



## Place-based growth in the Midlands

# INSIGHTS

Place-based growth is economic growth from investments made with the intention to yield financial returns as well as positive local impact, with a focus on addressing the needs of specific places to enhance local economic resilience, prosperity and sustainable development.<sup>1</sup>

Recognising specific local opportunities and multiplier effects – understanding our regional economy's ecosystem – can help us drive the economic growth we need.

So, what does place-based growth look like across the Midlands? What strengths does the region already have? And what should we be doing now to ensure place-based growth delivers on the promise of a more prosperous future for our region?

Over 100 stakeholders joined the Midlands Engine Economic Briefing online on 17 July 2024 to hear perspectives on how place-based investment and growth could shape the Midlands. The panel comprised **Dr. Lisa Smith**, CEO of Midlands MindForge; **Megan Powell Vreeswijk**, CEO, Marketing Nottingham and **Mark Hepworth**, Co-Founder and Director of the The Good Economy. The Briefing was convened by Eagle Labs Director at Barclays, **Amanda Allan**.

Framing the discussion, **Prof. Delma Dwight**, Director of the Midlands Engine Observatory, provided the economic context, coming two weeks after the UK General Election. Evidencing the effects of stuttering growth post-pandemic coupled with political uncertainty over the last few years, she shared the Treasury analysis which showed that if the UK economy had grown at an average rate of other OECD economies in the last 13 years, it would be over £140bn larger, meaning that the Midlands economy would be nearly £22bn better off. Despite being a sobering reality check, this can also be taken as an incentive to get the conditions right so that the region can fulfil that potential.

The Midlands already generates over £277bn GVA (over 12% of UK GVA) and 1 in 4 goods exports come from Midlands businesses. But over the last 20 years, the region's growth rates have fallen below the national average.



You can catch the whole [Midlands Engine Observatory Economic Briefing](#) by scanning the QR code or just visit [midlandsendine.org/event-recordings](https://midlandsendine.org/event-recordings)

1. The Good Economy

“The Midlands specialises in a range of sectors – advanced manufacturing, science tech, biotech, medtech, fintech, creative and digital – giving us great economic resilience.

**Megan Powell Vreeswijk, CEO, Marketing Nottingham**

“The region produces the best science and technology in the world. The thing we haven't done so well is connect that incredible innovation to customers on our doorstep that can scale up that innovation.

**Dr. Lisa Smith, CEO, Midlands MindForge**

The main challenges for UK growth identified by the Productivity Institute help to shed light on the reasons for this – chronic and broad-based underinvestment and a lack of knowledge diffusion. The good news for the region is that, along with local projects, new regional initiatives to address both of these challenges are already underway.

On investment there is the Midlands Investment Portfolio (MIP) presenting the region's major capital and direct investment opportunities. The MIP is also working to articulate the potential for institutional investment in the region. Examples include the Midlands Green Bond, a proposed regional asset backed vehicle and new university-founded patient capital investment company, Midlands Mindforge.

On knowledge diffusion, efforts include Midlands Innovation, Midlands Enterprise Universities and the work of the many catapults, accelerators and industry associations across the region.

The next step is building on these foundations to ensure activity is happening at scale across sectors as well as organisational and geographical boundaries. Prof. Dwight outlined that by delivering the opportunities outlined in the Midlands Investment portfolio we can alter the baseline forecast trajectory and potentially double the growth rate of the Midlands economy. The panel discussion covered the strategies and actions that are required to do just that.

### Building on strong foundations for place-based growth

Discussing what elements need to be in place to attract companies or organisations to the Midlands, the panel emphasised the importance of a whole functioning ecosystem approach encompassing infrastructure (including social infrastructure), transport, housing, skills, leisure and access to facilities.

This thriving ecosystem must consider the whole supply chain – from the micro businesses to the major corporations, in order to understand the full growth potential. For instance, Midlands Mindforge supports spinouts, whilst the Midlands Engine Investment Fund II aims to deliver £400 million of new funding to SMEs in the region.

Understanding all the elements required to make this ecosystem work involves engaging businesses which might choose to locate and grow in the Midlands, as well as engaging with their potential employees about their wants and needs. By addressing these needs, the region can ensure that investments aren't one-offs, but contribute to a broader impact that draws people to work and stay in these places.

### Connection and collaboration

The panellists made it clear that the Midlands already has established innovation drivers for place-based growth. The focus now needs to be on connecting within and across the region to make that innovation deliver as much as possible for the Midlands.

Dr Mark Hepworth, Director of the Good Economy, explained the importance of innovation diffusion: not just having more spinouts, but those that are generating the kind of technologies, products and services that can permeate out into the rest of the economy, with processes and systems in place to support that.

The panel also discussed the idea that what's needed is a change in culture – to break the habit – of automatically looking outside of the region for investment, customers or suppliers – to looking locally first.

As well as prioritising local suppliers in procurement processes, other place-based interventions could include regional proof-of-concept funds to develop new ideas, IP and products locally.

## PLACE-BASED GROWTH IN ACTION: Midlands Mindforge



**Midlands Mindforge is an ambitious patient capital investment company co-founded by eight research-intensive universities in the Midlands – Aston, Birmingham, Cranfield, Keele, Leicester, Loughborough, Nottingham and Warwick.**

Midlands Mindforge is working with university spinouts and IP rich companies to realise the full potential of the 'world class science taking place in the region.

Statistics show that, despite the traditional dominance of the 'golden triangle' universities, those in the Midlands are on a par for research excellence across many subjects.<sup>2</sup>

In fact, out of 12 categories for science and engineering, the Midlands ranks in the top three for 10 of them and is actually ranked number one in the UK in five categories in the 2021 Research Excellence Framework, an assessment of research quality.

What's more, this excellence is in what is known as 'tough tech' – life sciences, biotech, green tech and AI. Dr Lisa Smith explained that these are all types of innovation that are 'sticky,' meaning they are linked to infrastructure and factories, so not easily movable. Therefore, when you invest in tough tech, it has real place-based impact.

Midlands Mindforge exists to help unlock this place-based economic impact, providing a much needed and patient growth investment here in the Midlands.

Dr. Lisa Smith said in the briefing: "If you were a spinout in the golden triangle, by the time you were seven

years old, you would have had 6.3 times more funding than if you were a spinout that grew up inside the Midlands."

Over seven years, MindForge plans to invest £700m and gain an additional £2.7bn in co-investment. This could fund the growth of more than 100 spinouts, with the potential to deliver 33,000 jobs, 11,000 of which are directly employed, and generate £4bn per annum in economic value.

This will establish a thriving Midlands ecosystem, enhancing the region, reducing business failure and supporting rapid scale-ups.

## PLACE-BASED GROWTH IN ACTION: Partnering with The Good Economy

**Working with The Good Economy, the Greater Manchester Pension Fund reallocated 5% (£1.3bn) of their portfolio to local 'place-based investment', driving major growth across the city region.**

Recognising this success, the Midlands Engine has now partnered with The Good Economy and the former Chief Executive of the Local Government Pension Scheme Central to engage fund managers and local authorities. The goal is to demonstrate that investing locally and collaboratively has the potential to unlock economic growth and

deliver attractive social and economic returns, in addition to acceptable risk-adjusted financial returns.

This work will further explore the conditions that fund managers and other stakeholders need to facilitate such investment, as well as the role that local and combined authorities can play in creating these conditions.

## PLACE-BASED GROWTH IN ACTION: A Green Bond for the Midlands

**The Midlands Engine is working with partners to develop a new green finance initiative for the Midlands, one that utilises public sector support to unlock significant, affordable private sector finance.**

Bonds are a tried and tested mechanism that can have great impact at scale, but also as a mechanism through which pension funds, insurers and other institutional investors can invest in local places.

It could also help deliver the green elements of the £48 billion of priority investment needs presented in the **Midlands Investment Portfolio**.



Midlands Investment Portfolio



Midlands MindForge



Midlands Green Bond

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The real issue, if you're going to do place-based impact investing, is to get the governance structure right.

**Mark Hepworth,**  
Co-Founder and Director,  
The Good Economy

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We already have the Midlands Engine Partnership connecting our region. The fact that they're putting together the Green Bond alongside the Midlands Investment Portfolio is a real testament to a foundational strength.

**Dr. Lisa Smith, CEO,**  
Midlands MindForge



### What is the Midlands' story?

Articulating the right regional narrative is key to attracting the kind of place-based investment that drives growth. Place is high on the agenda of many institutional investors. A clear narrative that reflects the language and priorities of these investors – such as positive impact for people, place and planet – is key to securing their interest.

Businesses are going elsewhere to get investment and investors are looking elsewhere to invest because the message isn't out there for either side that they can do all this close to home.

The region's central location within the UK, stretching all the way from Lincolnshire to Herefordshire, is a core part of the Midlands narrative. But the point was raised that this can sometimes mean the region is seen as somewhere to go through on the way to somewhere else.

The existing collaboration through initiatives like the Midlands Engine Partnership is a first step to collectively flipping this narrative – presenting the Midlands as a destination at the heart of the country, not somewhere to pass through.

### Who can investors talk to?

Throughout the discussion, a point that came across several times was the need to have a clear plan and long-term vision to support place-based growth in the Midlands.

A region-wide strategy was suggested as being the key to establishing and presenting a unified vision from stakeholders that would then present a joined-up and clear proposition to attract new investment.

In terms of particular challenges to overcome, Mark Hepworth and Megan Powell Vreeswijk agreed that the message they hear from investors regularly is that they often find it very difficult to find the right person to talk to.

Megan added that another barrier for investors looking at the Midlands could be the time it takes to move through the initial process. Too many obstacles may potentially add up to a decision to go elsewhere.

What is needed is to establish the Midlands as somewhere that's not only interesting to invest in, but a place that's cost effective and can process that investment at speed.

### Final thoughts

Rounding off the discussion, the panel highlighted how many elements of the place-based growth puzzle were already fitting together in the Midlands.

Being successful will not be a case of places pitting themselves against each other, but rather of appreciating and communicating what makes each place special and then collaborating as a whole in a borderless way.