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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Car trouble
Report looks at Brexit uncertainty and foreign investment

With Jaguar Land Rover, BMW and Airbus airing concerns about the type of Brexit on the horizon, West Midlands in Context takes a look at Ernst and Young’s (EY) annual analysis of foreign investment and survey of global investors to examine how the region is doing and the intentions of global investors.

Beauty contest

The UK’s biggest car producer Jaguar Land Rover (JLR) recently became the latest advanced manufacturer to comment on Brexit. Chief Executive Ralf Speth was quoted saying “a bad Brexit deal” would cost JLR more than £1.2 billion in profit a year, suggesting that if this were the case the company would have to “drastically adjust” it’s spending profile in the UK. Parent company, Tata Motors’ Chief financial Officer PB Balaji went on to say that “Jaguar Land Rover needs free and full access to the single market beyond transition to remain competitive”.

The West Midlands region is UK’s third largest exporter of goods and the extent to which the nation and the region can retain and attract foreign investment will play a major role in determining future economic and social health. The most recent iteration of EY’s regional attractiveness report therefore makes an interesting read. Based on an analysis of Foreign Direct Investment (FDI) decisions and surveys of global investor attitudes and intentions, these reports show how different parts of the world are viewed and are performing in terms of their attractiveness to inward investors.

Risk

Understandingly, Brexit is a key issue. Encouragingly, EY notes the proportion of businesses intending to invest in UK over next 12 months has remained stable, but on the flip side they found that “over one third of investors globally expect the UK’s attractiveness to deteriorate over the coming three years”. Indeed, “30% of investors say that Brexit may cause them to move assets out of the UK in the future”. While EY points out that “only 8% of investors expect to reduce their UK activities in the next three years”, in their view, there is a “real risk that the UK’s stable performance masks the fact that the UK is missing out on growth opportunities”.

Perhaps tempering the risk for the West Midlands, it seems financial and business service investors are more likely to move assets in the next three years than manufacturing. Indeed, EY found “investors in consumer goods and manufacturing indicated they had increased investment in the UK”. That said, it could be that the differences between sectors only “reflect in part the relative ease of moving for businesses in different sectors”. While some sectors are more deeply rooted, than others, declining confidence already appears to be having some effect. EY found, for example, the “fall in investment in the financial services and business services sectors provides direct evidence of the impact of Brexit”. These falls in UK investment happened at a time when their wider markets across Europe grew.
Despite this and whatever the future intentions of investors are, the UK still increased its number of FDI projects over the year and in doing so, kept its position as Europe’s leading investment destination ahead of Germany and despite a “surge” in projects heading to France.

Regional performance had a major role in this, as nine of the UK’s 12 nations and regions posted an increase in projects. The report also noted that “Yorkshire and the West Midlands consolidated their strong 2016 performances”, although the increases were only relatively modest. London also had a modest year, as its share projects fell to its lowest level in a decade, even so, it still accounted for 38% of all UK projects.

At this point, it’s worth noting the Department for International Trade (DfIT) figures. The Department’s method differs, for example, by including mergers and acquisitions and using the financial rather than the calendar year. This presents a picture where the UK remains the leading European FDI destination, but with less projects than the year before albeit, with slightly more jobs created by them. Out of these, the West Midlands benefited from an increase in projects giving it the third highest number of projects and the second highest number of new jobs.

Of course, performance can vary markedly from year to year. In also looking over a longer period, EY found that nine of the top ten UK cities (not considering London) secured more projects in 2017 than their five year averages; Birmingham had the third highest figure, despite a fall in the number of projects over the year, while a substantial boost in Coventry’s projects gave them joint fifth place with Glasgow.

Looking across the piece, EY says that there is “no doubt as to the message: the UK is an economy in transition, as the move towards Brexit and the accelerating digital revolution reshape the landscape” they say that “urgent action is required to position the UK for future success”. Seeing a “narrow window of opportunity to respond”, they say their survey results should “serve as a call to action for policy makers to use the next three years to protect and improve the UK’s competitiveness”.

EY identifies a number of actions. These include the Government taking action to “rebuild the UK’s reputation” by clearly articulating its vision for the UK and explaining how it proposes to drive growth in the future “characterised by certainty and long-term vision rather than ad-hoc tinkering”. In parallel, they call for clarity over a range of issues that affect investor confidence such as immigration, public services and the approach to inward investment. They also call for the industrial strategy to be expanded to include services and digital and for the development of a focused trade strategy.
Compulsory geography

Interestingly, among the points made by EY is the need for “more explicit consideration of the geographic benefits with increased priority on FDI and trade-related activity that can benefit towns and not just large cities”. The need for greater consideration of places is also reflected in their call to improve transport infrastructure. Bemoaning the fact that “every year plans are articulated but consistently not delivered” they go on to say that “given the importance of transport investment decisions in the UK regions, the geographic dimension should be a key part of the decision-making on future investment priorities”. In the context of the recent Transport Select Committee report which highlighted how rail and transport spending is skewed towards London, with transport scheme appraisal methods inherently biased towards the capital, and the drive for local growth, this is something that many areas around the country are likely to find agreement with.

Sources:

BBC News - Jaguar Land Rover boss: Brexit threatens £80 bn UK investment, July 2018
Tata Motors - Official Media Statement from CFO Balaji, July 2018
Airbus - Airbus in the UK/Brexit Risk Assessment Memorandum, June 2018
BBC - BMW joins Airbus in Brexit warning, June 2018
HM Renvue and Customs - Regional Trade in Goods Statistics First Quarter 2018, June 2018
EY - UK Attractiveness Survey 2018, June 2018
DfIT - Inward Investment Results for 2017 to 2018, June 2018
DfIT - Press release: Inward investment brings 1,500 new jobs a week to the UK, June 2018
Commons Transport Select Committee - Rail infrastructure investment inquiry report, June 2018
Shaky
Select Committee questions Government’s understanding of council finances

Given the parlous state of local government finances, it was not surprising that the Chair of the Public Accounts Committee (PAC), Meg Hillier, said that it was “no secret that councils are under the cosh”. The “mystery” she said, was how “government expects their finances to improve when it has such an apparently shaky grasp of the issues”. WMiC takes a look at the Committee’s report on the financial sustainability of councils and highlights a forthcoming CIPFA consultation on a council financial resilience index and looks at the Local Government Association’s (LGA) preparations for the forthcoming Spending Review.

Less than zero

Noting that councils face an estimated funding gap of over £5 billion by the end of the decade, the Committee chair was critical of the government’s response to the “looming crisis”, saying that it smacked of complacency. In launching the PAC report, Meg Hillier went on to say that it “beggars belief” that the Department responsible for council viability “has neither an agreed measure of sustainability nor a clear definition of “unsustainable”.

Indeed, the Committee found that the Ministry of Housing, Communities and Local Government (MHCLG) had no plan to secure the financial future of councils, nor had it been transparent enough about its understanding of the pressures to demonstrate that it “genuinely understands or is addressing the issue”. Instead, the report suggested that MHCLG is being “overly reliant on a favourable outcome” from the next Spending Review to resolve the council funding problem. Experience suggests this will not be the case, however, with the Committee pointing out that the last Spending Review settlement resulted in “many local authorities having to rely on reserves to fill the gaps in funding” and having to overspend their social care budgets by over £1 billion in the first year.

With the Government exercising tight control over public spending, the ability of MHCLG to make a compelling case to the Treasury seems paramount. The Committee is concerned, however, that the Ministry lacks the information or ability to do this considering the “levels of local authority funding needed”. Together with the necessary technical work, the Committee highlighted the need for the Ministry to work effectively with other departments if a strong case is to be made and has consequently asked the Ministry to write to them setting out how this will be done. Moreover, given the failure of the last spending review to meet the financial pressures, the Committee has also called on the Ministry to publish its demand and spending projections by service area, once the Spending Review has concluded, as well as its monitoring of outcomes against these projections.
Resilience

Elsewhere, the Committee recommended that the Ministry work with councils to develop a shared definition of council financial sustainability and a method for assessing the extent to which local authorities are at risk. Needless to say, councils have their own interests in developing a better understanding their financial positions. At the end of June, ahead of the Committee’s report, the Chartered Institute of Public Finance and Accountancy (CIPFA) said it would be consulting on its plans for a “financial resilience index”. Drawing from publicly available data and using a range of indicators, for example the level of funding, the rate of resource depletion and the extent of borrowing. The aim of the index will be to “offer reassurance to councils that are financially stable as well as noting where some authorities can improve their financial resilience”.

Sticking their oar in

For their part, as part of their 2019 Spending Review campaign, the Local Government Association (LGA) has published a series of papers to “start new thinking around building the case for long-term, sustained investment in local government”. While the Public Accounts Committee found a funding gap of over £5 billion by the end of the decade, the LGA suggests this could rise to £7.8 billion by 2025. The LGA calculated this deficit by estimating the funds that will be available against an estimate of what it would cost to fund the services to the same standard they were in 2017/18. As such, these calculations only took account of the funds that would be needed to meet additional demand and inflation, but did not include any costs for reversing cuts or making improvements to services.

A suite of “moving the conversation on” reports have been published by LGA alongside the local government funding paper, covering:

- housing, planning and homelessness
- improving schools
- Brexit
- the future of non-metropolitan England
- a sustainable adult social care and support system for the long term.

The LGA say it will be seeking councils’ thoughts and evidence to strengthen its position with the Government in the coming months.

Sources:

- Public Accounts Committee - Financial sustainability of local authorities, July 2018
- CIPFA - CIPFA to consult on index to help test councils’ financial resilience, June 2018
- LGA - Local government funding: Moving the conversation on, July 2018
Councils could do it better
The LGA say councils improve more schools than academy chains

Recent work by the Local Government Association and the Education Policy Institute has looked at school performance, while the Public Accounts Committee has published the findings from their inquiry into converting schools to academies. West Midlands in Context picks out some of the key points.

School improvement

According to an analysis by the Local Government Association (LGA), more failing schools are turned around by councils than academy chains. Their figures show that 75% of schools under council control that were “inadequate” in 2013 had become good or outstanding by the end of last year, this compared to 59% for inadequate schools that had converted to a sponsor-led academy. This, the LGA said, was “compelling” evidence that councils should be allowed to “intervene and turn around struggling schools again” of all types.

The LGA highlight that while councils are “barred” from helping “even in cases where a struggling school cannot find an academy sponsor”, maintained schools that are found “inadequate” by Ofsted “now have to become sponsor led academies”.

Work by the Education Policy Institute appears to support the view that councils should have a role in academy improvement. Their report on school performance found that the key factor in school outcomes was not whether a school was an academy or local authority maintained, but whether it was part of a “high performing school group” or not. As such, among its recommendations, was for the government to “allow capacity to be provided through high performing local authorities” and to “allow them to take over schools from underperforming academy chains”.

Failure

Looking at the potential failure of academy chains, the Institute recommended that the Department for Education “identify those academy chains where there is a significant risk of failure and build sponsor capacity in those geographical areas that are at risk from chain failure before it occurs”. This concern about academy failure was shared by the Public Accounts Committee. In their July report, ‘Converting schools to academies’, the Committee was concerned that the Department did not seem to be learning from “high profile academy failures”, while also finding substantial regional variations in the “quantity and quality of support available to struggling schools”. Part of the problem according to the Committee, was that in the past the Department had focused on converting large numbers of schools to academies quickly, at the expense of rigorous due diligence checks and risk assessment. As a result, the Committee called on the Department to review academy trust failures to learn lessons for future scrutiny arrangements, and for the Department to set out the reasons for those failures and to show how it will strengthen the scrutiny of prospective academies and sponsors.
Confusion

More generally, the Committee found the Department for Education “failing to give a clear sense of direction for maintained schools, academies, local authorities, pupils and parents”. Indeed, looking at the oversight of schools, the Committee found the arrangements “fragmented and incoherent”, leading to “inefficiency for government and confusion for schools”. Illustrating the point, the Committee cites the large numbers of organisations involved in supporting schools become academies and overseeing their subsequent educational and financial performance, these included the Department for Education, regional schools commissioners, the Education and Skills Funding Agency, Ofsted, local authorities, education advisors, multi-academy trusts and church dioceses.

Among the other findings of the Public Accounts Committee, was that councils’ ability to fulfil their statutory responsibilities is being undermined in areas where there is a high proportion of academies. For example, regardless of the split between grant maintained local authority schools and academies, the council remains responsible for making sure there are enough school places for local children, despite having no control over the number of academy places. Needless to say, the situation varies from place to place, with nine authorities having no maintained secondary schools and over a third of authorities having fewer than 50 maintained schools.

Sources:

- LGA - Councils improve more schools than academy chains, July 2018
- EPI - School performance in academy chains and local authorities 2017, June 2018
- Public Accounts Committee - Converting schools to academies, July 2018
Although it may only account for less than 1% of the national economy and around 1.5% of employment, agriculture takes up over 70% of the UK’s land area and is consequently, a significant factor in the economic and social life and environmental quality of much of the country. Reporting on the state of the country’s agricultural sector is therefore an important task for the government, indeed, one that is required by statute. As might be expected, this year’s report contains a wealth of information on the different aspects of agriculture, a few points of which are picked out below.

**FBI investigates farm income**

Bearing in mind the different types of farming that take place, it should be no surprise that farm income varies greatly depending upon what is being farmed. In order to allow comparisons between the incomes of different types of farming, the report makes use of the Farm Business Income (FBI) model. This is made up of the total output from agriculture, agri-environment schemes, diversification, Single/Basic Payment Schemes and any profit from the sale of fixed assets, minus the expenditure on things like overheads, fuel, repairs, depreciation and paid labour. Using this measure, across farming types, it seems that in 2016/17, 20% of UK farms failed to “make a positive FBI” while under a quarter had an FBI of over £50,000. Illustrating the variation between farm types, “lowland grazing” in England had an average FBI of £16,000, while the average for “general cropping” farms was a more substantial £70,000.

Interestingly, the report also contains estimates for the following 2017/18 period. This suggests that there has been a significant increase in FBI for some types of farming. There are a number of reasons for this, however, it suggests that the fall in value of the pound has “been a key driver in increasing average Farm Business Income for a number of farm types”. For example, it is expected that in England, cereal farms’ income will have increased by 48% in 2017/18 and almost doubled for dairy farms, albeit that for dairy farms this follows two years of particularly low income. On the other hand, specialist pig farms incomes will have increased by a more modest 5% and some types of livestock grazing may even have fallen back from the previous year’s figures.

**Organic growth in the West Midlands**

Although the report generally has little to say below the level of the nations that make up the UK, there are regional figures for organic farming. While this makes up only a very small percentage of farm land, it’s perhaps worth noting that the West Midlands had the third largest area of fully organic farming in England, with 27,600 hectares currently in use and a further 5,000 in conversion. However, this is some way short of the South West’s existing 137,000 hectares, which make up nearly half of all England’s fully organic land. Nonetheless, despite the amount of organic land in the UK increasing in 2017, it seems this is still short of its 2008 peak.
Bye, bye birdy

Needless to say, a key element of organic farming is the elimination of artificial, chemical fertilisers. Looking across agriculture as a whole, the report notes that the application of nitrogen and phosphorus fertilisers to grasslands had fallen between 2000 and 2016 and that during the same period, the soil nutrient balances for nitrogen and for phosphorus had also decreased. The report also notes the fall in agricultural emissions of nitrous oxide, methane and ammonia. However, on the debit side, it seems that the 2016 farmland bird index stood at an all-time low, worryingly less than half its 1970 level. As “bird populations are considered to be a good indicator of the general state of wildlife”, the decline in birds is also likely to reflect on wider biodiversity.

Food, farming and the environment beyond Brexit

On the theme of agriculture and the environment, it’s also worth noting the report published by the Commons Environment, Food and Rural Affairs Committee in June. Responding to the Government’s ”Health and Harmony: the future for food, farming and the environment in a Green Brexit”, proposals which will inform a new agriculture bill later this year, the Committee focused on the impact of leaving the Common Agricultural Policy (CAP) and “whether the Government’s proposals will deliver on its ambitions to both increase farm competitiveness and enhance the environment”.

Broadly speaking, the Committee called on the Government to “ring-fence funding for farming post-Brexit, provide much greater details on its new support mechanisms for farmers, and ensure environmental and welfare standards are maintained on products entering Britain”. In leaving CAP, for example, the Committee highlighted the need for the Government to produce a “thorough sectoral assessment of these impacts to identify support for small and medium sizes farms”, noting that “withdrawing Direct Payments will have a varied impact between sectors, and particularly damaging effects will be felt by grazing livestock, cereal and mixed farms”.

Sources

- Defra - *Agriculture in the United Kingdom*, May 2018
- Defra - *Health and Harmony: the future for food, farming and the environment in a Green Brexit*, February 2018
- Environment, Food and Rural Affairs Committee - *The future for food, farming and the environment*, June 2018
New 20 year vision
To relieve congestion on the region’s motorway network

In its report, Midlands Connect say its recommendations for the “Midlands Motorway Hub” will help relieve congestion and could unlock 50,000 jobs and 50,000 homes. For those unfamiliar with Midlands Connect, is a pan-Midlands partnership made up of 23 Local Authorities, nine Local Enterprise Partnerships, the Chambers of Commerce, Highways England, HS2 Ltd, Network Rail and their sponsor, the Department for Transport. As such, their report, completed with Highways England, will have a considerable bearing on the future of the region.

Western Strategic Route to link M5 and M6?
Among the most notable recommendations, is to “consider in greater detail the long term economic case for a Western Strategic Route, linking the M5 and the M6 in the West Midlands”. Midlands Connect says that their early research suggests such a route would offer the “biggest benefit for improving journey times and reducing variability, providing additional capacity, raising resilience and supporting economic growth”. No routes are currently being considered, but further research will be undertaken this year to examine the potential economic and social benefits.

Strategic Park and Ride study
Another of the recommendations is to identify potential opportunities for strategic park and ride. According to Midlands Connect’s analysis, it seems that that almost a quarter of all trips that enter the loop formed by the M5, M42 and M6 known as the “Birmingham Box” only travel a junction or two. As such, more work will be carried out to see where rail, Metro and road based Park and Ride could “intercept” trips in order to reduce congestion.

Platoon
One of the more technologically based recommendations, is to investigate HGV platooning. This is a system where lorries are linked together by wireless technology so that they break and accelerate together, allowing them to effectively operate as a single unit. In doing so, there are potential improvements to safety, vehicle emissions and congestion. More work is to be carried out on the possibility of trails, together with measures such as freight only lanes.
The full list of key recommendations is:

- Estimated time savings signage on the M6 to encourage better use of the M6 Toll during incidents and peak times
- Identifying opportunities for a Strategic Park and Ride scheme as an alternative to short motorway journeys
- Examining the economic case for Western Strategic Route linking M5/M6
- Widening the M42 from Junction 3A to Junction 7
- Creating an A46 Expressway
- Further enhancements on M42 Junction 6
- Targeted improvements on M6 Junction 2,3 and 4
- Ramp metering (installing traffic lights) on M5 at Junction 1 and Junction 2
- Developing a smart motorway on M6, M1 to Junction 2
- Test the potential for an HGV Platooning trail in the Midlands

For further information:
Midlands Connect - Midlands Connect Unveils Bold 20 year Vision to Receive Congestion on Region’s Motorway Network, June 2018
Consultations and inquiries closing over the summer

Heritage Lottery Fund Policy
Directions consultation
Department for Digital, Culture, Media & Sport

Closes 29th July 2018

The Heritage Lottery Fund (HLF) is the largest dedicated funder of UK heritage. As a Lottery distributor and public body it is answerable to Parliament and must take into account Policy Directions issued by Ministers. These Policy Directions are currently being revised.

This consultation seeks views on whether the revised Policy Directions adequately cover what the HLF should take into account when allocating grants and whether there is anything that the HLF does that is not included.

Full details can be found here.

Banning the use of combustible materials in the external walls of high-rise residential buildings
Ministry of Housing, Communities & Local Government

Closes 14th August 2018

This proposal is in line with the Secretary of State’s commitment to consult on banning the use of combustible materials in cladding systems of high-rise residential buildings. This consultation seeks views on proposals to ban certain materials. There will also be a detailed impact assessment based on the information received during the consultation to inform the final policy decision.

Full details can be found here.
Serious violence inquiry

Home Affairs Select Committee
Closes 16th August 2018

The Serious Violence Strategy was published in April 2018 with a particular focus on approaches to tackle the recent increases in knife crime, gun crime and homicide. The then Home Secretary said it was clear “we cannot arrest our way out of this issue and that tackling serious violence requires a multiple-strand approach involving police, local authorities, health and education partners to name but a few”.

The Committee is inviting evidence on evidence including:

- Progress in combatting serious violent crime in recent years
- Whether the Serious Violence Strategy is likely to be effective
- Whether the balance between prevention and law enforcement in the Strategy is the right one
- Whether there are sufficient resources

The Committee is also particularly interest in evidence on the main themes of the Strategy:

- Tackling County Lines and the Misuse of Drugs
- Early Intervention and Prevention
- Supporting Communities and Local Partnerships
- Effect Law Enforcement and Criminal Justice Response

Full details can be found here.

Making byelaws to protect sites of special scientific interest (SSSIs)

Natural England
Closes 22nd August 2018

Natural England is considering using its byelaw-making powers to protect Sites of Special Scientific Interest (SSSIs) at a local level, where necessary. SSIs are notified by Natural England as part of its statutory functions and are protected by law in order to conserve their wildlife or geology. As part of its Conservation Strategy, Natural England is seeking to improve its capability to exercise its existing SSSI byelaw-making powers.

Full details can be found here.
Household waste duty of care: updating the guidance

Department for Environment, Food & Rural Affairs and Welsh Government

Closes 28th August 2018

Householders have a duty of care to take reasonable steps to ensure their waste is passed to an authorised person. Currently the only option for the regulator (usually the local authority) to address breaches is to take the offender to court. At the start of the year, DEFRA consulted on proposals to tackle crime and poor performance in the waste sector and on introducing fixed penalties for householder duty of care breaches.

In this consultation, the Department is seeking views on their updated guidance for householders on meeting the duty of care for household waste. If it is decided to introduce fixed penalties, the Department is proposing to issue non-statutory guidance to local authorities. This guidance is being consulted on ahead of the final decision to allow for timely introduction if needed.

Full details can be found here.

Cross Country rail franchise

Department for Transport

Closes 30th August 2018

The current Cross Country franchise is due to end in December 2019 and the Department for Transport is running a competition to select the next operator. This consultation seeks view on various aspects of the Cross Country passenger rail service which will inform what the Department will ask from potential operators who re-letting the franchise.

Full detail can be found here.
West Midlands in Context

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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