

The West Midlands Input to the Comprehensive Spending Review 2007

September 2006

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1 INTRODUCTION

1.1 *The region's strategic focus*

As part of the Comprehensive Spending Review 2007, HM Treasury has invited Advantage West Midlands and the West Midlands Regional Assembly to “submit joint advice on how we better utilise existing levels of public expenditure to achieve the Government’s regional economic performance and regeneration targets”, particularly focussing on the five drivers of productivity and employment.

This document builds on the Regional Funding Allocations (RFA) advice, which the region submitted to Government in January 2006. The RFA demonstrated that the West Midlands has a set of strategic priorities, strong partnership arrangements, can take difficult decisions and is a region which is ambitious and open to new ideas and technologies. In this document, we again demonstrate the advantage of a collaborative and partnership approach, across the public, private and voluntary sectors, to planning, co-ordinating and aligning public funding.

The key policy aims and objectives of the main regional strategies – the West Midlands Economic Strategy, the Regional Spatial Strategy, and the Regional Sustainable Development Framework in particular - have been distilled into five Strategic Priorities for the West Midlands:

- Urban Renaissance;
- Rural Renaissance;
- Modernising and diversifying the economy and creating a dynamic business base;
- Upskilling the Region’s workforce; and
- Promoting the Region’s competitiveness and assets in a national and global setting.

These priorities formed the basis of our RFA advice and they underly this input to the CSR, which is also supported by an evidence base assembled by Advantage West Midlands and the Regional Assembly through the West Midlands Regional Observatory. This evidence includes that¹ very recently produced for the review of the West Midlands Economic Strategy (WMES) and the partial revision of the Regional Spatial Strategy² (RSS). The process of reviewing both strategies is showing where improvements have been made over the last seven years, but is also identifying where more work needs to be done by all partners and stakeholders to improve the region’s economic performance.

Government also has a role to play in improving regional economic performance and this document therefore proposes those changes which Government could introduce, through the Spending Review, to help the West Midlands accelerate its economic development.

1.2 *The West Midlands In Context*

Our submission is shaped by the following economic facts:

- We have a population of 5.3 million, making us larger than Denmark, Finland and Ireland.
- 65% of the 5.3 million population live in urban areas.
- The population of the region overall is stable at 10.6% of the UK total, though rural population has been growing at the expense of urban.
- In comparison to the UK average the population has a high representation of 60-70 and under 20 year olds.

¹ <http://www.advantagewm.co.uk/wmesreview.html> ² <http://www.wmra.gov.uk/page.asp?id=121>

- The region also has the highest non white population of any English region outside London.
- There will be growth among non-white minority ethnic communities, with 130,000 more people from these communities in the available workforce by 2016.
- Economic Output (GVA/head) is below the UK average and though it is predicted to grow this growth will continue to be slower than UK average, hence the gap will increase. There are also major variations in GVA/head within the region.
- The Region still has the highest proportion of the working age population with no formal qualifications in the country and remains the fourth worst performing in the country in terms of attainment of NVQ level 4 and above.
- Average household income in the West Midlands is just below the national average, though there are large variations within the region.
- The West Midlands has a higher than average share of people living in areas which are among the worst 10% in terms of the UK government Index of Multiple Deprivation (IMD). Relatively poor performance in skills, living environment, income and employment contribute to this ranking.

1.3 Strong partnership working in the region

Whilst our proposals meet the requirement to remain within current levels of public expenditure, we do seek more influence over public expenditure currently administered by central Government Departments. We believe that, after several years of strong regional partnership work, stakeholders are in a very good position to deploy Government resources and responsibilities effectively to meet regional need.

The West Midlands Regional Concordat (July 2006) provides an excellent framework for partnership working between the West Midlands' regional organisations and for the integration of regional strategies. It is an agreement that reflects the respective roles and shared responsibilities of the partners; it allows partners to commit to open, transparent and consultative working on shared strategic priorities and adheres to the principles of the Regional Sustainable Development Framework (updated in July 2006)

We recognise that the public sector alone cannot deliver our goals and ambitions for the economic development of the region. The private and voluntary sectors have a significant part to play in the development and delivery of our key regional strategies and we have been successful in achieving greater cross-sector involvement in the WMES and the RSS, in particular in the current reviews of the strategies.

The West Midlands established, in early 2006, a Forward Planning Executive of the Chairs and Vice-Chairs of the Regional Assembly, Advantage West Midlands, the Transport Partnership, the Housing Board, the Regional LSC and English Partnerships, and advised by the Government Office Regional Director. This Executive is committed to ensuring that funding is aligned within the region to achieve the maximum return on investments and reduce the productivity gap between the West Midlands and other regions; it is therefore in place 'to secure an integrated and sequential approach to regional funding for housing, transport, economic development and skills'. As such it is indicative of the meaningful partnership working in place in the West Midlands aimed at securing continuing improvements in the region's economic performance. Indeed, the Regional Assembly and Advantage West Midlands have secured the Forward Planning Executive's endorsement to this submission to Government.

2 PRODUCTIVITY DRIVER: SKILLS AND EMPLOYMENT

2.1 Introduction

A major issue in the drive for economic prosperity is the need to remain competitive in a global market, through driving up enterprise and innovation, and to do this, increasing the skills people have for an effective labour market. The demography of the West Midlands holds great assets, in particular a young and diverse, ethnically mixed workforce. However, it also holds great challenges - the region's economic activity rate (78%) is slightly lower than the national average and unemployment is at 4.9% of economically active adults, compared to 5.2% in the UK overall. The region's many excellent Higher Education Institutions educate high calibre graduates, but graduate retention levels in the region are low (especially for graduates moving into the private sector).

Skills levels in the West Midlands are poor both in terms of formal qualifications and training. As the need for unskilled jobs declines, the West Midlands is likely to be in a poor position to deal with this change. The region has a relatively poor record of graduate retention. Furthermore, the link between poor skills levels, poor health and worklessness poses particular challenges for the region.

2.2 The region's achievements on skills

The Regional Skills Partnership has a clear set of priorities consistent with the region's Economic Strategy. It has been implementing measures aimed at both the potential and the existing workforce in the region:

- focussing on employability – ensuring that people have the skills to gain and retain employment. Management and leadership is seen as pivotal role in driving improved performance. Managers employed within business and public sector organisations have a major impact, not only on performance and productivity but also on the development of the skills of others.
- ensuring that the existing workforce not only have up to date and appropriate skills for the job they are doing, but that they can adapt their skills to an ever-changing marketplace; and
- ensuring that our future workforce also has the skills needed for the world of work. Work is taking place in schools, Colleges and in Higher Education to develop employability and entrepreneurial skills in our young people. However, there is a greater need for young people to understand and appreciate potential employment opportunities and careers. It is also crucial to address the diminishing science and innovation base, and with it the number of young people taking up STEM subjects as possible careers.

It is also important for us to acknowledge the recently approved City (Skills) Strategy, as part of the Birmingham, Coventry and Black Country City Region and supported by the Department of Work and Pensions. The strategy's goal is to increase the employment rate in the City Region and reduce the differential of groups under-represented in the labour market and the regional average – to help narrow the gap. In doing this, it aims to improve the skills of the most disadvantaged groups, as lack of qualifications and skills is a major barrier to employment for many people in the city region.

The Regional Skills Partnership has ensured:

- improved links between regional demand and LSC plans and successful work to regionalise and implement Sector Skills Agreements with key sectors;
- increased links between economic requirements and the 14-19 agenda, with the development of enterprise within the school and college curriculum;

- the development of an Integrated Business Brokerage Service, including the roll-out of “Train to Gain”, the brand name of the National Employer Training Programme;
- FE Capital investment, including Centres of Vocational Excellence (COVEs), Pathways to Work pilots and working together to tackle worklessness; and
- Increased engagement of HEIs in economic priorities and increased work-based experience, leading to improved graduate retention within regions.

It is important to acknowledge that the skills agenda is driven by national policies, with nationally prescribed targets. The Regional Skills Partnership is doing its utmost to align resources within the West Midlands, there is limited flexibility and planning capability at the regional level to respond to the needs of employers within the region, and the associated priorities of the Economic Strategy, and to influence the type of provision offered by FE and HE at the point of delivery (and thereby avoid a focus on the ‘supply-driven’ delivery). Regional flexibilities are also required to ensure better response to the changing skills and employment needs within those sectors of importance to the region. There is continuing proliferation of projects and initiatives, delivered nationally, regionally and locally, which cut across Government Departments and often duplicate effort.

2.3 Government support

There are several actions that we look to Government to take to ensure that the region can further improve its performance on skills:

- We want a Regional Body or Board which is responsible for determining the skills (education) and employment needs of the region, which:
 - Can align and influence the funding of providers to ensure they deliver to meet those needs,
 - Is responsible for delivery of regional/national PSA targets through its partner organisations,
 - Is recognised by Government, through a strengthened National Skills Alliance as the mechanism for delivery of the skills strategy at regional level
- A review of existing PSA targets and the RDAs’ Tasking Framework, to better reflect priority areas within the West Midlands Economic Strategy and of the Regional Skills Partnership, to develop a better balance between supply and demand side measures.
- With our focus on development of higher level skills as determined by the Economic Strategy, we need to have enhanced regional influence and involvement over HEFCE’s funding decisions to address regional priorities and need
- Management and leadership funding allocated through DfES and DTI being aligned to the WMES
- Seeking a greater focus on developing skills rather than gaining qualifications and asking Government to bring forward the review of qualifications scheduled for 2008 onwards. This would included the acceleration of the work of QCA, LSC and SSSA around vocational qualifications and HEFCE to introduce a more modular-based, credit system that reflects the needs of adult learners in work – not just the needs of young people in full time education.
- We need to ensure effective alignment between the new regional EU Competitiveness Programme and the national European Social Fund (ESF) programme currently being developed by Government. The explicit focus of the national ESF programme on worklessness, lifelong learning and workforce

development echoes key employability priorities in the WMES, but we need to ensure this is reflected in the final shape of the programmes. Consequently, we encourage Government to consider how best to build regional and local flexibility into the next ESF programme. This could be best achieved by having the Regional Skills Partnership taking the lead on the development of West Midlands ESF priorities. This will ensure effective alignment and complementarity with the WMES, Regional Skills Action Plan, and the regional EU Competitiveness Programme. This approach will also ensure more effective integration with employment and skills priorities at the local level as embodied in Local Area Agreements.

- As well as building regional flexibility into the national ESF programme, we are also keen to explore other freedoms and flexibilities. Given the region's high levels of employment, the issue of persistent worklessness requires more focussed and intensive attention. Clearly, longer term and persistent worklessness requires more integrated solutions addressing not just employment but other factors affecting an individual's exclusion from the labour market. Consequently, we are keen to explore measures which would incentivise employers, the third sector and public sector partners in assisting the most disadvantaged. We would encourage Government to review the potential to incentivise local and regional interventions to tackle worklessness. For example, where individuals experiencing persistent and long term unemployment are assisted back into employment, the welfare and benefits savings made could be reinvested into local and regional worklessness and regeneration initiatives.

3 **PRODUCTIVITY DRIVER: ENTERPRISE**

A key challenge for the West Midlands Economic Strategy is to create an enterprise environment in the region – one where companies have the support they need to start-up, grow and be competitive. Partners in the region, working through the Enterprise Board led by Advantage West Midlands, have achieved significant advances to support a more entrepreneurial culture: working to provide companies with the tools they need to succeed including high quality business support, availability of new premises (e.g. incubator and science park facilities), access to finance (with a wide suite of products, such as the Advantage Enterprise and Innovation Fund), inward investment to the region (e.g. with projects resulting in over 2,500 jobs created in each of the past two years), better links to universities and new markets overseas and within the public sector.

Productivity (in terms of output per hour) in the West Midlands has improved relative to the UK since 1997, but is still below the UK average. There are large productivity differences within the region, and the gap between high and low productivity areas is growing. Since 1995, three parts of the region (Birmingham, Solihull and Warwickshire) have shown productivity increases relative to the UK average and explaining the overall improvement for the region as whole. Furthermore, productivity in services lags further behind the UK average than productivity in manufacturing: approximately one-quarter of the 'productivity gap' in manufacturing arises from the West Midlands having a distribution of activities skewed towards low productivity sectors.

The Government can assist the West Midlands in creating an enterprise culture in the region by:

- recognising Business Link as the primary channel through which all publicly funded business support is accessed. This will help the region to capitalise on the fact that its new business support arrangements (secured by Advantage West Midlands in close liaison with partners) were the first, nationally, to be endorsed by DTI;
- delivering future national business support programmes through RDAs and allowing them greater flexibility in the delivery of the programmes and where resources should be deployed; and
- reforming the evaluation of business support products, moving from measuring outputs (e.g. the number of businesses helped) to assessing their impact on the performance of individual firms and in aggregate on the regional economy, for example using GVA data.

As well as improving support for all companies, to bring about a step change in our enterprise performance we are targeting businesses which have the aspiration and potential to grow in key industry/technology areas which address markets with potential for long-term growth and increased GVA (clustering). To help us achieve this we ask Government to:

- continue to provide a lead in key industries and technologies, and to facilitate effective national networks and co-ordination of priorities between Regions; and
- support collaboration between partners (Universities, HEFCE, LSC etc) in focussing on these industries by measuring them on outcomes related to the industry's performance, rather than on more narrowly defined outputs.

Manufacturing accounts for more of our regional economy than any other region's. Approximately one-quarter of the 'productivity gap' in manufacturing arises from the West

Midlands having a distribution of activities skewed towards low productivity sectors. In addition, independent systems engineering and research & technology organisations (RTOs) are of particular importance in the region. To remain competitive, manufacturing companies must concentrate on developing better products and services rather than focussing on cost alone.

The region has not stood still on its support to its manufacturing base. The Manufacturing Advisory Service, for example, has helped more than 750 manufacturing companies to improve their business performance and find new markets for their products. Interventions add value of, on average, £60,000 per company, with 80% of companies assisted going on to invest further. The three-year Accelerate and Diversification Programmes have safeguarded over 10,000 jobs in the region's automotive sector. Diversification into new forms of energy supply is another significant activity; diversification into the wind turbine market began in the West Midlands in 2003 and now involves thousands of companies nationwide. The region's success in handling the collapse of MG Rover in April 2005, through the MG Rover Task Force, has been commended by the Prime Minister and by the Public Accounts Committee investigation of the closure of MG Rover.

In order to ensure we continue to support manufacturing to face future challenges, we ask Government to:

- increase the number of industry-led innovation initiatives that encompass collaboration between the knowledge base and supply chains;
- co-ordinate investments of open access facilities for manufacturers in new manufacturing technologies and processes (e.g. new forms of energy production);
- develop a national best practise programme for manufacturing;
- develop innovation-led supply chain networks in key technology areas, e.g. advanced materials, fuel cells, telematics, and process development.

4 PRODUCTIVITY DRIVER: INNOVATION

Investment in research and development within the West Midlands as a percentage of GVA is low; overall we have the lowest value at 1.1% for any region in the country. Business R&D is 0.8% which is better only than Yorkshire and the Humber and London. Higher Education investment in R&D at 0.3% is better only than the South West. The West Midlands receives very low levels of Government investment in R&D, being one of four regions of the country at less than 0.06%.

The West Midlands position within the UK on innovation has remained stable, but it is deteriorating over time. In the 2005 UK Innovation Survey, the proportion of innovative firms in the West Midlands (55.5%) was only just better than the lowest performing region (at 55%), and 5% behind the South East at 60%. The West Midlands Innovation and Technology Council is aiming to bring about a step change in the region's performance on innovation, through a focus on key sectors: health and medical technology; energy; digital media; advanced materials and nanotechnology; and transport technologies. To help us achieve this we ask the Government to:

- provide support to Science Cities to pilot policies for stimulating increased business-led R&D in sectors important to the West Midlands – we have done much to harness R&D for commercial gain from our Higher Education sector, but know that there is more potential. In particular, we are using the Birmingham Science City initiative to facilitate even stronger links between our research-intensive Universities so that they can give a greater focus to applied research and its exploitation by business.
- support our plans (through new business support arrangements) to develop an effective “innovation advisory service” so that more businesses are efficiently directed to the right support to increase innovation
- stimulate demand from business with vouchers that put the purchasing decision into the hands of the companies rather than the technology providers
- encourage more business leadership of the Knowledge Transfer Networks, to bring in more of the ‘demand’ side and be response to business needs, so that the networks do not become driven by ‘knowledge supply’.
- build on effective initiatives such as Knowledge Transfer Partnerships, increasing their number and give regions greater flexibility in their application.
- locate the Technology Strategy Board at Warwick University with the West Midlands keen to develop stronger engagement with it. There should also be more regional influence on the Board through the Science and Industry Councils
- reform performance measures of Universities to encourage greater participation in innovation, particularly knowledge transfer, in regions, and giving RDAs more of a say in HEIF allocation to align budgets with regional priorities;
- support “student incubators”, providing a real entrepreneurial environment but with easy access and the extra support needed for undergraduate businesses. These will build on the excellent success we have had in the region with incubator space; success which itself has highlighted the value of space targeted at entrepreneurial high calibre graduates of the region's Universities.

5 PRODUCTIVITY DRIVER: COMPETITION

Enhancing the competitiveness of the West Midlands economy can be achieved by looking at new opportunities from within and outside the region. There are significant regional opportunities to be realised by unlocking the value of UK public sector investments through a new approach to public procurement. In addition, we also need to look overseas for other trade and investment opportunities.

5.1 Trade and investment

The West Midlands, as a region, is well aware of the need for, and value of, competing in the global economy. Regional partners will continue to strengthen the ability of the region's businesses to exploit commercial opportunities in overseas markets. Advantage West Midlands, on behalf of the region, welcomes the opportunity to contribute to the two UKTI reviews (of regional trade activities within the UK and of overseas representation by the RDAs and devolved administrations). Through these reviews, we are asking Government to:

- maintain a strong regional representation overseas whilst greatly enhancing the level and scope of cooperation with UKTI and other RDAs; and
- improve operational effectiveness and to implement efficiency savings that can be recycled into further support for businesses in seizing opportunities in the global market.

5.2 Procurement

We estimate that the West Midlands Economic Strategy has the potential to influence around £10 billion of public investment each year. Whilst not all of this will be available through the procurement process, it nevertheless gives some idea of scale. Public procurement represents, therefore, a key opportunity for West Midlands businesses to harness regional business opportunities both from the economic growth and regeneration perspectives. Much work has already been done in the region to achieve the procurement efficiency savings (as identified in the Gershon report), in particular through the West Midlands Centre of Excellence for Procurement, hosted by Worcestershire County Council and serving all 38 local authorities in the region.

However, tensions exist within the public procurement agenda. The Gershon review emphasises the need to achieve greater efficiencies in public sector procurement through, for instance, the creation of public sector procurement hubs and the utilisation of e-procurement methodologies. At the same time, the role of the public sector in driving forward sustainable procurement methodologies to deliver on the social, economic and environmental 'bottom lines' is receiving significant policy interest at the national, regional and local levels. The recent publication of the "Sustainable Procurement Task Force Report" clearly articulates the benefits that sustainable procurement can accrue. However, the institutional arrangements necessary to deliver on these different procurement agendas are complex. Consequently, to realise the multiple benefits that public procurement offers, we ask Government to:

- develop a framework which is more supportive of local public procurement, especially in supporting local authorities to discharge their local wellbeing powers and recognising the strength of SMEs as providers to the public sector;
- reform public sector procurement, but (given its size, NHA procurement in particular) so that it 'gives back' to the economy through stimulating new product and process opportunities in the supply chain; and

- develop common tools and methodologies which will enable public sector procurers to quantify, assess and monitor the social (e.g., social auditing, social return on investment, etc), economic (e.g., local multipliers) and environmental (e.g., carbon emissions savings, resource efficiency, etc) benefits.

6 PRODUCTIVITY DRIVER: INVESTMENT

6.1 Regeneration

Our approach to regeneration in the West Midlands is framed by the strategic priorities of urban and rural renaissance enshrined in the RSS and WMES and in our earlier RFA submission. At the heart of RSS and WMES is the commitment to secure sustainable communities that work for people and business. Our approach to regeneration in the West Midlands is to attract investment from private and public funds which will provide a legacy of confidence, enhanced quality of life for our communities and a growing economy, we will not blight the opportunities for future generations to secure their own futures.

Throughout the Region there is clear evidence on the ground and in the levels of confidence within our communities that these strategies have made significant progress towards securing the urban and rural renaissance to which we aspire:

- Early evidence that the rate of migration from the West Midlands conurbation to the surrounding shires is slowing down.
- Patterns and levels of housing completions and commitments are adjusting to those required by the RSS – increasing in the major urban areas; reducing in the shire districts. As a result, there is also significant progress in increasing the use of previously developed land and density of development.
- Development of employment land in the Major Urban Areas has increased, with an accompanying relative decline elsewhere in line with the RSS.
- The pattern of retail commitments for the future suggests that higher in-centre rates of retail development will be achieved.
- Waste recycling levels are increasing, although there remains substantial requirements for new waste management capacity.
- The Annual Business Inquiry for the period 1998-2003 shows that the total number of jobs for the period has increased by 1.7%, an additional 38,500 jobs. Our economic activity rate is also increasing.
- The number of days when air pollution was moderate or high is falling.
- The level of recorded crime in the region per 1,000 of the population was lower than the England & Wales average.

Across the West Midlands there are many examples of regeneration of which we are very proud. Much of this regeneration is the result of innovative partnership working between the public, private and community sectors. For example, the renaissance of Birmingham city centre, began with the Local Authority securing European funds to develop the Convention Centre; this triggered commercial and housing development on an unprecedented scale around the canal network and the retail core. Economic regeneration is central to the emerging city region approaches in 'Birmingham, Coventry and the Black Country' and Stoke; both are being developed within the strategic frameworks of the RES and RSS.

Whilst the regional policy framework has enabled us to make the progress referred to above, there is still much to be done to build on these first steps and secure the wider urban renaissance upon which the region's economic performance relies. As a region we are

working on all aspects of the complex agenda that secures the long term and sustainable regeneration of our communities. However, in this submission we wish to underline to Government **three big investment challenges** that we are focussing on:

- The provision of **housing which is affordable for all** in the right place to meet the objectives of the RSS and WMES, developed further in the Regional Housing Strategy. Low cost and social housing provision has consistently been provided at a much lower rate than the region requires; this is particularly acute in the parts of the region where the economy is strongest and without urgent action is set to become considerably worse (the implications of the recent household projections are far more significant for the West Midlands than many other parts of the country).
- Whilst good progress has been made in the delivery of some transport schemes in urban and rural areas, the outcome indicators suggest there is still along way to go to **tackle congestion and modal shift**, currently hindering economic recovery and inward investment to the major urban areas.
- The challenge to reclaim and re-use contaminated and **derelict land** in our major urban areas to secure the urban renaissance upon which wider economic advancement relies remains huge.

6.2 Strong Partnerships - Achieving Regeneration

As a region we are working to address these challenges; and once again the importance of strong and 'fit for purpose' partnerships is critical. Significant progress is being made.

To tackle the housing challenge, we have established a new Regional Housing Partnership under the auspices of the Assembly and four sub-regional Housing Market Partnerships. Although it is early days for these Partnerships, we are confident that they will enable us to deliver the 'pathways of housing choice' for those who live in or are moving into the West Midlands, as set out in our Regional Housing Strategy.

The ground-breaking work being taken forward by the seven Metropolitan Authorities on transport demand management has been recognised by the Department for Transport's award of Transport Innovation Funding. The track record of the Metropolitan Authorities on transport infrastructure is good; the investment in Birmingham Airport is just one example, as is the more recent Midland Metro Line One - Wolverhampton and Sandwell (West Bromwich) and its proposed extension to Merry Hill. Other parts of our region have also developed solutions to transport problems that have been holding back economic growth. The private sector also has confidence in the West Midlands economy, as the construction of the M6 Toll demonstrates.

The challenge to reclaim derelict land and to re-use previously developed land especially for employment and housing use but also for leisure use is huge. In 2005, 82% of housing commitments were on previously developed land (compared with the national target of 60%), up 6% on the previous year. 66% of the region's employment development took place on brownfield sites, as compared to 62% the previous year. But the costs of reclaiming derelict and contaminated land continue to increase as the 'easier/cheaper' sites are bought back into use and we are left with a core of difficult and expensive land, often in the very heartland of our cities and towns.

The region continues to take an innovative and partnership approach to land reclamation. The recently completed Black Country Study (RSS Revision Phase1, to go to Examination in Public in January 2007) sets out the arguments for complex land re-use and assembly to

regenerate the Black Country's economy. The Delivery Plan for the Study requires significant investment in land reclamation and is being implemented by the Black Country Consortium which comprises of the four Black Country Boroughs, business, community and government representatives.

In presenting our three big investment challenges, we want to reassure Government that:

- The challenge to provide additional housing in the West Midlands in line with the National Household Projections is being factored into our current Revision of the RSS and the Review of the WMES. So too is the 'Growth Points Initiative'.
- Climate Change is being given significant prominence in the West Midlands. At the Assembly's Annual Conference in October 2006, the Minister for Climate Change is addressing the region's civic, business and community leaders and will be able to hear for himself the commitment and work in hand to mitigate the impact of climate change.
- Social and economic cohesion remains at the heart of the West Midlands agenda.

6.3 The Housing Challenge

The Government's and West Midlands housing agenda incorporates a range of challenges. Advantage West Midlands and the Assembly are confident that working with our regional, City Regions and local partners we can make significant progress in meeting the regional and national growth agenda. However, there are barriers to the speed with which we can secure effective delivery of such large scale activities within our existing urban areas, in particular mixed use developments which require land assembly and remediation interventions. As our Regional Housing Strategy articulates, we must respond positively and with greater urgency to the housing needs of our BME communities, especially within our major urban areas. We encourage Government to consider the following interventions to speed up delivery:

- Review Current Resource Accounting Rules which limit the flexibility in achieving focused large scale intervention in the Major Urban Areas and especially key linkages with Regeneration Zone activity
- Provide more streamlined approaches for Special Purpose Vehicles and Joint Ventures to enable greater flexibility, innovation and speed required to address the complex solutions required in urban areas.
- Ensure that planning policy in PPS3 has regard to the unique circumstances of the West Midlands, where high demand and good economic performance are closely juxtaposed with areas of low demand and poor performance. It is essential that housing demand is provided for within wider housing markets where it can contribute to, rather than detract from, market renewal. This approach will also require some flexibility in respect to applying housing densities which, rather than being site specific should be applied to local planning authority and/or core strategy areas. This will achieve the prescribed density levels but with local discretion.
- It is crucial to have representation on the National Housing Advice Unit of expert commentators from the regions to secure a regional planning dimension and to reflect work already being carried out regionally, sub-regionally and locally on housing affordability issues.

6.4 The transport challenge

The West Midlands transport network is unique; it is at the crossroads of the national road and rail networks. The M6, M6 Toll, M5, M40 and M42 pass through the region and Birmingham New Street Station is the hub of the cross country rail network. When coupled with the diverse nature of the region – major cities, dense urban areas, significant market towns and remote rural areas - travel problems are inevitable. These problems have adverse effects on business, commuter and leisure travel, whether the journey is within the region or from one end of the country to the other.

An ineffective transport system in the West Midlands is the biggest hurdle to productivity and economic growth. On a typical weekday, the Metropolitan Area's transport network carries a total of 5.2 million trips, 28% of which are people coming into the area from other parts of the region, - 70% by car or commercial vehicle, 15% by public transport and 15% are on foot or by bicycle. For transport in the West Midlands to contribute to the regional and national economy there is a need for a more efficient transport system. In the region's RFA advice we stated that greater investment in the step change is needed to ensure that the West Midlands keep pace with the rest of the country. The region must have reliable and fast journey times to places such as London, other major cities and the ports (e.g. Felixstowe and Southampton). The region must not be the carpark or sidings for the nation's road and rail networks.

Accessibility varies across the region, with some places (in the urban as well as rural areas) having limited access to goods and services - perpetuating social exclusion and negative impacts on the economy.

In the region's RFA advice, we stated that "Based the current evidence a further £1 billion is required over the next 10-20 years, to deliver the step change needed to ensure that the West Midlands keep pace with the rest of the country." This is still the case.

The West Midlands is a 'can do' region; our track record on developing transport solutions is exemplary, as evidenced by the following:

- Development of Birmingham International Airport into an international gateway.
- The development, by regional partners, of a complex funding package to re-develop Birmingham New Street station in order to deliver economic, environmental as well as rail capacity benefits.
- The TIF Bids for the West Midlands conurbation which will identify current and predicted future levels of traffic congestion within the conurbation and examine a comprehensive range of solutions for tackling the problem; and for Shropshire which examine public transport and road improvements to reduce congestion in Shrewsbury and support economic development.
- Stoke-on-Trent - the A500 dual carriageway to assist through-traffic, support regeneration within the conurbation and reduce accidents.
- Improved rail services and strategic park and ride, e.g. Warwick Parkway and Coleshill Station – Warwickshire.

- Primeline Bus Network in Coventry, which involved significant public and private investment to radically improve services.
- Road enhancements to improve journey time, combat congestion and unlock the economic potential of our towns, e.g. Tunstall Northern Bypass – Stoke, Rugby Western Relief Road – Warwickshire, Rugeley Bypass – Staffordshire and Burntwood Bypass – Staffordshire.
- The creation of a region-wide Wheels to Work scheme is part of a drive to modernise delivery of rural transport and access to services by partners within the region. Wheels to Work helps young, unemployed and disadvantaged people get into work.

The above demonstrates that the West Midlands is committed to tackling congestion and improving our transport infrastructure to secure productivity gains both regionally and nationally. We recognise that there is much more to be done and at greater pace than we have hitherto achieved. We want to work closely with Government on this and in particular encourage Government to consider the following interventions to speed up delivery:

- Greater flexibilities and control to the regions on regional transport investment decisions.
- Ensure all Departments view transport as an integral element of economic development, essential to securing long term productivity gain and improving quality of life.
- When determining public investment in transport schemes consider the scope for taking other factors into account beyond the traditional benefit cost ratio (BCR) values. The obvious factor being to capture a transport scheme's impact on the economy, e.g. strategic surface access to Birmingham International Airport.
- Future RFA advice should include major rail schemes.
- Review the RFA process to concentrate on significant, strategic investment priorities, including rail and inter-regional.
- Recognition that the West Midlands has a unique position in the national transport network, providing an RFA that is not solely based on the size of the region's population, but on impact on the national economy.
- Implement pilot projects to examine the longer-term option of developing some form of flexible zonal pricing mechanism to assist in the management of traffic demand across the whole of the West Midlands Metropolitan Area.

6.5 The challenge of land use re-structuring

The real constraint on meeting our 'big investment challenges' in the West Midlands major urban areas is how we re-engineer and restructure our dated land use patterns, which currently stifle economic growth. In the West Midlands we must look beyond what we badge as derelict land reclamation; we need to encompass redevelopment of infrastructure (including buildings and transport corridors) which are no longer 'fit for purpose'.

To secure successful urban renaissance we need transformational, not piecemeal change in the way we assemble land. However in the immediate future, one of the biggest priorities we

face in the West Midlands is to bring forward land for employment and housing growth of sufficient quality and quantity to meet RSS, WMES and Government priorities. Much of our brownfield land supply, especially in the urban centres, is off limits; either because the cost of bringing it back into productive use is too prohibitive or because it is inaccessible and/or scattered as small uneconomic parcels.

We are committed to developing urban areas which meet their own economic and social needs, and rural areas which sustain local economies and local needs. If we are to succeed we need to assemble land, reclaim contaminated land and connect it to the transport infrastructure. We need to connect people to jobs and goods/services to markets.

Examples of where we are achieving this transformational change in the West Midlands include:

- The Housing Pathfinders in Stoke – Renew and Birmingham/Sandwell;
- Eastside in Birmingham; and
- The Black Country Study which sets out a 30 year strategy for regeneration is not only illustrative of the magnitude of the challenges the region faces to restructure land and bring contaminated land back to productive use, it also makes a compelling case for significant public and private investment.

If we are to pursue the Growth Points initiatives in Birmingham, Worcester, Coventry, Telford and Burton, etc., then they too are likely to require the transformational change currently being progressed elsewhere in the region. Whilst we are confident that we have the expertise within the region to secure that change; we are less confident of the ability of the current planning system to deliver change at the rate the regional partners and Government demand and less confident of securing the considerable infrastructure and regeneration investment that will be required to deliver the growth agenda in the West Midlands. We would like to work with Government to explore how we can embed a stronger ‘can do’ culture within the planning system. The West Midlands Regional Spatial Strategy (RSS) is a key tier of the Government’s new planning regime. We are committed to implementing it and giving additional impetus to speed up planning decisions. To assist we ask that Government:

- Recognise the contribution to national and regional economies which the transformational change set out in the Black Country Study can make.
- Help us to provide the framework for developing economic and housing growth potential elsewhere, by using this experience.
- Recognise the contribution which the Regional Planning Body has made to the growth agenda, but also that it will need additional resource to undertake this role adequately in the future in the light of the imperatives set out above.
- In particular enable us to work with local authorities to produce Local Development Frameworks which are well evidenced and in conformity with the RSS and Government policy; share good practice and expertise across local authorities to assist in land assembly and reclamation.
- Consider how to resource the cost of defending national and regional planning policy at major public inquiries, which are currently diverting resources away from the above. Reference Coventry Airport Inquiry.