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| <b>Date</b>                          | <b>Friday 2<sup>nd</sup> December 2022</b>   |
| <b>Report Title</b>                  | <b>West Midlands Growth Company Review</b>   |
| <b>Portfolio lead</b>                | Councillor Ian Brookfield, Leader of City of Wolverhampton Council<br><br>WMCA portfolio lead for Economy and Innovation   |
| <b>Accountable Chief Executive</b>   | Laura Shoaf - Chief Executive, WMCA<br><br>Email: <a href="mailto:laura.shoaf@wmca.org.uk">laura.shoaf@wmca.org.uk</a>   |
| <b>Accountable Employee</b>          | Dr Julie Nugent, Executive Director - Economic Delivery, Skills and Communities<br><br>Email: <a href="mailto:julie.nugent@wmca.org.uk">julie.nugent@wmca.org.uk</a> |
| <b>Report has been considered by</b> |  |

## Recommendations

Economic Growth Board is recommended to endorse the approach to the Review of the West Midlands Growth Company (WMGC), approving its Terms of Reference and noting the status of activity and key milestones in early 2023.

### 1 Purpose of Report

- 1.1 To seek the Economic Growth Board's (EGB) endorsement of the Terms of Reference for the WMGC Review (**Appendix A**) and inform about the status and phasing of its work.

### 2 Background

- 2.1 The EGB commissioned a Review of the WMGC at its last meeting (23 September). In commissioning the Review, the EGB felt that whilst there was a clear need for the West Midlands Growth Company to exist, there was, simultaneously, a need to review its scope and scale, and to develop a sustainable and affordable future funding model for these activities. The Review's Terms of Reference are attached as **Appendix A**. These have been developed by the Executive Steering Group in conjunction with the Review Sponsors<sup>1</sup>.
- 2.2 The Review will reflect wider work on economic functions, linked to the integration plan for LEPs. In doing so, it will determine what key functions the Growth Company should deliver, and how best to do that in a way that aligns with, and complements, the Combined Authority and local authorities. The review will also seek to demonstrate how best the Growth Company can support the delivery of the West Midlands Plan for Growth and WMCA Board priorities. It will present the Economic Growth Board, and the WMCA Board with a range of options to secure sustainable funding and establish

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<sup>1</sup> Executive Steering Group is the Chief Executives of the WMCA, City of Wolverhampton Council and WMGC. The Review Sponsors are the Chair of the Economic Growth Board, Mayor and Chair of the WMGC.



appropriate governance for these activities, in a way that secures maximum efficiency and effectiveness. The process will include extensive engagement with local partners and stakeholders, to understand:

- the detail of activities needed to be undertaken by the Growth Company
- the extent to which these can be better aligned with other local and regional functions – for example, more alignment on location support and skills
- levels of funding needed – and impact on key deliverables
- expectations of potential funders
- outcomes of decisions on potential funding streams – including UKSPF, Trailblazer Devolution Deal, residual underspend on Commonwealth Games.
- clarity on establishing appropriate KPIs for future activity, to promote a fuller understanding of the impact secured.

The Review will report to the Economic Growth Board, WMCA Board and WMGC Board, with decisions made by the EGB and CA Board.

2.2 Further to the decision to establish a review, it has also become apparent that the Growth Company needs to secure £4m funds to remain as a going concern for 2023/24. The review will therefore also deal with responding to this short-term pressure – please see below.

2.3 The sequencing of decision points means that some short-term decisions need to be taken in parallel. However, the key milestones are:

- **Economic Growth Board** (23<sup>rd</sup> September) - Review commissioned
- **Mayor and Met Leaders discussion** (18<sup>th</sup> November) – discussion on progress and funding options for 2023/24
- **Investment Panel** (21<sup>st</sup> November) - to discuss WMGC business case for securing £4m funding for 2023/24
- **WMGC Audit Committee** (22<sup>nd</sup> November)
- **WMGC Board (AGM)** (1<sup>st</sup> December)
- **Economic Growth Board** (2<sup>nd</sup> December) - to receive update of review
- **Investment Board** (12<sup>th</sup> December) - to agree business case
- **WMCA Board** (16<sup>th</sup> December) – to take decision about £4m of support for 2023/24 subject to confirmation of funding sources and conclusion of the review
- **Economic Growth Board** (27<sup>th</sup> January) – to take a view on the future functions needed in the region and longer-term sustainable funding
- **WMCA Board** (10<sup>th</sup> February) – WMCA sign-off of funding for 2023/24 and decisions about longer-term functions, governance and funding
- **WMGC Board** – w/c 22<sup>nd</sup> March

2.4 **Functions** – to support the review, the WMCA is convening a series of workshops between the WMGC and local authorities to better understand the range of activities undertaken by the WMGC, their interface and impact across the region, and the potential for links with other partners and agencies. The broad activities considered include:



- *Inward investment*
- *Capital attraction*
- *Awareness raising, marketing and comms*
- *Tourism*
- *Business events*
- *Sporting events*
- *Cluster leadership*
- *Trade & export*
- *Strategic relationship management*
- *Facilitating mergers and acquisitions*
- *Securing private sponsorship of public assets*

The next stage is to develop a range of relative priorities and key deliverables, across activities, linked to potential funding scenarios, which will be worked up with WMGC and local authorities.

Alongside this, Met Leaders have asked us to consider the range of options for further efficiencies in delivery models – from maintaining current approach through to identifying opportunities for shared resources etc. This work is being undertaken in parallel and is being developed through the FDs network. It will build upon the work required to understand the minimum funding required to protect the GC as a going concern in 2023/24 which is currently going through the WMCA’s assurance framework.

***Discussions will engage local authorities individually and collectively, with recommendations to come through the Directors of Economic Development Group and Economic Growth Board (27<sup>th</sup> January 2023) before going to WMCA Board.***

2.5 **Funding** – discussions have considered the following activities and scenarios:

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| <p><b>Provide WMGC with comfort about a minimum viable level of income for 2023/24</b></p> | <ul style="list-style-type: none"> <li>• Report to WMCA Board on 16 December seeking agreement to a contribution from the region of <b>£4m for 2023/24</b> subject to Government decisions about UKSPF (£1.6m) and local contributions (£1.7m), either funded by residual contingency funding from the Commonwealth Games or local authorities.</li> <li>• This builds upon a Business Justification Case which has been assessed by the WMCA Investment Panel and is being considered by the Investment Board on 15 December.</li> </ul>   |
| <p><b>Review of efficiencies</b></p>   | <ul style="list-style-type: none"> <li>• The WMCA finance team have worked in conjunction with the WMGC on an efficiency review around the themes of:             <ul style="list-style-type: none"> <li>○ <b>Staffing</b>, reflecting the position on which functions are best undertaken by whom, and to what extent.</li> <li>○ <b>Non pay expenditure</b> such as rent and facilities to secure value for money.</li> <li>○ <b>Procured services</b> to remove duplication and secure efficiencies of scale.</li> <li>○ <b>Income generation</b>, including from universities and commercial sources, noting the WMGC’s legal status as a ‘teckal company’ limits commercial</li> </ul> </li> </ul> |



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|  | <p>income to a maximum of 20% but WMCA and local authorities can procure its services without going through public procurement processes.</p>   |
| <b>Residual contingency funding shaping funding options for 2023/24</b>                  | <ul style="list-style-type: none"><li>• On 3 October, Government confirmed that around £60 million of underspend from the Birmingham 2022 Commonwealth Games budget will be invested in the West Midlands to enhance the Commonwealth Games Legacy. The fund aims to increase access to sport and culture, boost the West Midlands's reputation as a world-class host for major events and drive inward investment and tourism.</li><li>• A significant proportion of the fund is expected to be allocated to support economic growth, including trade and investment, economy and jobs. The overall proportion of fund available will be agreed at the December WMCA Board.</li><li>• Following that, it is expected that the Economic Growth Board will review and make recommendations for the spend of funds, linked to economic growth objectives, and including funding for the Growth Company over the next 2 years. At this stage we are anticipating a paper to the January Economic Growth Board.</li></ul> |
| <b>Longer-term affordable and sustainable funding, particularly from 2025/26 onwards</b> | <ul style="list-style-type: none"><li>• In addition to the work and resources of the WMGC, there is an opportunity to link the activity and resources of other partners (e.g. Government departments and agencies). This is currently part of Trailblazer Devolution discussions.</li></ul>   |

2.6 **Governance** – options to be developed in the next stage of work.

2.7 Next steps will happen in parallel. Along with reports to the WMCA Board (16 December) on WMGC funding for 2023/4 and use of Commonwealth Games residual contingency funding, the WMCA and local authorities will examine priority functions and governance ahead of options being reported to the Economic Growth Board on 27 January 2023.

### 3 Financial Implications

3.1 This report does not require any financial decisions so there are no direct financial implications. Those decisions will be taken by the WMCA Board on 16 December. Further information with long-term financial implications will be reported to the Economic Growth Board on 27 January 2023.

### 4 Legal Implications

4.1 There are no direct legal implications arising from this report.

### 5 Equalities Implications

5.1 There are no direct equalities implications.

### 6 Inclusive Growth Implications

6.1 There are no direct inclusive growth implications, but the review is an opportunity to embed inclusive growth priorities in the commissioning of the WMGC.



**West Midlands  
Combined Authority**

**7 Geographical Area of Report's Implications**

7.1 The report relates to the WMGC, where the 7 Metropolitan authorities are shareholders, along with the WMCA.

**8 Schedule of Background reports**

8.1 Economic Growth Board (23 September) - WMGC Review