

Date	17 March 2023
Report title	West Midlands Growth Company Review - Cover Paper and Implications
Portfolio Lead	Economy & Innovation - Councillor Ian Brookfield
Accountable Chief Executive	Laura Shoaf, West Midlands Combined Authority email: laura.shoaf@wmca.org.uk
Accountable Employee	Laura Shoaf, Chief Executive email: laura.shoaf@wmca.org.uk
Report has been considered by	WMGC Review Sponsors and Executive Groups Local Authorities Economic Growth Board Directors of Economic Development

1. Purpose

- 1.1. The Economic Growth Board commissioned a Review on the West Midlands Growth Company on 23 September 2022. That Review has been led by a Sponsors Group, with findings discussed with Economic Growth Board and Mayor and Portfolio Leads. The Review is appended.
- 1.2. The comments of WMCA Statutory Officers are set out below.

2. Recommendations

- 2.1 The WMCA Board considers the WMGC Review report, appended to this paper. In particular:
 - (1) Note the findings of the Review and the range of functions it can undertake.

- (2) Note the proposed WMGC Ltd operating budget for the next two years, as set out in the table at paragraph 3.1. This builds upon the one year commitment of £4m of funding for 2023/24 approved by the Board in December 2022. Further funding decisions will be taken in respect of item 9 on the agenda (Commonwealth Games Legacy Fund).
- (3) Note that the geographical footprint of WMGC post the integration of Local Enterprise Partnership (LEP) functions to the WMCA needs to be resolved and that the recommendations will be brought forward as soon as possible, to include clarifying the future relationship with Warwickshire.
- (4) Note the ongoing work required to attain long-term financial sustainability from April 2025 and to clarify roles and responsibilities, and handovers across programmes of activity, across WMGC, WMCA, local authorities and other partners.

3. Financial Implications

- 3.1 This report sets out a proposal to support WMGC's gross operating budget of £21.8m over the next two financial years funded as follows:

WMGC Ltd	2023/24 £'000	2024/25 £'000	Total for 2 years £'000
Funding			
WMCA core funding	700	700	1,400
UKSPF	1,600	1,600	3,200
Commonwealth Games Legacy funding	1,700	1,700	3,400
WMCA approved through SAF process	4,000	4,000	8,000
Commercial and other	1,900	1,900	3,800
Total without any Legacy Funds	5,900	5,900	11,800
Additional ask through Legacy Funds	4,250	5,750	10,000
Total Funding	10,150	11,650	21,800
Total Commonwealth Games Legacy Funding	5,950	7,450	13,400

- 3.2 It is important to note that WMGC Ltd does not form part of the WMCA Group and is not a subsidiary of WMCA as a public body. The company is owned collectively across the region with 19 members, including WMCA, West Midlands local authorities and the region's universities.
- 3.3 At its December 2022 meeting, WMCA Board endorsed £4.0m of funding for the 2023/24 financial year only, made up of a £0.7m contribution from the WMCA annual operating budget, £1.6m from UKSPF funding and £1.7m from Commonwealth Games legacy funding.

- 3.4 In approving this report WMCA Board members are committing regionally to the 'in principle' WMGC Ltd gross operating budget of £10.1m in 2023/24 and £11.7m in 2024/25, subject to business case approval from a due diligence and outcomes perspective via the WMCA Single Assurance Framework by WMCA Investment Board in June 2023.
- 3.5 Endorsement of the report will commit WMCA to funding over the next 2 years of £0.7m per year from its overall annual membership fees of £3.0m per annum, plus £1.6m per annum, £3.2m in total from the regional UKSPF allocation, and finally a total of £13.4m from the £70.0m CWG legacy funds, £11.7m over and above Commonwealth Games Legacy funds approved in December 2022.
- 3.6 Approval of the £13.4m commitment from the £70.0m CWG legacy funds to WMGC Ltd is the subject to of a separate report at item 9 on this agenda.
- 3.7 In approving the continuation of the WMGC Ltd at the level set out in this report for the next two financial years, WMCA Board members must satisfy themselves that the operating model represents good Value for Money against the overall funds available in terms of impact and best use of limited public resources. In addition, WMCA Board members need to satisfy themselves in noting the recommendations from this review that the future role of WMGC is clear and that there is no duplication of activity between WMGC Ltd, WMCA or individual local authorities.
- 3.8 Outputs to be delivered by WMGC Ltd for the gross operating budget of £21.8m over the two years will be defined within the business case for consideration by Investment Board in April 2022 and will need appropriate monitoring evaluation and reporting to be put in place.
- 3.9 As a separate legal entity, WMGC Ltd and its directors are responsible for securing the future financial sustainability of the company post March 2025. Any future funding requests from WMGC Ltd cannot and will not form part of the WMCA budget or its own future funding requirements. However, it is recommended that the company aligns its medium-term financial planning requirements to regional budget discussions that the Metropolitan Authorities run in relation to support of all West Midlands regional bodies including WMCA, the West Midlands Police and Crime Commissioner and West Midlands Fire and Rescue Authority.

4. Legal Implications

- 4.1. There are no immediate legal implications as a direct result of this report. WMGC Ltd is a Private Company Limited by Guarantee, with no share capital. Its directors include some members of the WMCA Board.
- 4.2. The Board of WMCG is chaired by the private sector and comprises of business, local authorities, the WMCA and universities; but public sector company members retain overall control through the company's AGM and voting rights. The WMGC Board reports to the Economic Growth Board. The portfolio Lead for Economy and the Chair of the Economic Growth Board sits on the WMGC Board. The WMGC Chair also sits on the Economic Growth Board to help ensure alignment of agendas.

4.3. The Review has found that the current governance model should be retained, considering that there are clear benefits to it – WMGC is a separate company with its own Board; it adheres to strong and effective governance and financial structures but has a level of agility which means it can respond to market requirements. The Board's membership enables WMGC to benefit from the expertise of the public, private and academic sectors which enables it to deliver optimum outputs.

5. Equalities Implications

5.1. There are no immediate equalities implications arising from this report.

6. Inclusive Growth Implications

6.1. The focus of WMGC's future activity will support the delivery of the region's inclusive growth ambitions. For example, WMGC's inward investment activity will create new employment opportunities for local people across the region – both directly and indirectly through supply chains; capital investment activity will focus will be on new, brownfield development and the refurbishment and repurposing of existing assets in line with local priorities. Ultimately, this work will improve the living conditions of local residents, drive economic uplift through new investment and champion a more sustainable future landscape for the region; and activity to promote the West Midlands visitor economy domestically and globally, drive visitor footfall across local authority areas, sustaining local businesses, materially improving perceptions of these destinations, promoting cultural and social wellbeing and fostering the civic pride of citizens. It will target major events, conferences and sporting federations which will deliver social and economic benefits to businesses and residents and support the region's sporting, cultural, events and hospitality supply chain.

7. Geographical Area of Report's Implications

7.1. The report primarily covers the seven West Midlands Combined Authority metropolitan areas but there are geographical implications for WMGC's footprint that need to be resolved as outlined in the report.

8. Other implications

8.1. None.