

## **Overview and Scrutiny**

### **Topic 1: Regional Role in Energy Efficiency**

*Members expressed their concerns on the cost of energy and the impact that this had on the economy. There was a need to seek the introduction of alternative solutions, for example energy turbines.*

I very much share your concern on energy efficiency and its impact on our economy. As you will know, the West Midlands industrial demographic is unique in the UK. It is diverse and dispersed, yet as a region, we have the densest concentration of manufacturing activity in the country. We have more established manufacturing firms which employ over 10 people and are dependent on competitive energy costs to compete globally than any other region. Just over 3,500 of these manufacturing firms account for over 50% of commercial, industrial and public sector energy use in the region, yet unlike other regions none are dominant regional employers or emitters. In light of this, we have been hit particularly hard by the rising cost of energy caused by Russian invasion of Ukraine.

With that in mind, I established the West Midlands Industrial Energy Taskforce in August 2022 to identify ways manufacturers in our region can be supported through the energy crisis and to lobby government on their behalf. It is a business-led panel that has made timely recommendations and identified mitigations to minimise the impact of the current crisis on West Midlands jobs and the regional economy. It produced an interim report in November 2022 and will produce its Final Report in June 2023. In the meantime I have conveyed its interim findings with government, and this has already yielded some success: we have been able to negotiate a special package of business support measures for energy transition which we hope will be announced as part of the Trailblazer Devolution Deal in March.

## **Topic 2: Investment Portfolio**

*The committee questioned whether the WMCA was generating economic growth in specific areas, especially given the disparity of investment.*

One of the key drivers for creating the WMCA (and its Investment Programme) in the first place was to act as a catalyst for economic growth. The creation of the WMCA was one of the factors that helped ensure the West Midlands was the fastest growing region outside of London in the period before 2019. Given the headwinds that we have faced since then from Covid, pressures on global supply chains, and the current inflation/cost of living challenges caused by Russia's invasion of Ukraine, it is more important than ever that the WMCA do its part to catalyse growth, working closely with partners in national and local Government, and, of course, in the private sector.

As the Committee will know, getting disaggregated statistics which show what proportion of changes in economic output in any given period are down to the actions of specific bodies (the WMCA included) is incredibly difficult. It is certainly something not measured by the ONS, unfortunately. Accordingly, we cannot accurately say what proportion of economic output can be allocated to actions taken by the WMCA. We can, however, point to a range of other indicators which show the positive impact we have had. These include the investment we have secured for the region - from the £4b investment partnership we have entered into with L&G to the £4.5b+ that we have secured for the region in public funding since the creation of the WMCA. We can also point to the 8000+ new dwellings (with an affordability level of 26%) and the 3.8m sq. ft. of commercial space that we have unlocked through our investments. We can also show our impact in a range of exciting opportunities that we have catalysed across the region, such as at UK Central. And this is all complemented by the substantial investment we have made into enhancing our workforce across a range of training programmes, from sector-based work academies to our Thrive Into Work scheme. Each of these (and others) will have played its part in driving growth and economic recovery.

I would conclude by noting that ensuring each part of the region feels the benefit of investment - including public investment from regional resources, public investment we have secured from Government, and investment that we have secured by attracting partnerships with the private sector - is crucial, and something we have consistently striven for. I am clear that whether it be in, for instance the £1b+ we secured for the region in our CRSTS transport package, or the £4b partnership we agreed with L&G, no part of the region should be left behind.

### **Topic 3: Greater Scrutiny - Arms' Length Companies and the Delivery of Outputs**

*The committee considered that there needed to be a greater focus on the outputs generated through investments and a greater scrutiny focus on arms' length companies and the outputs delivered for the region.*

Effective scrutiny is of course important for the proper functioning of any organisation - local government bodies included. If the committee wishes to add further items to its future agendas relating to scrutiny of investments made by the WMCA or its arms' length companies, it is well within its rights to do so.

At present, WMCA activity (stemming from our annual business plan) and associated investments can be tracked through our annual budget report, with regular updates provided by our financial monitoring reports to WMCA board. The details of specific investments, as well as detailed dashboards outlining the substantial outputs (in terms of jobs, residential space, and commercial space created) already achieved by WMCA investments in aggregate, can be tracked through the investment dashboards produced for Investment Board regularly. In addition the WMCA Chief Executive gives a monthly performance progress report to WMCA Board, and the WMCA produces an Annual Review tracking our overall performance. Records of all of these reports, updates, and dashboards should be readily available to members of the Overview & Scrutiny Committee. I would welcome the Committee's feedback on any deficiencies or gaps they may have detected in these reports, so we can work together to improve the information we make available.

For Arms' length companies, plans and business cases are taken through appropriate WMCA governance to access any funds from WMCA. Performance reporting will be governed through the requirements of the individual funding agreements.

#### **Topic 4: Carbon Neutrality**

*The committee stressed the importance of the work being undertaken to achieve carbon neutrality on projects that the WMCA was supporting.*

You rightly have emphasised the importance of the WMCA doing its part to achieve carbon neutrality on the projects we support - both because of the threat posed to our shared environment, but also because of the opportunities for growth that the transition to a cleaner, greener economic model offers.

As you will know, the WMCA set the region a target of reaching net zero by 2041 and meeting the ambitions set out by the Paris Agreement. In March 2021, we launched our first Five Year Plan (FYP) to demonstrate how the region could deliver the 2041 target, using the powers and resources we have at our disposal, as well as those we hope to secure from Government. The FYP set out 15 different goals, and we have subsequently developed around 20 different work programmes to drive this work forward.

We are already seeing these efforts bearing fruit. In the area of retrofit, for instance, we have launched our Net Zero Neighbourhood scheme, which will support qualifying neighbourhoods in improving their energy efficiency. Similarly, we are sequestering substantial amounts of carbon through our Virtual Forest scheme, which has now registered around 280,000 trees. As noted in my answer to question 1, we are confident that our Trailblazer Devolution Deal will also yield new levers that we can use to support WM2041 goals.

In recognition of our efforts to date, I am pleased to note that the WMCA was ranked by Climate Emergency UK as among the nation's top performers at tackling climate change. But equally, it is clear that lots more remains for us all to do to achieve carbon neutrality - there is no time to rest on our laurels.