

AGENDA MANAGEMENT SHEET

Name of Committee Economic Development Overview and Scrutiny Committee

Date of Committee 30th January 2007

Report Title Review of the Regional Economic Strategy 2006/7

Summary Advantage West Midlands have published a consultation document on policy choices about which they, their partners and other stakeholders are using to make decisions to help determine the shape and direction of the next Regional Economic Strategy. The consultation phase is the third in a planned five stage review process and closes 28th February 2007. This paper reviews the document and proposes an appropriate response.

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Would the recommended decision be contrary to the Budget and Policy Framework? Yes/No

Background Papers None

CONSULTATION ALREADY UNDERTAKEN:- *Details to be specified*

Other Committees

Local Member(s)
(With brief comments, if appropriate)

Other Elected Members Councillor P Barnes
Councillor R Hyde
Councillor M Jones
Councillor P Morris-Jones
Councillor Mrs J Tandy } for information

Cabinet Member
(Reports to The Cabinet, to be cleared with appropriate Cabinet Member)

Councillor C Saint – for information

Chief Executive

.....

Legal

I Marriott – agreed

Finance

.....

Other Chief Officers

.....

District Councils

.....

Health Authority

.....

Police

.....

Other Bodies/Individuals

.....

FINAL DECISION

YES/NO (If 'No' complete Suggested Next Steps)

SUGGESTED NEXT STEPS :

Details to be specified

Further consideration by this Committee

To receive further reports and engagement in debate on the outcome of the consultation, including the proposed Coventry and Warwickshire sub-regional response and the emergent West Midlands Economy Strategy later this year.

To Council

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To Cabinet

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To an O & S Committee

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To an Area Committee

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Further Consultation

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**Economic Development Overview and Scrutiny Committee -
30th January 2007**

Review of Regional Economic Strategy 2006/7

**Report of the Strategic Director for
Environment and Economy**

Recommendation

That Members are asked to:-

1. Note the progress to date in the review of the West Midlands Economic Strategy undertaken by Advantage West Midlands, specifically relating to the current phase of consultation on policy choices.
2. Consider a role for this Committee in helping shape a response to the consultation and to consider the possible implications of the emergent West Midlands Economic Strategy on strategic development and in particular, strategic investment opportunities, in Warwickshire.

1. Background

- 1.1 The West Midlands Economic Strategy (WMES) sets out a shared vision for the region's economy and is intended to provide a clear framework for improving the competitiveness and economic performance of the region. The WMES aims to guide investment in economic regeneration within the region, particularly (although not exclusively), Advantage West Midlands (AWM) own resources. The Government requires Regional Development Agencies to fully review Regional Economic Strategies every three years, and undertake detailed consultation with key partners to ensure that there is widespread engagement and support of the strategy.
- 1.2 In parallel with the revision of the WMES, the West Midlands Regional Assembly is leading a partial revision to the Regional Spatial Strategy (RSS). Phase 2 of that revision is covering issues which include housing, employment, transport and waste. An analysis on this including specific implications for Warwickshire is being reported to this Committee separately. Members should note that work is ongoing, by all stakeholders, to ensure as much alignment as possible between the review of the WMES and the revision of the RSS.

- 1.3 The review of the WMES started in March 2006 and consists of five key phases:-
- (i) Phase 1 – Building the evidence base (March – July 06).
 - (ii) Phase 2 – Developing the Policy Choices (Aug – Oct 06).
 - (iii) Phase 3 – Consultation on Policy Choices (Nov – Feb 07).
 - (iv) Phase 4 – Consultation of draft strategy (May – June 07).
 - (v) Phase 5 – Publication of revised WMES (Autumn 07).
- 1.4 The data collected through Phase 1 highlights the significant challenges that the region's economy faces. The region has particularly low skill levels compared to the rest of the country, exhibits low amounts of innovation and Research and Development activity, has an economy skewed towards low productive sectors, and suffers from areas of intense deprivation with high levels of unemployment and economic inactivity. These factors lead to regional economy underperforming significantly, creating a £10 billion output gap (in other words, if the regional economy were to perform to levels similar to the UK average, it would be £10 billion richer). Without new interventions, this underperformance is predicted to continue and increase over the next 10 years.
- 1.5 The vision contained in the current WMES produced in 2004, sets the goal 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 the people'.
- 1.6 The policy choices set out in Section 2 of this report (below) and in **Appendix A**, do not fundamentally challenge this vision but are intended to provide a refreshed and structured approach to the revision of the WMES. They are in the form of a series of questions designed to help shape stakeholders' thoughts about the major issues facing the region, to stimulate thinking about the way forward and gauge opinions on the relative importance of different factors impacting upon the economic performance of the West Midlands.
- 1.7 More background to the WMES review process and details of the policy choices is available at <http://www.advantagewm.co.uk/phase-3.html>

2. Policy Choices

- 2.1 The Policy Choices consultation seeks to provide a strategic steer on what the focus and particular priorities of the revised WMES should be. The Policy Choices fall into three groups:-
- (i) Broad questions about the type of Regional Economic Strategy the region would like to see. Should it focus on tackling need, promoting success, or a mix of both?
 - (ii) Cross cutting questions about whether the strategy should particularly focus on any key sectors or geographies, or should it be a wide and holistic strategy?

- (iii) Specific questions based around key areas of intervention which the evidence base suggests have the strongest influence on the region's economic performance. These are:-

Enterprise	Innovation
Skills	Economic activity
Quality of life	Infrastructure

- 2.2 Attached at **Appendix A** is a summary of key characteristics of the regional economy, and the potential policy choices that are suggested within the consultation.
- 2.3 Running alongside and throughout the process, an independent sustainability and future-proofing assessment of the long term economic, social and environmental implications of the proposed strategy is being undertaken.

3. Warwickshire Perspectives and Proposed Input into the Phase 3 Consultation

- 3.1 As Members will be aware, the Warwickshire economy and that of the broader Coventry and Warwickshire sub-region, has grown and prospered over the period of the current WMES and, on average, outperforms the West Midlands economy. On most indicators of economic prosperity, one can see that Warwickshire performs well against the West Midlands average.

Indicator		Warwickshire	West Midlands
GVA per head	(2004)	£16,641	£15,325
Economic Activity rate	(Apr 05 – Mar 06)	81.1%	76.8%
% of population with no qualifications	(2005)	13.4%	17.7%
% of population with NVQ2 or above	(2005)	68.1%	59.6%
VAT Registrations per 10,000 population	(2004)	43.9	34.9
Average weekly earnings of residents	(2006)	£478.20	£421.10

- 3.2 A wide range of factors contribute to this strong performance, including, in part, the contribution made by the current WMES and the financial investment of AWM to help affect structural change and growth. As reported to this Committee in January 2006, we estimated that, as a sub-region, we had secured circa £200 million share of AWM corporate resources over the period of the current plan (2005-8), this represents over a fifth of AWM's total budget for regeneration, a positive ratio when compared to our population share of just 16%.
- 3.3 AWM were clearly prepared to invest in 'opportunity' (wealth creation, inward investment and new technology) as well as 'need' (facilitating access to opportunity for more disadvantaged areas). Our reading of the current policy

choices document suggests this strategy will not be fundamentally shifted and indeed, if the vision for the region still holds true, may well be strengthened.

- 3.4 The County Council's approach to economic development in Warwickshire over the past ten years has been complementary to that of AWM. A twin track strategy of encouraging growth and investment in high value added and knowledge economy sectors alongside a continuing focus on narrowing the north and south divide that still characterises access to employment opportunities and other quality of life indicators amongst many of our residents.
- 3.5 Members will be aware however, that although we compare well to the West Midlands region, we do not do so well in comparison to our neighbours to the south and east. The south east region in particular is continually spreading outwards and the WMES needs to recognise this dynamic which will have particular impact on the Coventry and Warwickshire sub region in the first instance before it begins to have an economic (and demographic) impact elsewhere in the West Midlands.
- 3.6 Thus, we cannot afford to be complacent and have embarked, with sub-regional partners under the aegis of Coventry, Solihull and Warwickshire Partnership (CSWP), on a consultation exercise to prepare a sub-regional response to Phase 3 of the review. Elected Members, including party spokespersons for economic development, have been invited to participate first hand in this exercise to be held on 9th January.
- 3.7 A report will be tabled at Committee outlining the results of the consultation exercise locally and seeking your input to help to shape our final response for the 27th February deadline.
- 3.8 Members have an additional opportunity to hear more about the emerging WMES and the policy choices at Phase 3 of the review through a series of roadshows facilitated by AWM across the region. These include a session at The Heritage Motor Centre, Gaydon on Monday, 19th February 2007 (4.30 – 7.30pm). Please register at <http://www.advantagewm.co.uk/public-events.html> if you wish to participate.

JOHN DEEGAN
Strategic Director for Environment and Economy
Shire Hall
Warwick

9th January 2007

Economic Development Overview and Scrutiny Committee - 30th January 2007

Review of Regional Economic Strategy 2006/7

BROAD POLICY CHOICES

- If the WMES is to be specific in setting out choices and focussing attention, which of the **following approaches** should it focus on?
 - **Tackling Need:** focus on problem issues and draw them closer to the market (i.e. focus on economic inclusion, basic skills, etc.)
 - **Spreading the Success:** go with the grain of market development but accelerate and extend (i.e. identify issues that are not being optimised but have clear potential to improve)
 - **Investing in Success:** focus attention on preserving the high points of the region's economy and extending their reach (i.e. high growth sectors, future technologies, etc.)
- To what extent should the WMES seek to **prioritise important types of businesses** in the region? To what extent should the WMES continue to **prioritise manufacturing** as a distinct challenge facing the region?
- How should the WMES (supported by and supporting the Regional Spatial Strategy) address the **role of different places** within the region? Should **some places be prioritised** as a focus for activity?
- How should the WMES address the challenges and opportunities associated with **climate change**?

SPECIFIC POLICY AREAS

1) Enterprise

The Issues...

- Overall volume of start ups is low
- Distinct areas of under representation
- Enterprise is not bridging the wealth gap ; however
- Favourable overall attitudes to enterprise and entrepreneurship
- Durable businesses are emerging, but
- Dynamism, context and proposals are weak.



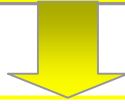
Policy Choices...

- Targeting **high value sectors** and/or those with high growth prospects
- Increasing new **business start ups across the board**
- Concentrating on those groups that are **under-represented** in enterprises
- Embedding a **culture of enterprise** and innovation
- Developing a more **positive set of attitudes** towards enterprise in society
- Promoting use of **information and communications technology** to increase productivity.

2) Innovation

The Issues...

- Very limited R&D investment across the board
- Too few businesses engage in innovation
- The WM is still relatively strong on harder innovation
- However, changes in sectoral patterns likely to adversely affect the region
- Supply of skills and enterprise are not favourable



Policy Choices...

- **More companies in high R&D** and innovation sectors
- Enterprise and **innovation in all companies**
- Greater **supply of economically valuable applied R&D**
- High profile **demonstrator pilots**
- Improving **access to knowledge** and new ways of working

3) Skills

The Issues...

- A poorly qualified region
- And some places are particularly affected
- Low proportion of 'knowledge workers' active in the WM labour market
- Significant skills gaps exist
- Demographic change will adversely affect the skills supply



Policy Choices...

- Focusing on **tackling basic skill levels**
- Developing a **knowledge rich workforce** by increasing number of graduates and higher qualified employees and stimulating demand
- Encouraging **businesses to up-skill** and make better use of their existing workforce
- Developing a **more cohesive skills infrastructure**
- Embedding a **culture of continual learning** and personal development

4) Economic Activity

The Issues...

- Low rates of economic activity, comparatively
- Particular problem for certain groups / locations
- Weak skills base – geographical distribution uneven
- A serious demographic challenge
- Role of migration



Policy Choices...

- Focusing on those with the **most challenging employment prospects**
- Creating **new forms of economic activity and enterprise** to attract people who are distant from the labour market to become engaged
- Ensuring **'work pays'** for people who are out of work
- Maximising opportunities from alternative sources of labour

5) & 6) Quality of Life and Infrastructure

The Issues...

- Pressure on transport networks
- Access to services is poor in many rural areas
- Growing demand for housing
- Around 15% of all households in the region live in housing that is either unfit or in disrepair
- The challenge of achieving development on derelict and previously developed land
- The regional lacks in cultural and creativity terms, but It is a physically and culturally diverse region



Policy Choices...

- **Safeguard high quality of life** offered in region's rural areas
- Development of **cultural beacons** to improve the image of the region
- **Greening of region** by preserving open spaces and countryside
- Channel attention into developing and improving quality of life in the important **suburbs of major employment areas**
- Ensure **quality urban housing** to attract top managers and regenerate areas
- Links between **health, social and economic** aspects
- Tackle **congestion** and improve transport network
- Focus attention on **derelict and expensive to remediate brownfield land**