

Investment Board

Date	16 th October 2023
Report title	Global West Midlands – Full Business Case
Portfolio Lead	Economy and Innovation
Accountable Chief Executive	Neil Rami Chief Executive, West Midlands Growth Company Ed Cox Executive Director – Strategy, Economy and Net Zero
Accountable Employee	Katie Trout Director of Policy & Partnerships, West Midlands Growth Company Jonathan Skinner Head of Economic Policy and Partnerships
Report has been considered by	Investment Panel – 25 th September 2023

Recommendation(s) for action or decision:

The Investment Board is recommended to:

- (1) Approve the release of £12.2m of West Midlands Combined Authority (WMCA) funding to West Midlands Growth Company (WMGC) over the next two years, to 31st March 2025. This is made up of:
 - a. £9.9m from the Commonwealth Games Legacy Enhancement Fund allocation, from the total £14.1m agreed by the West Midlands Combined Authority (WMCA) Board in March 2023, of which £2.5m was agreed by the Investment Board at the Strategic Outline Case stage:
 - i. £1.8m which has been utilised by WMGC in order to develop the Full Business Case and to begin delivery against the local and regional priorities in the Programme in Quarters 1 and 2 of 2023/24; and
 - ii. £0.7m which has been granted to Local Authorities from the WMCA to support an increase in capacity to deliver against priorities in the Programme.
 - b. £1.6m of UK Shared Prosperity Funding (UKSPF) for 2024/25, with the same amount previously released for 2023/24 by the West Midlands Combined Authority (WMCA) Board on 16th December 2022.

- c. £0.7m of WMCA core funding for 2024/25, with the same amount previously released for 2023/24 by the West Midlands Combined Authority (WMCA) Board on 16th December 2022.
- (2) Note the appended Full Business Case (FBC) and, in doing so, the total budget of £22.5m, which includes all funding requested in this paper and approved at previous Boards. This is allocated as follows:
 - a. £21.8m for the West Midlands Growth Company (WMGC), with WMCA providing £18.0m and the remaining £3.8m from commercial and other funding leveraged by the WMGC.
 - b. £0.7m shared equally across the seven Local Authorities over the next two financial years.
 - (3) Note the WMGC funding will enable the delivery of WMGC's Business Plan 2023-25 which was agreed by the Economic Growth Board in July 2023, and is comprised of the following:
 - £14.1m from the Commonwealth Games Legacy Enhancement Fund, of which £0.7m has been granted to Local Authorities from WMCA to support an increase in capacity to deliver against priorities in the programme, with the balance of £13.4m for WMGC
 - £3.2m from the UK Shared Prosperity Fund
 - £1.4m from the WMCA core budget
 - (4) Note that the balance of WMGC's budget is comprised of £3.8m of commercial and other funding leveraged by the WMGC.
 - (5) Note the WMGC's Business Plan 2023-2025 which was approved by the Economic Growth Board on 12th July 2023. A copy can be found in Appendix A.

1. Purpose

- 1.1. The key purpose of this FBC is to set out how WMGC will work in partnership with the WMCA, Local Authorities and other partners to:
 - Build on and maximise the conversion of the pipeline of leads generated from the Commonwealth Games Business and Tourism Programme (BATP), thereby fully exploiting the economic legacy of the Games;
 - Run a full programme of international promotion in key markets identified in the West Midlands' forthcoming International Strategy (due to be available in draft in September 2023) to increase the region's profile and reputation, resulting in the further growth of the current pipeline. This would also help to maximise the economic impact of other major sporting and cultural events that take place in the region; and
 - Secure the release of an additional £9.9m to enable WMGC to deliver the Global West Midlands (Global WM) programme as set out in the Full Business Case.

2. Background

- 2.1. At its meeting on 16th December 2022, the WMCA Board agreed (inter alia) to provide £4m of funding (comprised of £0.7m WMCA core budget, £1.6m UK Shared Prosperity Fund, and £1.7m from the Legacy Enhancement Fund) to the WMGC for the period 1st April 2023 to 31st March 2024. This followed the approval of a Business Justification Case by the Investment Board on 12th December 2022.

- 2.2. Subsequently, at its meeting on 17th March 2023, the WMCA Board agreed (inter alia) to allocate a total of £14.1m Legacy Enhancement Fund to the WMGC for the period 1st April 2023 to 31st March 2025 (this includes the £1.7m previously agreed for 2023/24 as per para 2.1). This figure comprised of £13.4 for delivery of the Global WM programme and £0.7m to be granted to local authorities to enhance their capacity to support the delivery of their local Global WM priorities. This decision was in line with the conclusions of Phase 2 of the WMGC Review that was commissioned by the Economic Growth Board in September 2022. At their meeting in March, the WMCA Board agreed WMGC should continue to be an investment promotion and a destination management organisation for the region, with a similar scope and scale to that of the past two years, but that future activity should be re-focused to meet regional and local priorities.
- 2.3. The release of funds to the WMGC to deliver the Global WM programme is contingent on securing approval from the Investment Board. WMGC proposed the Strategic Outline Case (SOC) to the Investment Board on 19th June 2023, and secured the release of £1.8m to develop the Full Business Case (FBC) and commence delivery, in addition to £0.7m to be granted to Local Authorities to support the delivery of priorities aligned with the Global WM programme. The FBC is being brought to the October Investment Board for consideration.
- 2.4. On 12 July 2023, the Economic Growth Board agreed WMGC's Business Plan for 2023-25 – *Global West Midlands*, attached as Appendix A – which sets out in detail WMGC's plans for delivering against identified regional and local priorities. In agreeing the Plan, the Economic Growth Board noted that its delivery was predicated on the FBC being approved by the Investment Board.

3. Strategic Aims and Objectives

- 3.1. The Global WM programme will enable WMGC, in partnership with the WMCA, Local Authorities and other partners to:
- Maximise the conversion of the pipeline of investment and events leads generated from the Commonwealth Games BATH, thereby fully exploiting the economic legacy of the Games; and
 - Run a full programme of international promotion in key markets identified in the West Midlands' forthcoming International Strategy to increase the region's profile and reputation, resulting in the further growth of the current pipeline. This would also help to maximise the economic impact of other major sporting and cultural events that take place in the region.
- 3.2. The Programme is built on the following strategic objectives which have been developed through engagement with partners:
1. Enhance the profile and reputation of the region, improving awareness; sentiment; and consideration of the West Midlands' offer across key audiences by 31st March 2025
 2. Create good jobs for local people by landing 117 inward investment projects by 31st March 2025
 3. Facilitate the regeneration of the built environment by landing 3 capital investment projects by 31st March 2025
 4. Create and sustain vibrant places by securing 12 sporting events and 11 business conferences; in turn attracting 235,233 visitors, spending £23.457m in the region's visitor economy by 31st March 2025
- 3.3. All objectives will be delivered by 31 March 2025; it is expected that the majority of activity will be achieved in 2024/25. The benefits may, however, accrue over a number of years.

- 3.4. WMGC will support the delivery of these objectives through its key functions, namely: inward investment, capital attraction, visitor economy, major events attraction and strategic relationship management.
- 3.5. Economic modelling indicates that the following outcomes will be achieved through the full delivery of the programme, above the baseline:
- 117 additional inward investment projects, creating and safeguarding good jobs for local people
 - 12 additional sporting events attracted
 - 11 additional business conferences and events
 - 3 additional capital investment projects
 - 240,000 visitors, spending £23.5 million in the region's visitor economy.
- 3.6. If the programme achieves its targets for inward and capital investment projects, business conferences and sporting events landed and visitors attracted we forecast that it will generate an NPSV (i.e. the present value of benefits less the present value of costs) of £3.12 million and a benefit cost ratio (BCR) of 2.49.
- 3.7. Since submission of the Outline Business Case (OBC), further work has been undertaken to develop a full suite of leading and lagging indicators that will measure impact of the Global WM programme across the region and in individual Local Authority areas. Progress against these will be reported on a quarterly basis to the WMCA, individual Local Authorities and through the Economic Growth Board. These are set out in the Monitoring and Evaluation Plan, which forms part of the Management Case of the FBC.
- 3.8. The Global WM programme will support the delivery of the Plan for Growth by:
- **Securing direct investment in priority clusters in the region:** Foreign Direct Investment (FDI) firms tend to be significantly more productive than domestic firms and positioning the West Midlands to capture a greater share of FDI into the UK will boost the economic capacity of the region and help to close the output gap by: (i) creating new jobs and (ii) supporting a transition from lower to higher productivity employment.
 - **Enabling the creation of good jobs for local people in the priority sectors of tourism, leisure and hospitality:** Promoting the West Midlands as a destination to visit will attract additional expenditure into the region, boosting employment and economic output. By supporting a diverse array of employment opportunities, it also has the potential to increase employment opportunities for WM residents, increasing employment and participation rates. There are also significant soft benefits of the promotion of the West Midlands – showcasing the West Midlands domestically and internationally and improving its perception externally will make it increasingly attractive as a place to live, work and do business.
- 3.9. The Global West Midlands WM Programme fully aligns with the findings of the Review into the WMGC, which set out how the activity of the WMGC should be focused on local and regional priorities. The Programme has been built from the ground-up, taking into account current local and regional assets, opportunities and delivery priorities. The FBC covers the allocation of £0.7m (£0.1m each) to the seven Metropolitan authorities, in recognition of the fact that WMGC capacity at local authorities is varied – which constrains WMGC's ability to effectively “hand over” projects at key parts of their lifecycles. The capital attraction element of Global WM will also align with the region's objective to connect communities by delivering transport and unlocking housing and regeneration schemes. The WMGC is working closely with WMCA and Local Authority officers to ensure that activity is fully aligned with

existing regional and local plans, that the WMGC adds value to existing work and that there is no duplication of effort across partners.

3.10. WMGC's approach to monitoring and evaluation is based on a consistent measurement approach across all the programme's work streams, with metrics for each stage of the 'sales funnel' or 'customer journey' a potential investor, conference or event organiser, travel trade professional or tourist goes through – from (i) initial engagement through exposure to marketing and promotion, web, social and print media activity or attendance of meetings, events, workshops and sales missions, (ii) any resultant changes in perceptions – for example in their degree of familiarity with the region's offer, positive sentiment about the offer and/or their likelihood of considering investing in, holding a conference or event in or visiting the region, (iii), initial business leads generated among potential investors, conference and event organisers and travel trade professionals and leads converted to opportunities (i.e. where specific requirements and the business case for the region are discussed), (iv) opportunities converted to landed investments, conferences, events and bookable tourism products and (v) visits, jobs and GVA generated by these investments, conferences, events and products.

3.11. The framework has been underpinned by investment in information resources which track the impact WMGC and its partners and, crucially, evidence the role WMGC and its partners have played in achieving key outputs, outcomes and impacts. These resources include (i) WMGC's Zoho CRM system which tracks all meetings, events, sales missions leads opportunities and landings are tracked on the system, providing a clear audit trail evidencing WMGC's involvement the landing of any investment, conference or event and (ii) primary research activity to gather performance data and evidence not captured via Zoho. This includes surveys to track perceptions change, the STEAM regional tourism economic impact model and surveys of visitors to the region to track the proportion of visitors motivated to come to the region by our marketing and promotion campaigns. The Programme is also aligned with national Government policy, including Departmental plans, such as the Department for Business & Trade's Delivery Plan, which seeks to "build back better by bringing the benefits of free and fair trade to people across the UK and the world... through attracting inward investment" and the Department for Digital, Culture, Media and Sport's Delivery Plan which seeks to attract new domestic and overseas visitors, support the attraction of key business conferences and sporting events and help the tourism sector recover existing and attract new audiences.

3.12. In addition, the West Midlands Deeper Devolution Deal set out that the WMGC will form a deeper, more strategic partnership with the Department for Business & Trade; and will enable the formation a second national pilot Destination Development Partnership upon securing this funding. This includes co-developing a West Midlands International Strategy with the region and facilitating the continued relocation of civil and public service roles to the West Midlands, and the establishment of a West Midlands Fast Stream Pilot to develop a pipeline of civil servant talent and skills. DBT also pledged to support WMGC in their bid for an extension of the business and tourism programme to secure more trade and investment to the region and the rest of the UK.

4. Financial Implications

4.1. The FBC is seeking approval of an additional £12.2m of WMCA funding, which is made up of £9.9m from the Legacy Enhancement Fund, £1.6m of UKSPF and £0.7m of WMCA core funding, covering financial years 2023/24 and 2024/25.

4.2. This approval is part of a Full Business Case (FBC) with a total budget of £22.5m, which includes all funding requested in this paper and approved at previous Boards. This is allocated as follows:

- £21.8m for the West Midlands Growth Company (WMGC), with WMCA providing £18.0m and the remaining £3.8m from commercial and other funding leveraged by the WMGC.
- £0.7m shared equally across the seven Local Authorities over the next two financial years.

4.3. Within this is the £14.1m WMCA Board agreed in March 2023 to be allocated from the Legacy Enhancement Fund to the Global West Midlands Programme.

- £13.4m of this would be for activity undertaken by WMGC,
- £0.7m allocated directly to the seven LAs to increase capacity to respond to Global West Midlands activity

4.4. Currently £10.3m of the £22.5m is secured which is split:

- £6.5m of funding for WMGC in 23/24, with £4m previously agreed by the Investment Board and WMCA Board in December 2022 against a Business Justification Case and £2.5m committed by the Investment Board against a Strategic Outline Case in June 2023; and
- £3.8m of commercial and other funding leveraged by the WMGC.

4.5. The £3.8m commercial income is made up of the B ATP Sponsorship Commission, Convention Bureau commission, the WMGC's Partners West Midland Programme and other small projects. The B ATP Sponsorship Commission has been fully received so is fully secured and makes up over 50% of the total over the next two years. All other income is based on high volume but low value transactions, therefore failure to realise the total would require a significant number of commercial partners to withdraw from the programme which is considered highly unlikely. WMGC has recruited a new Head of Commercial Partnerships, whose responsibility will be to secure this income and to further develop and grow it.

4.6. A high level summary table is set out below:

Business Case Financial Summary		Approved / Secured	Subject to this Report	Total
WMGC Delivered Grant Funded Programme				
WMCA Core Funding (23/24 & 24/25)		700,000	700,000	1,400,000
UKSPF		1,600,000	1,600,000	3,200,000
CWGLF	Approved *	1,700,000	-	1,700,000
	SOC *	1,800,000	-	1,800,000
	FBC *		9,900,000	9,900,000
Sub Total - WMGC Delivered Grant Funded Programme		5,800,000	12,200,000	18,000,000
WMGC Commercial		3,800,000	-	3,800,000
Total WMGC Delivered Programme		9,600,000	12,200,000	21,800,000
LA Delivered Programme				
CWGLF Approved *		700,000	-	700,000
Sub Total - LA Delivered Grant Funded Programme		700,000	-	700,000
BUSINESS CASE GRAND TOTAL		10,300,000	12,200,000	22,500,000

* CWGLF£14.1m WMCA Board provisionally endorsed allocations

5. Legal Implications

- 5.1. Statutory Power. WMCA has the power to provide this funding under Section 113(1)(a) of the Local Democracy, Economic Development and Construction Act 2009. This statute gives WMCA a power of competence appropriate for the purposes of carrying out any of its functions.
This funding is being provided by WMCA under its economic development and regeneration function to promote and further the achievement/fulfilment of the following WMCA Aim:
To promote inclusive economic growth in every corner of the region and stimulate the creation of good jobs.
The provision of this funding will promote and further the achievement/fulfilment of this aim because will develop economic strategy for the region to drive inclusive growth, and deliver interventions with partners to boost innovation, secure investment, and support industrial clusters.
- 5.2. WMGC is wholly owned by WMCA and its constituent authorities. As such, it benefits from the “Teckal exemption” and its services can be procured directly by its company members.
- 5.3. WMGC is required by law to submit statutory accounts and financial statements no later than 31 December every calendar year. As part of the preparation of statutory accounts and financial statements, WMCA secures the services of third-party auditors (currently Dains LLP) who consider whether the control and functional tests have been met.
- 5.4. The contractual relationship between WMCA and WMGC as it relates to the delivery of the business plan, will be documented through a Service Level Agreement (SLA), which is still to be concluded. In particular, the funding conditions imposed on WMCA by virtue of the funding agreements relating to CWGLEF and UKSPF, will flow down to WMGC through inclusion in the SLA. All funding agreements with the relevant local authorities will similarly ensure that funding conditions imposed on WMCA are transferred to them.
- 5.5. In relation to Subsidy Control, WMCA’s lawyers have considered the lawfulness of the proposed funding in the context of drafting the Service Level Agreement (SLA), which is still to be concluded. The SLA will include provision for WMGC and its delivery partners to ensure compliance with all Subsidy Control requirements.

6. Single Assurance Framework Implications

- 6.1. This FBC has been appraised by the PAA team and is SAF compliant.
- 6.2. Based on review by appraisal this case is recommended for approval with the following caveated to the decision:
- WMCG continues to work with WMCA key stakeholders and the appointed senior officer to review and monitor progress against the deliverables, milestones, outputs and financials on a monthly basis. This should include any reporting to funding bodies.
 - A clause is included in the funding agreement relating to the remaining amount of other commercial income still to be secured and evidenced.
 - This project and its delivery leads will form part of the WMCA Assurance-led Health Check to be conducted across the CWGLEF programme
- 6.3. Please refer to the Risk and Investment Appraisal Report for a high-level summary of the outcome from the Independent Assurance and Appraisal activity.

6.4. As above, it is proposed that the funding sought in this FBC is allocated from the Legacy Enhancement Fund.

7. Equalities Implications

7.1. There are no equalities implications arising from this report.

8. Inclusive Growth Implications

8.1. The focus of WMGC's future activity will support the delivery of the region's inclusive growth ambitions. For example, WMGC's inward investment activity will create new employment opportunities for local people across the region – both directly and indirectly through supply chains; capital investment activity will focus will be on new, brownfield development and the refurbishment and repurposing of existing assets in line with local priorities. Ultimately, this work will improve the living conditions of local residents, drive economic uplift through new investment and champion a more sustainable future landscape for the region; and activity to promote the West Midlands visitor economy domestically and globally, drive visitor footfall across local authority areas, sustaining local businesses, materially improving perceptions of these destinations, promoting cultural and social wellbeing and fostering the civic pride of citizens. It will target major events, conferences and sporting federations which will deliver social and economic benefits to businesses and residents and support the region's sporting, cultural, events and hospitality supply chain.

9. Geographical Area of Report's Implications

9.1. WMGC has historically served the three-Local Enterprise Partnership (LEP) area albeit with a focus on the seven Mets. Following the integration of specific LEP functions into the WMCA, and as agreed as part of the Review of WMGC, the future geographical focus of activity will be subject to further discussions with WMCA and local authorities.

10. Other Implications

10.1. None.

11. Schedule of Background Papers

Appendix A – Global West Midlands (WMGC Business Plan 2023 – 25)

Appendix B – technical note on intervention rates

Appendix B: technical note on intervention rates

Background

For the preferred way forward within the Global West Midlands Full Business Case (GWM FBC it is estimated that:

- The overall indicative net present social value (NPSV) will be £63 million based on a total budget of £21.8m for 2023-24 and 2024-25.
- The benefit cost ratio (BCR) will be 2.49.

This note presents the results of an exercise to drill down further:

- By specific workstream (inward investment, capital attraction, business conferences and events (MICE), major sporting events (MSE).
- For the visitor economy (Key impacts such as visitors attracted and visitor spend are driven by a combination of our activities in the leisure tourism, MICE MSE workstreams).

The target intervention rates are based on:

- Impact targets for 2023-24 and 2024-25 as a whole by workstream from the SOC, which were reviewed and verified by Heads of Service/Workstream Leads.
- Costs for planned activity for 2023-24 and 2024-25.

The underpinning methodology and assumptions are set out in the technical note at the end of the document.

Projects landed

If the target of landing 117 inward investment projects over the two year period is achieved, it is estimated that this will generate more than **£66 million worth of GVA for the region**, discounted for optimism bias (30%) and deadweight, leakage and displacement (45%). It is estimated that the **cost per project landed will be nearly £92,500** and **more than £6 worth of GVA per £ invested** will be generated.

If the target of attracting 3 capital investment projects is achieved, it is estimated that this will generate more than **£13 million worth of discounted GVA for the region**. At **nearly £960,000** the cost per project is relatively high – but it should be borne in mind that, as well as generating **nearly £5 worth of GVA per £ invested**, the major real estate and infrastructure schemes the programme is seeking to attract are vital enablers for the attraction of inward investment, MICE and MSEs and visitors.

If the target of attracting 23 MICE and MSEs is achieved, it is estimated that just over **£5m of GVA** will be generated **for the region (representing nearly £2 for every £ invested)**, through delegate spend. While on the surface it may seem that this rate of return is relatively low, it should be noted that these conferences and events generate substantial additional GVA in the wider visitor economy – as delegates and spectators spend additional time and money in the region. This is assessed in the next section.

	Inward investment	Capital attraction	MICE and MSE
Target for projects landed	117	3	23
Estimated GVA generated	£265,502,718	£54,462,096	£20,217,000
minus 30% optimism bias	£79,650,815	£16,338,629	£6,065,100
minus 45% deadweight, leakage and displacement	£119,476,223	£24,507,943	£9,097,650
Discounted GVA	£66,375,680	£13,615,524	£5,054,250
Estimated budget	£10,818,757	£2,871,877	£2,647,972
Target intervention rate			
Discounted cost per project landed	£92,468	£957,292	£115,129
Discounted GVA generated per £	£6.14	£4.74	£1.91

Visitor economy impact

The GWMSOC target is to attract more than 235,000 million visitors (including leisure visitors, delegates attending business conferences and spectators at sporting events spending additional time and money outside these events) to the region over the next two years. It is estimated that this will generate more than £16 million worth of economic impact (direct spend and knock-on benefits in the region's supply chain), discounted for optimism bias, deadweight, leakage and displacement.

This represents more than **£3 of economic impact for every £ invested**, with a **cost per visitor attracted of just under £30**.

FBC targets	
Visitors attracted	235,233
Discounted for optimism bias, deadweight, leakage and displacement (30%)	164,663
Economic impact of visitors attracted	£23,457,480
Discounted for optimism bias, deadweight, leakage and displacement (30%)	£16,420,236
Estimated budget	£4,791,276
Target intervention rate	
Discounted cost per visitor attracted	£29.10
Discounted Economic impact per £	£3.43

Technical Note

1. Target figures for projects landed are for the two-year period of the programme (2023-24 and 2024-25).
2. Estimates of GVA impact are calculated as follows:
 - For investment – average GVA generated per project, based on latest ONS labour productivity data for the programmes key priority sectors.
 - For MICE and sporting events – average GVA generated per landed event based on ratios created through our own research study commissioned through the B ATP. These ratios take account of likely delegate numbers, event duration and likely overnight stays in the region (reflecting the expected number of out-of-region and overseas delegates).
 - Discounts have been applied to take account of:
 - Optimism bias – to ensure that we allow for any currently unexpected adverse geopolitical or economic developments (e.g. a major health crisis akin to Covid-19). In line with HM Government Green Book Supplementary Guidance, we have applied an optimism bias discount of 30%.
 - Allowance for potential deadweight, displacement, and leakage. Based on our own commissioned research for MICE and sporting events and DBT research studies for investment we have applied a further discount of 45%.
3. Figures for visitor economy impact are based on:
 - Available budgets.
 - Industry standard return on investment ratios for key components of the workstream (i.e. destination marketing campaigns, product development activity and MICE and major sporting event attraction activity) based on our own commissioned studies and VisitBritain's national standard.
 - STEAM modelling of overall regional visitor volume and value and visitor survey evidence of additionality from work delivered directly by WMGC.
 - While the STEAM modelling already discounts for deadweight, displacement, and leakage, we have discounted for optimism bias in the same way as for investment projects