INWARD INVESTMENT RESOURCING IN THE MIDLANDS

OCT 2024

Inward Investment Resourcing in the Midlands

Midlands Engine Partnership October 2024

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Executive summary

The Midlands Engine is the Pan-Regional Partnership for the Midlands. Our region encompasses 65 local authorities; 6 remaining Local Enterprise Partnerships; the West Midlands Combined Authority (WMCA); the new East Midlands County Combined Authority and proposed Greater Lincolnshire Combined Authority and represent 11 million residents, 405,000 businesses and a £264bn economy.

We have a remit from government and our partners to grow the global reach of the Midlands, which includes supporting them in attracting investment. We deliver this remit through 1) providing an evidence base; 2) bringing together partners with government to identify collective priorities, and 3) advocating for the region on the national and international stage.

In our submission to the 2023 Harrington Review of UK Inward Investment, we highlighted the following points:

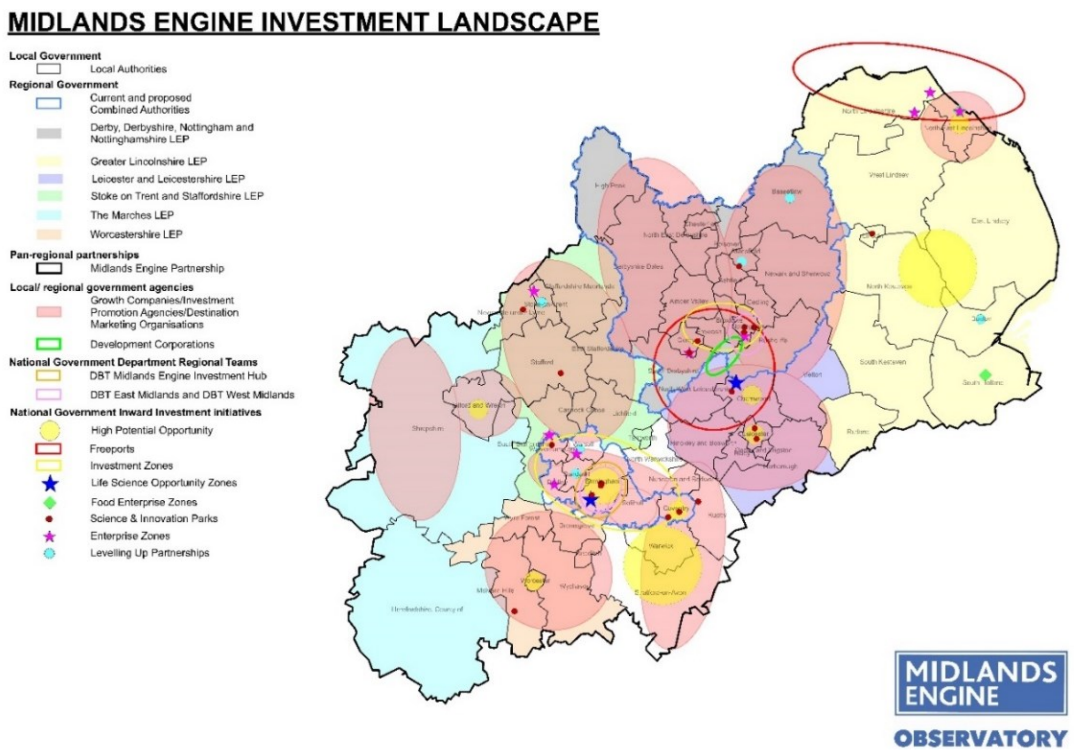
1) **There is a complex, fragmented landscape of organisations and initiatives in the Midlands:** The landscape of different organisations, initiatives, and vehicles with responsibility for supporting inward investment in English regions is highly complex and inefficient. It spreads limited resources too thinly across multiple organisations, increases the transaction cost of collaboration, creates gaps in support and is highly unattractive to investors seeking to navigate the system. This causes…
2) **Misalignment between political decision-making, economic strategy and investment support:** For the majority of the Midlands, there is now significant misalignment between local political decision-making, economic strategy and inward investment support (promotion and incentives). This causes…
3) **Capacity and capability issues:** there has been chronic under-resourcing of inward investment support in our region, exacerbated by the impact of the last decade of austerity and the pandemic on the economic growth capacity of local authorities, as well as significant policy churn that has caused uncertainty and talent drain from local organisations. Ultimately, this has led to…
4) **Poor FDI performance in parts of the Midlands – with significant regional disparities:** The East Midlands in 2022-23 and 2023-24 performed significantly worse in terms of both FDI projects and jobs created when compared to the West Midlands, and non-WMCA areas in the West Midlands have not performed as well as those within the Combined Authority.

Following the government's response to the Harrington Review, Midlands Engine consulted partners about the value of further work to assess inward investment resourcing across the region. Also informing this work has been the establishment of two Freeports and two Investment Zones in the region; the Devolution Deal in the East Midlands and (proposed) in Lincolnshire, as well as a number of reviews of Growth Companies/investment promotion agencies within the region following the closure of most Local Enterprise Partnerships.

To that end, we engaged with partners across the region via survey and interviews, consulted with the Department for Business and Trade and other UK agencies (including the Manchester Growth Company and MIDAS), drew on previous work from the West Midlands Growth Company looking at international comparisons and undertook desk-based research via LinkedIn. Our findings are:

1. Inward investment resourcing across the Midlands is a highly fragmented landscape…

- The Midlands has an **economy equivalent in size to that of Denmark and a population of 11 million people - similar to Portugal**
- **There are in excess of 25 organisations dedicated to inward investment, operating at different and sometimes overlapping geographies**, with gaps across many parts of the region. This does not include local authorities with planning responsibilities, which are critical to securing and delivering inward investment.
- The **West Midlands Growth Company (WMGC) is the only pan-county investment promotion agency in the region,** and has delivered notable improvements in investment performance as a result of this scale, alignment with a Combined Authority Mayor, and support from the Commonwealth Games and DCMS Legacy funding. However, even the WMGC is operating in an uncertain, year-to-year funding environment.
- The **dissolution of the Local Enterprise Partnerships**, many of which who had a remit and resources for inward investment, has resulted in a variety of different arrangements whereby these functions have transferred to combined authorities or local authorities, continued, or ceased altogether
- **There are 11 investment promotion agencies across the region**, but they have varied remits (sometimes including destination marketing and visitor economy) and small resources and only cover a limited number of geographical areas



The Midlands investment landscape (not including planning), extract from [Investment Potential of Midlands Clusters Report](), 2023, p.25

“The number of organisations, programmes, bodies, etc. is a hindrance to delivery, quite frankly. Even we don’t always know who to contact for what, let alone how people outside of the industry or investors are meant to navigate it.”

Inward investment professional from an IPA in the Midlands

2. There are insufficient resources dedicated to inward investment across the Midlands

- Inward investment resourcing is defined by respondents as including attraction of foreign and domestic direct investment, including key account management and the retention of existing business stock
- From our preliminary research (surveys, interview, LinkedIn analysis), we can see that there are only **12 dedicated inward investment staff in the East Midlands and 23 in the West Midlands**
- These staff **work at 25 separate organisations** with responsibility/partial responsibility for inward investment
- There are only **3 Directors for Investment/Chief Investment Officers** across the region
- The Department for Business and Trade’s Midlands Investment Team only has 5.5 (FTE) staff dedicated to supporting inward investment into the region **and, at the time of writing, only has 2.5 FTE in post**
- Including these dedicated inward investment posts, there is a total of **66.9 FTE staff (82 individuals)** working across these aforementioned 25 organisations, Freeports and local authorities with some kind of remit (either shared/ peripheral) for inward investment in the Midlands
- However, **many of these posts are junior, or supportive administrative roles**. Due to resourcing limitations and multiple priorities, in many organisations, supporting inward investment makes up only a portion of individuals’ job responsibilities.
- There is inter-regional disparity in inward investment resourcing, with **approximately 34.5 FTE in the West Midlands and only 28.4 FTE in the East Midlands**. Of the dedicated posts, the West Midlands Growth Company and Department for Business and Trade provide nearly half (16), with the remaining 21 staff spread across 9 investment promotion agencies in the East and West Midlands**,** and a further 45 individuals across the region with a partial remit for inward investment.
- Inward investment teams have two main roles: attracting new investment to the area, and retaining existing businesses. The **budgets with which these services operate in the Midlands are, for the most part, extremely limited. The collective budget of 15 of the 25 organisations is £3.8m including staff pay**, with individual organisational budgets varying from £50,000 to £600,000.
- The **total cumulative regional non-pay budget for investment support and promotional activity for this sample is only £913,000 in 2023/24, with, on average, 79% of budgets going to staff pay**

– 50% of organisations in the Midlands spend 90% or more of their inward investment budget on staff pay alone

- While many roles cover both foreign and domestic investment leads, 8 organisations have dedicated FDI roles, of which **5 outsource FDI support to external consultants**
- **Staff levels are well below that of the devolved nations of Northern Ireland and Scotland**, which have far smaller populations than the Midlands and have more than 500 and 450 staff respectively, including overseas staff in more than 23 countries
- For comparison**, Invest Northern Ireland has a headcount of approximately 480 staff** and a resource budget of £86m in 2022-23, with a separate £58m capital budget. Manchester's MIDAS has approximately **30 staff and a budget of at least £1.3m for 2024/25.**

3. This has reduced inward investment capability and capacity

- With many small teams having responsibilities beyond direct inward investment servicing, many respondents cited the importance of wider council activities, such as skills development, planning, business support and more, to develop compelling value propositions and support lead conversion. **With concerns around shrinking local authority budgets prioritising statutory responsibilities, there is a 'catch 22' of potentially cannibalising activity** that creates the right conditions to attract the investment required to ensure economic growth in the longer term.
- **73% of respondents were clear that they do not have enough resources to pursue their goals**, with many organisation leaders citing a focus on retaining staff and applying for additional funding to ensure continued operations
- **Resource dedicated to Key Account Management (KAM) of companies is particularly denuded**, with only 1.0 FTE available to support all KAM in the East Midlands County Combined Authority (formerly D2N2) in June 2024 and a patchwork of DBT support and contracts across the rest of the region
- Marketing is not the only means of generating investment leads, and **the patchwork of inward investment services must compete with common local barriers to investment** including skills, planning and availability of suitable sites for leads

MIDLANDS ENGINE

4. This has resulted in poor inward investment performance in most parts of the region…

- **While the Midlands overall has retained its market share of new FDI job creation into the UK, the share of new projects has decreased over the past three years**. Within the Midlands, the difference between the West Midlands - which benefits from the strength of a better-resourced growth company - and the East Midlands is stark. The East Midlands secures less than half as many projects as the West Midlands, with only 48 projects in 2023-24 compared to 119 in the West Midlands (mainly in the Greater Birmingham and Solihull area). The wider West Midlands area also underperforms, with no new single-site FDI projects into Stoke and Staffordshire, Worcestershire, or the Black Country reported by DBT in 2023/24.

	FDI Projects			**New jobs**		
	21-22	**22-23**	**23-24**	**21-22**	**22-23**	**23-24**
East Midlands	84	↓76	↓48	6,232	↓↓2,741	↓2,209
West Midlands	163	↑194	↓119	6,231	8,454	↓7,314
EM % of UK	5.3%	↓4.6%	↓3.1%	7.4%	↓↓3.4%	↓3.1%
WM % of UK	10.3%	↑11.7%	7.7%	7.4%	↑↑10.6%	↓10.2%

Table 1 – 3-year performance breakdown between East and West Midlands for inward investment (DBT figures June 2024)

5. However, there are a number of opportunities to address this…

- The Midlands now is home to two Freeports (East Midlands and the Humber), two Investment Zones (West Midlands and East Midlands) and two Combined Authorities (with one more on the way)
- The Midlands also hosts a national proof-of-concept pilot, the *Invest in UK University R&D – Midlands Campaign* developed by a coalition of seventeen universities, the Midlands Engine and West Midlands Growth Company
- The new Labour government has identified growth in the regions as a key priority, with mayors given a strong a remit to accelerate their Local Growth Plans
- The Midlands Engine Partnership continues to have a strong remit from government and partners to support them in attracting investment and growing the global reach of the region
- The implementation of the Harrington Review of UK Inward Investment includes a review of DBT's approach to place – and has already seen changes in the structure of DBT's regional teams
- The new East Midlands Combined County Authority has an opportunity and a mandate to commission a review of investment promotion, destination marketing, visitor economy, trade and business support across the organisations and local authorities within its boundaries

Recommendations

In light of this analysis and close consultation with partners via the Midlands Engine's Senior Global and Investment Advisory Group and Midlands Trade and Investment Advisory Forum, this report proposes the following recommendations for government and regional partners to consider:

National government

1. The new government should go further than the recommendations of the Harrington Review and undertake a **further, targeted review of inward investment, trade and exports and business support across England**
2. The Department for Business and Trade and Ministry for Housing, Communities and Local Government should work together **to allocate increased resources to inward investment for the Midlands**
3. The government's **Cross-Whitehall UK Product Taskforce should provide a clear conduit for the regions (including those areas currently without a combined authority or mayor)** to secure support and expertise from national and international teams in *both the development and promotion* of priority investment projects
4. **Key account management funding** should be increased to enable greater staff resourcing for servicing existing FDI stock to retain expansion in the region, and provide capacity to actively promote and develop relationships with new international businesses. This could be through devolution deals with new combined authority areas but must also service non-combined authority areas, especially those where FDI performance is lowest.
5. The government should **facilitate a longer-term approach to investment support funding through its approach to devolution**. This could be done by providing multi-year budget settlements as part of devolution arrangements, or through three-year settlements. Doing so will give IPAs and other services the certainty they need to prioritise resources effectively and reduce time spent dealing with sustainability concerns.
6. Building on best-practice in the Investment and Strategy Directorates' Europe Team**, senior overseas DBT staff should have an additional 'lead' remit for specific English regions** to help grow relationships and provide a conduit for opportunities

Regional partners

7. Recognising the complexity and geographical layers to the inward investment landscape in the Midlands, and in line with the Harrington Review recommendations, **regional partners should work together to 'hide the wiring' and present a clear front door to international investors**, with a smooth 'investor-first' experience provided to capitalise on interest, triage opportunities and ensure investment is converted
8. **The Midlands Engine Partnership should continue to provide the region with a convening, evidence base and advocacy service to support partners in the inward investment space**. This includes the Midlands Investment Portfolio, the Midlands Global and Investment Scorecard, the Midlands Product Taskforce, the Midlands Trade and Investment Advisory Forum, and direct support for a limited number of investment promotion platforms where partners will benefit from a scaled, pan-regional approach (i.e. UKREIIF, MIPIM, London Tech Week).

9. **The Midlands Engine Partnership should also continue to support the region through the support and catalysis of innovative practice and 'proof-of-concept' initiative**s that help to effectively position the region to shape policy and access national government pilot funding. This includes the *Investment Potential of Clusters Programme* and the *Universities as drivers of trade and investment programme/Invest in UK University R&D – Midlands Campaign.*
10. To address 1) the complexity, stretched resources and funding 'cliff-edges' facing several IPAs in the East Midlands; 2) current poor inward investment performance, and 3) the opportunities provided by devolution and initiatives in or near the East Midlands (such as the East Midlands Freeport and the East Midlands Investment Zone), **the East Midlands County Combined Authority Mayor should commission a rapid review of inward investment and business support in the EMCCA geography, with a view to evaluating the benefits of establishing a CA-level inward investment agency/growth company.** This exploration should take into account the imperative to retain current expertise and resources in the light of the financial challenges facing local authorities in the East Midlands, as well as the potential expansion of a delivery and partnership model to areas beyond the current EMCCA footprint.
11. The region should support efforts to advocate for a **sustainable, reliable and long-term funding solution for the West Midlands Growth Company** that enables it to maintain the growth in inward investment that was delivered from its Commonwealth Games Business and Tourism Programme
12. **This exercise should be repeated in greater detail to benchmark international competitors and their resourcing and, more** specifically, how those resources are allocated; beyond incentives, can we identify and emulate best practice in sub-national inward investment structures and systems?

Onward work

To build upon the findings of this paper, further work is recommended to provide:

- A comparison of approaches to inward investment across different IPAs and, in particular, of what activity the staffing in each IPA/organisation is focused on and the core skills required
- More granular insight, such as from direct engagement with staff, to understand the realities of time allocation and what takes up most resourcing/which activities require more resourcing
- Analysis of what activities have the most impact on inward investment
- Further detailed benchmarking to comparators outside of the region

1.0 Introduction

While inward investment can and does occur without public sector intervention, across the world local and national governments, contracted companies and agencies, and specific initiatives such as Freeports and special economic zones have dedicated resource to attract and facilitate these investments. Providing services such as opportunity promotion, investor concierge, key account management (KAM) and more, these entities play an important role in securing high-value, high-impact investment, and retaining existing business stock. Remits often extend into local strategy and operational business support to drive growth, promoting priority sectors, skills and urban regeneration.

Many countries, states/regions and major cities around the world have some form of investment promotion agency (IPA) working alongside the government department or lead agency for inward investment. In some countries, such as Lithuania[1], Italy[2] and Germany[3], this is highly streamlined; in others, like the UK, there is a more complex sub-national landscape of organisations with remit for inward investment at town, city, county and conurbation levels.

In the Midlands, there are **in excess of 25 organisations with some kind of dedicated resource for providing inward investment services**. These include the government's Department for Business and Trade (DBT); the West Midlands Growth Company; multiple dedicated IPAs such as Marketing Derby and Invest Nottingham; local authorities (LAs) with dedicated investment staff, such as Invest Coventry and Warwickshire; and place-based interventions such as the remaining Local Enterprise Partnerships (LEPs) and the East Midlands and Humber Freeports. The only IPA in the Midlands Engine area which operates on a larger scale than county level is West Midlands Growth Company, whose remit spans the West Midlands Combined Authority. There is geographical overlap between several of these organisations, such as where Freeports exist, and where both district or borough councils and upper-tier authorities have some resource.

In an increasingly competitive global landscape, where the UK's market share of European FDI projects has declined post-EU referendum and global investor perception of the UK's attractiveness has also dropped (although it is anticipated to improve in the coming years)[4], this report sets out to provide a frank account of this human and financial resourcing and organisational priorities, analyse the associated challenges and opportunities, and benchmark these to national and international competitors. This will provide a clear picture of the inward investment landscape in the Midlands Engine to support future policymaking, in particular the implementation of the Harrington Review recommendations.

1.1 Approach

In early 2024, a series of interviews were held with IPAs and inward investment-resourced local authorities across the Midlands Engine area, supplemented with desktop research. LinkedIn provided helpful (but imperfect) benchmarking information on staff levels, and we are grateful to the Manchester Growth Company and West Midlands Growth Company for sharing previously undertaken work related to this topic with us. Appendix I contains more detail on our approach and methodology.

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[1] Invest Lithuania is the primary IPA for the whole of Lithuania, with only the capital city, Vilnius, having a subsidiary focused entity 'Go Vilnius'

[2] Invest in Italy is the primary body, with several key cities and regions like Milan, Lombardy and Verona having their own IPAs that do not overlap

[3] States such as Baden-Wurttemberg (very similar in size and shape to the Midlands Engine with 11 million people and around 5,000km^2 larger) have only two IPAs: Germany Trade and Invest at the federal level, and the state-level BW-Invest

[4] EY Attractiveness Survey 2024 [UK Foreign Direct Investment project total grows | EY UK]

2.0 Staffing

In total, there is **66.9 FTE, or 82 individuals, with some kind of remit to attract and support inward investment across 25[5] organisations spanning the Midlands Engine region**, an area of 11 million people and around 27,240km^2.

However, in nearly half of organisations investigated, inward investment is not a dedicated role but part of a broader remit of economic development, business growth and/or regeneration. This means that many of these individuals do not work full time on inward investment but have to split their time between inward investment and other activities. In several cases, there are further contracted services on a fixed-term basis.

Taking this into account, **there are approximately 66.9 full-time equivalent (FTE) inward investment professionals across the whole Midlands Engine area, of which 34.5 are based in the West Midlands and 28.4 in the East Midlands. There are a further 4 FTE in the DBT Midlands-focused roles.**

In practice, however there are **only 37 people in dedicated inward investment roles, of which the West Midlands Growth Company and Department for Business and Trade make up nearly half (18), with the remaining 21 staff are spread across 9 investment promotion agencies in the East and West Midlands. In total, there are 12 dedicated inward investment staff in the East Midlands and 23 in the West Midlands.** There are a further 45 individuals working in the Midlands with a partial responsibility for inward investment, combining this with other business needs, of which 19 work in the East Midlands and 26 in the West Midlands.

Notably, while many roles cover both foreign and domestic investment leads, 8 organisations have dedicated FDI roles, of which 5 outsource FDI support to external consultants.

For comparison, Invest Northern Ireland, representing a population of 1.9 million, employs in excess of 500 staff (although they also operate some export and other business growth programmes) across 30 workstreams, and 33 overseas staff across 25 countries. Scottish Development International, representing a population of 5.4 million, has in excess of 400 staff, including 100 based overseas in 30 offices in 23 countries. MIDAS, Greater Manchester Combined Authority's IPA, employs more than 30 staff – with 10 in the senior leadership team – for a conurbation of around 2.9 million people.

A 2022 study of inward investment resourcing across the North[6] found 53.5 dedicated staff in inward investment roles but recognised at least six further LAs with dedicated staff roles, resulting in a figure in excess of 70 staff. This staffing included 17 key account managers. The study noted inconsistency in structures and funding across the regions, drawing on, at the time, LEP, ERDF, mayoral and local authority funding streams.

A full comparison table of estimated staffing counts per UK and international investment promotion agency can be found in *Appendix 2*. Using LinkedIn, this cursory research suggests that the Midlands IPAs are understaffed, with comparable entities in Germany, Canada, France, the Netherlands, Spain, and Australia having between 20 and 300 staff each.

[5] Birmingham City Council, City of Wolverhampton Council, DBT, Derbyshire County Council, Dudley Metropolitan Borough Council, East Midlands County Combined Authority, East Midlands Freeport, Greater Lincolnshire LEP, Herefordshire County Council, Humber Freeport, Invest Chesterfield, Invest in Nottingham, Invest North East Lincolnshire, Invest in Leicester, Marketing Derby, Sandwell Metropolitan Borough Council, Shropshire County Council, Solihull Metropolitan Borough Council, Staffordshire County Council, Stoke City Council, Telford and Wrekin Council, Walsall Metropolitan Borough Council, Warwickshire County Council, West Midlands Growth Company, Worcestershire County Council

[6] Cheshire and Warrington, Cumbria, Greater Manchester, Humberside and East Yorkshire, Lancashire, Liverpool City Region, North East Combined Authority area, South Yorkshire, Tees Valley, West Yorkshire, York and North Yorkshire

In the Midlands, inward investment teams have between 0.5 and 14 full-time equivalent (FTE) inward investment positions. Excluding the West Midlands Growth Company, which has the largest team, the next greatest staffing complement was 8.5 FTE. **The average organisation in the Midlands Engine has 3.6 FTE inward investment professionals**. This breaks down to an average of 3 FTE in the West Midlands and 3.9 FTE in the East Midlands. This data is visualised in *Figure 1.*

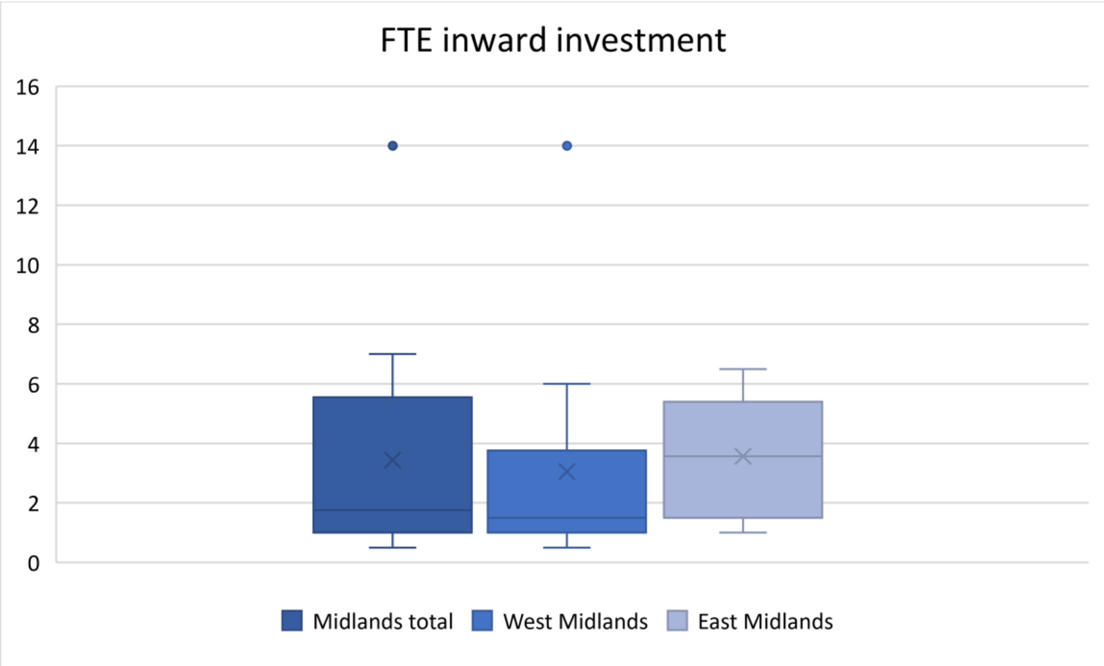

Figure 1 - Inward investment FTE in the Midlands

It is worth noting that one reason for the West Midlands figure being so much lower than the East Midlands is because all metropolitan boroughs in the West Midlands Combined Authority area receive inward investment support from West Midlands Growth Company. Therefore, they either have no in-house inward investment team at all, or just 0.5-1 FTE in-house whose role is mainly to liaise with the Growth Company; this pulls down the average distribution across organisations. Additionally, several other local authorities in the West Midlands outside the Combined Authority area outsource key account management to an external consultant, leading to deceptively small teams in-house.

Participants were also asked to name any other roles or functions within their organisations that they consider crucial to inward investment, outside their core inward investment team. Answers are visualised in *Figure 2* below. The most common response was skills, because access to skills and talent is a key aspect of what makes a place an attractive investment destination. Many answers also mentioned planning departments, as their cooperation is needed to obtain permission to develop investable sites and premises; business support to help keep existing businesses in the area, and corporate leadership for providing overall strategic direction.

Figure 2 - Participants' answers to the question: "Are there other roles in the organisation that are invaluable to inward investment support but do not have direct responsibility for it?"

Of the 82 inward investment professionals in the Midlands Engine, **nine are directors or executives**, with the majority of posts being officer-level or below (47.5%), or managerial-level (37.7%). 50% of organisations in the sample lacked any director-level inward investment professionals. The share of inward investment professionals in the Midlands Engine at each level is visualised in *Figure 3* below.

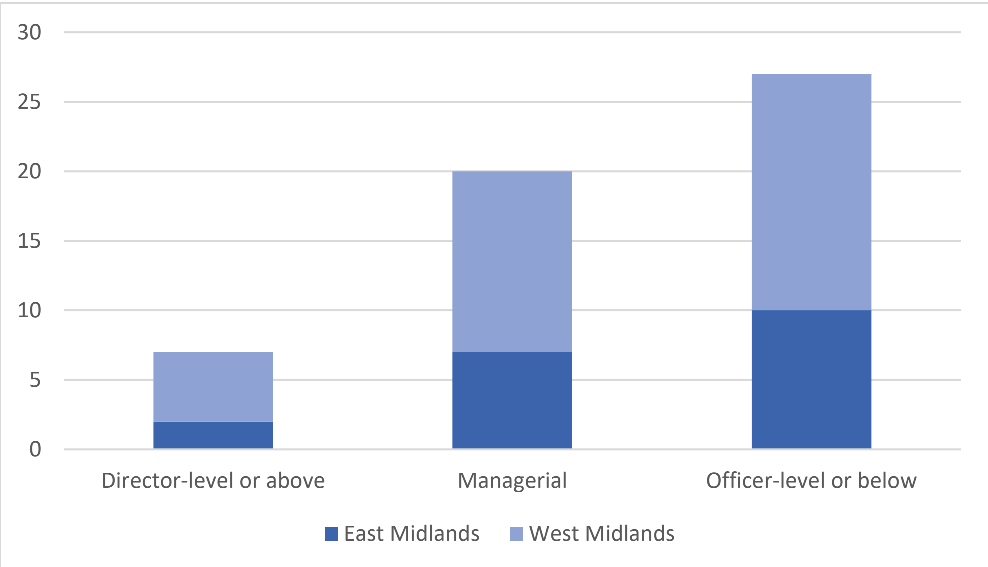

Figure 3 - Inward investment professionals in the Midlands by job tier

In the average organisation in the Midlands Engine, there are 3.4 full-time equivalent inward investment professionals the inward investment team will include 1 director, 2 managers and 2 officers, rounded to the nearest whole number. Given that the average organisation only has 3.4 FTE dedicated to inward investment, at least two of these people will not work full-time on inward investment. The organogram of the mean average inward investment team in the Midlands Engine is visualised in *Figure 4*.

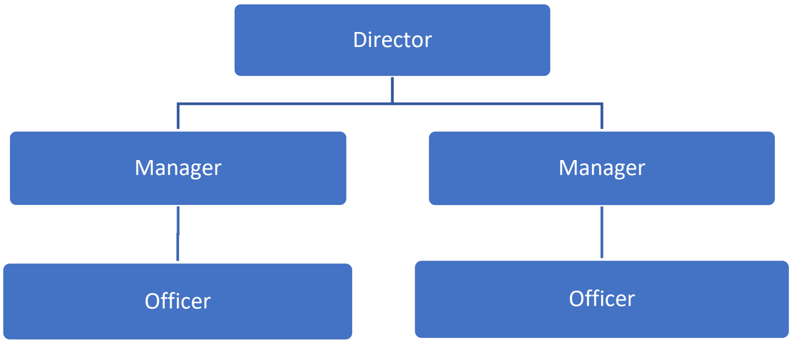

Figure 4 - Average inward investment team organogram

Figure 3 also shows that, on average, inward investment professionals in the West Midlands are more senior in position than those in the East Midlands; there are more than twice as many director-level inward investment professionals in the West Midlands as there are in the East Midlands, and 53% of inward investment positions in the East Midlands are officer-level or below, compared to 48% in the West Midlands.

This is reflected in the average salaries of investment leads. In the average organisation in the West Midlands sample, the average salary of the most senior inward investment professional is slightly higher than that of their East Midlands counterparts. This is in spite of organisations in the East Midlands having larger average organisational budgets for inward investment, as will be discussed further in the next section.

3.0 Finances

Across all organisations sampled, cumulative budget for inward investment in the Midlands Engine amounts to around £3.8 million including staff salaries. **The total non-pay budget for investment support and promotion activities across the Midlands Engine is £913,000**.

For comparison, Invest Northern Ireland's resource budget in 2022-23 was £86m, with a separate £58m capital budget. This has been reduced from previous years due to the discontinuation of Covid support but, notably, Invest Northern Ireland receives around £30m per year through EU Island schemes, and further income from resource and capital amount to around £11m in 2022-23. Scottish Development International's budget is not published. Manchester's MIDAS budget for 2024/25 is proposed at £1.3m, a slight reduction on 2023/24 due to Rochdale Council withdrawing support. The 2022 study of inward investment resourcing in the North highlighted a cumulative budget in excess of £5.5m, but noted several other funding streams from which it was challenging to disaggregate budget directed to inward investment servicing.

In the Midlands, organisational budgets vary wildly, between £50k and £600k, averaging £262k. This range is deceptively high. Aside from Freeports, only two councils in the sample have inward investment budgets in excess of £300k, and in both cases more than half of the budget comes from self-generated revenue or from external funding streams such as UK Shared Prosperity Funding (UKSPF), meaning they only have £100-200k of core funding. Excluding external funding and self-generated revenue, **the average core budget is £151.75k.**

There is also a noticeable disparity between the East and West Midlands. The average inward investment budget for organisations in the East Midlands is £282.5k, compared to £207.5k in the West Midlands. This is because the West Midlands average is skewed downwards by the fact that multiple organisations have no dedicated inward investment budget at all, outside the salaries of their relatively small teams.

Furthermore, between £50k and £270k – **on average, 79% - of these total budgets is spent on staff pay**. **50% of organisations in the Midlands Engine spend upwards of 90% of their inward investment budget on staff pay alone. This leaves an average of £73.9k for investment promotion and all other operational costs. Several organisations in the West Midlands report having no non-pay budget for inward investment at all.** Admittedly, they are supported by the work of the West Midlands Growth Company but, nevertheless, they expressed that they lack the resources to achieve their inward investment ambitions.

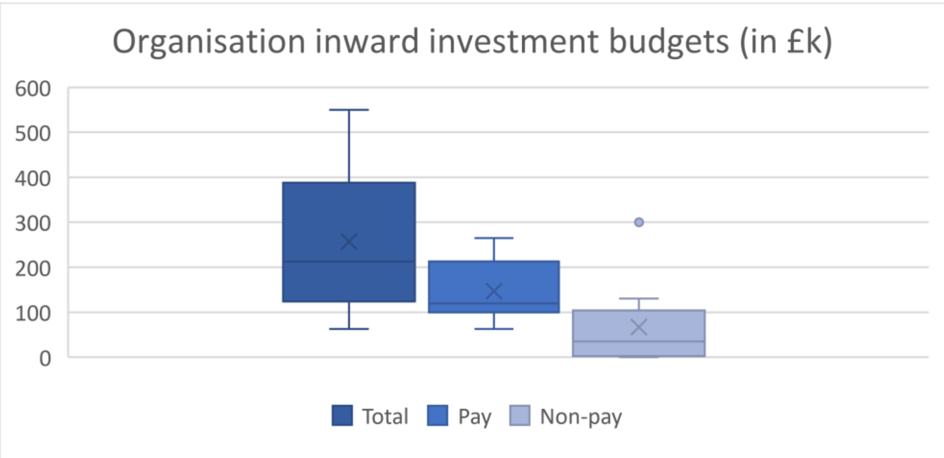

Figure 5 - Organisation inward investment budget (in £k) variation

4.0 Priorities

Inward investment teams have two main roles: attracting new investment to the area and retaining existing businesses, and the activities to which they allocate resources can be grouped accordingly. The majority of responses prioritised allocating resources towards attracting new investment, as this is more resource intensive.

However, in addition to this, reflecting the tight financial situation, a quarter of inward investment leads said that their top priority was simply retaining their staff, filling vacancies and applying for additional funding so they could realistically work towards more ambitious goals.

In some cases, resourcing priorities are driven by statutory development plans and UKSPF Investment Plans which are geared towards green growth, job creation and town centre regeneration and include delivery of Investment Zones, Levelling Up Zones and Enterprise Zones.

Figure 6 – Word cloud of cumulative delivery priorities for the next three years

Retaining existing business

As *Figure 6* shows, almost half of inward investment leads named key account management (KAM) as a top resourcing priority because it has the highest return on investment and is important for retaining existing businesses, which is currently vital as many investment teams lack the resources to seek out new investment leads. Other answers mentioned support for small and medium-sized enterprises to help support the growth of businesses already in the area.

Delivering new investment

38% of inward investment leads said that a key priority was filling and supporting corporate estate, delivering key infrastructure projects, and/or bringing forward new sites for development, including brownfield remediation and scaling up smaller sites to make them investible. These are grouped in *Figure 6* as 'estate management'.

Interviews revealed that land and site availability presents a challenge to inward investment. Smaller, densely packed urban areas, and even some rural counties, have a shortage of unoccupied plots - especially larger units that can accommodate large-scale investment. This limits investment in particular sectors which require larger sites, such as logistics, and creates a balancing act between attracting new investment while avoiding generating interest that cannot be landed. Post-industrial areas face an additional challenge in that many of their vacant sites are contaminated brownfield sites which require costly remediation to be developable. There are also planning hurdles to overcome, such as flood mitigation and travel caps which restrict how many housing projects can be brought forward.

Many councils also prioritise developing key sectors, on the basis that nurturing local specialisms and growing the industries that drive the local economy helps create unique selling points to market the area as an investment destination.

Most areas which take this approach prioritise their visitor economy, and other priority sectors include the Midlands' established strengths such as advanced manufacturing, food production, engineering, logistics and life sciences. However, most areas are prioritising growth in new economy sectors – such as agri-tech, creative and digital, cyber, future mobility, green energy and medical technologies. This reflects strategic decisions to leverage the climate crisis and international supply chain disruptions to play to the Midlands' strengths, and the need to remain competitive in evolving sectors – such as automotive manufacturing – in order to secure the long-term viability of the local economy amidst digitisation and the net zero transition.

The case for resource and scale

Substantial place marketing, destination management and investment agencies, typically found around major city regions, are typically sufficiently resourced to deliver ambitious activities.

Such organisations include Manchester Growth Company and its subsidiaries; the Newcastle-Gateshead Initiative; Amsterdam & Partners; the Turisme de Barcelona Consortium; Berlin Tourismus & Kongress GmbH; Choose Chicago; Frankfurt-Tourismus and ONLYLYON.

Where they have a specific inward investment resource, the remit typically features a focus on a range of priority sectors which are both foci of growth in the global out-bound investment market and sectors for which the location has assets and strengths that resonate with investors in these sectors.

This is typically complemented by a wider offer including support for new business start-ups, capital investment attraction and wider business consultancy. UK agencies often supplement income through some kind of commercial partner network.

Several inward investment leads also expressed an ambition to channel resources into leveraging and building on strategic relationships with other regional stakeholders. This includes improving coordination between combined authorities, local authorities and universities. Some councils aim to expand collaboration on a regional scale, pooling resources to deliver larger-scale projects such as transport infrastructure and affordable housing, as well as working with regional-level actors such as combined authorities and the Midlands Engine Partnership to refine their investment proposition and promote themselves to investors, and leveraging those relationships to ensure that the benefits of devolution deals are felt equally in all localities. Strategic relationship management also includes strengthening civic relationships with overseas partners, for example through trade missions, as a means to generate foreign investment leads.

Other priorities included delivering skills to increase the supply of talent, as this is a key component of a thriving local economy which is attractive to investors; along with promotional activities such as UKREiiF, which one council quoted as costing them 42% of their entire non-pay budget.

5.0 Unmet resourcing needs

73% of organisations interviewed were clear that they **do not have enough resources** to pursue their inward investment goals. Several elaborated that they have just enough resources to retain existing businesses and cover their staffing costs but are **unable to proactively promote further investment**, citing council budget cuts and funding and hiring freezes. One council quoted a figure of £51m in cuts to the business growth and investment budget over the last year and a further £62m to come in the next year.

Understaffing is an issue as well as underfunding. The majority of teams are already small, so the fact that, in most organisations, they have to split their time between inward investment and a wider economic development remit leaves **little resource to dedicate to inward investment and account management**. To exacerbate this, some councils mentioned that they have lost staff members and been unable to replace them due to funding cuts, hire freezes, or positions only being funded for a fixed term. Still more participants anticipate this happening in the next year.

Predictably, the majority (two thirds) of the organisations which expressed that they have enough resources also have the largest non-pay budgets. All of them cited partnership working and efficient use of resources - for example, implementing an online self-service portal for smaller businesses; strategically prioritising businesses in key sectors; and even cutting back on proactive marketing to reinvest in supporting existing companies and sectors to enable the local economy to thrive, making it inherently more attractive to investors. It was also noted that a higher international marketing budget does not necessarily yield better results, and that there are other limiting factors to attracting investment which cannot be addressed through additional resourcing – these include recruitment challenges, planning constraints and the availability of suitable sites.

6.0 Looking ahead

Over half of organisations in the sample lack confidence in the long-term security of their resources, anticipating further cuts as the continued squeeze on public finances puts non-statutory services at risk in local authorities and dilutes delivery of investment projects. Naturally, this risk is particularly acute where local authorities have issued Section 114 notices.

As councils face budget challenges and are forced to prioritise, increasing proportions of their budgets are being redirected to social care and children's services. The importance of these service areas cannot be dismissed, but overlooking economic development creates a 'catch-22' situation whereby councils which are already in a difficult financial situation have to cut back on promoting new investment which could help to overcome the economic challenges by creating employment opportunities and potentially bringing forward affordable housing projects.

Furthermore, funding is allocated on an annual basis, making it difficult to make long-term plans beyond 12 months. This creates particular challenges around procurement, as larger-scale projects can take more than a year to deliver, and having to go back out to tender every year hinders strategic relationship-building with contractors. It was suggested that it would be more helpful if funding were awarded indicatively on, for instance, a three-year basis with annual sign-off based on performance milestones to maintain accountability.

The lack of continuity is exacerbated by changes underway in the political and economic landscape. A significant amount of funding currently comes from UKSPF, LEP transition funding, and Commonwealth Games legacy funding, all of which will end in 2025. It remains unclear what, if anything, will replace them – and if they are not replaced with another source of government funding, many of these organisations will have a cashflow problem.

There are also new devolution deals in motion across the Midlands – the new East Midlands County Combined Authority, the West Midlands' recent Trailblazer Deeper Devolution Deal, and negotiations underway for a Greater Lincolnshire Devolution Deal. These have potential benefits for inward investment, which might even include additional funding but, in the meantime, participants are uncertain what, if any, support they can expect from the combined authorities under the new settlements.

Political stability clearly benefits inward investment. Those who expressed confidence in the long-term continuity of their inward investment resourcing cited the benefits of stable political and corporate leadership, as well as pro-business political and corporate leaders who understand the importance of economic development and are willing to prioritise it when it is time to make budget decisions. In contrast, participants recalled a significant drop-off in investment in the aftermath of major disruptions to the policy landscape at national level, such as Brexit and Liz Truss' mini budget.

On a more positive note, participants expressed optimism about the potential for additional funding through Investment Zones.

7.0 Performance

While total FDI projects into the UK, as reported by DBT, remain relatively stable year-on-year, the number of jobs created has declined every year for the past three years. This trend carries through to the Midlands, where 2022/23 saw a slight increase in projects but total job creation has decreased by several hundred each year. While the Midlands' share of UK FDI projects has fluctuated between 13.2% (23-24) and 16% (22-23) over the past three years, the share of new job creation has remained stable at around 14%.

To put this performance in context, the EY Attractiveness Survey 2024 identifies the UK as the second-highest performer - behind France but ahead of Germany - for FDI projects in 2024, but leading on new job creation (second overall in the past decade). However, overall, Europe's total projects show a medium-term decline from highs in 2017/18, with the UK bucking that trend slightly in 2023 with a small increase in projects.

Within the Midlands region, there is a high disparity between the West and East Midlands (*table 4*), with West receiving more than double the number of FDI projects - and, for the past year, new job creation - than the East. With Greater Birmingham and Solihull by far the largest recipient of this inward investment each year, there is an apparent correlation to the presence of the significantly better resourced West Midlands Growth Company.

The following tables present Midlands LEP area and regional benchmark FDI performance, using DBT data.

Year	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**	**2021/2022**	**2022/23**	**2023/24**
FDI Projects	243	224	242	217	242	265	206
FDI New Jobs	13,138	6,867	6,308	6,592	12,459	11,091	10,282

Table 1 - 7 year FDI project and job performance for the Midlands, reported by Department for Business and Trade. Red colour indicates decline on previous year, Green increase.

Benchmarks:

Area	**Population**	**FDI Projects**			**New jobs**		
		21-22	**22-23**	**23-24**	**21-22**	**22-23**	**23-24**
Midlands	*10.9m*	*242*	*265*	*206*	*12,459*	*11,091*	*10,282*
North West & East	10.2m	216	198	195	11,323	8,867	9,393
London	9m	444	528	503	18,125	20,647	19,736
Northern Ireland	1.9m	32	33	24	2,112	1,416	1,572
Scotland	5.4m	119	130	125	4,408	3,428	4,035
UK Total		*1,589*	*1,654*	*1,555*	*84,759*	*79,549*	*71,478*
Midlands % of UK		*15.2%*	*16%*	*13.2%*	*14.7%*	*13.9%*	*14.4%*

Table 2 - 3 year FDI project and job performance for Midlands and benchmark areas reported by Department for Business and Trade. Red colour indicates decline on previous year, Green increase.

LEP Area	**FDI Projects**			**New jobs**			**Safe jobs**		
	21-22	**22-23**	**23-24**	**21-22**	**22-23**	**23-24**	**21-22**	**22-23**	**23-24**
Black Country	17	13	N/A	579	634	N/A	N/A	N/A	N/A

Coventry and Warwickshire	36	50	44	1534	3195	2161	N/A	166	N/A
D2N2	33	38	27	1470	1152	1499	268	N/A	N/A
Greater Birmingham and Solihull	49	76	59	2063	3776	4963	93	N/A	N/A
Greater Lincolnshire	25	20	N/A	1295	1159	N/A	N/A	N/A	N/A
Leicester and Leicestershire	26	18	21	3467	430	710	31	N/A	N/A
Stoke-on-Trent and Staffordshire	26	21	N/A	793	145	N/A	N/A	N/A	N/A
The Marches	20	20	16	1006	468	190	35	N/A	N/A
Worcestershire	15	14	N/A	256	236	N/A	N/A	N/A	N/A

Table 3 - 3 year performance breakdown by LEP area. Note multi-site projects and jobs not included. Reported by Department for Business and Trade. Red colour indicates decline on previous year, Green increase.

	FDI Projects			New jobs		
	21-22	**22-23**	**23-24**	**21-22**	**22-23**	**23-24**
East Midlands	84	↓76	↓48	6,232	↓↓2,741	↓2,209
West Midlands	163	↑194	↓119	6,231	8,454	↓7,314
EM % of UK	5.3%	↓4.6%	↓3.1%	7.4%	↓↓3.4%	↓3.1%
WM % of UK	10.3%	↑11.7%	7.7%	7.4%	↑↑10.6%	↓10.2%

Table 4 - 3 year performance breakdown between East and West Midlands for inward investment (DBT figures June 2024)

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Appendix I – Methodology

This report primarily draws on semi-structured interviews with 15 inward investment leads in upper-tier and unitary authorities and IPAs spanning the Midlands Engine region, as well as email survey and desktop research for the remaining organisations.

For the purposes of this report, an 'inward investment lead' refers to the most senior employee within an organisation whose role consists wholly or partly of managing investment promotion activities within the organisation's geographical remit. In many local authorities, inward investment is part of a broader job description encompassing business growth, economic development and/or regeneration. As such, the individuals approached as 'inward investment leads' do not always focus solely on inward investment, nor have job titles referencing investment.

Participants were approached via email and asked to take part in a 20-30-minute semi-structured video interview regarding resourcing for inward investment in their organisation. Interviews included quantitative questions regarding staff headcount and organisation budget; and qualitative questions regarding the organigram of investment teams, resourcing priorities and challenges, performance, targets and barriers to attracting investment, and the impact of changes to the political and economic landscape. Interviews were recorded with participants' consent, transcribed and coded, and the recordings were subsequently deleted in line with GDPR.

During the interviews it was noted that staffing consists of dedicated and fractional or combined roles, i.e. staff who's entire responsibility is inward investment servicing, or those who have partial responsibility for this along with other activities.

Research revealed early on that, in addition to inward investment teams in upper-tier authorities, some lower-tier authorities have their own small inward investment teams for account management at local level. These were incorporated into the data set using indicative headcount data gathered from LinkedIn and organograms published online where available. The same was done to incorporate organisations which were unresponsive to email requests for an interview.

Appendix 2 – LinkedIn research

The following table presents estimated staffing numbers per organisations in a selection of IPAs from around the world, each broadly servicing equivalent populations to some IPAs in the Midlands. These figures (based on people associating themselves to companies as employees on LinkedIn) suggest much higher employment figures at IPAs overseas and in some parts of the UK.

It should be noted that these are very much headline figures and do not distinguish roles and responsibilities, but all work for some kind of investment promotion agency.

Investment Promotion Agency	Country	Region	Total Staff Numbers
Marketing Derby	*UK*	*East Midlands*	*8.5*
Invest in Nottingham	*UK*	*East Midlands*	*7*
Invest in Leicester	*UK*	*East Midlands*	*3*
Lincolnshire CC	*UK*	*East Midlands*	*4*
EM Freeport	*UK*	*East Midlands*	*2*

Humber Freeport	*UK*	*East Midlands*	*1*
EMCCA	*UK*	*East Midlands*	*1.5*
DBT Midlands team	*UK*	*Midlands*	*4*
Telford and Wrekin Council	*UK*	*West Midlands*	*0*
Walsall Council	*UK*	*West Midlands*	*0*
Worcestershire CC	*UK*	*West Midlands*	*0*
City of Wolverhampton Council	*UK*	*West Midlands*	*4*
Stoke City Council	*UK*	*West Midlands*	*1.5*
Staffordshire CC	*UK*	*West Midlands*	*1*
Invest West Midlands (WMGC)	*UK*	*West Midlands*	*18 (144 in WMGC)*
Solihull Council	*UK*	*West Midlands*	*4*
Warwickshire & Coventry CC	*UK*	*West Midlands*	*4*
Shropshire CC	*UK*	*West Midlands*	*1.5*
Herefordshire CC	*UK*	*West Midlands*	*1.5*
Dudley MBC	*UK*	*West Midlands*	*1*
Birmingham CC	*UK*	*West Midlands*	*0.5*
Invest Chesterfield	*UK*	*East Midlands*	*3*
Sandwell MBC	*UK*	*West Midlands*	*0.5*
Investin Greater Norwich	UK	East of England	N/A
Invest in Peterborough	UK	East of England	6
London and Partners	UK	London	364
Necastle Gateshead Initiative	UK	North East	55
Invest Newcastle	UK	North East	7
Invest North East	UK	North East	3
Invest Northumberland	UK	North East	8
Invest South Tyneside	UK	North East	3
Invest Middlesbrough	UK	North East	6
MIDAS - Invest in Manchester	UK	North West	28
Invest Liverpool	UK	North West	8
Marketing Lancashire	UK	North West	10
Invest NI	UK	Northern Ireland	563
Invest in Derry City & Strabane	UK	Northern Ireland	2
Invest Aberdeen	UK	Scotland	4
Invest Glasgow	UK	Scotland	4
Scottish Development International	UK	Scotland	450
South of Scotland Enterprise	UK	Scotland	127
Visit Reading	UK	South East	8
Locate in Kent	UK	South East	7
Invest in Gloucestershire	UK	South West	3
Invest Bristol and Bath	UK	South West	10
Business Wales	UK	Wales	90
Invest in Cardiff	UK	Wales	7

Business Doncaster	UK	Yorkshire and the Humber	19
Invest West Yorkshire	UK	Yorkshire and the Humber	15
Invest East Yorkshire	UK	Yorkshire and the Humber	9
Business Durham	UK	North East	31
Enterprising Cumbria (formerly Cumbria LEP)	UK	North West	17
Invest Leeds	UK	North West	7
Invest in Derbyshire Dales	UK	East Midlands	6
Enterprise Cheshire and Warrington	UK	North West	13
Invest Huntingdonshire	UK	East of England	3
Invest Hertfordshire	UK	South East	7
Coast to Capital	UK	South East	11
Enterprise M3	UK	South East	10
Visit Dorset	UK	South West	3
Invest Plymouth	UK	South West	10
Cornwall Trade and Investment	UK	South West	6
Baden-Württemberg International	Germany	Baden-Württemberg	161
FrankfurtRheinMain GmbH International Marketing of the Region	Germany	Frankfurt Rhein-Main	38
Invest in Bavaria	Germany	Bavaria	42
Hessen Trade and Invest	Germany	Hessen	90
Invest Region Leipzig	Germany	Leipzig	17
Berlin Partner für Wirtschaft und Technologie (Berlin Partner for Business and Technology)	Germany	Berlin	239
Economic Development Agency Brandenburg	Germany	Brandenburg	125
Wirtschaftsförderung und Technologietransfer Schleswig-Holstein (Economic Development and Technology Tranfer Schleswig-Holstein)	Germany	Schleswig-Holstein	98
KölnBusiness	Germany	Cologne	86
NRW.Global Business	Germany	North Rhine-Westphalia	111
Limburg Development and Investment Company	Netherlands	Limburg	110
Brabant Development Agency	Netherlands	North Brabant	137
East Netherlands Development Agency	Netherlands	Gelderland and Overijssel	213
Marketing Groningen	Netherlands	Groningen	20
Impuls Zeeland	Netherlands	Zeeland	49
Invest Ontario	Canada	Ontario	271
Toronto Global	Canada	Toronto	29
Invest Ottawa	Canada	Ottawa	198

Invest in Hamilton	Canada	Hamilton, Ontario	23
Invest Windsor Essex	Canada	Windsor-Essex, Ontario	28
London Economic Development Corporation	Canada	London, Ontario	20
Waterloo EDC	Canada	Waterloo, Ontario	23
Montréal International	Canada	Montréal	192
Québec International	Canada	Québec City	216
Opportunities New Brunswick	Canada	New Brunswick	148
Ignite Fredericton	Canada	Fredericton, New Brunswick	31
Invest Nova Scotia	Canada	Nova Scotia	225
Economic Development Winnipeg	Canada	Winnipeg	72
Saskatoon Regional Economic Development Authority	Canada	Sasketoon, Saskatchewan	14
Calgary Economic Development	Canada	Calgary	134
Edmonton Global	Canada	Edmonton, Alberta	36
Invest Alberta	Canada	Alberta	88
Trade and Invest British Columbia	Canada	British Columbia	72
Invest Eastern France	France	Alsace, Champagne-Ardenne and Lorraine	19
Agence Economique Régionale Bourgogne-Franche-Comté (Borgogne-Franche-Comté Regional Economic Agency)	France	Borgogne-Franche-Comté	48
Auvergne-Rhône-Alpes Entreprises	France	Auvergne-Rhône-Alpes	178
Invest in Lyon Agency	France	Lyon	41
Agence de Développement Economique de la Corse (Corsica Economic Development Agency)	France	Corsica	30
Invest in Bordeaux	France	Bordeaux	15
Nantes Saint-Nazaire Développement	France	Nantes and Saint-Nazaire	89
DEV'UP Centre-Val de Loire	France	Centre-Val de Loire	54
Caen Normandie Développement	France	Caen	21
Nord France Invest	France	Hauts-de-France	45
Invest in Catalonia	Spain	Catalonia	145
Agencia de Desarrollo Económico de La Rioja (La Rioja Development Agency)	Spain	La Rioja	23
Instituto de Promoción Exterior de Castilla - La Mancha (Castilla-La Mancha Overseas Promotion Institute)	Spain	Castilla-La Mancha	33
Invest in Madrid	Spain	Madrid	13
Brisbane Economic Development Agency	Australia	Brisbane	92
Townsville Enterprise	Australia	Townsville, Queensland	34
Investment NSW	Australia	New South Wales	200
Invest Victoria	Australia	Victoria	82

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