



House of Commons  
West Midlands Regional  
Committee

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**The effect of the economic  
downturn on the people  
in the West Midlands:  
Government response to  
the Committee's First  
Report of Session 2009–10**

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**Second Special Report of Session  
2009–10**

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## The West Midlands Regional Committee

The West Midlands Regional Committee is appointed by the House of Commons to examine regional strategies and the work of regional bodies.

### Current membership

Richard Burden MP (*Labour, Birmingham Northfield*) (Chairman)  
Mr Adrian Bailey MP (*Labour, West Bromwich West*)  
Mrs Janet Dean MP (*Labour, Burton*)  
Mr James Plaskitt MP (*Labour, Warwick & Leamington*)  
Dr Richard Taylor MP (*Independent, Wyre Forest*)  
Joan Walley MP (*Labour, Stoke-on-Trent North*)

### Powers

The West Midlands Committee is one of the Regional Committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152F. These are available on the Internet via [www.parliament.uk](http://www.parliament.uk).

### Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at [http://www.parliament.uk/parliamentary\\_committees/wm.cfm](http://www.parliament.uk/parliamentary_committees/wm.cfm)

### Committee staff

The current staff of the Committee are David Lloyd (Clerk), Duma Langton (Inquiry Manager), Bridget Jackson (NAO Adviser), Emma Sawyer (Senior Committee Assistant), Ian Blair (Committee Assistant), and Anna Browning (Committee Assistant).

### Contacts

All correspondence should be addressed to the Clerk of the West Midlands Regional Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 0654; the Committee's email address is [regionalcommittees@parliament.uk](mailto:regionalcommittees@parliament.uk)

# First Special Report.

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On 26 January 2010 the West Midlands Regional Committee published its First Report of Session 2009–10, *The effect of the economic downturn on the people in the West Midlands* (HC 258). The Government's response was received on 25 March and is published as an Appendix to this Report.

## Appendix: Government response

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### Introduction

The West Midlands Regional Committee published its First Report of Session 2009–10, *The effect of the economic downturn on the people in the West Midlands*, on 26 January 2010. This document is the Government's response to the recommendations made by the select committee in that report.

The evidence Government provided to the Committee set out the range of support available for the people of the West Midlands and described how that support is being tailored to address the specific needs of the region.

The Government's response to the recommendations made by the committee has been grouped below according to the specific issues on which the committee sought evidence.

### Regional Support and Governance

**1. Where the Supporting Individuals and Communities workstream of the Taskforce has done targeted work in one area, such as in Cannock Chase, it should identify if lessons learned are more widely applicable across the region and take responsibility for disseminating information on what has worked well. (Paragraph 43)**

The Regional Economic Taskforce (the Taskforce) is committed to sharing lessons learned and disseminating information, through its members to the widest possible community. It has established the Supportwm.co.uk website which signposts both businesses and people to sources of help and advice. In addition the Advantage West Midlands website promotes activities of the Taskforce which are helping to support local communities, for example in Market Towns.

The work undertaken in Cannock Chase has been disseminated across local government in the region and is available on the website of the West Midlands Leaders' Board. On the back of this work, further in-depth activity is being developed as a pilot by Improvement and Efficiency West Midlands and Cannock Chase District Council.

More generally, the outcomes from the Communities and Individual's work strand of the Taskforce are helping to inform the forward work programme of the Economic Inclusion Panel.

**2. 'Support to people affected by the downturn has primarily been delivered by local bodies, both from the public and voluntary sector. It is right that regional bodies, including the Taskforce, do not duplicate local efforts. However, the Committee supports the role that the Taskforce has taken to share information and co-ordinate activities. In particular the Taskforce should continue to disseminate information from Government to local bodies in the region and feedback issues from the region to central Government. It is also important to ensure that the impact and outcomes of public investment to assist those who have been affected by the downturn are effectively monitored and measured.'** (Paragraph 44)

Government welcomes the recognition of the Committee for the work undertaken by the Taskforce in disseminating information. The members of the Taskforce remain committed to doing this as effectively as possible. The website [supportwm.co.uk](http://supportwm.co.uk), mentioned above, which the Taskforce members established to offer information and advice to people affected by the downturn under a common brand, will continue as long as necessary. Members of the Taskforce will also continue to play a key role in ensuring that issues affecting the region are known and understood by central Government. Recently, for example, the region has had a role in informing the Pre Budget Report and budget considerations. Government is very supportive of the approach being taken by Advantage West Midlands, through the Taskforce Monitoring Framework, to assess and report the impact of public sector interventions on the region. In addition the Taskforce, through Advantage West Midlands, publishes a monthly Economic Update keeping regional partners and stakeholders apprised of the regional economic performance.

**3. 'We encourage public sector agencies in the West Midlands, particularly Local Authorities, to adopt the procurement documentation being developed by the Economic Inclusion Panel allowing public sector contracts to deliver additional local employment benefits. We also encourage the Economic Inclusion Panel in its efforts to roll the documentation out to private sector businesses in the region.'** (Paragraph 94)

The Procurement Framework for Jobs and Skills, funded by Advantage West Midlands and developed by the Government Office West Midlands led Economic Inclusion Panel, was unanimously adopted by the Panel's 22 member organisations in November 2009, showcased within the DWP White Paper '*Building Britain's Recovery*'; endorsed in principle by the Joint Strategy and Investment Board in December 2009 and was launched formally by the Regional Minister on 8 March 2010.

Ian Austin MP issued a challenge to all West Midlands public and third sector bodies, including all 33 Local Authorities, to adopt and deploy the Procurement Framework, monitor its impact, report successes and contribute case studies for inclusion in a revised suite of Framework documents in March 2011. Work is also underway to secure the buy-in of a range of major private sector businesses, including Network Rail and Carillion, and to work with a number of business support agencies to engage a representative group of SME contractors and explore what they will need to be able to respond effectively to this significant change in public sector buying behaviour.

When using the framework, public sector organisations will need to ensure that their actions comply with the EU Treaty principles mentioned above as well as the EU Procurement Directives.

Public sector organisations may not adopt a policy of only buying goods and services from local suppliers, because such action would discriminate against capable suppliers from other EU member states and would therefore not comply with the European Treaty principles of non-discrimination and free movement of goods, services and persons across the EU. However, action can be taken through procurement to boost skills and job prospects where relevant and consistent with value for money principles and EU rules, such as through the use of contract clauses requiring a percentage of the workforce on a contract to be made up of apprentices or unemployed people. Action can also be taken on a voluntary basis, such as encouraging suppliers to advertise their vacancies in Jobcentre Plus and participate in Local Employment Partnerships.

**4. ‘Lessons for more efficient and innovative public service delivery should be identified from the three Total Place pilot projects, and disseminated throughout the region, independently of formal reporting on the project by HM Treasury.’ (Paragraph 95)**

Government welcomes the efforts made by 13 Total Place pilots across England, including three in the West Midlands. The pilots have demonstrated that, by putting the citizen at the heart of service design, taking a holistic view of the funding available within an area, and working across organisational boundaries in a collaborative, integrated, way, there are very significant opportunities to deliver better services and outcomes for people everywhere, and to drive down cost.

In the West Midlands, the Pilots chose to look at a range of key themes affecting their areas, including issues such as drugs and alcohol misuse, children’s services, and support for 16–25-year-olds not in employment, education or training.

The pilots have now submitted their final reports to the Government. A comprehensive report on the initiative will be presented alongside Budget 2010, when the Government will formally respond to the findings and consider the best means of delivering the wider implementation of Total Place. This is an initiative from which all areas should benefit, and it will be important to ensure that the lessons are shared across the region. The response will include the outcome of work undertaken by central and local government to maximise the effectiveness of new capital investment and existing assets.

The Regional Improvement and Efficiency Partnership for the West Midlands (IEWM) has been running an extensive programme of support for ‘place’ over the last two years. Key components, which link with national policy on Total Place, have included support for leadership on a place basis, partnership working, cross-regional and practitioner collaboration, and development of transformation capacity and strong customer focus. IEWM has also provided direct support and knowledge transfer to the three pilots and is utilising early lessons from the Pilots in work across the region. Going forward, subject to resources, IEWM intends to place a stronger emphasis on the ‘Leadership of Place’, bring various funding pools together at the locality level to provide/commission more integrated support packages, and put transformation of services and new ways of delivering outcomes at the heart of this. In practice this may mean supporting a major piece of Total Place

activity in every locality. GOWM would provide a strong link on policy interpretation and work with Partnerships and IEWM in implementing the Total Place approach.

**5. ‘We support collaboration on common goals across the regional public sector and with the voluntary sector. We recognise that some of these bodies are required under statute; however, we are concerned that the number of organisations is inhibiting effective joint working. The complexity of co-ordination of activity at a regional level raises the question of which body decides and drives the regional agenda, and whether there are proper lines of accountability for their decisions.’ (Paragraph 98)**

The Committee’s concerns about the number of bodies and strategies at regional level were recognised by the *Review of Sub National Economy and Regeneration (July 2007)*. This included proposals to streamline arrangements at the regional level and address the fragmentation of strategies and organisations by focusing activity via a single integrated regional strategy. This is now being taken forward by the Local Democracy, Economic Development and Construction Act, November 2009.

The purpose of the new Strategy is to set out a long-term strategic, spatial and integrated framework for the region which promotes sustainable economic growth; tackles challenges posed by climate change and contributes to sustainable development. In the West Midlands the preparation, revision and implementation of the new Strategy will be taken forward by the responsible regional authorities (RRAs): the West Midlands Local Authority Leaders’ Board and the AWM Board. To do this effectively the RRAs have formed the Joint Strategy and Investment Board (JS&IB).

A key role for the JS&IB will be to align public and private sector investment around the delivery of a common set of agreed objectives and secure a joined up approach to strategy-making within the region, based on partnership working and stakeholder involvement. The holistic nature of the new Strategy requires active input from the wide range of partners operating at local, sub-regional and regional levels.

The new Strategy will need to be signed off by the Secretary of State before publication and the RRAs will be required to submit to the Secretary of State an annual report on the implementation of the Regional Strategy.

**6. ‘We support the approach taken by the Regional Taskforce of commencing meetings with “a summary of the situation in the West Midlands as that time”. This achieves a common understanding of the situation based on agreed, up-to-date data. We encourage the region to adopt this approach more extensively by agreeing a common set of measures that reflect the state of the region across the board, which can be measured centrally—for example, by the West Midlands Regional Observatory.’ (Paragraph 99)**

The Government recognises the value in having a common set of measures used by regional partners and welcomes the work being done by regional partners in this area. The Economic Update report published by Advantage West Midlands on behalf of the Taskforce reports against a set of key indicators each month to keep partners and stakeholders briefed on the regional situation. These indicators are then used to give Taskforce members the up-to-date assessment of the regional position at the start of their meetings. There are a number of initiatives which will complement this assessment:

- The West Midlands Observatory publishes a wide ranging annual “State of the Region Report” that includes an assessment of the region’s progress over the previous year and a set of indicators covering key socio-economic themes;
- There is a statutory requirement for a Regional Spatial Strategy Annual Monitoring Report to be published by the Regional Planning Body. The statutory requirement will be carried forward under the LDEDC Act 2009 and the monitoring arrangements brought together;
- Partners are collaborating towards producing a common evidence base to inform the new Regional Strategy. As part of this they are also working together to ensure that the Local Economic Assessments to be produced by each Local Authority will be able to collectively inform the Regional Strategy by being sufficiently compatible to form a coherent regional picture of local economic circumstance

**7. ‘...we remain concerned that some of those areas most in need of additional Government assistance may not be aware of new funding that is available and do not have the capacity to bid for it. Need must be a major determinant in the allocation of resources, and authorities and organisations in deprived areas of the region must be given help as necessary to ensure their effective participation in bidding processes.’ (Paragraph 100)**

The vast majority of central government non-schools support is provided on a needs basis via Formula Grant.

Formula grant is largely distributed using the socio-economic and demographic characteristics of the authority, together with the number of band D equivalent properties within the authority’s area. The Government applies the same formula to all authorities that provide the same services.

This means that generally an authority with a high need to spend on services, for example due to deprivation, and a low ability to raise funds locally, i.e. council tax, will receive more formula grant than an authority with a low need to spend and high ability to raise funds locally.

There are only a small number of funding streams that are provided to local authorities on a bid basis. In these cases, where there is lack of capacity, there is a national Locality Improvement Adviser scheme through which it is possible to access support.

**8. ‘We understand that the Taskforce should not be seen as the answer to every problem in the region and recognise that it was set up to focus on the initial economic impact of the downturn. However, the Taskforce has reach within the region and a direct connection to Whitehall.’ (Paragraph 105)**

**9. ‘We believe that other activities performed by the Taskforce, such as co-ordinating activity and disseminating good practice throughout the region, would be beneficial to the region in the longer term. Witnesses also identified that communication with Whitehall through the Taskforce worked well. To do this effectively on more social issues the membership of the Taskforce may need to change or mechanisms established to capture information from public sector and voluntary bodies.’ (Paragraph 106)**

The Government welcomes the Committee's recognition of the success of the Taskforce in co-ordinating activity and disseminating good practice. The Taskforce members remain committed to sharing lessons learned and disseminating information to the widest possible community and will continue to consider how this is done most effectively. The Taskforce is working closely with the Economic Inclusion Panel, funded by Advantage West Midlands and Chaired by Trudi Elliott, Regional Director for Government Office for the West Midlands, to address key social issues.

The Economic Inclusion Panel was developed to address the 20% of £10 billion (based on 2005 data, it has subsequently been revised to £16.5 billion based on 2008 data) Output Gap attributed to exclusion and brings together key high-level people from across the public, third and private sectors to consider new ways to support those furthest from the labour market. The outcomes from the Taskforce's Communities and Individual's work strand are informing the Economic Inclusion Panel's forward work programme. A key aim for the Panel is to promote its work to key Government Departments and Government looks forward to working with the Panel.

## Housing

**10. 'The organisations that will deliver new Government schemes need information on the schemes to be disseminated quickly after they are announced or, ideally, provided before the announcement.'** (Paragraph 71)

**11. 'It is important for delivery bodies to have information on new schemes so that they can capitalise on the initial interest generated by the scheme's announcement and develop public confidence in them.'** (Paragraph 73)

Government welcomes the Committee's interest in action to prevent repossessions and shares its concern about the high levels of repossessions in the region. As the Committee has noted, a significant number of repossession hotspots are situated in the West Midlands and as such are receiving additional support through the preventing repossessions awareness campaign. Government agrees with the Committee's recommendations that delivery bodies and local partners need to be well informed when new policy initiatives are announced, enabling them to respond to consumer demand and as such have now established a network of mortgage rescue contacts in all local authorities, so information can be quickly relayed to key partners. Similar arrangements are in place to ensure money advice and lender partners are well informed.

**12. 'The Supporting Individuals and Communities workstream of the Taskforce should collect evidence from regional bodies to evaluate which Government housing support initiative has been most beneficial to households in the region. This information will allow the Taskforce to make informed representations to Government if any changes are proposed to the schemes that will adversely impact the region. The Taskforce should examine how it can help to disseminate information efficiently on new Government initiatives to regional delivery bodies, including the third sector.'** (Paragraph 74)

In October 2009 the Department for Communities and Local Government commissioned a formal evaluation of the Mortgage Rescue and Homeowner Mortgage Support Schemes.



Contractors are currently undertaking qualitative interviews with the aim of providing a progress update from this stage of the research to CLG officials in March 2010, with an interim report, including a preliminary Value for Money analysis and scheme data analysis, in May 2010. Whilst this evaluation is being undertaken on a national basis Government will disseminate outputs due to be published to regional partners so that they can apply any lessons learned.

**13. ‘The Committee supports the efforts of the region to obtain the maximum Government funding possible to increase the supply of affordable housing in the West Midlands and support the construction industry and welcomes the additional funding from Government which has recently been announced. Our first Report, published in July 2009, highlighted the importance of stimulating the housing and construction sectors to regional recovery. The evidence presented to this Inquiry underlines this point.’ (Paragraph 78)**

**14. ‘We are concerned, however, that some of the areas that would most benefit from the additional funding in the region may not have the capacity to bid for it. We encourage the Homes and Communities Agency and other partners to work with these areas to ensure that they benefit from the additional funding that is available.’(Paragraph 79)**

The Homes and Communities Agency’s Regional Team actively works with partners, and particularly with all local authorities, to identify needs across local areas. The ‘Single Conversation’ process enables the HCA and local authorities to agree on priorities for investment, informed by sub regional and local housing needs assessments and other indicators of need. In addition, the Single Conversation identifies any capacity shortfalls within a local area that may hinder access to additional funding, and seeks to address them. The HCA’s Regional Team acts to communicate and publicise funding availability through regular personal contact and regular briefings. The team also provides guidance and feedback to increase the likelihood of successful bidding. The West Midlands region attracted the highest level of funding of the nine English regions from the Kickstart Housing Programme Round 1 (£53.4 million).

## **Debt**

**15. ‘We support the work that Advantage West Midlands has undertaken to ensure regional coverage by CDFIs [Community Development Finance Institutions]. However, this financing can be expensive for small businesses and individuals due to EU state aid rules.’ (Paragraph 85)**

**16. ‘Regional bodies such as Advantage West Midlands and the Regional Taskforce should examine what further work is needed to promote Credit Union coverage in the West Midlands. We welcome the funding that has already been provided to increase the reach of credit unions, and we urge Ministers to do all they can to promote their continued expansion.’ (Paragraph 86)**

The Government recognises that the cost of finance from Community Development Finance Institutions (CDFIs) reflects the fact that there is often higher risk associated with the loans that they make. This is because CDFIs provide loans to businesses that have been











