

# Local Growth & Place Functional Strategy



**Mayor of the  
West Midlands**



**West Midlands  
Combined Authority**

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Date: 14 March 2025

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# Context and ambition

## Regional context

The West Midlands is a significant part of the UK economy – 3.5% of national output and the third largest regional economy in the country. Over the long-term (30yrs +) the region’s output has not kept pace with national growth, with this trend forecast to continue.

With the right direction and investment, West Midlands civic and business leaders are optimistic about the region’s potential, with a mayoral priority to spark Growth for Everyone where the WMCA and its partners help businesses grow, support innovation and creativity, and make sure everyone benefits.

To build the region’s economic strategy, the WMCA has convened partners to clarify the challenges and opportunities across the region. Overall, we see the West Midlands is characterised by a low wage, low productivity and high deprivation equilibrium. In this system the majority of the population cannot access well paid jobs, the region experiences high levels of absolute and relative poverty, deprivation, high levels of inequality between other places in the country and within the region itself, worse health outcomes, lower skills, high levels of housing unaffordability, and stretched public services.

The result of a number of complex systems is the WMCA urban economy and its wider West Midlands area having: the lowest levels of business leadership and management practice scores in England and Wales: an economy that is less complex (i.e. a higher proportion of low-value activities) than a region of the scale of the West Midlands should be; low levels of public spending on research and development, while private investment in R&D is deep but narrow; limited absorptive capacity in some parts of the region for tech adoption.

## Existing strategies and ambitions

Such broad challenges require a comprehensive answer. The region’s existing Inclusive Growth Framework emphasises the need for meaningful outcomes that capture the distributional impact of growth, which spatial areas and population cohorts benefit and to what extent.

In that spirit, the West Midlands Partnership Plan includes potential intermediate outcome measure like a draft Regional Mission to *“Expand our tradable sectors and strengthen the wider business base. More high growth firms, jobs and higher productivity”*. The proposed indicators of that mission can relate to future multi-year iterations of the Local Growth and Place pillar:

- Higher productivity growth across the West Midlands – expanded traded sectors and reduced gaps between places
- Above-forecast growth in the region’s industrial strengths and clusters
- Thriving entrepreneurs from across the region’s young and diverse communities starting new businesses
- Businesses investing in and growing our towns and cities

Looking ahead, the region is currently developing the West Midlands Growth Plan which will build upon and bring greater coherence to existing strategies/strategic priorities, reaping the benefit and in the context of new powers



and freedoms arising from the Integrated Settlement, English Devolution White Paper and responding to the opportunity of the UK Industrial Strategy.

# Funding and outcomes

## Roles, responsibilities and current functions

The Memorandum of Understand (MoU) for the Integrated Settlement sets out the local and regional functions that will attract future devolved funding, as summarised below.

Integrated Settlement function
Activity that promotes place-based economic development, improves productivity, and aims to reduce inter- and-intraregional spatial economic disparities.
Coordination and delivery of local programmes to drive business productivity whilst ensuring integration between local and national business support activity, enabling businesses to access support.
Regeneration, place-making and improvements to local infrastructure.
Activities that promote pride in place, including but not limited to measures to improve social cohesion, the improvement of public facilities and the public realm, for instance on high streets

The functions of the Integrated Settlement and the scope for expansion will be reviewed over time.

## Resources available for the coming Spending Review period

Funding line	Financial year 2025 allocation	Type	Existing or newly devolved fund
UK Shared Prosperity Fund (Business Productivity & People, Communities and Place)	£32,735,765 RDEL £13,727,835 CDEL	Capital / Revenue	Existing
Growth Hub	£490,700 RDEL	Revenue	Existing
Made Smarter	£1,230,000	Revenue	Existing
Create Growth	£425,000	Revenue	Existing
Investment Zone	£6,400,000 RDEL £9,333,000 CDEL	Capital / Revenue	Existing

This table excludes place-based economic development funding from the Levelling Up Fund, Towns Fund, Long-Term Plan for Towns and Levelling Up Partnerships, which will be paid directly from HMG to local authorities in 2025/2026 based on existing awards and commitments made by HMG. The successors to these funding lines will be included in future Integrated Settlements.

## Integrated Settlement outcomes

Outcome	Outcome indicator(s)	Outputs
<b>Boost local economic prosperity and living standards through improved business productivity.</b>	Number of supported businesses that have increased productivity*.  No. of supported businesses demonstrating improved practice: <ul style="list-style-type: none"> <li>• Total (target)</li> <li>• Engaged in new markets</li> <li>• Adopting new to firm technologies / processes</li> <li>• With new to market products / services</li> </ul> Jobs created by MCA interventions in WMCA priority sectors.	Businesses supported.  Residents accessing employment support activity.
<b>Deliver the infrastructure needed to support place-based growth.</b>	Additional [commercial] floorspace unlocked because of intervention*.	Completion of development / enabling work to unlock land for development to be measured via qualitative reporting.

Outcomes, outputs and targets are subject to confirmation by HMG. \* = indicates no target for FY25

## Key activities outside of the Integrated Settlement

The Integrated Settlement does not cover the full range of public spending on local growth and place activity in the West Midlands. There are other projects and programmes delivered by/involving the WMCA (such as Business Energy Advice Service and Innovation Accelerator), while resources can also come from locally generated sources like business rates pools and devolution gainshare agreements.

In addition, the scope of the original Memorandum of Understanding<sup>1</sup> suggested that place-based regeneration activity would also be included in the Integrated Settlement. Because of the ongoing nature of previous commitments across national programmes like the Levelling Up Fund, Levelling Up Partnerships, Long-Term Towns Fund, etc. these funds will continue to be provided directly to local authorities in 2025/26 who will be responsible for reporting on activities and impacts. As outlined in the Memorandum of Understanding, the Government's intention is that decisions about future regeneration funding will be made by MCAs following the next multi-year Spending Review. Looking across all funds inside and outside of the scope of the Integrated Settlement, the ambition is to use the flexibilities it provides to reorientate how local growth and place funding works; ensuring place-based regeneration funding is strategically planned and prioritised to maximise local and regional economic impact, while business-facing activities are streamlined, business-centred and more impactful.

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<sup>1</sup> [Integrated Settlement Memorandum of Understanding, November 2023](#)

# How we will invest

During 2024, the West Midlands has undertaken an Economic Development Functions Review<sup>2</sup> to consider how to deliver activity in the most efficient, coherent and impactful way. This uses 2025/26 as a transitional year ahead of the launch of a new Economic Development Vehicle in April 2026.

Through local work and the strategic productivity partnership with DBT, the West Midlands has a clear vision for a business-centred system to work intensively with businesses at ‘life cycle’ that are markers of high-growth episodes to ensure those episodes are as long and deep as possible. This will be achieved through business-centred support rather than fragmented programmes with different objectives. However, the transitional year of 2025/26 will see the continuation of the bulk of programmes and interventions while planning steps up of new activity, building upon the expanded scope and multi-year certainty of the 2025 Spending Review. For 2025/26, the key programme of activities will include:

- Business productivity and growth, including commitments made by the WMCA Board to the West Midlands Growth Company in November 2024.
- Regionally embedded business support aligned to national and regional priority sectors like advanced manufacturing and the creative industries.
- Communities, Place and People funding, prioritised by local authorities in accordance with Place-Based Strategies.

The Integrated Settlement included flexibility to transfer up to 10% of capital funding for revenue uses. The intention of the pillar is to transfer up to £1.37m of capital for revenue activity related to both business support and double-devolved. This will be clearer after the round of bi-lateral discussions with local authorities about Communities, Place and People funding.

## Place-Based Strategies

Place-Based Strategies have been under development by local authorities over the course of 2025, with iterations of drafts being provided to Functional Strategy leads to inform the development of the Functional Strategies. Place-Based Strategies have been particularly helpful in setting out local authorities’ overall objectives for different geographies, the priority schemes and subject-relevant context.

For the Local Growth and Place Functional Strategy, the Place-Based Strategies have provided the following:

- Evidence of the different rates of economic growth across the region- for example, quantitative metrics that act as an indicator for economic growth over previous decades for Solihull have been mainly positive, while other areas of the region have struggled to maintain previous growth trajectories;
- Explanations of the key growth clusters local authorities want to support and the barriers to this – for example, Coventry’s Place-Based Strategy discusses the importance of electric light vehicle, battery technologies and Smart Energy Systems to their future growth plans and the different schemes that are needed to support this. Across the Place-Based Strategies, there is good alignment between WMCA cluster analysis and local authorities’ key growth cluster;

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<sup>2</sup> [Economic Development Capacity in the West Midlands, November 2024](#)

- Evidence of native economic strengths and connections to the WCMA Growth Plan – across the Place-Based Strategies there is evidence of the different comparative presences of organisations within different clusters.
- A more granular understanding of supply side barriers to inclusive growth – for example, within the Black Country, though there are brownfield sites allocated to commercial use in Local Plans, these are complex to remediate and not of a size to be suitable for all commercial uses. This presents a challenge to bring forward sites for growth clusters;
- Explanation of where Investment Zones fit within broader economic strategies – for Birmingham, Coventry and Wolverhampton, their Investment Zones are set out in their Place-Based Strategies in the context of their broader spatial and economic strategies;
- Set out the limitations of existing funding, despite improvements in the Integrated Settlement – for example, and most importantly, the lack of capital funding for the delivery of commercial sites to be able to attract new and/or different firms to the region;
- Evidence of the economic interlinkages between different parts of the region – for example, the importance of the economy of central Birmingham for employment and training for residents in Sandwell.

Within Place-Based Strategies, there is a good deal of content on objectives and projects that would typically be funded by the ‘place’ funds that are included in this first Financial Year’s Integrated Settlement. However, based on collective agreement with local authorities, these ‘place’ funds – the Levelling Up Fund, Towns Fund, Long-Term Plan for Towns and Levelling Up Partnerships – will continue to be paid directly by MHCLG to local authorities in Financial Year 25-26.

For 2025, much of the post-UKSPF funding is being double-devolved and can support the objectives of Place-Based Strategies. Funding is also being deployed in the context of the Economic Development Functions Review, which is on-going over the coming months.

We expect a successor to the ‘place’ funds mentioned above to be included in the multi-year Integrated Settlement for FY 26-27 onwards and we will engage Government on how these funds will be used over the coming year. We anticipate that in future iterations of the Integrated Settlement, these place funds will be directed towards place making projects within priority areas in Place-Based Strategies.

## Integration with other Functional Strategies

This pillar has strong links with other pillars including:

- Adult Skills and Employment, in relation to ‘people’ focused activity commissioned and, in some cases, delivered by local authorities to help people develop skills that employers need and find and sustain employment.
- Housing and Regeneration, to deal with regeneration of priority sites which provide the employment premises needed for growth.
- Local Transport, which shapes functional economic areas and is an input into integrated place-based economic development (Place-Based Strategies).
- Retrofit, which given low-carbon and ‘clean tech’ are regional sector specialisms, will help the creation of jobs and development of supply chains across the region.

## Inclusive growth

The Integrated Settlement provides WMCA Board with greater flexibility to align investments more closely to regional and local circumstances, to achieve more impact on inclusive economic growth. As outlined in section 2, the Local Growth and Place Functional Strategy will fund business growth, productivity and supply chain development activities. Place-Based Strategies will further align investments from across the Integrated Settlement to local economic circumstances, to support inclusive growth and prosperity at local levels.

## Funding delivery

The approach to delivery is essentially to continue the broad shape of programmes in scope of the Integrated Settlement during 2025/26, using existing delivery models to minimise risk and disruption with the short period before April 2025.

Funding Line	Allocation Mechanism	CA-LA funding delivery forum	Decision/ communication of LA allocations / projects	Requirements on LAs to access funding	Document required by CA to release funding	CA approval timeline
<b>UK Shared Prosperity Fund – Business Productivity &amp; People, Communities and Place</b>	Onward awarded & commissioned to specialist third-parties ('regional programmes')	Directors of Economic Development  (Directors of Employment and Skills for People, Communities and Place UKSPF activity)	March WMCA Board	Return template setting out local delivery activity	Change Request	WMCA Board - March
<b>Growth Hub</b>	Resourcing of central hub; some specialist third party commissioning		N/a	N/a	N/A - Business as usual	N/a
<b>Made Smarter</b>	Commissioned to specialist third-parties		N/a	N/a	N/a	DSO - March
<b>Create Growth</b>	Commissioned to specialist third-parties		N/a	N/a	Change Request	Exec Director - March
<b>Investment Zone</b>	Onward awarded & commissioned to specialist third-parties		Already communicated to selected LAs	N/a	N/a – programme approval granted	N/a

Looking forward, regional economic delivery will be done through a networked approach led by the economic development vehicle which will deliver in an integrated, streamlined and consistent way across the different components and functions of economic development. This includes an integrated growth-focused account management service for the top 500 businesses and SME business with joined up employment and skills support and cohesive inward investment and innovation support for priority clusters. Functions will be locally networked where this adds value, for example with locally embedded resource for account management and local partnerships for clusters based around a specific place. Local delivery will continue to be led by local authorities for statutory business-facing services, such as planning and licensing, retaining normal relationship management with businesses for these purposes. There are other functions where local delivery will continue to be the best model, such as careers advice delivered in partnership with local schools, or local regeneration programmes.