

WMCA Board

Date	Friday 16 December 2022
Report title	Review and Funding of West Midlands Growth Company
Portfolio Lead	Economy & Innovation - Councillor Ian Brookfield
Accountable Chief Executive	Laura Shoaf, West Midlands Combined Authority email: laura.shoaf@wmca.org.uk
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Report has been considered by	Mayor & Portfolio Leads Liaison - 18 November Economic Growth Board - 2 December Review Sponsors' Group (Economic Growth Board Chair, Mayor, Growth Company Chair) - 2 December

Recommendation(s) for action or decision:

- (1) To note the review of the West Midlands Growth Company, initiated by the Economic Growth Board on 23 September and whose Terms of Reference are attached (**Appendix A**). The findings of the review will report to the WMCA Board in February 2023 to support decisions over funding for 2023/24.
- (2) To approve an in-principle agreement to provide £4m of funding for the period 1 April 2023 to 31 March 2024 to West Midlands Growth Company (WMGC), subject to approval of the business case by the Investment Board on 12 December and the approval of all funding streams to be concluded by February 2023. This funding will be provided through paying the agreed service level agreement fee in return for the company fulfilling its contractual obligations to the WMCA for various services. The £4m funding is comprised of three income streams, namely:
 - £0.7m from WMCA core budget
 - £1.6m from UK Shared Prosperity Fund
 - £1.7m contribution from securing a share of the Commonwealth Games Legacy Funds (see agenda item no. 8).

All funding will be directed through WMCA and then paid to WMGC as part of a single commissioning process.

- (3) The WMCA received notification from Government on 5 December that its UKSPF Investment Plan has been approved, with confirmation of funding for 2022/23 and indicative allocations for 2023/24 and 2024/25. Further details are expected ahead of the WMCA Board meeting on 10 February 2023.
- (4) To note that the £1.7m Commonwealth Games Legacy Fund contribution is part of an overall larger package of funding that WMGC hopes to secure from the Legacy Fund subject to confirmation of receipt of the overall funding to WMCA and any external and/or local decision-making processes (as covered in agenda item no. 8).

1.0 Purpose

- 1.1 To provide the WMCA Board with an interim update on the progress of the Review of the West Midlands Growth Company initiated by the Economic Growth Board on 23 September and to seek in-principle agreement for funding for 2023/24, subject to an approved business case and steps to ensure efficiency.
- 1.2 The report only provides in-principle assurance for £4m of funding for WMGC for 2023/24. It does not assure or prejudice any further investment which will be framed following the full Review of the Growth Company, to be reported to the WMCA Board in February 2023.

2.0 Background

- 2.1 The Economic Growth Board (23 September) agreed to initiate a detailed options review for the West Midlands Growth Company (WMGC) to identify and secure funding to deliver agreed priorities. In doing so, this will take forward the recommendations of the West Midlands Business Support Review, where we will ensure the WMGC is fully embedded into the business support ecosystem, removing any duplication and ensuring activities are streamlined with appropriate governance and accountability.
- 2.2 WMGC is constituted as a company limited by guarantee, wholly owned by the seven metropolitan authorities and WMCA. In 2022/23, WMGC activity can be split into two elements:
 - deliver the Business and Tourism Programme (BATP) to reap the economic benefits of the 2022 Birmingham Commonwealth Games. This is funded by an agreement between the Department for Digital, Culture, Media, and Sport (DCMS) with £21.3m with match funding of £2.6m from WMCA.
 - deliver business as usual activity, which includes attracting businesses (foreign direct investment), capital, visitors, conferences and events to the region.
- 2.3 There are several factors that prompt the need for a review now to provide the sustainable foundation for the WMGC:
 - a) The successful Business and Tourism Programme is coming to its latter stages, but with significant activity required to realise the full benefits of the interest and leads generated.
 - b) There are other significant changes to economic institutions, including the integration of LEP functions into the WMCA. This provides opportunity to consider where and how various functions are best discharged so they are connected and efficient.

- c) Finally, there are potentially new or amended roles following discussions about the Trailblazing Devolution Deal and the suggestion in the West Midlands Business Support Review for strategic account management of large employers in the region and support for export - subject to securing appropriate funding.

Notwithstanding those prompts, the Economic Growth Board has previously committed to supporting the work of the Growth Company in boosting foreign direct investment, trade and tourism so the emphasis of the review is therefore about the scope, scale and sustainable funding of activity, rather than the whether the WMGC should exist.

2.4 The Review is overseen by a Sponsors Group of the Economic Growth Board Chair, Mayor and Chair of the WMGC. It is led by a leadership team of the WMCA Chief Executive, Chief Executive of the City of Wolverhampton Council and Chief Executive of WMGC. Support will be provided by the WMCA, City of Wolverhampton Council and WMGC, working in conjunction with Directors of Economic Development and the West Midlands Financial Directors.

2.5 Terms of Reference for the Review have been agreed (Appendix A) and there are three areas of focus: functions, funding and governance. While the Review will address them in turn (so form and funding follow function), there are three major milestones:

- **31 December 2022** – for WMGC to submit its accounts on an ongoing concern basis, with credible support for a minimum viable level of funding for 2023/4. The WMGC has secured a 3-month extension from Companies House, if required.
- **27 January 2023** – for Economic Growth Board to determine the proposed functions and funding commissioning requirements of the WMGC for 2023/24.
- **10 February 2023** – for WMCA Board to consider the Review’s recommendations and take final decisions about funding for 2023/24.

2.6 The West Midlands Growth Company **functions** are summarised below. The WMCA has convened local authority officers and Growth Company leads to learn more about the activity and how this relates to the work of other partners (eg. Visit Britain or the private sector) and local priorities. Other potential functions have also been noted:

Current WMGC functions	<ul style="list-style-type: none"> i. Global promotion and awareness raising of the West Midlands and marketing and comms ii. Inward investment iii. Capital attraction iv. Tourism v. Business events vi. Sporting events vii. Corporate activities
Functions where the WMGC has little / no current activity	<ul style="list-style-type: none"> viii. Cluster leadership ix. Trade & export x. Strategic relationship management xi. Facilitation of sponsorship of public assets xii. Facilitating mergers and acquisitions

2.7 The Review’s aim is to put in place **sustainable funding** for the Growth Company to undertake the functions that its regional partners prioritise. The path to sustainable funding includes the following milestones:

- WMGC being assured as a going concern for 2023/24. This depends upon the WMCA Board confirming £4m funding in-principle, subject to an approved business case, agreement over efficiencies and further external funding, and agreement on the Review. The £4m will be comprised of:
 - £0.7m from WMCA core budget
 - £1.6m from the UK Shared Prosperity Fund
 - £1.7m contribution from CWG Legacy Fund
- WMCA and partners have secured agreement that around £60m from DCMS from the Commonwealth Games Legacy Fund will be invested in the region, with linked decisions in agenda item no. 8. Further detail is set out in para 2.8 below.
- The West Midlands came together to submit its UKSPF Investment Plan in October 2022 which includes provision for inward investment and trade activities in 2023/24 and 2024/25, providing two years of partial funding.
- Intensive work, led by local authority and WMCA Finance Directors with the WMGC to eliminate any duplication and ensure operations are as efficient as possible with focus areas including:
 - **Staffing**, reflecting the position on which functions are best undertaken by whom, and to what extent.
 - **Non pay expenditure** such as rent and facilities to secure value for money.
 - **Procured services** to remove duplication and secure efficiencies of scale.
 - **Income generation**, including from universities and commercial sources, noting the WMGC's legal status as a 'teckal company' limits commercial income to a maximum of 20% but WMCA and local authorities can procure its services without going through public procurement processes.

2.8 On 3 October, Government confirmed that around £60 million of underspend from the Birmingham 2022 budget will be invested in the West Midlands to enhance the Commonwealth Games legacy. The fund will aim 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. The Department for Digital, Culture, Media and Sport (DCMS) will work with the West Midlands Combined Authority and Birmingham City Council to capitalise on the success of the Games and help more people engage with sport and culture in the region. The funding will also be allocated to boost inward business investment and tourism and help drive further economic growth in the West Midlands. Further details are set out in agenda item no. 8 and a report on the full Economy, Trade and Tourism Pillar will be made to the Economic Growth Board on 27 January. There is potential for further funding for WMGC functions over 2023/24 and 2024/25, and these will be considered alongside other regional and local economic priorities.

2.9 The Review will put in place a clear commissioning and accountability framework to capture the impact across the region. This will use leading and lagging measures of success, tailored to the functions. This framework will be overseen by partners, such as the Directors of Economic Development, to ensure activities are delivered in a cohesive way, along with delivering results.

- 2.10 Finally, the Review will make recommendations about the Growth Company's **governance**. Since its formation as the West Midlands Growth Company in April 2017, the WMCA has developed its economic leadership role and this Review is an opportunity to ensure the Growth Company is appropriately embedded in those arrangements and has strong organisational governance. The system now includes, for example, the decision-making Economic Growth Board established in February 2022 to strengthen democratic accountability; transition of LEP functions to the WMCA by March 2023 and steps to ensure the private sector voice is included in WMCA decision-making. The WMGC reports to the Economic Growth Board.
- 2.11 The Review is being undertaken at pace, taking input from partners and reporting to the Economic Growth Board on 27 January, with recommendations going to the WMCA Board and WMGC Boards.

3.0 Financial Implications

- 3.1 The proposed financial funding solution for 2023/24 is set out in section 2.7. This requires WMCA Board to approve the in principle total funding amount for £4m but notes that the Commonwealth Games Legacy funding confirmation is still outstanding. This means that WMCG may be unable to sign off its financial statements for the year ended 31 March 2022 as a going concern by its filing deadline of 31 December 2022. WMGC have confirmed a 3-month extension with Companies House meaning they now have until 31 March 2023 to file their accounts once all funding has been confirmed.
- 3.2 The business case for the £4m funding request is subject to the Single Assurance Framework and is due to go to the Investment Board meeting on 12 December for approval. A verbal update on this decision will be provided at the Board meeting.
- 3.3 Section 2.7 sets out the high-level finance work that will be undertaken as part of the full review. This work is underway and will be reported in February as part of the full report.

4.0 Legal Implications

- 4.1 There are no direct legal implications arising from this Report, but it is noted that a number of Members of the WMCA sit on the Board of Directors at WMGC. This has been considered by the Monitoring Officer who has concluded that as the matter for discussion by the Board is the continued grant funding of the company, this is deemed to be a disclosable pecuniary interest which would need to be declared. The Monitoring Officer considers that as the Members of WMCA Board have no personal financial benefit from their Directorship of the company, he considers that it would be appropriate for him, as Monitoring Officer, to grant a dispensation under section 31 of the Localism Act 2011 to enable all Members of the Board who are Directors of the company to speak and vote on the item. Members of the WMCA Board who are Directors of the company have been formally advised.

5.0 Equalities Implications

- 5.1 There are no direct equalities implications arising from the report.

6.0 Inclusive Growth Implications

6.1 There are no direct inclusive growth implications but clearer commissioning of the Growth Company and focus on its functions provides opportunity to harness its inclusive growth benefits.

7.0 Geographical Area of Report's Implications

7.1 The report refers to the role of the Growth Company. The Review will need to consider the spatial reach, funding and governance implications across the 7 Met area and wider region.

8.0 Other Implications

8.1 None

9.0 Schedule of Background Papers

9.1 None