

**Meeting date:** 8 November 2018

**Report to:** Full Cabinet



**Subject/report title:** **WEST MIDLANDS INDUSTRIAL STRATEGY CONSULTATION**

**Report from:** Cabinet Portfolio Holder for Managed Growth

**Report author/lead contact officer:** Tom Layzell, Growth Policy Officer and Rachel Westwood, Group Manager - Growth Strategy & Commissioning / Perry Wardle, Assistant Director, Growth & Development

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**Wards affected:**

- All Wards |  Bickenhill |  Blythe |  Castle Bromwich |  Chelmsley Wood |  
 Dorridge/Hockley Heath |  Elmdon |  Kingshurst/Fordbridge |  Knowle |  
 Lyndon |  Meriden |  Olton |  Shirley East |  Shirley South |  
 Shirley West |  Silhill |  Smith's Wood |  St Alphege

**Public/private report:** Public

**Exempt by virtue of paragraph:** N/A

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**1. Purpose of Report**

- 1.1 For Cabinet to consider the consultation on the West Midlands Industrial Strategy (WMIS) being led by West Midlands Combined Authority (WMCA). The WMIS is intended to influence investment and action in the region, setting out ten proposed commitments intended to guide the work of public, private and voluntary partners, and a range of detailed actions intended to deliver on the commitments and deliver the vision for the WMCA area - driving economic growth in way that enables a healthier, happier better connected and more prosperous population – with a strong focus on inclusive growth.
- 1.2 The formal consultation runs until 15<sup>th</sup> November, and WMCA is working with its three Local Enterprise Partnerships and other stakeholders, to encourage businesses and other key partners and sectors to share their views.
- 1.3 The development of the WMIS is overseen by the WMCA Strategic Economic Development Board, on which the Deputy Leader and Portfolio Holder for Managed Growth represents the Council.

## **2. Decision(s) recommended**

2.1 Cabinet is recommended to:-

2.1.1 Consider the consultation on the West Midlands Industrial Strategy and proposed Solihull response; and

2.1.2 Delegate authority to the Cabinet Portfolio Holder for Managed Growth to agree the final response for submission to WMCA.

## **3. What is the issue?**

3.1 The national Industrial Strategy White Paper, published in November 2017, announced the Government's intention to work with the Mayoral Combined Authorities (CAs) and Local Enterprise Partnerships (LEPs) to develop Local Industrial Strategies. These strategies should aim to 'boost productivity, earning power and competitiveness' by identifying 'priorities to improve skills, increase innovation and enhance infrastructure and business growth'. Three "trailblazer" areas were identified to lead the development of Local Industrial Strategies – WMCA, Greater Manchester and Oxford-Milton-Keynes corridor – with the commitment to producing a WMIS set out in the second West Midlands Devolution Deal.

3.2 The national strategy identified five themes as a focus for action – People, Ideas, Infrastructure, Business Environment and Place – and four Grand Challenges – opportunities and future focus for the UK economy which will also be a focus for

3.2.1 Artificial Intelligence (AI) & Data Economy – putting the UK at the forefront of the AI and data revolution;

3.2.2 Future of Mobility – the UK will become a world leader in the way people, goods and services move;

3.2.3 Clean Growth - maximising the advantages for UK industry from the global shift to clean growth;

3.2.4 Ageing Society - harnessing the power of innovation to help meet the needs of an ageing society.

3.3 The WMIS is designed to set out how the West Midlands can play a major role in the national economy, responding to the Grand Challenges, whilst guiding the delivery of major investment planned for the region and achieving the West Midlands' vision and ambitions for growth. It is intended to be a strategy for the West Midlands, not the WMCA, with businesses, people, LEPs and local partners all having key roles to play in delivering growth. It has drawn on a detailed research and evidence base led by the WMCA and its three LEPs, supported by a number of focussed business engagement events, including one in Solihull.

3.3.1 The Executive Summary of the draft WMIS is attached at Appendix 1, and the full document and supporting evidence base is available at <https://www.wmca.org.uk/what-we-do/industrial-strategy/>. It sets out a vision of driving "economic growth in a way that enables a healthier, happier, better connected and more prosperous population" stating that "we are determined to drive growth that is inclusive, opening up opportunities and improved health and wellbeing for all our communities" – reflective also of the Vision set out in the Council Plan.

3.4 It proposes 10 commitments to guide the work of public, private and voluntary partners:-

- 3.4.1 High employment, with more good jobs and accessible opportunities, and diverse leadership in business and public life.
- 3.4.2 A high quality and responsive regional skills system.
- 3.4.3 Being known for the improvements we make to our natural environment, and a choice of high quality housing.
- 3.4.4 A pre-eminent national creative & media cluster.
- 3.4.5 Being the home of future mobility and transport innovation in the UK.
- 3.4.6 Three globally and nationally-connected cities, where every part of the West Midlands is close to the rest of the world.
- 3.4.7 The UK's leading exporting region with strong demand-led innovation support – where businesses and people come to develop and build new products, processes and services.
- 3.4.8 The UK centre for health diagnostics, devices and testing and translational medicine, based on our unique population and driven by big data and Artificial Intelligence (AI).
- 3.4.9 A globally renowned 21st century advanced manufacturing and engineering centre.
- 3.4.10 Innovative and successful new approaches to energy generation, storage and transmission and clean growth.
- 3.5 The WMIS is being developed at a time when there has been significant investment and growth in the West Midlands, with more planned, but with a number of challenges to be addressed. The economy has grown by 23.5% in the last five years, there are major investment plans in place alongside HS2, with further opportunities from investment in 5G, Coventry City of Culture and the Commonwealth Games in 2022 (with the NEC one of the main venues for events).
- 3.6 There are also longstanding productivity challenges, including GVA per head below the UK average (Solihull is above the UK average and the highest performing upper tier authority in the West Midlands) and an increasing output gap with the UK caused by insufficient skills, fewer residents in employment and weaker performance in investment, innovation (despite a range of strengths identified in the 2017 Science & Innovation Audit) and enterprise.
- 3.7 Wage levels and access to opportunities vary across the West Midlands, with concentrations of low employment and high levels of unemployment and deprivation, variations in health and life expectancy and above average numbers of people with low qualifications. The region is well connected, but there are also challenges relating to congestion, air quality and overreliance on the road network, with significant variations in digital connectivity. Housing costs, affordability and the need to deliver housing to meet the needs of a growing population are also challenges.
- 3.8 Detailed work has been done to identify the West Midlands niche sector strengths, with sector action plans to underpin the WMIS. These strengths are:-
  - (a) Automotive, Aerospace, Rail and Metals and Materials, with particular strengths in battery development, powertrain, connected and autonomous vehicles, precision component manufacturing and an integrated and diverse supply chain;
  - (b) Logistics & Transport Technology, with strengths in future mobility;

- (c) Life Sciences, with particular strengths in devices, diagnostics, trials, data and testing;
- (d) Business, Professional & Financial Services, with the largest integrated cluster outside London;
- (e) Low Carbon and Environmental Technologies – the most productive sector (GVA per employee) in the West Midlands – with particular strengths in energy;
- (f) Creative Industries, with strengths including gaming, next generation content and design;
- (g) Construction, underpinning the delivery of major investment, with particular strengths in offsite modern manufacturing and land remediation;
- (h) Tourism, with major opportunities from City of Culture and the Commonwealth Games; and
- (i) Food & Drink, with particular strengths in machinery, control technology and R&D.

3.9 Inclusive growth is highlighted, a critical cross-cutting theme, with areas of focus including taking a place based approach – integrating investment in specific sites and growth corridors; focussing on health and well-being as well as employment and skills; helping workers to move up the value chain and access opportunities through in-work progression; aligning employment and skills support with business support; ensuring the public sector leverages its roles to secure social value from activity and investment; and embracing the role of social enterprise.

3.10 Four major areas of competitive advantage, on which the West Midlands can build, are identified:-

- (a) Mobility and transport innovation, as the home of electric vehicles, connected and autonomous vehicles and battery manufacture in the UK, supported by a dense and diverse network of supply chains;
- (b) Health care diagnostics, devices and testing, driven by data and AI
- (c) Global professional services, driven by the largest full-service cluster outside London; and
- (d) A globally-significant creative sector, with particular strengths in new content platforms, software and gaming.

3.11 A series of actions are proposed to respond to the opportunities and challenges. These include:-

- (a) Further work in smart urban mobility, to develop and deliver new pilots and innovative approaches, building on projects such as Midlands Future Mobility – the largest Connected & Autonomous Vehicle (CAVs) testbed in the UK. As part of the UK Central Infrastructure Programme, the Council is working with Transport for the West Midlands (TfWM) to look at how CAVs might play a role in the Borough and the scope for bringing innovative pilot work forward.
- (b) Working with the private sector to rapidly accelerate the delivery of electric vehicle charging infrastructure – a priority in the Council Plan and where work with TfWM and other partners is already underway.

- (c) Using data to improve health and well-being, including exploring new citizen engagement strategies such as behaviour change to build more active resident involvement.
- (d) Marketing the West Midlands as a key location for Business, Professional and Financial Services firms – with further opportunities from “north shoring” from London, building on successes such as HSBC.
- (e) Supporting the creative and gaming cluster by investing in TV and film production capacity, and a strategic programme of employment land development including smaller units for SMEs and grow-on space to support scale-up businesses and growing industries.
- (f) Building a fully integrated and seamless multi-modal transport system across the region, with an integrated control centre to manage the network during HS2 construction and major events such as the Commonwealth Games. The UK Central Infrastructure Programme and investment in the HS2 Interchange site and Birmingham International Station being led by the Urban Growth Company will play an important role in this wider regional connectivity.
- (g) Embedding a natural capital approach in investment strategies and seeking to green transport routes, improving access for walking and cycling and looking to secure a net gain in biodiversity. Solihull’s Wildlife Ways project is an important example of the type of investments that deliver on this critical agenda, with walking and cycling important strands in the UK Central Infrastructure Programme.
- (h) Investing in local energy projects to secure the additional power industry needs, in particular through the proposed Energy Innovation Zones (including Solihull). This can be a major barrier to business investment, but is also critical for the delivery of clean growth and for responding to challenges such as fuel poverty. As part of the UK Central Infrastructure Programme, low carbon heat network studies are underway in Solihull Town Centre and the UKC Hub, and a Energy Framework will be developed to shape future initiatives and investment, including the focus and priorities for the Energy Innovation Zone.
- (i) Increasing the rate of housing delivery by implementing the £350m housing plan, looking to deliver a broader choice of tenures and styles. The Council is developing a strategic housing framework to guide and accelerate delivery in Solihull.
- (j) Creating a Career Learning Hub to improve the focus and impact of careers education and advice
- (k) Using targeted inclusion to unlock participation in particular cohorts, connecting communities and individuals to opportunity, with inclusive growth corridors – including East Birmingham – North Solihull – as a primary mechanism for this. From a Solihull perspective, maximising the impact of and opportunities from the delivery of the UK Central Infrastructure Programme and from investment at Arden Cross, is a priority.
- (l) Providing a new employment support service for people with a mental and / or physical health condition in primary and community care.
- (m) Accelerating the uptake of quality apprenticeships and creating employer-led sector action plans that address current and future skills priorities.

- (n) Increase business internationalisation by leveraging national resources and the Midlands Engine brand, focussing both on high value contracts and new exporters, and including a new focus on smaller businesses.
- (o) Ensure access to support for all businesses, including delivering dedicated support focussed on high growth potential industries; management and leadership capabilities; expanding scale up support and tacking access to finance. Sector specific priorities include maximising the benefits to the visitor economy from the Commonwealth Games and City of Culture, and maximising the supply chain and skills benefits from HS2.
- (p) Creating a national Centre of Excellence for Commissioning to drive procurement excellence, social and environmental value and innovative behaviour through contracts. The UK Central Infrastructure Programme offers a significant opportunity for Solihull to look at what social value can be obtained from investment, and the best approaches to doing this, with this one of the areas for which development funding has recently been awarded to the Council by WMCA.

3.12 As well as Council priorities, the business engagement event held in Solihull enabled local businesses to identify a number of priorities and barriers to growth that they would like the WMIS to address. A summary of the points and issues discussed is attached at Appendix 2, with the three key themes being

- (a) The importance of, and need to improve, connectivity – digital as well as transport – at a local as well as regional level;
- (b) Image and perceptions of the West Midlands, which act as a barrier to attracting talent and investment. Marketing, promotion and PR are critical to address this; and
- (c) Then importance of place, and creating a sense of place, in order to attract and retain people and skills. Infrastructure, the quality of environment, housing and leisure facilities are all part of this.

3.13 The consultation document asks nine questions. These and the suggested Solihull responses are set out below for Cabinet’s consideration.

**1. Have we identified the right strengths and competitive advantages in our sectors?**

The WMIS accurately reflects the West Midlands’ current sector strengths and competitive advantages, with the detailed evidence base building on the work undertaken on transformational and enabling sectors as part of the development of the WMCA Strategic Economic Plan (SEP), and the Council recognises the importance of focus on these areas of genuine niche strength and competitive advantage. However it is important for the West Midlands not only to support and play to its niche sector strengths (essential in order to compete on a national and international scale), but also to support and enable new business growth and a diverse and resilient economy.

It should also be noted that the West Midlands is diverse area with considerable economic diversity and strengths across its component parts and that impact of and benefits from a focus on the identified sectors and advantages will differ between areas – so that measures to link people and communities to opportunities and to

embed support for growing businesses in the most deprived and diverse communities are an important element of the overall WMIS approach.

## **2. Are the challenges and opportunities facing our economy accurately articulated?**

The importance of Place – a priority identified by Solihull businesses – is underdeveloped in the consultation draft. The sense of place is very important for a town, city or region to be able to attract and retain employees, and the current draft does not place enough emphasis on this and on the attractiveness of the area to live, or on the importance of the area's image and reputation outside of the West Midlands. Creating accessible places where people want to live is critical to attracting and retaining business investment as well as to the well being of residents and communities. An important aspect of place not explored in the WMIS is the role of town and local centres and high streets – with emerging WMCA proposals not currently reflected in the action plan.

The West Midlands has performed very strongly as an exporting region and in attracting Foreign Direct Investment in recent years – with its Advanced Manufacturing sector playing a major role – but it is evident from the last global recession that a downturn in the global economy can have a significant impact on the regional economy, and supporting new business growth and innovation across sectors and technologies should be an equally important part of the WMIS.

Effective digital connectivity throughout the area – one of the issues identified by Solihull businesses - is critical, having the potential to boost business productivity – the Enterprise Research Centre for example (in Micro Business Britain, June 2018 <https://www.enterpriseresearch.ac.uk/press/> ) identified a big boosts to productivity from the use of digital technologies, and that doubling the uptake of five key digital technologies could see the GVA per worker or micro-businesses grow by £16.6bn

The WMIS could be much more clearly positioned and developed as a clean growth strategy – included in the Vision as well as being a cross cutting theme in both the strategy and actions.

## **3. Are these the right opportunities for the West Midlands take in order to benefit from these Grand Challenges and make a major contribution to the UK's response?**

The suggested areas accurately reflect the West Midlands' sector strengths, where it best placed to make an economic contribution on a national scale. As above, there could be a much stronger focus on the contribution to be made through a West Midlands focus on clean growth. The WMIS highlights that Low Carbon/Environmental Technologies is the region's most productive sector and the national Clean Growth Strategy (October 2017) highlights the significant growth potential in the sector (the low carbon economy could grow 11% p.a. 2015 - 2030, four times faster than the projected growth of the economy as a whole). The proposal relating to the Energy Capital, combined with the region's expertise in transport and mobility offer has particularly strong potential for meeting the Grand Challenges identified by the UK Industrial Strategy and could be given a greater emphasis..

#### **4. Does the emerging approach to inclusive growth have the potential to meet this challenge?**

The focus on inclusive growth is welcome, as the increasing focus on health and well being alongside skills and access to employment.

It is recognised that some of the skills issues facing the West Midlands need sustained and long-term approaches and intervention, and it is important that the WMCA and its partners are able to influence or control the resources and mechanisms necessary to do this. Whilst as part of this there is an important and necessary focus on engaging, attracting, retaining and up-skilling younger people, and on in-work progression, the importance of re or upskilling older workers, increasingly important given the need for skills and the increase in the state pension age, is underdeveloped in current strategy, as is training as an on-going process. This is an important issue, for Solihull employers highlighted at the local engagement event held in September.

The WMIS also references ensuring support for growing business is embedded in the most deprived and diverse communities and embracing the role of social enterprise in order to diversify the types of economic activity available to create opportunities and improve well-being and productivity. Both of these proposals are welcome but would benefit from a greater emphasis and action to ensure that they are addressed both through business support and through the proposed place / corridor based approach to inclusive growth.

#### **5. How could your organisation get involved to help?**

Local Authorities have a particularly important role to play from a place making perspective, also in their role as commissioners of local services and providers or commissioners of a range of business support, access to employment and health and well being services.

Solihull itself has a major role to play in delivering the WMIS, through the delivery of UK Central – a major part of the Midlands HS2 Growth Strategy and fundamental to the WMCA's growth ambitions. This also offers the opportunity to Solihull to make a significant contribution to delivering inclusive growth, securing benefits from investment for both the Borough and its neighbours. These investment and growth plans, including the emerging Energy Innovation Zone, work on low carbon heat networks, proposed energy framework and a stronger focus on low carbon mobility and active travel will also enable Solihull to make a major contribution to West Midlands leadership in clean growth.

The Council is currently the lead body for delivering general business start-up support in Greater Birmingham & Solihull LEP (with support from the European Regional Development Fund), also providing support for social enterprises in the Borough, so has learning to share to support West Midlands approaches to enterprise and social enterprise linked to inclusive growth. It also has an established business engagement programme, so can support the engagement of businesses in new programmes and initiatives such as Thrive at Work.



## **6. Are these the right ten strategic commitments?**

The Council is broadly supportive of the proposed commitments, but would suggest that clean growth be given a stronger emphasis, and also that the role of UK Central, which is clearly recognised in both the WMCA SEP and the Devolution Deal as critical to the delivery of both the West Midlands growth ambitions and to the HS2 Growth Strategy, should be specifically recognised as a spatial priority. The focus on the three cities in the CA area underplays the contribution of and potential from UK Central, which could deliver both major economic and employment growth to 2030 and beyond. The HS2 Interchange and UK Central Infrastructure Programmes will deliver the investment and connectivity to unlock this growth potential, providing the access to opportunities essential if the West Midlands is to deliver inclusive growth.

In addition, unlike the SEP, the WMIS does not mention the emerging UK Central growth corridor from Birmingham through Solihull and into Coventry and Warwickshire, which could offer additional opportunities from enhanced connectivity, complementing the focus on inclusive growth.

## **7. Do they reflect the momentum which is underway and the opportunities ahead?**

As noted previously, clean growth is currently under developed as a significant opportunity and focus for the WMIS, and the reliance on existing niched sector strengths, and a small number of major strategic employers, particularly those with large, dedicated supply chains, is a potential vulnerability for the West Midlands should there be significant international or global economic uncertainty or disruption.

## **8. Will these emerging actions help your business or community grow and succeed?**

The emerging actions seem helpful, but their effectiveness will depend on the coordination, details and resourcing. There is a strong emphasis on the role of business support – both for supply chain development and inclusive growth – but much of this is currently dependent in all or part on European Structural Funding, being delivered principally at a LEP level, with no clear plans as yet for its future coordination and effective delivery. The ability to utilise the new Shared Prosperity Fund to continue to provide the support that is needed will be critical to the long-term success of the WMIS, as will supporting and enabling greater coordination of activity between the LEPs, their Growth Hubs and local partners.

Supporting businesses to grow and trade internationally will be key to the West Midlands' future economic success and needs to be given a greater focus in the WMIS and action plan, alongside innovation – both critical for improving business productivity.

As highlighted above effective digital connectivity throughout the area is an important issue for Solihull businesses and should be more fully developed in the WMIS.

The importance of travel planning and workplace culture, lifestyle and health of population could be given greater emphasis within the WMIS, with employers and

workplaces potentially having a greater role to play in supporting overall health and well-being, and closer links being made between health, well-being, active travel and business engagement and support.

## **9. What else will help your business and/or community grow and succeed?**

As noted previously, Solihull businesses have identified place-making and a sense of place, and West Midlands branding, image and promotion as critical to attracting and retaining talent, and these need to be more fully reflected in the WMIS alongside other critical measures such as clean growth and skills interventions.

### **4. What options have been considered and what is the evidence telling us about them?**

4.1 Not applicable

### **5. Reasons for recommending preferred option**

5.1 Not applicable.

### **6. Implications and Considerations**

6.1 Delivery of the Council's priorities:

How will the options/proposals in this report contribute to the delivery of Council Priorities (*select which priority/priorities and also specify which key programme/s*):

- Improve Health and Wellbeing -
- Managed Growth – securing inclusive economic growth (UK Central, Skills, Strategic Housing Framework); planning and delivery for Solihull's low carbon future (the Green Prospectus)
- Build Stronger Communities – helping to create the conditions for communities to thrive , digital connectivity
- Deliver Value -

6.2 Implications for children and young people, vulnerable groups and particular communities:

6.2.1 Not applicable in respect of this report

6.3 Consultation and Scrutiny:

6.3.1 An engagement event with local businesses, organised in partnership with Solihull Chamber of Commerce and Greater Solihull LEP, was held on 28 September 2018.

6.4 Financial implications:

6.4.1 None arising directly out of this report. WMCA funding, secured through the Devolution Deal, will enable the delivery of the UK Central agenda and the Council's ambitions for Managed Growth in Solihull.

6.5 Legal implications:

6.5.1 None arising out of this report

6.6 Risk implications:

6.6.1 None arising out of this report

6.7 Statutory Equality Duty:

6.7.1 Not applicable in respect of this report

**7. List of appendices referred to**

7.1 WMIS Executive Summary

7.2 Summary of issues raised at Solihull Business Engagement event 28 September 2018

**8. Background papers used to compile this report**

8.1 None

**9. List of other relevant documents**

9.1 None