



WMCA Board

Date	13 November 2020
Report title	Supporting the Economy Through Inward Investment, Capital Attraction and Tourism Activity
Portfolio Lead	Economy & Innovation - Councillor Ian Brookfield
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Report has been considered by	Strategic Leadership Team - 14 October 2020 Investment Board - 21 September 2020 Met Leaders - 22 July 2020 Met Chief Executives - 15 July 2020

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

- (1) Agree to extend for two years (from April 2021) the current investment of £0.7m per annum from the WMCA revenue budget to the West Midlands Growth Company to support inward investment, capital attraction and tourism promotion activity.
- (2) Endorse the extension of £1.8m per annum from the investment programme agreed by the Investment Board on 21 September, thereby approving a total investment by WMCA of £2.5m per annum (£5m total) to the West Midlands Growth Company from April 2021.

1. Purpose

- 1.1 In the current environment, it is crucial that the West Midlands maximises opportunities for sustainable economic growth. Inward investment, capital investment and tourism are key activities in this regard. Currently, the West Midland Growth Company (WMGC) receives £2.5m per annum from WMCA to deliver this activity on behalf of the region. Of this, £1.8m originates from the Investment Programme and £0.7m from the revenue budget. On 21st September, the Investment Board agreed to extend the £1.8m contribution for a further two years from April 2021. The Board is requested to agree to similarly extend the contribution from the WMCA revenue budget. Met Leaders indicated their 'in principle' support for this proposal at their meeting on 22nd July.

2. Background

Outputs

- 2.1 Since April 2019, WMGC has received £2.5m per annum from WMCA to deliver the outputs set out in its business plan. As shown in the summary table below, despite uncertainties arising from Brexit and the US-China trade war, in the first year of operation all targets were exceeded. Due to Covid-19, the forecast for 2020/21 is less optimistic but, despite this, jobs and GVA targets will still be exceeded across the two year period.

	2019/20			2020/21			Total		
	Forecast	Actual	Variance	Forecast	Revised	Variance	Forecast	Revised	Variance
Businesses attracted	34	43	+9	36	12	-24	70	55	-15
GVA increase £m	104	314	+210	109	37	-72	213	351	+138
Jobs created/safeguarded	1,497	4,125	+2,628	1,570	530	-1,040	3,067	4,655	+1,588
Business rates increase £m	8.3	10.5	+2.2	8.7	2.9	-5.8	17.0	13.4	-3.6

- 2.2 Forecasting for beyond April 2021 is difficult because of the uncertainties around Covid. The exact outputs (direct and indirect) from the programme will be dependent on the continued impact of the pandemic, the manner of Britain's departure from the EU, and other geo-political forces. A range of scenarios have been developed to account for this uncertainty and a detailed review of these scenarios was provided to the July Investment Board¹. Even under the most pessimistic scenario, a cost per job created/safeguarded of circa £2,000 still provides excellent value for money compared to other investments. These forecast outputs under each scenario are summarised in the table below.

	Strong bounce back				Sluggish recovery				Second wave			
	21/22	22/23	23/24	TOT	21/22	22/23	23/24	TOT	21/22	22/23	23/24	TOT
Businesses attracted	38	42	47	127	28	32	36	96	14	15	17	46
Jobs created/safeguarded	1,657	1,875	2,049	5,581	1,221	1,395	1,569	4,185	611	675	741	2,027
GVA increase £m	111.9	130.1	138.6	380.6	82.5	96.8	106.2	285.5	41.2	46.8	50.1	138.1
Business rates uplift	8.9	10.4	11.1	30.4	6.6	7.7	8.5	22.8	3.3	3.7	4.0	11.0

¹ The three year time horizon has been adopted for planning purposes even though a two year funding extension has been proposed. Delivery of year 3 outputs is dependent on securing additional income in 2023/24.

Areas of focus over the next two years

2.3 WMGC’s value chain, as set out in the diagram below, is the same across all three areas of activity.



2.4 From April 2021, activity to deliver the activities set out in the value chain will predominantly be clustered under four programmes that have been created since April 2019 – the Commonwealth Games Tourism, Trade & Investment (TTI) Programme, the West Midlands India Partnership, Non Departmental Public Bodies (NDPB) Programme and the Key Account Management (KAM) programme.

2.5 Key regional priorities during the business planning period are expected to be the attraction of a Gigafactory, developing the ‘Bike Valley’ concept, establishing the region as the home of the modular and sustainable construction industry, co-ordinating the development of a multi-facility film and media campus, and bidding to be one of the UK’s first Tourism Action Zones.

2.6 For Met authority shareholders, activity will be tailored to the key issues they face and the ‘gearshift’ projects² they have identified – which include a mix of public and privately owned assets. For each area these projects are set out in the table below:

	Business/Capital Attraction	Tourism Assets
Birmingham	<ul style="list-style-type: none"> • Peddimore • Paradise • Wheels • Arden Cross • Arena Central • 103 Colmore Row • Very Light Rail scheme 	<ul style="list-style-type: none"> • Utility Arena • Edgbaston • Aston Villa and Birmingham City • The Bullring • BMAG and cultural offer • Hippodrome and theatres • The ICC and BV&E venues
Coventry	<ul style="list-style-type: none"> • Friargate • Railway Station masterplan • Ricoh Masterplan • City Centre South • 8 City Centre regeneration schemes • Very Light Rail scheme 	<ul style="list-style-type: none"> • Ricoh Arena • Stratford upon Avon • FarGo Village • Coventry Cathedral • Belgrade Theatre • Herbert Museum • The Wave Waterpark
Dudley	<ul style="list-style-type: none"> • Dudley Town centre • DY5 Enterprise Zone • Institute of Technology 	<ul style="list-style-type: none"> • Black Country Living Museum • Dudley Castle and Zoo • Himley Hall and Gardens

² Gearshift projects are those that create a wider positive catalytic effect either for a sector, a location or both. Note that the final list is subject to change following detailed workshops with Councils

	<ul style="list-style-type: none"> • University Centre and Technology Campus • Very Light Rail innovation 	<ul style="list-style-type: none"> • Merry Hill Shopping Centre • The Red House Cone
Sandwell	<ul style="list-style-type: none"> • Friar Park • Canal Corridor – Grove Lane Smethwick • Rolfe Street Smethwick • West Bromwich Town Centre • Tipton Shopping Centre (Unity Walk) • Tollgate Shopping Centre (Smethwick) • Chances and Soho 	<ul style="list-style-type: none"> • Sandwell Valley Country Park • Aquatic Centre • West Bromwich Albion • Oak House Museum • Balaji Temple • Chances and Soho • Lightwoods House and Park • Canal Network • West Bromwich Town Hall
Solihull	<ul style="list-style-type: none"> • UK Central Hub • HS2 Interchange Station • Birmingham International Station Integrated Transport Exchange • Eastgate, Church Hill and Homer Road, Solihull Town Centre 	<ul style="list-style-type: none"> • NEC Campus • Resorts World • National Trust Estates • Touchwood Shopping Centre • Birmingham Airport
Walsall	<ul style="list-style-type: none"> • Walsall Town Centre • M6 Junction 10 Cluster • Phoenix 10 • Walsall Waterfront Lex Development • Black Country Enterprise Zone, Darlaston • Reedswood • Retail and logistics cluster 	<ul style="list-style-type: none"> • The New Art Gallery • Leather Museum • Arboretum • Walsall FC • Barr Beacon
Wolverhampton	<ul style="list-style-type: none"> • Elite Centre • National Centre for Sustainable Construction and the Circular Economy • Wolverhampton Science Park • SPARK incubator • i54 extension • i9 	<ul style="list-style-type: none"> • Museum and Art Gallery • Wolverhampton Wanderers • West Park • Civic Halls • Grand Theatre • Wightwick Manor • Wolverhampton Racecourse

2.7 For each gearshift project, WMGC will agree with individual local authorities a series of realistic deliverables and success measures - recognising that many of these schemes are some years away from being market-ready. Updates against these success measures will be included in the reports back to the Combined Authority. Where support is provided in relation to a privately held asset, the relevant Local Authority and WMGC will be responsible for determining that the support is in accordance with State Aid measures and it represents the best Value for Money for public funds. A record of the decisions taken will be kept and made available to WMCA for audit purposes should it be required.

Reporting arrangements

- 2.8 All of WMGC's Board Directors are appointed, and can be dismissed, by the shareholders (WMCA, seven Met authorities, six Universities and Cannock Chase District Council on behalf of non-constituent members of the WMCA). This includes the private sector and Executive Directors. Membership was refreshed in 2020 to reflect WMGC's focus on the Local Industrial Strategy. Board meetings are held quarterly and there is an AGM, held in December. All shareholders are entitled to attend the AGM, where they approve the appointment of Directors and agree the Company's Business Plan. Current Board membership is set out in the table below.

WMGC Board Directors			
Local Government	Universities	Private Sector	Executive
Cllr Gordon Alcott Cannock Chase District Council	Sir David Eastwood University of Birmingham	Matthew Hammond (Chair) PWC	Neil Rami (CEO)
Cllr Ian Brookfield City Wolverhampton Council	Geoff Layer University of Wolverhampton	Liz McKenzie (Vice Chair) NED	Roger Mendonça (COO)
Cllr Patrick Harley Dudley Council		Karl Edge (Chair Audit & Risk) KPMG	Dan Storer (CIO)
Cllr Ian Ward Birmingham City Council		Fiona Allan Birmingham Hippodrome	
Deborah Cadman West Midlands Combined Authority		Sally Scott Advanced	
Tim Johnson City Wolverhampton Council		Paul Thandi NEC Group	
Martin Reeves Coventry City Council		Rob Valentine Bruntwood	
Alison Knight Sandwell Council		Tom Westley Westley Group	

- 2.9 Additionally, WMGC currently reports progress informally to Regeneration/Economy Directors on a quarterly basis, and provides a bi-annual updates to WMCA's Investment Programme. Given the importance of the relationships with Councils, WMGC is proposing that in future a number of additional measures are put in place:

- An annual planning meeting with each Met authority to agree priorities, including gearshift projects. WMGC will provide an evidence base showing the current position, and provide insight into market expectations for the coming year.
- Standing offer to provide input into any local authority activity that requires strategic inward investment, capital attraction, tourism or place marketing support
- Standing offer to provide WMGC input into all project boards for gearshift projects
- Regular operational engagement at working level on individual investment leads and key account management activity on an as and when required basis – supplemented by a quarterly review meeting
- Detailed collective workshop offered to all local authorities on any new or proposed WMGC programme
- Quarterly (CEO/Regen Director) review meetings to track progress against agreed priorities and reprioritise activity if required
- Six monthly Met Leader-Chair review meetings to review strategic engagement

- A dedicated C-suite lead officer from WMGC for each Met authority with personal responsibility for ensuring an effective relationship (to be mirrored with a senior officer in each Met authority)
- A dedicated account manager at WMGC managing the process and ensuring it works
- A monthly dashboard to WMCA Strategic Hub
- A quarterly report to Investment Panel and WMCA's Senior Leadership Team.
- A quarterly update report to LEPs and Non-Constituent Members

2.10 This level of reporting is essential for WMGC to deliver optimum benefits to local authorities. However, it does create significant overhead for a small business. WMGC has established a dedicated team to ensure that the relationships are managed effectively and that robust systems and processes are in place to minimise the work required to produce timely, accurate and high-quality insights and reports for its shareholders.

3. Financial Implications

3.1 Extending the investment into the WM Growth Company for a further two years requires a total investment of £5m (£2.5m per annum). Not extending would put at risk the deliverables outlined above, including the business rate uplift, the third party investment levered in by WMGC, and the delivery of the TTI Programme, which WMGC secured on behalf of WMCA and is due to deliver for the region over the next two and a half years.

3.2 In the current Business Plan cycle, just under half of annual revenue came from shareholder contributions (WMCA and Universities). As set out below, for the first two years of the new Business Planning period, the vast majority of income will originate from third party funding (commercial partner subscriptions; income from SLAs and contracts successfully secured by the Company) – mainly as a result of securing the TTI Programme. The WMCA contribution is also expected to be more than offset by the business rates uplift the Company generates – for comparison, in the financial year 2019/20, WMGC attracted projects that will generate £10.5m of business rates uplift. This is over four times WMCA's total annual investment in the Company.

2021/22		Business Attraction £	Visitor Attraction £	Capital Attraction £	TOTAL £
Revenue	Regional	1,626,000	542,000	542,000	2,710,000
	Third Party	3,308,452	3,321,750	662,245	7,292,446
Expenditure	Third Party	(2,216,722)	(2,195,156)	(531,621)	(4,943,498)
	Direct staff	(2,035,841)	(1,343,564)	(467,292)	(3,846,697)
	Indirect Staff	(232,169)	(77,390)	(77,390)	(386,948)
	Overheads	(483,907)	(161,302)	(161,302)	(806,512)
	Contingency	(10,800)	(3,600)	(3,600)	(18,000)
TOTAL		(44,987)	82,737	(36,960)	790

2022/23		Business Attraction £	Visitor Attraction £	Capital Attraction £	TOTAL £
Revenue	Regional	1,626,000	542,000	542,000	2,710,000
	Third Party	3,371,604	3,379,381	678,433	7,429,427
Expenditure	Third Party	(2,259,709)	(2,231,369)	(541,086)	(5,032,165)
	Direct staff	(2,076,558)	(1,370,435)	(476,638)	(3,923,631)
	Indirect Staff	(236,812)	(78,937)	(78,937)	(394,687)
	Overheads	(468,907)	(156,302)	(156,302)	(781,512)
	Contingency	(4,200)	(1,400)	(1,400)	(7,000)
TOTAL		(48,583)	82,963	(33,921)	432

3.3 On 21 September 2020 WMCA Investment Board approved a further £3.6m contribution to the continuation of WMGC for 2 years from April 2021. To deliver this WMCA Board will also need to agree to commit the £0.7m existing provision from the Annual Revenue Budget paid for by constituent member authority fees for the 2 years to March 2023.

3.4 Critically the Board will be taking this decision to commit to this funding in advance of finalisation of ongoing discussions on the Authority's own financial position for the 2021/22 financial year.

4. Legal Implications

4.1 This report looks at the future funding of the WMGC. Directors and Officers of the Company are under a legal duty to keep its financial position under review and ensure that it remains a "going concern". The company would need to ensure that at all times it has sufficient funding or assets to meet its liabilities including the costs of closure, winding up or transfer. Should adequate funding not be available the company would need to demonstrate that it had plans in place to ensure these matters are dealt with

5. Equalities Implications

5.1 None from this paper.

6. Inclusive Growth Implications

6.1 WMGC's work supports the achievement of WMCA's inclusive growth aspirations, in particular from directly supporting entry-level jobs in the tourism sector, and attracting investment into green technologies. Following discussion at the Investment Board, WMGC has committed to working with WMCA to identify where these outputs can be tied more closely to the region's inclusive and sustainable growth agendas.

7. Geographical Area of Report's Implications

7.1 WMGC operates across the whole WMCA area (three LEP geography), including non-constituent members.

8. Other Implications

8.1 None.

9. Schedule of Background Papers

9.1 None for this report.