspirations for skills and learning progression and Stimulating employer investment in skills and training]*
- Continued intervention in market town, district centre and other neighbourhood renewal programmes to tackle problems of deprivation and social exclusion and to create thriving sustainable communities *[Developing sustainable communities]*
- Support for investment in transport and technological infrastructure to overcome barriers to access to services and opportunities *[Developing sustainable communities]*

## Stoke-on-Trent and Staffordshire:

### Snapshot of the sub-regional economy:

	GVA per Head* (£), (2004)	Economic Activity Rates (Jul 05-Jun 06)	Enterprise (Combined enterprise index*), (2005)	% of population -no qualifications (2005)	% of population – NVQ 4+ (2005)
<b>W. Mids</b>	£15,325	76.9%	100.0	17.7%	23.0%
<b>Stoke-on-Trent</b>	£13,731	74.1%	94.9	23.0%	14.8%
<b>Staffordshire</b>	£13,121	80.4%	99.9	15.6%	22.2%

### Contribution of the sub-region to delivering the WMES

#### *in relation to Business:*

- Creating a dynamic enterprise start up environment to increase new business formations and the proportion of high value added companies in Staffordshire, particularly in the North Staffs Regeneration Zone in terms of delivering a high quality property offer for incubation, start-up and grow-on. *[Driving up entrepreneurship]*
- Diversifying the economy and maximising opportunities in the knowledge-base through targeted investment to physically develop Keele and Staffordshire universities, particularly in respect to inward investment and science based 'spin-outs'. Both universities have significant roles to play in terms of growth of regional clusters including medical technologies, healthcare and creative industries. *[Exploiting regional knowledge assets]*
- Developing Staffordshire as a unique and diverse tourism destination which attracts international interest and continues to be a profitable growth sector. Economic success for the tourism sector will be strengthened by the Staffordshire Destination Management Partnership (DMP). *[Exploiting markets and sectors with most wealth and employment potential]*

#### *in relation to Place:*

- Major investment to develop and create a strong and vibrant City Centre in Stoke on Trent, and linked to this a new University Quarter - an education led regeneration project that will also create a strong physical link between the railway station and the City Centre. *[Developing sustainable communities]*
- Making Staffordshire a residential location of choice, aligning & connecting areas of major housing intervention with economic regeneration. Specifically the Housing Market Renewal Pathfinder (RENEW) in North Staffordshire will provide a better choice of homes in appropriate locations, reducing outward migration and retain and attract new population to the area. *[Developing sustainable communities]*

- Promoting and investing in the physical assets of Staffordshire to develop vibrant and sustainable town centres, market towns and surrounding rural villages. *[Developing sustainable communities]*
- Promoting the importance of raising both design standards and sustainable construction techniques in the built environment and creating a positive image for the sub region. *[Developing sustainable communities]*

***in relation to People:***

- Addressing economic inclusion by increasing employment rates in the most deprived communities and deprived groups within the labour market. Helping the most economically vulnerable access the economic opportunities created in the North Staffs Regeneration Zone will remain a key priority and partners will spearhead a number of employability initiatives to encourage employment and reduce worklessness. *[Participating in economic activity]*
- Improving skill levels to support growth in high value added businesses and to maximise new employment opportunities for local people from the major capital investment projects in the North Staffs Regeneration Zone. *[Aspirations for skills and learning progression]*
- The sub region will invest significantly to re-skill the most vulnerable people in the existing workforce to ensure they have the right training required to take up new employment opportunities. Specific areas to be considered are professional services, logistics and construction. *[Participating in economic activity and Aspirations for skills and learning progression]*

*(\*Note on data sources: GVA per head is measured on a workplace basis, hence income is allocated to the area in which commuters work, rather than live; Combined enterprise index combines data on the number of new registrations, registrations per 10,000 population and total business stock – it is calculated with West Midlands equal to 100)*

## Appendix VI

### Glossary

<b>Term:</b>	<b>Definition:</b>
BME	Black and Minority Ethnic groups
Economic activity rate	The proportion of the working age population (16-60/64) that are either employed, self-employed, or actively seeking work (unemployed)
Economic inactivity rate	The proportion of the working age population (16-60/64) who are neither employed nor classified as unemployed. This includes students, those who are retired or looking after the home, and those who on Incapacity Benefit or Severe Disablement Allowance
Employment rate	The proportion of the working age population (16-60/64) who are in employment or who are self-employed.
GDP	Gross Domestic Product – a measure of the net total output or income generated by an economy. It is broadly the same as GVA (see below), but GDP includes taxes (less subsidies) while GVA does not
GEM	Global Entrepreneurship Monitor – a research programme that provides an annual assessment of entrepreneurship across the world
GVA	Gross Value Added – a measure of the net total output or income generated by an economy. Essentially it is the difference between the value of the goods and services produced in an economy and the cost of raw materials and other inputs which were used in their production.
GVA per capita	The Gross Value Added of the economy divided by the resident population
GVA per employee	The Gross Value Added of the economy divided by the number of people in employment
HTC	High Technology Corridor
ICT	Information and Communications Technology
ISEW	Index of Sustainable Economic Wellbeing – a measure that adjusts the usual measure of economic performance – GVA – by costing various social and environmental factors (such as income distribution, household labour, spending on health and education, crime and pollution environmental damage) to provide a broader measure of progress. This adjusted measure can then be compared to the UK performance using per capita figures
LSP	Local Strategic Partnership – a non-statutory partnership in a local authority area that brings together a wide range of partners from the public, private, community and voluntary sectors to identify and address local issues.
MUAs	Major Urban Areas
NUTS	Nomenclature of territorial units for statistics (NUTS) was

	created by the European Office for statistics (Eurostat) in order to create a single and coherent structure of territorial distribution. European Union Member States represent the top level of this hierarchy, followed by NUTS 1,2 and 3. In the UK, NUTS 1 are Government Office Regions, NUTS 2 are sub-regional groupings of counties & unitary authorities (27 in total), and NUTS 3 are counties & unitary authorities.
NVQ	National Vocational Qualification – often used as a way of standardising different types of qualifications. NVQ 1 equivalent can be regarded as fewer than 5 GCSEs at grades A-C; NVQ2 equivalent as more than 5 GCSEs at grades A-C; NVQ3 equivalent as 2 or more A levels; NVQ4 or above can be regarded as Higher National Diploma, Degree and Higher Degree level qualifications.
“Output Gap”	A term used to explain the difference between the actual performance (in terms of GVA) of the West Midlands Economy and what the performance could be if the region operated at UK average levels.
RES	Regional Economic Strategy
WMRSS	West Midlands Regional Spatial Strategy – part of the national planning system, providing a framework for the region on long term land use and transport planning and guiding the preparation of Local Development Frameworks
RZ	Regeneration Zone
SME	Small to Medium Enterprise – employing less than 250 people with an annual turnover less than £50m
SOAs/LSOAs	Super Output Areas/Lower layer Super Output Areas – a relatively new statistical geography developed by the Government to create consistent and comparable areas based on population size. There are 175,434 Output Areas in England & Wales, each housing an average population of 300 and 125 households. Lower Layer Super Output Areas group these Output Areas together to create 34,378 geographies, with an average population of 1500.
Strategic Environmental Assessment (SEA)	A legal requirement for certain plans and programmes to assess likely significant environmental impact and address them through mitigation measures. All Regional Economic Strategies are required to undertake an SEA
Sustainability Appraisal (SA)	A wider appraisal than the SEA, looking at the extent to which a strategy addresses the key principles of sustainable development (social, environmental and economic)
WMRA	West Midlands Regional Assembly
Worklessness	Those who are unemployed or claiming incapacity benefit or severe disablement allowance.