



West Midlands
Business Council

Second Stage Response:

Regional Economic Strategy Review

July 2007

Contents

	<i>Page</i>
Summary	3
Technical Note	5
Introduction	6
Further Evidence for Implementing <i>Making It in the Midlands</i>	7
Question 1: Do you agree with the proposed vision?	10
Question 2: Do you agree with the headline performance measures?	12
Question 3: Business section of the RES Strategy	13
Question 4: Place section of the RES Strategy	16
Question 5: People section of the RES Strategy	17
Question 6: Powerful Voice section of the RES Strategy	21
Question 7: Balance of Objectives	22
Question 8: Focus of the RES Strategy	23
Question 9: Role of sub regional, regional and local partnerships	24

Summary

This submission is the response from the business community to the second stage review of the Regional Economic Strategy as initiated by the Regional Development Agency, Advantage West Midlands.

The business community has already responded to the first stage of this review in its report, Making It in the Midlands.

This submission should be read in conjunction with Making It in the Midlands and is a direct response to nine questions as set out in the Consultation Draft of the Regional Economic Strategy as published by Advantage West Midlands in May 2007.

In summary, the main points in this submission are that the Consultation Draft document should be amended so that the revised RES document includes the following points:

- *R&D – The needs of SMEs in trying to engage with R&D issues need to be tackled as much as encouraging further business interest in R&D*
- *Skills – The emphasis must be on a demand led approach to skills provision – as well as encouraging employers to take on board their role in tackling the skills crisis*
- *Transport – Full support for the key role of transport in the draft revised RES as a critical step forward in tackling the transport logjams that bedevil our region*
- *Joint Ventures, Partnering and Exports – Opportunities for SMEs to develop their competitiveness for the regional economy must be part of the objectives in developing a Powerful Voice for the region*
- *Crime – Crime is holding up the regional economy. It is a major omission that such a critical issue that is holding back the creation of jobs and the development of SMEs are not included in the Consultation Draft. The objective to reduce business crime must, therefore, be in the revised RES.*
- *Clarification of how funds will be allocated – It seems from the Draft RES document that the majority of funds will be allocated to the People section of the Strategy rather than the Place, Powerful Voice and Business sections. It is requested that it is clarified whether this is a correct reading of the document and, if it is, how this will meet the holistic approach to the economy as outlined in the document.*

We note the statement by Advantage West Midlands that issues of how policy will be developed to evince change will be shown in the action plan, due to be published in November 2007.

We await the publication of the action plan with interest.

Technical Note on Responding to the Second Stage RES Review

The West Midlands Business Council report, *Making It in the Midlands*, gave a series of practical and realisable objectives that can be met as part of the revised RES.

We note, in the Consultation Draft, that the “*indicative actions*” as described in the paper are broad objectives.

As such we are responding to these items in this vein and would again urge the Regional Development Agency, in the revised RES and action plan to include our recommendations.

Introduction

This submission, on behalf of the regional business community, is in response to the second stage of the Regional Economic Strategy (RES) review.

It follows the West Midlands Business Council's comprehensive response to the first stage of the RES Review, in our report, *Making It in the Midlands* (Feb 2007).

This submission, while responding to the publication of the Consultative Draft of the RES (May 2007) calls for the implementation of all the recommendations in *Making It in the Midlands*.

The West Midlands Business Council notes that the RES is being described as a framework document while the action plan, that will accompany the publication of the revised strategy, should address many of the practical recommendations contained in *Making It in the Midlands*.

Therefore the business community will await with anticipation the action plan that is expected to be published in November 2007.

This submission will address each of the questions as laid out in the Consultation Draft of the Regional Economic Strategy and should be read in conjunction with – not separate from – *Making It in the Midlands*.

Before, however, addressing each of the questions we would like to take this opportunity to highlight events that have occurred since the publication of our report, in February 2007, that provides further evidence as to the validity of our recommendations which merits implementation.

Further Evidence for Implementation of *Making It in the Midlands* recommendations

Since the publication, in February 2007, of our report, *Making It in the Midlands*, there have been a series of events that have validated many of our recommendations to the RES Review which deserve to be highlighted to provide evidence that our recommendations should be implemented.

a) Public – Private Funding

As stated in our report, we believe the Regional Development Agency (RDA) and other regeneration public agencies must engage in direct talks with HM Treasury to lever in new private sector funding to regenerate the West Midlands region.

Since then the Government's Sub National Review – published in July 2007 - has proposed beefing up the role of the RDA.

Therefore the need for the Agency to engage in talks with the Treasury to allow new forms of funds to be levered in for regeneration is even more pressing with the indications that the Agency will have a greater role in driving forward the economy at the heart of the nation.

We have read with interest the statement by the Agency Deputy Chief Executive of a joint venture with the private sector to deliver regeneration schemes (*Birmingham Post*, 1 June 2007, "Joint venture is an important step for regeneration projects").

We note this development with great interest.

Finally, it seems from the Draft RES document that the majority of funds will be allocated to the People section of the Strategy rather than the Place, Powerful Voice and Business sections. It is requested that it is clarified whether this is a correct reading of the document and, if it is, how this will meet the holistic approach to the economy as outlined in the document.

b) Crime

This submission will comment further on the critical issue of investing in the fight against business crime.

However, at this stage it should be noted that the Home Office has given greater flexibility to Crime and Disorder Reduction Partnerships – local anti crime committees under the aegis of each local authority.

This gives the RDA far more flexibility to work with partners in our joint effort to face down business crime – which is holding up the regional economy.

c) Energy

In May 2007, the Government published the Energy White Paper which confirmed Ministers' intentions for a new breed of nuclear power stations to be established. On 27 May 2007, the EDF CEO spoke of his company's commitment to act on these proposals.

These two developments reinforce the West Midlands Business Council's case that the manufacturing expertise of our region should be utilised for the maintenance and development of the new nuclear facilities.

As we have previously stated, for reasons of security of energy supply, these facilities will need to be designed and maintained without the need for long distance supply chains. This can benefit West Midlands manufacturers and the RDA with the Learning and Skills Councils and the business community can do so much to prepare for these new commercial opportunities.

Making It in the Midlands also proposed that the various public bodies involved in providing energy efficiency advice to SMEs should be co-ordinated by the RDA and linked to the new business support structure.

This is happening in London to some extent with an "energy hierarchy" of energy support services. On 23 May 2007, London Mayor Ken Livingstone told the London Assembly that he was committed to developing this work.

d) Inward Investment and Business Finance

We called for the Regional Development Agency to use its representative offices around the globe to make links with bourses that impact on our regional economy.

Since February 2007, the New York Stock Exchange has merged with several European bourses which provide further justification for the need to develop links to aid further liquidity into the regional economy.

We also stated that the Agency should develop a suite of Islamic finance products. The Institute of Chartered Accountants in England and Wales have given their distinct call for this to happen so that resources can be invested in SMEs for the long term.

Our call for the Regional Development Agency and others to develop closer links with the world's largest financial centre – the City of London – was supported when the West Midlands Business Council with one of its members, the West Midlands Minority Ethnic Business Forum, and with the support of Birmingham City Council, held a special meeting on 29 May 2007 between Agency

colleagues, regional business leaders and City of London finance figures – alongside the Muslim Council of Britain – to decide how the West Midlands and City of London business communities could help make the UK the world’s number one in Islamic finance.

The need to build on this work is critical and the Agency has the capacity to develop this relationship for the long term.

e) London 2012 Olympic and Paralympic Games

The Consultation Draft of the RES refers to the implications of the 2012 Games in respect of attracting “high profile events and facilities”.

While this is important, the Games are also about helping the regional business community gain a slice of the action from the estimated £30 billion of direct and indirect procurement opportunities.

The RDA with the West Midlands Business Council and the leadership of the Confederation of West Midlands Chambers of Commerce have been active in this area and in March 2007, the Olympic organisers, London 2012, indicated to the Agency’s Olympic Conference in Coventry that a national business club to support SMEs in engaging with procurement opportunities would be ready by June.

We now know from London 2012 that this target date will be missed and it is unclear when this business club will be operational.

Therefore the need to redouble our efforts in the West Midlands so our regional economy gain from the Games is more important than ever as we can no longer rely with certainty on a national structure to support this work.

This means that our website – www.ready-for-business.co.uk – established by the West Midlands Commerce Collaborative Marketplace of the University of Warwick – which helps firms to form consortia to bid for work and to gain access to direct and indirect tenders from the Games as well as advertising all direct and indirect tenders from the Games – needs to be supported and developed, as we proposed in *Making It in the Midlands*.

The remainder of this submission addresses each of the questions as stated in the Consultation Draft.

Question One – Do you agree with the proposed vision? If not, what alternative would you propose?

The business community agrees with this vision – as far as it goes.

In *Making It in the Midlands* we called for the following vision statement to guide the work of the RES:

The Regional Economic Strategy should lead to sustainable economic development for across the region.

This requires an understanding and support for all business sectors and how each business sector relates with each other to achieve, collectively, high GVA rates.

It also requires an appreciation and understanding of how businesses are the glue that ties together local communities and helps to deliver social as well as economic regeneration.

The Regional Economic Strategy should also enable the West Midlands region to be identified as the key area to undertake business leading to substantial economic growth and job creation

This was deliberately designed because business is not just about economic growth. SMEs, in particular, are the glue that ties local communities together whether with the provision of jobs or the economic sustainability of an area.

In rural areas, in particular, SMEs may not necessarily be classed as part of a high GVA sector. However, the sustainability of these businesses enables the sustainability of a number of localities which contributes to a strengthening of the regional economy. Alongside this issue, is the need to strengthen and grow high GVA sectors in a fast paced global economy.

There is a need for a balanced approach towards the regional business community. This is not as a consequence of a lack of focus or trying to please all concerned parties but a recognition that in a complex regional economy there is a role for what are traditionally seen as low GVA sectors in sustaining the economic base alongside ensuring there is growth for high GVA sectors. These are two sides of the same coin in achieving economic sustainability and growth across the West Midlands region.

Our concern is that the vision statement, as contained in the Draft RES, could be interpreted to sideline the business sectors which, while they are not high GVA sectors, are essential in ensuring high GVA sectors can flourish.

Therefore we propose additional wording either in the vision statement or in the wording that accompanies the statement along the lines of our proposed vision statement in order that the implementation of the revised RES does not neglect the business sectors that are the bedrock for economic growth.

Question Two –Do you agree with the proposed headline measures of performance? If not, what alternatives would you propose?

In essence, we believe the headline measures of performance are appropriate – with two significant exceptions.

The performance measures as outlined in the draft document examines what our business community delivers – prosperity, jobs and improving peoples’ life chances.

While not made clear in the Consultation Draft we understand that reducing crime is factored into the Index of Sustainable Economic Well-Being.

We propose this is clearly spelt out in the revised RES. As we will state later on in this submission, with business crime estimated by the Government Office for the West Midlands to cost the region £14,000 per hour, a reduction in crime will be as significant for the regional economy as an increase in productivity and improvement in product innovation rates.

In respect of the performance measure to *“the extent to which we are successful in decoupling economic growth from carbon emissions”* we would add a cautious note that while we must reduce carbon emissions to tackle climate change, this must not be at the expense of surrendering the competitive edge of the regional economy.

For instance, while there is much we can do to reduce carbon emissions, as proposed in *Making It in the Midlands*, such as an improved energy efficiency advice service and SMEs engaged in carbon trading, this must not be at the expense of harming job creation such as any idea of blocking the much needed extension of the runway at Birmingham International Airport – which is critical for the development of our regional economy.

Question Three – For the Business Section of the Strategy, have we identified the right set of objectives and indicative actions? What actions are you or your organisation likely to lead or be a significant partner in helping to deliver?

Making It in the Midlands gives five top priorities for action that must be addressed in the RES.

This section contains explicit mention to two of these top five actions – tackling the skills crisis and R&D.

It briefly refers to another of our priorities – business finance.

This, therefore, are good steps forward.

Our recommendations for change in this section are as follows.

The paper states that the RES would “*facilitate business collaboration to address priority markets*”.

The concept of “*priority markets*” requires clarification before the business community can make a reasoned judgement on this matter.

We are concerned that such an approach could lead to sectors that are currently considered low GVA but have the potential to be high GVA sectors, such as clothing, to be excluded from the RES.

We therefore call again for clarification within the RES that the potential of developing low value business sectors to become high value – as well as supporting high GVA firms – must be the way forward for genuine economic regeneration.

The Consultation Draft proposes a “*regional carbon off set fund*”. There is a carbon trading scheme that already exists and which, if expanded across the West Midlands, could help in improving competitiveness and reducing greenhouse emissions.

It is therefore unclear what this carbon off set fund would do and if it would lead to needless duplication of aspects of the carbon emissions trading scheme.

We are therefore unable to support this proposal in the absence of further information.

However, one way forward to address climate change is the issue of developing the biomass market.

As was stated in *Making It in the Midlands* the Institution of Civil Engineers estimate that 50,000 hectares in the region could be used for biomass production and the National Farmers Union has started talks with automotive manufacturers to consider the potential for biomass production. Advantage West Midlands could play a key brokerage role in bringing different business sectors together to develop this potentially lucrative sector.

We made a number of recommendations on energy and reducing carbon emissions including carbon sequestration and developing the manufacturing capacity of the region to service the nuclear industry.

We regret how R&D issues are expressed in the Consultation Draft.

It speaks in terms of urging businesses to get involved with R&D.

In reality, while we note the conclusions of the Lambert Review, we believe businesses want to get involved in R&D work but there are clear institutional barriers that prevent this.

That is why, in *Making It in the Midlands*, we proposed a series of actions such as:

- The lack of knowledge of university – business dialogue schemes is a matter that Advantage West Midlands and business representative organisations could play a part in addressing. The West Midlands Business Council is willing to play its role in this matter.
- University – business dialogue schemes could be integrated in the training provision provided via the Learning and Skills Councils, amongst others.
- Services provided by Contact – which links universities and businesses together on potential R&D work – is a good step forward and the West Midlands Business Council would support the active development of this service – integrated into the regional business support structure
- Advantage West Midlands' cluster groups could advertise its services and – possibly combined via the regional business support structure including the Contact service – bring SMEs together so that R&D collective bids to universities can be viewed more positively as the collective value would be greater.
- Advantage West Midlands' Access to Finance programme may be able to highlight to the particular SME with an innovative R&D concept how Business Angels, venture capital fund managers or other investors could assist in providing greater value to the R&D work in return for an equity stake in the business or other commercial arrangements.

- The Government should review its system of university funding and, in particular, consider whether R&D tax credits can also apply to universities as well as to businesses so that the value of an SME bid for R&D work is enhanced.
- Follow the example of the Milk Development Council whereby officers are appointed to visit businesses to demonstrate how R&D concepts can help with productivity
- Single source justification for R&D project tenders
- Loans to larger firms for energy R&D work
- The European Commission reverses its procedures and allows a business to make an application for funding – in principle. This application would have to present a clear business case for accessing public funds and each application would be judged on its own merits. If the application was agreed in principle then the applicant could seek a research partner before resources are released. A regional and national body could vet the applications before successful applications are forwarded to the European Commission.
- Businesses who have gained from R&D to advise firms interested in this area, possibly via an enhanced Contact service
- More Government investment in R&D to move beyond the emphasis on the “Golden Triangle” of universities

We strongly urge the inclusion of these issues, as well as the further development of business and university links such as with the Lord Stafford Awards, even if our specific proposals are not referred to – in the RES so that this section is well rounded and reflects the business reality of many SMEs who are trying to engage with R&D issues.

Finally, we believe a world class business support structure is essential to playing a key role in the development of world class businesses. We are willing to work positively with Advantage West Midlands and others to achieve this aim.

Question Four – For the Place section of the strategy, have we identified the right set of objectives and indicative actions? What actions are you or your organisation likely to lead or be a significant partner in helping to deliver?

We support the general objectives as stated in the Place section.

In particular, we strongly support two particular aspects of this section.

This is the proposal that contracts for regeneration work should contain clauses that enable local firms to benefit from these opportunities. We proposed a measure such as this in *Making It in the Midlands* and we are delighted this has been taken on board.

We also applaud the uncompromising and firm stance of the Consultation Draft to place improvements in transport, including at Birmingham New Street Station, Birmingham International Airport and the M6 at the heart of the RES.

This is critical if the transport logjams that bedevil our region are to be addressed effectively.

While major urban centres and market towns are critical for business success – the role of local centres serving local communities are also important as it is these local businesses, serving these local centres, that form part of the bedrock of the regional economic base. Therefore policies that develop major centres should also ensure links are developed with local centres for sustainable economic growth.

Question Five – For the People section of the strategy, have we identified the right set of objectives and indicative actions? What actions are you or your organisation likely to lead or be a significant partner in helping to deliver?

The business community has called for five top priorities to be included as key areas for action in the revised RES. All have been included – except for crime.

Crime

This is because crime does not just blight lives – it holds up the regional economy itself.

According to the Government Office for the West Midlands, business crime costs business and the criminal justice sector in the West Midlands region £123 million per annum. The Government Office states that this equates to £10.3 million per month or £2.4 million per week or over £335,000 per day or £14,000 per hour.

In response, the West Midlands Business Council formed the West Midlands Regional Business Crime Forum with the Association of Chief Police Officers, Government Office for the West Midlands, Trading Standards, West Midlands Local Government Association and Advantage West Midlands.

We welcome the role of the Agency in the Forum and the decision of the Agency to consider capital funding for anti business crime initiatives in regeneration zones. This is a positive step forward and we would encourage this role and commitment to be clearly communicated in the Regional Economic Strategy.

Advantage West Midlands could consider funding anti business crime initiatives beyond regeneration zones. We appreciate the funding restraints that the Agency is experiencing and in we have proposed various funding methodologies to release funds for elsewhere, which can include addressing business crime.

In the context of other work within the strategy, the use of design in buildings is key with crime prevention. The Agency and its partners have an impressive record of transforming the physical infrastructure of the region. We believe that in any capital led regeneration initiative ‘design out crime’ principles can be adopted for building design so that regeneration projects can not be hijacked by criminals with the use, for instance, of dark alleys.

This submission also addresses procurement policy to diversify the supply chain. We would also propose that procurement practices can be used to cut out cowboy operations and lead to a domino effect on good procurement policies throughout the supply chain. Central England Trading Standards Authorities (CENTSA) have developed for the Forum a guide to accessing security suppliers.

We would propose that Advantage West Midlands work with CENTSA so that the Agency and its partners adopt procurement practices that favour quality businesses rather than cowboy or criminal operations.

However, one key policy could lead to a disproportionate impact in tackling business crime. The new regional business support structure provides a real opportunity to include effective crime prevention advice to businesses.

Too often, though, some businesses consider advice on skills, crime or other matters is provided in a “silo” approach. The new business support structure is effectively trying to address this concern and we believe crime prevention advice should not be provided as an issue in its own right but as part of the general advice given to businesses as to how to undertake the risk assessment process when preparing its business plan and rolling out its future business planning processes.

In that way, crime prevention advice can be incorporated in everyday business practices rather than in a format which is unhelpful to firms who have to do so much to move forward in a wide range of areas.

There is one area of criminal activity that has led to widespread public concern – terrorism.

Birmingham has tragically been a victim of terrorism in the past and the evacuation of Birmingham city centre in summer 2005 was yet another reminder of the need to be alert. However, emergencies of all types need to be addressed such as the concerns in the spring of 2006 of a potential bird flu outbreak.

That is why we would encourage Advantage West Midlands and other partners, such as local authorities, to prepare together economic recovery programmes for a range of scenarios that may occur in the event of any serious incident occurring.

We would recommend that the Agency and other partners develop these plans with resilience specialists so that plans are in place to recover against a range of emergencies - which we all hope will never occur.

Skills

In respect of the Skills section, while we support the emphasis that is in the document on tackling the skills crisis – and the role of employers to play their part in tackling this issue – we do believe that this section should contain reference regarding the role of public agencies to play their part in ensuring there is a demand side approach to tackling skills deficits.

The Regional Economic Strategy needs to ensure there is a demand led approach to skills provision.

The Government's 2003 Skills Paper states:

"...our skills gaps remain stubbornly persistent. Output per hour worked is around 25% higher in the US and Germany and over 30% higher in France than in the UK. While we compare well at higher education level our percentage of the workforce qualified to intermediate skill levels i.e. apprenticeships, skilled craft and technician level is low: 28% in the UK compared with 51% in France and 65% in Germany." (2)

This is an example of how consideration of skills policy seamlessly rolls into a concern for our relatively poor performance in labour productivity through to differences in qualification rates. This leaves the inference that one must cause the other.

In essence, a concern to meet qualifications targets does not address meeting skills gaps in a whole range of business sectors – from care homes to land based businesses.

That is why, for instance, addressing the fact that, at least in 2004, 42% of firms in the region do not use a computer for business and may be interested in developing their IT skills and the need to develop management and leadership training in firms should have this training provision linked to their needs – not to the qualifications system.

This does not mean that businesses themselves do not have a responsibility to assess their own skills needs for the early stages of a business cycle but that a flexible demand led system needs to be developed as a consequence.

Until there is a Government review of the system of vocational qualifications – recently indicated at in the HM Treasury commissioned Leitch Skills review - the West Midlands Business Council would encourage the Regional Skills Partnership and its partners to deliver training provision to address the skills gaps in business sectors rather than meeting qualifications requirements which may not match with the need to address skills gaps.

In line with the Leitch review, the business community welcomes the new Train to Gain service. This is clearly an important step forward in providing diagnostic skills advice to businesses, large and small. One of the issues that may have hindered this service was that it could have been provided separately from the new regional business support structure. This potential problem was recognised and it is now part of the new support structure. The work of the Learning and Skills Councils and Advantage West Midlands to join up with these areas of work should be recognised.

The West Midlands Business Council would, as a consequence, warn against a “predict and provide” approach to skills provision. While forecasting is an important tool in developing future training provision, market trends and changes in technology means that earlier forecasts may hinder developing skills solutions that employers and employees require in the near future.

That is why we would urge for a flexible demand led approach to skills provision to be included as a strategic objective in the revised RES.

We also support the stance of a number of organisations such as the Institute of Directors, Federation of Small Businesses, Chambers of Commerce, Association of Colleges amongst others that enterprise teaching should take place in schools to ensure the future generation of wealth creating entrepreneurs. This is an issue that can be explored and developed by the Regional Skills Partnership.

Question Six - *For the Powerful Voice section of the strategy, have we identified the right set of objectives and indicative actions? What actions are you or your organisation likely to lead or be a significant partner in helping to deliver?*

While we fully support the objectives as outlined in this section, we believe the revised RES can be more ambitious.

In particular, as proposed in *Making It in the Midlands*, we believe a focus on joint ventures and partnering as well as export opportunities are as important as enticing major events and inward investment in the region.

We note the good work of Advantage West Midlands with inward investment including press reports in June 2007 regarding the role of the Agency in encouraging Tata to invest in Ansty near Coventry.

However, the strategic focus should also be directly on how international links and portraying a powerful image of the region can help individual businesses, including SMEs, gaining advantage by international linkages.

The West Midlands Business Council, with Advantage West Midlands, are already leading the way by engaging with Australian firms who can team up with West Midlands firms to tender for London 2012 Olympic and Paralympic Games work.

This is an example of how developing international links by projecting a powerful image of the region can increase the capacity of individual SMEs to improve their competitiveness. Therefore we call for this strategic objective to be written into the revised RES.

Question Seven – Across the four main sections of the strategy – Business, Place, People and Powerful Voice – have we identified the right balance of objectives? Should some areas receive greater or lesser emphasis? Have we struck the right balance in seeking to respond to the global challenge of climate change?

Our responses to the questions on each of these four sections can be summarised as follows:

- R&D – The needs of SMEs in trying to engage with R&D issues need to be tackled as much as encouraging further business interest in R&D
- Skills – The emphasis must be on a demand led approach to skills provision – as well as encouraging employers to take on board their role in tackling the skills crisis
- Transport – Full support for the key role of transport in the draft revised RES as a critical step forward in tackling the transport logjams that bedevil our region
- Joint Ventures, Partnering and Exports – Opportunities for SMEs to develop their competitiveness for the regional economy must be part of the objectives in developing a Powerful Voice for the region
- Crime – Crime is holding up the regional economy. It is a major omission that such a critical issue that is holding back the creation of jobs and the development of SMEs are not included in the Consultation Draft. The objective to reduce business crime must, therefore, be in the revised RES.

***Question Eight – Have we identified the right spatial focus for the strategy?
If not, how should it be different and why?***

We believe that the Consultation Draft contains the right strategic approach to addressing the economic spatial requirements of the region.

We, in particular, strongly support the statement contained in the Consultation Draft that potential plans for an additional 580,000 new homes to be built across the region over the next 20 years must be linked to sustainable economic regeneration.

This is the point that the business community is continuing to make to the West Midlands Regional Assembly as part of the Regional Spatial Strategy review.

We would add, in the context of the economy and spatial developments, the need to link in with spatial economic developments on the borders of the region such as the Northern Way and the Milton Keynes South Midlands growth area.

Making It in the Midlands contained a number of specific proposals in this regard.

Therefore we propose that the strategic need to link to economic developments on the borders of the region is included in the revised RES – in recognition of the region's interdependent role at the heart of the UK.

Question Nine – What role should regional, sub regional and local partnerships play in helping to deliver this strategy? How could Local or Multi Area Agreements potentially be used to help improve co-ordination of – and engagement in – economic development and regeneration activity between regional, sub regional and local levels?

While this is an important question, the phrasing of this question and the direction of travel of the Consultation Draft does not address fully the relationship between national and regional levels.

We believe this is essential if additional private sector funding is to be levered in for the sustainable development of the region.

Making It in the Midlands proposed the following actions:

- Talks with HM Treasury for regeneration bonds to be allowed to be issued;
- Talks with HM Treasury for Public Private Partnerships to be allowed
- Talks with HM Treasury to allow economic development bodies to adopt prudential borrowing powers, including on revenue as well as capital matters
- HM Treasury to adopt a more flexible approach to the funding formula to economic development bodies rather than maintaining the current revenue – capital split

Unless there is full engagement with HM Treasury on these issues, then it will be difficult to envisage how the Regional Development Agency can have the appropriate flexibility to take on board its leadership role in developing long term responses to creating jobs and prosperity for across the region.

Local Area Agreements and Multi Area Agreements must be factored into the delivery of the RES.

Business is concerned that Multi Area Agreements and their objectives does seem to be setting a contradictory agenda – over a wide geographical area – to the agenda that has been set for regional public bodies to address.

This is a confusing state of affairs which is the direct consequence of the Government's action and we would urge the Government, as a party to the RES, to address this confusion as soon as possible if we are to avoid the potential of regeneration plans being mired in confusion over areas of responsibility and who pays for what.

In respect of Local Area Agreements, the business community has long argued for a closer alignment between regional and local regeneration objectives. This must be the way forward and we would urge the Regional Development Agency

and local authorities to work pro-actively to deliver positive change for the people of the West Midlands region.