

the future of the West Midlands

Edited by Paul Hackett



THE SMITH INSTITUTE

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Preface

Paul Hackett, Director of the Smith Institute

In recent years the Smith Institute has taken an active interest in regional governance and regional policy. We have published several monographs on regional issues and hosted various seminars and events. Our focus has primarily been on the arguments for and against empowering the regions and city regions, with a particular angle on the effects of devolution on economic performance and public service delivery.

This monograph, the first in a series on the future of the English regions, takes forward our work on regional policy by looking at regionalism from the viewpoint of the region itself, rather than from a national policy perspective. By so doing we hope to promote greater awareness of the complexities and distinct opportunities and challenges facing each region, not least among key stakeholders, opinion formers and decision makers inside and outside the region.

Our intention is to raise the level of debate about the future of the West Midlands, and to highlight what policy changes – locally, regionally, subregionally and nationally – are needed to make a real and lasting difference. As the government prepares to implement further reforms to regional structures and arrangements across England, this debate takes on added significance.

The West Midlands has been transformed over the past 10 years, and, as this publication clearly demonstrates, there is enormous potential for continued growth. However, the region still contains some of the most deprived neighbourhoods in the country and is lagging behind in vital areas such as education and skills. The current economic climate and the pressures of globalisation leave no room for error.

As the authors of this monograph suggest, the region has to keep the momentum of reform going and work even closer together. There are no quick fixes, and many of the suggested “home-grown” solutions to the region’s deep-rooted problems demand greater local and regional autonomy. Moreover, there is a call for determined leadership and a common endeavour to drive up standards so that the West Midlands can compete with the best in the world.

The Smith Institute thanks each of the authors for their contributions and gratefully acknowledges the support of Advantage West Midlands, the West Midlands Learning & Skills Council, Midland Heart and PricewaterhouseCoopers towards this publication and the associated seminar.

The Smith Institute, founded in memory of the late Rt Hon John Smith, is an independent think tank that undertakes research, education and events. Our charitable purpose is educational in regard to the UK economy in its widest sense. We provide a platform for national and international discussion on a wide range of public policy issues concerning social justice, community, governance, enterprise, economy, trade and the environment.

Foreword

Rt Hon Liam Byrne MP, Secretary of State for the Cabinet Office and Co-chair of the Council of Regional Ministers

The speed of change in the global economy is delivering a new role for regions in England. Uniquely sized, they are big enough to act with scale and small enough to act with speed. As such, they are rapidly becoming crucial strategic platforms for policy development and delivery, driving what the prime minister has called the "new settlement" for Britain in the global economy.

Behind this are three great economic trends – each unstoppable, and each of which will accelerate dramatically over the next decade.

Most important, the global economy will continue to grow faster than the world's population – despite the current downturn. Indeed, world wealth is projected to double by 2030¹ as something like 1 billion new skilled jobs are created worldwide by the interconnection of national markets into a global economy, and as the new middle class in developing nations – with sophisticated tastes and demands – reaches 1 billion people.

Second, the scale of our interdependence with others will dramatically intensify. This creates a third great change: a greater and greater narrowing of the space between global events and local change in our communities, outside our front doors.

These changes create a pivotal role for regions as the unique place where strategic investments for the future can be fashioned fast – and where response to shocks can be brigaded quicker still.

The changing global economy creates an extraordinary opportunity for the UK in the decade ahead to win a huge share of the enormous new global wealth – and the skilled jobs with better wages that will come with it. The opportunity for Britain is gigantic.

Nobel Prize winner Paul Krugman² is among those pointing to a scenario where globalised supply chains concentrate high-skill intensive functions in already technologically advanced countries. Britain remains one of the world's most globally competitive economies,³ and in new industries like environmental technology and services the UK is already a leader; the

1 World Bank, 2007

2 "Trade and Inequality Revisited", public lecture at the London School of Economics & Political Science on 4 May 2007

3 Data from World Economic Forum, 2004/05

sector has a turnover of £25 billion and employs 400,000 people. The City of London is the global hub of carbon trading.

Strategic investments are vital therefore to winning a share of the prizes on offer. Three investment areas stand out: science, skills and transport.

When I led a unique policy conversation with Labour Party members across the West Midlands earlier this year, they were clear about our regional priorities. First, we wanted to see science at the heart of growth and new jobs, with universities centre-stage to growth planning.

Second, we wanted to achieve a revolution in skills. We wanted access to lifelong learning in a world where there are few lifelong jobs, with a seamless link between schools, colleges and universities, and a transformation in vocational education. It must start earlier; it must last a lifetime – and become a real choice for the aspirational. And our new schools and colleges must not be fenced off from the communities they serve. They must be their lifeblood: hubs that serve families.

Third, we wanted to transform the region's transport to help fuel growth – and serve better the way we live life today and how we want to live tomorrow, with major investment in our big infrastructure projects, such as New Street Station, Birmingham International Airport and the Metro.

On the back of that advice, we undertook as a region some significant steps.

First, science was put at the heart of our growth plans, with new ambitions for the kind of science-industry partnerships that Mick Lavery describes in his chapter here.

Second, as David Cragg sets out, we struck out for a new horizon on skills. Low productivity accounts for some 80% of the £10 billion wealth gap between the West Midlands and the rest of Britain. So I asked for a regional skills plan – the first produced by any English region – to be drawn up by the Learning & Skills Council and our regional development agency, with clear, ambitious targets that were then backed massively by local councils in their local area agreements with government.

Third, on the back of our successful resolution of a deal for Birmingham New Street Station, I brought together partners to secure the first ever agreement on strategic transport investments – from a bigger global gateway at Birmingham airport, to greener local travel plans, to a new transport spine in the Black Country.

My point is simple. Regions are now uniquely placed to co-ordinate and, crucially, to accelerate the strategic investments that Britain needs to win in the future.

As significantly, regions are also the places where we can organise responses rapidly to shocks from the world economy.

David Cragg makes this point well. In his article here, he reprises the extraordinary regional response to the collapse of auto manufacturer MG Rover in 2005. Through co-ordinated regional action, a crisis in which 6,000 jobs were lost overnight was transformed into a situation where two years later just 2% of those who had lost their jobs were still claiming benefits. Now, driven by the new Council of Regional Ministers, these kinds of rapid response arrangements are in place in every English region.

One final word about politics: In modern politics, there is nothing inevitable about Britain's embrace of the new global society, and the opportunities and the responsibilities that come with it. It is quite possible for the British people to reject the kind of openness that has characterised our national policy stance since the reform of the Corn Laws, as Ted Cante here powerfully argues. At the next election, Britain could vote for a bit less "open", a bit less Europe, less foreign aid and less international peace keeping. For a bit more xenophobia. Indeed, we already see the warning signs in rising votes for the BNP.

This would be a mistake. "Carefully open" is good for our economy and our society. That is the message that Chris Clifford of the West Midlands Confederation of British Industry puts across eloquently in his contribution here. "Britain", as Chris says, "has built its reputation on trade." But communities, businesses and families need to see the fruits of openness if they are to buy into change.

That is why it is so vital that the new wealth that it is possible to create for Britain in the new global economy is seen to be shared – and, crucially, channelled into the renewal of our communities. That is why regeneration and housing renewal – the rejuvenation of the fabric of our cities and towns created in the last industrial revolution – is such an important prize and pay-off.

On this, too, regions are uniquely able to help lead, as Rosie Paskins and Olwen Dutton explain in their chapters. Renewing communities and building literally hundreds of thousands of new homes is massively complicated, with the myriad decisions that need lining up – not just planning consents, but transport, health services and policing, never mind the huge task of securing the political consent of the millions of people who already live in the region. Only regions can deliver decisions of such complexity in a way that will stick.

Introduction

Ian Austin MP, Regional Minister for the West Midlands

I welcome this monograph and the foresight of the Smith Institute in compiling this series. The Smith Institute has played an important role in shaping the debate on regional governance and regional economic policy. My sincere thanks go to the contributors for their insights on our progress to date, the strengths we have and the challenges we face. What has emerged is a very rich resource from which we can learn a great deal.

For me, having grown up in Dudley, and having lived and worked in the West Midlands for much of my life, the story of the region's recent development is one I have had the privilege to experience first hand, and it is tremendous now to have the opportunity to stand up and fight the West Midlands' corner in Whitehall.

This monograph forms a timely intervention and opportunity to review how well our current ways of working are delivering for the region. Our core purpose is to build *sustainable* economic growth in our region, ensuring we have in place the conditions for economic success.

During the course of 2008 we have seen new challenges through the credit crunch, the banking crisis and a loss of consumer confidence. There is no doubt our region has been hit hard, with companies closing and jobs being lost. Our existing processes, solutions and structures are being rightly tested as we work together to find solutions to our short-term and medium-term issues, as well as to tackle our challenges of economic output, skills, housing provision and transport infrastructure and to make the longer-term structural changes we need in order to ensure we can capitalise on the upturn when it comes.

More importantly now than at any time in living memory, politicians, business and citizens are working in partnership to keep us all moving forward at a local, regional and national level.

In the autumn of 2008, the prime minister established a National Economic Council to co-ordinate government response to these immense economic challenges. This body is underpinned by regional structures so that the diversity of regional economic needs can also be addressed.

Firstly, business secretary Peter Mandelson and chancellor Alistair Darling are chairing a new quarterly Regional Economic Council. Secondly, a new Council of Regional Ministers, chaired by former minister for the West Midlands Liam Byrne and chief secretary to the Treasury Yvette Cooper is meeting every fortnight.

In addition, I have convened a West Midlands Council of Economic Advisors made up of business leaders, trade unions, local government representatives and my ministerial colleagues Ian Pearson, Pat McFadden and Sion Simon; the first region to do so. This council meets in advance of the National Economic Council's meetings so we can take to its discussions the most up-to-date information and ensure that national policy decisions meet the needs of businesses and communities across the West Midlands.

Of course, no business or politician can guarantee to protect every job. But what we can do is to promise that people who do lose jobs have a government that is on their side to help them get the extra support and training they need to get back into work. And it is our regional agility that is enabling us to respond flexibly and strategically to the needs of the vulnerable parts of our economy.

So we became the first region to establish an emergency task force charged with helping local businesses cope with the downturn, preventing job cuts where possible, minimising the impact of reduced production on the supply chain and reducing the impact of redundancies that do occur.

And through all of this, I have a profound belief in the strength of our region. We will succeed because as a region we have a determined optimism. The West Midlands has had tough times before. We have coped with the closure of the Longbridge car plant and the decline of the potteries in north Staffordshire. And when we have faced tough times, we have come through them. We can and must face the challenges of today and get through the downturn, emerging stronger than before on the national and global stage.

And why do I believe we will succeed? Because, as a region, despite the impact of the downturn, I believe we are ahead of the game. In other regions, people are talking about properly integrated policies across government, business and public sector to drive economic growth. In the West Midlands, we have already started the long-term strategic work needed to develop the region's economy. And the speed with which we are able to convene the region's experts to tackle issues together is the sign of a team spirit that is not merely forming, but now performing.

Our sense of direction is now strong. We have a clear ambitious vision and know where we are going, with a story we are able to articulate to government and indeed to investors.

As Mick Lavery and other contributors to this monograph have shown, we have our own targets in numbers, built on consensus and a shared evidence base. If we raised the West Midlands' economic output to the national average, we would be £10 billion better

off. And we know how to close the gap: 44,000 extra people in work, 1,900 new businesses each year, 110,000 more workers in training, 75,000 more people lifted to level 2+ qualification, another 70,000 graduate jobs.

We know we must reflect and support the diversity in our industry and in our enterprise. Together with assistant regional minister Lynda Waltho MP, we are leading further initiatives to maximise support for our SME base and encourage more women into business. Our Asian businesses continue to go from strength to strength, and our links with other parts of the world are now opening up new markets and opportunities.

While we may have to be realistic about the impact of the downturn on the speed of progress over the next few years, we at least know where we are going, and what we are aspiring to.

And we are already getting results. Look at the record: the regional economy has grown significantly and educational standards are up. Times are tough, but we have seen 100,000 more people in work and 200,000 more home owners. Some 125,000 people are getting better skills. Regional development agency Advantage West Midlands is driving forward developments at Fort Dunlop, Ansty Park and the next phase of Keele Science Park. We have the highest ever take-up of Train to Gain in the country, and the first ever integrated transport priority plan. We have a strong local identity but with international reach. We are a world player.

But this would all be put at risk if we were to weaken rather than strengthening our regional structures. If the downturn has shown us anything, it has highlighted the need for flexibility in economic policy and strategy at every level.

At the Advantage West Midlands conference in November 2008, David Smith, chief executive of Jaguar Land Rover, made this very point. Jaguar Land Rover, a global company headquartered in the region, competing in more than 160 markets, is pioneering environmental innovation with £800 million of investment. After five years on the Advantage West Midlands board, he describes himself as a huge believer in regional development agencies and the regional economic strategy.

We see in the contributions to this monograph a strong flavour of our region, its diversity, its history and our challenges. We are investing in new and exciting ways to support our businesses, universities and centres of excellence, to regenerate our city centres and our infrastructure.

We need also to recognise the role of the third sector as an important delivery partner,

with the ability to reach and engage wider parts of our community. I am working with Lynda Waltho MP to understand further the needs of the third sector in our region, and how we can further support capacity building, volunteering and mentoring programmes.

Our regional and local leaders have an enormous responsibility to make sure we target effectively the billions in public spending that are coming into our region. And as we mature as a regional force for change, it is right for us to keep challenging ourselves, to review our progress and to be accountable for it, to make the regional vision become a reality at local level.

For this reason I welcome the government's subnational review and the Department for Communities & Local Government's recently published response, which opens up a new phase of regional working with the opportunity to review how our regional bodies could better work together in a new, dynamic model of economic leadership.

We need to ask ourselves how we will achieve and exceed the ambitions of the 14 local area agreements signed in the West Midlands in June as well as those existing regional strategies that will help shape and inform the content of the new single regional strategy to follow by 2010.

And as we develop a stronger, integrated strategy, how do we need the regional development agency and Local Authority Leaders' Board to work together, building on the work that is now taking place through the interim Joint Strategy and Investment Board? How will we ensure that the voices of the third sector, business and wider stakeholders continue to be heard? What is the right combination of regional, subregional and local delivery structures to meet our needs, and how can we create an environment in which multi-area agreements can develop and flourish?

Finally, as we hold ourselves up to greater scrutiny, I welcome the new select committee and grand committee structures, as ways in which we integrate further the voices of our region and its modern leaders in our common success.

I look forward to the discussions on the thought pieces in this monograph, which will take us further in our understanding of our areas for development as a region, particularly as we move forward towards a new single, integrated strategy and the new ways of working that that will inevitably bring. I am struck by Olwen Dutton's comment that the opportunity to raise our thinking may also change our thinking. I sincerely hope we are open to this, which can only be in the interests of us all.

The state of the region

The West Midlands is a diverse region. Its estimated population of over 5.3 million people (in 2006) live in communities ranging from the second-largest urban area in the country to some of the most remote rural hamlets in England. It is one of the UK's most ethnically diverse regions, and that diversity continues to increase. Geographically, the region varies from rolling lowland areas to significant upland areas.

Economic performance within the region is also varied; the West Midlands contains the fastest-growing part of the UK over the last 10 years, Solihull, and the second-slowest-growing in England, Stoke-on-Trent. These variations cannot be understood by focusing on individual issues or locations in isolation; economic performance is the result of complex inter-relationships between different factors and between neighbouring areas, as well as influences from outside the region.

As recognised in the new West Midlands economic strategy, *Connecting to Success*, economic performance depends crucially on three key factors: the businesses that make up the economy, the places in which they operate, and the people who provide their labour force. These same factors are equally important to the region's performance in other respects.

Businesses and economy

The gap between the region's economic output per head and that of the rest of the country has grown over recent years. Between 1994 and 2006, economic output as measured by GVA (gross value added) per person in the West Midlands grew by 4.6% on average each year; however, with UK growth at 5.0% the region's relative performance fell from 7% below UK GVA per head to 11% below.

If the region's economy had generated the same output per person as the national average in 2006, then the region would be over £10 billion richer; £2,000 for each person living in the region. Even closing the gap to the national average excluding London would add an extra £5.2 billion to regional output (or about £1,000 per person). Ten years ago the gap was £4.1 billion (or £1.8 billion excluding London), so there has been little change over the previous decade.

A number of factors combine to create the output gap. The main ones are the mix of businesses in the region, their productivity, and the proportion of the region's labour force that are in work. These factors vary across the region, as does output per head – from £13,372 in Staffordshire to £21,206 in Solihull in 2005. At local level, commuting patterns

are important too; for example, Staffordshire has many commuters who generate wealth elsewhere.

By far the largest contributory factor to the output gap (accounting for about 80% of it) is the collective productivity of the region's businesses. Productivity (the output produced from a given level of labour) in the West Midlands is only around 90% of the national figure.

Part of the explanation for the region's lower productivity is the mix of industrial sectors within the region. The mix of sectors accounts for 15% of the productivity deficit, particularly because of low levels of productivity within business and financial services and a high representation of the less productive public sector.

But the most significant part of the productivity gap is down to the performance of firms within each sector, making this the most important factor to address in improving regional economic output. Productivity of businesses is influenced by a number of factors. The Treasury has identified five main drivers, four of which have a regional dimension: skills, investment, enterprise and innovation.

Skill levels influence the types of job people can do, and the level of output they produce. This is visible in the occupational mix. In business and financial services, 57% of employees in the region are senior managers and professionals, compared with 73% in London. It is not surprising that the sector is more productive in London than it is in the West Midlands. The estimated output gap in this sector alone is £2.5 billion.

Regional data on enterprise and innovation is patchy, but the information that is available suggests the region performs well in some respects but falls short in others, so that potential benefits are not realised. While the region demonstrates positive attitudes to entrepreneurship, these do not translate into high levels of business start-ups. Similarly, high levels of research activity do not translate into increased turnover – West Midlands businesses attributed less of their turnover to innovation than those anywhere else in the country.

While regional data on investment is also limited, it shows that 2007/08 was a record year for foreign direct investment into the West Midlands. Traditional investors such as the US, Germany, France and Japan have been joined by countries such as India, including the major acquisitions of Corus, Jaguar and Land Rover by the Tata Group.

Traditionally, the West Midlands relied on the EU as an export market to a greater extent than did other regions. However, exports to key emerging markets like China, India, Russia

and Brazil have grown significantly faster than those from other parts of the country in recent years.

Places

The different places in the region have different roles, economically and socially. They relate to one another in many different and complex ways. There are around 40 urban areas in the region that have populations of 10,000 or more, accommodating over 80% of the population – nearly half the region's inhabitants live in the West Midlands conurbation alone. The remainder live in the 80% (by area) of the region that is rural in character, including some of the most remote rural areas in the country.

The region is divided into 14 strategic local authorities, including four two-tier shire counties with a further 24 district councils within them.¹ These are important administratively but their boundaries do not reflect functioning geographies – people and businesses do not organise their lives along administrative boundaries. We so far have only a limited understanding of functioning geographies; a better understanding would help ensure that policies are directed to the right places.

Travel-to-work patterns form one component of functioning geographies. The largest flows in the West Midlands are into Birmingham, Coventry and Wolverhampton from surrounding districts. Other major employment centres also attract workers from neighbouring rural areas, although distances tend to be smaller except in the rural west of the region.

A growing and successful economy would attract more people to the West Midlands. This would mean an increasing demand for housing, as would lifestyle changes – between 350,000 and 400,000 new homes will be needed over the next 20 years to avoid further price rises. Greater economic growth would increase demand still further. Current plans suggest that most new homes will be in the major urban areas but a lower proportion of new employment will be there. Implications of this mismatch are not yet well understood.

An important factor in attracting people and businesses is the quality of the historic, natural and built environment. Almost 90% of the West Midlands' land area is green space, but quality natural environment resources are fragmented. The region has seen serious flooding in recent years, and this is likely to become more frequent because of climate change. The region also has a higher proportion of listed buildings at risk than have other parts of the country.

¹ Shropshire will become a unitary authority in 2009 and its five constituent district councils will be abolished.

One of the strengths of the West Midlands is that it lies at the centre of the national transport network, allowing quick and easy access to the rest of the country. To take advantage of this, the network must be reliable and free from congestion. This represents a challenge – the M6 between Birmingham and Cheshire is the most congested section of the nation's strategic road network, and capacity constraints at Birmingham New Street Station affect the reliability of the region's rail network. Jobs in distribution now make up 9% of regional employment, but future growth could be threatened if reliability were to worsen. And while congestion is a key constraint for some parts of the region, other areas – particularly in the rural west of the region – suffer from a lack of connections.

Of course, increased transport capacity has a downside too – it can result in more emissions of carbon dioxide, contributing to climate change. While emissions from the West Midlands are below the national average, meeting regional, national and international targets for emissions will nevertheless require significant change across all sectors.

The future effects of climate change are uncertain. It could bring benefits to some industries in the region, for example increasing the agricultural growing season and boosting tourism. The region is also well placed to develop environmental technologies. Climate change will have negative effects too, most notably on the region's water resources, with parts of the region at high risk of having insufficient water to support proposed growth.

Putting the right infrastructure in place will give the region the chance to achieve its potential. However, what will make it happen is the decisions taken by individuals, whether in a personal or business capacity. All of these decisions are influenced by the factors above, but there are many other elements involved, such as quality of life and perceptions of place, both of which are influenced by issues such as crime and accessibility of services.

Crime levels across the West Midlands are low by national standards. Recorded crime is lower than in other regions in the North and Midlands, and much lower than in London. Crime levels have been falling consistently over recent years, but fear of crime is high by national standards, and rising.

In urban parts of the region, accessing key services such as health and education is not a problem, although the quality is variable. In more rural areas, however, it can be more difficult and services are generally more limited than elsewhere in England. While the region has a range of important cultural and leisure assets, participation in cultural and sporting activities is lower than in many other parts of the country.

Some parts of the West Midlands suffer from multiple problems, including worklessness, low incomes, insufficient skills, poor health and a low-quality environment. These issues are all incorporated in the government's index of multiple deprivation. According to this index, 15% of the region is in the most deprived 10% of England, with the percentage reaching almost 40% in Birmingham.

People

The West Midlands has a diverse and ageing population. The population of the region has risen by about 100,000 since 2001, with most of that growth in older age groups. However, in the largest urban areas growth has mainly been among young adults, leading to an increasing divergence between the age profiles in urban and rural areas.

The West Midlands has the most ethnically diverse population outside London, and this diversity is increasing. The main ethnic-minority groups are those of Asian origin, although there are also significant black Caribbean and non-British white communities. The latter group has grown significantly in recent years with the arrival of migrant workers from Eastern Europe, particularly Poland. Whether this trend will continue, and what its long-term impact on diversity will be, remains to be seen.

While improving productivity will play the leading role in closing the region's output gap, an estimated 20% of the gap is due to low levels of employment. In 2007 over a quarter of the West Midlands' working-age people were not in work. While this is less than two percentage points above the national figure, the gap is equivalent to 65,000 additional people out of work across the region.

Interestingly, only a small proportion of people not in work are technically unemployed. Most are "economically inactive" – in other words, people who want to work but are not actively seeking work, or who would like to work but are unable to work, or who choose not to work. Worklessness is concentrated in certain places and within some black and ethnic-minority communities. The gap between ethnic groups is wider than elsewhere in the country, which is of concern since projections suggest that ethnic-minority communities will grow as a share of the region's population.

Employment rates vary significantly across the region. Worcestershire and Herefordshire both already meet the national target of 80%. At the other end of the spectrum, 37% of Birmingham's working-age population are not working, along with more than 30% in Walsall, Sandwell and Wolverhampton. This shows that the availability of jobs locally is not the problem, since these areas have many people commuting into them. Rather, the problem is the mismatch of, or barriers between, the jobs available and the skills of local residents.

Increasingly, new jobs are in knowledge-intensive sectors, requiring high levels of skills. Although many of these jobs are in the major urban centres, the skill levels of local residents do not allow them to access these jobs. This trend is likely to accelerate, as new job creation is projected to be in jobs requiring higher levels of skills.

Historically, the region's performance on skills has been poor. The English regions' skills performance index showed that until 2007 the West Midlands was the worst-performing region in the country. However, significant progress over recent years means that it is now placed sixth out of the nine English regions.

The improvement has been driven by two key factors: increasing employer investment in skills and rising numbers of individuals engaging in, and succeeding at, education and training. However, there is still much to do. One issue is the high proportion of people with no qualifications at all. This amounts to nearly 18% of working-age people, higher than any other region. Closing the gap to the national average would mean over 100,000 extra people gaining qualifications. The proportion of people qualified to higher levels is also below that in most other regions.

Other barriers to employment include health problems – particularly concentrated in Stoke-on-Trent and the Black Country – and disability. Health levels across the region are slightly worse than the national average but are improving over time. While physical activity levels are the lowest in the country, and obesity the highest, other lifestyle factors affecting health, such as smoking and drinking alcohol, are at or below national levels.

Transport can also be a barrier. This is most obvious in rural areas, where access to jobs, particularly permanent full-time ones, can be a problem for some. Although accessibility is a less obvious problem in urban areas, many low-skilled jobs are filled by very local people, creating problems for those with low skills in areas where there is high competition for the low-skilled jobs that do exist.

This article can only give a brief snapshot of the region. The Observatory has developed a comprehensive evidence base for the West Midlands. Our research into the economic and social needs of the region is fundamental to informing the development of policies that will improve the quality of life for people living in the West Midlands.

Chapter 2

Planning for sustainable development

Olwen Dutton, Chief Executive of the West Midlands Regional Assembly

Planning for sustainable development

The beauty and the beast of planning is the joy of imagining what things might be like combined with the frustration of working out all the things that have to happen in order to get there. In the regional spatial planning environment for which regional assemblies have responsibility, this means imagining how (in this case) the West Midlands – and the cities, towns, villages and all development within it – can develop in the future and then planning in a suitable way to deliver that growth sustainably (in the social, environmental and economic senses), with clarity about what has to happen to achieve that vision.

The vision for the West Midlands proposed by the assembly is a simple one and one that sets out principles with which few people could realistically disagree. It is for:

... an economically successful, outward looking and adaptable region, which is rich in culture and environment, where all people working together are able to meet their aspirations and needs without prejudicing the quality of life of future generations.¹

The question, of course, is: What does this really mean for this particular region? How does that vision relate to this area in a distinct way that makes it not just an "any region" vision (because which region would not broadly agree with what we want?) but one that will make the most of both the advantages and problems that the region faces, accurately describes the place that we know now, and will also make sense as a proper development of that place when we have got there? If this is to be achieved, it is critical that development is designed in a strategic and cross-boundary way, as well as at a local level to fit with a local area's landscape (whether rural or urban) and with its communities and environment in a sustainable way.

Such sustainability does not relate to administrative boundaries (regional as well as local ones) but works by providing a framework within which local sustainable development patterns can be developed that are based on functional relationships reflecting how places actually relate to each other. This translates into regional spatial planning. Where it is most effective, planning at the regional level should provide a realistic model for sustainability which not only recognises the interconnections between places where people live, work, shop and take their leisure but also provides the framework for the optimum development of strong and sustainable economies and communities across the region.

¹ *West Midlands Regional Spatial Strategy: Phase Two Revision* (December 2007)

Why regions are the critical level for planning

So, given what is recognised about artificial administrative boundaries – which logically relates to regional as well as other types of boundaries – what makes the regional level (in England) the right one for high-level strategic spatial planning?

For a start, England – unlike both Wales and Scotland – has no country-wide spatial plan which means that regions are the highest geographic level of planning in the system. This is particularly relevant to environmental matters such as climate change, which know no boundaries and where planned, coherent activity on a larger scale is effective. It can also ensure the consistency and co-ordination of development across administrative boundaries.

Another important factor is the variation across the country. England is certainly not uniform – important regional differences need to be planned for and planned in. Within this context, regions make sense, although some perhaps more than others – certainly in the geographic sense.

In the West Midlands we have a large urban conurbation coalescing around the city region and the global city, Birmingham; and outside that more rural counties with a diverse range of places including market towns and some more significant towns and cities such as Stoke-on-Trent. Certainly, not all the region's rural areas live up to a picture of bucolic bliss; some of our most deprived communities are contained within some of our most beautiful countryside. But nowhere in the region is more than two hours' driving time from the centre of Birmingham.

Other regions vary hugely in size and shape, but the difference across regions is not just geographic. The economic variations across England and factors such as divergent demographics mean that regionally different responses are required to meet the government's aspiration of reducing differences in regional economic performance. The economic ambitions and delivery framework developed through the regional economic strategy have to fit with the spatial requirements for how that economic growth is best facilitated, through land use, environmental concerns and an assessment of the infrastructure requirements to enable the developments to happen.

For example, the regional assembly has been working with the regional development agency and partners to develop a cohesive and complete transport action plan for the region, identifying agreed regional priorities and the sequence within which they are best delivered to maximum effect. The transport priorities have been identified for their enabling effect on the delivery of key regional ambitions around housing, jobs and

growth, which are critical for success.

Ambitions are brought together at local and regional level so that the strategy is built up from community strategies and local area agreements in a way that takes account of the key factors across the region that are big enough individually or together to make a difference outside their immediate area. A good example is the redevelopment of Birmingham New Street Station, which is located in Birmingham city centre but is a piece of regionally important infrastructure as one of the gateways into the whole region – seen as such and supported right across the West Midlands for that reason.

Crossing local boundaries and uniting local interests

Regional planning also recognises that social and economic activity is less and less local. The day of the self-contained settlement or county is long gone; patterns such as travel-to-work and travel-to-learn cross boundaries all the time. Those changing patterns – and the acceptance that development of all kinds need not be spread evenly but that all parts of a region will benefit more if a certain type of development takes place in one particular town or city rather than another – strongly suggest the need for a framework, at a regional level, which can provide for this larger-scale decision making in a way that does not favour local parochial interests as the deciding factor.

Such a framework should facilitate sustainable development across local political boundaries and the brokering of pan-authority – and sometimes pan-regional – political agreements in the interests of an effective and well-worked-through regional plan. Often this will involve trade-offs and difficult choices made in a regional or subregional context. It is the role of the regional planning body – at present the regional assembly – to develop a consensual basis for making those difficult decisions. It must ensure, however, that consensus is not bought at the expense of sinking to the lowest common denominator in matters of real importance for the future; instead, ambition should be encouraged.

One of the greatest challenges in developing a regional strategy is always how it becomes “real” at the local level – something that groups and individuals such as local councillors, investors and residents can relate to. The communication of this always needs working on, whether it is by emphasising that “when the bulldozers go in” it will be the result of a line of decision making that has cascaded down from the regional level, or by in some other way making it clear that the regional strategy is not something developed from afar but by the invaluable contribution of those who combine working at a more local level with leading on aspects of the development of the spatial strategy.

The breadth of the regional spatial strategy has to be communicated as something that

affects all aspects of life and needs the active involvement of decision makers across the board, not just planners. Spatial planning is not about numbers nor is it a technical, land-use planning matter. For example, health sector managers need to be able to say where new hospitals and clinics will be needed in 20 years' time, based not on historical patterns of development but on the new spatial distribution of growth envisaged in the regional spatial strategy (which will be very different).

When housing has, for myriad reasons, such a high profile as at present, it is easy to let housing numbers dominate. For example, during the consultation stage of the current revision to phase two of the West Midlands' strategy, by far the biggest issue in the eyes of both the media and the public was the large numbers of new houses required within the region; that issue dominated both the press coverage and the thousands of responses we received.

But even with housing, spatial planning will not be a purely numbers game. Absolute numbers are important, but this is a fine-grained issue looking at what can be achieved where, given the critical constraints such as floodplain and transportation network capacities – and, not least, the need for economic development that will provide jobs where they are needed for the people who live in the new homes. Again, this is a crucial role for a body that has a regional perspective but that operates in such a way as to involve, consult and take advice from others – especially from the local planning authorities, which have a duty to advise the assembly as the regional spatial strategy is developed.

The interaction between urban and rural

It may be useful to consider how this process has developed in practice. Consider the West Midlands: a compact region, situated at the nation's transport crossroads, with a highly diverse population and environments, geographically polarised social conditions and a post "metal-bashing" economic restructuring under way. It has a £10 billion output gap to close before it can match the average of other English regions, some major skills issues, and a population larger than that of Scotland, split very roughly 50:50 between the metropolitan area and the shires.

In such a context, recognising the interaction between rural and urban has been vital. Historically, the West Midlands, in common with most other English regions, has witnessed a large-scale "flight from the cities" to the surrounding shires over previous decades, with the population of Birmingham declining. Earlier times had seen regional policy encouraging the loss of population by decanting both people and associated economic activity from the conurbation to the crescent towns surrounding it, with growth on all sides in places such as Lichfield and Tamworth. While earlier policies talked about regenerating the cities, in reality their outcomes were questionable, given the provision of

substantial land for housing and employment in the surrounding areas that were close to but clearly not part of the urban conurbation.

The result of these policies, easy to forecast with the benefit of hindsight, was a plan that failed the urban areas. They continued to lose population and to experience an increase in dereliction and social polarisation, leading to a greater loss in population as the more affluent, footloose, younger people and businesses voted with their feet. It was as true then as it is now that it is immensely difficult – if not impossible – to regenerate major urban areas effectively and sustainably if large amounts of greenfield sites where development is easier and cheaper are made available on the periphery of those same areas.

Peripheral growth might seem initially attractive to some places and might in theory have made for greater economic performance for the towns that benefited. However, it brought serious downsides affecting the whole region, with a loss of investment in urban communities, worsening social infrastructure, and problems of social cohesion and polarisation that went far outside the urban core and led to pressures on the market towns that were difficult to meet. The flight from the conurbation had to be stemmed; hence the development of the policy of urban renaissance.

Of course, in regional planning terms, as well as urban issues we have to consider the viability and sustainability of our many rural or non-urban communities. Just as with urban areas, this is not a numbers game but is about creating a broad range of housing – including much that is classed as affordable – to achieve stable, sustainable communities.

The fundamentals of our regional strategy

This thinking led to the present approach set out in the regional spatial strategy, which we and our partners are firmly determined to uphold:

- an urban renaissance – “bucking 60 years of market trends”;
- setting high overall environmental standards for all development;
- limiting peripheral development around major urban areas – instead having a small number of major growth points further out; and
- a counterbalancing rural renaissance of remote rural areas.

There are some challenges in delivering this, not least in the short term in working through the changes driven by the government's subnational review of economic regeneration and development.² This appeared to identify the government's priority as

2 *Review of Sub-national Economic Development & Regeneration* (HM Treasury/Department for Business, Enterprise & Regulatory Reform/Department for Communities & Local Government, July 2007)

sustainable *economic* development, which caused some concern about the implications of such a policy for social and environmental sustainability.

The creation of a single, integrated regional strategy (the idea of which is apparently finding favour among a wide range of interested parties) would bring together two very different, albeit complementary approaches in the regional economic strategy and the regional spatial strategy – let alone other regional strategies that should be considered for integration with them.

A single strategy does, however, offer an opportunity for new thinking. Here in the West Midlands I would, personally, be disappointed if we moved, in a single strategy, away from the core principles I have outlined above, as I believe that these are now showing signs of success and should be sustained. We are making progress and must be careful that we do not make short-term decisions, for example in response to the credit crunch, that we might regret in the future.

Conclusion

This does not mean, however that the opportunity to raise our thinking should not also change our thinking. We have had some success in regional planning and have learned some lessons about working together, about the value of the different sectors giving a view, and about how to make tough decisions, and we understand that to get the best results we need some straight talking and to put aside more local concerns in the interests of wider benefits.

If we can move on from the work we have done so far, to be able to identify and agree the key priorities that will inform the social, environmental and economic policies which must be implemented for the West Midlands to deliver the sustainable growth agenda, we will make a real difference to the performance of this region, and to the lives of present and future generations of West Midlanders. Ultimately, that is what regional planning has to be about, and we should not forget it.

Chapter 3

Connecting to success

Mick Laverty, Chief Executive of Advantage West Midlands

Connecting to success

Late last year, the revised and third version of the West Midlands economic strategy – Connecting to Success – was launched at the recently completed Longbridge Innovation Centre. Appropriately, the venue for the launch of this forward-looking document was the first development on the site of the former Rover plant at Longbridge. In many ways, the green shoots of recovery represented by this new development, which is home to small, thriving enterprises, reflect the West Midlands' ability to reinvent itself and move with globalisation.

The economic strategy document outlines what our region needs to do in order to close the £10 billion output gap that exists between the West Midlands and the UK average. If we were able to achieve everything the strategy sets out – raise skills, drive up enterprise, overcome the challenge of economic exclusion, improve transport and boost innovation – and get ourselves up to the average, it would mean an extra £2,000 for every man, woman and child in our region.

This latest strategy is the most inclusive ever produced by Advantage West Midlands and the Regional Assembly on behalf of the region. More than 2,000 stakeholders, businesses, politicians and partners took part in the consultation process, effectively engaging and helping to shape our region's future.

It is built on a solid evidence base – produced with the support of the West Midlands Regional Observatory – which we can use to measure progress towards closing the £10 billion output gap. And, crucially, it is the first strategy to place sustainability and environmental issues at the very heart of everything we do, ensuring that our approach builds on the underlying principles of long-term thinking, a low-carbon economy, valuing the environment, equality and diversity, and urban and rural renaissance.

I believe that together, as a region, we have a strategy that clearly shows the way forward. However, we can only make a major impact if we increase partnership working by aligning resources and remaining focused on the priority areas.

Delivering the strategy

Last month, Advantage West Midlands and the West Midlands Regional Assembly launched the delivery framework that sets out exactly what each of our partners needs to do in order to address the output gap. So, while the economic strategy focused on what we need to do to strengthen our economy over the next three years and why, the delivery framework takes that analysis a stage further, spelling out how the strategy will be delivered and by whom.

It sets out the detail about what role regional and local organisations and partnerships will have in that delivery, naming more than 140 organisations and partnerships from across the West Midlands and identifying 20 organisations and partnerships as “strategic lead” for each area for action.

In order to build an economy capable of withstanding these pressures and exploiting new opportunities, we need to act decisively, setting out what we intend to do here in the West Midlands, based on a sound plan and clear evidence, involving everyone in the region.

And my very strong message to the region is that there is no time to lose.

Our data shows that 80% of the output gap is caused by productivity and structural weaknesses in our economy – low levels of enterprise and innovation, low skills levels and low investment in our infrastructure. The remaining 20% is attributable to worklessness – too many people are economically inactive in our region. As we are all well aware, it is the private sector that creates wealth but there is a vital role for the public sector to play in creating the conditions for growth.

It was recently announced by the Global Entrepreneurship Monitor – an independent study of enterprise activity around the world – that there has been a 16% increase in levels of entrepreneurial activity in our region over the past five years. The West Midlands Enterprise Board has been advising Advantage West Midlands on business support and our work to create an enterprise culture since 2005, and I know it will play a key role in continuing this excellent progress.

One particularly shining example of how enterprise is being supported is through the Enterprise HQ project in Shrewsbury. Funded through the rural regeneration zone, this public-private sector partnership is making a major difference to start-up companies by offering a supportive environment where they can flourish and grow.

The reorganisation of Business Link West Midlands to focus more on enterprise creation and intensive support for businesses will continue to make inroads into our gap in performance for enterprise.

The importance of skills

Clearly, the best-performing organisations in the West Midlands are those that are using the skills and talents of their people to produce innovative, world-class products and services. We need more people in the region developing their skills to enable them and their companies to reach their full potential.

This is why the excellent work delivered by the regional skills partnership is so important and the launch of the regional skills action plan is such a major step forward. The partnership has for the first time articulated and quantified the demand for skills in a meaningful way, most importantly helping us to understand demand issues as well as supply.

All of this has been built into a single measurement: the skills index, which is recognised as the best in the country and which is being adopted nationally to make sure that skills delivery meets real business needs.

The skills action plan spells out what each of the partners is going to do to close our skills gap, linking back to the priorities of the West Midlands economic strategy. It will be updated every year, identifying new and innovative approaches in order to deliver the high-end skills we need for the future.

An excellent example of work being supported by the agency is the £2 million Leadership and Management (L&M) project. This programme is aimed at helping local businesses to become more competitive, working with more than 1,000 senior managers over the next three years. Results from a pilot of the scheme show that a number of companies are expecting an 18% improvement in gross value added as a direct result of their work with the project and, better still, are investing further in developing the skills of other managers within their companies.

Promoting innovation

Turning to innovation, the work of the Innovation & Technology Council has strengthened the connections between our region's universities and business. The ITC has been instrumental in supporting the early development and defining the goals of the Birmingham Science City initiative, which brings together the universities of Birmingham and Warwick in collaborative research programmes for the benefit of businesses in the West Midlands. I view this initiative as a major contributor to enhancing our region's research and development base.

One of my personal favourite projects, which has had a huge effect on innovation, is the Premium Automotive Research and Development (PARAD) programme led by the Warwick Manufacturing Group, based at the University of Warwick. The principal aim of the programme has been to transform the automotive supply chain capability in our region by working with suppliers to instil in them the strengths needed to secure contracts with WMG, Jaguar Land Rover and other big multinationals.

This project received £33 million from Advantage West Midlands – one of the single

biggest investments we have made as an agency. By anybody's standards, the return from this investment has been excellent value. To date, the programme has safeguarded more than 4,000 jobs in the supply chain through the development of new products and processes. Companies have themselves invested more than £11 million in research and development, and £22 million has been added to our region's economy – with more to come in 2010.

Transport as a priority

A priority at the front of everyone's mind is transport. We are all aware of the barriers to economic development that an inadequate transport infrastructure running at over-capacity can cause. While Advantage West Midlands cannot single-handedly fund the necessary large-scale projects needed to overcome many of the region's transport challenges, we have a key role to play in articulating the region's priorities to government.

There are also some key interventions and investments we can make. Recently, Advantage West Midlands approved funding for the Telford Railfreight Terminal, which will have a significant impact on transport by providing companies in the area with an alternative, greener transportation choice. And, slightly further afield, the agency is working to support two major projects that will benefit the entire region.

These are the transformation of Birmingham New Street Station – which received £100 million from Advantage West Midlands, the biggest single investment made by any regional development agency – and the expansion of Birmingham International Airport. Both of these developments, as vital gateways for national and international visitors, will have important knock-on effects for the wider West Midlands region.

Economic inclusion

The final challenge is economic inclusion. It is vital that we do everything we can to support local authorities in the regeneration efforts.

Undoubtedly, one of the most exciting regeneration schemes in our region is Transforming Telford. This specially created economic development company – including local partners and businesses – is driving the regeneration of the borough, particularly through the town-centre redevelopment.

Camp Hill, in Nuneaton, is one of the most comprehensive regeneration schemes, breathing new life into an entire housing estate that was recognised as one of the UK's most deprived communities. Additionally, the urban regeneration companies – RegenCo in Sandwell and Walsall Regeneration Company, in addition to Wolverhampton Development

Company – are working to drive change in their respective areas.

Advantage West Midlands is committed to leading the region towards its agreed vision – to become a global centre where people and businesses choose to connect. Looking forward, our collective challenge is to ensure that the West Midlands economic strategy is central not only to all that we do, but also to our partners' plans and the delivery of these.

We need every local authority, every business support organisation and every stakeholder with an interest in the economic development of the West Midlands to play their part. It is only then that we are likely to see the future vision for the West Midlands region become a reality. It has taken a lot of hard work and determination by a lot of people for us to reach the stage at which we are today, with a clear understanding of where we need to go and what we need to achieve.

Birmingham and the city region

The key role of the core cities

The world's great cities are the economic engines of the global knowledge economy. In the UK this means the core cities, including Birmingham, as well as London. As regeneration in the last 15 years has shown, these are the places that have the people and resources to generate and maintain the new knowledge activities and the quality of life sought by today's city dweller. Ultimately, cities and the city regions contribute to meeting the challenge of the UK growth agenda.

Our work with government has endorsed a principle in which I firmly believe: that, in enhancing Birmingham's global competitiveness, the city must work with its neighbours in the wider city region. The outside world does not see local authority boundaries; it sees a single metropolitan area (in our case the 12th largest in Europe).

Every part of the city region makes its own contribution, providing for a diversity of economic activities and housing types and the tremendous social diversity that is a key strength of the area. Each district would be the poorer without the contribution of all the others – it is the city region as a whole that makes up a powerful economic zone.

Every council also makes its own contribution and will have its own programmes and projects to deliver, and each project is of importance to all the districts – we must deliver across the whole of the city region if our objectives are to be achieved. This is not about Birmingham dominating the rest of the city region (or region); instead, it is about the subregion being enriched by the economic opportunities provided by Birmingham's global city status.

For me, this agenda must be built upon 10 "competitiveness assets" – assets that a successful city region must possess:

- strategic decision-making capacity;
- first-class international, national and internal connectivity;
- the existence of a core city centre with a critical mass of high-level business, retail and leisure services, and a range of other thriving centres across the city region;
- a range of major national and international facilities;
- a capacity for innovation in the form of one or more world-class research universities;
- the enabling of innovation through an effective "triple helix" system of collaboration between the private, public and university sectors;
- economic diversity;

- a skilled workforce, covering both graduate and medium-level skills;
- good quality of life through the provision of high-quality residential areas and balanced communities; and
- good quality of life in the form of world-class cultural, leisure and sporting infrastructure.

Of course, these assets already exist in the city region. I think, however, we all recognise that they need to be strengthened, and we must also always be aware that our competitors abroad are continuously improving their own competitiveness, which means we must do the same. For example, Helsinki and Munich are seen as leaders in innovation; the Guggenheim Museum has kick started a remarkable culture-led economic revival in Bilbao; and the Nantes-St Nazaire métropole sees the development of its airport as the key to its global competitiveness. These, and other successful city regions, must be our benchmarks. To compete with them we too must be bold, ambitious and imaginative.

Empowering the core cities to fulfil their potential

To realise their potential to support the nation as a whole and punch their weight on the global stage, these cities must achieve a step change in urban infrastructure. To do this, they must have more control over their destiny – with the powers and the resources to deliver. These are some of the key conclusions of the joint work that has taken place between the Core Cities group and the government since 2002, and of the review of subnational economic regeneration published in July 2007.¹ Indeed, they are conclusions that are at the heart of my own vision for Birmingham as a global city with a local heart.

International comparisons show clearly that cities across Europe and North America often fulfil their potential more completely because they have the powers and political freedoms to lead the process of regeneration more effectively.

We can also draw inspiration and lessons from our own history. During the 19th century, Birmingham – through Joseph Chamberlain and other civic leaders in partnership with the business community – developed a model of modern city governance that other cities sought to emulate. Looking back at this time, it clearly reminds us of how centralised our system of government has become, and how weakened our great cities are. All the core cities have achieved amazing regeneration over the past 15 years. Imagine what we could achieve if we had the freedoms and flexibilities enjoyed by Chamberlain's Birmingham. Imagine the dynamic economy that could be created by that kind of strong partnership between city leaders and business people.

1 *Review of Sub-national Economic Development & Regeneration* (HM Treasury/Department for Business, Enterprise & Regulatory Reform/Department for Communities & Local Government, July 2007)

We urgently need the increased autonomy for cities and city regions that would be delivered by implementing the subnational review in full, and by creating new financial mechanisms for investing in capital infrastructure.

The idea that cities need more powers to deliver on regeneration has almost become accepted wisdom, being repeated in a growing number of reports, including the Barker,² Eddington³ and Leitch⁴ reports, the Lyons inquiry⁵ and the two Local Government Association reports on prosperous communities.⁶

I believe we need to move more quickly to implement the proposals of the subnational review, ensure more accountability of regional bodies to locally elected leaders, and focus regeneration policies around the real economic zones in our subregions.

But I also believe we need to maintain our focus on the policy of devolution (as promised by the subnational review) rather than slipping back to an approach that might better be described as *delegation*. Devolution means passing the power of decision making and the accountability for resources to a lower level of government. With delegation, the Treasury and the regional development agencies would remain accountable for resources and for the delivery of programmes and projects. The risk is that the cities and city regions might become simply contractors for central government. That is why true empowerment of the cities can come only when we combine devolved decision making with the power to raise local resources.

What we could achieve: vision for a world-class city region

We are committed to this case for change because we are passionate about the outcomes that we would like to achieve. Changing the way we govern and how we carry out regeneration is a reform with a clear purpose: to bring greater prosperity and security to our citizens and to boost the national economy.

We have truly bold plans to regenerate and transform the city. The Big City Plan – a masterplan for the reshaping of the city centre over the next 20 years⁷ – and the growth

2 Barker, K *Barker Review of Land Use Planning: Final Report – Recommendations* (HM Treasury, December 2006)

3 Eddington, R *Transport's Role in Sustaining the UK's Productivity & Competitiveness: The Case for Action* (HM Treasury/Department for Transport, December 2006)

4 Leitch, S *Prosperity for All in the Global Economy – World Class Skills: Final Report* (HM Treasury, December 2006)

5 Lyons, M *Placeshaping: A Shared Ambition for the Future of Local Government* (Department for Communities & Local Government/HM Treasury, March 2007)

6 Local Government Association *Prosperous Communities: Beyond the White Paper* (November 2006); *Prosperous Communities II: Vive la Devolution!* (February 2007)

7 <http://bigcityplan.birmingham.gov.uk/plan.html>

of the city will lead to a 10% increase in population, the creation of over 100,000 jobs and the building of 55,000 new homes over the next 20 years. We aspire to take Birmingham into the top 25 cities in the world (as measured by the Mercer quality of life index).

Our plan has five key pillars:

- creating a high-speed rail link – High Speed 2 (HS2) – plugging the city directly into the European business network;
- implementing in full the Big City Plan, the largest and most ambitious economic, social and environmental city-centre plan ever undertaken in Europe, which includes exciting proposals to expand the city centre and make it more family oriented, create new streets, squares, parks and diverse mixed communities, foster new enterprises, provide new schools and libraries, generate a Birmingham brand of housing and a Birmingham school of design, make Birmingham the focus for new creative industries and create new cultural quarters;
- growing the communities of East Birmingham – creating sustainable urban communities (our counterpart to eco-towns), with the regeneration of suburban centres to assist in meeting our growth targets in a way that drives transformational urban renewal;
- holding a Birmingham World Expo to showcase the whole development and regeneration agenda profiled in the Big City Plan; and
- increasing incentives to work and tackling reliance on benefits, building on lessons learned from the likes of our exemplary Aston Pride New Deal for Communities to create a comprehensive neighbourhoods programme that builds stronger communities.

We are no less ambitious for the city region as a whole, because we know that Birmingham's success is dependent on the success of the rest of the city region.

Priority projects

Below are listed just some of the projects that seem to me to be a priority. These projects are primarily concerned with capital infrastructure. They therefore lend themselves to the innovative use of the multi-area agreement, to funding through the accelerated development zone mechanism (which I discuss later), and to delivery by vehicles such as city-region development companies. As capital projects, they also complement the revenue-based programmes being developed by the city region, such as those on skills and worklessness and on inward investment.

International, national and internal connectivity

- High-speed rail link to London/Europe

- Birmingham International Airport runway extension and the realignment of the A45
- Completion of the full Metro system

A thriving core city centre and other strategic centres

- The Big City Plan and Eastside, Birmingham
- Redevelopment of Coventry city centre and rail station
- Implementation of the masterplan for Solihull town centre
- Redevelopment of West Bromwich town centre

Cultural infrastructure

- New central library in Birmingham
- Olympic standard swimming pool for Birmingham
- Black Country Urban Park
- Butterworth Hall and arts centre at University of Warwick in Coventry
- Development of the leisure and entertainment complex (including a casino) at the National Exhibition Centre
- Sports, learning and enterprise centre in Telford

These projects would transform the city region's competitiveness, with a range of centres and cultural facilities fit for a 21st-century city region, connected both internally and to the outside world by first-class rail and air links. Each of the projects would generate private investment and development in the surrounding area – we have seen how dramatic this private investment can be in Birmingham's Brindleyplace and Dudley's Merry Hill. Just as importantly, the projects that I have listed would spread growth, jobs and prosperity throughout the city region.

Delivering the step change in investment and competitiveness

So how do we fund the public infrastructure required to kick start these projects identified as priorities? The government itself is looking at new funding mechanisms, such as the community infrastructure levy and business rate supplement. Here, I want to focus on the model put forward by the Core Cities group and PricewaterhouseCoopers: the accelerated development zone (ADZ). In my view, of all the different financial proposals being looked at, the ADZ is the mechanism most likely to deliver the scale of funding that these projects require.

The Core Cities/PricewaterhouseCoopers report applies the ADZ concept to three case studies in Birmingham (Eastside), Leeds and Sheffield. All three case studies are major development areas where growth has been held back by a lack of finance for up-front investment in infrastructure. The study shows that the ADZ mechanism would provide this

up-front finance, and that the *additional* economic growth generated would repay the initial loans and add considerably to employment, housing and output compared with a scenario in which there was no ADZ.

The ADZ model is based on the idea of tax increment financing, pioneered in the United States. It is designed to allow cities to “participate in the growth dividend” – in other words, to allow local authorities to capture incremental value in the form of tax revenues generated from new development.

In order to do this, cities require the power to retain, for a long-term period, *new* local tax revenues such as business rates, with these revenues acting as security to allow loans to be raised for the initial infrastructure investment. The increased business rate revenue would be used to repay these loans.

ADZs would be defined physical areas, within either a single local authority area or across several local authorities sharing a common infrastructure requirement. Within the ADZ, business rate revenue growth would be retained by the local authorities for a maximum of, say, 20 years or until the finance raised to invest in up-front enabling infrastructure were to be repaid.

How would the business community react to the ADZ idea? The Birmingham Chamber of Commerce has already supported the idea, and the chambers of commerce of the core cities are getting together to see how they can work with us to take the ideas forward. Indeed, wider buy-in could be expected, as we are not talking about increases in taxes – the ADZ is about business rate revenue coming to the local authorities for an agreed period, rather than going to the Treasury. The revenue would also be earmarked for investment in infrastructure that would support the competitiveness and growth of our businesses. For these reasons, I believe that the business community would be interested in the idea, and influential in developing it.

The ADZ model seems ideally suited to a city region like ours – economically buoyant but with significant further unrealised potential. In the study itself, Birmingham Eastside could be delivered in its entirety, with the increased business rate revenue repaying the cost of the initial infrastructure investment in just five years or so. If, to take just one example, we could build the Metro lines in the Black Country, imagine the growth and development that would be generated there. We would be halfway towards delivering the vision in the Black Country Study!⁸

⁸ *The Future of the Black Country* – the urban renaissance strategy for the Black Country (Black Country Consortium, May 2006)

In the Core Cities/PricewaterhouseCoopers report, each of the three case studies is a single joined-up area, although the study also emphasises that an ADZ could cross local authority boundaries. My own view is that the model can be stretched even further. What about an ADZ that has eight parts, none of which are physically joined, but which are located in each of the city region's local authorities, stretching from Coventry to Telford? What about the creative design of this ADZ, so that the easier projects can cross-subsidise the more difficult ones? Surely this would be city-region collaboration at its best. I, for one, would be very willing to start negotiating with the government on these issues.

Conclusion

I have briefly set out my vision for a world-class city region and a selection of ambitious and imaginative projects to illustrate what we must do to achieve this vision. I have also discussed how we might finance this bold agenda. The world does not stand still, and we face growing competition, not only from city regions abroad but also from the other English core city regions, so we cannot afford to stand still ourselves.

There is now a broad consensus across the political parties that the cities must once again be given the power to lead their own regeneration. The government is heading in the right direction, and Birmingham and the other core cities will remain positive partners in that journey. We must now all show the courage and conviction to embark on the next stage of reform.

I believe there are exciting times ahead for our city region, and I am looking forward to working closely with Birmingham's partners to turn vision into reality. Our great cities have achieved remarkable regeneration in recent years. We know from our proud history that we have the capability to do much, much more.

Chapter 5

Delivering the skills action plan

David Cragg, Regional Director of the West Midlands
Learning & Skills Council

Delivering the skills action plan

In the West Midlands there is a well-established tradition of joint working across public agencies, not least in the skills and employment field, between Advantage West Midlands (AWM) and the West Midlands Learning & Skills Council (LSC).

Nowhere was this better illustrated than in their joint response to the collapse of car manufacturer MG Rover in 2005. With the overnight loss of almost 6,000 jobs and a potential doubling of job losses in the supply chain, the regional LSC and AWM worked in conjunction with Jobcentre Plus to provide an immediate, concerted response to re-engage the workforce in productive, alternative employment and to minimise the wider social and economic consequences for the region.

The figures speak for themselves: two years on, fewer than 2% of those who lost their jobs were still claiming benefits and, equally pleasingly, 40% were back in manufacturing employment as a result of a targeted reskilling programme aimed at retaining the skills of the former Rover workforce in the manufacturing sector.

More recently, a notable feature of the regional skills partnership has been the co-investment by AWM and the LSC in the Regional Observatory, to create a single, authoritative evidence base for skills and employment that is widely used across all public agencies and providers in policy and planning.

For all the merits and successes of individual projects and initiatives like these, there remained a widespread and justified perception – especially among employers and employer organisations – that, while the rhetoric of strategy might sound “joined-up”, the reality of delivery on the ground was all too often confused and confusing.

The publication of the Leitch skills review¹ in late 2006 and the evolving thinking on the subnational review of economic development² had already prompted a dialogue between the two agencies about how they might develop a much more coherent approach to skills. However, the real catalyst for a radical system change came with the appointment of Liam Byrne as regional minister for the West Midlands in July 2007.

On his appointment, Byrne publicly set out his priorities for the region – with skills high among them. In response, the LSC and AWM agreed to produce a single skills action plan

¹ Leitch, *S Prosperity for All in the Global Economy – World Class Skills: Final Report* (HM Treasury, December 2006)

² *Review of Sub-national Economic Development & Regeneration* (HM Treasury/Department for Business, Enterprise & Regulatory Reform/Department for Communities & Local Government, July 2007)

nested within the wider regional economic strategy.

The three-year plan, launched in March 2008, brings together the priorities, services and funding of AWM and the LSC into a single, joint investment plan for the region. Most importantly, it benchmarks the region against the ambitions set out in the Leitch skills review, linking them directly to the interim Leitch targets for 2011 in the government's public service agreement. In practice, this means an initial goal of closing the region's skills gap from the rest of the country by 2011 as an essential platform for achieving the 2020 Leitch ambitions. This plan is summarised below.

Purpose of the action plan

Building on the regional economic strategy, the skills action plan has the following core objectives:

- to set ambitious, measurable skills goals aimed at closing the skills gap on the rest of the country by 2011;
- to describe the leadership role of business and employer organisations in delivering the plan;
- to establish new ways of working between key public agencies to streamline and simplify the customer offer to businesses and individuals; and
- to agree clear roles and accountabilities with all key partners, subregionally as well as regionally, in ensuring that skills performance forms an integral part of economic development and regeneration in all communities across the West Midlands.

The West Midlands skills challenge

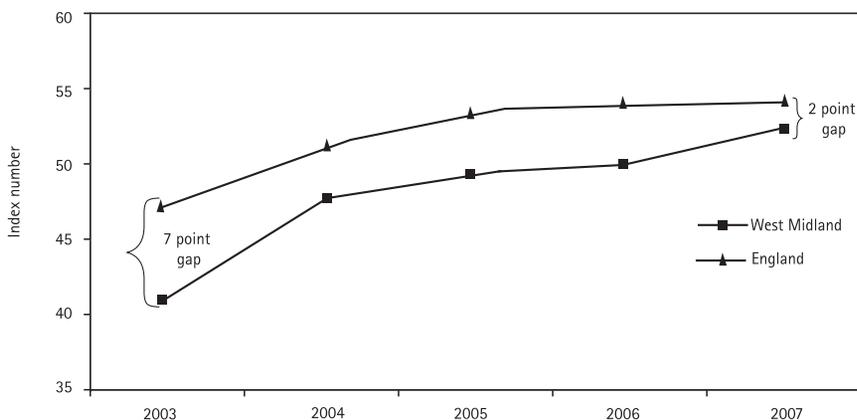
The region has made significant headway in recent years in improving its skills performance. However, the historical legacy of low skills and educational attainment means that it still lags behind many other regions and the English average, but the gap has closed considerably in recent years. In particular:

- Increasing numbers of employers are investing in the training and up-skilling of their staff – the proportion increased from 56.1% in 2005 (the lowest in England) to 63.6% in 2007 (the fourth highest).
- Rising numbers of individuals are taking the initiative to acquire new skills and qualifications, demonstrated by improved attainment at levels 2, 3 and 4 (skills levels defined under the National Qualifications Framework).
- These trends are reflected in an upturn in the skills index,³ which provides a summary measure of the region's overall skills performance.

3 The skills index is compiled by the West Midlands Regional Observatory. The index calculation includes data on investment in training, adoption of workforce development tools, skills gaps, skills shortages, knowledge-intensive employment, qualification attainment, participation in employment, graduate retention and job-related training. For more information, go to: www.wmro.org

- In 2003, there was a 7 percentage point gap in skills performance between the West Midlands and England, but by 2005 this gap had narrowed to 4.5 percentage points, and in 2007 it closed further to 2 percentage points.
- While the skills performance of the West Midlands was the worst in England in 2005, by 2007 the region had moved up to seventh in the regional performance table.

Figure 1: The West Midlands closes the gap with the English average on the skills index



This improvement in the regional position reflects the positive effects of action taken by partners to address the skills issues and challenges we face. For example, in 2006/07 the region delivered the highest performance in England in relation to the proportion of young people and adults successfully completing apprenticeships. Meanwhile, the take-up of the new Train to Gain service over the first two years of its operation was the highest in England, with almost 14,000 employers and 70,000 employees involved in up-skilling programmes.

Worklessness (economic exclusion) accounts for 20% of the £10 billion output gap between the West Midlands and the national average (in terms of GVA – gross value added – per head of population), as outlined in the regional economic strategy. The incidence of worklessness is highest among young people, certain ethnic groups and people with disabilities, and in priority groups such as lone parents, which has implications for child poverty levels. It is also heavily concentrated in individual neighbourhoods and communities, especially within the conurbations.

Skills interventions are key to helping reduce worklessness across the region, as there is a direct correlation between levels of skills or qualifications and employment. The delivery of an integrated employment and skills system is therefore critical both to supporting individuals and communities and to helping raise the output of the regional economy.

Clear and quantifiable skills goals

The Leitch review's stated national ambitions for 2020 are completely in line with our regional goals as we seek to close our productivity gap with the rest of England and our international competitors. We have therefore adopted the same stretching skills goals set by Lord Leitch as a key contributor to achieving the economic objectives within our regional economic strategy.

Table 1 sets out these national 2020 skills goals, and what we in the region must achieve by 2011 as a positive trajectory towards 2020. The ambitious percentage increases given in table 1 equate to stretching increases in qualification levels, as shown in table 2.

Clearly, the most challenging of these goals is increasing the numbers achieving qualifications at level 4 and above. However, this must be balanced with the need to address lower skill levels and, in particular, to support the progression of individuals to level 4. Attainments of qualifications at level 4 and above in the West Midlands at present account for 24% of the workforce; if we are to reach our 2011 target of 34%, rapid progress will need to take place in terms of up-skilling existing workers, recruiting and retaining graduates, and attracting graduates to the region.

Table 1: Key measurable goals on skills

	West Midlands current position	West Midlands goals for 2011	Leitch review target for 2020
Percentage of adults that have functional literacy and numeracy	83% literacy 78% numeracy	89% literacy 81% numeracy	95% literacy 95% numeracy
Percentage of adults qualified to at least level 2	66.7%	79% (PSA 2 – indicator 2)	90%
Percentage of adults qualified to at least level 3	45%	56% (PSA 2 – indicator 3)	68%
Percentage of adults qualified to at least level 4	24%	34% (PSA 2 – indicator 5)	40%

Table 2: Key measurable goals on skills in terms of learner achievements

	Number required to achieve West Midlands goal for 2011	Projected surplus (+) or deficit (-), learner achievements
Number to achieve functional literacy and numeracy	Literacy: 405,340 Numeracy: 308,800	Literacy: -920 Numeracy: +23,810
Number to achieve level 2	419,000	+22,180
Number to achieve level 3	358,000	-350
Number to achieve level 4 or above	228,186	-80,893

Target outcomes by 2011 from successful business engagement

The achievement of these skills goals will be dependent upon the energies and actions of employers and stakeholder interventions; however, it is worth highlighting the key outcomes that we anticipate from a successful strategy for business engagement. These are as follows:

- 50% (5,000 businesses) of all members of chambers of commerce, the Confederation of British Industry or the Engineering Employers Federation to be regular users of the Train to Gain service, including apprenticeship and Jobcentre Plus recruitment services;
- double the number of small and medium-sized enterprises (SMEs) using the Train to Gain service on an annual basis, to 15,000 companies;
- a five-fold increase in the level of direct employer investments generated by the Train to Gain service, from a 2007/08 baseline of £2 million;
- a 50% increase in the number of firms employing apprentices, rising to 18,000 employers;
- a 25% increase in the number of graduates recruited by West Midlands businesses, particularly from the region's universities, rising to 17,000 graduates per year;
- 75% of public service employers to be committed to the regional minister's Public Service Skills Challenge, delivering 75,000 employees up-skilled to level 2, around 8,000 apprenticeships, and 10,000 unemployed local people into public service jobs through local employment partnerships;
- 40% (over 1 million) of employees in the region working in organisations committed to the Skills Pledge launched last year, whereby employers commit to support all their employees in developing basic literacy and numeracy skills and working towards a full level 2 qualification);
- 75% of all organisations (150 employers) with more than 1,000 people committed to the Skills Pledge;

- a 50% increase in the take-up of publicly funded leadership and management support, with 10,000 SMEs engaged; and
- the establishment of a full network of local employment and skills boards.

Business leadership

Increasing the engagement of employers, as both leaders of the Train to Gain service and customers of its benefits, is central to the successful delivery of this plan, coupled with increasing employer demand and investment in skills across all sectors of the economy. This renewed business leadership also needs to be underpinned by clear roles and accountabilities for the key stakeholders.

Businesses will be put in the driving seat through the following strategies:

- The regional skills partnership will be constituted by working together with all the main employer organisations, across the public and private sectors. Comprising recognised leaders from across the region, it will place employers at the heart of the employment and skills system, providing strategic direction and oversight of the skills action plan and promoting the business benefits in their own sectors and across the wider employer community.
- A new partnership will be established with the major employer organisations, the regional chambers of commerce, the Confederation of British Industry, the Engineering Employers Federation, and the Federation of Small Businesses, with dedicated support enhancing their capacity to provide member firms with a single conduit into all business support and employment and skills services – the Business Link West Midlands.
- Working with Jobcentre Plus, chambers of commerce and local authorities, a network of local employment and skills boards will be developed comprising leading employers from each key sector to champion skills investment and local recruitment and to act as exemplars within the wider employer community.
- The LSC will work with the Skills for Business Network and the individual sector skills councils to develop joint sector engagement and delivery strategies ensuring that our investment targets all the region's critical skill shortages and only supports qualifications that employers value.
- The LSC and AWM will collaborate with the Higher Education Funding Council for England to maximise the opportunities for co-investment by employers through the Train to Gain service, increasingly in higher-level skills, including through the

development of specialist sector networks of further-education colleges and training providers capable of delivering whole business solutions for the integration of in-company training into the public accreditation system.

Clear roles and accountabilities of the region's key stakeholders

The key public stakeholders in the region will have the following accountabilities in delivering this plan:

- The LSC will bring AWM's skills investment together with its own funding into a single commissioning plan, ensuring that the vast majority of public investment for both individuals and employers (below level 4) is brought within a single coherent system.
- AWM will take over the LSC's responsibilities for the commissioning and management of skills brokerage, creating a fully integrated business support service.
- Jobcentre Plus and the LSC, working with local authorities within the broader framework of local area agreements, will fully integrate their funding and resources to ensure a seamless service of pre- and post-employment advice, support and training for individuals, tailored to the needs of the local labour market and combining their demand-led services for employers into a single offer.
- Sector skills councils will work directly with employers and through the LSC and the brokerage service to raise employer demand and investment in skills, by ensuring that qualifications meet market needs and that public funding supports only qualifications that employers want, and by developing and implementing a much more flexible and user-friendly system through the new Qualifications Credit Framework, enabling employers and employees to access "bite-sized" units relevant to their individual and business needs.
- The region's higher-education institutions and lifelong learning networks, the Higher Education Association, Foundation Degree Forward, Aim Higher and the Higher Education Funding Council for England will work together to develop new approaches to address the region's shortfall in the following key areas: young people progressing through undergraduate programmes, post-graduate progression, and workplace progression with those in work undertaking a range of level 4, 5 and 6 programmes.
- Local authorities, through their "place-shaping" roles, are responsible for leading the prioritisation and co-ordination of local and cross-authority activity, including through the local area agreement and multi-area agreement processes. Local authorities also

have the strategic leadership and commissioning responsibilities for services to children and young people and therefore a key role, working with the LSC and Jobcentre Plus, in joining up strategy and delivery across the young people and adult agendas.

- Further-education colleges and other providers of education and skills will deliver high-quality provision to meet the needs of employers and individuals within the broad strategic context of regional and local economic priorities. Colleges will also have a key role, working with their local universities through lifelong learning networks, in improving access and progression to higher-level skills and securing a major expansion of level 4 qualifications and foundation degrees, especially for people in work.
- The Government Office for the West Midlands has responsibility for supporting the implementation of national policy locally, working with local authorities and their partners. It challenges and supports local authorities where level 2 and level 3 attainment is not increasing or is regressing and ensures that local authority children and young people's plans, and other local plans, clearly reflect the importance of reducing the proportion of young people who are not in education, employment or training. The Government Office is responsible for negotiating and monitoring local area agreements (all of which have a skills or worklessness component).
- The Regional Observatory will play a central role in providing robust evidence to inform the skills action plan. This will include looking at the scale of the task that the region faces in achieving the ambitious Leitch targets for 2020, reviewing our progress towards the targets and estimating the impact on regional GVA. The observatory will co-ordinate the outcome of research activities by key regional partners, in particular the higher-education research that informs attainment at level 4 and above. The Regional Observatory will also take forward any evaluation of the skills action plan as determined by the regional skills partnership.

Streamlining and simplifying the system

At the core of our approach in the West Midlands is the need for an integrated employment and skills system providing demand-led, coherent, accessible services for employers and individuals across the whole continuum, from basic skills and entry into the labour market to higher level skills and occupations. This requires a radically new approach, and new ways of working.

New ways of working to be introduced include:

- simplifying and streamlining the management of business support and skills delivery,

with AWM responsible for the full integration of all services into a single coherent employer offer and the LSC responsible for publicly funded skills delivery through the Train to Gain service;

- at AWM, pooling all investment in business support and skills brokerage, including the alignment of EU structural funds, to expand and enhance the services available;
- developing a new apprenticeship vacancy-matching service as part of the wider business support service through a partnership between the LSC and local authorities, providing enhanced careers advice to young people and a much more effective service to employers;
- working with major employer organisations, local authorities and 14-to-19 partnerships of schools and colleges to ensure the close involvement of employers in the development and delivery of the new specialised diplomas, including the development of a single portal providing a matching and brokerage service for all education business partnership and work-related learning activities;
- developing a coherent set of graduate recruitment and placement services in partnership between AWM and the regional universities, the Higher Education Funding Council for England and the major business organisations to retain and attract a much larger proportion of graduates to work in the region, while graduate attraction will also form a critical strand of AWM's inward investment strategy;
- the LSC working with universities, the Higher Education Funding Council for England and, through lifelong learning networks, with further-education colleges to develop a coherent higher-level skills service as an integral part of Train to Gain;
- exploring the potential for a new role for further-education colleges in innovation, business support and knowledge transfer, especially with SMEs, by exploiting the growing strength of their specialist facilities and expertise;
- integrating employment and skills services through the local partnership arrangements between Jobcentre Plus, the LSC and local authorities to provide a coherent package of pre- and post-employment and skills support for both individuals and employers, aligned with wider strategies for community regeneration;
- the LSC and sector skills councils developing an increasingly sophisticated and bespoke offer to employers through the availability of sector qualification frameworks, and the Qualification and Credit Framework from the Qualifications & Curriculum Authority;
- progressively bringing all publicly funded workforce skills into the Train to Gain service;
- supporting the diversity of potential learners and the diversity of their needs by providing appropriate advice and careers services to support the socioeconomic mix of the region;
- specific targeting, by local authorities and Jobcentre Plus, of employers and individuals in deprived areas highlighted in city-region strategies and supported by local partnerships; and
- working with Jobcentre Plus to create clarity and transparency over public

entitlements with an expectation that both employers and individuals will be active investors in their skills goals.

Integrating skills into local economic development and regeneration

- In line with the review of subnational economic development and regeneration, we will work with local authorities and Jobcentre Plus to deliver an integrated approach to worklessness as part of the wider role of local authorities in economic development, ensuring that skills and employment form an integral part of strategies for inward investment, physical regeneration and housing.
- We will work within the framework of local area agreements and multi-area agreements to respond to the needs of the region and particular locations such as city regions, using local management and delivery linked to geographical priorities, thereby ensuring that employment and skills are linked to wider economic interventions and provide flexibility to respond to localised skills issues and to be able to target geographical and sectoral hotspots, where relevant.
- The LSC will work with local authorities to ensure that there is a clear transition plan and, with their new responsibilities for 14-to-19 delivery, that this is fully integrated in future skills actions.
- The Local Government Association and strategic health authorities will work with local authorities and other public service employers to help realise their potential contribution to regional employment, skills and productivity, building on the work of the Public Service Compact and the LSC's work with the shire counties to deliver the goals set out in the regional minister's Public Service Skills Challenge.
- Building on the joint West Midlands Local Government Association/LSC and complementary Jobcentre Plus European social fund co-financing plan in the context of the European social fund regional framework for the 2007-11 programme to ensure maximum integration and alignment of skills and employment investment with focused investment in regeneration and infrastructure.

Closing the gap: three-year delivery plan

The skills action plan is accompanied by a delivery plan setting out in detail the inputs, outputs and outcomes to be achieved.

The full text of the skills action plan, including the delivery plan, is available from: <http://www.lsc.gov.uk/regions/WestMidlands/>

Open for business

Britain has built its reputation on trade. We're good at it; per capita we trade better than any other nation on earth. But globalisation is making the way we do business ever more complex, and we have to be able to respond to the many challenges that this will bring. It is not for the faint-hearted but neither is it the sole domain of the corporate giants. Small and medium-sized businesses too see opportunities for growth and are prepared to take the necessary risks, often with help from other partners whose job it is to encourage and help such action.

The West Midlands is no stranger to global trade. After all, the Industrial Revolution started here and despite several shocks along the way the economy today – which bears little resemblance to 200 years ago – has proven remarkably resilient. It has adapted to change and used this as an opportunity to grow and prosper, building new industries and revitalising traditional ones to take advantage of a rapidly changing environment despite the best efforts of public policy makers to complicate things.

However, we must be realistic and recognise that as a region we still have a long way to go to achieve a higher ranking in the competitiveness league, given that we have at present a £10 billion output gap. But because we now have a clear analysis of the reasons for this gap, we have a far better chance of doing something about it. Some of this will be in our own hands, and some of it will be influenced by government at both a national and a regional level.

And herein lies the conundrum: why, when businesses are more interested in the rapidly changing pace of global trade and the risks and opportunities this brings, should they be bothered about regional policy and the impact that this might have on their everyday lives?

Do the quagmire of quangos and myriad other initiatives and schemes dreamed up by politicians and civil servants really help in the general scheme of things? Do business people understand or wish to get involved in local structures and processes enveloped in acronyms? Can they see that this will bring benefits and really help in addressing the problems they face in delivering their companies' plans for growth and sustainability over the longer term? Business looks for simplicity and stability to help plan the future, and government must begin to recognise that it is the overarching strategy that matters and that dealing with the minutiae of process is appealing to few.

Six key challenges

So what do we want from government to ensure that we in the business community can get on with the job of creating wealth and thereby providing the taxes to fund the public-sector spending programme? At the CBI, we believe there are six key challenges for businesses to deal with as they strive to innovate, design and develop products that will ensure the regional economy survives and grows:

- meeting global competition head on and rising to the ever more complex issues that this entails;
- dealing with sharp cost increases exacerbated by the worldwide credit crunch and what some leading economists are calling the worst downturn in the economy since the 1970s;
- providing leadership on climate change issues and seeing this as an opportunity rather than a threat;
- tackling energy supply security, where we need reassurance that the government's energy policy properly addresses the long-term needs of the economy and provides the right balance of power generation to ensure a long-term sustainability of supply;
- securing tax competitiveness, where we have seen an erosion in our competitive edge which is set to deteriorate further unless there are some fundamental reforms designed to ensure that in the coming decades the UK corporate tax system can continue to deliver, so that Britain can once again be among the most competitive business environments; and
- dealing with political turbulence, where a revitalised opposition and a tired government that is running short of ideas and appears to be constantly on the back foot look set to battle it out at a general election in 2010 if not before – which has obvious implications for the business community.

All this, alongside the everyday job of dealing with a plethora of regulations – some good and some bad but all costly – in pursuit of profitability and wealth creation. So while business needs to get on with the job, can it afford to be sidetracked by endless consultations about regional strategies – both economic and spatial – or whether a review of subnational structures will have any real impact on business performance when trying to win orders in Beijing, Boston or Bratislava?

Government must recognise that the business community will get involved only if there is a clear role for them to play both in shaping a strategy and in delivering tangible results on the ground. They are not interested in shuffling papers and spending unproductive hours in committee meetings where nothing seems to happen as a result. Their day job always has to take precedence, because in business life things often need to happen

quickly and with the minimum of debate – otherwise the opportunity could be lost to others who are more fleet of foot. We have to make engagement attractive, because there will be a point when policy makers have to step aside and let the private sector, often in partnership with the public sector, get on and deliver the goods.

If the regional infrastructure, in the broadest meaning of the word, is designed to make that process easier then we stand a better chance of retaining those businesses and their wealth-creation potential in the region and, hopefully, attracting others to bring their businesses here because they recognise that the environment is right for success. But we always have to remember how globally mobile businesses are these days, across the spectrum, and if it is more cost-effective to move to another location, often overseas, then it is in the interests of shareholders and other stakeholders to consider that alternative.

So we need a regional policy that will encourage entrepreneurship and enterprise; that will deliver the skills that business needs at all levels; that will provide the transport infrastructure to enable the efficient movement of goods and people; and that will provide the right kind of built environment and housing to attract the best talent to stay or to relocate here and provide the sort of public services that the taxpayer deserves in terms of choice and quality. By providing this, the region stands a real chance of becoming more successful and wealthy and thereby more able to address the problems of social deprivation and worklessness still endemic in the West Midlands.

Within this kind of environment, business will thrive and grow, providing opportunities for generations to come. Having said all of this, we also recognise that this is where the business representative organisations have a vital role to play in ensuring that things do not happen by default. Businesses support the idea of better and more decision making being devolved to a regional or local level, and the CBI and others have recognised that we must present a cohesive message on behalf of our members to avoid divide-and-rule tactics and instead help to progress those things that will make a difference. Hence the formation of the One Voice group, which represents a wide cross-section of business and seeks to provide a co-ordinated approach to the strategic issues so vital to the success of its members.

Government does not always know best

Through regular meetings with the relevant stakeholders, we can ensure that the private-sector view is robustly articulated and we can, hopefully, avoid the sorts of decisions and proposals that look like having the opposite effect of what they seek to achieve. We must avoid if we can the assumption that government always knows best.

For example, why would you decide to dismantle a system that has painstakingly been built up over the last few years to deliver the sorts of skills that people are crying out for in the future? Through private-sector leadership and a robust, demand-led information base, we have created in the region something that is in real danger of working. Every indicator is moving in the right direction, but the government in its relentless quest to deliver yet another change initiative has decided to abolish the Learning & Skills Council. Government often lets the silly actions of the few sully the overall good reputation of the majority and cloud its judgment.

If this abolition goes ahead then we stand to undo much of the solid progress we have made over the last couple of years, putting responsibility for this vital area into the hands of local authorities that in many cases clearly have neither the capacity nor the expertise to take it on without a serious lack of momentum that will do this region no favours at all. If policy makers insist on change for change's sake, then businesses will lose faith and vote with their feet.

There are various aspects of the subnational review of economic development and regeneration¹ that business is uncomfortable with too. Business needs to play its rightful part in deciding the best framework for delivering economic success. It is no good simply ticking a box that says "We have consulted with the private sector". Policy makers must take heed that until and unless business is properly consulted, and has a real part to play in both determining and delivering outcomes, the chance of successful economic development remains slim.

The CBI and the One Voice group have made it clear that they are concerned about the "leaders' forum" acting as the sole scrutineer for the regional single integrated strategy. The proposal to grant a wide range of powers to the regional leaders' forum – for drawing up and signing off the single strategy, scrutinising and holding to account the regional development agency, and delivering elements of the strategy – would be a significant transfer of power and influence away from the business community (and therefore the focus on economic development) and towards local authorities. We remain to be convinced that this would result in the genuine streamlining of processes or increase in efficiency that the government seeks. More importantly, we are concerned that it could jeopardise the ability of the regional development agency to promote a balanced regional agenda that facilitates future economic growth.

¹ *Review of Sub-national Economic Development & Regeneration* (HM Treasury/Department for Business, Enterprise & Regulatory Reform/Department for Communities & Local Government, July 2007)

The One Voice group believes that in order for regional strategies to promote a shared and balanced agenda it is necessary for all core stakeholders to be engaged equally, and from the outset of a strategy's development. One way of achieving this could be the establishment of a board of stakeholders that is collectively responsible for directing the development of a regional strategy and providing the final sign-off. Such a board could comprise all stakeholder interests (including business, unions, local government, utilities and environmental agencies) providing one focal point of engagement and consultation, thus helping both to reduce the scope for confrontation between key interests and to ensure a balanced consideration of policies.

Conclusions

These are just a couple of examples of where we need to work together and carefully think through the likely impact of proposals that might look good on paper but on further examination could have serious consequences for continued success.

So, are we open for business? Yes, of course we are – it's what we do best and it's what we need to continue to do if we are to succeed for this and other generations. As outlined above, there are some serious challenges ahead – particularly in the short term, as the credit crunch takes its toll. I believe this region is up for it; it has demonstrated in the past that it has the skills and tenacity to rise to the occasion and come through stronger than before. But don't let us make life harder or more difficult by ill-thought-through policy making – at any level.

Chapter 7

Homes and communities – partnerships for change

Richard Parker, Partner at PricewaterhouseCoopers, and
Richard Clark OBE, Chair of ConsultCIH

Homes and communities – partnerships for change

The housing challenge for the West Midlands is great – whether by reference to the delivery metrics for affordable housing or the massive challenge of estate remodelling and the creation of mixed communities, which are so critical to the long-term well-being of the region. Extra funding will help, but to achieve transformational change will also require much greater collaboration between local authorities and other key players as well as new models of intervention.

Housing and regional identity

It is a cliché to say that the West Midlands has identity problems. However, in reference to housing, this is certainly true. It is true both within the West Midlands region and also in terms of the attitude of central decision makers to the West Midlands. The West Midlands housing community, especially in regional and local government terms, experiences tension between its urban, suburban and rural areas.

This can be seen through the significant differences between the north of the region and the southern regional hub, as well as in the variations within the central urban conurbation itself. Nowhere has this been so pronounced as when the city region decided to call itself the Birmingham, Black Country and Coventry city region!¹ There have been valiant efforts by regional institutions, individual local authorities and their leaders to bring these disparate parts together. But the region's political gravity continues to force fragmentation.

Westminster and Whitehall are equally schizophrenic about the West Midlands. Housing has, for the past 50 years at least, been described nationally as a North-South issue. It has helped successive governments to be able to depict housing problems as belonging to one or other category. It is probable that no other region possesses quite the extremes of rural high demand and high house prices combined with severe deprivation, poor housing conditions and acute neighbourhood malaise as does the West Midlands.

In Warwickshire average house prices are recorded as £212,701, against a regional average of £172,974.² Meanwhile recent headlines from the Campaign to End Child Poverty reported that Ladywood constituency in Birmingham has the highest number of children in the whole of England living in or close to poverty – a statement also applying to some 81% of all its residents.³

1 There are many other city regions across England that have not struggled in their branding to this extent – examples include Leeds city region, Manchester city region and Liverpool city region – all of which encompass significant urban centres in the hinterland of the main regional city.

2 Land Registry, June 2008

3 Figures for September 2008

Political complexity

The complexities of the region's housing issues are reflected in the shifting political makeup of the region. In 2003, for example, four of the eight metropolitan authorities (including Stoke, a unitary) were under Labour control. Just five years later (at the May 2008 elections), only two were Labour. The picture is made more complex by the rise of small parties, such as the British National Party and the Green Party. This level of change creates uncertainty and makes cross-boundary collaboration more difficult. Individual authorities pursue their own housing solutions, and there is little appetite for pooling resources.

The fact that the housing problems across the region straddle the shortage and condition debate creates extra problems in battling for resources and recognition. Against this backdrop, it was an extraordinary achievement of the region to have two areas named as housing market renewal pathfinders when the criteria drawn up for the initiative were so driven by a view of market failure in the North West and the North East of England.

Ethnic-minority housing issues

The ethnic diversity of the region – with 27% of the population of the conurbation coming from ethnic-minority backgrounds – brings a need for additional understanding and new responses. The Sikh and Muslim population of Birmingham is expected to increase further by around 80,000 people over the next 10 years.

The most significant challenge is the polarisation and concentration of ethnic-minority communities in deprived areas, often in poor-quality and unsuitably small homes. According to the Centre for Urban Studies at Birmingham University (and previous studies on the ethnic-minority community, such as the Cattle report⁴ in 2001), there is a very narrow choice of housing for ethnic-minority communities and little enthusiasm for social housing. Perhaps most significantly, there remains a chronic lack of mixed housing areas.

Stock transfer

The control of social housing is almost evenly distributed between traditional housing associations, stock transfer associations, local authorities and arm's-length management organisations. In this the region does not differ much from other regions.

But two factors stand out: in the West Midlands there have been virtually no partial transfers of neighbourhoods from local authorities to existing housing associations, and there has been a spectacular level of negative ballot results against stock transfers in the region. At the last count, and since 2001, there have been 13 stock transfer ballots in the

⁴ Cattle, *T Community Cohesion: A Report of the Independent Review Team*, the Cattle report (Home Office, 2001)

West Midlands, of which seven returned negative results (54%). Nationally, just 24% of ballots resulted in "no" votes over the same period.⁵

The region now faces a situation where most urban areas in the West Midlands have serious stock condition and neighbourhood quality issues in both public and private housing sectors, but providers have few tools at their disposal to deal with these problems. Coventry and Walsall stand out as exceptions to this rule, having transferred their stock through large-scale voluntary transfer.

The need for new delivery models

The recent banking crisis has created a new dynamic for housing in the West Midlands. Many of the traditional delivery models for social housing and mixed-tenure development are unsuited to the present situation. This would probably have been the case even if the credit crunch had not turned out to be so severe. With new supply drying up, falling values and constraints on lending, the housing proposition is likely to become even more challenging. There can be very little doubt that in order to deal with these challenges new models will be required, and this is particularly the case in a region such as the West Midlands, which has historically struggled to attract a level of public investment in housing commensurate with the scale of its issues.

But progress is being made. Local authorities such as Birmingham, Stoke, Solihull and Walsall have put together partnerships that pull in all the talents, ability and capacity of the public, private and third sectors, or are in the process of examining the options available through which to do this.

In three wards of northern Solihull, where regeneration is taking place on a massive scale, a cross-sector partnership has been established to drive the programme forward. Members comprise the local authority, the Whitefriars Housing Group, house builder Bellway Homes and Inpartnership Ltd, a specialist investment company. Together, through the programme, they aim to invest £1.5 billion over 15 years in housing, village centres, schools, community and health facilities, transport and green space. This type of collaboration around the place-making agenda is driving forward change in the region.

Where local authorities have retained their housing stock or have significant land holdings, they have an opportunity to use their surplus land or under-utilised assets to support new supply-side interventions that will enable new housing development. Under a model that PricewaterhouseCoopers is developing, a council would pass tranches of land

⁵ National Housing Federation, 2008

on a phased basis to a special purpose vehicle (SPV) that takes responsibility for housing development. The council does not control the SPV, but influences what it does and what is built. It does this by agreeing and supporting the purpose of the SPV, rather than actually controlling the SPV.

Unlike the current local housing company model, the SPV has a strategic rather than a development role. It is responsible for preparing sites for development, outline planning and land assembly. It does not take development risk, but agrees and lets development contracts (through subcontracts) to house builders and housing associations on a site-by-site basis. Moreover, the SPV does not require up-front payment for land but agrees a forward price based on a projected housing mix and sales values (with around 50% of new housing affordable).

By preparing sites in this way and by facilitating off-take agreements for the affordable housing element of developments (that is, purchase agreements with housing associations and the council) the SPV takes the risk out of development. Moreover, by removing the need for an up-front payment for land, it helps to recapitalise the balance sheets of developers (whether private house builders or developer housing associations) and reduces the financing charges that the development must bear.

Under this approach, the role of the developer is to take development risk – albeit in a narrower form. Our initial work on this model has indicated that it is likely to be off balance sheet for the council (thereby meeting a key HM Treasury classification test) and provide better value for money than either a simple land disposal model or a joint-venture model (where the council and private sector are equal stakeholders).

We believe that this approach could improve the level and quality of housing delivery in the region – and at a time when house builders (and some housing associations) are unable to inject capital into new developments or raise the finance necessary to acquire new sites, it removes the need for them to do so.

Affordable housing targets

The affordable housing targets for the region over the next three years are set out in the Housing Corporation's investment statement of June 2008. The programme targets are for the delivery of 11,000 homes for rent and low-cost home ownership. Over £460 million is available to support investment programmes, and initial indications are that the new process of regular market engagement is delivering grant efficiencies of around 7.5% on rented housing and 23% on low-cost home ownership.

Responsibility for these budgets and targets will pass to the regional office of the Homes & Communities Agency from April 2009. The agency will be faced with a more challenging housing market than that under which the regional allocations were initially made. The present economic climate is likely to mean that progress towards the affordable housing targets will be slow and that efficiency gains will be difficult to sustain.

This is not only because section 106 agreements will not deliver the levels of affordable housing previously anticipated, but also because housing associations are increasingly capital constrained as their borrowing margins increase, development land is revalued and loan-to-value ratios harden. In addition, they are finding it increasingly difficult to develop and offload low-cost ownership stock and to deliver the cross subsidies that have traditionally helped to discount the level of grant needed to support rented housing.

What can the Homes & Communities Agency do to help deliver its affordable housing targets for the region?

We are hopeful that new funding approaches will emerge that unify the grant-backed programme model of the Housing Corporation and the investment model of English Partnerships. The latter model, which involves the funding of pre-development works on large and complex sites (with the funding coming in the form of investment that earns a return), could be used to create the infrastructure platform to support new housing development –it could also be extended to fund affordable housing itself.

Under an investment scenario, the Homes & Communities Agency's contribution (currently grant) would have the attributes of an investment or equity stake in properties. This contribution would form part of the overall capital contribution to new affordable development (whether affordable housing or a mixed housing development). In simple terms, it would benefit from the value gain that crystallises as low-cost home owners staircase up or when these properties are sold outright by housing associations. Such an approach may also help the Homes & Communities Agency to increase the capital injection it makes per unit –something that may be critical over the short term if low-cost home ownership is to be made more attractive to borrowers and lenders alike.

In its more basic form, the new agency's role would be one of a passive investor, and local authorities and housing associations might simply be required to recycle a larger portion of the receipts generated from asset sales. If a more active investor model were followed, capital receipts would be returned (with the appropriate return) to the Homes & Communities Agency when assets are sold on, allowing the agency to redistribute these resources across the region in accordance with its delivery priorities.

The new agency could also play a greater role in helping to improve the region's aging housing stock. The government's Decent Homes programme has made an impact in the social housing sector, but the residential and private rented sectors are far behind. Making more homes energy-efficient not only reduces the region's carbon footprint, but also generates jobs and supports new local industries providing wall insulation, solar panelling and the like.

Conclusion

Given the extent of its housing needs – aligned to the underlying strength of the regional economy – the region should be well placed to benefit from the projected increase in housing spend by the Homes & Communities Agency. But lasting transformation will come only through more co-operation between the public and private sectors, greater innovation and less isolation. If there is a silver lining to the credit crunch, it will, hopefully, be that it provides the impetus for key stakeholders to pool their skills and resources to improve housing and the long-term prosperity of communities right across the region.

Chapter 8

Community cohesion – unlocking the potential

Professor Ted Cattle, Executive Chair of the Institute of
Community Cohesion at Coventry University

Community cohesion – unlocking the potential

The UK, along with every Western economy, has benefited hugely from inward migration and is now a multi-ethnic and multi-faith society with diversity evident in all aspects of daily life. Of course, as multicultural societies come to terms with change, it is only to be expected that more diverse groups will create new relationships and new challenges, as well as new opportunities. The concept of community cohesion was developed in 2001 as a means of understanding and managing these new relationships, and the ensuing debate resulted in a new and more proactive response to ever-changing ideas about multiculturalism.

The West Midlands' experience encapsulates many of these issues, with long-standing ethnic minorities now part of its heritage and contributing at all levels to civic, economic and cultural life. There are many settled and established communities that are cohesive and in which the richness and creativity of diversity are widely enjoyed. Many areas are "mixed" in every sense of the word, and the Midlands region generally does not have the same level of spatially segregated communities as seen in a number of Northern towns.

Nevertheless, there are particular areas that have experienced tensions and inter-ethnic violence, such as the Lozells area of Birmingham in 2005; and the more recent migration and on-going population churn have threatened the stability of some neighbourhoods. The far right have also been growing in the region and, although their success has been limited in electoral terms, they do constantly promote divisive, negative and mischievous messages that can add to fears and to destabilisation.

And while the Midlands has fewer segregated areas than the North, the level of segregation is significantly higher than in the London conurbation. However, both the nature and form of diversity have changed profoundly over the past 10 years or so and are set to change still further in the future as globalisation continues.

At a global level, the world is on the move as never before. In 1965 some 75 million people lived outside their home country, and this has now risen to around 200 million. British people are, of course, leading the way in this new pattern of settlement, with 300,000 Britons now living permanently in Spain and many more settled in a wide range of other countries. Around a quarter of a million British people have second homes abroad, and each year around 75 million tourists from the UK visit an ever-lengthening list of countries.

Globalisation and diversity

Globalisation is evident in many forms, with overseas students, international business and global brands, and in the virtual world of the internet and global communications. But this is a two-way street, with many people taking the opportunity to come to Britain to work, to study or for leisure, and such movement is bound to lead to a much more fluid and diverse population.

More than 300 languages are spoken in London schools, over 150 in some cities in the West Midlands, and as many as 65 even in small market towns and in rural counties like Herefordshire. Robert Putnam, the guru of social capital theory, has suggested that diversity has a negative impact on social capital, as traditional networks that bind communities together are eroded. Although such an effect is not universally accepted and may change over time as new communities establish links, there does seem to be a real impact on poorer communities, living in areas where population churn is much greater. This is particularly reflected in schools, where inner-city areas often see school populations change by 50% in a single year, and up to 90% in exceptional cases. Little wonder that neighbourhood instability is seen as a threat to the identity of both place and people.

We have quickly moved from a situation in which it was possible to engage with and consult five or six principal ethnic-minority groups to having to develop relationships with literally dozens – and extend this to a series of overlapping faith-based organisations. Even this has proved inadequate, however, as the diversity within what appear to be homogeneous groups is very apparent once the surface is scratched. The recent Institute of Community Cohesion (iCoCo) report *Understanding & Appreciating Muslim Diversity*¹ demonstrated that variations within the Muslim community are as great as between it and other communities. Yet engagement is often limited to a small, and sometimes unrepresentative, group of leaders.

Work with young people across all communities has also found a similar trend. The iCoCo report *Young People & Extremism*² found a growing gang culture in many parts of the country, often racialised in nature and largely disconnected from youth services and agencies. Traditional forms of community leadership have often failed to connect with young people or represent newer communities; and, almost by definition, they struggle to reflect the increasingly diverse patterns of neighbourhoods. This is a reflection not just of the range of leaders, but also of their style of leadership.

1 Institute of Community Cohesion *Understanding & Appreciating Muslim Diversity: Towards Better Engagement & Participation* (April 2008)

2 Institute of Community Cohesion *Young People & Extremism: Some Reflections from Our Local Studies* (October 2007)

Regional and local agencies, especially elected members, are often ambivalent about community leaders. They can be seen as self-appointed and self-serving. They keep control of their communities, channelling through themselves all communications with statutory agencies, keeping others in the dark in a dependency relationship. And of course the community leader's status – and frequently salary – depends upon their position of power.

But local authorities and many statutory agencies have found that "gatekeeper" community leaders can suit their purposes too. They make it easy to communicate with a particular community and dispense with all the messy intra-community politics. One dominant view is much easier to manage, and sometimes political deals are done to deliver the votes from most members of that community. The promise of continuing funding, a new project or a community centre may well be enough. But these sorts of arrangements and deals are not tenable when so many communities are vying with each other for attention and funding.

There is also a danger that the response to this is simply directed at the minority communities when, in fact, many of our local studies suggest that white working-class communities have just as much difficulty in coming to terms with change. White working-class communities are much maligned. They are often portrayed, at best, as deprived, poorly educated and overly traditional and, at worst, as ignorant, xenophobic and racist. But are these stereotypes fair, and do we dismiss the concerns of these communities too lightly? Do we understand diversity within white communities or just see them as a homogeneous group?

In general, the white working class, like all social groups, is more diverse than ever before. Inner-city urban areas are very mixed, with only relatively few outposts of white estates, often council-built overspill areas. And day-to-day experiences of diversity are constantly growing – in the health service, in shops and leisure activities and through the media. Foreign holidays, once the preserve of the middle class, are now universally available, save for the most disadvantaged of communities, who generally have no holiday at all.

These experiences might be expected gradually to break down xenophobic attitudes, with diverse experiences abroad being matched by diversity at home in spheres such as music and sport – where working-class heroes are just as likely to be black as white. "Mixed race" is the fastest-growing ethnic group. It is increasingly commonplace to see some aspect of integration reflected in the daily lives of this group.

The lack of white leadership since the demise of trade unions and other working-class institutions and networks has left a vacuum. The assumption that white councillors, MPs and other representatives reflect the views of the wider white community is based upon

an assumption of homogeneity that would never be contemplated in respect of ethnic-minority groups and clearly does not reflect reality on the ground.

The far right, at least, appear to recognise that nakedly racist messages no longer resonate with the white working class. They now use bread-and-butter issues, some of which are real and pressing concerns about resources that are under pressure. And iCoCo's work on the impact of migration at a local level and the failure to provide adequate resources to local authorities and other agencies reflects these concerns.

The problem is not so much one of migration – in some areas migrants have enabled schools to stay open in the face of falling rolls and have also kept industries alive – but competition for resources is very real. In this sense, tackling poverty and disadvantage will remove some of the concerns about competition between groups, but given the constant state of flux of economic fortunes in an increasingly dynamic global environment, there are limitations to such an approach. And perceptions of change – and change in terms of identity at a personal and community level – are just as real for most people.

What local agencies can do

So what can regional and local authorities do to tackle these issues? Together with their partners, they now need to have a much more sophisticated understanding of the composition of their communities, constantly "mapping" them to understand new and emerging needs and to anticipate tensions and conflicts. They must also be ready to abandon old forms of engagement with the gatekeepers of communities and help to create new-style "gateway" community leaders to reach and empower the widest range of individuals and interests. Women and young people especially need to be engaged on their own territory. And white working-class communities should not be neglected or stereotyped.

The *iCoCo Tension Monitoring Toolkit* is now available³ with a step-by-step guide providing a clear process and programmes, focusing on community-led interventions rather than post hoc police work. But local partners working together have a wider role to play in shaping and leading their communities, establishing a sense of belonging and building trust and understanding within and between different groups and with political and civil society institutions. We also have to look to the future and begin to anticipate the challenges ahead, from a possible economic downturn to the impact of climate change.

Trevor Phillips, the chair of the Equality & Human Rights Commission, says that the world

³ See pilot on the iCoCo website: www.cohesioninstitute.org.uk

faces two great challenges: "how to live with the planet and how to live with each other". And he is right: with over 300 million people already displaced by climate change, and conflicts beginning to develop over water resources, energy and land, the prospect for even greater conflict between national and local communities is extremely worrying. This comes at a time when international migration is already at its highest ever level, with the far right growing in many nations, most recently in Austria, and murderous attacks on migrants developing for the first time in countries like South Africa.

In the UK, we have seen a growth, albeit small, in inter-ethnic and inter-faith conflict, perhaps as a result of the increase in population churn, where neighbourhoods experience fast rates of population change. This impacts on our collective ideas about our identity, our sense of belonging and social capital. Often, this is also underpinned by inequalities, particularly in terms of educational attainment, skills and employment. Disadvantaged people often become disaffected. The benefits of immigration, particularly in terms of economic growth, are often forgotten when different communities think that they are in conflict over precious resources such as housing and school places.

The concept of community cohesion, which was conceived five years ago in response to the Bradford, Burnley and Oldham riots, has now become a national programme and is a part of most local authorities' community strategy – most now have now established community cohesion action plans that are co-ordinated by dedicated staff. Around 90 local authorities have included cohesion targets within their local area agreement frameworks. The Commission for Integration & Cohesion reported in 2007 and the government is still responding, generally positively, to its recommendations, and good practice, guidance and support programmes are continuing to emerge.

What is community cohesion?

The formal definition of community cohesion adopted in guidance issued by the British government and others is that a cohesive community is one where:

- there is a common vision and a sense of belonging for all communities;
- the diversity of people's different backgrounds and circumstances are appreciated and positively valued;
- those from different backgrounds have similar life opportunities; and
- strong and positive relationships are being developed between people from different backgrounds in the workplace, in schools and within neighbourhoods.

The above definition, developed by the Local Government Association and others in 2002, emphasises that the more traditional approaches of tackling discrimination and promoting

equal opportunities are still very much part of the agenda, and that community cohesion is building upon them while also trying to break down the barriers between communities, encouraging people to come to terms with diversity and difference and promoting an overarching identity and sense of belonging.

The Commission for Integration & Cohesion (which reported in 2007) recommended a new definition, with a greater focus on the citizenship areas of "rights and responsibilities" and "trust in local institutions", and this was further amended in the government's response. But, perhaps more importantly, community cohesion has also become a framework for tackling differences other than ethnicity, and is increasing being used to build bridges between old and young and between various faith communities, as well as to challenge the way people see those with disabilities or special needs, gypsies and travellers, and lesbian, gay, bisexual and transsexual groups.

Community cohesion capacity is rapidly developing. iCoCo, which was designated as the one-stop-shop for cohesion by the secretary of state for communities and local government, now has a network of over 300 cohesion practitioners and provides several hundred examples of good practice. These examples cover all areas, and good practice guidance is often built into "toolkits" or how-to guides, for schools, policing, health, communications and so on.⁴

The publication of the Commission for Integration & Cohesion's report *Our Shared Future* in 2007 was accompanied by a plethora of research and practical applications, and there is a renewed confidence in the agenda, with much greater capacity to get to grips with the practical issues. There also appears to be cross-party agreement on the community cohesion framework and, increasingly, similar programmes developing in other countries.

But of course there is much more to do, particularly to develop a real sense of belonging for all and to relate this to local places. This means that partners will have to work much more closely and to assess the wider impact of their change programmes before they commission them, and must appreciate that tackling the perceptions of injustice and unfairness are almost as important as the issues themselves. This also means understanding that notions of identity, belonging and neighbourliness are assuming far greater importance than ever before and that this depends upon a much greater level of community intelligence and a new set of skills to address the complexities of our increasingly dynamic communities.

Ted Cantle is the author of Community Cohesion: A New Framework for Race & Diversity (Palgrave Macmillan, 2008).

⁴ See iCoCo website

Chapter 9

Transport as enabling infrastructure

Jerry Blakett, Chief Executive of Birmingham Chamber of Commerce & Industry

Transport as enabling infrastructure

The public policy orphan

Perhaps more than any other aspect of public policy, the story for transport illustrates the paucity of progress with regard to devolved decision making at regional level. Apart from our ability to prioritise the relatively modest sums in the regional funding allocations (approximately £100 million a year), what real decision-making powers do we have in the region, in the context of building a 30-year integrated transport strategy? Hardly any.

My proposition is that we need to depoliticise transport and, just as the government did with interest rates and the Bank of England, form an independent body charged with creating and implementing a 30-year strategy. In turn, this national body should create supporting independent bodies for each of the English regions. All this would also be knitted into the administrations of Scotland and Wales.

In creating a 30-year horizon, we would need to avoid confusing this with a plan of individual schemes – witness the experience of the Dutch, where a 20-year national plan was found to be out of date within five years. What is needed is agreement on the big things, such as our ports strategy and the optimum private/public funding environment.

We need a sea change in attitude towards the importance of transport. Because controlling inflation was seen to be in the national interest, we all applauded the decision by Gordon Brown to hand over responsibility for setting the bank rate to an independent Bank of England. My contention is that transport should be regarded in exactly the same way.

It is in the national interest that we enjoy a transport system that enables economic growth. The linkages between good transport and superior economic growth have been made for us by academics on many occasions. In the West Midlands, we estimated five years ago that congestion was costing business £2 billion a year, and this figure can only have risen since. Why should investment in transport be a political football? Its importance to the economy means it should be elevated beyond this.

At present, it feels as if transport has defeated us locally. Local politicians do not want to talk about it, let alone make any promises – understandable, given their impotence over delivering the spending needed. Regional bodies such as the regional government office and the regional development agency play a useful role in creating mechanisms so that the region is clear on our top transport priorities, but they have no decision-making powers over budgets. We have been fortunate to have enjoyed Liam Byrne as our first regional minister. It was Liam's personal energy that created, for the first time since the

2002 multi-modal study, a fresh list of priorities the design of which involved the whole region.

Do you remember the heady days of John Prescott and the 10-year transport plan he pledged to both build and deliver? I arrived at Birmingham Chamber of Commerce in 2003, just after the West Midlands area multi-modal study had been published. Coming from a banking background, I found this study straightforward and it seemed that we had done the job. It described an integrated plan. It was costed at around £7.5 billion. That, of course, was the difficulty: all round the country, regions had produced similar plans and the total bill took us into fantasyland as far as the government was concerned.

So the government backed off. There was a surreal few months when we tried to get hold of £1.5 billion that the government had said it was "minded" to give us because it was so impressed with the quality of our plan. As far as I can judge, that money is still to be delivered. So rather than simply getting on with delivering the multi-modal study, we have spent most of the last five years picking at bits of it.

There is no argument about the importance of Birmingham New Street Station (witness our regional development agency making £100 million available) and expanding Birmingham International Airport, and well done to all of us for having moved this on. Thereafter, it has been a case of making the best of what we have. Rail is the best example: despite the massive investment in upgrading the West Coast Mainline, rail capacity continues to outstrip supply. At peak periods we have to make difficult decisions about the competing demands of local, cross-country and freight services. Too many trains are chasing too little track.

Planning

Some would say that it is not the shortage of money that is the biggest barrier to developing our transport infrastructure in the region but the extensive public consultation procedures that sit around the planning process. Why did it take 20 years to build the M6 toll road? Because we spent 18 years talking about it and only two building it. How much longer will it be before the runway is extended at Birmingham International Airport? The new chief executive says it could be another six years if the planning application gets mired in the worst of the approval processes.

At a time when China and India are expanding their infrastructure at a furious pace, we simply have to fast-track projects of national and regional strategic importance. I believe the government is attempting to create the conditions for this, but it is proving a difficult task. None of us wants the next motorway or runway in our back garden.

Public or private ownership?

Is transport a public utility or a series of businesses? I cannot decide. Market forces and competition usually deliver the best use of scarce resources (although this should not be a mantra, given the state we allowed our banking system to get into when we throttled back on regulation).

However, look at the achievements of Chiltern Rail – it has managed to build a service that customers enjoy and (presumably) make a decent profit in the process. On the other hand, there have been plenty of examples where rail franchise holders have delivered appalling service. The franchise holders will point with some justification to the constraints forced upon them by the regulator – not least the unfeasibly short length of some franchises and the inability to deliver profitably some of the services specified. Train operating companies also have to live with whatever rail capacity can be delivered by Network Rail, which in turn has to compete for funding from the Department for Transport, which in turn must itself battle the big beasts of Health and Education for its money.

We have ended up with a quasi-privatised service, which works in parts. So should we go the whole hog and privatise the lot? (But isn't that what we tried when we gave birth to Railtrack – since rescued by the arm of government known as Network Rail?) Should we be seeking to generate profits for shareholders from delivery of rail and bus services, by, for instance, building roads that are tolled? Shouldn't we seek to see surpluses reinvested in the infrastructure rather than some being paid away as dividends?

Would nationalising rail and buses be the answer? London enjoys a good 24-hour bus service, which is highly regulated. It works well but is costly. I am told that Travel West Midlands is the most profitable bus service in the country. Should we celebrate this as a great example of Midlands entrepreneurship or worry that the dividends paid away are monies that otherwise would be spent on improving the service?

What about airports? Manchester Airport is owned by local authorities and it has grown into a very successful operation. Birmingham International Airport is 50% owned by local authorities, with the majority of the remaining shares owned by pension funds based in Canada and Australia. The criteria for making 25-year investment decisions such as expanding a runway differ in subtle but important ways, depending upon which shareholder type you are. The local authorities are able to build an investment case that takes account of the broader business case benefits to the regional economy. Understandably, the private shareholders need to see a direct return on their money. Both are acting as they should, but the result is creating real challenges for us as we try and identify the optimum private/public-sector funding package.

Ultimately, unless we choose the Manchester model and put Birmingham International Airport completely into the public sector, we are betting that the combination of public and private money, as well as the injection of private-sector innovation, will create a better end product. It's about aligning the investment with the asset. Airports are long-term bets, with benefits to regional economies. The next year or so should tell us which model – a public/private mix or 100% public – works best for the West Midlands.

Governments do interfere too much through micro-management (as with rail franchises), market distortion (for example, concessionary fares and taxation levels) and financial control over road investment. I suspect that when risks are shared intelligently between the public and private sectors, then the PFI model is a good one.

Demand management

Here is a topic guaranteed to split families, friends and nations: demand management. It is also a great example of where central government is suddenly more than happy – nay, absolutely delighted – to give full-blooded decision making to regions. No complaint here that we have not been in complete control.

Of course, it is absolutely the one example where government should lead and not follow. It is much less efficient to encourage regional free-for-alls on a topic like using price to ration the availability of road space, or any other means of transport demand management. If ever we needed a national strategy, this is where. Otherwise, you encourage one city to compete against another, and there is already too much of that.

For many, the right to roam goes back to the Magna Carta. It's a personal liberty of the type enshrined in the US Declaration of Independence. In this camp, it is our God-given right to be free to settle into our cars and drive where we damn well like. We don't expect to have the movement of our vehicle tracked, and we already pay far too much in road tax and fuel duty so we don't expect to pay any more. Road congestion would not be a problem if we built more roads and decluttered the ones we have by removing all the signs, traffic lights and bumps that simply serve to slow everything up with no benefit.

In the other corner stand either those who believe that you regulate the use of a scarce asset by the use of price (these are usually economists and academics or transport consultants with a commercial interest) or the ordinary person who is sufficiently fed up with traffic jams to be willing to try anything.

I sat on the group that studied whether we should introduce road pricing in the region. An incentive was a promise from the Department for Transport that, if we did decide to

go ahead, it would build £2 billion to £3 billion worth of public transport improvements first. I led a workstream that attempted to model the impact of introducing a charge on the competitiveness of our local businesses. The work was unable to demonstrate with sufficient confidence that road pricing would make the region more competitive. So we recommended to the politicians that they did not proceed. I think that was the right thing to do.

Meanwhile, our best friends up the M6 are holding a referendum shortly, to decide if they should introduce a congestion charge. In the event that they do decide to do so, the Department for Transport will write Greater Manchester the cheque for building public transport that was being dangled in front of us.

I admire Greater Manchester for taking the decision to the people. I hope for the sake of their local businesses that they do understand what will happen to their ability to compete. I was not reassured when, the other day, I met a senior business leader from Manchester and asked him whether he would be voting for or against congestion charging. "For," he replied. "This will get us £3 billion [he thought] of government money, which is too good to miss out on."

But is this the way to handle the country's strategic road network? Are local conditions so variable that we need to have potentially thousands of different approaches around the country? Again, if we had a 30-year integrated transport strategy, we would wrestle with difficult issues like demand management in a strategic context. I know that in the West Midlands those business people most passionately opposed to the prospect of congestion charging are not saying there might not be a role for price; they are saying that in the absence of a long-term plan, congestion charging looks more like a stealth tax than an investment in our transport system.

Which brings me to the next topic:

Game playing

In the absence of a 30-year integrated transport strategy for the country (as advocated two years ago by former British Airways chief executive Rod Eddington, in his work for the Department for Transport and the Treasury), we need in the West Midlands to get much better at how we present ourselves to government. This is beginning to happen through the work on the Liam Byrne priorities, where we are committed to demonstrating to central government two things:

Firstly, we must show that our local transport solutions are the right ones. The Department

for Transport is fed up with regions coming up with a long list of shiny and expensive schemes without the evidence to demonstrate that proper "optioneering" has been done. In our early work on the Midland Metro we were vulnerable to this accusation. Today we are getting much better at demonstrating that we are really clear on what our objectives are and why the particular transport solution selected is the right one. But there is more still to do.

Secondly, we must show that we have a viable way of funding the schemes, having first maximised local resources, including private money. For too many years we had a reputation for coming from the Oliver Twist school of funding ("Please, Sir, can we have some more?") when approaching the Department for Transport. There is nothing wrong in expecting our fair share of the cake (and in the absence of a 30-year strategy, the definition of "fair" is anyone's guess) but we can improve our chances of winning government money if we do find some of our own as well.

I am quite irritated as I reflect on why we have to end up battering government over the head for large-scale money. It has taken a decade and more to finally get the money to upgrade New Street Station. It was a war of attrition: we just stuck at it. We built argument after argument; we united across the region; and, finally, an exhausted government gave in.

We don't need to run the country like this. If we spent time to build the 30-year strategy, we would then all understand the optimal distribution of the national cake. If a region had pet projects that were not of national strategic importance, we would know that we would have to find the money some other way. At least we wouldn't waste generations in beating down the door of a reluctant government.

In the meantime, why shouldn't we carry on as before? We don't know what is our fair share and shouting loud does have an effect.

A better way

Returning to where I started, I have illustrated that the present way of creating and implementing a transport strategy for the region is broken and that this can be traced back to the lack of a national strategy. The myriad independent fiefdoms, all with single agendas, confuses at best and sets organisations against each other at worst. Transport is an enabler of the economy; it is not an end in itself. We shouldn't be creating Scalextric and Hornby sets for addicts to enjoy developing. We should take a cool look at what the economy needs and build from there.

So let's do a Bank of England and set ourselves free. Let's create the best team we can and ask them to work with us on building a 30-year integrated transport strategy that is independent of short-term political cycles; one that makes the best of the talent in national bodies such as the Highways Agency and Network Rail, liberating them to integrate seamlessly with our region's priorities. Critically, let's make sure this team includes our very best business people, in both the creation and the implementation of the strategy. Then let's devolve powers to the regions (including streamlined planning powers) to enable them to deliver their share of this strategy.

In my view, transport is too important to our economy to be left to the politicians. Roll on the first Mervyn King for transport.

