



WMCA Board

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Report title	West Midlands State of the Region 2018
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Recommendation(s) for action or decision:

The WMCA Board is recommended to:

- (1) Note the key findings from the “West Midlands State of the Region 2018” report. The report consists of an Executive Summary and a full technical report.
- (2) Approve the ongoing development of the key indicators so that they not only provide consistent reference to the SEP, but also incorporate existing and evolving work including evidence from the WMCA Productivity and Skills Commission, Inclusive Growth Unit, Local Industrial Strategy activity and Office of Data Analytics.
- (3) Give delegated Authority to the WMCA Programme Board to maintain regular review of portfolio dashboards, and responsibility to escalate to WMCA Board where there are proposed actions for decision / matters of concern arising from them.

1.0 Purpose

- 1.1 This report summarises for the CA Board key findings from the “West Midlands State of the Region 2018” report. An executive summary is available in Annexe 1 and the complete set of indicators and the full technical report are attached at Annexe 2. The main document retains key indicators consistent with the Strategic Economic Plan, and the Annual Economic Review published last year, but also incorporates additional metrics to ensure latest information, best practice and WMCA priorities are reflected.

2.0 Background

- 2.1 The Strategic Economic Plan (SEP) sets out bold economic ambitions for the region, and a shared determination that all our citizens will feel the benefits of that success. The balance outcomes supported by the Performance Management Framework ensure that success is defined and pursued in broad social and economic terms that feel real to the people living and working here. The first WMCA Annual Economic Review executive summary and main report was endorsed by the CA board on the 21st July 2017 and published.

WMCA is building on the SEP in pursuing these ambitions. Working with Government, we are developing a Local Industrial Strategy that identifies how we will make the most of our strengths and succeed in future industries. We have approved a Regional Skills Plan to take forward actions to improve skills and employment outcomes. We have established an Inclusive Growth Unit that will ensure those communities left behind can play a full part. We are pursuing a devolution agenda with government to join up big investments in housing, skills, transport and public services in ways that are game changing for communities and life changing for our citizens. There is a powerful coalition for change in the region: to fulfil our economic potential and play a pivotal role in the rebalancing of the UK economy.

The State of the Region is therefore an important moment to take stock. It’s an opportunity to ensure key indicators pick up on the latest building blocks as well as the foundations of the SEP; a moment to review the social and economic health of the region and assess whether further action from across CA partners is required to effect change.

- 2.2 This report forms part of an approach to improve performance reporting that continues to evolve. Following the publication of last year’s Annual Economic Review, the CA has approved the development of supplementary dashboards by portfolio area (e.g. transport, skills, inclusive growth etc) that provide more in-depth analysis of the thematic areas, and have scope with support from the ODA to develop new indicators where suitable data sets are not readily available.
- 2.3 In order to express this agility and reactivity to change, measures used in the PMF are not set in stone. The WMCA aims to use the best available data and measures, therefore evolving its approach in order to remain current for policymakers. In light of work through the WMCA’s Productivity and Skills Commission and the Inclusive Growth Unit, a number of recommended changes have been proposed to improve the PMF, so that it is up to date with latest developments and emerging CA priorities. In particular, the inclusive growth agenda requires the WMCA to update indicators to reflect a measure of the local population’s living standards, rather than just GVA overall. Potential priority indicators for the WMCA, that will be developed and reported in more detail by the ODA and Inclusive Growth Monitor include:

- Gross Domestic Household Income per head; this is a better measure of household wealth
- Breakdowns and analysis of employment and skills indicators by, gender, age and ethnicity; to ensure balanced distribution of growth
- Take-up of Apprenticeships, including data on levels, sectors, gender, age and ethnicity
- Balance of local leadership (this would need new data and reporting through survey work, possibly based on the leadership commission work)
- Wage inequalities, which could be expressed as a ratio of median to mean income
- Housing Affordability, average price to earnings ratio helps us understand if the residents of the region can access homes
- Security is an important indicator of wellbeing, and we would recommend the addition of crime rates as a high-level indicator.
- In-work poverty
- GVA per hour worked, this is the most accurate measure of productivity in the workplace we have, which also allows us to compare and contrast across place and time. It also overcomes the issue of non-participation which is not identifiable by GVA per head.

2.4 Emerging work on the local industrial strategy has recommended that the region look to develop its own indicators through a survey approach to fill the gaps in current knowledge, although there is a trade off with comparison and longitudinal performance measurement, it will create the ability for the West Midlands to have a deeper understanding of the core issues related to productivity, beyond skills. These indicators should also build on the work of the Science and Innovation Audits to monitor the impact and growth of key R&D assets, large companies and public-sector anchor institutions as assets, tracking them over time and their contribution and embeddedness to the region.

2.5 As a result of changing priorities within policy making and measurement, the annual State of the Region report, and the indicators contained within it will be continuously updated to reflect best available data. This will ensure the PMF will remain current, and that it will continue to evolve in line with the expectations of policy makers and wider society.

2.6 Below are **summary key findings**¹ from the State of the Region:

Economic Growth

- **GVA** in the WMCA continuing to increase - total GVA in the WMCA increased from £88.4bn in 2015 to £92bn exceeding the UK growth rate of 3.7% by 0.3% (4% GVA growth rate).
- From 2015 to 2016, there has been an increase in **GVA per head** of £671 for every resident living in the West Midlands Combined Authority.
- Despite this, the **output gap** (WMCA GVA per head compared to national average) continues to grow and is currently £16.9bn compared to £16.5bn in 2015.
- To reduce the output gap, the WMCA needs to continue its focus on raising skills levels, increasing the employment rate with more local people in jobs and promote the growth and innovation of the business base.
- In terms of productivity, **GVA per hour** has increased by more than double the rate of the UK (4% growth compared to 1.3%) over the past year and is currently £28.9 per hour worked.
- In 2017/2018 the West Midlands Region created over 9,424 new jobs from 171 **FDI** projects – the highest level for any region outside of London.

¹ Geography is based on WMCA 3 LEP unless otherwise stated.

Business Competitiveness and Productivity

- The West Midlands Combined Authority business base is growing with a **record number of businesses** based in the WMCA (159,355), an increase of 13,945 businesses over the past year.
- **Business starts** reach the highest level since 2004, 27,550 new businesses were created in 2016, an increase of 22.8% over the year compared to an 8.2% increase across the UK.
- Of the 13,975 **business births** in 2011 43.8% **survived** until 2016 compared to a 44.1% five-year business survival rate across the UK.
- **GVA per employee** has increased by £1,077 from 2015 to 2016 across the West Midlands Combined Authority, increasing by 2.2% vs 1.9% across England.
- West Midlands is the fastest growing UK region for goods **exports** (27% growth between 2015 and 2017) and is the export capital of the UK: outside of London & the South East it exports the most by value (over £33bn in 2017).

Skills

- The number of **apprenticeships** across the WMCA increased by 400 to 42,470 – 1% increase against a national decline of -2.9% in 2016/17. However, the latest provisional 2017/18 data shows a fall of -28% nationally since the introduction of the Apprenticeship Levy in April 2017.
- 31.1% of working age population are now qualified to **NVQ4 level**, this is an increase of 1.9% from 2016.
- The proportion of working age population with **no qualifications** is 11.4%, a decrease of 1.4% over the past year.
- **Youth claimants** (18-24) have decreased from 14,805 in 2015 to 14,305 in 2016 (-3.4%) compared to a decrease of 1.5% across UK.
- 1 in 3 children based in the WM Met area are **not achieving a good level of development** at the end of reception – 67% achievement vs national average of 71%.

People

- Average **healthy life expectancy** (HLE) for males is 59.6 years (3.7 years below the national HLE for males) and 60.3 years for females (3.6 years below the national HLE for females).
- **Jobs** are increasing and there are currently 2 million people working in the WMCA area. With 75.7% of employees earning above the UK living wage.
- The **employment rate** for the WMCA is 71.0% compared to 74.7% nationally.
- **Gross Disposal Household Income** (GDHI) per person in 2016 was £16,295 and has grown by 8.6% compared to 8.5% nationally since 2013.

Place

- There are currently 1.7m **homes** in the WMCA areas and the housing deal between the WMCA and Government plan to deliver an additional 215,000 homes by 2031,
- There were 11,500 **net new homes** in 2016-17.
- More **affordable homes** are being built – 2,850 affordable homes in total (520 more than the previous year).
- **Carbon emissions** emitted within the SEP area and the **number of days of poor air quality** per year have reduced at a faster rate than UK.

- **Congestion** is getting worse; only 41% of WM met residents were able to access 3 or more strategic centres including Birmingham City Centre, accessible by public transport within 45 mins travel time in the am peak – some 34 percentage points lower than the WMCA ambition of 75%.
- Number of **offenders** (32,008) have decreased by 4.1% whilst **reoffending rates** have increased from 24.6% to 24.9% but is still lower than England (25.4%).

3.0 Financial implications

3.1 None directly arising from this report

4.0 Legal implications

4.1 None directly arising from this report

5.0 Equalities implications

5.1 None directly arising from this report

6.0 Other implications

6.1 None directly arising from this report

7.0 Schedule of background papers

7.1 Not applicable