

Programme Business Case

Single Assurance Framework

Version 3

WEST MIDLANDS INVESTMENT ZONE
PROGRAMME



Coventry
University



West Midlands
Combined Authority

**PROCUREMENT PROGRAMME BUSINESS CASE
VERSION 3.1**

The purpose of the **Programme Business Case (PBC)** is to select the projects and activities required to deliver the programme's spending objectives in support of the agreed strategy for the delivery of policy objectives.

A PBC should be used where several linked projects contribute to the same outcomes and cannot be treated separately. Producing a complete and detailed PBC means that the business cases for those projects can be smaller because they can refer to this submission.

GUIDANCE

- To support better spending, investment decisions and better procurement, this Programme Business Case should be written using WMCA guidance, which can be found [here](#).
- In addition, it is a requirement that all proposals for public funds submitted to WMCA are guided and based around the HM Treasury's Green Book and supporting information can be found [here](#).
- The input of key stakeholders must be detailed within Table 2, or the business case will be rejected until this information is provided.
- Mandatory appendices as listed in Section 6.0 of this business case must be submitted as supplementary documents.

| <i>Table 1</i> | | | |
|---|-------------------------------|-------------------|---|
| PROGRAMME DETAIL | | | |
| Programme Name: | West Midlands Investment Zone | | |
| WMCA Directorate: | SENZ | | |
| Delivery Team (if WMCA internal): | Economy/WMIZ | | |
| Organisation (if WMCA external): | N/A | | |
| GOVERNANCE | | | |
| If external to WMCA, when was this programme approved by your internal governance? | N/A | | |
| VERSION CONTROL | | | |
| Version: | 1.1 | Date: | June 2024 |
| PBC Prepared by: | Steve Bowyer | Job Title: | Partnerships and Engagement Strategic Lead |

Table 2

STAKEHOLDER INVOLVEMENT

Please provide the names and level of input of the stakeholders listed below. Note that some are mandatory and others are optional / dependent on the source of funding / nature of the project, this is made clear on the left of the table below.

| | Role | Name | Input | Date |
|------------------|--|-------------------------------|-----------------|-----------------|
| Mandatory | Senior Responsible Owner (SRO): | Ed Cox | Signed Off | 13/6/24 |
| | WMCA Executive Director: | Ed Cox | Signed Off | 13/6/24 |
| | Finance Lead: | Carl Pearson / Claire Nye | Signed Off | 05/06/2024 (CN) |
| | Legal Representative: | Debbie Dimock / Claire Buller | Signed Off | 12/06/2024 |
| | Procurement Lead: | Darren Robertson | Signed Off | 12/06/2024 |
| | <u>Digital and Data Engagement and Delivery:</u> <i>(if WMCA internal)</i> | Darren Hill | Signed Off | 12/06/2024 |
| Optional | Programme SRO: <i>(if applicable)</i> | | Choose an item. | |
| | <u>Major Programme Finance:</u> <i>(if CRSTS/ Investment Programme funded)</i> | | Choose an item. | |
| | Human Resources: | | Choose an item. | |
| | <u>Transport Planning Assurance:</u> <i>(if CRSTS funded)</i> | | Choose an item. | |
| | <u>Cycling Team:</u> | | Choose an item. | |
| | <u>Network Mitigations Forum:</u> | | Choose an item. | |
| | <u>Inclusive Growth Team:</u> | | Choose an item. | |

EXECUTIVE SUMMARY

PLEASE PROVIDE A ONE-PAGE STAND-ALONE SUMMARY OF THE PROPOSED PROGRAMME WHICH INCLUDES (MAX 500 WORDS)

- A BRIEF PROGRAMME DESCRIPTION
- TARGET OBJECTIVES
- ASSOCIATED OUTPUTS

In March 2023 the Government announced an Investment Zone programme for eight Combined Authority areas in England, including the West Midlands. Each would support an agreed priority sector through additional revenue and capital funding, business rates growth retention for designated sites and tax incentives that could be used to catalyse private sector investment in key development sites.¹

Priority Sectors

The West Midlands Combined Authority Board agreed that the Investment Zone will support the advanced manufacturing sector and specific linked industrial specialisms. This reflects existing West Midlands priorities and its world-class industrial and research strengths. Across the West Midlands, advanced manufacturing accounts for 11.3% of all local employment and £10.4bn of economic output, with deep-rooted specialisms in machinery, electronics and transport.

The Investment Zone will support existing and emerging sectoral strengths in the fields of Electric Vehicles and Battery Technology, Digital, Green Industries, and Healthtech. These advanced manufacturing sub-sectors intersect and overlap, and are core to delivering regional priorities, in particular the eight economic clusters of comparative advantage identified as part of the West Midlands Plan for Growth.

The diagram below summarises the overall objectives, outcomes and mechanisms of the West Midlands Investment Zone over the 25 year programme. The '25 year' period is dictated by the full business rate retention opportunity. This Programme Business Case will focus on the utilisation of Government funding available over the first 5 years of this programme. Specific anticipated outcomes and outputs from that funding will be indicated within this Programme Business Case but also, importantly within the various business cases supporting capital and revenue investment.

¹ [Investment Zone Policy Offer](#), HM Government, 2023

West Midlands Investment Zone at a glance

The West Midlands Investment Zone is set to harness the region's R&D strengths to drive growth within the advanced manufacturing sector, delivering wider economic benefit across the whole region.

Outputs:



Support £1.8bn growth in regional Advanced Manufacturing Sector by 2030



Provide 207 SME's and 18 large firms with Research, Development and Innovation grants to support product commercialisation



Extend the Made Smarter Adoption programme, providing 225 businesses with expert advice and 112 business with grants to enable technology adoption



Support 360 new learners to complete L4/L5 qualifications in Advance Manufacturing related subjects

Outcomes:

- Increased public and private sector investment in R&D, sectors and supply chains
- Improved regional innovative eco system
- Strengthened West Midland's position as a national leader in Advanced Transport, Construction and Health Technologies



With three key sites for new development and specialisation, which will drive local as well as region-wide benefit:

| Birmingham Knowledge Quarter | Coventry & Warwick Gigapark | Wolverhampton Green Innovation Corridor |
|--|--|--|
| | | |
| 765,000sqm of development floorspace | 2,414,000sqm of development land | 23,806sqm of commercial floorspace |
| 25,000 new jobs for Birmingham and the region | 1,827,000sqm of land eligible for tax incentives | £178.8m GVA over the next 10 years |
| Approximately £22m in private sector match funding | 9,931 new direct jobs | 400 new direct jobs |
| Improved public realm and active travel provision | Attract over £2.5bn of private FDI investment | Attract £60m private sector investment |
| World-class university collaboration | Utilisation of local and region Advanced Manufacturing, Automotive and Circular Economy Knowledge Base | Builds upon previous and upcoming funding (LUF R3) |

Enabled by a collaborative regional governance model, as well as a set of interventions and tools empowered by Government:



25-year Business Rate Retention for two sites



10-year Tax Incentives across two sites



Regional Business Support, Skills and R&D Programmes and Delivery Capacity Funding



Site Unlocking Capital and Revenue Funding

Key IZ Interventions

The Investment Zone will deploy a range of tools to support the growth of the sector across the region as a whole and at the sites shown above. These interventions are summarised below and include new funding and fiscal tools made available by Government alongside West Midlands designed support programmes for businesses and residents.

Business Rate Retention (BRR)

The Investment Zone will make use of 25-year retention of business rate uplift at two sites; Birmingham Knowledge Quarter and Coventry & Warwick Gigapark. These currently underdeveloped sites will see uplift against an agreed baseline retained by the West Midlands and will be reinvested to support both further sector growth within the Investment Zone and wider local growth priorities.

Tax Incentives

The West Midlands Investment Zone will deploy tax incentives across two sites; Coventry & Warwick Gigapark and within the Birmingham Knowledge Quarter (note, these will not be the same boundaries as the Business Rate Retention mechanism outlined above). These incentives include:

- Exemption from Stamp Duty Land Tax
- Exemption from Business Rates
- Enhanced Capital Allowance
- Enhanced Structures and Buildings Allowance
- Employer National Insurance Contributions relief

Additional Funding

The Investment Zone programme includes additional funding of up to £160m over 10 years. In the first 5 years, £80m is made available of which £15m is allocated to tax incentives. The remaining £65m is split 60:40 between revenue and capital.

Flexible spend priorities within the first five years will include:

- Regional programmes and delivery capacity - £26m revenue funding, to be further defined and disaggregated
- Coventry & Warwick GigaPark - £23m direct capital funding
- Birmingham Knowledge Quarter - £9m direct capital funding
- Wolverhampton Green Innovation Corridor - £7m direct capital funding

A table with the spend profile is provided later in this business case.

This programme business case focusses on the utilisation of this grant funding whilst setting the scene for the whole 25 year programme.

FINANCE SUMMARY

| <i>Table 3</i> | |
|--------------------------------|---|
| Finance Summary | PBC (£) |
| Total Programme Cost: | TBC (see note below) |
| WMCA Funding Requested: | 5,150,000 (of the 65,000,000 total grant) |
| WMCA Funding Stream: | IZ Flexible Funding |
| Funds Secured: | 0 |
| Funds Not Secured: | TBC |

The overall outputs and objectives of the Investment Zone 25 Year Programme will be secured through a combination of funding sources including government grant, borrowing and private sector investment.

It is not possible to quantify the total 25 year programme cost at this stage. Financial modelling and forecasting will be informed by local authority development of site business cases. This business case is focussed on the initial £65m Government Grant to deliver site development capital work and revenue programmes.

MHCLG will enter into a MOU with the WMCA covering the 5-year programme and provide a grant determination letter for the first year allocation of the grant. The first of these documents is appended to this business case; the latter will align with the MOU but has been delayed owing to disruption caused by the announcement of a General Election.

1 - STRATEGIC CASE

PROVIDING STRATEGIC FIT SUPPORTED BY A COMPELLING CASE FOR CHANGE

1.1 PROGRAMME OBJECTIVES AND ALIGNMENT TO WMCA AIMS

Outline the SMART (Specific, Measurable, Achievable, Realistic and Time-Dependent) objectives of the programme and how they will be measured within the table below. Desired outcomes include improved economy, efficiency, effectiveness, replacement and compliance.

Note, all programmes need to consider Inclusive Growth and its contribution to Net Zero.

This table should be reviewed in conjunction with the Benefits Realisation Plan and Benefits Register.

Table 4

Note these objectives contain specific target outputs that are geared directly to the funding. As such, in some instances, baseline data may not add value (eg sqm of development brought forward) but where possible will be included, and largely through the future workstream business cases.

| # | Objective | Quantitative Baseline | Target | Specific actions to achieve objective | How will the customer be impacted? (i.e., Outcomes) | Alignment to WMCA Aims and Objectives |
|---|---|--|--|---|--|---|
| 1 | To increase productivity in Advanced Manufacturing and related subsectors across the WMIZ, creating economic growth and new jobs in the city-region and beyond. | GVA at 2019 prices for Advanced Manufacturing and underpinning Tech sectors stands at £12.5bn. | Economic modelling has been undertaken on period to 2030 (funding period in this PBC 2024-29), This indicates potential £1.8bn growth in regional Advanced Manufacturing Sector through IZ activity. | <p>Deployment of funding at regional level to boost skills system and supply chain to support new advanced manufacturing activity</p> <p>Deployment of funding at site level to accelerate delivery of key sites and improve viability for business and university investment.</p> <p>To support this target, this funding will create: 620 new high level jobs in Advanced Manufacturing businesses by 2029; 42 training courses and 340 new learners to complete L4/L5 qualifications in Advanced Manufacturing related</p> | <p>Increased international competitiveness of companies within the cluster</p> <p>Internationally demanded new technologies</p> <p>Workforce where more people have the higher-level skills to contribute to and benefit from new jobs</p> | Promote inclusive economic growth in every corner of the region |

| | | | | | | |
|---|--|---|--|---|--|---|
| | | | | <p>subjects; 8 SME firms supported through direct, eg equity, investment.</p> <p>Additional investment into R&D, operations and innovation, catalysed through wider incentives offered through the scheme, will also contribute to the objective.</p> | | |
| 2 | To accelerate delivery of three key sites for advanced manufacturing R&D and related economic activity | Target is defined output, geared directly to funding through IZ. Only baseline that could be offered would be at LA level on development coming forward over comparable period. | Deliver new commercial floorspace across WMIZ sites in Wolverhampton, Birmingham, Coventry and Warwickshire through the capital investment PLUS the wider incentives (eg tax reliefs) contained within the programme | <p>Deployment of funding at site level to accelerate delivery of key sites and improve viability for business and university investment, through enhanced infrastructure – eg transport systems, energy connections, land remediation etc.</p> <p>Leverage regional funding as well as WMIZ status to improve investor confidence in site delivery, including</p> | <p>Internationally demanded new technologies</p> <p>Increased prevalence of decarbonised industries</p> <p>Improved environmental conditions in the region</p> <p>New job opportunities through construction phases.</p> | Promote inclusive economic growth in every corner of the region |

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| | | | <p>that will accelerate development.</p> <p>Improve energy grid connections and energy supply to key employment sites.</p> | <p>looking to secure pre-lets on key sites</p> <p>To support this target, this funding will enable 125+ha of land reclamation/remediation; 512,000m² of new/improved development; 8km of improved walking/cycle paths; improved public realm</p> | | |
| 3 | To attract and secure new businesses and business investment, including foreign direct investment, into the WMIZ | Target is a defined output, geared directly to funding through IZ. Only baseline that could be offered would be at LA level on investment coming forward over historic comparable period. | <p>To secure new private sector investment into WMIZ, including £75m in match-funding by 2029.</p> <p>Attract over £1.2bn in private investment over funding period.</p> | <p>Leverage regional funding as well as WMIZ status to improve investor confidence in site delivery, including looking to secure pre-lets on key sites</p> <p>Deployment of funding at site level to accelerate delivery of key sites and improve viability for business and university investment.</p> <p>Leverage the WMIZ funding and levers to improve viability of business and university investment</p> | <p>Increased international competitiveness of companies within the cluster</p> <p>Internationally demanded new technologies</p> | Promote inclusive economic growth in every corner of the region |

| | | | | | | |
|---|--|---|--|--|--|--|
| | | | | To support this target, this funding will enable promotional work, including 6 Business Events and conferences and 6 In-bound delegations to attract investment. | | |
| 4 | To share the benefits of growth and new opportunities with residents, communities and businesses within the West Midlands and Warwickshire | There is no baseline measure for this, therefore the target has to relate purely to anticipated outputs to measure. | Provide 207 SME's and 18 large firms with Research, Development and Innovation grants to support product commercialisation by 2029. Extend the Made Smarter Adoption programme, providing 225 businesses with expert advice and 112 businesses with grants to enable technology adoption by 2029. | Deployment of funding at regional level to boost skills system and supply chain to support new advanced manufacturing activity | Workforce where more people have the higher-level skills to contribute to and benefit from new jobs Increased international competitiveness of companies within the cluster | Ensure everyone has the opportunity to benefit |

The figures included above are based on the initial 5-year funding envelope of £65m, and reflect the outputs identified as being directly resulting from that funding as contained in the submission of the Annual Delivery Plan to MHCLG. This is a catalyst to wider investment and outcomes, generated through, for example year 6-10 Flexible Spend and extensive business rate retention reallocations over its 25 year retention period.

1.2 INCLUSIVE GROWTH AND EQUALITIES

Explain how this project will contribute to inclusive growth and equality within the West Midlands. If WMCA internal, the WMCA's Inclusive Growth Framework can be found [here](#). To add, state how health inequalities and equalities (protected characteristics as defined by the Equality Act) have been considered in the production of this business case, this can be done using the WMCA Health and Equity Impact Assessment (HEQIA) Tool found [here](#) for internal staff, or other tools available within Local Authorities. If you are external to WMCA but wish to use our HWQIA Tool, contact equalitiesteam@wmca.org.uk.

Inclusive Growth and Social value will be secured through the application of the WM Inclusive Growth Framework. This pioneering initiative in the West Midlands ensures a cross-cutting approach to strategic activities and programmes. It is founded on the principle of a more deliberate and socially purposeful model of economic 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. Currently this is firmly embedded within the CA's governance and programme structures and will underpin key accountability routes, such as the region's 'Single Outcomes Framework' in wider devolution discussions with Government. It is also being shared with local authority partners to inform economic and place-based interventions – such as the Investment Zone and Growth Zones – to deliver comprehensive inclusive growth and social value outcomes.

Given the integrated nature of the IZ development and implementation process that has engaged widely on the design of interventions, it is anticipated that strategic proposals are likely to have a direct positive impact on socio-economic outcomes e.g. reduction in unemployment, increase in training opportunities and an indirect positive impact on some protected characteristic groups such as disabled people and racialised (minority ethnic) communities who face disproportionate levels of unemployment and access to training opportunities when compared to non-disabled and White ethnic groups.

Interventions that are being explored in this programme that will achieve these inclusive growth and social value outcomes are outlined (not exclusively) below. It should be noted that the Inclusive Growth team at WMCA are included in respective working groups and involved in bilateral engagement.

- Partners such as Aston University and Birmingham City University, are nationally renowned for the proportion of local students or students from disadvantaged backgrounds who progress into highly skilled employment and well remunerated jobs (Aston university is ranked no.2 nationally). A key element of the WMIZ is to identify new development and skills routes for the future – whether that be in construction jobs in site development, or the operational functions of new investing companies, or in advanced skills pathways as companies grow and technological innovation advances – working with these universities, and Coventry University, the University of Warwick and the University of Wolverhampton. The WMCA's Skills team have been leading on key aspects of the WMIZ proposition and integrating these with other interventions; engaging with HE and FE partners to ensure programmes fit local need and opportunity – particularly among some of our less represented and more deprived communities.
- Not everyone has access to a car, particularly not those on low incomes. Integrating transport connectivity and active travel routes as part of the development proposals will ensure no community is prevented from accessing the benefits of the Investment Zone.

- Incorporating wider strategic regional initiatives such as air quality programmes and natural environment schemes to improve environments for local communities, businesses and students (e.g. the LINC programme), will support the Inclusive Growth Fundamental ambition to build climate resilience, and the WMCA's aspirations for a 'greener' region. In addition, one of the key sectoral focuses of the WMIZ is around battery technology and development: this will be crucial to decarbonising our homes and businesses and support the region's trajectory to net zero.
- Maximising business support programmes and targeting these based on existing economic intelligence and building on partner engagement programmes (e.g. entrepreneur and start-up growth support in ethnic minority communities) will ensure the WMIZ establishes new business opportunities for people from all communities – ensuring genuinely inclusive economic growth. Business growth and higher level skilled jobs will increase wage earning within the region and start to address some of the productivity differentials experienced across the West Midlands.

1.3 ORGANISATIONAL OVERVIEW

Provide a brief overview of the organisation(s) making the case for intervention and change.

The case for intervention to support the West Midlands Investment Zone is being made by the West Midlands Combined Authority, alongside all WMCA constituent authorities and Warwickshire County Council and Warwick District Council, and regional universities and research institutions. WMCA is the accountable body for the programme reporting to MHCLG.

The WMCA has worked extensively over the course of 2023 and 2024 with these partners, as well as representative groups such as the Innovation Board, Business Intelligence Forum and Commercial Property Taskforce to develop the proposition, identify key sites, and secure relevant designations from Government.

Ultimate delivery of the West Midlands' Investment Zone programme will be overseen by a dedicated West Midlands Investment Zone Board (WMIZ Board), which is a Board of the West Midlands Combined Authority. The WMIZ Board will be constituted of the following members who will have full voting rights:

- The West Midlands Mayor (Chair)
- All WMCA Constituent authorities
- Warwickshire County Council and Warwick District Council (see below)

The WM Investment Zone Board will hold overall responsibility for developing and delivering the Investment Zone, for monitoring site delivery by local partnerships, and ensuring overall compliance and achievement of agreed outputs and outcomes.

As well as setting the strategic direction for the IZ Programme, the WMIZ Board will also oversee and authorise individual investment decisions. The WMIZ Board will exercise delegated spending authority on behalf of WMCA, approving expenditure up to a threshold of £20m (above which expenditure must be approved by the main WMCA Board). All governance arrangements will comply with WMCA's Single Assurance Framework and associated arrangements.

In addition to the full voting members of the Board, key delivery stakeholders will be invited, such as the region's universities to send representatives as non-voting Board members. The Board will also be attended by the Overview and Scrutiny Chair of WMCA, in an observer capacity, and other stakeholders may be invited to attend as observers when appropriate.

1.4 EXISTING ARRANGEMENTS AND BUSINESS NEEDS

Provide a complete summary of the organisation's current service model referring to its Business as Usual (BAU) offer, this may also include elements of services provided within the organisation's external environment.

Also, state the deficiencies associated with the current provision and the implications if the programme does not proceed.

The WMCA Board agreed (June 23) that the region's primary sector focus for the IZ is 'advanced manufacturing and its associated intersections with green industries, healthtech and digital/tech'. This approach maximises the potential for the IZ to drive growth in the West Midlands, address specific barriers facing clusters within the sector and to deliver Government's aim of increasing private investment in large scale sites, research and innovation and growth and productivity improvements.

The R&D potential of the primary sector focus and associated sites has been validated by the West Midlands Innovation Board, who pinpointed advanced engineering with digital technologies as a particular focus for both comparative advantage and specific barriers facing the sector in the West Midlands. Health and clean/green technologies also reflects the focus of the West Midlands Innovation Accelerator, where its focus on translational and applied research complements the large-scale commercial opportunity of the Investment Zone.

There are currently a range of accepted challenges and barriers to growth that the Advanced Manufacturing sector faces in the West Midlands, and which the WM Investment Zone seeks to address.

The advanced manufacturing sector in the West Midlands faces the legacy of site contamination within the region; site contamination increases the cost and risk of new manufacturing developments. The region is also marked by smaller post-industrial brownfield sites that, while individually limited in scope, could offer significant opportunities if connected and linked on a larger scale. Additionally, the region is challenged by the lack of large-scale infrastructure specifically tailored for battery production, which is crucial for the burgeoning electric vehicle sector.

High remediation costs associated with developing manufacturing sites, particularly those with a legacy of industrial use, present a significant constraint on sector growth. These costs often lead to low viability for new projects, deterring potential investors. Additionally, the region does not currently demonstrate globally competitive levels of financial incentives for development; this disparity hinders the West Midlands' ability to attract domestic and foreign investment.

Furthermore, evidence from the West Midlands Plan for Growth suggests that the region currently experiences a general skills gap where vacancies within the manufacturing sector are hard-to-fill because of applicants lacking the appropriate skills, qualifications or experience.

The Opportunity

The West Midlands is a major UK centre for advanced manufacturing – employing over 211,000 people, or 11.3% of our workforce, significantly higher than the national average. These firms are pivotal to our economy, specialising in machinery, electronics, and transport, and generating £10.4 billion in output² through a range of companies; from start-ups to historic SMEs, and major firms like Jaguar Land Rover and Aston Martin. The sector's strength is based on a large talent pool, with over 32,500 STEM students in our universities and vocational training facilities driving skills in emerging technologies. The West Midlands leads in automotive parts manufacturing in the UK, housing major operations of global automotive companies and a significant cluster of original equipment manufacturers. Research and Innovation centres include the UK Battery Industrialisation Centre, the Birmingham Centre for Railway Research and Education, and Warwick Manufacturing Group, amongst others.

Baseline forecasts from Oxford Econometrics show that the advanced manufacturing sector could generate an additional £1.8bn in economic output and over 23,000 jobs by 2030; this growth scenario, alongside trends in non-manufacturing sectors, would return the region to its trajectory as the fastest growing region outside London. The West Midlands' Plan for Growth highlights that within the broader advanced manufacturing sector, the automotive and battery storage devices cluster shows the most promise for expansion. For example, the global EV market is projected to grow from \$163bn (2020) to \$823bn by 2030; with the renewable energy market, highly dependent on battery storage, anticipated to rise by 8.9%.

Delivering this potential requires us to tackle a number of barriers and constraints which currently exist within the sector and its supply chains, and which are holding back R&D growth and innovation. Action to address these barriers forms the focus of our Investment Zone.

² [West Midlands Advanced Manufacturing Sector Elevator Pitch](#), West Midlands Growth Company

1.5 KEY RISKS

Specify the key risks associated with the achievement of the project's objectives, along with the key activity aimed at either managing the cause or mitigating the effects of each risk.

The information provided should be an extract from the Risk Register and Issue Log attached with this PBC.

A full Risk Register is maintained (and appended to this Programme Business Case) for the Investment Zone programme and for individual sites within it. The table below is an excerpt of risks and mitigations relevant to the Programme Business Case.

Table 5

| ID | Risk | Impact (1-5) | Probability (1-5) | RAG Rating and Score | Risk Owner | Mitigation |
|-------|---|--------------|-------------------|----------------------|--|---|
| WM.01 | National political risk / discontinuity | 4 | 3 | 12 | WMCA & WM IZ Board | Business Rates Retention (BRR) and tax incentive mechanisms are now set in regulations, so would require legislation and a formal change of Government policy to reverse. Future flexible funding could be cut which would undermine LA involvement and viability. Consistency in regional visioning and narrative repeated through marketing and advocacy materials; leveraging the WM Mayor's voice and impact in national policy shaping to ensure continuation of approach. |
| WM.02 | Regional and local political risk / discontinuity | 4 | 3 | 12 | West Midlands Combined Authority & WM IZ Board | IZ Board provides leader level forum for engagement, assurance and dispute resolution. Robust analysis informing WM IZ strategy, sector focus, and interventions. IZ sites are years-long commitments by all relevant councils, reinforced by the new WMCA place based strategy approach. Future changes in leadership unlikely to |

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| | | | | | | find more viable investment propositions in short or medium term |
| WM.03 | Conflicts of interest within governance and shaping interventions | 4 | 2 | 8 | WM IZ officers steering group, regional delivery team | <p>No private actor is in a decision-making role (i.e. on WM IZ Board). All IZ schemes are run through a local authority accountable body, with their existing conflict of interest management systems and statutory functions, with agreed TOR.</p> <p>Any potential conflict of interest between Higher Educational Institutions (HEIs), Local Authorities (LAs) and CA managed at WM IZ Board and through regular working group meetings.</p> <p>WMCA's standard approaches to managing interests, including through the single assurance framework, will be applicable to the IZ delivery.</p> |
| WM.04 | Failure of tax benefit targeting | 1 | 3 | 3 | HMRC; local delivery teams | <p>While the WMCA has no discretion about what the tax incentives are, the structure of the delivery vehicles and land ownership models mean there are safeguards that sites (therefore tax incentives) will be used for the policy objectives of growing the sectors. In particular, landowners and developers have developed the strategies that show greatest long-term value creation comes from the high-value, innovative private sector activity targeted for each site.</p> <p>WMGC developing promotional activity to target investor benefits.</p> |
| WM.05 | Failed targeting of regional revenue programmes - | 4 | 2 | 8 | West Midlands Combined | The WMIZ programme has both a strong strategic base through the Plan for Growth (already used across Innovation Accelerator and SPF funding |

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| | demand, match funding, procurement | | | | Authority – Economy Team; regional delivery teams | streams) and is reinforced by more recent work on sector priorities and needs, including both at regional and local level. Collaborative development of the regional programmes between LAs, CA and HEIS – including with input from the Innovation Board and Economic Development Board. Regional programme design will follow tried and tested models. |
| WM.06 | Economic conditions and market interest - failure to attract co-investment / match | 4 | 3 | 12 | West Midlands Combined Authority; WMGC; partner delivery teams | Ongoing review of the develop plan at WM IZ Board, linked to long term development of the West Midlands wider approach to sector growth (to ensure growth strategy and IZ delivery remain aligned as market conditions change) In terms of investor management - The Global West Midlands programme provides a structured way (inc. bi-lateral place meetings and collaborative Prospectus development) for local authorities, local developer and university partners, and the WMCA and Growth Company to prioritise investor promotion. |
| WM.07 | Failing to meet MHCLG deadlines and/or quality standards | 3 | 2 | 6 | West Midlands Combined Authority | Delivery from April 2024 onwards much less contingent on point-in-time deadlines with MHCLG, and will instead build on working relationships formed during policy development process and an established pattern of working through issues jointly |
| WM.08 | Lack of capacity (in CA and in partners eg universities; meeting reporting requirements into MHCLG); insufficient capacity to deploy BRR to greatest effect (a viable approach to borrowing | 4 | 3 | 12 | West Midlands Combined Authority, Birmingham City Council, Coventry City | Early, proactive engagement with local authorities, universities and developers on the timetable for business cases and investment decisions and options to secure short-term capacity to develop details and accelerate works. |

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| | for Tax Increment Finance (TIF) mechanism; challenges to maintaining control over programme complexity (funding distribution and profiling, monitoring outcomes, etc) | | | | Council, Warwick District Council | Prudent and well targeted use of the flexible funding, in order to fill capacity gaps. With WMCA playing a Quality Assurance / support role on business case and other outputs at both regional and local levels, to ensure delivery capacity, programme monitoring and proactive approach to managing deployed funds. |
| WM.09 | Policy overlap, coherence, and interdependencies at regional level (eg with Single Settlement, Place Based Strategies, 10yr BRR, Growth Zones, Enterprise Zones, Innovation Accelerator) | 2 | 3 | 6 | West Midlands Combined Authority. | WMCA is a trailblazing devolution area and negotiating a multi-year Single Settlement in the next Spending Review which will include Local Growth and Place (as well as net zero, skills, transport) funding. Success of the IZ and growth of the priority sector will depend on interventions of sufficient scale following the right strategy. WMIZ is integrally linked at a team delivery level with all aspects of regional policy. |
| WM.10 | Ability to generate and predict business rate uplift in order to benefit programme (revenues only available once premise development and businesses occupied); and sufficient financial system capacity and capability amidst billing authorities to take on risk of borrowing against future business rates uplift Strong link / dependency to WM.06 above. | 4 | 4 | 16 | West Midlands Combined Authority, Birmingham City Council, Coventry City Council, Warwick District Council, WM IZ Board | Early financial modelling has been undertaken across IZ sites and Growth Zones within the WM region, with section 151 officers from all local authorities engaged in developing and testing the model. Keeping the model live is a vital component of the ongoing IZ delivery approach. Prioritisation of use of retained business rates from IZ sites towards investment in those sites will help to close the theory of change between those sites, their delivery, and the delivery of the business rate uplift. That being said, the WM-IZ will not commit the use of retained business rates until there is more certainty on the legal and practical implications of their use through the IZ, in order to manage risk from uncertainty. |

SINGLE ASSURANCE FRAMEWORK

| | | | | | | |
|-------|--|---|---|----|---|---|
| | | | | | | <p>The WM IZ Board will consider multiple organisations' fitness and legal ability to borrow against business rate revenues, not just the billing authorities in which rates are retained.</p> <p>The WM-IZ programme and investment plan have not been formulated on the basis of any assumed borrowing, so if billing authorities are limited from taking on additional debt, it will not put at risk the programme - any BRR-based borrowing could be reviewed and considered once the council is in a position of financial health.</p> |
| WM.11 | Fraud risk | 5 | 1 | 5 | West Midlands Combined Authority, Birmingham City Council, Coventry City Council, Warwick District Council, WM IZ Board | The WMCA, local authorities and universities collectively deal with over £6bn of public resources per year. Each institution has a comprehensive anti-fraud policy and governance/management controls. |
| WM.12 | Delays to programme (eg due to risks identified around government approvals, political approvals, and/or capacity) | 4 | 3 | 12 | Regional delivery team | Proactive programme design working with MHCLG and local delivery teams and building in contingencies and pre-deadlines to remain ahead of real 'hard stop' deadlines. Likewise in cost modelling and estimate, integration of contingency estimates to mitigate impact if actual costs rise. |

1.6 BENEFITS

State the main benefits associated with achievements of the programme. This should be aligned with the Benefits Realisation Plan and Benefits Register (or MEP) appended to this PBC.

Table 6

| # | Benefit | Benefit Type | Beneficiary |
|----|---|---------------------------|--|
| 1. | Boost Productivity in the FEA | Quantative Benefit (Qual) | Regional residents and businesses. Central government (i.e. HMT) |
| 2. | Workforce where more people have the higher-level skills to contribute to and benefit from new jobs | Qualative Benefit (QB) | Regional residents and businesses |
| 3. | Increased real earnings for high and low skilled workers within the FEA | Quantative Benefit (Qual) | Regional residents, Central government (i.e. HMT) |
| 4. | Increased international competitiveness of companies within the cluster | Qualative Benefit (QB) | Industry, businesses, and Central government (i.e. HMT) |
| 5. | Internationally demanded new technologies | Qualative Benefit (QB) | Industry, businesses, and Central government (i.e. HMT) |

1.7 CONSTRAINTS

Specify any constraints that have been placed on the programme.

- The IZ programme is focused on advanced manufacturing and on a combination of three key sites and enabling regional programmes; the intervention is therefore constrained to those sites, enabling programmes, and the priority sector.
- The first tranche of IZ grant funding is only committed for the first five years, with funding to be released each year contingent on meeting the outputs committed for the previous year. Another £80m of IZ grant funding is expected for years 6-10 of the overarching programme, with details yet to be committed. These two grant funding agreements are to be used in tandem to activate regional and site-specific interventions that will support the IZ in the long-term, including catalysing business rates uplift on key sites.
- Retained business rates can only be reinvested into the priority sector (Advanced Manufacturing) or to bring sites forward (aligned with Advanced Manufacturing objectives) or to address LA BRR potential detriment.
- Grant funding received must be broken down into fixed quanta proportions for capital and revenue funding. Details of annual funding allocation will be confirmed in the annual grant determinations. Grant Determination Letters (GDL) will be provided following confirmation of the annual payment each year until 2029, with the expectation that the same arrangement will continue for the second 5 years of IZ funding.
- Funds issued to WMCA as grant payment under Section 50 of the United Kingdom Internal Markets Act 2020 (UKIM) which will carry conditions on funding, spend and expectations.

1.8 DEPENDENCIES

Specify any dependencies outside the scope of the programme upon which the success of the programme is dependent.

-National and regional policy: the programme's success depends on its successful alignment with other points of national and/or regional policy – eg. Regional skills strategy; Transport planning; national sector-related decision-making that may constrain investor interest in elements of Advanced Manufacturing (for example, implications from Government's revision of combustion engine phase-out).

- Capacity within LAs, Universities, and CAs drawn into other areas of activity given external or funding pressures and opportunities.

-Funding profile: a number of interventions will be delivered through blended funded streams, enabling delivery of benefits across different levels. This will include WMCA funding, Investment Zone funding, and other match funding sources and regional programmes.

2 ECONOMIC CASE

MAXIMISE PUBLIC VALUE TO SOCIETY THROUGH THE SELECTION OF THE OPTIMAL COMBINATION OF SCOPE, COSTS AND OUTCOMES

2.1 CRITICAL SUCCESS FACTORS

List the critical success factors i.e., what must this programme achieve to be successful?

These are not outcomes or objectives, they are the attributes essential for successful delivery of the project.

Align this to the individual project(s) that will contribute to the delivery of each CSF.

Table 7

| # | Critical Success Factor (CSF) | Alignment to Programme Objectives / Related Project (s) |
|----|--|--|
| 1. | Strategic fit with wider regional aims and meeting the programme's overarching objectives. | All |
| 2. | Affordability within the grant funding envelope of £65 million | All |
| 3. | Deliverable within the funding timescales of 5 years | All |
| 4. | Capacity and capability of key partners to deliver the key programme targets and outputs within the agreed budget/financial scope. | To share the benefits of growth and new opportunities with residents, communities and businesses within the West Midlands and Warwickshire To accelerate delivery of three key sites for advanced manufacturing R&D and related economic activity |
| 5. | Attractiveness to private sector investment | To increase productivity in Advanced Manufacturing and related subsectors across the WMIZ, creating economic growth and new jobs in the city-region and beyond To attract and secure new businesses and business investment, including foreign direct investment, into the WMIZ |
| 6. | Ability to ensure regional coordination and distribution of benefits | To share the benefits of growth and new opportunities with residents, communities and businesses within the West Midlands and Warwickshire |

2.2 LONG LIST OF OPTIONS

Determine the long list options and undertake SWOT (strengths, weaknesses, opportunities, threats) analysis to complete the table below. All supporting evidence informing the long list together should be made available if requested for reference and/or Assurance and Appraisal purposes.

Information provided for the short listed options should also feature below.

Table 8

| # | Option Description | Advantages (Benefits) | Disadvantages (Disbenefits) | Does this option meet the Objectives and Critical Success Factors of this programme? (Y/N) |
|----|--|--|---|--|
| 1. | Do nothing – decline to deploy Investment Zone policy offer in West Midlands. | No changes needed; resource and capacity applied to other opportunities. | No benefits of the IZ realised – maintaining constraint to sector growth. | N |
| 2. | Proceed with Investment Zone policy offer, deploy all £80m of flexible spending without allocating any tax incentives. | An additional £15m to spend on Flexi spend | Fewer incentives for businesses occupying key regional sites; less confidence for developers on key sites | N |
| 3. | Establish IZ with both tax sites and business rate retention sites, but allocate all £65m of flexible funding at a site-level basis, including both revenue and capital spend. | Delegate deployment of funding to local level Enhance resources for key site delivery | No regional coordination and distribution of benefits Limitations on ability to support region-wide skills and supply chain ecosystems that will benefit site-level businesses | N |
| 4. | Establish IZ with both tax sites and business rate retention sites. Allocate all £65m of flexible funding by deploying capital funding at site-level to improve viability, but developing a regional | Revenue spend to help with operating costs across the region | Less funding for each of the key sites in the first instance Greater burden of responsibility | Y |

| | | | | |
|-----------|--|---|--|---|
| | programme approach to deploying revenue funding. | Enhance resources for key site delivery Create ecosystem-wide skills and supply chain benefits | on regional co-ordination and delivery | |
| 5. | Establish IZ on the basis of 60:40 capital, with capital on a site level basis, but revenue funding awarded through place-based competition. | Provides both capital opportunities for site level support and regional programmes. | Sub-optimal in requiring competitive processes and potential to miss opportunities through collaborative approach. | Y |

2.3 SHORTLISTED OPTIONS

Describe how proposals for delivering the programme objectives (via projects) have been shortlisted. State the preferred way forward which will progress through to the development of future project business case stages.

Option 1 was discounted due to it not allowing for the region to realise the benefits of an Investment Zone, limiting additionality and attractiveness to private sector investment. Option 2 was discounted due to its lack of incentives for businesses to locate within the Investment Zone.

Option 3 was discounted due to a lack of regional coordination and distribution of benefits, as well as being too site-bound.

Options 4 and 5 were shortlisted as the most viable approaches to achieving our ambitions.

These were:

4. Establish IZ - £65m (preferred option – blend of site-based capital and region-wide revenue programmes)

5. Establish IZ - £65m (as preferred option, but with alternative approach to managing regional revenue programmes).

Option 4 has the strength of applying critical capital funding where it is needed and an informed, coordinated regional approach to revenue funding. Its weakness is that it requires additional input from CA officers to design those comprehensive regional programmes. There is, however, a clear opportunity here to build on, and therefore in some cases sustain, existing regional economic support programmes – providing legacy and longevity rather than short-term funding. The threat would come from a potential lack of interest from pre-designed regional programme models.

Option 5 incorporates a competitive element whereby instead of regionally designed revenue programmes, organisations are invited to compete for funding. This has the strength of ensuring that interventions are more widely attractive as only interested parties would compete, which is countered by the weakness of a less informed strategic approach being adopted and opportunities being missed as a result. It would mean that demand for funding may be more certain, as it will be competitor-led, but equally the threat remains that breadth of impact may be quite limited.

Taking all considerations into account, and with the objective of continuing to foster a more region-wide strategic partnership approach to economic programme interventions, Option 4 was adopted.

2.4 SOCIAL VALUE FINDINGS

Detail the calculation of Net Present Social Value (NPSV) and Net Present Social Cost (NPSC) for the shortlisted options. This should also include significant impacts that cannot be quantified or included in the NPSV calculation and indicate how the preferred way forward offers the greatest value for money.

Calculations of NPSV and NPSC are not presented in this PBC. Instead, quantifications of NPSV and NPSC will be included as part of the individual project business cases. Several factors at this stage indicate how social value will be embedded at the sites, including existing assurance and leading outputs, such as 5,835 jobs created across the sites from this first wave of funding.

At a programme level there are an extensive number of NPSV and NPSC for the preferred shortlisted option, given the breadth of the programme over the 3 sites. These will be fully worked through in project level business cases that will sit below this PBC and will include benefit calculations for:

- Increased business productivity
- Reduced unemployment
- Reduced inactivity
- GVA
- Public investment
- Skills training and development in growth sectors
- Increased FDI
- New high skills jobs
- Employment support
- Environmental benefit
- Additional income
- Improved public realm
- New active travel routes
- And other calculations where appropriate.

Social value will also be secured through the application of the WM Inclusive Growth Framework. This pioneering initiative in the West Midlands ensures a cross-cutting approach to strategic activities and programmes. It is founded on the principle of a more deliberate and

socially purposeful model of economic 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. Currently this is firmly embedded within the CA's governance and programme structures and will underpin key accountability routes, such as the region's 'Single Outcomes Framework' in wider devolution discussions with Government. It is also being shared with local authority partners to inform economic and place-based interventions – such as the Investment Zone presented here – to deliver comprehensive social value outcomes.

Interventions that are being explored that will achieve these social value outcomes include (not exhaustively):

- Working with partners such as Aston University and Birmingham City University, who are nationally renowned for the proportion of local students or students from disadvantaged backgrounds who progress into highly skilled employment and well remunerated jobs (Aston university is ranked no.2 nationally), to identify new development and skills routes for the future.
- Wider interaction and integration with Adult Skills Strategy to ensure the breadth of skill level required for particular sector growth is fully understood.
- Integrating transport connectivity and active travel routes to development proposals to ensure no community is prevented from accessing the benefits of the Investment Zone.
- Incorporating wider strategic regional initiatives such as air quality programmes and natural environment schemes to improve environments for local communities, businesses and students (e.g. the LINC programme).
- Maximising business support programmes and targeting these based on existing economic intelligence and building on partner engagement programmes (e.g. entrepreneur and start-up growth support in ethnic minority communities).

3 COMMERCIAL CASE

COMMERCIALLY VIABLE AND ATTRACTIVE TO THE SUPPLY SIDE

At PBC stage, the Commercial Case is not expected to be matured. However, the nature of work required to sound out the market and inform the procurement process of the future project business case submissions, should be identified.

3.1 OVERVIEW OF COMMERCIAL CASE IN SUPPORT OF PREFERRED OPTION

The West Midlands Investment Zone will be delivered through a mix of regionally procured interventions, grants to local authority partners or stakeholders and direct delivery.

Capital workstreams will be delivered through grants to local authority partners and therefore will not require procurement activity by the WMCA

Revenue regional workstreams will be procured through the WMCA and workstream leads have engaged Procurement colleagues in this process.

Due to the size and complexity of the Investment Zone, the full details about the commercial options considered and procurement processes to be followed will be provided through the full business cases for the sites and interventions under this programme of work.

As it is not possible to prepare a single commercial case for the West Midlands Investment Zone, WMCA will work with partners to develop business cases for each of the interventions and site under this programme.

Some of these interventions will be directly delivered by WMCA, some through a delivery body selected by a competitive tendering process (business support programmes), and some through directly appointed delivery bodies e.g. the West Midlands Growth Company's delivery of the proposed inward investment programme.

In line with the WMCA Single Assurance Framework (SAF), WMCA's commercial team will advise business case leads on any commercial implications of the programmes being taken forward, e.g. the need to run a competitive process to select a delivery body, or to design a grant competition.

An assessment of fraud risk has been undertaken between MHCLG and WMCA in relation to the fund. WMCA will continue to be accountable for assessing and managing this risk through the WMCA's risk framework and standard fraud risk management approaches; WMCA have a credible track record in delivering major publicly funded projects whilst managing fraud risks.

The Secretary of State has made the English Investment Zones Subsidy Scheme ("the Scheme") in compliance with the Subsidy Control Act (2022). The Scheme may be used by MHCLG, HMRC and other relevant public authorities for the purpose of providing targeted subsidies in English Investment Zone areas.

WMCA approach to scheme appraisal:

Commercial cases will be developed for each of the full business cases using WMCA's business case guidance that is based on HMT's Green Book Model. General questions that

will be addressed through the commercial advisory and appraisal process during business case development include:

Commercial case overview in support of the preferred option:

- This section will confirm the ability of the marketplace to provide the required goods or services and the attractiveness of this proposal to potential service providers.
- There will also be detail included on how the respective procurement and legal teams have been consulted with regards to the impact of subsidy control on the project' (including HR/IT personnel implications).
- Procurement strategies and processes will be designed and implemented in adherence with WMCA's Constitution and Purchasing Procedures and Contract Manual. This will enable WMCA to ensure value for money is being secured both commercially and compliantly.

WMCA Procurement Team Comments

Following a period of early engagement, the stakeholder confirmed that the programme would include £39 million of capital grants to local authorities, and therefore support from the WMCA Procurement Team would not be required. If the situation changes and support is needed we ask that we are consulted as early as possible so we can advise on compliant routes to market in line with both the WMCA's Contract Procedure Rules and UK Procurement Regulations.

In relation to the revenue work streams, the Procurement Team have been engaged with to determine optimum routes to market. The specific procurement activity will be detailed in the individual business cases which will follow.

3.2 OVERVIEW OF THE COMMERCIAL STRATEGY

Where applicable, procurement will be carried out at a regional level, and will include specific local requirements around outputs and outcomes in our LA areas. This will avoid our LAs carrying out the same exercise individually and will enable us to maximise value and economies of scale. At an LA level, our LAs are meeting regularly through forums such as the WMIZ Working Group and where opportunities arise, will collaborate on the commissioning of local projects.

A number of projects will be self-delivered by LAs and will not require WMCA procurement, although LAs will be expected to comply with normal public commercial and procurement policy. Others (regional revenue programmes) may look to build on established LA networks, such as the local voluntary sector or other third sector providers.

A critical aspect of the programme is that it must not duplicate existing funding and we are working with LAs to identify which funding streams are the most suitable for the different projects and programmes they are progressing.

4 FINANCIAL CASE

AFFORDABLE AND FUNDABLE OVER TIME

Unrounded figures should be used throughout the Financial Case

4.1 CAPITAL AND REVENUE FUNDING STATEMENT

Provide an overview of the proposed funding package to deliver the programme within the table below and include the remaining funding gap (if applicable).

All secured funding identified below should be verified by a written confirmation attached to this PBC with details of any conditions. Note that any funding requested via this PBC is “unsecured” until approval of the project case, BJC or FBC (as appropriate for the project).

| <i>Table 9</i> | | |
|--|--|---|
| | Status (Secured / Not Secured) | £M |
| Revenue | Not Secured | 26 |
| Capital | Not Secured | 39 |
| Total | Not Secured | 65 |
| Development Funding within the above (funding required to reach the next stage) | Not Secured | 7 of which £1.85m has been approved by CA Board. The balance of £5.15m is requested through this PBC. |

| <i>Table 10</i> | | | | |
|---|----------------------|-------------------|---|---|
| Funder | Amount £m | % of Total | Status (Secured / Not Secured) | Details of Funding Status / Timing / Conditions etc. |
| MHCLG Investment Zone Programme Flexible Spend | 65 | 100% | Not Secured | Funding based on 5- year programme with annual spend profile. Activities expected to attract £141m match funding |
| | | | | |
| | | | | |
| | | | | |
| Total | | | | |

The following table provides the spending profile as agreed with MHCLG.

CA Board on 14 June 2024 approved that the £65m of flexible funding is added to the budget and delegated authority to the Investment Zone Board to approve business cases within its

delegated authorities and in line with the initial Investment and Delivery Plan as outlined in this report.

CA Board also approved the allocation of the first year funding in relation to Admin (£850,000) and Planning (£1m) in order to provide enhanced capacity for both the WMCA and across the region to develop and delivery of the IZ Programme. This PBC sets the overview for the whole £65m funding allocation and specifically requests the allocation of the remaining Admin (£2.350m) and Planning (£2.8m) funds as detailed below totalling £5.15m.

| Investment Theme | Investment Area | Financial Year | | | | | Total |
|---------------------------------|---|----------------|---------------|---------------|---------------|---------------|---------------|
| | | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | |
| | | £000 | £000 | £000 | £000 | £000 | £000 |
| Local Infrastructure | Wolverhampton Green Innovation Corridor | 750 | 750 | 2,000 | 2,150 | 1,350 | 7,000 |
| | BKQ | 500 | 2,583 | 2,834 | 2,833 | 250 | 9,000 |
| | Gigapark | 2,250 | 5,500 | 4,500 | 3,600 | 7,150 | 23,000 |
| Business or Stakeholder Support | Investment Promotion | - | 500 | 500 | 500 | 500 | 2,000 |
| Research and Innovation | R&D Grants | 250 | 1,000 | 1,250 | 1,250 | 1,250 | 5,000 |
| Business or Stakeholder Support | Supply Chain Adoption | 250 | 1,000 | 1,250 | 1,250 | 1,250 | 5,000 |
| Skills | Level 4&5 Skills | 200 | 1,050 | 1,250 | 1,250 | 1,250 | 5,000 |
| Planning | Regional Delivery Capacity | 1,000 | 1,000 | 600 | 600 | 600 | 3,800 |
| Admin | Regional Delivery Capacity | 850 | 850 | 500 | 500 | 500 | 3,200 |
| Business or Stakeholder Support | Equity for Growth | 250 | 300 | 450 | 500 | 500 | 2,000 |
| | | 6,300 | 14,533 | 15,134 | 14,433 | 14,600 | 65,000 |

4.2 OVERVIEW OF FUNDING AND AFFORDABILITY SUMMARY

A written summary of the overall affordability of the programme and the funding that has been secured to date must be provided. Where there is a shortfall in available funding, provide details of how this will be addressed, and the level of contingency included.

The overall outputs and objectives of the Investment Zone 25 Year Programme will be secured through a combination of funding sources including government grant, borrowing and private sector investment.

The Government have provided £65m of flexible funding to deliver site development capital work and revenue programmes. The latter includes elements of capacity funding to support programme delivery totalling £7m (the 'planning and admin' elements) which this PBC seeks to secure and ultimately release.

It should be noted that, on the 14 June 2024, CA Board approved the use of year one allocations of Planning Resources (£1m) and Admin Resources (£850,000) from within the 'Capacity' element of flexible funding, to enhance regional capacity to deliver the Investment Zone Programme. A copy of the report is appended to this business case.

In line with the 2024-25 Annual Delivery Plan agreed with MHCLG the Planning Resources will be utilised to recruit required technical skills to develop masterplans and associated

documents to facilitate development of sites. In the main this will be undertaken by the lead local authorities.

The Admin resources will be utilised to provide delivery monitoring, due diligence, performance & compliance monitoring and in the main will be undertaken by the WMCA. Some admin resources may also be required by the lead local authorities.

The allocation of funding within the Planning and Admin themes will be undertaken in line with established WMCA delegation structures. Where funding is allocated to local authorities, this will be subject to a grant determination letter aligned to the Collaboration Agreement.

It is likely Government will provide a second £65m for the five years commencing 2030 following a positive announcement in the Autumn Statement of 2023.

It is anticipated that delivery of the IZ will require borrowing by LAs and potentially WMCA. Such borrowing will be funded by Business Rates uplift and subject to robust, detailed business case development and financial modelling.

Complementary funding through other routes, such as the Single Settlement, may be utilised to support this programme where additional outcomes can be evidenced.

Individual business cases will be brought forward on a site-by-site basis to secure borrowing and/or grant funding.

There is not likely to be a shortfall of available funding.

| <i>Table 11</i> | |
|--|---|
| Funding Type <i>Grant / Cashflow (repayable) / Underwrite</i> | Grant |
| Funding Commencement Date | The funding was committed by Government from April 2024. However, receipt of the grant determination letter has been delayed until after the General Election. It is expected that the grant determination for the full year allocation will follow shortly after the election. <i>A draft MOU for this funding has been shared by Government – indicating their intent – and it has been confirmed that submission of the formal Year 1 Annual Delivery Plan will catalyse the funding agreement. This is in hand.</i> |
| Funding Completion Date | 31/03/2029 |
| Basis of Reimbursement <i>Quarterly in arrears of expenditure incurred (WMCA Standard)</i> | The CA will receive an annual payment aligned to the spend profile. It is anticipated that grants will be paid to LAs on a quarterly basis in arrears. |

| | |
|---|--|
| <p>Any Conditions Precedent?</p> <p><i>e.g., securing DfT funding. Include any spend deadlines, eligible spend outputs and high priority items likely to be included in any Conditional Grant offers or development agreements in principle (Heads of Terms)</i></p> | <p>The CA will enter into a MOU with MHCLG which sets out the grant conditions.</p> <p>Annual allocations are subject to the delivery of outputs/outcomes and spend profiles as set out in WMCA Annual Delivery Plan.</p> <p>The MOU includes:</p> <ul style="list-style-type: none"> - Thresholds for performance - Change management process - Process for withholding funding if thresholds are not met. |
| <p>Order in which WMCA Funding is to be drawn</p> <p><i>1st/2nd/3rd</i></p> | <p>N/A</p> |
| <p>Work streams for which WMCA Funding is available to be drawn against</p> <p><i>e.g., all / workstream 1, 3 and 4 etc.</i></p> | <p>All</p> |

4.3 BORROWING SUMMARY

Please state if any element of the programme costs is to be financed by borrowing. (Yes/No).

If applicable please complete the following table and provide an explanation of the borrowing required to fund this programme:

| <i>Table 12</i> | |
|--|------------|
| Principle expected to be Borrowed | <i>N/a</i> |
| Source of Finance | <i>N/a</i> |
| Loan Type | <i>N/a</i> |
| Interest Rate Assumed | <i>N/a</i> |
| Loan Term | <i>N/a</i> |
| Expected Loan Draw Down Date | <i>N/a</i> |
| Repayment Source | <i>N/a</i> |
| Other costs Associated with Borrowing | <i>N/a</i> |

As mentioned previously, it is anticipated that the delivery of the Investment Zone Programme will be underpinned by borrowing undertaken either by the LAs or the WMCA. The borrowing will be funded through business rates uplift generated through site investment.

There is currently no expectation or plan to commence borrowing at this stage to accelerate the funding available through the IZ flexible funding allowance. Individual LAs may choose to explore borrowing in order to frontload funding profiles, which would be explored further in intervention-level business case, but at time of writing this has not been committed.

The WM IZ Board will have oversight of the IZ-wide investment strategy. Discussions are underway between regional Finance Directors on principles that should underpin approaches to funding, finance and borrowing. The approaches taken on borrowing and financing will be directed by the business cases yet to be developed and may see a range of routes pursued: CA borrowing, LA borrowing, or a combination of the two. Due diligence and financial prudence will be a necessary prerequisite for any decision that could be made to borrow based on future business rate revenue. The IZ investment strategy does not pre-commit any authority to this borrowing.

In resolving finance and borrowing models, it will be vital for local delivery partnerships to include and reflect relevant landowner, investor, and developer interests in their positions. These need to be reflected in the wider public sector borrowing considerations and representatives from those interest groups, including regional HEIs, will be key contributors to that work.

4.4 IMPACT ON ORGANISATIONAL FINANCES

The impact on the organisation's balance sheet and income and expenditure account must be explained. This includes depreciation, impairment, and any contingent liabilities or capital changes.

There are two main sources of public funding and financing for the Investment Zone. The first is grant funding from Government, and the second is the ability to retain business rate uplift on designated sites. These BRR measures are vital in providing the long-term revenue streams to facilitate tax-increment financed borrowing that will enable the provision of critical infrastructure for site development.

WMCA officers have worked closely with local authorities to develop a financial model which begins to consolidate the financial characteristics of the Investment Zone sites. The financial model will be developed as the detailed business case work matures and is intended to cover:

- Costs of delivery for critical site infrastructure.
- Indicative, incremental Business Rates revenues generated within sites, which can be retained for re-investment as appropriate.
- The volume of debt each site could afford based on the levels of revenues accruing as detailed above.
- Specific assumptions around costs including inflation and contingencies.
- Specific assumptions around income from business rates, including time and level, provision for appeals and bad debts.
- Accounting considerations relating to borrowing such as repayment of MRP, interest rates and the timing of such payments.

The current model shows the indicative scale of debt involved in bringing the sites forward, as well as the value of Business Rates which could accrue over the 25-year period. Given the

rate of proposition development and long-term projection nature of the IZ programme, significant variations in costs, income, phasing and other economic assumptions should be expected, although best efforts have been made to provide an accurate reflection commensurate with the development stage.

4.5 STAKEHOLDER SUPPORT

Evidence of stakeholder support must be provided where other public sector organisations are funding the programme's outputs and services.

Regional universities and associated Catapults and/or Research Institutions have registered their support, including the signatories of Coventry, Warwick, Aston, BCU, and Wolverhampton universities to the IZ proposition as a whole.

Members of the Innovation Board, with university and private sector representation, have also registered their support, while private sector partners have directly stated their support through engagement within the Birmingham Innovation Zone (Bruntwood and Woodbourne Group) and Gigapark (Rigby Group).

Wider private sector support has been evidenced through engagement with the CA's Commercial Property Taskforce, where leading private sector organisations have indicated their support to promoting the Investment Zone to their networks and potential investors.

Regional stakeholders such as local authority partners, WMGC and universities will be closely integrated into the programme's delivery phase: informally through regular fortnightly WMIZ Stakeholder Group meeting, formally through representation on the WMIZ Board. These partners will also be engaged directly by the HOIZ and other programme officers on a bilateral basis to ensure commitment to the WMIZ.

Weekly meetings are also held with MHCLG officers to ensure the satisfactory delivery of the WMIZ. Although this frequency is expected to reduce over the delivery phase, it has been agreed that MHCLG and WMCA officers will meet monthly as a minimum to monitor progress and ensure Government's ongoing involvement, support and commitment.

5 MANAGEMENT CASE

CAN BE DELIVERED SUCCESSFULLY BY THE ORGANISATION AND ITS PARTNERS

5.1 MANAGEMENT AND GOVERNANCE

Provide an overview of the necessary management and governance arrangements both in the delivery phase and in operation i.e., include detail on:

- Governance and decision-making arrangements
- Change management arrangements (inc. reference to WMCA Change Process)
- Benefits realisation arrangements and plans, including benefits register
- Contract management arrangements
- Post evaluation arrangements

Overall responsibility for the WMIZ will rest with the Investment Zone Board – an integral board within the CA’s decision-making structure, equivalent to Investment Board. Constituted from all WMCA constituent authorities plus Warwick DC and Warwickshire CC, it will provide the over-arching governance of the IZ implementation, including agreeing investment of £5m up to £20m (for investments up to £5m existing officer delegations apply), reports to MHCLG, and the management of any substantive change requests.

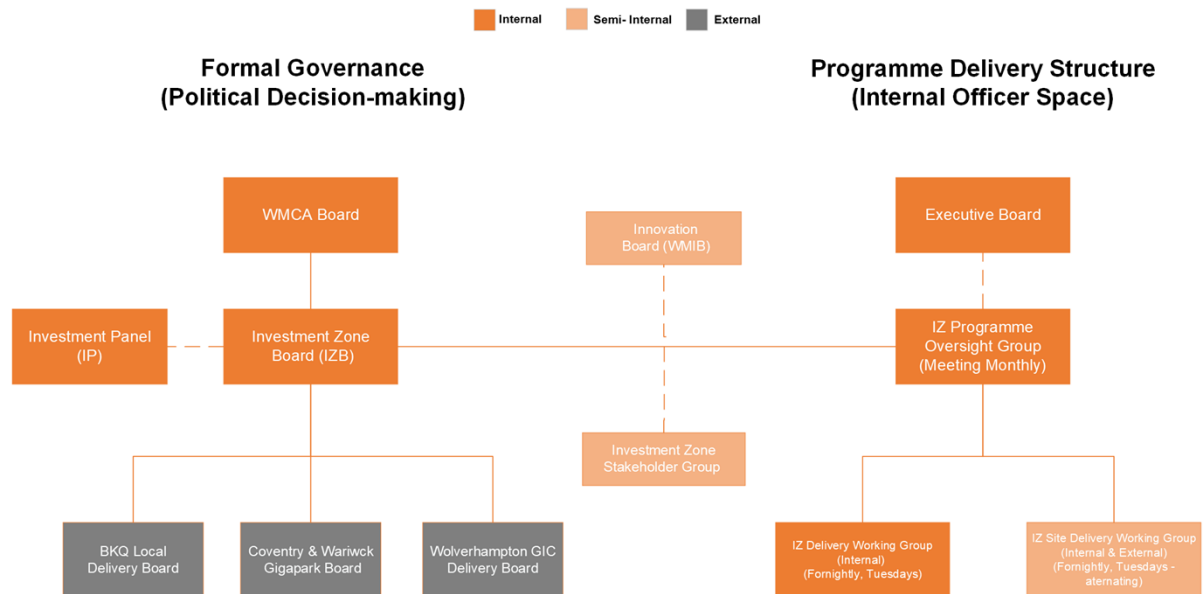
This will be supported by a WMCA ‘Programme Oversight’ team, chaired by the Exec Director for SENZ and consisting of the Head of WM Investment Zone, Head of Major Funding, Head of Economic Policy & Partnerships, and other key officers, who will have overall responsibility for the delivery and monitoring of the programme including any actions/change requests (subject to WMCA Change Processes).

Each workstream within the WMIZ will have a dedicated lead and delivery groups have been established to ensure consistent programme delivery mechanisms. These will be internal for the overall WMCA responsibilities (overall programme and regional revenue programmes) and a blend of internal and external for site delivery responsibilities.

Recruitment for essential roles (eg ‘Head of WM Investment Zone) will follow WMCA recruitment processes – see Section 5.3. Other key roles supporting delivery, Subject Matter Experts, within WMCA have already been engaged and budgeting for costs of any recharge is in hand (see 5.5).

The diagram below indicates those relationships.

West Midlands Investment Zone: Governance Overview



Benefits and outputs have been captured in the submission to the MHCLG as part of the Year 1 Delivery Plan. These will be monitored through the above governance structures both in terms of delivery performance and benefit realisation.

All awards of grant will be subject to WMCA's SAF, Procurement and Legal processes. Individual business cases will be developed for each area of activity: by the SENZ and ESC directorates for regional revenue programmes and by relevant local authorities for site delivery. The business cases will outline the commissioning / contractual routes to be adopted which will comply with all public sector procurement requirements.

This PBC affects the overarching first 5-year tranche of flexible funding from MHCLG (£65m) as well as enabling the draw down of the capacity funding component of that (total £7m). The award from MHCLG will be subject to full reporting and evaluation activity. A particular milestone will come in Spring 2028 as WMCA begins to prepare its submission for the second 5-year phase of flexible funding: this will incorporate full programme evaluation.

5.2 PROGRAMME SCHEDULE FOR DELIVERY

List key programme milestones below including project start and end dates. The information provided should align with the Programme Schedule attached with this PBC.

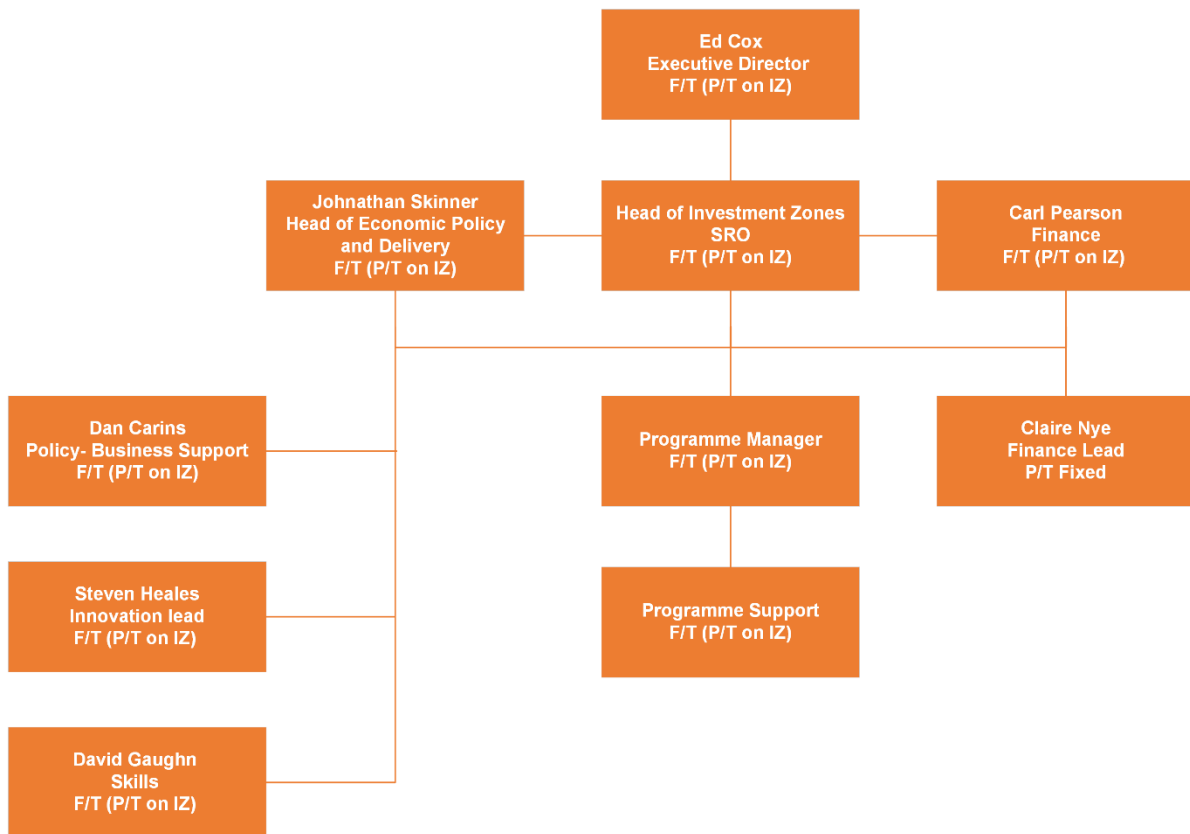
The key project milestones table below is a summary of those key milestones aligned to the Programme Schedule, which must be appended to this PBC. Include dates for future business case submissions (i.e., individual projects) and a longstop date by which all monies for this programme will be drawn down.

Table 13

| # | Milestone | Start Date | End Date |
|-----|---|--------------------|---|
| 1. | Develop WM-IZ investment plan | Feb 2024 | May 2024 |
| 2. | Develop the Year 1 Annual Delivery Plan for MHCLG | Feb 2024 | June 2024 |
| 3. | Development of all site-level business cases including investment and delivery plans. | May 2024 | March 2025 |
| 4. | Development of Regional Programme business cases. | May 2024 | December 2024 |
| 5. | Business rates retention & Tax incentives begin | 01 April 2024 | Beyond initial 5-year (£65m) programme period |
| 6. | Design and early procurement setup activities for regional revenue interventions | Autumn 2024 | Autumn 2025 |
| 7. | Enabling works begin across sites | Winter 2025 | Beyond initial 5-year (£65m) programme period |
| 8. | Construction starts across IZ sites | Spring 2025 | Beyond initial 5-year (£65m) programme period |
| 9. | Occupations commence on each of the 3 key sites | Autumn 2026 | Autumn 2027 |
| 10. | Occupation of remainder of buildings | Spring/summer 2028 | 2035 |
| 11. | Start development of second 5-YR flexible spend proposition. | January 2028 | Autumn 2028 |
| 12. | Begin developing IZ stage 2 PBC | Autumn 2028 | March 2029 |

5.3 PROGRAMME TEAM ORGANOGRAM

Insert a Programme Organogram which includes distinguishes between full-time, part-time and fixed term staff. A Senior Responsible Owner (SRO) should be appointed and identified in the organogram:



The Head of Investment Zone has been recruited; they will be responsible for securing the required programme support. There is currently an interim team providing support to ensure progress against project objectives is being made.

5.4 PROGRAMME DELIVERY ROLES AND RESPONSIBILITIES

Classify the roles and tasks to determine who is Responsible (R) , Accountable (A) , Consulted (C) and Informed (I).

Table 14

| | Exec Director | HOIZ | Head of Major Funding | Head of Economic Policy & Partnerships | Programme Manager |
|-----------------------------------|---------------|------|-----------------------|--|-------------------|
| Overall Programme Delivery | A | R | A | C | C |
| Regional Programmes | C | R | C | A | C |
| Site Delivery | C | R | A | I | C |
| Investment & Finance | A | R | A | C | I |

| | | | | | |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <Insert Task> | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|

5.5 USE OF SPECIALIST ADVISERS

Specify what support and SME advice is required from outside the programme team. Include both resources inside your organisation (e.g., legal and finance) and those outside (e.g., technical consultants)

Internal: Additional support from Enabling Services as follows:

Finance: Financial accountability and budget control.

Arrangements for flow of retained business rate procedures.

Developing investment plans with HOIZ for flexible funding and BRR investment.

Liaise with Finance Directors on borrowing routes.

Along with HOIZ developing all returns and drawdowns to/from MHCLG.

Legal: Preparing legal agreements for BRR and Collaboration Agreements.

Reviewing all relevant contracts.

Potentially advice on the establishment of special purpose vehicles.

Procurement: Advice on the commissioning of contracts/ programmes.

Comms: Website and ongoing promotional activity.

Risk: Support and advice on strategic risk implications for Exec Board

Subject Matter Experts above have been engaged consistently throughout the programme development and will contribute either through established working groups or in bilateral engagement. Costs can be budgeted and forecasted for recharging to the programme.

External:

MetroDynamics have provided support to the development of the WMIZ – procured through the Constellia framework and as agreed and guided by Procurement, Legal and Finance teams. However, this is anticipated to tail off once in-house capacity is fully established.

As development plans for site delivery mature, and financial routes are further explored, it may be necessary to source external professional advice on land values and financial modelling (original modelling had been undertaken by Amion), and other specialist advisory services.

Any external procurement will follow WMCA procurement rules.

5.6 CHANGE AND CONTRACT MANAGEMENT ARRANGEMENTS

Explain how contracts and changes will be managed. The information provided should align with the Change Strategy attached with this PBC.

Internal Contract and Change Management Arrangements

The Programme Oversight Group will have oversight of the Change Management Strategy. The Terms of Reference of this Group includes the following purpose:

To ensure that the Workstreams deliverables are delivered in accordance with the agreed budget and objectives and timescales set out, together with reporting progress, risk and escalating issues to IZ Board.

Specifically, the Group will agree Changes to Costs, Scope, timelines and Requirements.

CA and regional contracts will be managed through the WMCA delivery team, in consultation with WMCA's legal, procurement, finance and HR teams where appropriate.

Decisions will be made in line with WMCA delegation structures, noting that the IZ Board will have delegated authority to make decisions from £5m up to £20m. Decisions above £20m will be made by the CA Board.

All changes will follow the WMCA SAF Change Control processes where applicable.

(Terms of reference for relevant Groups are appended)

Contract and Change Process as detailed in the Memorandum of Understanding with MHCLG

The MOU with MHCLG sets out the terms and conditions of the funding.

Returns will be submitted to MHCLG comparing expenditure and output delivery on an annual basis against the baseline agreed in the Annual Delivery Plan. The WMCA as Accountable Body have flexibility in changing local priorities and plans in line with the responsibilities delegated to them. MHCLG will therefore only be required to approve changes above the following thresholds:

- An increase in administration costs over 4%
- A 30% reprofiling of spend laterally across years compared to the proposal baseline
- A 30% reprofiling of spend across spend themes compared to the proposal baseline
- A 20% drop in outputs compared to the proposal baseline
- A 20% reprofiling of outputs laterally across years compared to the proposal baseline

Change controls will be triggered by the Accountable Body reporting a 'material change' outside of the tolerances described above. The Accountably Body will inform MHCLG as soon as a material change becomes likely.

(The MOU with MHCLG is appended)

Contracts and Change Process with LA Partners

A Collaboration Agreement with LAs will set out the funding allocations and terms and conditions of the funding. The change control process, in the Collaboration Agreement, will reflect the Change Management Strategy incorporating the requirements of MHCLG and the WMCA's SAF processes.

Monitoring and reporting requirements will be set out in the Collaboration Agreement which will enable early warning of any potential change requests.

5.7 RISK AND ISSUE MANAGEMENT

Explain how project risk management is undertaken; the relevant roles and responsibilities for managing risk within the project. Think about how risks are identified, how often and by whom the risk register is reviewed, and how risks are to be escalated. This last point is particularly important, what happens if a risk is out of control, where does it go?

The risk management strategy is appended.

At the highest level, the IZ Board has responsibility for the oversight of risk management.

At officer level, the Investment Zone Programme Board has responsibility for the Review and Management of Programme Level Risks and Issues.

Weekly reviews of the risk register will be undertaken by the internal delivery team who will report to the IZ Delivery Working Group and onto the IZ Programme Board.

The Programme Risk Register will be underpinned by Site Specific Risk Registers owned by the LA delivery partners. (Terms of reference for the relevant Boards are appended)

5.8 PROGRAMME ASSURANCE

Set out the arrangements for programme assurance, including the use of Cabinet Office Gateway Reviews. Other sources of assurance should be considered: technical, quality etc. Specify the probable timescales for undertaking project implementation and post evaluation reviews.

Each project within the programme will be subject to the WMCA SAF assurance processes.

The WMCA will prepare an Annual Delivery Plan (ADP) which will be approved by the CA Board for the first year and then IZ Board thereafter. The ADP will be submitted to MHCLG.

Every 6 months the WMCA will provide an update report to MHCLG setting out IZ expenditure, delivery against outputs and updates on key projects.

The annual update of the delivery plan for the following year will include any reprofiling of spend or outputs.

Each Theme benefiting from the grant funding will be expected to provide quarterly updates on progress including achievement of key milestones, outputs and spend against profile.

Where projects are being delivered by LAs these monitoring requirements will be set out in a Collaboration Agreement as a condition of the grant funding.

5.9 CONTINGENCY ARRANGEMENTS

Set out the contingency plans in the event of any delays or disruptions to anticipated services.

Regional Programmes (Business support, Skills, Investment):

In the event of delays or disruption in commissioning or delivering services, the Economic Delivery Team will explore alternative delivery routes using existing programmes. This has been made possible by adopting existing, accepted models as the basis for the new interventions proposed through the IZ: thus enabling similar, albeit always additional, outcomes and outputs to be achieved.

MHCLG have afforded a high degree of flexibility around the use of allocations, provided these remain in the 60:40 capital:revenue split and overall outputs are achieved. This therefore allows for flexing of funding, if some elements are running faster than others. The scheme also has a 30% threshold before formal change requests require escalation.

5.10 LESSONS LEARNT

Detail how Lessons Learnt have been considered during the development of this proposal and plans for capturing Lessons Learnt during this programme.

The development phase of the IZ is nearing completion and the team responsible for its design has already started to assess lessons from that phase. For example, it is clear that earlier, and more thorough co-design work with partners through collaborative workshops may have achieved greater commitment sooner. Equally, establishing fixed point deadlines for decisions may have mitigated some of the challenges around business rates arrangements.

Looking to the future and the implementation phase, it is proposed that as part of each annual review process, the Delivery Working Group will incorporate a report on 'lessons learnt' section for both the Programme Oversight Group and Investment Zone Board. This will enable an ongoing cycle of continuous improvement in the programme's implementation, and could also be a useful reflection to MHCLG to help inform national policy approaches around similar schemes.

5.11 MONITORING AND EVALUATION

The ongoing development of the programme will include ongoing quality assurance, performance management, monitoring and evaluation. The performance framework for the WMIZ will be developed in line with the West Midlands' Single Assurance Framework in order to ensure appropriate assurance is in place, including integrating into the emerging approach to be taken to the WMCA's Single Settlement.

MHCLG have begun developing their approach to ongoing Investment Zone monitoring and reporting. Their approach is based on:

- Release of funding each year according to the profile agreed at programme outset.
- An Annual Delivery Plan (ADP) which will set out spend and outputs, and which will form the basis of performance management processes.
- Reporting on a 6- and 12-monthly basis, covering spend, outputs and activities:
- Every 6 months: an update report setting out expenditure, delivery against outputs, and updates on key projects and activities on tax sites. This data will be used to understand progress.
- Every 12 months: in addition to the above, an updated ADP for the following year. This will include reprofiling any underspends and providing a credible plan to spend these in the next year. This annual return will be used to manage performance in the programme.

MHCLG have committed to giving accountable bodies flexibility and responsibility in delivering the Investment Zones, but will maintain approval authority for any “material changes”^[1] to the proposals.

The year 1 (FY2024-25) WM-IZ ADP is expected to be signed by WMCA and agreed with MHCLG by 14 June before committing release of funds.

Further detail on the Monitoring and Evaluation plans, including baselines and measures of success, will be provided in the full business cases that will be completed for each project. Overarching measures of success will be based on the anticipated benefits that this programme is intended to achieve and as contained within the Benefits Realisation Plan and Benefits Register (included as Appendices). These will be evaluated at a programme level through the governance measures outlined above.

[1] The definition of “material changes” for these purposes is still under development. It will include thresholds for non-material vs material reprofiling of spend laterally across years or across themes, as well as thresholds for reprofiling or decrease in outputs from initial proposal. So far, indications are that MHCLG will not apply these thresholds to spend within an intervention, or spend within the same theme.

6.0 MANDATORY APPENDICES REQUIRED FOR THIS PBC

Please provide each of the mandatory appendices listed below as a separate Word/Excel document – do not embed in the Business Case or provide PDFs.

If any appendices are missing, your business case may be rejected until missing appendices are provided.

| <i>Table 15</i> | |
|---|-----------------------|
| APPENDIX | PROVIDED (Y/N) |
| Benefits Realisation Plan / Monitoring and Evaluation Plan (MEP) | Y |
| Benefits Register (may be contained within MEP) | Y |
| Risk Management Strategy | Y |
| Stakeholder and Communications Strategy [SB] | Y |
| Risk Register and Issue Log | Y |
| Programme Schedule | Y |
| Change Management Strategy (and WMCA SAF Change Request process) | Y |
| Written Confirmation/s of Confirmed Funding (CA Board report attached, and draft copy of MHCLG MOU) | Y |
| If Investment Programme, Project Delivery Plan on a Page (POAP) | N/A |
| If CRSTS, Additional Appendix | N/A |