



West Midlands
Combined Authority

Overview & Scrutiny Committee

Date	Monday 7 September 2020
Report title	Economic Recovery in the West Midlands
Portfolio Lead	Economy and Innovation – Councillor Ian Brookfield
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Report has been considered by	n/a

Recommendation(s) for action or decision:

The Overview & Scrutiny Committee is recommended to:

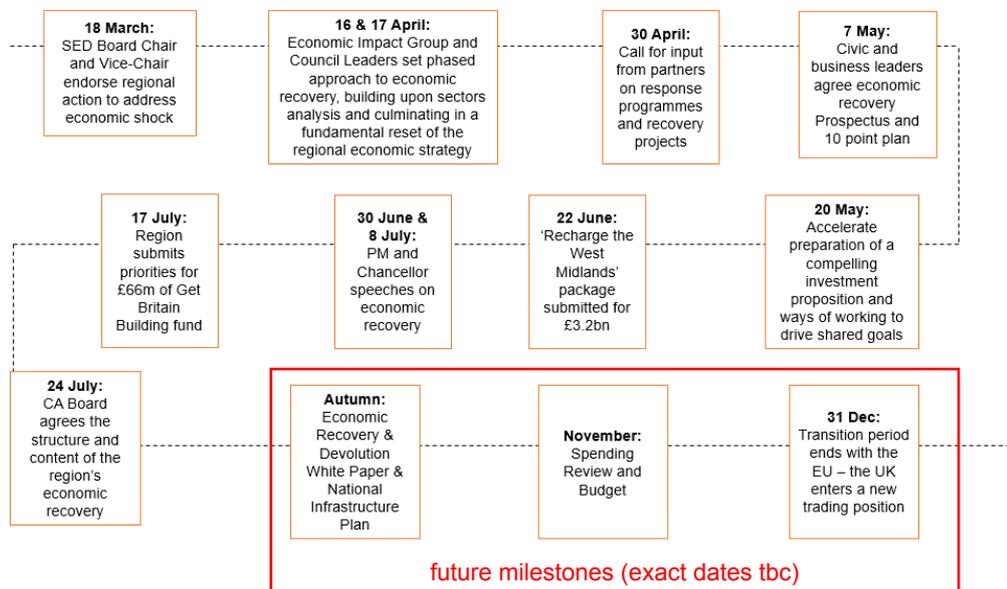
- a.) Consider the region's overall approach to economic recovery, taking account of short- and long-term actions tailored to economic and health conditions; and,
- b.) Note the impact of Government's announcements, including those in respect of the region's '*Recharge the West Midlands*' proposition, and how this provides the basis for influencing the Comprehensive Spending Review.

1. Purpose

- 1.1 To update the Overview and Scrutiny Committee on the progress of the region’s economic recovery plan and activity – including the ‘Recharge the West Midlands’ investment proposition.

2. Background

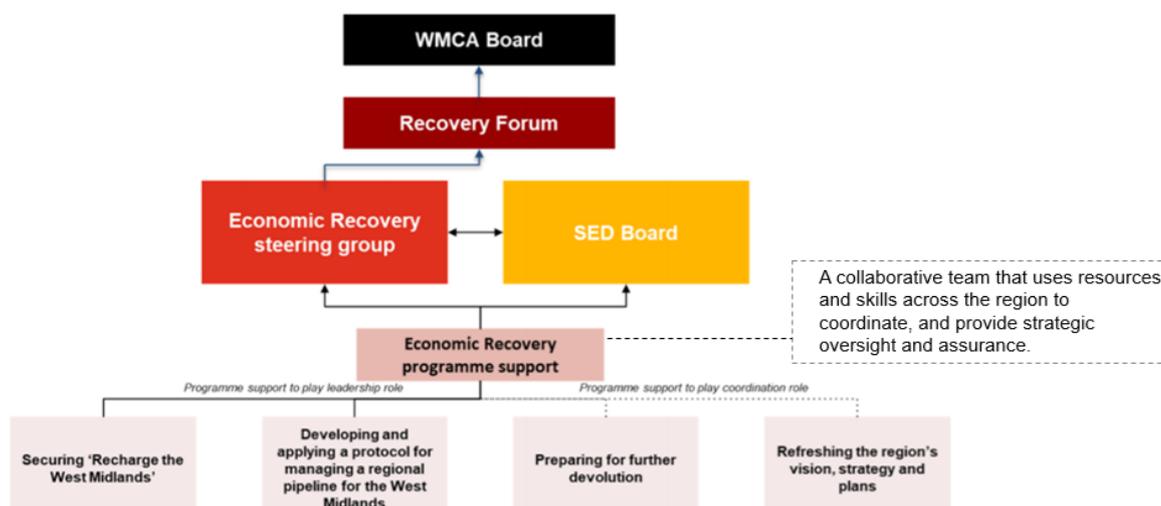
- 2.1 Along with its devastating health impact, the Covid-19 pandemic has caused severe economic consequences, globally and within the UK. The loss in global output over 2020 and 2021 is put at \$9trillion and the UK is now in recession after a record fall in quarterly output of 20.4% (April to June). The most recent forecast by the Bank of England has tempered its growth forecast for the next six months, reflecting consumers’ continued concerns about health risks and fears over job security and illustrating the inherent unpredictability of the recovery.
- 2.2 Prior to the pandemic, the West Midlands was the fastest growing region outside of London, breaking through the £100bn mark in 2019-20. Our success has been powered by one of the youngest and most diverse workforces in Europe and rapid growth including the construction, higher education, creative and automotive sectors. That sector and demographic balance also mean the West Midlands is more susceptible to the economic damage of the pandemic. For example, there were 620,000 people furloughed across the 3 LEP area in June 2020, while the overall claimant count has increased by a third – with youth claimants doubling. But just as the region bounced back strongest from the 2008 recession, it can do so again with effective investment.
- 2.3 The region’s economic challenge is twofold:
 - a) Address the cyclical economic downturn by building confidence and momentum with the right interventions and investments at the right moment.
 - b) Use the process of economic change to address the structural priorities of the region’s economy, in-line with the local industrial strategy. This will drive a more productive economy, boosting living standards across the region and achieving our net zero carbon ambitions.
- 2.4 Over the past six months, the region’s political and business leaders have been proactive to shape, rather than react to, the economic curve:



2.5 The WMCA Board agreed the region’s economic recovery plan on 24 July, which constitutes four complementary parts. Work is underway on all, but they each require specific products at different times, reflecting the different phases of the economic crisis:

Components of the regional economic recovery	
1.	Overview, including the phasing and unpredictability of recovery and 10-point plan
2.	Intelligence and analysis – including the State of the Region report <ul style="list-style-type: none"> • regional assets • impact of Covid-19 • sector impacts • new global megatrends and implications for West Midlands
3.	Short-term case to government – with clear offer, ask and outcomes including ‘Recharge the West Midlands’ and the Getting Building Fund <ul style="list-style-type: none"> • recovery drivers – electrification, using our assets, healthcare innovation • enablers – infrastructure, housing, people • business support and public services • responding to calls from government departments
4.	Long-term reset of economic strategy - including the submission to the Local Recovery and Devolution White Paper <ul style="list-style-type: none"> • outcomes framework identifying the measures of a successful recovery • policy priorities <ul style="list-style-type: none"> ○ foundations ○ sector plans ○ sub-regional plans • ways of working within the region (e.g. business engagement, institutions) • ways of working with Government (powers and resources)

2.6 The work is overseen by an Economic Recovery Steering Committee of WMCA Portfolio Holder for the Economy and Innovation (Councillor Ian Brookfield), SED Board Chair (Tim Pile), Mayor Andy Street and WMCA Chief Executive Deborah Cadman, with decisions made by the WMCA Board and regular updates to the SED Board and Recovery Forum. Measures have been put in place to drive all four actions, using a joint team from across the WMCA, LEPs and local authorities.



- 2.7 *'Recharge the West Midlands'*¹ is the region's collective proposition to government to stimulate economic recovery and boost business and consumer confidence. It depends on a range of partners to secure investment and deliver the projects. Its target was to influence government decisions ahead of the summer recess. The proposition built upon the region's long-term strategic direction expressed in the local industrial strategy and #WM2041, the February 2020 Budget submission and partners' pipelines.
- 2.8 As a speculative proposition to government, there was no guidance so the Steering Committee decided that the projects within the proposition should be of an ambitious regional scale, distinctive to the West Midlands and mix of established priorities and new thinking that addresses recent economic consequences of the pandemic. Over 160 projects from local authorities, LEPs, universities and the WMCA formed the basis of the original pipeline. This was refined in conjunction with LEPs based on:
- Scale and regional impact
 - Being able to mobilise quickly and have an impact on the real economy
 - Alignment to regional and central government priorities – particularly the levelling-up and inclusive growth and net zero carbon
 - Drives a sustainable and rapid recovery from the Covid-19 economic shock
 - Reflects post-Covid behaviour and market changes
 - Value for money requirements
 - Broad-based regional support
- 2.9 It is a priority is to deliver all of the transformative schemes included in the *'Recharge the West Midlands'* proposition. Since its submission in late June, **18 of the 31 propositions** have either been allocated funding or are in policy areas where the Government has allocated money and we will continue to push for the swift confirmation of funding for the West Midlands. However, some major funding decisions are not expected to be made until the Comprehensive Spending Review.
- 2.10 In addition to the projects included in the *'Recharge'* proposition, we estimate the Government has provided **£4.82bn of further support** for the West Midlands over the last few months through schemes like grants for small businesses, furloughing and additional funding for councils. A full analysis of funding is provided in Appendix 1.
- 2.11 *'Recharge the West Midlands'* will also inform the region's submission to the Comprehensive Spending Review. Although by its nature that submission is for a different timeframe and more strategic, many of the projects are ambitious examples where the region has developed and compelling plans to drive inclusive and green growth, given the right investment and powers from Government.
- 2.12 Over the autumn, the SED Board will shape the refresh of the region's vision and economic strategy, building upon - rather than replacing - the established local industrial strategy and taking account of the Local Recovery and Devolution White Paper. Preparatory work is already underway with academics and thought leaders about how the West Midlands will be affected by post-Covid behaviour changes and new trends.

¹ <https://www.wmca.org.uk/media/3975/west-midlands-economic-recovery-our-ask-and-offer-hd-spreads.pdf>

3. Financial Implications

- 3.1 There are no direct financial implications of this report, but the content is principally about securing significant investment in the region's priorities to address the economic impact of the pandemic and drive a green and inclusive economic recovery.

4. Legal Implications

- 4.1 There are no direct legal implications arising as a result of this report.

5. Equalities Implications

- 5.1 The economic impact of the pandemic has exacerbated economic inequalities (as with health inequalities). These have been significantly documented in the evidence base – both the State of the Region report and the weekly Economic Monitors published by WM-Redi². The overall package of activity has been designed to address the region's priorities, including inclusive and green growth.

6. Inclusive Growth Implications

- 6.1 The region's economic recovery plan has been designed to stimulate an economy that is more inclusive and where everyone can contribute to, and benefit from, growth. The long-term economic recovery plan includes steps to more deeply understand the distributional impact of priorities and investment decisions.

7. Geographical Area of Report's Implications

- 7.1 The evidence points to different economic impacts across the region. The economic recovery plan represents a balanced offer, developed in conjunction with LEPs and local authorities, that builds upon assets across the region (e.g. the opportunity for an international centre of excellence with the National Brownfield Institute in Wolverhampton), whilst also targeting specific economic needs (e.g. the project to repower the Black Country, given its industrial base and energy mix).

8. Other Implications

- 8.1 There are no other implications arising as a result of this report.

9. Schedule of Background Papers

- 9.1 Appendix 1 – Summary of Government's funding announcements and how they affect the West Midlands.

² See: <https://blog.bham.ac.uk/cityredi/back-issues-of-the-west-midlands-weekly-economic-impact-monitor/>