

## WMCA Board

<b>Date</b>	9 February 2024
<b>Report title</b>	West Midlands State of the Region 2023/24
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<b>Report has been considered by</b>	Overview and Scrutiny Committee (29 January 2024)

### Recommendation(s) for action:

#### The Overview and Scrutiny Committee is recommended to:

- (1) Consider the key messages and recommendations set out in the State of the Region report.
- (2) Identify areas for which the Overview and Scrutiny Committee may wish to address as part of the Overview and Scrutiny Work Programme for 2024/25.
- (3) Identify any issues and recommendations that they may wish to raise with the WMCA Board.

#### The WMCA Board is recommended to:

- (1) Consider any issues and recommendations from the Overview and Scrutiny Committee.

- (2) Consider the key messages and recommendations set out in the State of the Region report.
- (3) Note that the State of the Region will form part of the evidence base for the region's economic development work as part of the regular review of the economic conditions in the West Midlands and forthcoming West Midlands Futures work programme.

## 1. Purpose

The West Midlands State of the Region is a high-level, annual review of the condition of the West Midlands. It provides context to help understand the region's performance. It brings attention to the opportunities and challenges in our region.

## 2. Background

The *West Midlands State of the Region* is a *high-level* report that brings to attention the most important trends in the West Midlands. It is an *annual* review that considers data relevant for comparison at yearly or longer-term basis. It is intended to provide *context* by setting out a baseline for comparison and understanding, using replicable and repeatable metrics.

The *West Midlands State of the Region* is *not* a performance report; it does not seek to evaluate the performance of the actions and deliverables, which are best considered through the review of the WMCA's *Annual Business Plan*.

The *West Midlands State of the Region* is written by the Research, Intelligence, and Inclusive Growth team with input from colleagues across the WMCA, and endeavours to be an honest reflection of the current regional conditions.

## 3. Strategic Aims and Objectives

The *vision and purpose* of the West Midlands Combined Authority is “building a better connected, more prosperous, fairer, greener, and healthier West Midlands.” This, in turn, is connected to the UK's Government Levelling Up Missions.

*How we achieve this* is set out in the West Midlands definition of Inclusive Growth ([wmca.org.uk/inclusivegrowth](https://wmca.org.uk/inclusivegrowth)), approved by the WMCA Board in 2018, which states that we are committed to “a more deliberate and socially purposeful model of [economic] growth, measured not only by how fast or aggressive it is; but also, by how well it is created and shared across the whole population and place, and by the social and environmental outcomes it realises for our people.” The eight fundamentals of Inclusive Growth are:

- Climate resilience;
- Inclusive economy;
- Power and participation;
- Affordable and safe places;
- Connected communities;
- Education and learning;
- Health and wellbeing; and

- Equality

These are translated into six *aims and objectives* or *priorities* of the West Midlands, which are to:

- Promote inclusive growth in every corner of the region;
- Ensure everyone has the opportunity to benefit;
- Connecting our communities by delivering transport and unlocking housing and regeneration schemes;
- Reduce carbon emissions to net zero and enhance the environment;
- Secure new powers and resources from central government; and
- Develop our organisation and our role as a good regional partner.

As a high-level, contextual report, the West Midlands State of the Region is structured along the eight Inclusive Growth fundamentals.

### **Key messages from the West Midlands State of the Region 2023/24**

Building a better connected, more prosperous, fairer, greener, and healthier West Midlands requires a recognition and understanding that the challenges faced by the region are complex and multifaceted. Addressing the region's grand challenges, such as increasing growth or productivity to upskilling people, requires solutions that do not see these as isolated problems. Instead, it requires solutions that are framed as part of a holistic, dynamic 'ecosystem', recognising that people's access to housing, work, skills and leisure opportunities, plus local and regional political, historical, and cultural context all impact and influence on the effectiveness of any solution.

Consequently, this West Midlands State of the Region report sets out its key messages and recommendations around the eight West Midlands Inclusive Growth fundamentals, which focuses all types of investment – public, private, capital, revenue, time, attention – on the same set of missions. These missions – the eight 'fundamentals' of inclusive growth – also connect to one another, ensuring that the real people, places, and businesses across the region are not lost in thematic silos.

The West Midlands 'trailblazer' deeper devolution deal, and in particular, the single financial settlement joining-up wide-ranging responsibilities across five devolution pillars of local growth, housing and regeneration, local transport, skills, and retrofit means that the region has an unparalleled opportunity to address our grand challenges in a holistic way.

#### **Climate**

Carbon emissions per capita in the WMCA area were 3.6 tonnes per capita in 2021. This is a 0.3 tonne per capita increase from 2020, when emissions would have been reduced by lockdowns during the pandemic. However, the overall trajectory over the past decade demonstrates that the WMCA is heading towards net zero by our target of 2041.

Climate change will disproportionately affect our most deprived communities, with the WMCA climate risk and vulnerability index suggesting that people living in amongst our more deprived communities are at higher risk of overheating and flooding.

The transition to net zero is an opportunity and engine of growth for the WMCA area. However, the effects of climate change disproportionately affect our most deprived communities – and efforts must be made to mitigate against the worst effects of climate change through retrofitting homes and through nature-based solutions.

### ***Inclusive economy***

An inclusive economy is one in which everyone has a part to play. The economy is flourishing and sustainable, and everyone benefits from it. This contrasts with an economy where a small group of people benefit first, and where wealth is then redistributed later or trickled down.

The latest available data, for 2021, suggests that the size of the WMCA area economy, as measured by gross domestic product (GDP), is £74.2bn. This amounts to 3.5% of the UK's economy. The WMCA area economy has grown by 8.6% from 2020 to 2021. It has grown more slowly than the UK overall (8.9%). Additionally, the economy remains 4.8% smaller than it was than before the pandemic, when it was £77.9bn. This is in contrast to before the pandemic when economic growth in the WMCA area was better than the UK overall.

If the WMCA area's economy was divided equally between our 2.9 million people, our GDP per capita will be £25,437. This, however, masks significant diversity across the WMCA area, which ranges from just £19,638 in Walsall to £48,359 in Solihull – and there are further disparities within each local authority area.

GDP per capita, however, does not consider or measure how well income or wealth is created and shared across the whole population and place. In 2022, household incomes in the WMCA area varied from a median annual income of £21,209 in Castle Vale Ward in Birmingham to £59,666 in Dorridge and Hockley Heath Ward in Solihull. The gap between GDP per capita and gross disposable household income (GDHI) per capita has remained roughly consistent over the past few years.

While our economy has grown, it has grown more slowly than the UK overall – in contrast to before the pandemic. Our Plan for Growth sets out a number of strategic growth clusters where the WMCA area has a comparative advantage – and it is absolutely right that we focus on them. Our inclusive growth approach posits that the only way we can fully unlock the economic potential of the region is for there to be opportunity for all to participate and benefit from the proceeds of growth.

### ***Power and participation***

Power and participation are about the extent to which people have a voice in influencing the things that matter to them. People who feel that they have power over their own personal circumstances will feel a greater share in the prospects of a place.

The vast majority (80%) of people across the West Midlands region are satisfied with their local area as a place to live. They are also more likely to trust local politicians and local councils most (74%) to make decisions about how services are provided in their local area.

However, only 59% are satisfied with the way that their local Councils in the region run things – and only a quarter (24%) feel they have the ability to influence decisions that impact their local area – although this mirrors trends nationally. This is reflected in low

voter turnout at local elections, with turnout ranging from 25.9% in Sandwell to 32.9% in Solihull in 2022, compared to an average of 34.3% across all local authorities.

Far too many residents still feel they have no influence over how things are run. The deeper devolution deal brings power and control to make decisions that matter to local residents back to the West Midlands – and in the implementation of the deal, the WMCA must ensure that residents and communities are included and involved in decision-making.

### ***Affordable and safe places***

Affordable and safe places is about everyone having decent homes that they can afford, neighbourhoods where they feel secure, and feel a sense of belonging in the place that they live.

5% of all habitable homes in the WMCA have been built since 2016 – contributing to the target of 215,000 new homes by 2031 with 20% being genuinely affordable. There are, however, vast differences, with some areas seeing even bigger growth: one in ten homes in Coventry have been built in the past decade.

This housebuilding has been much needed, as the West Midlands region is an expensive place to rent a home, with only residents in London, the South East, and the South West spending more of their incomes on rent. From April 2022 to March 2023, the average renter in the West Midlands region paid 4.3% more in rent; compared to an average increase in England of 3.8%.

With rising interest rates, mortgage repayments have become more costly for homeowners. Between December 2021 and December 2022, the indicative monthly mortgage payment in the West Midlands region has increased by some £428 for the average semi-detached house.

In 2023, some 5,600 households across the WMCA area are living in temporary accommodation, that is, one out of every 200 households. This is roughly comparable to Greater Manchester – but the number of households in temporary accommodation continues to grow.

Rough sleeping has increased, with 88 rough sleepers in 2022, up from 63 in 2021.

Inflation has put pressure on household finances for homeowners and renters alike, with increases in monthly rental and mortgage costs. There is a need to recognise that the impacts of inflation have been different across income groups and places – doing so will help us design out homelessness and reverse the recent increase in rough sleeping. Given that the next biggest household costs are transport costs and food, investments and support with travel costs is also an important consideration in reducing cost pressures for households.

### ***Connected communities***

Connected communities mean how easily people can interact with the world around them. This includes physical and digital connectivity. Physical connectivity helps people to reach places to live, work, have fun and meet up. Digital connectivity and inclusion helps people to learn and get connected, for instance, through using a device and data.

In the year to September 2023, over one-third of trips in the WMCA area involved active travel such as walking or cycling. This may be driven by cost of living pressures.

The volume of traffic on our roads has returned to near pre-pandemic levels, with 10.2 billion vehicle miles undertaken in 2022, just 0.5 billion vehicle miles (around 5 percentage points) less than the 10.7 billion in 2019. Public transportation usage has also increased – but has not returned to pre-pandemic levels.

Outside of London, the West Midlands region has gone the furthest in rolling out 5G connectivity to residents. In 2023, 51% of residents had access to a 5G network, compared to an average of 37% across England.

As economic growth rebounded after the pandemic, use of both public transport and the road network has increased. Investment into physical connectivity is essential to unlock the economic potential of the region, enabling residents and communities to access employment opportunities – as well as leisure and cultural events with friends and family. However, it is also important to recognise that many journeys involve active travel – and improving walking and cycling is just as important. In terms of digital connectivity, the WMCA area is one of the best digitally connected places in the UK, with access to high speed broadband and widespread 5G coverage. However, there are still communities at risk of digital exclusion.

### ***Education and learning***

Education and learning opportunities are important for everyone at any age, to enable them to flourish and reach their potential. From giving children and young people the best start in life, to providing opportunities for working aged and older adults to gain new skills, retrain for a new job or just pursue their own interests for leisure. All types of learning are important for an inclusive society.

In 2021, 54.9% of the working aged population in the WMCA area is qualified to level 3 or above (A-level or equivalent). While this has increased from around 42.2% a decade ago, this trails the West Midlands Region's rate of 57.2% and national rate of 61.5%.

In 2023, a smaller proportion of young people aged 16-17 in the WMCA area were not in education, employment, or training (4.8%) than in Greater Manchester (5.7%) or England (5.2%).

Encouragingly, more young people are entering higher education: more than half of Birmingham's young people enter higher education, and regional disparities in higher education participation have decreased.

Post-pandemic, school absences has skyrocketed, which will have downstream impact on our future workforce.

Far too many people in the WMCA area still do not have a level 3 qualification. This places a ceiling on many people's employment, earnings, and puts them at risk of poorer life outcomes. Further investment enabling people to get a level 3 qualification, and ensuring that young people have the support they need to stay in school and succeed is essential to ensure that the WMCA area has a high-quality workforce that attracts inward investment.

## ***Health and wellbeing***

Health and wellbeing are about people living longer, healthier, and happier lives, regardless of their social circumstances, which has often placed a limit on their prospects for a healthy life.

In 2018-2020, life expectancy in the WMCA area was 81.9 years for women and 77.6 years for men. People in the area continue to die earlier than the England average (83.1 years for women and 79.4 years for men). Aligning with national trends, life expectancy in the WMCA area has declined (from 82.2 years for women and 78 years for men in 2016-2018).

The impact of poor health extends beyond people and their families; it also affects the ability of our region's economy to thrive and generate value for reinvestment in our communities.

Strategies and policies need to address the declining life expectancy in the WMCA area need to focus on preventing ill health and addressing the causes of chronic illness. This is best done by ensuring that every strategy and policy promotes health and wellbeing – a health in all policies approach.

## ***Equality***

Equality means that people have the opportunity to thrive and flourish regardless of their protected characteristics and backgrounds.

The WMCA area is amongst the most diverse areas in England. There are significant differences faced by people with a protected characteristic, from their access to a private car or natural spaces to their household income, and housing.

Addressing inequalities faced by people with a protected characteristic so that everyone has a fair chance in life is a fundamental part of creating a thriving economy and flourishing society.

The West Midlands region gender pay gap, the difference between average earnings between women and men, was 10.8% in 2022. This is a smaller pay gap than the England average.

The West Midlands region disability pay gap, the difference between average earnings between disabled people and non-disabled people, was 14.7% in 2021. This is a bigger pay gap than the England average.

To ensure that everybody in the WMCA area benefits from growth, factors that lead to inequalities in life chances faced by our diverse communities must be addressed. Our investments – from public transport to housing – can help address and reduce those inequalities.

## **Communication and dissemination**

Following the WMCA Board, to ensure that the report content is accessible to all audiences, a launch event will be held, and the report will be published at [wmca.org.uk/research](https://wmca.org.uk/research) along with a data dashboard, and underlying data, and via an immersive virtual reality experience.

#### **4. Financial Implications**

There are no direct implications from this report. There may be future financial implications as a result of actions taken following the report – but these are outside the scope of the report, and can be considered separately.

#### **5. Legal Implications**

The *Local Democracy, Economic Development and Construction Act 2009 Section 69(1)* states that a “principal local authority in England must prepare an assessment of the economic conditions of its area”. This applies to the WMCA under the *West Midlands Combined Authority Order 2016 Schedule 3(4)* which states that “The duty under section 69 of the 2009 Act (duty to prepare an assessment of economic conditions)” applies as one of the WMCA’s economic development and regeneration functions.

The West Midlands Combined Authority fulfils this duty in a variety of ways. On a monthly basis, the *West Midlands Insights on Society and Economy (WISE)* newsletter and dashboard ([wmca.org.uk/wise](http://wmca.org.uk/wise)) sets out the latest narrative on the region’s economic conditions and provides continuous tracking of regional economic metrics. It is also shared at the Economic Growth Board. On an annual basis, the *West Midlands State of the Region* report also contributes to the fulfilment of this statutory duty.

#### **6. Single Assurance Framework Implications**

There are no investment decisions related to this report which have Single Assurance Framework implications.

#### **7. Equalities Implications**

Equality, diversity, and inclusion implications are set out in the *equality* section of the report, and where data allows, is embedded throughout the rest of the report. As part of the importance of making sure that research, intelligence, analysis, and data is accessible and as inclusive to our audiences, the report is augmented with infographics, work is in progress to make the underlying data available to others, and through an immersive virtual reality experience.

#### **8. Inclusive Growth Implications**

The report considers the *State of the Region* across the eight West Midlands Inclusive Growth fundamentals separately, as well as the cumulative impact, to provide a set of key recommendations and implications. The structure of this report ensures that Inclusive Growth is embedded and considered throughout, so that it provides a robust analysis of the challenges and opportunities facing the region in a way which can encourage a more deliberate and socially purposeful approach to growth.

#### **9. Geographical Area of Report’s Implications**

The report covers the entirety of the WMCA (7 metropolitan district) level where data allows, and the three former Local Enterprise Partnership and wider West Midlands regional geography where more granular data is unavailable.



**10. Other Implications**

None

**11. Schedule of Background Papers**

Appendix 1: West Midlands State of the Region 2023/24 Report