
To: Business, Economy and Enterprise Scrutiny Board (3)

Date: 3rd March 2021

Subject: Support for Small Businesses

1 Purpose of the Paper

- 1.1 A briefing paper to cover the support the Council has been giving to businesses and how the Authority has worked alongside local business support partners including Coventry & Warwickshire (CW) Chamber of Commerce, CWLEP Growth Hub and Coventry & Warwickshire Reinvestment Trust (CWRT) to adapt the business support offer to changing economic, social and health conditions and ensure we have done as much as possible to support local businesses through the COVID-19 pandemic.

2 Recommendations

- 2.1 The Business, Economy and Enterprise Scrutiny Board (3) is recommended to:
- 1) Consider the content of the briefing note
 - 2) Identify any recommendations for the Cabinet Member

3 Economic Context

- 3.1 The nature of support services we have provided to businesses has changed as 2020 has progressed due to changing economic circumstances. Coventry & Warwickshire entered 2020 as the fastest growing LEP area economy in England since the 2008/09 recession in terms of economic output. However, the COVID-19 outbreak in March 2020 forced some sectors of the economy to close and social distancing restrictions limiting the output of sectors remaining open. The impact has been severe, with UK economic output (measured by GDP) falling by over 21% in the first two quarters of 2020 alone and contracting by 9.9% in 2020 as a whole (the largest contraction of any G7 nation). The West Midlands encountered the highest fall in economic output of any English region during the Spring 2020 lockdown, and the UK economy remains 7.4% smaller than pre-pandemic levels.
- 3.2 Due to many businesses needing to close temporarily and/or unable to generate sufficient income, some 49,200 posts in Coventry were furloughed in June 2020 (30%) and the claimant count (numbers on unemployment related benefits) in Coventry increased to 16,695 (6.7%) in October 2020. Because of the cashflow challenges facing many businesses and the need to minimise further job losses, our business support activities have broadened in 2020 to support local businesses to access Government grants and loans to mitigate against the impact of COVID-19 and help ensure their survival, as well as continue delivery of our business support programmes and Inward Investment service.

- 3.3 This paper therefore details the measures we have taken to continue delivery of our business support services during 2020, the additional support we have provided to support local businesses through the COVID-19 pandemic, and the impact of the UK's exit from the EU on how our support to local businesses can be funded in the future.

4 Ongoing Support to Businesses

- 4.1 The Economic Development Service (EDS) makes a very important contribution towards Coventry City Council's ambitious 'Council Plan' which identifies the vision and priorities until 2024. In particular, the Service is helping to deliver the aims of promoting the growth of a sustainable economy and improving the quality of life for local people.
- 4.2 To help achieve these aims, Coventry's businesses play an integral role in creating wealth and employment. There are nearly 10,000 businesses in Coventry, many of which are Small or Medium Enterprises (SMEs), which create significant employment opportunities and contribute to local business rates. We have remained active in ensuring that local businesses (particularly SMEs) are given the best chance of succeeding through the support available through the Council and partner organisations such as the CWLEP Growth Hub, CW Chamber of Commerce and local universities.
- 4.3 Coventry's SMEs continue to need advice, access to finance and infrastructure, and EDS remains proficient at supporting SMEs to fulfil their growth potential in these areas of business support. The support is delivered either directly through EDS' Business Advisors (notably through access to grants to enable business growth or innovation or signposting to loan finance), or through workshops or 1:1 support delivered by key partners, including CW Chamber of Commerce, CWLEP Growth Hub and Coventry University Enterprises. We ensure that the level of support is tailored to the needs of that individual business, and the Council's Service Level Agreement with CWLEP Growth Hub to engage with 300 new businesses per year and deliver a diagnostic and brokerage service is an important enabler in ensuring that local businesses are referred to the most appropriate support.
- 4.4 New businesses also require support to successfully start, and key partners such as CW Chamber of Commerce are delivering support services through 1:1 mentoring and workshops to support individuals on the journey to start new businesses. Throughout 2020, demand for start-up support has continued, including as a route out of unemployment. In response, the Council has allocated £249k of its COVID-19 Discretionary Grants funding to expand levels of start-up support and support with business resilience, particularly for sectors vital to servicing UK City of Culture 2021 (e.g., hospitality, creative industries, retail).
- 4.5 The four EU-funded SME support programmes managed by EDS continue to be integral to the Council's business support offer. These include the three European Regional Development (ERDF) business Support Programmes, now valued at £20m in ERDF funding – **namely CW Business Support, Innovation and Green Business** Programmes. All three programmes are targeted at addressing barriers to growth and innovation within Coventry & Warwickshire SMEs and provide an offer of bespoke one-to-one support and seminars/networking opportunities to tackle challenges and opportunities, as well as capital and revenue grants (totalling £10.3m). The other programme is the European Social Fund (ESF) funded **CW Skills 4 Growth**, worth £1.16m of ESF funds, which provides support and revenue grants to SMEs to fund training to help their workforce acquire new skills and qualifications and progress upwards in employment.
- 4.6 Since March 2020, all four programmes have applied flexibilities in delivery methods to ensure services were able to continue, notably with webinars replacing workshops and 1:1 support delivered through video conferencing. CCC's Grants Panel has also continued to meet through video conferencing to ensure capital and revenue grants to SMEs can still be awarded and progress can be monitored.

- 4.7 Take-up of the suite of support services has remained high during 2020, particularly the non-financial support available through 1:1 support and webinars. In total, our programmes have supported 272 SMEs (36 of which were new businesses) to adapt, modernise and innovate/diversify in 2020. Notably, the Start-up Support and Accelerated Growth workshops delivered through *CW Business Support* have been fully booked, and in response to Brexit, we have also increased the number of referrals to specialist Department for International Trade support, with 26 SMEs referred in 2020. Webinars hosted through the *CW Green Business Network* (now with over 1,300 members), which have included sessions on electrifying fleets and increasing energy efficiency during lockdown, have routinely received over 50 attendees, more than triple the attendance levels at physical workshops pre-pandemic. *CW Innovation Programme* saw increased demand for 1:1 support and Usability Studies from SMEs during 2020. The new *CW Skills 4 Growth* programme also witnessed strong demand in its first Quarter of activity (Q3 2020), with 43 employees across 8 SMEs supported to address skills gaps in this three-month period alone.
- 4.8 Despite many SMEs delaying investments to create new jobs, all programmes have witnessed steady demand for grants to support capital investments and to aid the development of new products and business process improvements. Across all programmes, £1.7m of grants were awarded in 2020 and £1.5m claimed, which has supported the creation of 104 new jobs, launch of 7 new products and reduction of 559 tonnes of CO2 emissions. Moreover, in response to the COVID-19 pandemic, CW Business Support fully allocated a £500k grant pot to enable 209 SMEs in tourism and other sectors to purchase small capital items and external expertise within two days of launching in August 2020.
- 4.9 Crucially, during 2020, all four programmes also secured extensions (worth £9.2m of EU funding) to continue operating up to June 2023. As such, all four programmes will play a vital role in accelerating Coventry & Warwickshire's economic recovery by supporting businesses to adapt to changing market conditions.
- 4.10 We have also continued to deliver our **Inward Investment Service** in 2020, including providing property searches for investors interested in locating in Coventry. The volume of enquiries in 2020 (196) was broadly similar to 2019 (193); however, the nature, size and substance of enquiries has changed in line with the economic downturn. Between 2016 and 2020, 216 successful Foreign Direct Investment (FDI) projects in Coventry & Warwickshire have created 14,554 new jobs (key FDI projects are enclosed in Appendix I).
- 4.11 One area where activity has expanded in 2020 is the continued development and implementation of Coventry's Social Value & Sustainability Policy, particularly through engagement with developers to provide local people with employment and training opportunities. Moreover, we have been successful with the Apprenticeship Levy Transfer, which had processed applications for approved Levy funding transfers for over 60 Apprentices and over £300k to local businesses by the end of 2020.

5 COVID-19 Support

- 5.1 During 2020, we have also mobilised staff to deliver further support to businesses in response to the COVID-19 pandemic. A major focus of this has been to expediently award grant funds that have been announced by Government, and to signpost businesses to the new loan funds and financial support to cover salaries of furloughed workers and raise awareness of the respective application processes. Throughout the year, we have constantly updated the Council's Business [website](#) and used the Council's Business Newsletter (over 1,000 subscribers) to help maximise awareness of support available, as well as the evolving measures businesses need to take to be "COVID-19 secure".

- 5.2 From April 2020, EDS staff worked successfully with the Business Rates team to ensure over £48m in grants were paid to over 4,000 Coventry Retail, Leisure & Hospitality businesses and small businesses that were affected by the Spring 2020 Lockdown. Staff from the Business, Investment & Culture Division also designed and appraised applications that resulted in the full award of the £2.7m Discretionary Grants fund to over 470 other Coventry businesses whose performance was adversely affected by the Spring 2020 Lockdown.
- 5.3 During this period, EDS staff also raised awareness of the Coronavirus Job Retention Scheme and provided advice to businesses on application processes. During June 2020, at the scheme's highest point of demand, the wages of some 49,200 furloughed employees of Coventry firms (31% of eligible jobs) were covered. We also promoted the Self Employment Income Support Scheme, which 10,100 Coventry-based individuals accessed. We also raised awareness of the COVID-19 loan funds launched by Government, including Bounce Back Loans, Coronavirus Business Interruption Loan Scheme (CBILS) and Future Fund, and as a result, some 6,750 Coventry businesses have secured £262.8m in loans.
- 5.4 Since the announcement of the second lockdown in November 2020, EDS has worked closely with Business Rates to ensure that Retail, Leisure & Hospitality businesses mandated to close have received grant funding through the Local Restrictions Grants announced by Government. In the period up to 5/1/2021, some £1.968m was paid to 1,261 Coventry businesses forced to close, and in the period since 5/1/2021, a further £3.2m has been awarded to over 1,500 Coventry businesses.
- 5.5 During this period, the Business, Investment & Culture Division has also designed, managed and administered the £10.7m Additional Restrictions Grants (ARG) discretionary grants fund for all types of businesses that have been adversely affected by restrictions imposed by Government since November 2020. In Round 1, up to Christmas 2020, we awarded £303k in ARG grants to 252 Coventry businesses. In the early stage of Round 2 in January 2021, we have awarded a further £5.1m, primarily to safeguard the city's retail, leisure & hospitality sectors. We have also developed a strategy to allocate the remainder of the ARG fund by March 2022, which includes some flexible tranches of funds to respond to evolving economic needs or challenges (e.g., further support businesses may need to adapt to new trading regulations with the EU or improve adoption of ICT).

6 EU Exit and Funding of Business Support Services

- 6.1 The UK's exit from the European Union (EU) on 31/1/2020, and UK EU Trade & Co-operation Agreement of 24/12/2020, has created new regulations for UK firms that are trading in EU markets. For example, zero tariffs or quotas apply to producers of goods meeting "Rules of Origin" thresholds, although all exports and imports require customs declarations, whilst service sector firms currently need to follow regulations of individual EU Member States and may need to secure visas to undertake short-term paid work. A new UK Subsidy Control system is being developed, which will be aligned with EU State Aid and World Trade Organisation rules. We are working closely with CWLEP Growth Hub and CW Chamber of Commerce to ensure local businesses are signposted to the necessary information on their websites and are accessing the in-depth specialist support to adapt to these regulations.
- 6.2 Crucially, the UK's exit from the EU will change how business support will be funded in the UK. In recent years, ERDF and ESF have funded large amounts of the business support infrastructure across Coventry & Warwickshire. In the 2014-2020 Programming Period alone, which ends on 30/6/2023, Coventry City Council has secured £28.4m of ERDF and ESF funds to act as Accountable Body and work with delivery partners to administer CW Business Support, Innovation, Green Business, Skills 4 Growth and its Technical Assistance support schemes. The Authority has secured a further £24.8m of ESF funds to work with local partners to deliver programmes supporting Coventry residents to access employment and training opportunities. Prior to 2014, it is also notable that ERDF had funded major infrastructure schemes that have helped create the conditions for business growth, such as

Far Gosford Street Regeneration & Fargo Village, Coventry Transport Museum, NUCKLE and City Centre and Friargate Public Realm schemes.

- 6.3 The November 2020 Spending Review announced the creation of the UK Shared Prosperity Fund (UKSPF), which will operate nation-wide, covering current ESIF programme themes, as well as community regeneration, with some funds directed specifically at the most deprived areas. A UK-wide prospectus is expected to be launched in Spring 2021, with the first tranche of funding available in 2021/22 to support pilot initiatives. The Government has pledged that UKSPF will at least match EU receipts as of November 2020; however, due to widening regional economic disparities, [analysis](#) suggests that the UK's ERDF and ESF allocations would have increased by 22% for the 2021-2027 Programming Period, had the UK remained in the EU. On this basis, Coventry & Warwickshire could have expected to receive €165.92m in ERDF and ESF during this period.
- 6.4 With no other new Government funding streams currently announced for financing support to businesses, it is crucial that UKSPF is of sufficient size (i.e. Coventry & Warwickshire will be able to access at least the scale of funds that would have been available had the UK participated in the 2021-2027 ERDF and ESF programmes), provides multi-year financial allocations of the longest possible duration, has thematic coverage that reflects local economic need and opportunity, is launched promptly, and that project commissioning and administration processes ensure there is no gap in business support provision between ERDF and ESF ending in June 2023 and UKSPF projects commencing.
- 6.5 We envisage building on and potentially making enhancements to CW Business Support, CW Innovation Programme, CW Green Business, CW Skills 4 Growth as well as Technical Assistance services. Failure of UKSPF to fund these activities for a 1/7/2023 latest possible start would potentially result in the Council needing to find other sources of funding to finance these activities. Using the example of the £19m of ERDF and ESF that we are currently managing to deliver these programmes for the period 2019-2023, any such failure would go beyond financing the services, but would also have adverse impacts on businesses and the local economy – for example, the programmes during this period are expected to support over 1,500 SMEs to grow, innovate or modernise, create 340 new businesses, create over 1,200 new jobs, eliminate 4,100 tonnes of CO2 emissions, and deliver £10.3m of business grants that would stimulate a further £29m in business investment. It is therefore vital that we use all opportunities (e.g., consultations) to influence and shape the design of UKSPF.
- 6.6 The UK EU Trade & Co-operation Agreement means that the UK will not participate in the European Territorial Co-operation Programme (ETCP) after the 2014-2020 programming period. Although not a direct source of funding to the Authority, Coventry City Council has previously supported local universities in projects funded through the Interreg and ESPON themes of ETCP to understand good practice and learning points in economic policy and project design. The UK will also no longer participate in Erasmus, which provided students and lecturers with exchange projects in other European education institutions. The UK will; however, participate in the Horizon Europe programme, which will provide Coventry's business and universities with opportunities to partner with other businesses and universities in the EU in carrying out collaborative Research & Development and innovation projects.
- 6.7 Although not funded through ERDF or ESF during the 2014-2020 programming period, it is finally also important that future Government funds for land, transport, energy and digital infrastructure (funded since 2014 through over £150m of Local Growth Fund and Getting Building Fund allocations for the CWLEP area) complement the activities funded through UKSPF and are of sufficient size and scope to service the infrastructure needs of Coventry businesses and the economy.

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Appendix I – Coventry & Warwickshire Key FDI Successes 2016 – 2020

Coventry & Warwickshire - FDI Successes 2016-2020

	Country	Jobs	Sector	Jobs
1	United States	4702	Automotive	3868
2	Germany	4182	Business (and Consumer) Services	2732
3	Netherlands	1888	Household Goods, Furniture and Furnishings	2480
4	India	972	Food and Drink	2073
5	China	845	Clothing, Footwear and Fashion	1012
6	Japan	515	Financial Services (including Professional Services)	661
7	Italy	344	Ports and Logistics	600
8	Switzerland	230	Creative and Media	292
9	Ireland	151	Advanced Engineering	238
10	Austria	142	Software and Computer Services (B2B)	162

Source: Department for International Trade, 2016 to 2020

