

Agenda Item No. 6

WEST MIDLANDS REGIONAL ASSEMBLY

Board of Directors - Friday 2nd December 2005

Regional Funding Allocations

Report of the Director of Policy

1 Purpose

To provide the Assembly Board with a progress report on the development of the Regional Funding Allocations submission from the West Midlands to Government by 31 January 2006.

2 Recommendation

To note and comment on the attached report.

3 Background

In July Government invited all regions to prepare advice on Regional Funding Allocations for economic development, housing, and transport. The advice is to cover the period to 2016 and should be prepared by each Government Office in partnership with their Regional Development Agency and Assembly.

4 Detail

Attached is a the third in a series of Briefing Notes which describes progress so far and key milestones to 31 January 2006.

Key features of the work undertaken thus far include:-

- Opportunity to discuss work in progress at all relevant Assembly/Partnerships/Board meetings.
- The submission will take a 'big picture' approach – looking at the links of the three funding streams to other activities e.g. skills and the contribution of the West Midlands to UK PLC.
- The RSS and RES provide the framework for the development of the submission.
- For the period 2005-2008 existing commitments are required to be honoured. For the period 2009-2016 there

is more flexibility to align funding streams and activities behind regional ambitions/priorities.

- The submission will signal the start of a process which the three regional agencies wish to continue throughout 2006. The aim being to have for the Comprehensive Spending Review 2007 a clear set of regional strategic priorities, and not siloed priorities for economic development, housing and transport, with a clear set of funding priorities.

Rose Poulter
Director of Policy
tel: 0121 678 1024
Email: r.poulter@wmra.gov.uk

WEST MIDLANDS
Regional Funding Allocations advice to HM Government

Rolling Briefing Note 3

The advice to Government on Regional Funding Allocations from the West Midlands is being prepared through a partnership led by Government Office for the West Midlands, West Midlands Regional Assembly and Advantage West Midlands. It will draw on discussion the three organisations have had with regional partners and through the Assembly Partnerships.

These discussions have encouraged the partners to take a 'big picture' approach to the request for Advice on Regional Funding Allocations; in other words to understand how transport, housing and economic development collectively and inter-dependently contribute to sustainable patterns of development and growth across the West Midlands.

Therefore within the submission we will take the opportunity to scope out and describe further work that we will undertake during 2006 in preparation for the Comprehensive Spending Review 2007.

The submission will demonstrate the significant contribution that investment in the West Midlands can make to our quality of life and economic performance and to UK PLC. In particular it will identify our priorities for spending within the current financial constraints set via a number of existing grant regimes.

This will be achieved by taking a creative, flexible and strategic approach to the challenge set by Government in Regional Funding Allocations and setting our advice within the 'big picture'. The impetus given to regions to break out of 'funding silos' for budget planning purposes is welcomed.

Full details on what has been requested by Government in this exercise and how information is to be presented can be found at the following:

http://www.hm-treasury.gov.uk./media/38B/05/RFA_Guidance_210705.pdf

Our advice is framed by our commitment to:-

West Midlands Regional Concordat, adopted in 2001, and subsequently updated .

Alignment – as the ambition of the Concordat suggests the West Midlands has put in place a Regional Spatial Strategy (RSS) and a Regional Economic Strategy (RES) which are mutually supportive and aligned. The RSS includes the Regional Transport Strategy (RTS) and both Strategies have provided the parameters for the Regional Housing Strategy 2005.

Evidence Base – we have at our disposal a wealth of evidence which has enabled us to set out our advice on priorities for the three funding streams. During the year ahead we will be reviewing the evidence to ensure we have fully captured all key messages and to ensure that we have secured for the region a co-ordinated and coherent approach to evidence gathering and analysis.

*Our advice reflects the **ambitions** we have for the West Midlands and the challenges we must face up to.*

Ambitions – the Strategic Priorities

Our ambitions for the Region are set out in the RSS and RES. There is a high degree of complementarity of message within these two key strategies concerning our strategic priorities. These are summarised as:-

1. Urban Renaissance
2. Rural Renaissance
3. Modernising and diversifying the economy and creating a dynamic business base.
4. Upskilling the Region's workforce.
5. Promoting the Region's competitiveness and assets in a national and global setting.

Our advice to Government is set within the context of these ambitions – our strategic priorities. Our ambitions are underpinned by our commitment to achieving sustainable development and to securing a transport infrastructure which supports these ambitions.

Alongside these **ambitions** we acknowledge a set of **challenges** particular to our region which we believe must be recognised by Government in its decision making and budget setting process.

Challenges

These will be inserted and be evidence based. They will relate to the West Midlands ranking when compared to other regions and our unique position at the heart/cross-roads of GB.

Prioritisation of Funding 2005-06 to 2015-16

Sections x, x, and x of our submission will set out funding priorities for economic development, housing and transport. We aim to demonstrate that the way in which the West Midlands utilises its regional funding allocations is very much in line with our ambitions set out in the RSS and RES. However we acknowledge that at least for the first period described below 2005-2008, we have incorporated a 'breathing space' which we will use to honour existing commitments before introducing a step change to secure appropriate alignment between our ambitions - the strategic priorities for the Region and our regional funding allocations.

2005 – 2008

Our funding priorities for the first three years reflect the fact that for:-

- Housing -ODPM have agreed the Regional Housing Allocations for this period. The funding is specifically targeted at providing decent homes and affordable housing. Local authorities and the Housing Corporation with RSLs are developing schemes and activity in line with agreed priorities.
- Economic Development - Department of Trade and Industry have approved AWM Corporate Plan for the period 2005-08. AWM are working with partners in the public and private sector to deliver against agreed objectives
- Transport - the Department for Transport has given approval for a number of schemes and provisional approval for others. Thus work is already in hand to take forward existing commitments.

The seven Metropolitan authorities have submitted a collaborative bid to the Transport Innovation Fund to secure funds to explore options to tackle congestion, including road

pricing. Working with the region the Mets. anticipate having discussions with DfT to secure funds additional to those set out in the RFA which will be used to tackle congestion. This is a potential source of funding for Metro Phase 1 Expansion.

The West Midlands is at the heart of the nations transport network, and Birmingham New Street Station is at the heart of the regional and national rail network. Birmingham New St is of regional and national significance; as such as we develop our submission we intend to seek support to secure not only RFA budgets but also those set aside for rail schemes of national significance.

In the next section we describe how we will align our regional funding allocations against our ambitions – strategic priorities.

2009 -2016

The funding allocations for 2009 – 2016 are provisional and indicative. During 2006 we aim to firm them up and develop the approach we have started. Our approach is one of **alignment**. By this we mean:-

- **alignment** of funding/investment against regional strategic priorities as articulated in the RSS and RES and
- **alignment** of funding/investment across the three funding strands to secure maximum impact and Benefit Cost Ratio in the longer term, in other words we will secure a sequencing of funding/investment which delivers the renaissance agenda we aspire to.

For example currently under discussion in the region but not yet featuring in any budget setting processes are a number of ‘things we need to be aware of’ eg Infrastructure to support the Black Country Study, City Region, BIA Masterplan and RAF Cosford Masterplan. However further work is required to understand how these would support our regional strategic priorities and what would be their relative priority when set against a limited budget.

The options to sequence investment and move funding between the three streams will be part of our approach. We will also explore opportunities to work with the private sector to secure private finance. We are very clear that the public purse will not accommodate our ambitions for the region in full.

Conclusion

We see this submission very much as the first important step in a longer term process that we wish to continue with in the region. We want to ensure that the way we use our funding is “smart” in delivering against the key strategic priorities.

Our initial work has led us to conclude that **alignment** and sequencing of public and private investment can produce the gains that the Government and we are expecting from the approach initiated in Regional Funding Allocations.

We believe that this approach has the potential to produce significant contributions to the strategic objectives/ambitions of the West Midlands and UK PLC, improve our relative standing with other regions, raise GDP and score highly on a Benefit Cost Ratio analysis if a long term approach is taken..

This continued process will enable us to more clearly identify the role played by different funding sources to deliver on those priorities, including an understanding of how other funding stream outside of those in the current exercise (such as skills funding) can be brought into our thinking and decision making.

Government is correct to move Regions in this direction and the West Midlands is ready to rise to the challenge. But we must conclude, even at this early stage, that the current resource base set out in Regional Funding Allocations will prove inadequate if we are to

secure the significant improvement to the quality of life and economic performance that we are seeking to achieve in the West Midlands and for UK PLC.

Next Steps

During December the following groups/partnerships will again be discussing and guiding the development of this submission:-

- Regional Chief Executives
- WM Regional Assembly Board
- WMRA Planning Partnership
- WMRA Transport Partnership
- Regional Housing Board
- AWM Board

In addition the Chairs and Chief Executives of WMRA, AWM and GO will meet on 19 December and 16 January to move towards the sign-off process which will also involve the Full Assembly on 18 January. The Chairs and Chief Executives of WMRA, AWM and GO will meet on 23 January to complete the sign-off process.

***West Midlands Regional
Assembly***

Advantage West Midlands

***Government Office for the
West Midlands***

Strategic Ambitions/Priorities for Transport

The RSS and RES challenge is to modernise the transport infrastructure of the West Midlands and underpin the urban and rural renaissance ambitions:

Urban Renaissance – a high quality public transport for moving people and an efficient road network to allow for the movement of goods and services are essential to support the Major Urban Areas (MUAs) - particularly the network of centres and Birmingham's role as a World City.

Rural Renaissance – a well connected hinterland and improved accessibility for market towns will support the rural economy and quality of life. These transport interventions depend on revenue funding – a funding stream that is not included in the RFA process.

Identifying Regional Transport Priorities

The Regional Transport Strategy (<http://www.wmra.gov.uk/page.asp?id=70>) provides an integrated set of policies that will help to deliver the renaissance and economic change identified in the RSS and RES. The RTS includes Policy T12: Priorities for Investment, which provides a steer on identifying national, regional and sub-regional priorities.

Most of the schemes require capital funding and could be delivered by the RFA, but some are dependent on revenue funding, including behavioural change and rural/community transport measures. These measures depend on funding from other streams e.g. the LTPs and RDAs.

While there are various rail schemes included in the RTS, it should be remembered that the current RFA guidelines do not include for rail investment – a significant gap in providing an integrated network.

Regional Transport Prioritisation Framework

In terms of the RFA guidelines, the measures identified in T12 do not describe the whole picture – so 59 transport schemes have been identified and tested against the Regional Transport Prioritisation Framework. The agreed technical approach for the Framework considers each scheme in terms of:

- Contribution to Policy Objectives;
- Efficiency; and
- Deliverability.

These have been combined to provide the Overall Assessment to determine where the scheme ends up i.e. Bands 1-6 (1 being highest).

The framework has assessed each scheme's contribution to policy objectives against:

- Spatial – the RSS;
- Economic - the RES;
- Housing – the old RHS; and
- Social – the RSDF.

The degree of contribution to policy objectives does affect which Band the scheme ends up in, **BUT** it is Efficiency – the Value for Money, the Benefit Cost Ratio - that is the major determining factor.

Short Term Funding Issues

Over the next few years there are 16 transport schemes, across the region, that have their funding committed. These schemes require circa £190m (70%) of the £270m allocated for transport to 2007/8. There are another 10 transport schemes that have provisional approval. The short term 'headroom' could be invested in these to 'honour' their current status.

Longer Term Aspirations

Delivering the short term measures is a 'rolling out' of the current thinking (there are many more than the 26 schemes referred to above that may have future demands on the RFA).

The region's longer term transport aspirations are strategic and integrated with the RSS/RES/RHS e.g:

- Birmingham New Street station benefits the whole rail network, not just the West Midlands.
- Access to Birmingham International Airport will have regional benefits, for the economy as well as transport.
- While schemes that emerge from the Black Country Study will have significant benefits for the sub-region, enabling people to work and live in the MUAs.

The Regional Housing Strategy 2005 - Taking the WMRSS Forward

The RHS is consistent with the WMRSS as confirmed in June 2004, and its policies are fully supportive of Urban and Rural Renaissance for all those who live in or are moving to the West Midlands Region. The Regional Housing Strategy 2005 seeks to deliver housing 'Pathways of Choice' for the West Midlands housing markets by redressing the historical legacy of imbalances in the type and tenure of housing supply, different though these are from place to place across the Region.

Core Aims of RHS:

The core aims represent the principle investment target areas for Regional and other funding. In summary the core aims of RHS are:

- To create mixed, balanced and inclusive communities
- Assist in the delivery of WMRSS policies on Urban and Rural Renaissance
- Influence the future development of new housing provision – particularly the delivery of Social and Affordable housing
- To ensure the Government's Decent Homes standards are met
- Work for the success of the two ODPM sponsored Housing Market Renewal Area Pathfinders – 'Urban Living' and 'RENEW', together with the two Regionally identified housing restructuring areas
- To address the needs of those across a range of specific housing sectors –, Black Minority Ethnic, Asylum Seekers & Refugees, Supporting People, Homelessness, Gypsies & Travellers and People with Disabilities
- To create sustainable communities, which improve the quality of the residential environment and minimise environmental consumption

RHS also seeks to be socially, environmentally and technologically engaged, unite the efforts of the Public and Private sectors and be legislatively up to date and welcomes the challenges set out by WMRSS, to improve the economic development of the WM Region.

Short-Term Priorities: 2005 – 2008:

▪ **Rural Affordable Housing**

The big issue for the Region is the delivery of Affordable homes, particularly within the South and West Housing Market Areas, where new households unable to purchase market housing at 4.25 times their average income is 62.2% and 57.5% respectively. In response to the severity of this problem, capital grant funding for Social and affordable housing development to the South HMA has been doubled, and for the West HMA increased by over 50%.

▪ **Decent Homes standards**

RHS is committed to supporting the Government's Decent Homes standards which are to be met in the municipal and social sectors and for those in vulnerable households in the private sector by 2010. Funding to assist LAs in achieving the standards will be provided through the Single Regional Housing Pot, with policies of both clearance and renewal to be pursued in the Public sector and in the Private sector, through the promotion of financial products (e.g. equity loan products such as 'Kickstart').

▪ **Housing Market Areas (HMAs)**

Joint working will be essential to the successful delivery of decent, affordable and sustainable housing for people of the West Midlands. To facilitate closer working relationships between Local Authority Housing and Planning departments, new voluntary partnership structures have been established to coordinate local authority joint working on sub regional housing issues in each of the four HMA areas of the WM Region – Central, North, South and West.

Long-Term Priorities: 2008 onwards:

▪ **Urban and Rural Renaissance**

The RHS aims to reinforce and apply the principles of Urban and Rural Renaissance as first set out in WMRSS, to reverse the negative trends which have been impacting upon the Region for the past thirty years.

Urban Renaissance will be predominantly driven through programmes of regeneration and renewal, namely the two Regional Pathfinders, the Black Country Study and the two housing market restructuring areas of East Birmingham/North Solihull and North Black Country / South Telford. The role of the private sector will also play a key role in shaping market forces towards the development of more balanced markets.

Rural Renaissance will be realised through both the successful delivery of sufficient affordable housing, together with the wider objectives to broaden the scope of the rural economy and specifically increase income levels. Investment will be largely focused upon Market Towns and Larger Settlements and efforts channelled towards changing recent patterns of 'out migration', to re-balance the markets and serve the needs of all sections of the community.

The Ultimate Focus : Urban Renaissance:

Due to the need to prioritise investment, emphasis will be placed increasingly upon Urban Renaissance, once the initial delivery of rural affordable housing and Decent Homes in the Public sector have been substantially addressed.

It is crucial for the pace of change that Urban Renaissance in the Black Country, Birmingham reach a vibrant and dynamic rate of change as quickly as possible. The resultant reshaping of market forces in regional housing markets especially in relation to the Central HMA should then alleviate the pressure on the rural communities.

As discussion continues as to the role and contribution of the City- Region proposals, these emerging arrangements may focus resources and change in the scale and impact required to deliver the long term RSS and RHS vision.

Regional Funding Allocations The Regional Priorities for Economic Development

Introduction

The following highlights the priority programmes and projects approved by Advantage West Midlands for economic development of the Region. The Agency's total funding over the current Corporate Plan period of 2005-08 is £935million. This note sets out how those programmes and projects against the five shared priorities:

1. Urban Renaissance

Regeneration Zones (£251m Programme) aim is to raise employment levels and increase business activity and improve the quality of life in the most deprived areas of the region by strengthening links between areas of need and areas of opportunity. We have five Urban Regeneration Zones (and one Rural) , which cut across administrative boundaries. Programmes in the Zones take a long-term approach of ten to fifteen years, but by 2010, over 80,000 jobs should be created through targeted funding.

2. Rural Renaissance

Rural and urban areas both benefit from these interventions which address the particular needs of the rural economy, rural businesses and rural communities. The **Rural Regeneration Zone** is largest of all six zones. In addition the Agency supports specific rural initiatives and programmes. The Corporate Plan also reflects our continuing funding commitment to the **Market Towns Programme**.

Note: We continue to fund the Single Regeneration Budget Programmes (SRB), set up prior to the Agency establishing its current priorities, which to some degree support 1 & 2.

3. Modernizing and diversifying the economy and creating a dynamic business base

This represents the commitments under Pillar 1 of the West Midlands Economic Strategy. Throughout this Corporate Plan period we will focus on a broad programme of modernization and diversification.

- A number of strands of work are captured here, including the provision of appropriate business support and finance; work across **Business Clusters (£51m programme)**; actions to support manufacturing to the West Midlands; work to increase the levels of knowledge transfer between the region's science and research bases and industry, focused on three **High Technology Corridors (£58m programme)**, and work to improve the rate of new firm foundation in high knowledge content sectors.

4. Upskilling the Region's workforce

The West Midlands Regional Skills Partnership (RSP) leads the skills agenda in the West Midlands. Its priorities for action are based on a simple demand-led approach that will work to align skills provision with the needs of employers, individuals and the regional economy. The Agency focus within this will be on:

- developing and delivering a strategic skills investment policy that ensures that our skills resources – financial and people – are directed towards the delivery priorities assigned to us as a member of the RSP: priorities that are focused on leading the

delivery of the RSP Action Plan around management and leadership and higher-level skills;

- ensuring that the skills demands of our delivery vehicles – **Regeneration Zones, High Technology Corridors and Business Clusters** – are fully reflected in our skills priorities and that the skills work of our arm’s-length Boards, including the Enterprise Board and the Innovation and Technology Council, is aligned with RSP priorities; and
- working with key strategic partners in the region, including the Learning and Skills Council (LSC) and the Sector Skills Councils to ensure that working arrangements are fit for purpose and contribute effectively to meeting the Skills Challenge.

5. Promoting the Region’s competitiveness and assets in a national and global setting

Some major strategic projects will also have the support of the Agency, with funding of **£50million** allocated within the Corporate Plan (2005-08)

- Eastside, a ten year project to redevelop the east side of Birmingham;
- The Fort building, a mixed use leisure/retail and office development building;
- Royal Shakespeare Theatre, supporting the redevelopment of the Royal Shakespeare Theatre in Stratford;
- New Street Station in Birmingham, working to develop a solution to the major capacity and facility problems; and
- Stoneleigh Park, Warwickshire, support plans for centre for excellence and innovation in farming.

Longer term priorities

These have not yet been fixed, and will need to be developed in the light of the next review of the West Midlands Economic Strategy, due to be completed in 2007.

However, the current Corporate Plan specifies that the Agency’s future funding priorities will move toward a 50:50 split of expenditure between economic development agenda and economic regeneration over the long term. That will mean some rebalancing towards the economic development agenda, focused on enterprise and skills. The emphasis on the economic development agenda will be around enterprise, skills and the knowledge economy. A higher proportion of this agenda is region-wide but there is also a geographical focus for knowledge economy. There will be an element of this agenda which goes towards providing support to the regeneration focus, e.g. Social Enterprise.

The economic regeneration agenda (Urban and Rural Renaissance) is concerned with moving away from the social (in the closure of SRB), to more economic-focused regeneration. A high proportion of this agenda is geographically focused.

The West Midlands Economic Strategy also sets out the long-term regional commitment to Regeneration Zones, as 10 -15 year programmes, and to the longer term strategies of the Business Clusters and High Technology Corridors.