West Midlands in Context

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West Midlands in Context highlights a broad mix of reports, statistics and other material that has something to say about the West Midlands or that help provide a wider context to the work of councils and other organisations in the region.

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In this issue:

- West Midlands’ inward investment, exports, income and Brexit
- High-rise safety in the wake of the Grenfell Tower fire
- Build - local housing requirements
- Summer news round-up
  - widening participation in higher education
  - police numbers
  - housing costs
The West Midlands was hit badly by the recession and although it has bounced back, progress has been patchy. Recent research has shown that the region’s income levels have only been improving slowly, while unemployment is close to being the highest in the country. Helping to address these issues has been the region’s exporting strength and its attractiveness to foreign investment. With both activities dependent upon the region’s relationship with the outside world, it’s possible the outcomes from the Brexit and trade negotiations could be more important to the West Midlands than for many other parts of the country.

Getting better

There has been some mixed news for the West Midlands over the last few months. In the plus column, the Department for International Trade (DIT) inward investment figures for 2016/17 brought good news, as the region secured the third highest number of foreign direct investment (FDI) projects in England and the second highest number of jobs. Meanwhile, buoyed by the successes of the region’s automotive industry, exports have been continuing to grow. Between March 2016 and March 2017, HMRC statistics showed that the value of these grew at a UK high rate of 18%.

As an indication of the region’s relative strength in the automotive field, a House of Commons briefing noted that in 2015 the West Midlands employed just over a third of the nation’s 155,000 car workers. The Society of Motor Manufactures and Traders (SMMT) estimate for 2016 was higher, but perhaps more significantly, suggested that 814,000 people had jobs dependent on the automotive sector. Although no geographical distribution was given for these jobs, it would seem likely that the region is home to a significant number of them.

Another tick in the plus column came with the latest regional labour market statistics that showed the West Midlands had recorded the UK’s biggest annual increase in workforce jobs. In the debit column from the same report, however, was the fact that unemployment continued to be stubbornly high, only a shade better than the UK’s worst performing region. Perhaps indicating the distance the region still has to travel, elsewhere new research by the Institute of Fiscal Studies (IFS) showed that median income in the West Midlands is 9% below the Great Britain median, the lowest in Britain.
It don’t come easy

With unemployment and income fragile, the continued success in exporting and inward investment would appear to be important factors in securing the region’s economic and social health. As such, it’s perhaps worth looking at the recent inward investment reports produced by the Department of International Trade and EY (Ernst Young) in a little more detail.

The DIT figures show us that for 2016/17 the region performed well in relation to other places, but compared to the year before the number of West Midlands’ projects fell from 168 to 151 and jobs from 11,119 to 6,570. Of course, levels do fluctuate from year to year and how things look can depend on methodologies and timeframes. A more positive picture comes from the EY review of inward investment. This differs from the DIT figures, for example in excluding mergers and acquisitions in its reckonings. For 2016 their methodology found West Midlands’ projects increasing to the extent that the region had its highest national share over the past ten years. This was a particularly good showing bearing in mind the UK had remained the EU’s leading destination for inward investment.

Even so, EY state that nationally “for every positive indicator there is an equivalent negative development”. For example, while the number of projects heading to the UK grew to a record level, it is not increasing as fast as for Europe as a whole as the EU cake is getting bigger, faster than the UK’s slice of it. Moreover, needless to say, not all inward investment is the same. An interesting feature of the EY report is their analysis of some of the more future oriented types of investment such as the proportion of new, as distinct from expansion investment and the number of R&D related projects. These are areas where the UK’s performance looks less rosy. Indeed it seems that the UK’s share of European R&D projects fell from 26% to 16%, its smallest share since 2011. On the positive side, the UK had significant increases in logistics investment and the country continued to lead Europe in the financial services and business services sectors.

We can work it out

A major feature of the EY report is its survey of investor attitudes. Among its findings, they say that “investors’ perceptions point to short term stability” but that for the longer term “perceptions are increasingly negative”. Of particular concern was the “sharp fall” in how the UK is seen on key criteria such as education, transport infrastructure, local labour skills, political stability and access to the European market. Overall, on the basis of its findings, EY says that the UK “can secure its future attractiveness” but that it needs to act quickly, suggesting a plan that covers engaging with investors on
the post-Brexit environment, a UK trade strategy, improving infrastructure delivery, improving skills, and empowering and supporting the UK’s regions.

Here there and everywhere

Although they do differ, both the EY and government methodologies place the US as the UK’s biggest single country inward investor. That said, according to EY, the proportion of American projects was the lowest since the survey started. On the other hand and closer to home, EY found that collectively the EU was not only the UK’s biggest investor, with investments from the European Economic Area making up 40% of UK projects, but that investment has been increasing.

One of the features of the automotive sector is the cross-boundary nature of the supply and value chains, with parts and other work sometimes criss-crossing borders as value is added. As such, its worth noting EY’s comment that “investors appear concerned about the UK having reduced access to these value chains in the future”. With a number of major automotive investment decisions expected in the next few years, these concerns could have significant implications for the region. Giving some idea of the volume of this cross boundary activity, a House of Commons briefing stated that last year the country imported £13.4 billion worth of vehicle engines and parts, 80% of which were from the EU. Emphasising the importance of the European market, HMRC figures show that 47% of the West Midlands’ exports are destined for the EU. By comparison, the north American market was worth around 20%.

Tomorrow never knows

Clearly, there is scope for other markets to grow in importance and for there to be more domestic business. Indeed, even with their concerns about the nature of the future European trade relationships, the SMMT (Society of Motor Manufacturers and Traders) has said that “the opportunity for UK suppliers is still very clear. With post Brexit investments continuing to come to the UK … suppliers have a significant sourcing opportunity” for re-shoring supply chain work, this they suggest, could be worth in the order of £6 billion.

As the House of Commons motor industry briefing said “Brexit could radically alter the UK’s attractiveness, positively and negatively”. How this plays out could vary by sector and geography. Needless to say, the outcomes will be of great consequence to the region.

Sources:

• DfIT - Inward Investment Results 2016/17, July 2017
Sources continued:

- **DfIT** - Inward Investment Results 2015/16, September 2016
- **HMRC** - Regional Trade Statistics, June 2017
- **IFS** - Living standards, income inequality and poverty, July 2017
- **ONS** - Regional labour market statistics, July 2017
- **ONS** - Regional and sub-regional productivity, January 2017
- **EY** - UK’s Attractiveness Survey 2017, June 2017
- **House of Commons Library** - Motor industry: statistics and policy, April 2017
- **SMMT** - 2017 UK Automotive Sustainability Report, 2017
- **ONS** - Estimating the value of service exports by destination from different parts of Great Britain, 2015, July 2017
High-rise safety in the wake of the Grenfell Tower fire

For councils, but also likely to be of general interest, the Local Government Association (LGA) has created a bespoke webpage which includes a Frequently Asked Questions section. This section itself links to a number of other resources, such as a briefing note on building regulations and building control, and a draft advice note on engaging communities in a crisis. Among other features is a link to the 2012 LGA document, Fire safety in purpose-built blocks of flats. The LGA webpage can be accessed here.

The Government has also collected its relevant statements over the past few weeks and posted them on a single webpage. In addition to dealing with the specific issues relating to the Grenfell Tower fire, the webpage contains links to matters that should be of wider interest. These include a statement on the failure rate of cladding tests, advice on interim safety measures to social landlords and for private residential blocks, and an explanatory note on the checking and testing programme that has been set up. The Government webpage has been regularly updated and can be found here.

Providing a broader context, the House of Commons has produced a useful briefing paper which, as well as setting out the events and commentary around the Grenfell Tower fire, also includes: a summary of relevant building regulations, fire safety laws and housing standards; the Government response to the fire; the responsibilities around re-housing; and previous concerns raised about fire regulations. The House of Commons briefing note can be downloaded from here.

Fire Services across the West Midlands sources:

More generally, as you would expect, the websites of fire services across the West Midlands region contain relevant safety advice:

- **West Midlands Fire Service** - Fire Safety in Rented and High Rise Accommodation
- **Warwickshire Fire and Rescue** - Fire Safety in high-rise buildings
- **Staffordshire Fire and Rescue Service** - High Rise Buildings
- **Hereford and Worcester Fire and Rescue Service** - Safety advice
- **Shropshire Fire and Rescue Service** - Fire Safety
Build

Local housing requirements

Let’s build a home

Before the election the manifestoes of the main parties indicated a broad agreement around the need to boost housebuilding substantially. At the LGA conference Communities Secretary of State, Sajid Javid, reprised this theme. He cited estimates which put the level of housebuilding needed at between 225,000 and 275,000 homes a year. Saying there was a “serious shortage of decent, affordable housing”, he commented that the average home costs almost eight times average earnings.

Just can’t get enough

At a time when official figures show that around 140,000 new homes were built last year, increasing housebuilding to the envisaged levels will be no easy task. Indeed a useful House of Commons briefing on housing supply noted that since 1939 housebuilding has only exceeded 200,000 a year when there were large-scale public sector programmes. Following its precipitous decline, council-led building has increased, but it now makes up only a very small percentage of the new homes built. Currently, the bulk of housing comes from the private sector with around 20% from housing associations.

Build

Pointing out the “patchy” performance of councils in bringing forward local plans and housing development, Sajid Javid confirmed a forthcoming consultation on a new, standardised way for councils to assess their local housing requirements. Outlined in February’s Housing White Paper, this new approach would, among other things, be more transparent, “more realistic about the current and future housing pressures” and take account of the “needs of different groups, for example older people”.

Speaking about the need for a new approach, the Secretary of State said that “where housing is particularly unaffordable, local leaders need to take a long, hard, honest look to see if they are planning for the right number of homes”. Regardless of whether higher levels of housebuilding would improve the affordability of homes on the open market, securing homes of the size, type and tenure to meet local requirements is likely to continue to be a major challenge for councils.
As housing markets do not respect administrative boundaries, the White Paper emphasised the importance of cross boundary planning. Indeed, there are already a number of joint core strategies in the region. While the West Midlands Combined Authority’s (WMCA) devolution deal did not cover strategic planning, it does give the Mayor some powers over housing delivery and improvements to housing stock. Housing is one of WMCA’s priorities and with its Land Commission reporting earlier this year, it will be interesting to see how these powers are developed and the impact they have.

**Our house - right to buy sales**

The supply of two ways of providing lower-cost housing are connected through the right to buy scheme, where qualifying council tenants can buy their homes at a discount. While increasing access to home ownership, unless new social homes are built to replace them, the sales reduce the availability of lower-cost homes to rent.

At the end of June the latest figures for sales by local authority area were published. According to the Chartered Institute of Housing (CIH) this showed around 12,800 homes were sold over the past year, but less than 4,500 were started or acquired to replace them using the receipts from their sales. While a time lag between sales and replacements is to be expected, the CIH found “mounting evidence that replacements are simply not keeping pace”. Indeed, their research suggests that most councils “only expect to be able to replace half or fewer of the homes they sell under right to buy”. Since the right to buy discounts were increased in 2012, the CIH say that some 54,500 homes have been sold and only 12,500 have been started or acquired to replace them. The figures for the social housing sales by local authority can be downloaded [here](#).

**West Midlands’ bricks and mortar**

Also in June, a useful briefing paper from the House of Commons Library looked at home ownership and renting demographics. Among other things, this showed the balance of housing tenure in the West Midlands to be 65% home ownership, 19% socially rented and 15% private rented. Behind this snapshot, however, are some dramatic trends. For example, between 1996 and 2016 the number of households renting from private landlords in the West Midlands increased by around 150%, a rate of growth second only to the North East. At the same time, the proportion of households in social housing fell by 16%, the third highest decline in the country. The change in homeownership was a less dramatic increase of 6%, one of the lower increases.
Local housing data

Clearly, the balance of tenure and the level of housebuilding varies considerably from place to place. For information on the nature of the local housing stock, the House of Commons Library has produced a helpful interactive tool. This tool also allows the comparison of housing information by council area on social housing, the number of affordable homes built each year and the number of new homes built each year. The resource can be downloaded from here.

Looking at the cost of renting, Valuation Office has updated its regular estimates of the cost of renting different sizes of housing that they use for each area. These local reference rent levels can be downloaded from here.

Shelter also has a wide range of accessible information by council areas available via its interactive Housing Databank tool. Under the categories of Housing Need, Affordability, Supply, and Social and Welfare there are a number of relevant searchable sub-categories. The Databank was last updated in May and can be accessed here.

Planning reform summary

Lastly, with Sajid Javid talking about a need to “rethink the entire process of development” it may be worth a look at the useful summary of reforms produced by the House of Commons Library which can be downloaded here. The description of the “proposed changes yet to be made” runs to over 20 pages.

Sources and resources

- **LGA** - What the manifestoes say - housing and environment, June 2017
- **Sajid Javid** - Speech to the LGA conference 2017, July 2017
- **DCLG** - House building; new build, England, December Quarter 2016, February 2017
- **House of Commons Library** - Tackling the under-supply of housing in England, June 2017
- **DCLG** - Fixing out broken housing market white paper, February 2017
- **DCLG** - Devolution: a major for the West Midlands. What does it mean? April 2017
- **WMCA** - West Midlands Land Commission Final Report, February 2017
- **DCLG** - Live tables on social housing sales, June 2017
- **Chartered Institute for Housing** - CIH responds to latest right to buy figures, June 2017
- **House of Commons Library** - Home ownership and renting: demographics, June 2017
Free school meals and participation in higher education

With many school leavers still considering their futures, a report by the Department for Education (DfE) on widening participation in higher education (HE) found that poorer pupils are significantly less likely to go on to higher education than their richer counterparts. The Department’s work showed that for 2014/15, 24% of pupils who had received free school meals (FSM) at the age of 15 had ended up in higher education aged 19. This was a substantially lower rate than the 41% of pupils who didn’t receive free school meals. While this gap increased by 1% to 18% on the year before, the DfE pointed out that the gap has varied between 17% to 19% since 2005/06.

Best outside of London

Although the gap in the West Midlands was close to the national level at 17%, due to the strong performance of Inner and Outer London lowering the overall average, this was the smallest difference between FSM and non-FSM pupils outside of the capital. Of course, the size of the gap in itself says little about the proportion of FSM or non-FSM pupils that are going onto HE. Fortunately, the region also fared relatively well on these measures, with 24% of its pupils receiving free school meals ending up in higher education, the highest proportion outside of London. Viewed from the other end of the telescope, both Inner and Outer London also significantly led the percentages of non-FSM pupils moving onto HE with rates of over 50%. Outside of the capital, the North West was next best followed by the West Midlands.

The DfE report on widening participation in higher education also looks at issues such as progression to higher education by school type and social background as well as other widening participation measures. The report can be downloaded from here.
Post-school education funding inquiry

It the context of this, it’s perhaps worth noting that over the summer, the House of Lords Economic Affairs Committee launched an inquiry into the economics of higher education, further education and vocational training. Looking at the current post-school education and training funding, it will consider what changes are needed to make the system meet the needs of enterprise and the labour market while providing value for money for students and the government. The inquiry is taking written evidence until 14th September. The full details can be viewed here.

Police officer numbers

During the summer, the Home Office published its police workforce report. The figures showed that, although a number of forces had increased the number of police officers over the past year, the majority had experienced a decrease. In terms of the West Midlands, there was virtually no percentage change for Warwickshire, while the West Mercia, Staffordshire and the West Midlands forces all did worse than the England and Wales average, albeit that average was less than 1%.

More dramatically, nationally, the figures show that the number of officers is the lowest since records began in 1996. The Home Office points out, moreover, that while earlier figures are not directly comparable, they suggest that the current number of officers is the lowest since 1985. All in all, there has been a decrease of over 20,000 officers, or a fall of 14% since 2010.

It’s perhaps also worth noting that earlier this year the Institute of Fiscal Studies looked at some of the longer term police staffing and funding trends, including the percentage precept, grant and spending changes for each Force. This showed, for example, that the West Midlands Force experienced the second highest percentage fall in spending across England and Wales between 2010/11 and 2014/15.

The full Home Office report on police numbers can be viewed here, and Institute of Fiscal Studies report on Police Workforce and Funding in England and Wales can be viewed here.

The changes in the cost of buying and renting a home in the West Midlands

According to the latest Land Registry figures, average house prices in the West Midlands rose by 4.7% over the past year. In England, only London and the North East experienced smaller increases. The highest increases were in the east of the country with the East of England and the East Midlands both recording increases of over 7%. All in all, the annual increase for England was 5.2%.
In cash terms, this places the West Midlands in the middle of the nine English regions, with the average West Midlands property costing £185,000 compared to over £480,000 in London and £130,000 in the North East. As would be expected, there are considerable local variations, with the Land Registry report also providing local level information on price, percentage change and sales volumes in addition to the regional level data.

Looking at the cost of renting privately, the latest figures from the Office of National Statistics showed that rents in the West Midlands increased by 2.2% over the past year. Like house prices, this level of growth placed it in the middle of the nine English regions. The list was topped and tailed by the East Midlands at 2.8% and the North East 0.5%.

The Land Registry’s national summary can be viewed here and local authority level data can be viewed here. The ONS Index of private housing rental prices can be downloaded here.

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West Midlands in Context is written and produced by Sherman Wong for IEWM, Improvement and Efficiency West Midlands. Every effort is made to ensure accuracy but please refer to the source material via the links and references provided.

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