



HM Government

PROGRESS STATEMENT

# Working towards a West Midlands Local Industrial Strategy

October 2018



# Our vision for the West Midlands Local Industrial Strategy

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*Developing ambitious Local Industrial Strategies is central to delivering the national Industrial Strategy's vision to build an economy fit for the future, with prosperous communities across the United Kingdom, and to drive up productivity.*

The 2017 devolution deal put in place the foundations to **deepen the strategic partnership between the West Midlands and Government.**

This statement sets out how we are working together to develop the West Midlands Local Industrial Strategy, setting out key opportunities and challenges to boost local productivity.

The West Midlands Local Industrial Strategy is part of an ambitious shared plan to continue the renaissance of the West Midlands, improving the lives of residents and supporting businesses to succeed.

The West Midlands Local Industrial Strategy will set out the priorities and actions needed and **provide a long-term plan for alignment of local and national decision making to increase productivity** and deliver an economy that works for all.

# Developing a shared Local Industrial Strategy

*Government and the West Midlands are committed to a new strategic approach to collaboration, jointly designing the solutions needed to drive future growth and productivity.*

The final Local Industrial Strategy will set out:

- ▶ A **robust and granular evidence-base** which is focussed on the **foundations of productivity** and based on a thorough understanding of the region's distinctive strengths, many firms, and supply and value chains.
- ▶ How the West Midlands will harness its distinctive strengths to **unlock greater growth, productivity and earning power** across the region's cities and places. Subject to the outcome of local consultation with businesses and other partners, it will consider some of the Grand Challenges, including how the **automotive and wider transport cluster**, the **life science cluster**, and their associated supply chains and infrastructure, will drive the UK's response to the Future of Mobility Grand Challenge and the AI and Data Grand Challenge.
- ▶ How other major clusters and infrastructure investment, including the region's **energy infrastructure, creative industries and business and professional services** will make significant contributions to the UK's future growth and its response to the Grand Challenges.
- ▶ **Long-term priorities** for the West Midlands and Government, in line with the national Industrial Strategy and the priorities of the West Midlands' citizens and businesses.
- ▶ **Opportunities for collaboration** - both between the West Midlands and Government and with public and private stakeholders to achieve our strategic priorities.
- ▶ Clear plans to **track progress**.

The Local Industrial Strategy will build on historical and continued investment and commitment by Government.

## Building on investments

- ▶ Devolution deal providing £36.5m every year for 30 years
- ▶ £250m allocated through the Transforming Cities Fund
- ▶ Up to a £100m housing package to support delivery of 215,000 homes by 2030/31
- ▶ A Skills Deal, which could unlock up to £69m
- ▶ £80m Faraday Battery Challenge Fund award to Warwick Manufacturing Group
- ▶ £13m project in battery materials at WMG's Energy Innovation Centre and £15m towards a £150m National Automotive Innovation Centre
- ▶ £50m for the West Midlands to become the UK's first large-scale 5G testbed



# Developing the evidence base

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*Over the past two years, a robust evidence base has been developed through several independent commissions to unpick major issues for the economy, including land and housing, productivity and skills, leadership and mental health.*

Each commission has been led by, and involved, academics and industry leaders, including:

- ▶ Paul Marcuse, Chairman of the Management Board of the Royal Institute of Chartered Surveyors - **Land Commission**
- ▶ Dr Andy Palmer CMG, President and Chief Executive Officer of Aston Martin - **Productivity and Skills Commission**
- ▶ Anita Bhalla OBE, Head of the BBC's Public Space Broadcasting - **Leadership Commission**
- ▶ Rt Hon Norman Lamb MP, Minister of State for Care and Support from 2012 to 2015 - **Mental Health Commission**

The Productivity and Skills Commission involved a 12-month work programme to understand the extent of the productivity challenge in the West Midlands and its root causes<sup>1</sup>.

The West Midlands Local Industrial Strategy will draw on the significant body of evidence assembled by these independent commissions. Their recommendations are central to the understanding of, and action towards, addressing barriers to productivity. They directly address the Industrial Strategy's five foundations of productivity - ideas, people, infrastructure, business environment and places.

This complements the shared evidence base which has been developed by the three Local Enterprise Partnerships with the West Midlands Combined Authority.

# Understanding the economy: Local strengths and challenges

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*The West Midlands generates £92bn GVA (c6% of national output).*

It is growing fast, achieving 23.5% growth in the last 5 years of available data<sup>2</sup>. GVA per hour worked has also increased by more than double the rate of the UK over the last year<sup>3</sup>. It is a driving force in the Midlands Engine, working closely with partners to add £54bn to the economy<sup>4</sup>.

The number of people with no qualifications is falling faster than the UK average and employment is increasing faster<sup>5</sup>. The number of people claiming jobseeker's allowance is at the lowest level for over 10 years<sup>6</sup>.

The West Midlands has globally competitive supply chains, including those in original equipment manufacturing and component manufacturing in Coventry, Warwickshire and the Black Country. Many of the supply chain firms across the region are leading innovators in new materials and manufacturing processes, working in the aerospace, marine, automotive and rail supply chains.

University and NHS partnerships power the life sciences sector around one of Europe's largest hospitals, Queen Elizabeth Hospital, Birmingham<sup>7</sup>. There is a globally competitive business and professional services cluster, providing the full range of services

to a global client base, including the new headquarters of HSBC. The creative sector is internationally recognised, at the heart of pioneering new content production and creation, including a world leading gaming and artificial intelligence cluster. Cultural, tourism and sporting businesses will power the delivery of the 2021 City of Culture in Coventry and 2022 Commonwealth Games<sup>8</sup>.

Inequalities and productivity challenges remain. Both GVA per head and per hour are still lower than the UK overall<sup>9</sup>. On a range of health outcomes, the West Midlands performs below the UK overall, with significant disparities within the area.

The opportunity is significant, and the West Midlands will focus on delivery - building on a history of industrial innovation by embracing new technologies in 5G, data, artificial intelligence, energy management and electric vehicles. It will strengthen the already first-class business support services, supporting disruptive innovation, new skills and new ways of doing business. The Local Industrial Strategy aims to drive growth and investment that directly benefits all residents and communities.

# Emerging shared ambitions for the Grand Challenges

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*The Grand Challenges are large and long term.*

They will be disruptive and complex, but they also present an opportunity for the West Midlands to build its industrial capability and for industry to adopt and embed new ideas, technologies, processes and structures.

The West Midlands Combined Authority, Local Enterprise Partnerships, Local Authorities, universities and businesses have been working together with Government to consider how sectoral strengths in the West Midlands align to the Industrial Strategy Grand Challenges whilst also considering the Prime Minister's Missions.

This is emerging work and does not capture the full scope of the Local Industrial Strategy that will be published later in 2018. It sets out the focus of some initial work to exemplify the approach that the West Midlands and Government are taking together.

## **Future of Mobility**

Through the Future of Mobility Grand Challenge, the UK aims to be world leading in the movement of goods, services and people.

One clear area of opportunity for the West Midlands Local Industrial Strategy is its automotive sector.

The West Midlands produces around a third of all cars manufactured in the UK, including by JLR, Geely and Aston Martin, and the region produces 1 in 5 of engines produced in the UK. This provides the West Midlands with an opportunity to lead the UK's response to this Grand Challenge, building on its automotive and rail clusters and major planned investment in new public transport systems and technologies.

Within existing budgets, the West Midlands Local Industrial Strategy will consider options to:

- ▶ Support the environment to secure battery technology development and manufacturing capability, including site energy supply, whilst accelerating diversification of skills, capabilities and capacity of the supply chain so that it can take advantage of the shift to next generation autonomous electric vehicles and powertrains
- ▶ Continue to develop a West Midlands test-bed environment for connected autonomous vehicles, working with Meridian and the Department for Transport. This will be supported by new power networks, energy innovation zones, and 5G infrastructure. Creating this test-bed environment in the West Midlands will

help new, innovative companies to start-up and flourish and help drive change through the supply chain. This will ensure that new generations of vehicles operate reliably and safely, helping to build consumer confidence, demand and new domestic and international markets

- ▶ Address the challenges of managing new public transport systems operating on a complex network, using large volumes of data sourced from intelligent roads and vehicles plus other spatial and environmental data. This will support the introduction to market of new, safe and reliable technologies

Ongoing work is considering how these ambitions could help to address the Future Mobility Grand Challenge Mission: “Put the UK at the forefront of the design and manufacturing of zero emission vehicles, with all new cars and vans effectively zero emission by 2040”.

This will build on the pioneering work on the construction of the **UK Battery Industrialisation Centre**, the **National Automotive Innovation Centre**, the **Advanced Propulsion Centre** based at the University of Warwick, the **High Value Manufacturing Catapult** at Warwick Manufacturing Group and the **Manufacturing Technology Centre**.





## Artificial Intelligence and Data

The West Midlands aims to be at the forefront of using data and artificial intelligence to drive the businesses and inclusive public services of the future. This builds on the region's diverse but stable population base and institutions such as the Queen Elizabeth Hospital. It will continue to build on Birmingham's established life science cluster, and its major contribution to the 100,000 Genomes Project, aiming to develop its capacity, capability and evidence base to be a leading health data testbed environment to improve health diagnostics and medical device, and intervention testing.

This will be achieved by building on existing and new partnerships between Government, industry, universities and the NHS in driving innovative product development, whilst focusing on how to address the Prime Minister's mission on improving diagnosis of preventable diseases.

Early work between the West Midlands and Government has identified the potential areas to explore further:

- ▶ West Midlands to work in partnership with industry, NHS and universities to explore a regionally-scaled translational research and health data hub, to integrate and analyse data at scale in order to test new 'precision' patient interventions

- ▶ Leveraging the regional strengths and assets in digital systems to work with the Centre for Data Ethics and Innovation to provide evidence on how to improve the way data and artificial intelligence is used between businesses and sectors
- ▶ Piloting new ways to manage secure data access between businesses to enable life and health science businesses to develop new product and service innovation at pace and scale whilst delivering high-value jobs and improved workforce diversity

The West Midlands' large, diverse and stable population provides the opportunity for scale and depth of analysis. The ambitions will also build upon world-leading healthcare electronic infrastructure, including one of the most advanced **electronic healthcare record systems in the world**, at University Hospitals Birmingham<sup>10</sup>.

# Inclusive growth

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Economic and social prosperity depends on businesses, local public services and communities working together. The West Midlands Local Industrial Strategy will only be fully successful if it benefits the whole region, aiming to improve the life chances of everyone who lives in the West Midlands. It will be aligned with the Government's Civil Society Strategy.

Recent growth and investment has benefitted people across the West Midlands. There are good levels of employment and business activity, but this growth has been concentrated in Birmingham and Coventry, with slower growth in the Black Country, and it has not translated into improved wages, healthy life expectancy and progression for all<sup>11</sup>. The West Midlands has significant areas of deprivation

and lower than average healthy life expectancy and skill levels, with too many communities that are not well connected to the centres of growth<sup>12</sup>.

The Local Industrial Strategy will explore these challenges further so that communities can fully benefit from future growth.

# The foundations of productivity: Building on national assets

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## Ideas

The West Midlands has a strong history of innovation, with globally leading universities that have strong research and development and commercial partnerships, as shown by the Science and Innovation Audit<sup>13</sup>. The West Midlands Local Industrial Strategy will put in place

new platforms and programmes to support talent and innovation across our sectors, building on initiatives such as **STEAMhouse** and the success of the **Statistical Cybermetrics Research Group**, ranked number 1 in the world for the scientific impact of their information science research<sup>14</sup>.



## People

The **West Midlands Skills Deal** marks the beginning of a new way of working between the Government and the West Midlands on supporting the local labour market. Building on the Skills Advisory Panel, the Mayor's Renewal Plan for the West Midlands, and as part of the Government's commitment to the Midlands Engine Strategy, it focuses on **apprenticeships, technical education, digital skills, and careers**.

## Infrastructure

At the heart of the Midlands Engine, the West Midlands is well connected<sup>15</sup>. There is major investment planned for the **West Midlands Metro system**, sprint bus networks, rail and road upgrades, supported by **£250m from the Transforming Cities Fund**<sup>16</sup>. This will build on the opportunities of the **2022 Commonwealth Games** and **2021 City of Culture**. This growth will be supported by a **£100m housing package and local investment** to deliver 215,000 homes by 2030/31<sup>17</sup>. This investment will drive modernisation and new techniques in the housing and construction supply chain and integrate access to new skills and reformed public services, building the communities and connections residents and businesses need to succeed.

## Business environment

The West Midlands is home to globally competitive businesses supported by exceptional public and private sector leadership and three vibrant cities. The Local Industrial Strategy will further strengthen the West Midlands' high-quality business support offer. The West Midlands will examine opportunities including additional leadership and management support for small and medium-sized enterprises, helping businesses access opportunities in new technologies and across supply chains and strengthening support for businesses to open up new trade and export opportunities.

## Collaboration

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Working with partners, the West Midlands Combined Authority will continue to lead the Local Industrial Strategy's development across the region, building on the consultation feedback, ahead of publication.

This will be a critical component in driving forward productivity and prosperity across the Midlands Engine.

## Prioritisation and next steps

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Government and the West Midlands are clear that the Local Industrial Strategy will set out an agreed and shared view of opportunities for the West Midlands, as well as the challenges that will need to be addressed, to maximise its contribution to UK productivity and earnings growth. The Local Industrial Strategy will not imply any new spending commitments, but will inform the strategic use of local funding streams and, where relevant, spending from national schemes.

## Evaluation

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The West Midlands will set out in its Local Industrial Strategy its approach to evaluation of its interventions, including how to integrate cutting-edge independent evaluation methods at the outset of programmes and sharing the evaluation results widely.

# References

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1. West Midlands Combined Authority Productivity and Skills Commission Final Report
2. All GVA per head statistics are taken from ONS (2017) Balanced Gross Value Added for LEPs
3. All GVA per hour statistics are taken from ONS (2018) Sub regional Productivity
4. Midlands Engine Vision for Growth (2017)
5. ONS (2018) Annual Population Survey
6. ONS (2018) Jobseeker's Allowance with rates and proportions
7. [National Health Service partners](#)
8. [Coventry Cultural Strategy 2017-2027](#) (2017)
9. All statistics relate to the 3 LEP geography unless otherwise stated
10. [University Hospitals Birmingham NHS Foundation Trust](#)
11. ONS (2017) GVA for Local Enterprise Partnerships; ONS (2018, 2017) Annual Population Survey
12. PHE Public Health Outcomes Framework (2017); English Indices of Deprivation (2015)
13. A Science and Innovation Audit for the West Midlands (2017)
14. Shanghai Global Ranking of Academic Subjects for Library & Information Science 2017
15. West Midlands Combined Authority Infrastructure and Productivity Review
16. [Transforming Cities Fund](#)
17. [West Midlands housing package](#)

References to the West Midlands in this document refers to the joint work between the Mayoral Combined Authority and Greater Birmingham and Solihull LEP, Coventry and Warwickshire LEP, and Black Country LEP.



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