In this issue:

- Trade winds - The West Midlands, the Industrial Strategy Green Paper and exports and imports
- West Midlands LEPs feature towards the top and bottom of the economic output growth league
- The Midlands Engine Growth Strategy takes to the road
- Everybody’s got to learn sometimes - Schools funding, skills and job prospects in the West Midlands
- Consultations and Inquiries
Trade winds

The West Midlands, the Industrial Strategy Green Paper and exports and imports

The government’s recently published Industrial Strategy Green Paper sets out ten pillars to support industrial growth including developing skills, upgrading infrastructure, supporting businesses, delivering affordable energy and clean growth, encouraging trade and investment and cultivating world-leading sectors. It does not seek to “pick winners” from these sectors but instead is wants to individual sectors to come together to strike deals with the government, possibly in a similar manner to City Deals.

The Strategy is not blind to geography, however. With pillars to drive growth across the country and to create the “right institutions to bring together sectors and places” there may be scope for greater local discretion. Whether this means councils, combined authorities, local enterprise partnerships and the like will be able to negotiate significantly stronger hands remains to be seen. Certainly, few would doubt that there is scope to improve the coordination of infrastructure, planning, skills, employment programmes and other such activities locally.

Whatever the intentions, translating the strategy into improved regional growth will not be easy, though. Between 2014 and 2015 the West Midlands recorded one of the lowest economic growth rates in the country. On the other hand, the region has benefited from a resurgence in exporting. Indeed, West Midlands’ exports grew faster than anywhere else in England according to the last Regional Trade Statistics.

The final countdown

Regardless of the government’s industrial strategy, it is possible that some of the biggest impacts on the economy will not be those arising from the Green paper, but those that emerge from the trade deals that are made on leaving the single market. The importance of these deals is clear, but the deals themselves and their cumulative effects could have very different impacts across the country.

In the context of the changing situation, it’s probably worth looking at where our exports are going to and where our imports are coming from at the moment. As a snapshot, December’s HM Revenue and Customs’ trade statistics show that the UK’s exports were up by 16% on the same month in 2015. However, with imports also up by 22%, the country imported £6.6 billion more than it exported. Looking a bit more closely, the December numbers show that the UK was a net exporter to the tune of £1.1 billion
with Non-EU countries. On the other hand, the UK was in the red to the tune of £7.7 billion in trade with the European Union.

The good news is that figures also show that the West Midlands’ exports have been increasing steadily. Indeed, the region’s 10% rise in exports comparing the year to September 2015 to the year to September 2016 was the biggest in England. Even so, the region was still a net importer of goods. For 2015, the last year for which there are full figures, the West Midlands exported £24.6 billion worth of goods, but imported goods worth £4.3 billion more.

Of these exports, the by far the biggest share went to the rest of the European Union. Amounting to £11.3 billion of goods, it was significantly more than the £4.9 billion that went to Asia and Oceania, the £4.5 billion that went to North America and £1.6 billion that was exported to the Middle East and North Africa. On the other side of the balance sheet, the region bought goods worth £17.6 billion from the European Union, leaving the West Midlands around £6.3 billion in the red. Scaled up to England, the deficit with the EU amounted to £82 billion.

**Trying to throw your arms around the world**

Giving a slightly different perspective, the Centre for Cities’ looked at the exports of goods and services from the country’s cities. Using a slightly idiosyncratic definition which includes Telford and defines Birmingham as including the Black Country and Solihull, the Centre looked at 62 British cities and assessed how dependent they were on certain sectors and overseas markets. Bearing in mind the general scale of UK trade within the European Union, it’s not surprise that they found the it “by far the biggest destination for exports from British Cities”, accounting for 46% of Britain’s urban exports.

Even though the USA was the biggest single country destination for exports, as a collective, the Centre noted that the EU market for cities was “three times larger than the USA and 11 times larger than China”. The Centre challengingly noted that to “make up even a 10 per cent drop in current levels of UK cities’ exports to the EU would require more than a doubling in trade with China or increasing trade with the USA by nearly a third”.

**China in your hands**

That said, their research seems to suggest that West Midlands’ cities might have a lower dependence on EU trade than many other places and perhaps more importantly, already have strong exports to other markets. The Centre’s figures show that the proportion of exports going to the EU from Birmingham, Telford and Coventry were among the lowest of the cities studied at 39%, 35% and 32% respectively. Indeed, a quarter of Coventry’s exports, “almost exclusively road vehicles” went to China, the biggest proportion of any city’s exports to that country. This perhaps is not surprising given that Jaguar Land
Rover is the country’s biggest exporter to China. Even so, the Centre was still able to point out that “the EU was the largest export market for every city in Britain with the exception of Hull”.

Among the other things, the Centre for Cities report also found that Coventry and Telford were two of the ten cities that were most dependent upon a single sector for their exports. In both cases they were significantly reliant on the automotive sector. However, the city most dependent on a single sector was Sunderland, where 79% of exports came from the automotive sector. This level of dependency presumably helps explain why the government was keen to offer assurances to Nissan last October over their continued future in the UK. Whether these went beyond the proposals that have now emerged in the Industrial Strategy Green Paper is unknown.

Sources:
- HMRC - UK Overseas Trade Statistics December 2016, February 2017
- HM Government - Building our Industrial Strategy, Green Paper January 2017
- Centre for Cities - Cities outlook 2017, January 2017
- HM Revenues and Customs - Regional Trade Statistics - Quarter 3 2016, December 2016
- Department for International Trade - Exporting to China, November 2016
- Prime Minister’s Office - PM statement on Nissan Sunderland plant announcement, October 2016
West Midlands LEPs feature towards the top and bottom of the economic output growth league lands LEPs

The Office of National Statistics (ONS) has just published its latest economic figures for England’s Local Enterprise Partnerships (LEPs). These show that the output for the Greater Birmingham and Solihull LEP area grew at 4.7%, the third fastest rate in the country in 2015. The ONS comment that construction, and finance and insurance activities “were the engines of growth” for the LEP. Oxfordshire topped the list with growth of 5.3%.

At the other end of the scale, three of the West Midlands’ LEPs were among the five slowest growing areas - with the Marches posting growth of 1.1%, Coventry and Warwickshire 0.4% and Stoke-on-Trent and Staffordshire 0.3%. Northamptonshire was bottom of the pile, failing to register any growth at all.

The ONS point out however, that things can change significantly when looked at over longer time frames. Looking at the period of 2008 - 2015, with an average annual growth of 3.4% it was the Coventry and Warwickshire LEP that was the best performing in the West Midlands and the third best overall. Stoke-on-Trent and Staffordshire was the only LEP from the West Midlands to feature in the bottom five over this longer period.

Source

• Office of National Statistics - Gross Value Added for Local Enterprise Partnerships, 28th February 2017

The Midlands Engine Growth Strategy takes to the road

Long on the production line, the government’s Midlands Engine growth strategy finally made its way onto the open road. Taking the recent Building our Industrial Strategy Green Paper forward and covering a similar geography to the linked Midlands Connect transport initiative, the Midlands Engine covers over
seventy local authorities in the West and East Midlands and ten Local Enterprise Partnerships with the inclusion of the overlapping South East Midlands LEP.

Aimed at addressing barriers to productivity across the Midlands and enabling businesses to create more jobs and to export more goods and services, at the heart of the strategy are five key objectives for the super-region. Each of these objectives is given more substance in the document with a number of specific proposals and spending commitments set out for each one. The objectives are:

- Improving connectivity
- Strengthening skills
- Supporting enterprise and innovation
- Promoting the Midlands
- Enhancing quality of life

**Resources**

In cash terms, the government gives a number of commitments, including:

- £392 million through the Local Growth Fund;
- £20 million for a Midlands Skills Challenge to help close the skills gap; and
- £250 million Midlands Engine Investment Fund to finance the expansion plans of small and medium sized enterprises (SME).

There will also be a Midlands Trade and Investment Programme to help “position the Midlands Engine on the global stage”. In addition, to help oil the wheels, some £4 million is pledged to support the Midlands’ Engine Partnership of businesses, local authorities, academic institutions and the Local Enterprise Partnerships. In return, the Partnership is invited to set out how “it intends to deliver our shared vision for the Midlands to become an engine of growth”.

Local Growth Fund Allocations

Of the £392 million Local Growth Fund money, the break down for the West Midlands’ Local Enterprise Partnerships is as follows:

<table>
<thead>
<tr>
<th>Local Enterprise Partnership</th>
<th>New Growth Funding Allocated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black Country</td>
<td>£55.05 million</td>
</tr>
<tr>
<td>Coventry and Warwickshire</td>
<td>£42.44 million</td>
</tr>
<tr>
<td>Greater Birmingham and Solihull</td>
<td>£54.20 million</td>
</tr>
<tr>
<td>Stoke-on-Trent and Staffordshire</td>
<td>£23.30 million</td>
</tr>
<tr>
<td>The Marches</td>
<td>£21.91 million</td>
</tr>
<tr>
<td>Worcestershire</td>
<td>£17.51 million</td>
</tr>
</tbody>
</table>

Source: Midlands Engine Strategy 2017

Growth Deal Area Fact Sheets

While the Strategy sets out some of the schemes by objective, there is also a useful Growth Deal Fact Sheets for each LEP which sets out the schemes that are covered by this funding stream by area. These include, not only the new proposals, but also the funding that was received and the activities that took place under previous Growth Fund rounds.

**Black Country and Greater Birmingham and Solihull LEPs**

For the Black Country, among other things the new funding is expected to help deliver the Black Country Garden City project; a scheme that will use brownfield land for imaginative place shaping, and the creation of sustainable communities. Among the projects supported by the growth funding in the Greater Birmingham and Solihull LEP area are those aimed at boosting innovation and productivity in key growth sectors such as life sciences, energy, creative, and digital. Other priorities for funding in the area include the Future Skills Fund programme and the harnessing of cultural and creative assets across the LEP.

**Stoke-on-Trent and Staffordshire and The Marches LEPs**

Top of the list in the Stoke-on-Trent and Staffordshire LEP factsheet are the improvements of the Hanley-Bentilee link road and the reclamation of land around the Doxey Road and Stafford Western Access Route for new homes and commercial space. For The Marches schemes include the new NMiTE (New
Model in Technology and Engineering] university in Hereford which will support business innovation and commercialisation through creating opportunities for greater academic and commercial integration.

Coventry and Warwickshire and Worcestershire LEPs

For the Coventry and Warwickshire LEP one of the objectives is to improve transport infrastructure connections with the East Midlands. This would allow local partners to better support regeneration in Coventry and key towns such as Nuneaton, Bedworth and Rugby by bringing forward underused land. Among the schemes funding by the Growth Fund in Worcestershire LEP area, are the improvements to the A38 corridor which are intended to speed up journey times and to accelerate the development of new housing and the creation of new jobs in the area.

Sources:
- DCLG, HMT and DBEIS - Midlands Engine Strategy, March 2017
- DCLG and DBEIS - Midlands: Growth Deals, March 2017
- DBEIS - Building our Industrial Strategy, January 2017
- Midlands Connect - website

Everybody’s got to learn sometimes

School funding, skills and future job prospects in the West Midlands

Improving the nation’s skills and qualification levels are major planks of the Government’s Industrial Strategy, but analysis of the new schools’ funding formula and rising cost pressures suggests all schools will be worse off in 2019/20 compared to now. West Midlands in Context looks at some of the impacts of the formula on the region and reflects on the prospects of young people in the future economy, where many of the new jobs are likely to be at the opposite ends of the qualifications spectrum.

The only way is up!

For many years the West Midlands has recorded some of the worst skills figures in the country, with the region having the highest percentage of people without a qualification in England and the third lowest
percentage with a level 4 qualification or above. But if the region’s performance is poor, then so is the nation’s. According to the Government’s Industrial Strategy “England is the only OECD country where 16 to 24 year olds are no more literate or numerate than 55 to 64 year olds”.

Industrial Strategy and Education

That the situation has remained resistant to significant improvement is, needless to say, a cause for concern. The Industrial Strategy is one of a long line of interventions aimed at raising qualification levels. The second of ten pillars, the Developing Skills strand aims to ensure “everyone has the basic skills needed in a modern economy”, creating a new technical education system, boosting STEM subjects (science, technology, engineering and maths), and “raising skill levels in lagging areas”. Despite this prominence, the Business, Skills and Industrial Strategy Select Committee were unimpressed, saying the skills elements of the strategy were “deeply disappointing”, calling for the “proper coordination between business and education and skills policies” and further devolution to councils and Local Enterprise Partnerships (LEPs).

Ring-ring goes the bell - school funding winners and losers

Bearing in mind the importance of this connection, it’s worth noting that one of the key supporting initiatives name-checked in the Industrial Strategy is the new National Funding Formula for Schools. Last week the Education Policy Institute (EPI) published its analysis of the formula’s effects. Across the country, although there would be winners and losers at both school and local authority level, most authorities should gain from the formula. The funding formula is complex however, and the EPI note that there is “no consistent pattern” to the authorities that would gain. Across the West Midlands, the effects were estimated by EPI as follows:

<table>
<thead>
<tr>
<th>National Funding Formula change</th>
<th>Local Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>+2.0% or more</td>
<td>Solihull, Stoke-on-Trent, Telford, Worcestershire, Wolverhampton</td>
</tr>
<tr>
<td>+1.0% to +2.0%</td>
<td>Staffordshire</td>
</tr>
<tr>
<td>+0.5% to +1.0%</td>
<td>Dudley, Shropshire, Warwickshire</td>
</tr>
<tr>
<td>-0.5% to +0.5%</td>
<td>Herefordshire, Sandwell, Walsall</td>
</tr>
<tr>
<td>-1.0% to -0.5%</td>
<td>-</td>
</tr>
<tr>
<td>-1.0% to -2.0%</td>
<td>-</td>
</tr>
<tr>
<td>loss greater than -2.0%</td>
<td>Birmingham, Coventry</td>
</tr>
</tbody>
</table>

Source: EPI 2017
At the regional level it appears only London would experience a net loss in funding. The West Midlands also fairs relatively poorly, its funding increasing by 0.3%, only better than London and the North West.

... but even the winners are likely to lose

The changes arising from the funding formula are not the whole story, however. As a result of other cost pressures the EPI suggest that all schools are likely to be ultimately worse off than now, even those gaining from the formula. Indeed, it seems that half of all primary and secondary schools face significant “real cuts in funding per pupil of between 6 and 11 per cent” by 2019-20. Bringing the figures to life, the EPI say this would mean an average loss of two teachers from each primary school and six from each secondary. The funding pressures estimated by EPI for the local authorities in the region are set out here:

<table>
<thead>
<tr>
<th>Average real terms per pupil funding pressure by local authority</th>
<th>Local Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater than 10%</td>
<td>-</td>
</tr>
<tr>
<td>8% to 10%</td>
<td>Birmingham, Coventry</td>
</tr>
<tr>
<td>6% to 8%</td>
<td>Dudley, Herefordshire, Sandwell, Shropshire, Warwickshire, Walsall</td>
</tr>
<tr>
<td>4% to 6%</td>
<td>Solihull, Staffordshire, Stoke-on-Trent, Wolverhampton, Worcestershire</td>
</tr>
<tr>
<td>2% to 4%</td>
<td>Telford</td>
</tr>
</tbody>
</table>

Source: EPI 2017

Reach for the stars

If funding for schools is any indicator of the outcomes for young people, then the challenge of connecting education and skills to the economy may well become more difficult. In this context, it’s probably worth taking a look at where the job prospects for young people will be in the near future.

Around the country local growth strategies are setting ambitious job creation and productivity targets. Achieving these will depend, among other things, on a suitably skilled workforce. For example, the West Midlands Combined Authority’s economic plan, which covers three of the wider regions’ six LEPs, has the challenging target of adding half a million new jobs by 2030. Against a 2013 baseline, that would equate to around 30,000 jobs a year. While the area covers by far the most populous part of the West Midlands region, delivering on this aspiration will be a tall order. ONS figures show that 25,000 workforce jobs were added across the whole of the West Midlands in 2016.
Career opportunities

If producing the volume of jobs is challenging, then raising people’s qualification levels to meet their demands will be equally testing. Last year’s Working Futures report by the recently defunct UKCES (UK Commission for Employment and Skills), reported that nationally the strongest job growth would be in the professional and technical roles needing level 4 qualifications or above, an area the region is particularly weak in. UKCES foresaw some 2 million more of these jobs being created between 2014 and 2024. With the ONS (Office of National Statistics) figures showing the West Midlands recording a fall in disposable incomes and bucking the national trend of falling unemployment, more and better-paid jobs would undoubtedly be welcome.

At the other extreme, the UKCES also suggested that there would be growth of around 400,000 jobs in often low paid, low skilled sectors such as caring, leisure and other service roles - sectors which already employ a high percentage of young people. While it suits some, a significant number of these jobs are insecure. According to ONS figures, 22% of all zero hours contracts are in the accommodation and food industry and a further 20% in health and social work.

The squeezed middle

Creating something of a schism in the employment market, it seems it is the jobs requiring mid-level qualifications that will be squeezed. UKCES foresaw net job losses for administrative, skilled trade and process, plant and machine operative occupations to the tune of a collective 520,000. In the past, these might have been the sorts of relatively secure jobs which many young people would have moved into or aspired to. The strength of the region’s manufacturing sector suggests this picture may not be exactly mirrored in the West Midlands, but even so, those moving up the qualifications ladder may well be squeezed in these areas with many finding there is no corresponding rung on the employment ladder. Ensuring that we have an economy that does indeed work for everyone is clearly no short-term task.

Sources:

- **Education Policy Institute** - The implications of the National Funding Formula for schools, March 2017
- **HM Government** - Building out Industrial Strategy Green Paper, January 2017
- **Business, Skills and Industrial Strategy Select Committee** - Industrial Strategy: First Review, March 2017
- **NOMIS website** - West Midlands labour market profile, March 2017
- **West Midlands Combined Authority** - Strategy Economic Plan, June 2016
- **Office for National Statistics** - Regional labour market statistics in the UK, March 2017
West Midlands in Context

- **Office for National Statistics** - People in employment on a zero hours contract, March 2017
- **EY** - The employment landscape for young people in the UK, August 2016

Consultations and Inquiries

**Benefit cap - Select Committee Inquiry**

Work and Pensions Committee - submissions by 7th April

The Committee invites submissions addressing questions including: has the benefit cap incentivised behavioural change and secured savings for the Exchequer; how have claimants responded eg in moving house, moving into work - what effect does the lower cap have on incentives; does the cap address high underlying rates of housing benefit and child benefit in a fair way; and what are the consequential cost of the cap on other public spending such as that by local authorities?


**Local authority environmental regulation fees and charges 2017 - consultation**

DEFRA - closes 13th April

Views are sought on proposed amendments to the environmental permitting fees and charges schemes, including a general increase of 4.5%. DEFRA wants to particularly hear from council environmental health regulators and operators of regulated facilities and their trade associations.

Building our Industrial Strategy - Green Paper consultation

DBEIS - closes 17th April

The green paper sets out the Government’s approach to its industrial strategy and some early actions it has committed to take. The strategy contains 10 pillars: investing in science, research and innovation; developing skills; upgrading infrastructure; supporting businesses to start and grow; improving procurement; encouraging trade and inward investment; delivering affordable energy and clean growth; cultivating world-leading sectors; driving growth across the whole country; and creating the right institutions to bring together sectors and places.

Full details here:

Planning and affordable housing for Build to Rent - part of White Paper consultation

DCLG - closes 1st May

Consultation on changes to planning policy to encourage authorities to plan for Build to Rent schemes, with Affordable Private Rent to substitute for other types of affordable housing.

Full details here:
www.gov.uk/government/consultations/planning-and-affordable-housing-for-build-to-rent

Fixing our broken housing market - part of White Paper consultation

DCLG - closes 2nd May

Consultation on changes to planning legislation in relation to planning for housing, sustainable development and the environment.

Full details here:
www.gov.uk/government/consultations/fixing-our-broken-housing-market-consultation
Improving air quality - Select Committee Inquiry

Environment Food and Rural Affairs, Environmental Audit, Health and Transport Select Committees  - closes: 12th May

The inquiry will look at a range of issues including: how effectively government policies take into account the health and environmental impacts of poor air quality; are the revised plans for tackling nitrogen dioxide levels sufficient; do the revised plans set effective and proportionate measures for reducing transport emissions and is there sufficient cross governmental working.