

Economic Growth Board

Date	Friday 13 th May 2022
Report title	Trailblazing devolution deal – Economic positions
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Report has been considered by	Directors of Economic Development Group Economic Impact Group Regional Business Council

The Economic Growth Board is recommended to:

- a) Comment on and endorse the emerging positions in this paper about the devolution of economic powers and resources.
- b) Note that these positions will be further considered by the Devolution Strategy Group and Mayor and Portfolio-Holders Group ahead of formal decisions by the WMCA Board on 10 June.
- c) Request that future updates on the progress and implementation of the trailblazer devolution deal be considered by the Economic Growth Board.

1. Purpose

1.1 The West Midlands has an opportunity to strike a trailblazing devolution deal with Government on behalf of the communities and businesses across the region. This report seeks the Economic Growth Board's comments and endorsement to the economic aspects of the devolution agreement, particularly relating to:

- Business support
- Trade and Foreign Direct Investment

- Research & Development and innovation
- West Midlands Smart City Region

1.2 Feedback from the Economic Growth Board will help refine positions which will then be agreed – ultimately by the WMCA Board in the summer – as the basis for discussions with Government to drive levelling-up between the West Midlands with other regions, and within communities across the region.

2. Background

2.1 Government’s Levelling-Up White Paper included commitments to trailblazing devolution deals in the West Midlands and Greater Manchester where ministers have indicated nothing should be off the table. Convened by the WMCA, partners across the West Midlands have established a framework for developing bold policy positions that meet the White Paper’s twelve missions and level up between and within regions.

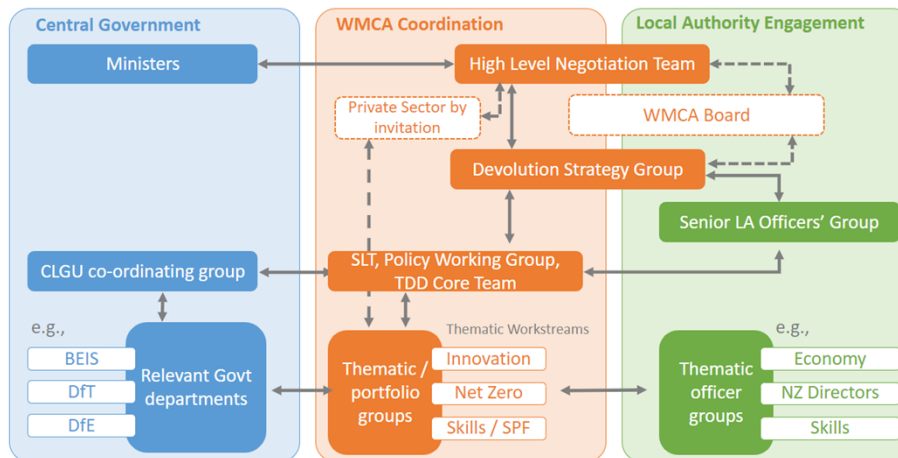
Process

2.2 Led by the WMCA, partners have agreed a framework of 20 workstreams (shown below). These include seven aspects of economic activity where the Economic Growth Board provides the point of collective leadership. This is particularly important because the issues are interconnected and the key to transformative and inclusive growth is how activities are coordinated with a common focus, sufficient scale and sequencing and strong delivery.

R&D and innovation	Homelessness prevention
West Midlands Smart City Region	Health
Trade and investment	Crime, community safety and resilience
Business support system	Social capital and social economy
Skills	Net Zero
Education	Transport
UKSPF (inc. Multiply)	Digital
Housing, regeneration and planning	Culture
Funding and fiscal	Data and transparency

2.3 Fulfilling these opportunities requires strong leadership and partners have previously taken steps to streamline strategic leadership by establishing the Economic Growth Board with decision-making powers. This is further supported by the Directors of Economic Development Group, chaired by the Chief Executive of the City of Wolverhampton Council, which helps local authorities and LEPs direct activity. There have also been discussions with other stakeholders, including universities, Chambers of Commerce, the Economic Impact Group and Regional Business Council.

2.4 The region has also put in place a collaborative governance process which uses established Boards like the EGB and builds to a shared position, to be agreed by the WMCA Board in June and used by the High Level Negotiation Team for discussions with ministers.



2.5 Underpinning this, the WMCA team has been seeking input via:

- Discussions with Chambers of Commerce and presentations to the Economic Impact Group, Regional Business Council and the Directors of Economic Development.
- Discussions with colleagues in Greater Manchester Combined Authority.
- Internal discussions via the WMCA Policy Working Group to make connections to other thematic areas.
- Where appropriate, bi-lateral work with officials in the Department for Levelling-Up, Housing and Communities (DLUHC) and other government departments.

Rationale for economic positions

2.6 On many aspects of the economy, the question is less about powers (given the WMCA already has a general power of competence) and more about its levers of influence and resources. The most powerful argument for devolved resources and influence comes from being about to align complementary activity, tailored to local circumstances and accountable to local communities. Initial discussions with officials have supported this alignment between the workstreams and stressed the importance of a consistent and credible 'theory of change' to be clear about the nature of economic change we're trying to drive.

2.7 The economy workstreams focus on the following Levelling-Up Missions and WMCA Corporate Strategy aims:

Missions

- **Mission 1:** By 2030, pay, employment and productivity will have risen in every area of the UK, with each containing a globally competitive city, and the gap between the top performing and other areas closing.
- **Mission 2:** By 2030, domestic public investment in R&D outside the Greater South East will increase by at least 40%, and over the Spending Review period by at least one third. This additional government funding will seek to leverage at least twice as much private sector investment over the long term to stimulate innovation and productivity growth
- **Mission 5:** By 2030, the number of primary school children achieving the expected standard in reading, writing and maths will have significantly increased. In England,

this will mean 90% of children will achieve the expected standard, and the percentage of children meeting the expected standard in the worst performing areas will have increased by over a third.

- **Mission 6:** By 2030, the number of people successfully completing high-quality skills training will have significantly increased in every area of the UK. In England, this will lead to 200,000 more people successfully completing high-quality skills training annually, driven by 80,000 more people completing courses in the lowest skilled areas

WMCA Corporate Strategy aims

- To promote inclusive economic growth in every corner of the region and stimulate the creation of good jobs
- To ensure everyone has the opportunity to benefit as the region recovers from COVID-19, improves resilience and tackles long-standing challenges

2.8 There are, therefore, five broad aims that run across the entirety of the region's trailblazer devolution asks on economic workstreams. Each of these has an evidence behind them about the causes and latest conditions in the West Midlands¹:

- a) Catalyse additional growth in high-value clusters where the region has comparative advantage and private sector confidence to create good jobs. This is based on the opportunities in the West Midlands' Plan for Growth.
- b) Attract more frontier firms (i.e. most productive) using FDI, particularly where they are able to add further strategic value to the region because of catalytic effects through supply chains, or their spatial impact.
- c) Help indigenous frontier firms to expand.
- d) Help firms with mid-level productivity to move to improve through innovation, investment, internationalisation and excellent management and leadership.
- e) Prompt firms with low productivity to assess their business models and strengthen incentives to change.

2.9 We have, therefore, chosen to frame the proposals according to the beneficiaries - the businesses, communities or institutions involved - rather than divided across thematic workstreams or governance departments. This helps emphasise that success is both (i) intuitive support for businesses in a way that meets their needs and (ii) there is benefit for places and communities.

Specific proposed positions

2.10 The proposed devolution positions are outlined below for the Economic Growth Board's comments and endorsement. They are grouped according to After refinement, these positions will be considered by Mayor and Portfolio-Holders in May before formal agreement at the WMCA Board:

¹ For example, the [West Midlands Productivity Challenge](#) (N Driffield), West Midlands Plan for Growth (WMCA), or [Public R&D investment in West Midlands](#) (S Collinson).

Beneficiaries: Businesses, entrepreneurs and their employees based in the West Midlands

Proposed position	What does this mean for places?
<p>Government and WMCA agree a model that consolidates and co-commissions business support to address the region's economic priorities.</p> <p>These will flex over time and in different parts of the region according to economic conditions (e.g. improve productivity and diffuse innovation, retain and create jobs, boost exports and trade, decarbonisation, etc.).</p> <p>The model will resource and align local targeting and delivery of:</p> <ul style="list-style-type: none"> • Locally-generated funds and devolved resources like UKSPF and Growth Hubs², etc. • Central Government business support resources – British Business Bank funds including MEIF2, Help to Grow, DCMS Creative Growth Programme, etc. • An integrated key account management service for the region's top 500 strategic firms to support local, regional and national activity, building on the DIT Midlands Engine Hub into cohesive regional structures. • Central Government insight and information to inform delivery – e.g. HMRC insight on R&D tax credits and super-deduction, resources linked to Be the Business, etc. 	<p>Powers</p> <ul style="list-style-type: none"> • Ability to target business and economic priorities in a much more responsive way that reflects economic conditions. • Ability to use long-term, strategic funding across multiple sources to build the longevity and resilience of business support services. • Ability to tailor delivery models that meet the needs of places, businesses and organisations. • Helps the West Midlands engage proactively with Government about its Enterprise Strategy, seeking to bring more coherence across Government. <p>Outcomes</p> <ul style="list-style-type: none"> • Increase jobs and employment levels • Increase in productivity, reducing jobs paid below living wage (and linked to other elements of health and good work) • Industrial decarbonisation in carbon-intensive industries • GVA output and jobs growth in prioritised clusters • Narrow region's trade deficit <p>Measures of success</p> <ul style="list-style-type: none"> • Quality of firm-level leadership & management for assisted firms • % firms confident about where to go for advice and support • Level of business investment (£), + take-up of R&D tax credits • Growth/productivity performance of firms receiving targeted support

Beneficiaries: Communities and supply chains in the West Midlands who will benefit from Foreign Direct Investment into the region

Proposed position	What does this mean for places?
<ul style="list-style-type: none"> • Create a new regionally administered investment incentive fund drawn from the Global Britain Investment Fund. 	<p>Powers:</p> <ul style="list-style-type: none"> • Ability for Economic Growth Board to determine strategic priorities, based on needs of places and embedded in commissioning of the WMGC for day-to-day administration in conjunction with

² This captures the direction of the West Midlands Business Support Review, which is covered in more detail in item 7 given its links to the UK Shared Prosperity Fund

<ul style="list-style-type: none"> • Deepen and formalise the relationship between the Office for Investment and West Midlands on capital investment outcomes. • Secure additional investment for the second phase of the West Midlands Business and Tourism Programme. <p>These powers and resources will be used to deepen specialist capacity within the region to secure and develop inward investors linked to the region's strategic economic priorities.</p>	<p>local authorities, universities and business representative organisations.</p> <p>Outcomes:</p> <ul style="list-style-type: none"> • FDI activity (£ and #projects/jobs). As well as ensuring the region is more competitive relative to devolved administrations and international competitors, it means the region can add its own policy objectives (such as specific cluster links, spatial considerations or supply chain roles). <p>Measures of success:</p> <ul style="list-style-type: none"> • The simplicity and efficiency of a seamless journey for international OEM investors.
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Beneficiaries: R&D and innovation-intensive businesses, universities, and institutes across the West Midlands	
Proposed position	What does this mean for places?
<p>Use the capability and capacity from the West Midlands Innovation Accelerator to double the amount of public R&D investment in the West Midlands by 2030.</p> <p>This will be built upon a more formal relationship with Government and its agencies that levels-up public R&D spending on basic, applied and translational research (not diffusion) with:</p> <ul style="list-style-type: none"> • the West Midlands maintaining a prioritised pipeline of R&D projects which are considered by UKRI, its Research Councils and other public innovation agencies when they develop their business plans. • UKRI and its agencies like Catapults (including those based outside the region) capturing their place-based impact on the region's business base and communities. 	<p>Powers:</p> <ul style="list-style-type: none"> • Ability for Economic Growth Board to make the links between R&D and innovation with complementary activities like business support, skills, trade and land supply. • Ability for Economic Growth Board and places to determine strategic R&D and innovation priorities, based on needs of places and local industry/supply chains. <p>Outcomes:</p> <ul style="list-style-type: none"> • Public R&D investment in the West Midlands (£) and its leverage of private sector investment. • Additional growth of industrial clusters related to R&D activity. • Ability to affect societal challenges in the West Midlands – whether about health, environment, wellbeing, etc. <p>Measures of success:</p> <ul style="list-style-type: none"> • The depth and quality of the region's R&D and innovation pipeline. • Influence over the business plans of Research Councils, Catapults and other Government bodies like NIHR.

2.11 The **West Midlands Innovation Accelerator** was announced in the Levelling-Up White Paper. One of three Accelerators nationwide, this will see around £30m invested in the next three years on applied and translational research to spark commercial growth and bolster the region's capability and capacity that we expect to result in a doubling of public R&D spending in the West Midlands by 2030. The West Midlands Innovation Board is providing regional leadership, working in conjunction with Innovate UK, with the prospect of using new relationships to influence spending by UKRI's research councils and other Government bodies like the National Institute for Health Research. With Accelerators intended to help move from good to great on applied and translational innovation, the

Innovation Board has considered analysis about potential areas of focus. It has homed in on medical technologies, and particularly the opportunity for the West Midlands to become the centre of the UK's diagnostics industry. Furthermore, the Accelerator will also take practical steps to develop the region's R&D capacity and capability – particularly in respect of zero carbon, clean technologies and energy - to ensure the West Midlands reaps the benefits of Government's additional £5bn investment in public R&D by 2025 on the path to reaching 2.4% of GDP by 2030. In developing the programme of activity to be delivered by March 2025, the Innovation Board will be building upon existing technical capabilities and assets such as advanced manufacturing strengths or AI, Digital, and exploiting associated devolved powers, such as over skills, Foreign Direct Investment and land assembly.

- 2.12 The Levelling-Up White Paper also included a commitment to make the West Midlands a Smart City Region. This means scaling-up digital opportunities across the region in health tech, future mobility and smart energy. Programme details are being developed drawing on the initial pilot activities and building on the region's competitive advantage of its 5G coverage. They will transform the provision of services by using sensors, data and connectivity to optimise, and then transform, supply and demand. After testing and refinement with officials, the programme will be considered through WMCA governance processes.

3. Financial Implications

- 3.1 There are no direct financial implications as a result of this report. The trailblazer devolution deal is designed to boost investment and growth in the region and any future funding decisions will be subject to future reports to the WMCA Board.

4. Legal Implications

- 4.1 There are no legal implications as a result of this report. The Combined Authority already has a power of general competence which covers its activities on economic development and regeneration.

5. Equalities Implications

- 5.1 There are no equalities implications.

6. Inclusive Growth Implications

- 6.1 The overall trailblazing devolution deal is designed to attain the Levelling-Up Missions, which have inclusive growth and living standards at their heart.

7. Geographical Area of Report's Implications

- 7.1 The report covers the West Midlands Combined Authority area, which is the geography that is exploring a trailblazing devolution deal. Other devolution discussions are underway in neighbouring county areas but are separate to this process.



West Midlands
Combined Authority

8. Other Implications

8.1 None

9. Schedule of Background Papers