

# the West Midlands economy

a joint response to changing economic circumstances



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HM TREASURY

**BERR**

Department for Business  
Enterprise & Regulatory Reform



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# Advantage West Midlands

The Regional Development Agency (RDA) for the West Midlands Region

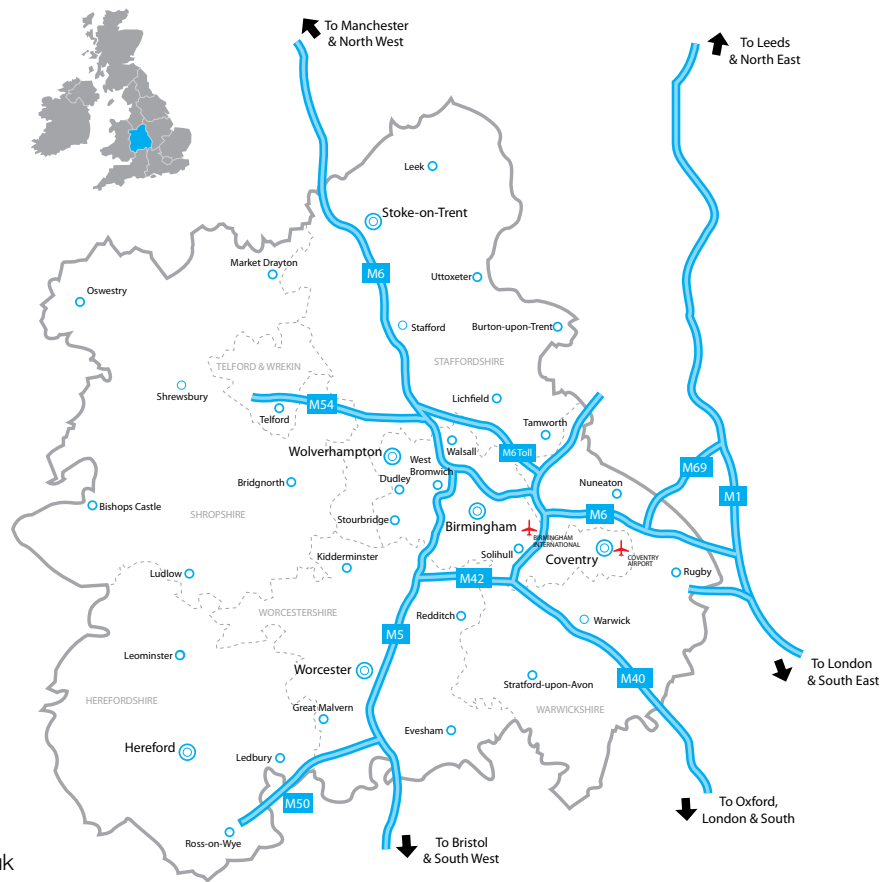
Advantage West Midlands is the Regional Development Agency (RDA) for the West Midlands and one of nine RDAs in England.

Our role is to lead the economic development of the West Midlands Region, working alongside public, private and voluntary sector partners to help our region to prosper. We build upon our region's many strengths and address our unique challenges.

Our key task is to lead the development and delivery of the **West Midlands Economic Strategy (WMES)**, the framework for our region's growth. Through working in partnership, we speak with one voice for the region and make a far greater impact than we would acting in isolation.

We have an annual budget of over £300 million to invest in the West Midlands Region and, at any one time, we manage around 2,500 projects which change the lives of people across our region. We drive economic development by identifying where we can make the greatest impact, either by targeting specific needs or investing in success.

For more information visit [www.advantagewm.co.uk](http://www.advantagewm.co.uk)



Cover image: **Teamworks Karting** - the first company to float on the West Midlands trading platform Investbx - was founded by Simone Schehtman (pictured) and Michael Bryant in London in 2000. The company relocated to Birmingham in 2004 and now employs 50 staff and is valued at £4.4 million.

Supported by regional development agency Advantage West Midlands, Investbx is a new vehicle for West Midlands SMEs to raise transitional finance, acting as a catalyst to bring together companies and investors.

Research has shown that high-quality emerging businesses have traditionally been frustrated by difficulties as they seek to move beyond initial rounds of equity finance and bank funding. Investbx aims to remove the financing barriers which have traditionally prevented businesses from developing and growing in the £500,000 to £2 million range, widely acknowledged as a gap in the equity market.

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# foreword

The global economy is facing unprecedented challenges. The twin impacts of tighter credit conditions and increases in global commodity prices, in particular oil, mean we can expect difficult times for the UK economy in the coming months. This will affect each region in different ways in line with their differing economies. After the unprecedented growth of recent years, the West Midlands and other regional economies will need to prepare themselves for a more challenging economic climate.

At this time it is critically important that national Government, regional bodies, local authorities and their partners listen carefully to the experience of businesses and local groups to ensure they understand what is happening on the ground. And it is important that businesses are clear what support is offered by Government and by regional agencies to help them manage in these difficult times.

The West Midlands Economic Strategy, *Connecting to Success*, was launched on 10 December 2007 and its related Delivery Framework on 24 June 2008. These documents were produced following extensive work to establish a clear evidence base and after widespread consultation with business, the Government and other regional partners in the private, public and third sectors. They set out how the Government, Advantage West Midlands (AWM or the Agency), other agencies and businesses across the West Midlands will work to support the economy, build on the region's strengths and help the West Midlands maintain and enhance its attractiveness as a location in which people and businesses choose to invest, work, learn, visit and live.

This document has been drawn up by the Government and AWM in light of the current challenging circumstances. It does not change the fundamental aspirations and actions envisaged in *Connecting to Success* (e.g. working

towards a low-carbon economy) or the parts played by Government, AWM and others in implementing it. It does, however, lead us to review the timing of certain actions set out in the Delivery Framework and emphasise particularly those most relevant in the current circumstances.

The Minister for the West Midlands also has a clearly defined set of priorities that address the key challenges facing the region. These priorities challenge the West Midlands to raise its game in Higher Education & Skills, Affordable Homes, Transport, Manufacturing, Sustainable Development, New Media and International Trade. These priorities are consistent with the West Midlands Economic Strategy and complement and shape the initiatives set out in this document; they will be championed and led by us and the region's leaders.

The Government recently launched the second round of the Regional Funding Advice (RFA) exercise, which offers regional and local partners the opportunity to advise on their long-term priorities to support sustainable economic growth. The West Midlands is being asked to provide advice on regional funding allocations of over £2.7 billion in 2008-11.

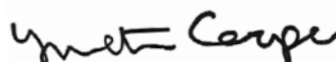
This document encourages local businesses, local authorities, the voluntary sector and other local groups to continue communicating to regional bodies and to central Government how the economy is changing in their area,

whether current policies are working, and what further needs to be done in specific areas or sectors.

Whilst times may be harder over the coming months, there is no doubt that the many strengths of the West Midlands economy will help it through this difficult period. This document sets out how AWM and Government, working with other regional and local agencies, will ensure that the region's economy performs well in the coming months and years.



**Liam Byrne**  
Minister for the West Midlands



**Yvette Cooper**  
Chief Secretary to the Treasury



**Pat McFadden**  
Minister of State, Department for Business and Regulatory Reform



**Nick Paul**  
Chair – Advantage West Midlands

# coping with tougher economic conditions

The UK economy has grown continuously for over 15 years – the longest period of growth since the Second World War. However, in the last 12 months the twin global shocks of the credit crunch and the surge in oil and food prices have hit all the world's economies, including here in the UK. These tougher economic conditions will have an impact on all businesses, although the effect will vary in different places and sectors.

The main effects are that it is harder to raise capital to fund investment, whilst operating costs – especially for energy – are rising. The input cost of commodities like steel, wood and fertiliser is also increasing, squeezing profit margins and putting upward pressure on prices. As a result, trading conditions are generally tougher and investment plans are being delayed.

Consumers face higher bills for fuel and weekly shopping, and many are also paying more for their mortgages. This has affected consumer spending, with implications for the retail, leisure and housing sectors in particular. The housing sector has also been affected by the collapse in the new mortgage market as banks and building societies tighten lending criteria in light of recent difficulties.

In the first half of 2008 the West Midlands economy held up to these challenges relatively well, with certain sectors, particularly exporters, benefiting from the weaker pound. However, there are signs that these economic pressures are now having a significant impact. Business confidence has dipped, particularly amongst smaller businesses. The employment position has also worsened, with the number of people claiming Jobseeker's Allowance increasing in each of

the past four months. It will be vital to help businesses take action to mitigate the impact of the slowdown over the second half of the year.

Manufacturing is a key element of the West Midlands economy, employing some 350,000 workers and generating an output of nearly £15bn – 10% of the value for UK manufacturing as a whole. The main sectors in the West Midlands are associated with the metal industries, automotive, plastics and rubber, software, food & drink, electronics and telecommunications.

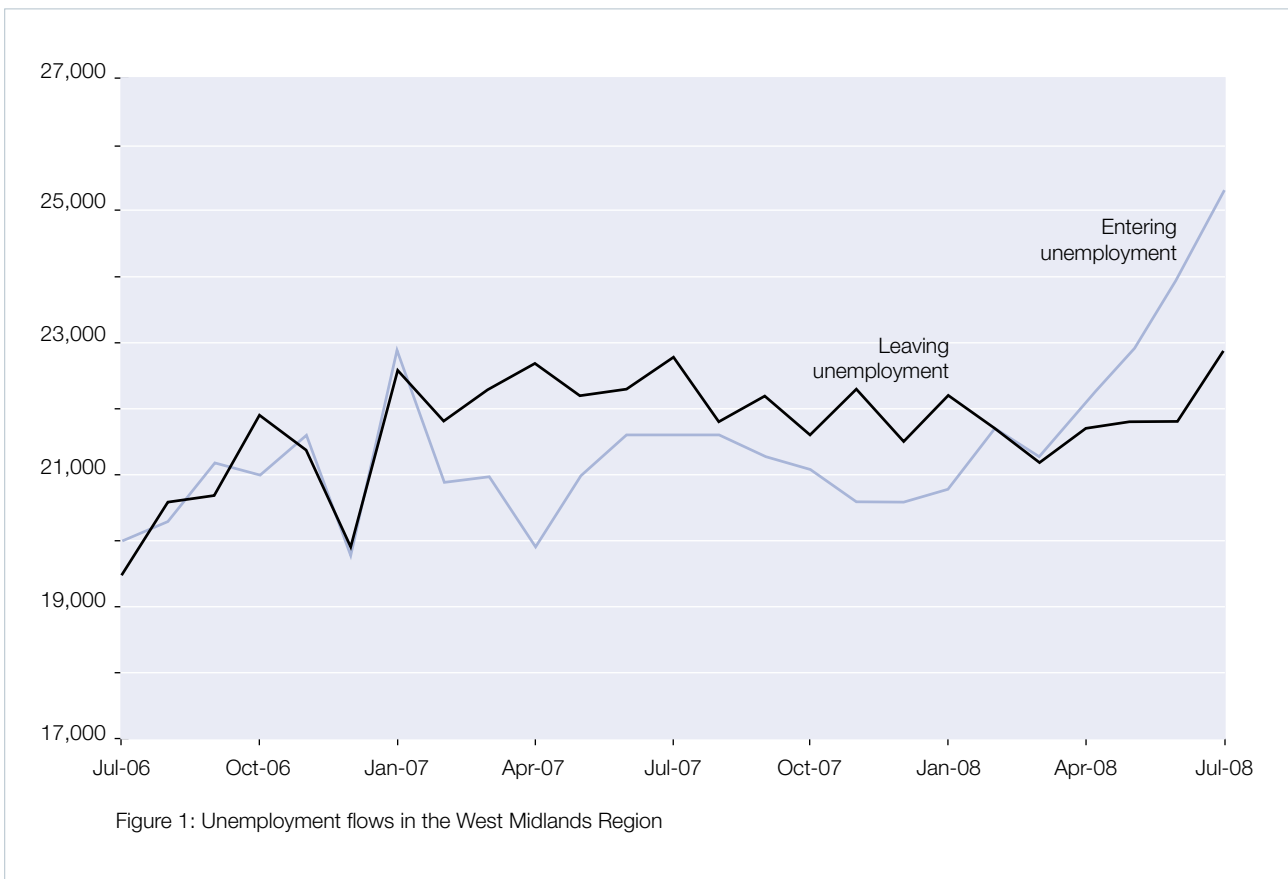
Many manufacturing and engineering businesses continue to report strong trading, but overall domestic demand is slowing. The most recent regional survey from the British Chambers of Commerce shows that while new domestic orders in the West Midlands were marginally up in the 3 months to June, expectations for domestic orders in the next quarter are negative. This view is supported by the latest regional Purchasing Managers' Index data for the West Midlands which shows new business orders at their lowest level in 7 years.

However, export demand has held up well and in many cases forward export order books remain strong, although some of this effect may be offset by slowdowns in the UK's major

export markets in the USA and Europe. With manufacturing so significant to the West Midlands economy, this continued export demand is a positive factor in the current circumstances.

The service sector has grown in recent years and now represents nearly 70% of employment in the West Midlands. Property and business services are particularly important: the £18bn output from these services accounts for over 20% of the total regional output and employs an estimated 360,000 people. Services most closely related to the property sector are experiencing a downturn, but other service companies in the region remain broadly positive about the outlook for business. There is, however, concern about inflationary pressures and interest rates as companies raise prices to meet higher costs. The recent fall in oil prices provides a short respite. However, it is too early to tell if this will continue into the medium term.

The region's property and development sector, having experienced strong growth over the last decade, is being significantly affected by the current downturn. Although public sector activity remains strong, there is little speculative building. Both the commercial and residential markets have been affected, the



latter particularly so, with difficulties experienced in raising finance, sellers withdrawing from the market and prices falling. New housing starts in the first quarter of 2008 were down 17% on the same period in 2007, with the private sector reduction of 25% partly offset by an increase in social housing. In the commercial market,

demand for office space fell at a faster rate than in the previous quarter while enquiries also fell. Available office floorspace in the region is rising and office rents are expected to fall.

The latest statistics show that employment and unemployment rates in the West Midlands are at similar

levels to 2007, but the labour market situation is worsening as the number of people claiming Jobseeker's Allowance has increased in each of the last four months. Furthermore, the figures for June 2008 showed the highest monthly increase in over two years. As shown in Figure 1, the rate of people leaving unemployment is also increasing,

but the gap between those entering unemployment and those getting back into work is becoming greater.

Section 3 of this document, "The response to current economic challenges", sets out a wide range of economic initiatives being implemented by Government, AWM, other regional bodies and local authorities. The following initiatives are particularly relevant in light of the current economic conditions:

- The extension of the Selective Finance for Investment in England (SFIE) scheme to enable greater support to be given to capital projects implemented by SMEs outside the main Assisted Areas (see section 3.4);
- Encouragement of property development opportunities through the £48 million "gap funding" initiative;
- £13 million Regional Infrastructure Fund (see section 3.5);
- As part of the regional Skills Action Plan launched in March 2008, a Graduate Recruitment Scheme that will place 2,000 graduates into jobs in small and medium sized enterprises (SMEs) across the region (see section 3.4);
- Advice provided through Business Link West Midlands and the Manufacturing Advisory Service (MAS) on addressing the issues of tighter credit conditions and rising costs (see section 3.4);
- The Integrated Employment and Skills initiative being introduced by the Learning and Skills Council and Jobcentre Plus aimed at enhanced support for skills in employment (see section 3.4);
- Export advice services provided through UK Trade and Investment (see section 3.4);
- Provision of additional lending capacity through the region's Community Development Finance Institutions (see section 3.4);
- The work of the Citizens Advice Bureau and the National Debtline in providing advice to individuals with debt problems (see section 3.6).

This summary indicates the significant challenges ahead for the economy, both regionally and nationally. In light of these conditions it will be important for AWM and Government to continue to listen closely to businesses, keep track of changing economic circumstances, and take steps to ensure that our actions are closely targeted at developments on the ground.

# the new West Midlands economy

The West Midlands economy has traditionally been one of the more prosperous regional economies in England. However, a historical reliance on manufacturing – particularly car production, metal manufacture and engineering – left the region exposed to foreign competition and shifts in the sectoral composition of economic activity. As a result, while manufacturing remains a key employer, GVA per capita has fallen below the national average.

During the 1990s, economic performance improved significantly, with the attraction of significant foreign investment and the growth of business and financial services. However, the productivity gap – estimated to be around £10 billion relative to the UK average output per head – remains, and continues to represent a key policy challenge.

The West Midlands is a diverse region. Its estimated population of 5.4m people live in communities ranging from major conurbations, such as Birmingham, the Black Country, Solihull and Coventry to remote rural areas such as the Staffordshire Moorlands and the English-Welsh border counties of Herefordshire and Shropshire. Birmingham is the regional capital and a key driver for the West Midlands' economy, with over 42,000 businesses generating one fifth of the region's wealth.

As recognised in the West Midlands Economic Strategy, *Connecting to Success*, economic performance depends crucially on three key factors – the businesses which make up the economy, the places in which they operate and the people who comprise the labour force.

Businesses in the West Midlands are major exporters and account for approximately 8% of the national export total by value. During 2007, the region exported £15.3 billion worth of goods

to the rest of the world – a figure that excludes exports of services. Imports to the region were worth £22.4 billion. Traditionally, the West Midlands has relied on exports to the EU to a greater extent than other regions. However, regional exports to key emerging markets like China, India, Russia and Brazil have grown significantly faster than those from other parts of the country in recent years.

The West Midlands has also been successful in attracting foreign direct investment – nearly 2,000 overseas companies have set up facilities here. In 2007/08 no fewer than 114 investment projects created 4,640 new jobs in the West Midlands and safeguarded 25,480 more. Manufacturing investment in the region from foreign-owned firms is second only to the South East. Traditional investors like the United States, Germany, France and Japan have been joined by countries such as India, which has had a dramatic impact on the region's workforce following the acquisitions of Corus Steel, Jaguar and Land Rover by the Tata Group.

The West Midlands has a strong service sector, covering financial services, retail, hospitality and tourism. The region also performs strongly in exports in certain service sectors, and in computing and business services generates the largest level of exports outside the Greater South East.

The West Midlands also has particular strengths in the creative sector, with an international profile in serious games, 20% of the UK games production market, an expanding talent base in film and television production, employment growth in digital media at nearly double the national average and a strong international reputation in music.

There have been significant improvements in the skills of people in the West Midlands. The Regional Skills Partnership (RSP) reports that since 2003 the skills gap between the region and the English average as measured by the regional skills index has narrowed from 6% to 1%. To a large degree this is due to more employers investing in skills. However, major challenges remain, with the region still having the highest proportion of people with no formal qualifications. Also, in 2007, over a quarter of the region's working age people were not in work. Whilst this is less than 2% higher than the national average, it is equivalent to 61,300 people across the West Midlands.

There are strong contrasts in economic performance between the region's places. Solihull, one of the fastest-growing parts of England in the last 10 years, grew on average 8% per year between 1995 and 2005 based on current prices. At the other end of the spectrum, Stoke on Trent showed the second slowest rate of increase,

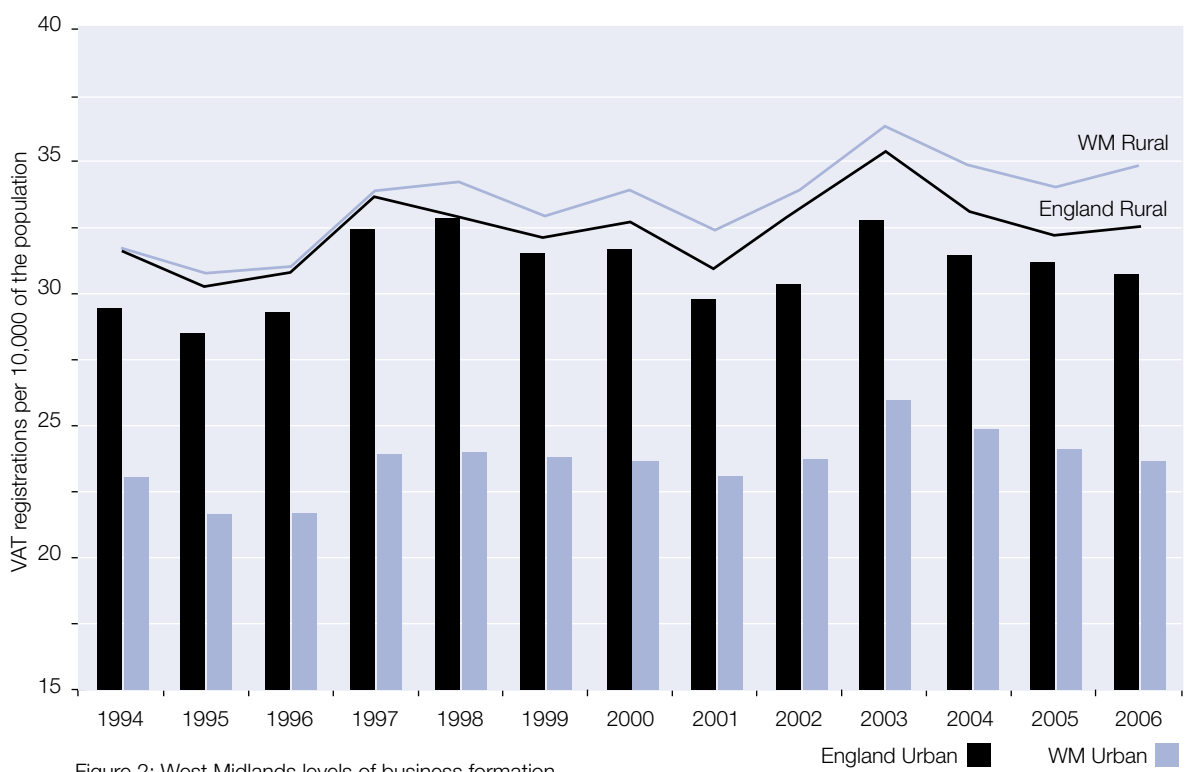


Figure 2: West Midlands levels of business formation compared with national average

growing by 2.6% per year on average over the same period. Even in Solihull local contrasts persist: whilst its economy has grown significantly over the period, 15% of the borough falls among the most deprived areas in the country.

The contrasts within the West Midlands are further illustrated in Figure 2, which shows urban and rural levels of enterprise performance compared to the national average. While the West Midlands' rural areas continue to show higher levels of new business formation than the national average for rural areas,

the region's urban areas lag behind the national average in terms of new business formation.

# the response to current economic challenges

There have been fundamental improvements in recent years, but the challenges of the current economic conditions will require a coherent and comprehensive response. It may not be possible to alter global economic conditions, but it is possible to mitigate their impact on individuals and businesses, and help them respond more effectively.

The Government and Advantage West Midlands are working with other regional and local partners to help businesses in the West Midlands prepare for the challenges ahead. The West Midlands Economic Strategy, *Connecting to Success*, remains the guiding framework for Government action to help businesses and individuals achieve their potential through these tougher economic times. The West Midlands Economic Strategy Delivery Framework sets out actions on business, jobs, skills and infrastructure for towns, cities and rural areas across the region.

The challenge all partners now face is to ensure that action reflects the changing circumstances in which we find ourselves. This document sets out how we intend to do so, including new measures from Government, AWM and other local partners specifically in response to these changing circumstances. Going forward, it will be crucial that support for businesses and households reflects the changing position on the ground in the West Midlands.

The Government is acting to address current economic challenges on both a national and international level.

## International action

No government in the world can stop the global economic slowdown or solve the challenges of high prices immediately, but the Government is working closely with other countries to face up to the global causes of the problems.

It recently discussed with Saudi Arabia and other oil producers how the world might be able to increase oil production in the short term, and is simultaneously working with European and the World's other countries to cut dependency on oil in the medium term.

The Government has also worked closely with the International Monetary Fund (IMF) to support financial stability and take steps to get global credit markets moving again.

## National action to support stability

Nationally, it will be important to avoid a temporary international inflation shock being transferred into domestic inflation and the price-wage spirals of the 1970s and 1980s.

The Government has made clear the need for responsible wage setting in both the public and private sector, from the boardroom to the shop floor. The independent Bank of England has a responsibility to set interest rates so that inflation is kept under control.

The Bank has an agent in all regions, including the West Midlands, to ensure that its decisions on rates are informed by conditions on the ground.

To address the blockages in mortgage markets, the Treasury is facilitating the Bank of England's Special Liquidity Scheme. By providing increased liquidity to the banking system this will help take pressure off the banks and building societies during the present period of uncertainty, maintaining the stability of financial markets. It will create the right conditions to ensure banks will be able to lend to each other, and to others, which will in turn support the provision of new mortgage lending to households.

The Government has also taken steps to directly support households, with tax changes that will put £4bn into people's pockets in 2008/09. These include the freezing of fuel duty and the increase of £600 in personal allowances for 2008/09.

## Investment in the West Midlands

From 2007 to 2012, Advantage West Midlands is directly investing some £2.2 billion in economic development and regeneration activity. A further £23 billion of other public sector investment will be made over the same period.

In July, the Government published Regional Funding Advice, asking regional and local partners to respond to the Government on what their priorities are for sustainable economic development. This is the second round of the Regional Funding Advice exercise and is designed to help regions and business plan for long-term development. The West Midlands is being asked to provide advice on allocations worth over £2.7bn during the next three years.

The advice will enhance the region's input into policy development and public spending decisions that affect the region, ensuring that investment is focused on the right developments, at the right time. In preparing Regional Funding Advice, regional and local partners will consult extensively with the business community and with social, environmental, economic and third sector partners.

#### Support for businesses

AWM, together with local authorities and other agencies, is leading a wide range of activity to ensure the West Midlands is prepared for future economic challenges. Many of the initiatives will benefit from European Regional Development Fund (ERDF) money through the West Midlands 2007-13 ERDF programme which is worth approximately £300 million.

They include:

- **Simpler business support:** The Government is making its support to business simpler, so it is easier to access the £2.5bn worth of help and support available. AWM is overhauling the way that business support is delivered through Business Link West Midlands, a single gateway to quality business advice. In addition, local authorities are working actively with AWM to simplify initiatives aimed at businesses.
- **Advice to address current economic circumstances:** AWM is supporting businesses through Business Link West Midlands and MAS (the Manufacturing Advisory Service), helping companies identify and address the problems they face. Business Link is holding a series of seminars on the implications of the tighter credit conditions and MAS is developing awareness seminars to help businesses cope with rising fuel and raw material prices.
- **Support to strategic businesses:** The business decisions of large strategic companies can have a big impact on jobs and the economy, both directly and through their supply chains. AWM works directly with key strategic businesses, providing advice and coordinated support to resolve problems, encourage

expansion of their regional operations and help minimise the impact of any disinvestment. The Agency also ensures that these key businesses understand the work of AWM, and that Government has a clear picture of the issues and hurdles faced by strategic businesses in the region. AWM, working with the region's Chambers of Commerce, will extend this service to cover 700 businesses, including the region's larger businesses.

- **Backing the region's high growth sectors:** The Agency recently launched a '3-year+' collaborative cluster programme to help industries exploit some of the major market opportunities which are developing as a result of societal, environmental, demographic and technological change. Relevant market segments include:
  - Automotive – programmes for low-carbon vehicles (targeting lightweight materials and electric/hybrid vehicles) and intelligent transport systems;
  - Aerospace – programmes aimed to get power and control systems (where the region has particular strengths) onto the replacements for the large-volume A310 and Boeing 737 short-range aircraft;

- Medical technologies – programmes to address the markets for intelligent health care and assisted living;
- Building technologies – programmes for offsite manufacturing of building modules;
- Environmental & Energy technology – programmes for waste management and equipment for sustainable power generation;
- Digital media – programmes focused on digital content for screen media, audio and music (including AWM's recent £5m investment to support Channel 4 in setting up their lead commissioning hub for the £50m 4IP Fund in Birmingham), and in particular Serious Games;
- ICT – programmes focused on accreditation of ICT suppliers and exploitation of mobile & wireless technologies.
- **Meeting skills needs:** A dynamic, flexible and skilled workforce is crucial to businesses remaining competitive and profitable, even more so during an economic downturn. The Government is committed to putting employers at the centre of the skills delivery system, through

employer-led Sector Skills Councils and free, employer-specific skills brokerage services in Train to Gain. Business Link West Midlands is helping businesses access a range of Learning and Skills Council (LSC) subsidised training opportunities through the West Midlands Train to Gain brokerage service. To contact a skills broker call 0800 015 5545 or visit the Train to Gain website – [www.traintogain.gov.uk](http://www.traintogain.gov.uk).

Work-based training through apprenticeships is key to meeting the future skills needs of business. The Government has doubled numbers starting apprenticeships to 180,000 in the last decade and raised completion rates to an all-time high of 63% in 2006/07. The LSC is leading the drive to increase apprenticeship take-up in the West Midlands.

The Regional Skills Partnership is leading work to significantly increase the demand for skills from businesses and individuals, and to ensure that the supply of skills meets this demand. The Regional Skills Partnership's ambitions for the West Midlands are set out in the regional Skills Action Plan launched by the Regional Minister, Liam Byrne in March 2008. The Plan highlights the skills support available, which includes:

- A specialist leadership and management brokerage service, delivered through Business Link West Midlands, that supports over 360 businesses.
- An employer-led modular-based training programme for managers, to be piloted during 2008/09.
- Up to 20 new work-based training facilities being developed by the Trades Union Council (Union Learn) in collaboration with local businesses.
- A recruitment service to place 2,000 graduates into jobs in SMEs, support for 300 graduates to start their own businesses and programmes to improve the impact of graduates in smaller businesses.
- A new Employer Offer for the West Midlands produced by Jobcentre Plus and the LSC, that offers employers an integrated job and skills package to address their recruitment and skill shortages whilst encouraging them to recruit from a wider pool of labour.
- Local Employment Partnerships (LEPs) between employers and Jobcentre Plus to help employers recruit disadvantaged jobless people. 520 West Midlands employers have now signed LEPs.

- The City Strategy pathfinder initiative, which focuses on upskilling people from 55 disadvantaged wards and offering support to employers to consider those workers.
- The region's six Employment & Skills Boards (ESBs), which work to develop employers as advocates and ambassadors for the help and support available to them from a range of partners. The Boards will also help employers meet their recruitment and skills needs.
- From 29 September 2008 Jobcentre Plus and LSC will be piloting an Integrated Employment and Skills initiative introducing programmes featured in the 'Work Skills' Command Paper published in June 2008. Key elements include enhanced diagnosis of skills needs, the introduction of a Skills Health Check, Skills Accounts and enhanced Skills for Jobs programmes including Train to Gain.
- **Encouraging export activity and inward investment:** As domestic markets have tightened in the past 6 months, companies may be considering whether to diversify overseas, particularly in markets

which are growing strongly. Businesses that trade overseas are more likely to be competitive, have a higher level of productivity, enjoy higher than average growth rates, employ more people and deal effectively with domestic downturns. AWM, in conjunction with UK Trade and Investment (UKTI), recently launched a consultation on an integrated International Business Action Plan which aims to:

- Increase the number of West Midlands businesses involved in international trade;
- Expand the international activity of West Midlands businesses already trading abroad;
- Increase the amount of knowledge-driven internationally mobile investment attracted into the region.

This complements the India Business Action Plan, launched by our Regional Minister in July, that aims at forging new business and academic ties between the West Midlands and India.

- **Supporting capital investment:** through the Selective Finance for Investment in England (SFIE) grant scheme. Under this scheme approximately £10 million was paid out to nearly 150 businesses in the

year to 31 March 2008. This has helped provide world-class facilities with consequent improvements in productivity, quality and competitiveness. SFIE is available to SMEs throughout the West Midlands and to larger businesses in designated Assisted Areas. Until recently the limit for SFIE grants to SMEs outside the Assisted Areas was £100,000, but we are removing that limit for applications received from 1 October 2008 so that larger SME projects will be eligible for SFIE grant at a more appropriate level.

- **Encouraging innovation:** Innovation is important for the growth and survival of businesses. AWM manages the Grant for Research and Development programme which pays out approximately £2 million a year to help SMEs finance new products and services. Grants can range from £5,000 to £500,000. AWM is investing in the science base through our Science City activity and various programmes to improve our universities' ability to assist businesses. The focus here is on energy, advanced materials, medical technology and translational medicine, digital media and transport technology. AWM is also investing approximately £1 million in the

Index Voucher scheme aimed at encouraging smaller businesses to work more closely with the knowledge base. We are also introducing a £6.7 million “proof of concept” grant scheme with grants of up to £30,000 per project to encourage the commercialisation of innovative products and services.

Nationally, measures in the Innovation White Paper will keep the UK at the forefront of innovation. The Government is piloting a refocused small business research initiative and undertaking a study of innovation vouchers. And the R&D Tax Credit continues to provide unprecedented levels of support for innovative companies, having provided over £1 billion of support to SMEs since its introduction in 2000.

- **Provision of additional lending capacity:** AWM has provided an additional £1 million funding to the region’s Community Development Finance Institutions to enable them to meet anticipated demand from SMEs suffering tighter credit conditions. AWM is also planning to invest £8 million into a loan fund able to lend amounts of between £50,000 and £250,000 during the coming months. The Government’s Enterprise Strategy – published in March 2008 – announced measures that will help

increase business competitiveness. These include a rise of £60 million in the amount of bank lending through the small firms loan guarantee scheme to a total of £360 million for this financial year.

- **Providing venture capital for growth:** The region has a comprehensive range of venture capital funds which are seeing increased interest in equity as credit conditions tighten. AWM is planning further investment in venture capital funds as the current ones mature in 2008/09.
- **Helping businesses cut energy costs:** An immediate priority for many businesses is to cut costs and reduce energy consumption. In 2007/08, AWM supported both regional and national energy efficiency activities including:
  - The provision of general energy efficiency advice;
  - Development of an advanced energy management tool for high energy using businesses, following on from initial BERR support;
  - Sector-specific programmes, with a strong SME focus, in hot metals, glass and food & drink.

Identified savings from these exercises were around 7-8% of consumption. These activities will

be mainstreamed within the Business Link support framework. In addition AWM is developing a comprehensive programme valued at approximately £10 million to develop and support decentralised energy solutions.

West Midlands businesses – and those across the country – can also benefit from the Government’s Enhanced Capital Allowance (ECA) scheme. This enables businesses to save money on energy efficient equipment by writing off the whole cost of an investment in designated energy-saving technologies and products against their taxable profits from the period during which the investment was made.

- **Helping firms struggling with debt:** Businesses which are finding it difficult to balance their books can access one of 500 debt advisors employed by the Citizens Advice Bureau and Advice UK network. The National Debtline on 0808 808 4000 also provides free confidential and independent advice on how to deal with debt problems. Improved cash flow management can also help businesses. Research commissioned by BERR found that over 80% of business-to-business transactions are on a trade credit basis. The Government recognises that late payment, and uncertainty on payment times, cause difficulties

in cash flow and financing costs for small businesses. BERR is working across government to promote prompt payment in the public sector, and is also exploring non-legislative approaches to tackling late payment issues.

- **Matching people to vacancies and getting people back into work:**

AWM, Jobcentre Plus and many community-based organisations are experienced at getting people back to work after major redundancies. In some types of jobs, particularly in the service and care sectors, the numbers of vacancies far exceed the numbers of people claiming Jobseeker's Allowance who are seeking work. Jobcentre Plus is working to develop innovative ways of meeting such mismatches.

Government is also focused on ensuring the right employment support is available to businesses that need to consider short-time working, laying off some employees or making redundancies. Business Link offers practical advice on the procedures to follow and how to keep employees or their representatives informed. Jobcentre Plus provides a proactive service to employers and employees experiencing redundancy situations.

- **Economic inclusion:** AWM and partners, including local authorities, have established best practice initiatives to help residents in areas of deprivation access jobs created by major development schemes. For example, during the development of the Bullring Shopping Centre, AWM, the LSC and Jobcentre Plus raised awareness of job opportunities, providing pre-interview and pre-employment training to residents of some of the most deprived wards in Birmingham.

#### **Support for housing and property development**

The property and regeneration sector is being hit particularly hard by the slowing economy. Across the region – as nationally – housebuilding is slowing dramatically whilst first time buyers and others are finding it harder to get mortgages, despite falling prices.

The current economic circumstances mean that many households, including those within the West Midlands, face a more challenging housing situation. On 2 September a £1bn package of housing measures was announced to address the current challenging housing market; at the same time the HM Treasury announced a 12-month suspension of stamp duty and land tax for residential property of £175k or less.

The £1bn housing package is designed to:

- Help first time buyers struggling to get onto the housing ladder through a £300m shared equity scheme;
- Provide a £200m mortgage rescue scheme to support vulnerable homeowners at risk of repossession while a further £100m will provide improved support through the benefits system for those with mortgages who have lost their jobs;
- Support the house-building industry through bringing forward £400 million social housing funding to deliver 5,500 more social houses over the next 18 months.

More widely, a number of other activities are also ongoing across the West Midlands to support the housing and property development sector, including:

- **Housing, Property and Economy Programme:** Advantage West Midlands and partners are developing a number of measures to support continued housing provision at key sites across the West Midlands – working with the private sector to address cost/value gaps, and with local authority partners in bringing forward enabling works. Residential developments will also be eligible for inclusion in the £48 million “gap funding” programme described overleaf.

- **Investment in housing:** The Government will be providing over £10 billion from the Regional Housing Pot in England between 2008 and 2011, of which more than £8 billion is being invested in affordable housing. Government has recently introduced flexibilities into the National Affordable Housing Programme including the new Rent to HomeBuy scheme to help prospective first-time buyers. Spending agreed for the West Midlands totals £679m: £467.2m from the National Affordable Housing Programme, £58.8m to make local authority homes decent, £43.5m to help bring private sector homes up to a decent standard and £109.4m for general housing and regeneration activity.

- **West Midlands Housing Corporation:** The Housing Corporation in the West Midlands has introduced flexibilities in its second round of Regular Market Engagement, moving towards shortening timescales and a continuous bidding process in order to maintain market activity. The Corporation will also be establishing a national clearing house to act as a lead contact point for offers of standing stock from Investment Partners.

- **Housing and Regeneration:** North Staffordshire Regeneration Partnership supported by AWM has created a unique partnership that combines the roles of Economic Development, Housing Regeneration and Housing Renewal. In addition, RegenWM (the Regeneration Centre of Excellence in the West Midlands) is facilitating high-level meetings between private and public sector partners to address current market issues.

- **Investment in property development:** Investments supported by AWM in partnership with local authorities and developers will start having an effect on the construction sector and its supply chain during the next 12-24 months. Key projects which will make a direct impact are the redevelopment of New Street Station, the Birmingham Eastside development, the “Blue Planet” development in Stoke, the redevelopment of the MG Rover site at Longbridge, i54 (a major new employment site adjacent to Wolverhampton) and investment at Ansty near Coventry.

The property partnership PxP, a limited partnership established in 2007 by the Agency, Langtree plc and the Bank of Scotland, is

accelerating a number of individual schemes and seeking to acquire other opportunities. These actions are intended to take advantage of development opportunities that are not being pursued by other developers in the current climate.

AWM recently approved a £13 million **Regional Infrastructure Funding Programme (RIF)** to promote the delivery of enabling infrastructure that would not otherwise be provided because of funding constraints and/or market conditions. The projects will focus on areas of greatest need, addressing infrastructure constraints in order to increase the scale and scope of development opportunities in the region.

AWM has introduced a £48 million “**gap funding**” initiative to encourage developers into the market. The last such initiative, in 2006, provided direct funding of approximately £34 million, leveraging approximately £160 million of private sector investment. This initiative could make a valuable contribution to job retention in the professional services and construction sectors and is already attracting considerable interest from developers.

## Support for Consumers

- **Helping household finances:** It is important for the success of local businesses that consumer demand holds up through challenging times. The Government is committed to achieving this through reforms to the tax system. Most West Midlands families with children should be getting extra support already as tax credits went up in 2008, and basic rate taxpayers can also expect an extra £120 from this autumn due to the changes in tax allowances. The Chancellor of the Exchequer also announced on 16 July that he was postponing the 2 pence per litre increase in fuel duty that was expected to take place on 1 October 2008. As a result of this decision, fuel duty rates paid by households will be 17 per cent lower in real terms than in 1999.
- **Helping households pay their mortgage or rent:** Households struggling to pay their mortgage should talk to their lender as soon as they start to experience difficulties. Those out of work or getting Pension Credit may also be able to get support with paying their mortgage interest through the Support for Mortgage Interest Scheme. Details can be found at [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk). The Financial Services Authority (FSA) has a website, [www.moneymadeclear.fsa](http://www.moneymadeclear.fsa).

[gov.uk/mortgages](http://gov.uk/mortgages), which provides advice for those worried about increases in mortgage payments or coming to the end of their fixed-rate mortgage. The Community Legal Advice helpline on 0845 345 4345 also provides independent advice about debt, benefits and tax credits, employment and housing problems, and will call back for free.

- **Helping households pay their fuel and other bills:** Rising fuel bills are causing stress to many households, but there are initiatives that can help. The energy companies have pledged an extra £225m over three years to help support vulnerable consumers. Energy Watch ([www.energywatch.org.uk](http://www.energywatch.org.uk)) can help families reduce their bill by switching supplier or getting a better deal. Switching to a water meter could also help save money. Certain groups can get a Government grant to pay for insulation and heating improvements, and pensioners on low incomes can receive free central heating or other fuel discounts. Information can be found at [www.warmfront.co.uk](http://www.warmfront.co.uk) or [www.energysavingtrust.org.uk](http://www.energysavingtrust.org.uk). The Government's Winter Fuel Payments give help of at least £200 to pensioners, and more to the over-80s, including extra money for this winter.
- **Helping those in debt or struggling to make ends meet:** Households in debt may be able to manage

their payments better following Government reforms to provide access to affordable credit. The Government has proposed changes which will make it easier to access responsible credit provided by local credit unions. The Government has also expanded access to free legal representation at county courts throughout England for households at risk of repossession. Those struggling with debt can also access one of the many debt advisors employed by the Citizens Advice Bureau and Advice UK network throughout the West Midlands, or phone the National Debtline, which provides free confidential and independent advice on how to deal with debt problems, on 0808 808 4000.

Those worried about making ends meet and payment of regular bills may be able to access a range of benefits and support from the state depending on their circumstances. Some may be entitled to tax credits and help with childcare costs.

Jobcentre Plus across the region will be able to advise on what their entitlements might be. People who cannot afford to pay their Council Tax may be able to get help by way of Council Tax Benefit. Advice is available from the local authority. The local authority also manages Housing Benefit, which may help those who cannot afford to pay their rent.

# next steps

This document sets out an initial framework for discussion with stakeholders across the region. AWM and the Government will be working closely with a whole range of local and regional partners over the coming months to address the challenges described at the start of this document, and to build on the support and initiatives described above.

We will be asking local authorities, regional agencies and voluntary sector organisations to add to this framework and to work with us on how best we support businesses and households in the region. We expect this to feed into a comprehensive programme of work across a range of different organisations across the West Midlands, as well as informing the Government's work in the run-up to the Pre Budget Report.

Looking forward, AWM will be refining its spending plans following the submission of Regional Funding Advice to Government and the Government will set out further steps to support the economy at the Pre Budget Report in the Autumn.

AWM will continue to use its strong links to individual businesses, developers and the CBI, IOD, Chambers of Commerce, FSB and EEF to provide in-depth and timely intelligence and analysis to ensure that Government, including the Regional Minister, understand the challenges that businesses in the region are facing.

AWM, which produced the regional analysis in this document, would welcome views from local businesses and their representative organisations, local authorities, third sector organisations and business groups on any of these issues.

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**Business Link West Midlands**

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Quinton Business Park  
Birmingham  
B32 1AL

Telephone: 0845 113 1234

Website: [www.businesslinkwm.co.uk](http://www.businesslinkwm.co.uk)

**Citizens Advice Bureau**

There are a number of Citizens Advice  
Bureaus across the West Midlands.

For details of the nearest branch, go to:

[www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)

**Manufacturing Advisory Service**

MAS – West Midlands  
Wolverhampton Science Park  
Creative Industries Centre  
Glaisher Drive  
Wolverhampton  
West Midlands  
WV10 9TG

Telephone: 0845 245 0845

Website: [www.mas-wm.org.uk](http://www.mas-wm.org.uk)

**Jobcentre Plus**

West Midlands Regional Office  
2 Duchess Place  
Hagley Road  
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B16 8NS

Telephone: 0121 452 5490

Website: [www.jobcentreplus.gov.uk](http://www.jobcentreplus.gov.uk)

**UK Trade & Investment**

Telephone: 0121 503 3257

Website: [www.uktradeinvest.gov.uk](http://www.uktradeinvest.gov.uk)

Details of local offices and contacts  
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address above.

**Learning and Skills Council**

NTI Building  
15 Bartholomew Row  
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