

Economic Growth Board

Date	22 September 2023
Report Title	Deeper Devolution Deal - Economic Elements, including the Strategic Productivity Partnership
Portfolio Lead	Economy & Innovation
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Report has been considered by	Topics considered by Directors of Economic Development (21 July, 8 September)

Recommendations for action or decision:

The Economic Growth Board is recommended to:

- (1) Comment on and endorse the economic rationale and approach to the Strategic Productivity Partnership, as set out in paras 2.4 - 2.7.
- (2) Agree the draft Terms of Reference for the Strategic Productivity Partnership attached as Appendix 1.
- (3) Endorse the approach to the Trade and Investment strand, including the West Midlands International Strategy and to agree that the West Midlands Growth Company will act as the lead agency for trade and investment on behalf of WMCA

1 Purpose

- 1.1 The report provides an overview of work underway to capitalise on the Deeper Devolution Deal, focusing largely on the three economic-focused chapters which are most relevant to the Economic Growth Board. The report considers the overarching rationale about how the region approaches Missions 1 and 2 of the Levelling Up White Paper - focused on productivity, wages and R&D – and thereby influence the shape of the respective Local Growth and Place pillar of the Single Regional Settlement.

- 1.2 Specifically, the report includes endorsing the proposed Terms of Reference for the Strategic Productivity Partnership, due to meet initially in November 2023 (see Appendix 1, to be formally agreed with Government at its first meeting).

2 Background

- 2.1 The Deeper Devolution Deal (DDD) explains the challenge and why the empowering of local leadership is part of the answer:

“The productivity of the West Midlands has remained at 90% of the national average for the past decade... Unleashing the potential of the people, entrepreneurs and businesses of the West Midlands requires a step change in our approach to realising local and regional economic growth.”

- 2.2 Across the 190 specific commitments in the DDD, arguably the most transformative is that Government will agree a single regional settlement with the region from the next spending review period (beginning in April 2025). This will have five pillars, including one focused on *Local Growth and Place*, and be supported by a new and stronger outcomes, data and accountability regime that ensures that devolved powers are delivering tangible benefits to the region’s residents and businesses.
- 2.3 The DDD itself includes three economic-focused sections - Business Productivity, Innovation and Trade & Investment. The Economic Growth Board is responsible for the local direction of those activities and the sections below describe, for comment and endorsement, the status of activity between partners within the region and Government officials and set the foundation for an ambitious policy and financial settlement from April 2025.

Business Productivity and overarching economic narrative

- 2.4 The DDD initiates a Strategic Productivity Partnership between the WMCA and government to meet at least biannually to provide focus, coherence and coordination across publicly funded business support and advisory services to maximise impact and value for money. It will achieve that by aligning agreed strategic policy priorities between Government and the West Midlands and these following-through into commissioning decisions for publicly funded local, regional and national interventions, recognising the WMCA as the lead institution for integrating business productivity interventions at the city region level and the opportunity offered by the single regional settlement.
- 2.5 It is vital this work is clear about how a place-based approach is different to (and an improvement on) the status quo. Working with DBT officials and local authority Directors of Economic Development, we have developed a framework which the Strategic Productivity Partnership will enhance, refine and turn into tangible decisions. The broad direction includes:
- Staying true to the economic rationale of the West Midlands position on devolution negotiations, as agreed by the Economic Growth Board (May 2022¹), including aims that relate to firms with levels of high, mid and low productivity.

¹ See: <https://governance.wmca.org.uk/documents/s6900/Item%205%20-%20Trailblazing%20Devolution%20Deal.pdf>

- Drawing on the lessons from the 2021 West Midlands Business Support Review, and particularly the principle of a business-centred - rather than provider-centred - approach. For example, Government's nationally commissioned and delivered programmes often relate to a nationally identified problem, such as business leadership and management, digital adoption or access to finance. This creates potentially disjointed or inefficient support compared to putting the business at the centre and activating all appropriate levers as part of a comprehensive and cohesive approach with firms at the right point in their life-cycle.
- Drawing on strong evidence about what works on business support – particularly on its timing and breadth. Academic analysis and evidence of what works shows that certain 'trigger points'² can precede firms experiencing episodes of high-growth or productivity improvements and the key is to deploy cohesive support at the right time so such growth periods are as long and large as possible.
- Recognising the scale of the productivity challenge in the West Midlands and acknowledging that in order to achieve meaningful change, interventions are likely to be focused mainly on larger SMEs (e.g. employing between 20 – 250 people).
- Tailoring objectives to regional economic and social priorities, such as catalysing growth in Plan for Growth clusters and/or supporting diversity and inclusion across the region's business base.
- Capitalising on the power of local leadership to complement the much larger offer from private sector and business representative organisations (see Item 9 on Business Growth West Midlands which includes signposts to offers from, for example, banks, The Prince's Trust, social enterprises, Catapults and universities). Further, the West Midlands Growth Company is initiating a structured approach to Strategic Relationship Management of the region's largest and most strategically significant firms which will improve the depth and coherence about how direct and supply chain issues are understood and addressed.

2.6 The Partnership should bring operational, strategic and economic benefits for the region. Operationally, it will improve the sharing of information about live and upcoming business support and advisory services and their impact, including use of data and impact analysis. Strategically, it will allow the West Midlands and Government to use the new, empowered role in integrating, promoting and overseeing business support commissioning to remove inefficiencies out of the system and configure an approach to the Local Growth and Place pillar of the single regional settlement that secures investment in the region's business services to achieve Mission 1 of the Levelling-Up White Paper³. This captures the economic impact of the partnership, to make support for business more effective, and seeing jobs, pay and living standards boosted for the region's residents.

² For example, a change in ownership/Management Buyout, a major relocation or investment in premises; move into a new market or capital spend on a new technology.

³ Mission 1: By 2030, pay, employment and productivity will have risen in every area of the UK, with each containing a globally competitive city, and the gap between the top performing and other areas closing.

- 2.7 For these reasons, the proposal from the DBT as the lead Government department for the Partnership is that it ought to be at official level, with regular reporting to the Economic Growth Board, the Partnership will formally report to the Minister for Enterprise, Markets and Small Business annually. The DDD names Department for Business and Trade (DBT), Department for Levelling Up, Housing and Communities (DLUHC) and Department of Culture, Media and Sport (DCMS) as members of the Partnership with other departments invited to join on an ad hoc basis.
- 2.8 The draft Terms of Reference for the partnership are attached as Appendix 1 for comment and endorsement. It is expected they will be approved at the first formal partnership meeting in November.
- 2.9 The Business Productivity section of the DDD also makes explicit reference to several explicit measures, including a closer relationship with British Business Bank, UK Infrastructure Bank and the Chartered Association of Business Schools (which delivers the Help to Grow programme). WMCA officers have met with British Business Bank staff to discuss the design, procurement and governance of the next phase of the Midlands Engine Investment Fund. A list of proposed local activity with British Business Bank is in development, which includes a campaign to encourage angel investing, marketing collateral and enhancing the flow of information between lenders, secondary finance providers and business support functions provided through Business Growth West Midlands. The relationship with the Chartered Association of Business Schools involves sharing information about registrations, future events and encouraging cross referrals to businesses who finish the Help to Grow scheme to other relevant business support products. This work is continuing in depth with Aston University, which delivers a Help to Grow course locally, to trial new ideas through its business and entrepreneur alumni community.

Innovation

- 2.10 The innovation section of the Deeper Devolution Deal builds upon the West Midlands Innovation Accelerator and Innovate UK West Midlands Action Plan. It seeks to give the WMCA and regional partners a new and influential role informing the national research and innovation ecosystem in the context of the White Paper's mission for domestic public investment in R&D outside the Greater South East to increase by at least 40%, and over the Spending Review period by at least one third.
- 2.11 The West Midlands Innovation Board considered the approach at its latest meeting on 13 September, noting the specific opportunities for the West Midlands to:
- a) Formally and periodically articulate its research and development priorities to UK Research and Innovation.
 - b) Be consulted on the development of future UK Research and Innovation strategies where appropriate and inviting the WMCA to work with the government research divisions on their respective research and development strategies and programmes.
 - c) Annually set out the region's regional research and innovation priorities to the government science ministers (via a West Midlands Strategic Innovation Partnership).

- d) Work with UK Research and Innovation to support the identification of regional comparative innovation advantages, helping to identify corresponding funding opportunities.

2.12 The Strategic Innovation Partnership aims to create senior level buy-in and governance of innovation policy regionally and within Government. This will include the Mayor of the West Midlands, Department of Science, Innovation and Technology, Science Minister, and other relevant senior innovation leaders in the region like the independent Chair of the West Midlands Innovation Board and university Vice Chancellors. It will create a pathway to work with DSIT and UK Research & Innovation on a submission to the next Spending Review for place-based funding – though not necessarily through the single regional settlement.

2.13 The Innovation Board, supported by WMCA officers and senior university leaders, are developing a strongly evidenced position about how public investment in R&D can be increased, and ensuring that has a genuinely transformative impact on the region's economy. This includes bringing together three strands:

- a) Knowledge of R&D excellence, covering the academic/research base and translational assets which help apply technologies to commercial use.
- b) Business opportunity, given the nature and scale of the region's business base.
- c) FDI and global market trends, to understand the direction and extent of growth and relationships with key investors and markets.

Trade & Investment

2.14 The DDD proposes how the WMCA and DBT should strengthen and deepen their successful partnership, by formalising engagement at the city region level by co-developing a West Midlands international strategy and delivery plan spanning both trade and investment.

2.15 Good progress is being made with the development of the West Midlands International Strategy (WMIS) and the engagement of key stakeholders. Local authorities, the WMCA, universities and a limited number of other anchor institutions – including Chambers of Commerce and Birmingham Airport – have been engaged on a 1:1 basis to discover their priorities for WMIS. Representatives from these organisations also attended a workshop on 30th August to discuss emerging issues. Representatives from the Department for Business & Trade (DBT) have been engaged throughout the process so far and Metro Dynamics also held a session with their Midlands' Leadership Team on 4th September. DBT have confirmed that they found the session useful.

2.16 To date, the following analysis has been undertaken:

- **Benchmarking** – the purpose of this analysis was to define the baseline of the West Midlands' current economic capabilities, visitor & talent attractiveness, and main sector performances; to identify strengths and weaknesses or gaps against similar comparator locations across a number of pillars and themes; and to identify areas of best practice as exemplified by other benchmarked locations that can be incorporated into the strategy and the Delivery Plan.

- A list of **assets** that can make a play on the international stage. The initial list identifies 22 internationally significant assets across the themes of Research & Development; Higher Education & Training; Transport Hubs; Real Estate; Business Clusters; Policy levers; Incubators & Accelerators; Utilities & Resources; and Quality of Life. The initial product was tested with the WMIS Working Group (7th September), whose representatives have committed to providing further comments in writing in due course.
- An initial headline **market prioritisation** across the pillars of FDI Attraction, Capital Investment, Exports and Trade, Innovation and Higher Education, and the Visitor Economy.

2.17 The stakeholder workshop on Wednesday 30th August considered the emerging findings and debated the key policy issues, such as priority markets and how best to grow the region's exports. Feedback from stakeholders on the workshop was that it was valuable and thought-provoking, to the extent that the consensus has been that the issues raised merit further detailed consideration. Wider engagement with a broader set of stakeholders – including the private sector – has also not been possible given the timeframes and summer holidays.

2.18 As a consequence, the product that was scheduled to go to the WMGC Board and Economic Growth Board in September would not have been as detailed – or consulted on as broadly – as intended. In addition, as the EGB has noted previously, there are wider matters to be resolved such as the WMCA's relationship with Warwickshire and how to reconcile it with the county's economic significance as part of the region's international pitch; and how best to align the International Strategy with the nascent work on West Midlands 2035 Symposium to ensure clarity and consistency of purpose and message.

2.19 WMGC had therefore agreed with WMCA that the WMCA Board will consider a product from the consultants at its meeting on 20th September. The feedback and discussion from this meeting will be used to shape a "green paper" – along with further detailed discussion with a smaller group of regional stakeholders – to be presented to EGB on 16th November.

2.20 This approach culminate in a final WMIS and Delivery Plan being recommended to the EGB in March 2024. This will essentially give WMIS and its subsequent Delivery Plan a longer development period, with more opportunity to consult with key stakeholders, the wider private sector, young people and an expert panel.

2.21 One of the key commitments in the Deeper Devolution Deal (DDD) was for DBT to strengthen and deepen its partnership with the region. The Deal text notes that:

“Upon the West Midlands Growth Company obtaining agreement with all local stakeholders (including WMCA and its local authority members and respective local enterprise partnerships), DBT will:

- *Recognise the West Midlands Growth Company as the lead agency for trade and investment on behalf of the WMCA; and*
- *Adopt the WMCA economic geography as the frame of reference for related DBT trade and investment matters for the WMCA area.”*

2.22 While the region's relationship with DBT (or DIT at the time) was considered by the WMCA Board on 13 January 2023 as part of the LEP Integration Plan, the decision taken does not wholly align with the wording in the Deal text; a further decision is required to give effect to this commitment.

2.23 Economic Growth Board is therefore recommended to agree that the West Midlands Growth Company will act as the lead agency for trade and investment on behalf of WMCA. In doing so, Economic Growth Board recognises that DBT will adopt the WMCA economic geography as the frame of reference for related DBT trade and investment matters for the WMCA area.

3 Financial Implications

3.1 There are no direct financial implications arising from this report, however the biannual meetings may result in further implications that will need to be considered according to WMCA governance. Any costs associated with the existing scope will be covered through existing budgets.

4. Legal Implications

4.1 Clause 7 of the Strategic Productivity Partnership states that the Terms of Reference may be varied only by a written agreement signed by both parties.

4.2 There are no other legal implications arising from the report.

5. Equalities Implications

5.1 There are no immediate adverse/negative implications arising from this report following consideration of the questions within the Health and Equity Impact Assessment

5.2 The focus of the Strategic Productivity Partnership on promoting business support and access to it includes considerations of equality. For example, removing barriers that prevent female- or ethnically-owned businesses from accessing finance or business support, will have a positive impact on productivity in the West Midlands. Increasing the accessibility of all parts of the business community to available support will be a key component of the Partnership's agenda.

6. Inclusive Growth Implications

6.1 The Partnership may offer potential for the WMCA to pilot innovative ways of delivering its inclusive economic growth agenda through the new structures, efficiencies or mechanisms.

6.2 The WMCA's definition of inclusive growth is: "A more deliberate and socially purposeful model of growth, measured not only by how fast or aggressive it is; but also, by how well it is created and shared across the whole population and place, and by the social and environmental outcomes it realises for our people". This definition, alongside the eight fundamentals of inclusive growth are detailed in the Inclusive Growth Framework that was approved by WMCA Board in 2018.

6.3 As the Strategic Productivity Partnership will develop over time, officers will work closely with the Inclusive Growth Team to ensure that the Inclusive Growth fundamentals are embedded into its activity.

7. Geographical Area of Report's Implications

7.1 The Strategic Productivity Partnership relates to the 7-met WMCA area.

8. Other implications

8.1 None.