



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

Date: 6th March 2024

Subject: Support for Businesses and the Work of Coventry and Warwickshire Growth Hub

1 Purpose of the Note

- 1.1 A briefing paper to cover the support Coventry City Council (CCC) has been giving to businesses during the 2023/24 Financial Year, and how the Authority has worked alongside local business support partners including Coventry and Warwickshire (CW) Growth Hub to ensure that needs and opportunities facing Coventry businesses and the local economy are being as effectively addressed as possible.

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 Background – the Economic Context

- 3.1 The Council has been delivering business support activities amid a backdrop of slow economic growth nationally and a steady increase in business activity more locally. For example, UK GDP grew by just 0.2% in Quarter 2 of 2023, but then contracted by 0.1% in Quarter 3 of 2023 and 0.3% in Q4 of 2023, thereby entering a technical recession. UK economic growth over the course of 2023 is now expected to be just 0.1%. The IMF recently projected that the UK economy will grow by just 0.6% in 2024, before growing by 1.6% in 2025.
- 3.2 At the more local level, the West Midlands Purchasing Managers Index has remained in positive territory for much of 2023, with a current score of 51.5 (any score above 50 shows an expansion in overall business activities) and the Quarter 4 Coventry & Warwickshire Chamber of Commerce Survey also showed a continued expansion in local economic activity, with a score of 55.2.
- 3.3 However, both the economic trends endured in 2023 and economic projections for future years have indicated the continued need to tackle barriers to growth in many areas of our business base. Coventry's Claimant Count (those claiming unemployment related benefits), currently standing at 12,245 (5.5%) is an increase of 520 year-on-year and above the national average of 3.7%, which suggests a need to stimulate more growth to create additional good quality jobs in the local economy and provide local residents with a pathway to these jobs.

- 3.4 Building on the findings of both surveys carried out by the Office of National Statistics and interactions Business Advisors and Account Managers have had with local businesses, there has been a need to support Coventry businesses in tackling a range of notable challenges. During late 2022 and the first three Quarters of 2023, rising energy cost and increasing prices of goods and services were key common concerns that were impacting on business' ability to grow and/or remain resilient.
- 3.5 Over the second half of 2023, a growing concern has been risks of falling demand for businesses' products and services and hence a need for support with diversification. Two further constant concerns throughout 2023 have been a challenging international trading environment and barriers to growing exports, and concerns of labour shortages and challenges in recruiting staff with the necessary skills. The Council have therefore needed to work collaboratively with key local business support partners, and to work in a flexible manner to enable its' business support services to respond to these evolving needs and challenges.

4 Business Support Activities Led by Coventry City Council

- 4.1 Over the past 12 months, a wide range of activities have been undertaken to support local business with the challenges and opportunities that they are facing. Much of the focus has been on supporting the city's small and medium sized enterprises (SMEs) to grow, innovate and modernise, but it has also entailed supporting businesses aspiring to locate in Coventry & Warwickshire to invest in the area and thrive.
- 4.2 Much of the work in Quarter 1 of 2023/24 entailed ***the successful closure of our three EU-funded programmes*** that had provided support to SMEs across Coventry & Warwickshire to grow, innovate and modernise – these being the CW Business Support, CW Green Business and CW Innovation Test Bed programmes, which had been operational since January 2016 across two phases (the second phase starting in January 2019). In this Quarter alone, the final in-depth business assists to support businesses with growth plans was completed and the final grants were paid out upon completion of their investment projects, and provided in-depth support to 82 SMEs, created 314 new jobs for the local economy, and paid out £1.089m in grants to local SMEs reflecting £3.211m in overall business investment.
- 4.3 Across Phase 2 as a whole (since January 2019), these 3 programmes combined (encompassing work delivered by CCC's Economic Development Service and specialist external partners) delivered in-depth support to 1,369 Coventry & Warwickshire SMEs, created 162 new enterprises, created 960 new jobs, saved over 4,000 tonnes of GHG emissions, and paid out £10.513m of grants which supported £28.636m of additional business investment.
- 4.4 As well as closing the three EU-funded SME support programmes, Coventry have worked closely with West Midlands Combined Authority (WMCA) and the other 6 Constituent Member Authorities to develop ***the region's new business support offer in the West Midlands to be funded through UK Shared Prosperity Fund (UKSPF), which was the successor to EU Structural Funds. This has been branded "Business Growth West Midlands"*** (BGWM). Although we have sought to build on the successes of the EU-funded SME support programmes, the scope of service delivery had to be adjusted, due to a range of differences between UKSPF and the previous EU Structural Funds.

- 4.5 Firstly, Coventry's UKSPF allocation was included in the WMCA allocation (whereas EU Structural Funds were allocated on a Coventry & Warwickshire wide basis), whilst the Districts & Boroughs were awarded the allocations in Warwickshire. Secondly, based on the average value of the UKSPF allocation per year, the overall level of funding available was 43% lower than the average value of the EU Structural Funds allocation per year. Thirdly, UKSPF has fewer eligibility restrictions in terms of the types of businesses that can be supported and eligible areas of expenditure, compared to EU Structural Funds.
- 4.6 The BGWM activities in Coventry commenced in July 2023, immediately after the EU funded programmes closed, and they were launched officially on 12th September at the CBS Arena. CCC has been able to secure Double Devolved UKSPF funds to deliver SME advice and non-financial support to tackle barriers to growth and innovation, plus grants to support growth investment projects and grants to support investments that will support businesses to improve energy and resource efficiency and renewable energy adoption (the other 6 Constituent Authorities have also been awarded Double Devolved funding for these purposes).
- 4.7 CCC was also successful in bidding through an open procurement process to deliver Energy Efficiency Audits to both Coventry and Warwickshire businesses through both UKSPF and the new West Midlands Business Energy Advice Service (BEAS), one-to-many support in the area of Net Zero across the whole West Midlands through UKSPF, and additional capital grants to support investments in energy efficiency amongst Coventry businesses through BEAS. Through CCC's Double Devolved UKSPF funds, further specialist support services have been commissioned for Coventry businesses in the area of Supporting Pre startups, Start-ups and SME Growth (delivered by Coventry & Warwickshire Chamber of Commerce) and Social Enterprise Support (delivered by Coventry & Warwickshire Co-operative Development Agency). These activities are all scheduled to run up to March 2025.
- 4.8 The services have received high levels of take up in the first six months of activity. As of the end of December 2023 (the most recent claim submitted to WMCA), we had provided 294 Coventry businesses with support to diagnose and action their growth and diversification needs, as well as diagnostics with a number of additional businesses interested in relocating to Coventry. The target for 2023/24 has already been exceeded as a whole of delivering 259 Part 1 Diagnostics (initial assessments of businesses' growth dynamics and support needs), and have also fully awarded the £352k allocation of SME grants for 2023/24, and are building a strong pipeline of potential grant awards for 2024/25 for both the Net Zero and BEAS Grants and SME Growth Grants. We have also commenced Delivery of the 1:1 Energy Audits with Coventry & Warwickshire businesses have also commenced as well as hosting webinars and events which have received high levels of attendance from businesses interested in exploring the net zero agenda and improving their energy and resource efficiency to save costs (the first webinar alone received 77 registrations).
- 4.9 Table 1 (below) shows a ward level breakdown of the 294 Diagnostics provided to Coventry businesses up to the end of December 2023. This covers the first Claim where a robust ward level breakdown has been available. The data shows that the new service has engaged businesses across all parts of Coventry in a short period of time, with highest levels of engagement strongly reflecting the city centre concentration of businesses and also the locations of business parks and industrial estates. However, additional measures are needed to target and engage businesses in those wards that have seen fewer diagnostics to date. This will include a range of

further measures to market the new support available, especially with UK Shared Prosperity Fund having fewer sector eligibility restrictions than the previous EU Structural Funds. Further joint working with CCC's Insight function will explore the extent to which this ward level breakdown is representative of the geographical spread of the city's 10,335 businesses.

Table 1: Geographical Breakdown of BGWM Diagnostics up to December 2023

Ward	Number of Diagnostics
St Michael's	54
Foleshill	27
Radford	26
Westwood	23
Henley	17
Binley and Willenhall	17
Earlsdon	16
Longford	16
Bablake	16
Woodlands	15
Lower Stoke	14
Upper Stoke	14
Sherbourne	9
Wainbody	8
Holbrook	7
Cheylesmore	7
Whoberley	6
Wyken	2
Total	294

- 4.10 Services available will continue to be marketed through BGWM into 2024/25 through multiple mechanisms to raise awareness amongst and engage with the highest possible volume and diversity of Coventry businesses. CCC will also work with WMCA, other neighbouring Local Authorities, and other key local business support partners to influence the focus and direction of UKSPF or any successor Fund activities beyond March 2025.
- 4.11 ***Our Inward Investment Team's partnership work with Warwickshire County Council in delivering the Invest CW service*** has been instrumental in working with both prospective inward investors from the UK, and particularly with potential investors from overseas to secure new Foreign Direct Investment (FDI) into Coventry & Warwickshire. This has created significant numbers of new jobs for the local economy. In 2022/23, 56 FDI projects were secured, creating 3,195 jobs - a 27% increase in the number of projects from 2022/23 (compared to the national increase of 7%) and the year-on-year growth in jobs created through FDI projects was in contrast to the 7% decrease for the UK overall.
- 4.12 Key sectors for Coventry & Warwickshire included automotive and future mobility (17 projects) and digital creative and software (13 projects) and e-commerce & logistics (5 projects). The area also accounted for 17% of & total UK automotive

projects. Investments included those from countries including Australia, China, Germany, India, Japan, the United States and Sweden.

- 4.13 These successes reflect FDI Intelligence Magazine's recognition of the strength of the local area as a location to invest, placing Coventry & Warwickshire in the top 10 for three categories in its annual FDI European Cities and Regions of the Future Awards 2024. The Coventry & Warwickshire area placed second for FDI Strategy, ninth for economic potential and ninth for business friendliness amongst UK regions. Moreover, Coventry was also placed tenth of all mid-sized European cities for economic potential.
- 4.14 The Economic Development Service has also worked with WMCA to develop the West Midlands Investment Zone, following its designation in the 2023 Spring Budget. This work has ensured that the Coventry & Warwickshire Gigapark has been proposed as a site for both Tax Incentives and Business Rate Growth Retention (two of the key policy offers that are available). This should increase the likelihood of securing new investment into the area and significant job creation (at least 6,000 direct jobs) in Battery Manufacturing and related Automotive and wider Advanced Manufacturing production, supply chain and Research & Development activities.
- 4.15 Our Inward Investment Team has also been successfully liaising with developers on major construction projects across the city to maximise the level of social value being generated. In 2022/23, this resulted in £47.7m of social value committed from 30 major projects, and key benefits for the local economy included 229 local people employed on site, 22 new local apprentice starts, £8m spent in the local supply chain, 93 local companies sub-contracted on projects, £66.5k donations or in-kind contributions to local community projects, 33 community organisations supported, and sponsorship of the 2022 International Children's Games.

5 The Work of CW Growth Hub in Coventry's Business Support Ecosystem

- 5.1 The Coventry & Warwickshire (CW) Growth Hub was formed in 2014 to act as a central co-ordination point for publicly funded business support across Coventry & Warwickshire. It was one of the first Growth Hubs to be formed in the UK, initially funded through Regional Growth Fund Round 4, with the area's Local Authorities also providing funding. The Growth Hub operated within the Coventry & Warwickshire Local Enterprise Partnership (CWLEP), as part of CWLEP's role to drive private sector led economic growth. Through its successful engagement with large amounts of the Coventry & Warwickshire wide business base, CW Growth Hub has successfully fulfilled this function and supported the generation of c£400m in economic output measured by Gross Value Added (GVA) since becoming operational. Due to its strength, it was also designated as "cluster lead" for the West Midlands International Territorial Level (ITL) 1 region, also supporting the work of other Growth Hubs in the region.
- 5.2 However, following policies included in the Levelling Up White Paper of February 2022, the CWLEP closed on 31st March 2023. With the Growth Hub being an integral part of the local business support ecosystem, CCC and Warwickshire County Council worked in partnership to continue the Growth Hub beyond this date and operate it as a Community Interest Company, with the two Local Authorities being Joint Shareholders. It was also agreed by both CCC and Warwickshire County Council's Cabinets in July 2023 that the two Local Authorities also agreed to provide £130k of funding for the 2023/24 financial year to support its operational costs, alongside other national and local public funding contributions.

- 5.3 The Growth Hub's principal function has continued to be the central co-ordination point of publicly funded business support across Coventry & Warwickshire. This has principally entailed undertaking the initial diagnostic of a businesses' growth dynamics and support needs, and referring businesses to more specialist local, regional, or national level support, including the Business Growth West Midlands activities delivered through CCC. The Hub has also continued to lead delivery of Made Smarter across the West Midlands ITL1 region, which supports manufacturers to adopt digital technologies. Through its Growth Hub Solutions subsidiary, it is also delivering the UKSPF-funded Investment Readiness scheme, which is preparing businesses to apply and pitch for debt and equity finance, as well as crowd funding. It has also taken on the running of the successful CW Champions local professional network, which generates income on a membership model.
- 5.4 The strong levels of engagement with local businesses have continued. As of the end of January, the Growth Hub had referred 236 businesses to various CCC business support activities and programmes. The Hub is therefore on course to meet its contractual target of 300 for the 2023/24 financial year as a whole. The Growth Hub has also made 478 referrals of Coventry businesses to all types of local, regional and national business support programmes in 2023/24 to date.

6 Health Inequalities Impact

- 6.1 The jobs that have been created for the local economy through our business support programmes and Inward Investment activities will play an important role in reducing local health inequalities. Giving local people greater access to good employment will play an important role in improving health, and in working in partnership with the Employment & Skills Service and the Employer Hub, we are working to match as many local residents as possible with new job and training opportunities that are being created.
- 6.2 On top of this, we have worked with CCC's Public Health team to raise awareness of "A Fairer Coventry" amongst local businesses, and ensure more businesses are considering the benefits of additional measures they can take to reduce health inequalities (as highlighted in the 2021 "Call to Action").

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