

West Midlands Insights on Society and Economy

A monthly newsletter on the trends that matter to the West Midlands.

Issue 6, March 2024

1.0 Headlines

1.1 March Editorial

March marks the first anniversary of the West Midlands Trailblazer Devolution Deal and – perhaps coincidentally – the publication of a number of new reports on the importance of devolution for driving economic productivity and tackling regional inequality in the UK.

CIPFA, in partnership with the University of Birmingham City-REDI, has just published [a study](#) which investigates whether English local authorities can replicate the success of certain international cities that have effectively addressed notable social and economic inequalities through innovation in recent years. Our work is based on four case studies in England, one of which is Dudley, where we find clear evidence of some of the ‘success factors’ found in other international cities.

Our report concludes that to replicate international success, public funding in England needs to be longer-term, less fragmented and more flexible. This is the principle that lies behind the West Midlands’ Single Settlement, currently being negotiated with government on the back of last year’s devolution deal.

We are not the only organisation calling for a renewed approach to devolution and local funding and finance. The [latest report](#) from Harvard University’s series on closing Britain’s regional divides has recommended giving English sub-regional leaders a multi-year financial settlement for devolved matters including ‘compensatory investment for historic underspending’ in some UK regions. And New Local have a [new report](#) out making the case for place-based budgets too.

Devolution may not be an end in itself, but as we head into election season, there is a growing body of evidence that shows that access to local knowledge and a willingness to collaborate can accelerate levelling up across the UK, leading to a better quality of life for West Midlands communities.

Jeffrey Matsu
Chief Economist, CIPFA

1.2 Coming Up in the Month Ahead

- [Midlands Connect Virtual EV Conference](#) – 7 March
- [WMCA Tree Summit](#) – 13 March
- [ONS: UK regional trade in goods statistics](#) – 14 March
- [Planning Inspectorate statistical release](#) – 28 March

1.3 National Headlines

- Inflation remains at 4.2% in January
- Labour Party outlines how it will deliver on its Green Prosperity Plan
- Housing Secretary tells local authorities to prioritise house building on brownfield land
- New article investigates impact of public research and development on regional economies

[Inflation remains at 4.2% in January](#)

UK Inflation [remained at the same level](#) for the third month in a row in January. This has had a significant impact on market expectation of base rates, which are now not expected to start to fall until toward the end of the year. This has further [impacted mortgage rates](#), which have begun to rise again after falling for several months. While discussions of economic growth have focussed recently on the definition of technical recession, it should be remembered that gross domestic product per capita (how much money we all make on average) has been [falling now in the UK for seven consecutive quarters](#) (note: average income can fall while total income rises when the population is increasing). The WMCA has taken a [cluster-based approach](#) to turn this around in the West Midlands.

[Labour Party outlines how it will deliver on its Green Prosperity Plan](#)

Acknowledging the challenges ahead, [Labour has pledged](#) to prioritise economic growth and implement its green prosperity plan to deliver clean power by 2030. Plans include introducing a new national wealth fund, insulating 5m homes and establishing Great British Energy – a state owned energy company. Recent setbacks have forced it to abandon its £23bn-a-year funding pledge, but Labour says it remains committed to transformative change, focusing on job creation, addressing the climate crisis, enhancing public services, and revitalizing the nation while remaining fiscally responsible. Funding for retrofitting homes has also been scaled back. According to recent [analysis](#) 9.6m households are living in poorly insulated homes. The WMCA [plans to fund](#) retrofit in 140,000 homes over a 10-year period, but this is only a fraction of the 1.2m homes in our region. Additional funding is required to extend retrofit, insulate homes, save people money, and reach net zero.

[Housing Secretary tells local authorities to prioritise house building on brownfield land](#)

The government has [announced](#) that it is prioritizing building homes on brownfield sites to boost housing while preserving the Green Belt. In February 2024 the government published a consultation on 'Strengthening planning policy for brownfield development'. The proposals aim to support increased housing delivery on brownfield sites, particularly in the 20 largest cities and towns in order to boost housebuilding. The policy is welcomed and aligned with the WMCA's 'brownfield first' approach to development. However, its effectiveness will also depend upon continued government grant support for brownfield land remediation and the provision of adequate supporting infrastructure for transport links, greenspaces, etc.

[New article investigates impact of public research and development on regional economies](#)

The [study](#) examines how government spending on research and development (R&D) and other fiscal policies impact the economy. Using data from 15 OECD countries, the authors find that increasing government spending can boost GDP and encourage businesses to invest more in R&D. Notably, investing in R&D yields the greatest economic benefits compared to other types of government spending. The West Midlands has the lowest public R&D spend per capita in the UK but one of the highest private sector R&D spends. Given the region's ability to attract private R&D, the article highlights the unparalleled contribution to levelling up our region that additional public R&D funding can bring.

1.4 Regional Headlines

- Birmingham City Council releases budget plans for next two years
- West Midlands named second in Europe for its foreign direct investment (FDI) strategy
- Business Commission West Midlands publishes interim report
- Home Secretary confirms transference of police and crime commissioner powers to the Mayor of the West Midlands in May

[Birmingham City Council releases budget plans for next two years](#)

Birmingham City Council has [unveiled](#) its budget plans for 2024/25 and 2025/26, aiming to save over £300m amidst unprecedented financial strain. A 9.99% council tax increase is proposed for two years, with protections for vulnerable households. Up to 600 job cuts are anticipated with trade union consultations ongoing. There will also be cuts to the culture budget and sale of assets to make up historic financial shortfalls. Meanwhile, the Centre for Local Economic Strategies (CLES) [has warned](#) of the risks associated with fire sales, such as asset stripping and wealth extraction. While councils face financial strain, selling assets to the highest bidder could sacrifice community wealth and public value. CLES argue that the focus should shift to socially just uses, embedding social value considerations into sales, and prioritizing sales to plural-owned organizations like co-operatives. This approach ensures community benefit and local control, fostering long-term prosperity over short-term fixes.

[West Midlands named second in Europe for its foreign direct investment \(FDI\) strategy](#)

The West Midlands [ranks second](#) in FDI Intelligence's Large European Regions of the Future 2024 – FDI Strategy, with Paris Region taking the lead. Recognized for its investment appeal, the region boasts significant job creation and surpasses Scotland and Wales combined in foreign investment projects. Notable investors include Goldman Sachs and Accenture. Overseas jobs increased by 48% last year, bucking the national trend. The region's strategy, led by the West Midlands Growth Company, aims to sustain its growth momentum.

[Business Commission West Midlands publishes interim report](#)

The Business Commission West Midlands, led by the region's Chambers of Commerce, aims to drive business growth. Their [interim report](#) highlights key growth levers like international trade, net zero initiatives, innovation, and foreign investment. Challenges include Brexit impacts, skills shortages, and infrastructure needs. Recommendations for growth encompass financial support, built environment improvements, skills development, and better business ecosystem alignment. Strengths include the region's central location, strong education system, momentum, manufacturing legacy, and access to networks. The report emphasizes the need for continued support from government and local authorities to maximize the region's potential.

[Home Secretary confirms transference of police and crime commissioner powers to the Mayor of the West Midlands in May](#)

Following a public consultation, the Home Secretary has confirmed that Police and Crime Commissioner (PCC) powers will be transferred to the Mayor of the West Midlands on 2 May 2024, with the secondary legislation now being processed in Parliament. The West Midlands Police and Crime Commissioner (PCC) Simon Foster has applied for Judicial Review, to challenge the Home Secretary's decision.