

# LEVELLING UP: THE WEST MIDLANDS

## CLIENT BRIEFING





# INTRODUCTION

First coined during the 2019 general election, ‘Levelling Up’ is now at the core of government departments, evidenced in part by the change of The Ministry of Housing, Communities & Local Government to The Department for Levelling Up, Housing and Communities.

However, Levelling Up has not yet been defined which has led to different, and sometimes conflicting, definitions of what the agenda comprises. This note explores the role of devolution within the Levelling Up agenda and seeks to establish the relationship between Levelling Up and the West Midlands. In particular, the potential importance of the devolution of funding, powers and responsibility for planning policy in the region.

# CHALLENGES AND OPPORTUNITIES FOR THE WEST MIDLANDS

The lack of balance within the UK economy, partially caused by the dominance of London and the South East, is one of the main challenges the region faces. The West Midlands economy also faces a number of structural issues, including a skills deficit and low productivity compared to the UK average, a legacy of unemployment, homelessness and increasing pressures on public services. However, the region has significant potential, with its central location in the UK and over 1.3 million people under 25, the youngest region outside London. It’s home to a number of world class further education and cultural institutions, major international companies in the automotive and manufacturing sectors, with a proven track record of innovation, and has some of the fastest growing small and medium-sized enterprises in Britain<sup>1</sup>.

# LEVELLING UP VIA DEVOLUTION

Mission 12 of the government's Levelling Up: missions and metrics, states that “by 2030, every part of England that wants one will have a devolution deal with powers at approaching the highest level of devolution and a simplified long-term funding settlement<sup>2</sup>.” The principal objective of this mission is to empower local leaders and communities, especially in those places lacking local agency. Strong, empowered local leadership is at the heart of the government approach to Levelling Up. Levelling Up will only be successful if local actors are empowered and provided with the funding stability and flexibility to build the institutional capital required for places to develop long-term solutions that work for their communities.

The government states this missions will also consider a range of options for supplementary metrics, such as survey measures of people feeling involved in decision-making, and expenditure-based measures used to proxy the degree of decentralisation of decision-making. At present, only 41% of the English population are covered by a devolution deal, and London, Greater Manchester and the West Midlands are responsible for almost two-thirds of this<sup>2</sup>. However, even in areas where devolution has taken place, many areas, such as the West Midlands, do not have the same range of powers as Greater Manchester or London. The government has stated that achieving the mission will require accelerating progress to date, going further and deeper on existing deals, and extending devolution beyond the urban areas that have typically benefited the most from it. As part of this, local leaders will be empowered with greater funding stability and flexibility to plan for future priorities.

# THE ROLE OF THE WEST MIDLANDS COMBINED AUTHORITY IN LEVELLING UP THE REGION

The West Midlands Combined Authority (WMCA) was established in 2016, and consists of seven constituent authorities, 13 non-constituent members and four observer organisations working together toward a joint vision for a prosperous West Midlands.



Figure 1: West Midlands Combined Authority Membership Structure (source<sup>3</sup>)

Combined authorities play a key role in the devolution of funding, powers and responsibility for public policy in key areas such as transport, economic development, housing, skills, health and social care to sub-national partners and local authorities. Since 2015 there has been a ‘bottom up’ drive by authorities in the West Midlands to work more closely together to support common strategic aims across the functional economic geographies of the region. The election of Andy Street as the first Mayor of the West Midlands in May 2017, and subsequent re-election in May 2021, was an important milestone reflecting the aspiration for further devolved funding and powers to be granted, whilst committing to increased accountability provided by the Mayor<sup>2</sup>.



# THE STORY SO FAR – LEVELLING UP AND THE WEST MIDLANDS

Here is a summary of the West Midlands initiatives included in the White Paper<sup>3</sup>.

- **£28 million** of local brownfield funding to be allocated across the West Midlands region
- The West Midlands Combined Authority (WMCA) given control over its allocation of the UK Shared Prosperity Fund to improve education and training opportunities.
- **£146 million** from the Future High Streets Fund to help pandemic recovery and regeneration in West Midlands towns.
- The Towns Fund is investing **£328 million** across **15 towns** in the West Midlands
- Initial **£196 million of investment for 11 projects** in the West Midlands to regenerate town centres and high streets, upgrade local transport, and invest in cultural and heritage assets in Birmingham, Bromsgrove, Bedworth, Cannock, Stoke-on-Trent, Wolverhampton, Solihull and Kidderminster.
- **£400 million pledged** for the Midlands Engine Investment Fund.
- Department for Business, Energy and Industrial Strategy to invest **£100 million between 2022/23 – 2024/25** in three new Innovation Accelerators – including one in the West Midlands.
- **£58 million towards rail improvements**, improving access to jobs in Birmingham, Walsall and Wolverhampton.
- **Nine new Institutes of Technology** – one is proposed in the West Midlands
- **£17 million funding announced** for new facilities at the Black Country and Marches Institute of Technology in Dudley to support delivery of higher-level technical training that meets the needs of local employers and learners.
- **20 places** in England are to be selected that demonstrate strong leadership to invest in economic transformation, starting with Sheffield and Wolverhampton which have already been allocated **£20 million** levelling up funding.
- The government wants to bring greater power and control back to people in England, by extending, deepening and simplifying devolution and boosting the mayoral model. The government will open negotiations immediately on trailblazer deals with the West Midlands and Greater Manchester which will act as the blueprint for other mayoral combined authorities.
- The West Midlands has the country’s fastest growing tech sector and one of the highest levels of 5G coverage. However, it also has the lowest digital sector share of enterprise births. The West Midlands Smart City Region Programme aims to scale up digital opportunities across the region in health tech, future mobility and smart energy.
- **£20 million** Levelling Up Fund Project funding for the Wolverhampton City Living Quarter.
- New Education Investment areas for Dudley, Stoke-on-Trent, Walsall, Sandwell and Coventry with support for underperforming schools.
- **£16 million** Local Growth Funding towards the Hereford city centre transport package however the majority of this project (construction of a relief road) has now been put on hold following a review by the council.

The Chancellor revealed in his Budget speech that the first round of the Levelling Up Fund, around £1.7 billion, has been earmarked for 105 areas across the UK. RPS analysis identifies the West Midlands had eleven successful bids (3 x Birmingham, 3 x Stoke-on-Trent, 1 x Cannock Chase, 1 x Bromsgrove, 1 x Nuneaton and Bedworth, 1 x Wolverhampton, 1 x Wyre Forest); equating to 10.5% of the total successful bids, or 11.6% of the c£1.7 billion total. When compared against other regions in the UK, our analysis indicates the West Midlands performed well, with only the North-West (13.7%) and Yorkshire and the Humber (12.2%) receiving a greater percentage of the overall funding.

The majority of successful first-round bids are infrastructure projects, such as the Dudley Road Improvement Scheme. Whilst infrastructure is an important part of the Levelling Up puzzle, some argue there's not enough emphasis on the skills investment needed to unlock these opportunities, although this may change in later funding rounds.

Whilst more than half of the first-round money was allocated to the 25% of local authorities most in need of levelling up, according to the Institute for Fiscal Studies' (IFS) left-behind index, only two in five top-priority areas won funding<sup>4</sup>. RPS has undertaken analysis of the local funding levels against the Office for National Statistics' latest population data<sup>5</sup>. Figure 2 below compares the level of first round funding per person amongst all local authorities within the West Midlands that are listed as priority group one areas by the government.



Figure 2: Bar chart comparing the levelling-up funding received per person for priority group one West Midlands Local Authorities



Figure two demonstrates that after the first round of Levelling Up funding, Stoke-on-Trent received the most funding per person out of the West Midlands Local Authorities within priority group one, while Dudley, Sandwell and Walsall did not receive any funding after the first round. Birmingham received the most funding of £52.6 million, however when drawing the comparison of funding per person, Birmingham was the lowest out of all the West Midlands Local Authorities to receive funding. It should also be mentioned that Cannock Chase and Bromsgrove, which are priority group two authorities received £197 and £144 of funding per person.

## WHAT'S STILL MISSING

Housing development in the region is a strategic regional issue, but at present is only being considered strategically at a local level. The West Midlands has tightly bound authorities with Green Belt, and the reality is that housing growth cannot be accommodated within those Districts. The Duty to Cooperate has not been a success in the West Midlands, with Birmingham having a significant housing need shortfall of 37,900 homes confirmed in 2017. This shortfall has not been comprehensively dealt with by neighbouring authorities. A similar issue pervades in Coventry and the Black Country with a circa 28,000 home shortfall having been identified<sup>3</sup>.

RPS is hopeful that the £4.8 billion Levelling Up round 2 fund is distributed evenly across all group one priority authorities, based on population density as opposed to total funding. However, it's not just about allocating money to the most deprived local authorities. For Levelling Up to happen, this investment needs to be channelled into the types of projects that will improve the lives of the people who are struggling the most.

In both cases the shortfalls haven't been addressed or met with a combined authority response, which seeks to fully plug these gaps. While attempts have been made by the WMCA to increase densities and develop on Brownfield land within these authority areas, it's clear that brownfield development is not enough to fulfil the housing needs of the region, and that there needs to be in place some form of strategy for unlocking greenbelt sites when and where appropriate. There is also a necessity to deliver jobs and improved infrastructure in order to facilitate new housing development in these areas.

The biggest issue preventing future development in the West Midlands is its Green Belt. Currently, each Authority is considering the Green Belt individually and not strategically as a whole across the region. In 2018, GL Hearn undertook a Greater Birmingham HMA Strategic Growth Study<sup>7</sup>. The studies four main aims were to:

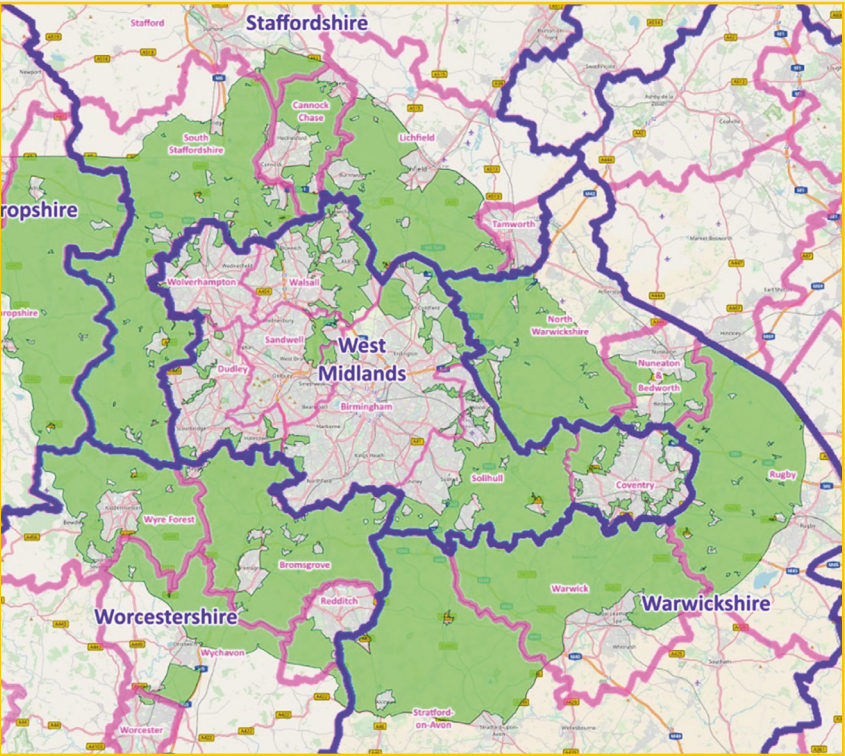
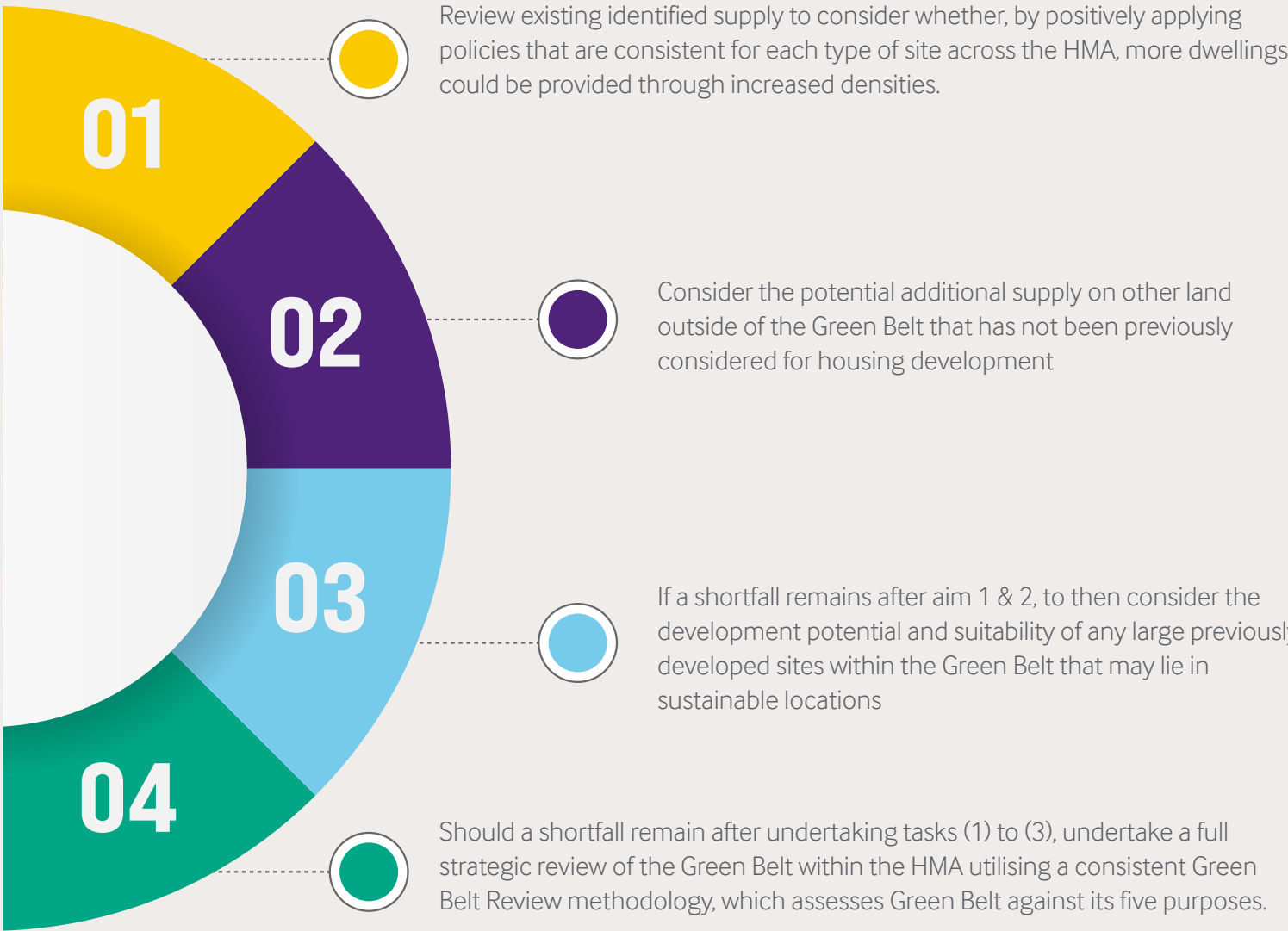


Figure 3: Map showing area of Green Belt in the West Midlands and wider area (source<sup>6</sup>)

The study explored in detail approaches to be taken to providing additional land to be identified within urban areas. This includes brownfield land, disposing of surplus public sector land, estate regeneration, town centre regeneration and disposing of surplus open space. The report also assessed in detail the potential to increase densities across the HMA, and concludes that it would be reasonable to assume minimum densities of 40 dph are achieved in the conurbation (Birmingham and the Black Country urban area). It also identified areas of strategic development beyond the Green Belt, including two urban extensions and one new settlement in South Staffordshire and Lichfield, and one urban extension and two new settlements in North Warwickshire. The study undertook a Strategic Green Belt Review, assessing the form and strategic function of the Green Belt against the purposes of Green Belt in the National Planning Policy Framework (para 138). It recommended three areas (I54, East of Birmingham and Birmingham Airport/NEC) for employment-led strategic development; four urban extension options (South of Dudley, North of Tamworth, East of Lichfield, North of Penkridge) which should be taken forward for more consideration and four new settlements (South of Birmingham, Between Birmingham and Bromsgrove/Redditch; Around Shenstone; Around Balsall Common).



These recommended strategic development areas are shown in Figure 4 below.

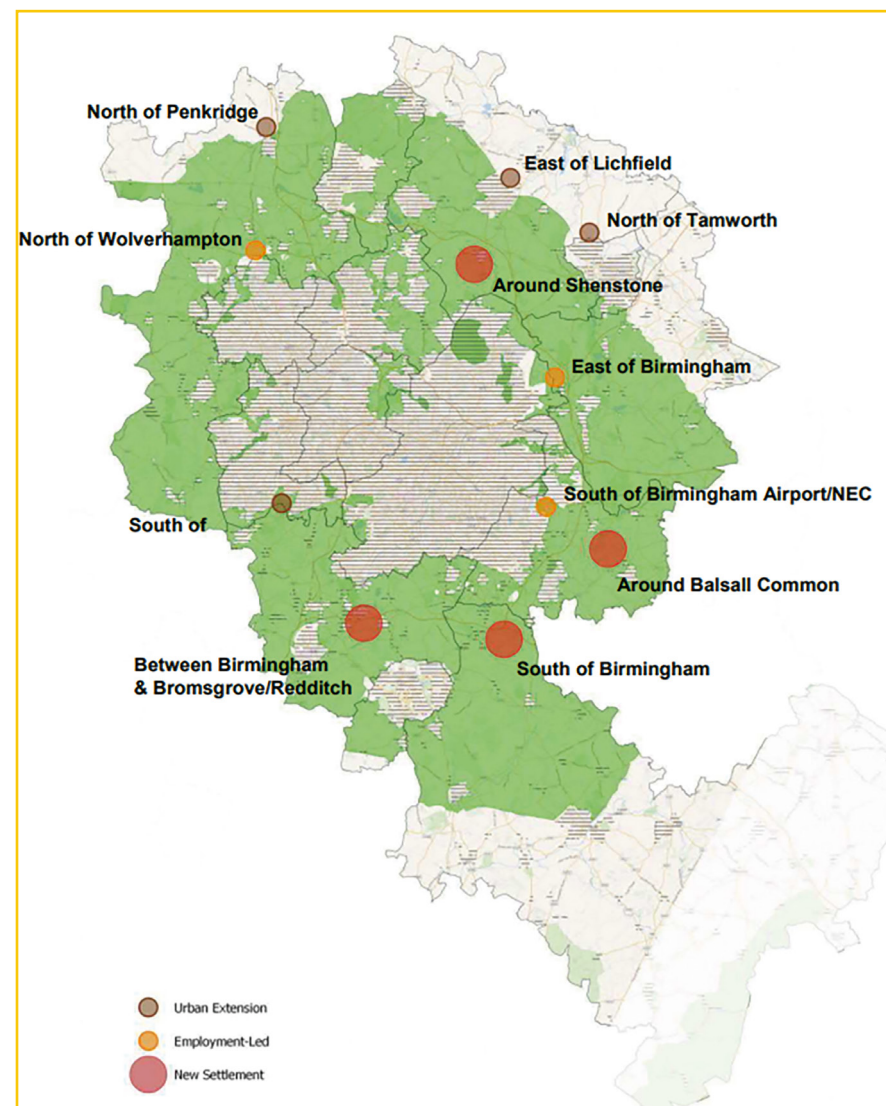


Figure 4: Recommended areas of search for strategic development in the West Midlands based on GL Hearn's Greater Birmingham HMA Strategic Growth Study, 2018 (Source<sup>7</sup>)

Unfortunately, without a strategic plan for the region, each authority within the West Midlands is entitled to ignore the recommendations contained within GL Hearn's study. Moreover, there are examples where authorities are not following through in delivering the numbers that the GL Hearn study said they could deliver. The study proves that the shortfall of housing across the West Midlands is a regional strategic scale issue which could be resolved through new settlements, sustainable urban extensions and employment-led strategic development, none of which the area is currently providing.

At present, a Local Authority that may be best placed for a new strategic development to accommodate a neighbouring authority's growth must be achieved through the Duty to Cooperate. In 2013, the Guardian told us that "the duty to co-operate is flawed, because

local politics breeds different – sometimes conflicting – local visions for everything from employment to housing. Without a regional level of oversight to knock heads together, more councils could become locked into long disputes over housing and as a result, new homes will take longer to deliver."<sup>8</sup> This view has proved to be correct, and the 'Planning for the Future' whitepaper tells us that on the whole, the Duty to Cooperate does not work. This is going to be replaced with a more flexible alignment test. While some may point to developments such as Arden Cross in Solihull, which will meet the housing needs of Birmingham, as an example where the Duty to Cooperate is working, this particular example would come to fruition in a lot less time if there had been a regional strategic plan in place that required Solihull to deliver such a development for the region.

## WOULD THE WEST MIDLANDS BENEFIT FROM ADOPTING A LONDON-STYLE APPROACH?

The Levelling Up White Paper, published in February this year, set out to establish the West Midlands as a national pioneer for the transfer of 'London-style' devolution powers to the regions and into the hands of the people who know their area best. Despite a second devolution deal in 2017, which gave the West Midlands Mayor and WMCA a greater role in driving the regional industrial strategy and additional funds for transport, skills and housing; the Mayor of the West Midlands doesn't have the same powers as the Mayor of London in respect to planning. The London Mayor's spatial strategy – the London Plan – provides a framework for every planning decision taken in London. The Mayor is also able to allocate funds for affordable housing and is a major landowner. The London Mayor's ability to control transport alongside development is the envy of many other city governments, who lack the powers to link infrastructure provision to city-shaping<sup>9</sup>.

The London Plan, prepared by the Mayor, is the spatial development strategy for London to which every London borough's detailed land use plan and planning decisions must conform. The Mayor has specific powers over planning applications that are of potential strategic importance (PSI) to London<sup>9</sup>. An application is referable to the London Mayor if it meets the criteria set out in the Mayor of London Order (2008). The criteria includes: a development of 150 residential units or more; development over 30 metres in height (outside the City of London); development on Green Belt or Metropolitan Open Land. The Mayor has six weeks to provide comments on these applications, assessing whether it complies with the London Plan policies. The Mayor makes comments, which are reported to the local planning committee, but can also instruct the local planning committee to refuse planning permission or say that he wishes to take the decision himself, if he is concerned that the council's decision might not be in line with his policies. The Mayor can also, like other planning authorities, charge community infrastructure levy (CIL) to pay strategic infrastructure, and currently charges CIL to developers in some parts of London, to pay towards Crossrail<sup>9</sup>. They also have the power to establish mayoral development corporations to facilitate large-scale regeneration sites within the city. Development corporations can buy, own and develop land and take over planning powers within a designated area within a specific time-frame subject to approval from the London Assembly. The Mayor can also own land and develop it, for example the Mayor has previously entered into development agreements to build 50,000 homes on land inherited from the London Development Agency<sup>9</sup>.

While the Mayor of London sets a separate housing strategy, many of his levers over what sort of homes are built in London are wired through the planning system. However, since 2011, the Mayor has had the power to buy land for housing, and to allocate grants to help fund councils, housing associations and developers who are building affordable housing. This is a similar role to that played by Homes England outside London. The government allocated just under £5 billion for affordable housing in London between 2016-22, and the Mayor has used this funding to promote new forms of affordable housing tenure (such as London Living Rent) and to encourage council housebuilding<sup>9</sup>.



## CHALLENGES FOR WEST MIDLANDS TO IMPLEMENT A STRATEGIC REGIONAL PLAN

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One of the biggest challenges facing combined authorities when attempting to implement Strategic Regional Plans is gaining the support of all local authorities within their region. For example, the Greater Manchester Spatial Framework Plan required all ten local authorities to endorse the Plan for it to proceed. However, Stockport Borough Council were the only authority to vote against its implementation as the Plan advocated 1.2% of Stockport's greenbelt to be developed over the next 17 years<sup>10</sup>.

In August this year, it was announced that the Oxfordshire Councils failed to agree on plans to implement the Oxfordshire Plan 2050, which set out where and how many houses will be built in the county. It's understood the cancellation of the 2050 plan arose from the City Council pushing for more development. Since the City Council itself has said it has no land to accommodate anymore housing, this would inevitably put further pressure on its neighbouring Councils to accept additional housing to satisfy Oxford City's housing need. In turn, this could force additional development on the Oxford Green Belt which surrounds the City<sup>11</sup>.

To prevent similar issues arising in the West Midlands, RPS believe the government would need to impose on all authorities across the whole of the West Midlands, including all constituent, non-constituent and non-members of the WMCA, that a strategic plan for the region will be implemented. This requirement from the government would ensure that all authorities would be actively engaged in the plan-making process. Furthermore, a better resourced WMCA could provide greater insight into housing delivery in the region, through the production of an annual report with breakdowns of specific types and placing a strong emphasis on charting the delivery of affordable housing. Increasing the regional housing available would help the government's overall 'Levelling Up' agenda, making the area a more appealing place to live and work, and attracting talent to the West Midlands.

## THREE CONCLUDING THOUGHTS

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1

### **There is currently a lack of strategic thinking about the joining-up of infrastructure, employment and residential development**

The fundamental issue facing the region is that housing is not being built where it's needed to be. This is in the most sustainable locations, which is leading to planning by appeal whereby development is being consented in less sustainable locations due to many local authorities being unable to demonstrate a five-year housing land supply. There's a lack of strategic thinking about the joining of infrastructure, employment and residential development. At local authority level, there's also been a lack of consideration about the transport network and how it interrelated with freight. Overall, there is clearly an absence of joined-up thinking without a strategic plan in place. Having this plan would seek to address the needs of the region, identify the most appropriate locations for future development and consider the Green Belt as a whole.

2

### **A strategic plan for the region and Modern Methods of Construction could ensure the delivery of affordable housing at pace**

It's considered the WMCA and local authorities in the region would benefit from adopting a strategic plan, similarly to the Mayor of London's 'threshold' approach. This would ensure applications that meet the level of affordable housing stipulated in the relevant Local Plan can benefit from a 'fast track' route to permission. Such an approach would see developers avoiding the need for scheme specific viability assessments, which could save time and money. Modern Methods of Construction, which incorporate off-site construction and prefabrication, could also form part of a long-term solution for the delivery of affordable housing.

3

### **A Strategic Infrastructure Levy would raise funds for strategic regional infrastructure projects**

The WMCA and its constituent local authorities should consider introducing a strategic infrastructure levy, similar to that in London, to build funds for strategic regional infrastructure projects. The government should consider reviewing the criteria for eligibility to Housing Infrastructure Fund monies currently dependent on combined authorities having strategic plan-making powers, which renders the West Midlands ineligible<sup>12</sup>.



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