

WMCA Board

Date	18 September 2020
Report title	Comprehensive Spending Review Representation and Economic Recovery Update
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Report has been considered by	Programme Board Overview & Scrutiny Committee - 7 September 2020

Recommendations for action or decision:

WMCA Board is recommended to:

- (1) Agree the Comprehensive Spending Review representation, to be submitted to the Treasury on behalf of the WMCA (Appendix 1)
- (2) Note the update on economic recovery, following the July board paper on this topic.

1. Purpose

- 1.1 To share the proposed representation to the Government's 2020 Comprehensive Spending Review, representing constituent members of the West Midlands Combined Authority, for sign-off.
- 1.2 To provide an update on the work to drive economic recovery, including the 'Recharging the West Midlands' submission to Government.

2. Comprehensive Spending Review Representation

- 2.1 In July, guidance was published by HMG on the 2020 Comprehensive Spending Review. It set out that:
 - The deadline for representations is 24th September
 - Representation should contain 'policy suggestions for the upcoming fiscal event and explain the desired outcome, policy rationale, costs, benefits and deliverability of proposals. It should be evidence-based, with clear arguments on how it contributes to the aims of the Comprehensive Spending Review.'
 - The review will set UK Government departments' resource budgets for the years 2021/22 to 2023/24 and capital budgets for the years 2021/22 until 2024/25.
- 2.2 The Guidance indicates that the CSR will prioritise:
 - strengthening the UK's economic recovery from COVID-19 by prioritising jobs and skills
 - levelling up economic opportunity across all nations and regions of the country by investing in infrastructure, innovation and people – thus closing the gap with our competitors by spreading opportunity, maximising productivity and improving the value add of each hour worked
 - improving outcomes in public services, including supporting the NHS and taking steps to cut crime and ensure every young person receives a superb education
 - making the UK a scientific superpower, including leading in the development of technologies that will support the government's ambition to reach net zero carbon emissions by 2050
 - strengthening the UK's place in the world
 - improving the management and delivery of our commitments, ensuring that all departments have the appropriate structures and processes in place to deliver their outcomes and commitments on time and within budget
- 2.3 The Chancellor also emphasised that this CSR provides the opportunity to deliver on the third phase of coronavirus recovery activity, including 'commitments made in the March Budget to rebuild, level up and invest in people and places spreading opportunities more evenly across the nation.'
- 2.4 Members of the WMCA agreed to develop a joint representation to be signed off by WMCA Board, centred around a strategic narrative of 'levelling up' and 'green recovery', with a core foundation of sustainable funding:

- Levelling Up – closing regional gaps, boosting productivity, increasing human capital
- Green Recovery – creating a fairer, greener, healthier region post-COVID
- Sustainable Funding – establishing a long term settlement for local government finances, and the funds we need to reset and recover.

2.5 Development of the submission was broken down into four thematic ‘projects’, each with appointed leads from the WMCA and a Local Authority:

- Infrastructure
- Economy and Skills
- Public Services
- Financial Sustainability

2.6 The representation has been developed to align with the work being progressed by the Devolution Strategy Group on the *Local Recovery and English Devolution White Paper*, including the submission made on behalf of the region on 14th August.

2.7 The representation also takes forward the proposals outlined in the ‘Recharging the West Midlands’ investment proposition. Below is a table outlining how the CSR takes forward the different elements in the Recharge plan:

Recharge Proposal	CSR Proposal
Gigafactory	2.2 Business resilience and productivity, plus a specific proposal provided alongside this submission for HMT consideration
Project GREAT	
VLR development and testing	1.2 Transport infrastructure
EV charging infrastructure	1.2 Transport infrastructure - network charging stations
Regional retrofit programme	1.4 Residential and Commercial Development (<i>Regional retrofit programme</i>)
Repowering the Black Country	2.2 Business resilience and productivity (<i>Business Transformation and Diversification</i>)
HS2 Interchange	1.3 UKC Hub
Curzon Street/Digbeth regeneration	1.2 Transport Infrastructure 2.3 Culture & Placemaking Investment Programme
Cultural Catalyst Programme	2.3 Cultural & Placemaking investment programme
Birmingham Health Innovation Campus	2.2 Business resilience and productivity (<i>Innovation and R&D</i>)
Resilience in supply chains for med tech manufacturing (ReSCue)	2.2 Business resilience and productivity (<i>Innovation and R&D</i>)
Grand Central Diagnostics Hub	3.5 Levelling-up health in the West Midlands
Radical Health Prevention Fund	3.5 Levelling-up health in the West Midlands
Fibre network extension	1.4 – Residential and Commercial Development

5G application accelerator digital innovation fund	2.2 Business resilience and productivity <i>(Equity Finance)</i>
East-West Metro extension	1.2 Transport Infrastructure
Sprint Bus	1.2 Transport Infrastructure
Upgrading rail services	1.2 Transport Infrastructure – including WMRP
Enhancing local connectivity	1.2 Transport Infrastructure
Urban Transformation Fund	1.4 Residential and Commercial Development
Regional Affordable Housing Fund	1.4 Residential and Commercial Development <i>(RAHF)</i>
National Brownfield Institute	Funding secured.
Regional AMC Accelerator Fund	1.4 Residential and Commercial Development
Supporting young people with training and jobs	2.3 Integrated Employment and Skills Ecosystem <i>(Future Skills; Future Jobs)</i>
Getting the WM back into work through retraining	2.3 Integrated Employment and Skills Ecosystem <i>(Getting the West Midlands Back to Work)</i>
Upskilling our workforce	2.3 Integrated Employment and Skills Ecosystem <i>(Future Skills; Future Jobs)</i>
Speed to Scale programme	2.2 Business resilience and productivity <i>(Innovation and R&D)</i>
Restart, Reposition, Transform	2.2 Business resilience and productivity <i>(Business Transformation and Diversification)</i>
Pivot to Prosper and Productivity Factory	2.2 Business resilience and productivity <i>(Business Transformation and Diversification)</i>
Enterprise Investment Growth Fund	2.2 Business resilience and productivity <i>(Equity Finance)</i>

Acronyms: GBF – Getting Building Fund; NBF – National Brownfield Fund

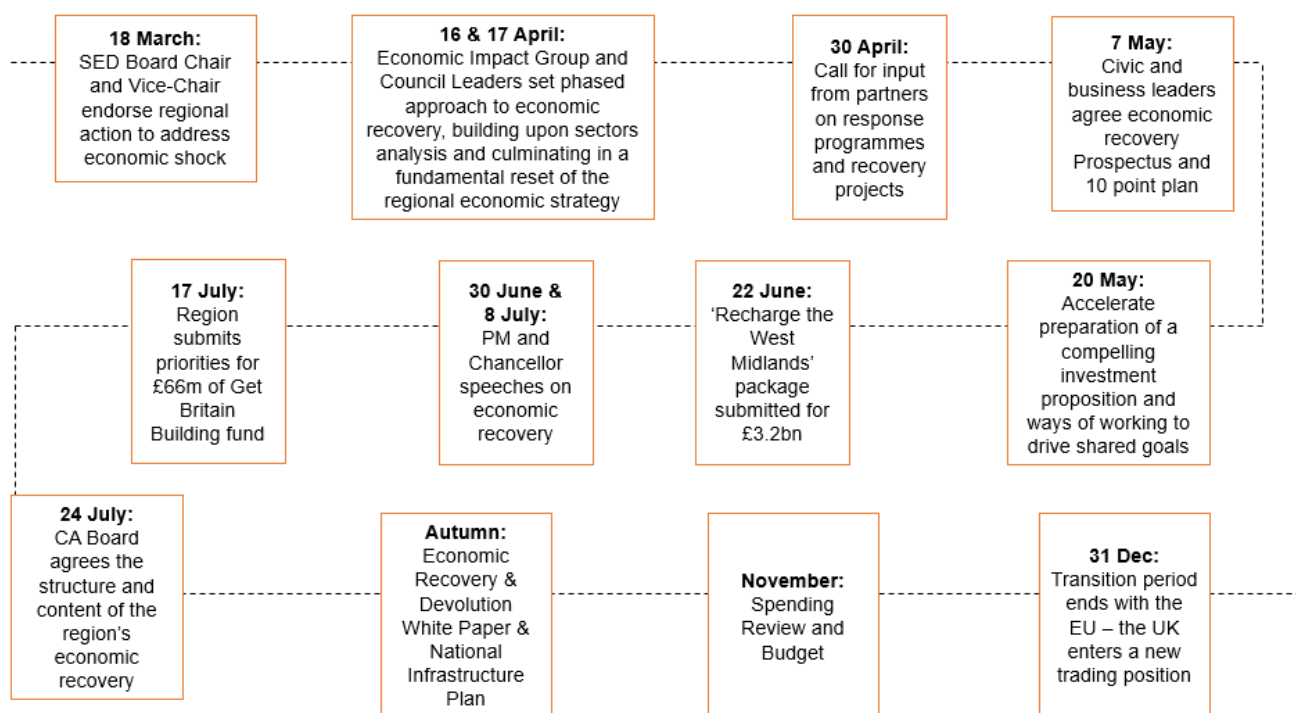
- 2.8 The submission also progresses our work on community recovery, building on the information shared by RCG members on priorities for regional activity.
- 2.9 Engagement has already begun on key proposals in this document and will continue through September to ensure emerging proposals align with government thinking and are reflected in submission to Treasury, and the eventual Comprehensive Spending Review.
- 2.10 The representation is attached at Appendix 1. This is a summary document, which outlines the proposals, their key outcomes, and the total financial ask. More detailed proposals sit underneath each of these summaries that include a full strategic case, information on deliverability, and a more detailed breakdown of funding. These detailed proposals are available on request and will form the full representation to Treasury.

3. Economic Recovery – Update

- 3.1 Evidence from previous economic crises shows the importance of both mitigating economic harm to communities and businesses and stimulating growth in new industries to accelerate recovery. There will be different phases of economic recovery which will be determined by:
- Public health conditions and the speed and effectiveness of a vaccine / treatment
 - Effectiveness of global and national economic support
 - Business and consumer confidence and new megatrends around behaviours, technologies and trade.
- 3.2 The region's 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 through our distinctive sector strengths and improving the foundations of productivity (business environment, ideas, infrastructure, people, place). For the region the outcomes are better living standards for all, more resilient local economies and achieving our net zero carbon ambitions. For the UK, the outcomes are helping to levelling-up outcomes across the country and capitalising on the UK's future trading position.
- 3.3 WM-Redi, working with the WMCA's Office for Data Analytics, has produced a weekly Monitor¹ which captures the economic impact of the pandemic. Some of the common themes that have emerged from national, local and international evidence include:
- *Ability to work - and learn - from home*: a University of Birmingham study found people without a degree, with household incomes below £50,000, less than £5,000 savings and people who rented from local authorities or housing associations were less likely to be able to work from home. Meanwhile, for learners, the closure of schools and colleges has exacerbated the digital divide, where households that don't have internet access have fallen behind in learning progress.
 - *Risk of furlough*: ONS analysis of furloughed employees shows that young women were the group most likely to be furloughed (61% of 17-year-old women in work), while men and women in their 40s and 50s were least likely to have been put on the scheme.
 - *Spatial distribution of risk sectors*: the pandemic has particularly affected certain sectors (e.g. tourism and cultural events, travel, hospitality, certain manufacturing sectors) and this means that economic affects will be concentrated in local economies.
 - *Recruitment and labour markets*: studies over previous recessions show employers take fewer risks on young people with less experience than their older peers and the consequential sustained periods of unemployment for young people can scar their long-term earnings and skills prospects.

¹ See: <https://blog.bham.ac.uk/cityredi/back-issues-of-the-west-midlands-weekly-economic-impact-monitor/>

3.4 Using that evidence, the region has been proactive to shape, rather than react to, the economic curve. Over the past six months, the region's political and business leaders have taken steps to towards the region's economic recovery:



3.5 The region's approach is guided by four principles:

- Acting quickly and based on high-quality evidence, with economic recovery planning beginning in mid-April.
- Emphasis to not just return to the old economy but use the change to embed the region's ambitious aims to create an inclusive, net zero carbon economy.
- To work collaboratively on agreed priority outcomes that reflect the different economic priorities across the region, with interventions being delivered at the most local level.
- Embedding a strong and ongoing business voice in economic activity.

3.6 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 result 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 – 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)

4. Short-term work and ‘Recharge the West Midlands’

4.1 ‘*Recharge the West Midlands*²’ 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. 5.5 The work was 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 regular updates and opportunities for input provided to the Mayor/Leaders Forum and via local authority Economic Development directors.

4.2 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. 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.

² <https://www.wmca.org.uk/media/3975/west-midlands-economic-recovery-our-ask-and-offer-hd-spreads.pdf>

- 4.3 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

5. Announcements and next steps

- 5.1 The Prime Minister and Chancellor each made speeches ahead of Parliament’s summer recess, where they announced an intention to ‘build, build, build’ and a plan for jobs. Subsequently, departments set out discrete spending plans, including £66 million for local prioritisation in the West Midlands through the Getting Building Fund and national spending programmes.
- 5.2 Across all 31 asks in ‘*Recharge the West Midlands*’, **18 propositions** have been either allocated funding or are in policy areas where we believe the Government has allocated money and we will continue to push for the swift confirmation of funding for the West Midlands. The projects continue to be pursued by the respective project lead and broadly fall into four categories, with the Steering Committee providing oversight and particular focus on those projects subject to immediate Government interest:

Projects where funding is secured – such as the National Brownfield Institute and VLR Innovation Centre
Projects that are being addressed through nationally-led programmes – such as the Kickstarter scheme and Retrofit/Green Homes Fund
Projects that are subject to immediate government interest – such as Advanced Methods of Construction in housing, manufacturing advice for business and Project GREAT
Projects relevant for the Comprehensive Spending Review – such as the Speed to Scale institute or single infrastructure pot to fund vital road, rail, bus, metro and digital projects

- 5.3 In addition to the projects included in the ‘*Recharge*’ proposition, we estimate the Government has provided **c£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 2.
- 5.4 ‘*Recharge the West Midlands*’ has been used as a foundation of the region’s submission to the Comprehensive Spending Review. Although by its nature that submission is longer-term and more strategic than the *Recharge proposition*, 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.

6. Financial Implications

- 6.1 There are no direct budgetary or financial implications as a result of approving the recommendations within this report.
- 6.2 The financial content of the CSR submission incorporates input from Local Authority Finance Directors and LEPs. It draws upon the proposals within the 'Recharge the West Midlands' document submitted to Government that detailed £3.2bn of initiatives to help accelerate the regional recovery in the midst of the pandemic.
- 6.3 Importantly, the CSR document retains a significant focus on the financial resilience of Local Authorities, the Combined Authority and the LEPs and progress in this area with Government will be critical towards the delivery of core local services and delivery of the additional aspirations outlined within the CSR submission.
- 6.4 The financial freedoms and flexibilities as outlined have the potential to enable the ongoing financial sustainability of these organisations and are consistent with the proposals contained within WMCA's Devolution White Paper submission to Government. It is hoped the CSR submission will encourage Government to enter a dialog about how we may be able to make use of such additional powers, freedoms and flexibilities for the benefit of the region.

7. Legal Implications

- 7.1 There are no general legal implications arising from the contents of this report however specific grants and funding streams that are secured for the region will require specific legal consideration around grant or funding agreements at the appropriate time.

8. Inclusive Growth Implications

- 8.1 The inclusive growth implications of the economic recovery programme are potentially significant, and it is vital to take a consistent approach to unlocking inclusive growth across the Recharge programme, and across any further investment resulting from the Comprehensive Spending Review. WMCA's Inclusive Growth Unit has created specific guidance from the Inclusive Growth Decision-Making Framework and Tests to allow this to happen and is applying this to all of the business cases that underpin the Recharge programme. This guidance allows WMCA and its partners to identify the people who need to benefit from the investment, and to define – through policy, connected investment and existing service delivery – how the value of that investment will accrue to them.
- 8.2 The beneficiary groups can be identified in a number of ways, and existing work from the Homelessness Taskforce, the Regional Health Impact of Covid-19, as well as locally led crisis responses, will ensure that the people who are currently living precariously are considered and invested into across the programme.

8.3 Investments will also have to be consistent with WM2041, notably in contributing positively to reaching net zero carbon by 2041, and by improving the region's overall resilience to climate change. This is achievable across the economic recovery programme but will require an approach to investment and development that places climate change adaptation and mitigation on a par with productivity and job creation.

9. Geographical area of report's implications

9.1 Whole of the WMCA area.

10. Schedule of Background Papers

Appendix 1 – Comprehensive Spending Review Representation - Summary

Appendix 2 – Analysis of COVID Government Funding in the West Midlands