

Economic Growth Board

Date	2 February 2022
Report title	West Midlands Plan for Growth
Portfolio Lead	Councillor Ian Brookfield Portfolio Lead for Economy and Innovation
Accountable Chief Executive	Laura Shoaf Chief Executive, WMCA
Accountable Employee	Julie Nugent Director of Productivity and Skills, WMCA
Report has been considered by	WMCA SLT LEP Chief Executives Local Authority Chief Executives WM Growth Company Chief Executive

Recommendation(s) for action or decision:

The Economic Growth Board is recommended to:

- a) Endorse the approach in the West Midlands Plan for Growth (PfG) to catalyse additional growth in those clusters where the West Midlands has comparative advantage, there is market confidence, and a credible path for above-forecast growth in good jobs.
- b) Note that this only covers part of the region's economy, and there will be further work to do to support wider foundational sectors - like retail, administration and hospitality – to enable a more prosperous and inclusive economy.
- c) Agree that partners focus on delivering the six cross-cutting interventions identified, in order to remove barriers and maximise new opportunities for economic growth.
- d) Task officers with bringing forward recommendations to the Economic Growth Board that will prioritise interventions to deliver early wins from the opportunities set out in Plan for Growth.
- e) Agree to establish a task and finish group, chaired by Cllr Brookfield, to develop recommendations for aligning and streamlining economic development activity, across organisations. This will support effective interventions, deliver better value for money, and provide a clear regional response to the imminent Levelling-Up White Paper.

1. Purpose

- 1.1 After a period as the fastest-growing region outside London, the West Midlands has been hit hard by the economic impact of the Covid pandemic and new trade frictions with the EU. Modelling by Oxford Economics indicates that, without further intervention, the region will experience below-average growth over the next decade, with a negative impact on employment and earnings in key parts of the region.
- 1.2 Alongside regional partners, the WMCA commissioned a detailed analysis to set out the risks and opportunities for additional growth. Its purpose was to provide an independent assessment of where the West Midlands has comparative advantage, market confidence and a credible path for growth and job creation above forecasted levels.
- 1.3 This was overseen by a steering group of the Portfolio Lead for Economy and Innovation (Cllr Ian Brookfield), the LEP Chair of the previous SED Board (Tim Pile) and the Mayor (Andy Street). A summary of the analysis will be presented to the Economic Growth Board capturing the opportunity for the region to catalyse additional growth, in both output (+£3.9bn) and jobs (+60,000), and become the fastest growing region outside London, by 2030.

2. Background

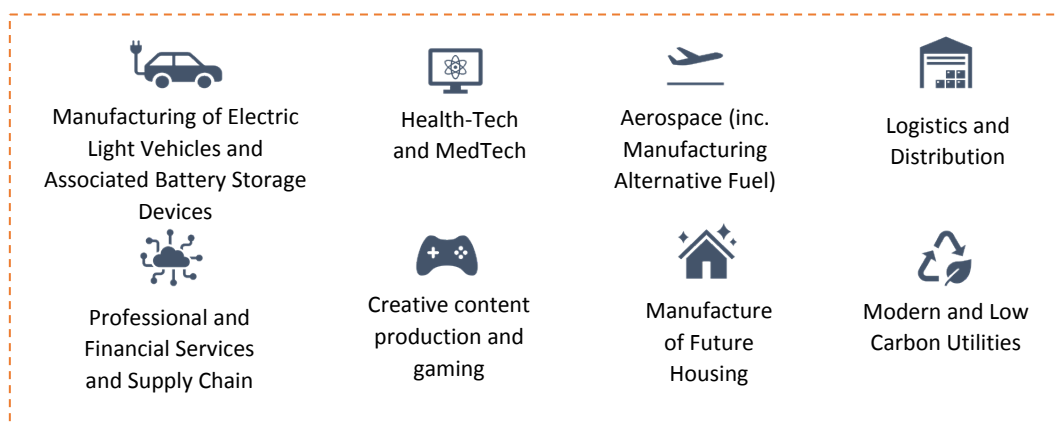
- 2.1 EY will present the key findings and recommendations from the West Midlands Plan for Growth, which will include a twin-track approach to securing new economic growth:
 - i. Capitalise on **existing clusters of scale and strength** where the West Midlands has UK and global competitive advantage, clear market confidence, and credible opportunity for additional growth in high-value employment over the next 2-5 years. This is forecast to generate approximately £2.9 - £3.2bn additional output by 2030 and up to 44,800 additional jobs.
 - ii. **Supporting nascent clusters and emerging technologies** that might spur additional growth of around £900m over the next 5-10 years and up to 15,000 additional jobs.
- 2.2 The findings will be used to:
 - Inform and challenge where we prioritise resources already devolved to the region and, when necessary, seek further resources. This does not just relate to WMCA programmes, but those in LEPs, local authorities, WMGC, universities etc.
 - Inform the region's economic narrative about the next decade: without further action, there's a difficult challenge with strong economic headwinds but partners have come together with a proactive plan to support market-led growth.
- 2.3 It is important to note that Plan for Growth has deliberately focused on clusters with the necessary scale and depth of comparative advantage to drive additional growth in high-value jobs that will best benefit residents. However, these sectors currently only comprise about 12%-15% of employment in the region. Further work will be needed to identify how we can support wider sectors such as retail, administration and hospitality to create an

inclusive economy. The Plan also excludes those sectors where there is already relatively strong growth forecast, and therefore no credible path to driving significant further growth.

- 2.4 The analysis considered additional growth opportunities that can benefit the whole region. In line with the principle of the original WMCA Scheme, all communities will benefit, but not necessarily at the same time and in the same way. The pattern of clusters shows concentrations across Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall, Wolverhampton, Cannock Chase, Tamworth, Stratford, Warwick, Nuneaton and Bedworth and Wyre Forest. Places can benefit in different ways, such as by being the location of business activity, home to workers, or the site of research and innovation assets. As the region applies the analysis to decision making, we will need to ensure that growth opportunities are accessible to all the region's communities.
- 2.5 The West Midlands Plan for Growth has been developed with input from partners. For example, WMGC, LEPs and local authorities shared details of their private sector investment leads to build a picture of market confidence in the West Midlands. Insight about barriers to growth for clusters was drawn from work led by LEPs, the WMGC and business-led groupings like the Midlands Aerospace Alliance and Create Central. There has also been testing with business, including at the Regional Business Council on 26 November and Economic Impact Group on 25 November.

Identifying key growth opportunities for the West Midlands

- 2.6 The analysis has identified eight primary clusters for the region. These are consistent with the Local Industrial Strategy and Business and Tourism Programme, and provide an additional, sharper focus on the barriers to growth and/or potential for new opportunities:

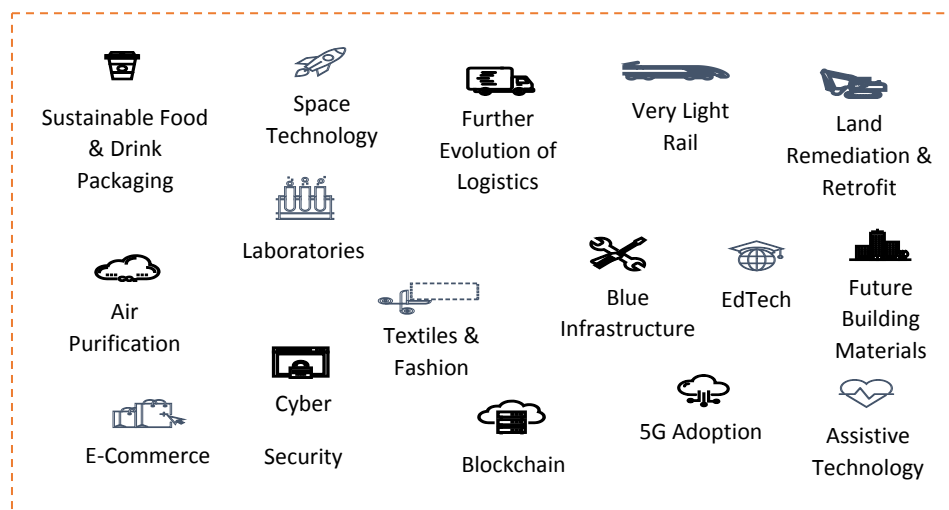


- 2.7 The Plan for Growth identifies six cross-cutting interventions which will address barriers to growth across multiple clusters, thereby maximising growth opportunities. They are:

1. Develop future skills pathways	Single pot intervention that brings together a specific view of required skills and provide funding linked to an attractive pathway for learners and links to employers and potential job opportunities once trained. Providers (e.g. FE colleges) would deliver for employees as well as individual learners.
2. Target funding to anchor projects alongside private sector	Competitive fund that works alongside the private sector on specific projects through rounds of available co-funding. A process allows WM to directly stimulate the specific projects according to a set of criteria aligned to the cluster priorities (but open to all firms)
3. Land development fund	Leveraging the UKIB, develop a patient capital fund to invest in land projects for industrial and commercial purposes (or mixed development) where land assembly and

	infrastructure is required and payback periods are long. Would also support physical hubs for clusters where this is relevant
4. Location coordination	A team that co-ordinates the myriad local and national incentives and funding available as well as helping firms negotiate local and planning issues of locating to the WM. If there is a desire to anchor a particular firm, e.g. a non-UK firm, help with funding at local and UK level, planning etc
5. Infrastructure and transport fund	Establish a WMCA controlled fund that has sufficient scale to invest in large local interventions (e.g. light rail or bus rapid transport) and also support specific infrastructure (e.g. junction improvements) aimed at unlocking land development for manufacturing and other sectors
6. Early growth fund	Work with British Business Bank and Business Growth Fund to set up an early growth fund with an emphasis on the clusters where this is critical, and ensure the fund has flexibility on instruments and the expertise to invest.

2.8 Drawing on business insight from LEPs and universities, the West Midlands Plan for Growth also identifies emerging clusters or technological strengths which can create new industries and sources of growth. Because of their relatively modest scale in the West Midlands, currently, the strategy is to provide fertile conditions for development across a relatively broad range of these nascent clusters to support longer-term exponential growth.



2.9 Significant growth by 2030 within these technologies and industries requires action now to give the time to grow and add up to £900m of additional output and new jobs. These are inherently riskier than the more established primary clusters with less of a distinctive West Midlands comparative advantage. The strategy here is to create the conditions for private sector-led investment and growth by acting on several dimensions of the business support system, which is subject to LEP-led work with partners across the region:

- **Ensuring access to funding and financing** – ensuring a supply of risk capital to help businesses scale operations, with potential benefits from risk-sharing.
- **Attracting and developing the necessary skills and resources** - developing the West Midlands' human capital to ensure demand for skilled workers is met using existing infrastructure and capability

- **Boosting the local supply chain to provide capacity as well as capability** – helping broker relationships and incentivising businesses to buy local to establish a local supply chain with the critical mass to improve competitiveness
- **Championing clusters and helping them mature** – helping foster networks and facilities for SMEs to collaborate and attract further workers and investors

Delivering new growth opportunities

- 2.10 The analysis has indicated the scale of additional public investment required for the growth potential identified using a model of benefit-cost ratios for similar programmes. However, this does not reflect the full funding ‘ask’ for interventions to include expected funding. The key point about resources is that partners leading the six cross-cutting interventions for the primary clusters secure appropriate funding taking account of the scale of the opportunity and that these are targeted to unlock private sector investment and jobs. This is particularly important where decisions include trade-offs, for example about job numbers, job quality, location and the impact on decarbonisation.
- 2.11 The West Midlands Plan for Growth makes a powerful case about the need for strong alignment between partners to better meet businesses’ needs. This requires institutions and ways of working across public and private sectors that deliver in a more integrated way. The Portfolio Lead for the Economy has therefore commissioned an initial overview of current activity across key economic development functions and interventions. This is set out in **Appendix 1**. This also helps civic and business leaders to build a collective view about how the region will respond positively to the Levelling-Up White Paper.
- 2.12 The Economic Growth Board should lead a more cohesive approach to regional economic development, with greater streamlining and integration across public and private partners to boost productivity and inclusive growth. Initial discussions have already begun – for example, with LEPs, the WMGC and WMCA – to look at how the region might better align arrangements for economic development. **The Board is recommended to establish a new task and finish group, chaired by Cllr Brookfield and supported by the WMCA to develop recommendations for greater alignment across organisations. This will include any powers or resources covered in the imminent Levelling-Up White Paper.**
- 2.13 **In parallel, the Board is also asked to task officers with bringing forward recommendations, to prioritise interventions to deliver early wins on the primary clusters identified in the West Midlands Plan for Growth.**

Next steps

- 2.14 Should the Economic Growth Board endorse the broad purpose and findings of the West Midlands Plan for Growth, this will be discussed with Overview & Scrutiny Committee and Young Combined Authority and recommended to the WMCA Board.

- 2.15 The task group will actively engage with Met Leaders, non-constituent authorities, LEP Boards, business groups, universities and Government officials. Recommendations will be made to the Economic Growth Board and other partners as appropriate.
- 2.16 The insight and findings from the West Midlands Plan for Growth will also be used to inform a consistent and compelling economic narrative for business and government. This has already been used for the draft Investment Prospectus and will be further applied to the WMCA and partners' products as appropriate.

3. Financial Implications

- 3.1 There are no direct financial implications as a result of this report. The report focuses on the principle of aligning funded interventions – some of which are already resourced within the WMCA or partners and can be targeted differently. Other interventions, or needs to go further, will require additional resources, subject to the Levelling-Up White Paper. Decisions about those particular programmes will be made according to the funding channels, but the Economic Growth Board's role will be to understand their strategic alignment and impact on cluster growth.

4. Legal Implications

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

5. Equalities Implications

- 5.1 There are no equalities implications from this report.

6. Inclusive Growth Implications

- 6.1 The report moves the region towards better aligned interventions. In doing so, it highlights where inclusive growth (and environmental) considerations can be more clearly considered as part of the related trade-offs to incentivise jobs and economic growth.

7. Geographical Area of Report's Implications

- 7.1 The West Midlands Plan for Growth applies across the '3 LEP' area. Each of the eight clusters have different degrees of depth in different localities, with the current level of local job coverage ranging from 10% (in the Black Country) to 12% (in Greater Birmingham and Solihull and 15% in Coventry and Warwickshire. Cluster growth opportunities provides both an opportunity to create jobs in neighbouring areas, and for workers in neighbouring areas to access new jobs.

8. Schedule of Background Papers

- 8.1 Consideration of 'West Midlands Plan for Growth' to SED Board: 28 October and 10 September.

Appendix 1 – Summary of economic functions as they are currently delivered across the West Midlands

Functions and different elements	WMCA	LEPs and Growth Hubs	WMGC	Local Authorities	Universities and business groups
Economic strategy, intelligence and business engagement / account management					
<p>Economic Strategy: To develop and implement a clear and coherent vision and plan to drive inclusive green economic growth. Needs to be:</p> <ul style="list-style-type: none"> • Agile, capable of adapting to changing economic conditions. • Owned – have traction with investment and tangible activity • Inclusive – must benefit region's communities • Focused – identifies clear priorities, and trade-offs, recognising other activity will continue as well. 	<p>WMCA has devolved mandate to lead regional economic strategy, working with and through local partners and democratically elected members.</p> <p>Economic Growth Board will make recommendations on strategy to wider WMCA Board.</p>	<p>Responsible for previous Strategic Economic Plans – underpinned decisions on Growth Funds.</p> <p>Articulate sub-regional priorities</p> <p>Sector growth plans</p> <p>Some work on business support policy (subject to LUWP and BEIS business support review).</p>	<p>Lead on some thematic plans – eg tourism and export.</p>	<p>Lead local economic/place strategies.</p> <p>Champion local priorities</p> <p>Responsible for ensuring regional strategies deliver for local places.</p>	<p>Midlands Engine</p>
<p>Economic Intelligence: To provide insight and evidence for decision-making.</p>	<p>Office for Data Analytics</p> <p>Significant capability in TfWM</p>	<p>Black Country Consortium</p> <p>LEPs commission primary research on ad hoc needs</p>	<p>Research team</p>	<p>Some capacity, but varies across authorities</p>	<p>Midlands Engine</p> <p>Universities – eg WM-Redi</p> <p>Chambers and BROs have good survey data</p>
<p>Business engagement and key account management (KAM):</p> <p>Provide key account management of strategically important firms</p> <p>Engage with regional businesses</p>	<p>Convene business leadership groups (e.g. Regional Business Council, EIG, Create Central Board)</p> <p>Direct support on recruitment and training activities – larger organisations</p> <p>Commission WMGC</p>	<p>Convene sector leadership groups</p> <p>Engage businesses through Growth Hubs</p>	<p>Funded by DIT to manage a small number of key accounts</p> <p>Run key accounts with strategically</p>	<p>Run key accounts with locally significant businesses to understand and respond to priorities</p>	<p>Universities have strong links with key accounts.</p> <p>Chambers and BROs play vital role in being a representative voice of business</p>



			important businesses.		
Maximising public and private investment					
Securing investment – public: To maximise public investment in the region	Investment Programme (gainshare, retained business rates) Accountable Body and decision-maker about devolved funds (eg. Brownfield, CRSTS, Getting Building Fund, etc.) Influence further HMG investment in regional infrastructure development (e.g. via NIC / National Infrastructure Strategy)	Local Growth Fund – new funding now ended Use of Enterprise Zone receipts	Public sector relocations	Principal project promoters / developers Major capital funders, including decisions on the business rates pools. Accountable Body for Towns Fund, Levelling-Up Fund, Future High Streets Fund, Additional Restrictions Grant, Welcome Back Fund, etc.	Universities as major capital spenders (with UKRI funds) Midlands Engine
Attracting investment – private: To maximise private investment in the region, using agreed priorities to target incentives because of economic and place impacts	To commission and resource WMGC on behalf of local authorities	Used Local Growth Fund to lever private investment – new funding now ended	Lead Capital Attraction Strategy and relationship with DIT / Office for Investment Proactive and reactive private sector FDI service Deliver CWG Business and Tourism Programme	Local investment services, joining-up premises, planning, support packages, etc.	Midlands Engine relationship with DIT and Office for Investment Universities – alumni networks and research capabilities
Commissioning and delivery of business support services					
Business advice, signposting, and services	Accountable Body for commissioning some business and employment programmes	Growth Hubs funded by Government to deliver diagnostic and signposting service.		Huge delivery role, but varies across LAs: • Planning	Private sector plays huge role – particularly banks, accountants



<ul style="list-style-type: none"> • And initial point of contact for SMEs looking to access wider business support and advice • Start-up / entrepreneurship support 	from the Community Renewal Fund	Growth Hubs also deliver several time-limited programmes (related to ERDF, CRF, etc.). These generally cover advice with business planning, leadership and technical work like marketing, product development and diversification.		<ul style="list-style-type: none"> • Trading standards • Business location service & landlord • Some business advice and grant programmes <p>Funded through various sources, including locally and ESF/ERDF</p>	<p>BROs – Chambers, including networking, peer learning, advice</p> <p>BIDs, funded by local levies</p> <p>Central Govt Depts – Help to Grow, DIT international advisers</p>
Support with relocation	Developer-facing support with land remediation, planning support and risk mitigation		Business-facing coordination with relocation and some signposting to other services	Support with relocation and some signposting to other services	Private sector land agents
Support with innovation	<p>Deliver £3m WM Innovation Programme</p> <p>Accountable body for West Midlands Made Smarter</p>	Local Growth Fund – new funding now ended			<p>Universities – eg Knowledge Transfer Partnerships, ERDF / Horizon programmes</p> <p>UKRI</p>
Other specialist/sector-based support	Accountable Body and deliver on creative and cultural industries, with some delivery, including Creative Scale-up, commissioning of Business and Tourism services		Deliver the CWG Business and Tourism Programme		
Recruitment and skills	<p>Commissioning of all post-19 funding and delivery, excluding Higher Education</p> <p>Accountable body for Community Renewal Fund programmes</p>	<p>Some skills commissioning - through ESF funding</p> <p>Some skills capital commissioning – through Local Growth funds</p>		Some skills delivery – adult education, ESF funding.	HE provision – institutionally-led