Coventry & Warwickshire Business Intelligence

March 2023

Contents

All previous editions of the Coventry & Warwickshire Smart Region report can be accessed from our Publications page: https://www.cwgrowthhub.co.uk/publications

More economic data and indicators about the Coventry & Warwickshire economy can be found on our Smart Region Economic Recovery Dashboard: Economic Recovery Dashboard

1. Executive Summary

Welcome to the March 2023 edition of the Coventry & Warwickshire Smart Region report. This month our spotlight theme focusses on the **'Spring Budget Statement 2023',** highlighting how key announcements could impact on the Coventry & Warwickshire economy. **We welcome a contribution from Craig Humphrey, Managing Director at Coventry & Warwickshire Growth Hub.**

Wider recommendations and findings in this month's report are based on intelligence gathered from CW Growth Hub's contacts with local businesses, alongside survey data, information, and other intelligence provided by Coventry City Council and Warwickshire County Council.

Other sources include the Official National Statistics (ONS), Office of Budget Responsibility (OBR), Official National Statistics (ONS), Bank of England, WM-REDI, and other specialist labour market research and analysis bodies.

Key Headlines

- **"The Budget Statement was labelled by the Chancellor as a budget for growth and the chance to focus on removing some of the barriers that have been plaguing UK economic growth for some time, from labour supply to business investment.**

- **There were some positive measures included in the Budget Statement, with the West Midlands Trailblazer Devolution Deal being a significant announcement for Coventry & Warwickshire based businesses. And with the indication that the Gigafactory area will be one of the Levelling Up Zones, that will be key in unlocking it for future economic growth and for levelling-up.**

- **What is clear from the Budget Statement is that providing high quality support to businesses should really be seen as a key strategic intervention in both the short and long term, to stimulate economic recovery and success.**

- **Our ecosystem of business support is well established across Coventry & Warwickshire and works well. The good news for our business community is that access to high quality advice will continue to be available as the CWLEP Growth Hub is reconstituted as a stand-alone entity, and it will continue to help businesses manage the many challenges alongside seizing the opportunities for growth."**

Craig Humphrey, Managing Director, Coventry & Warwickshire Growth Hub

2. Latest Economic & Labour Market Trends

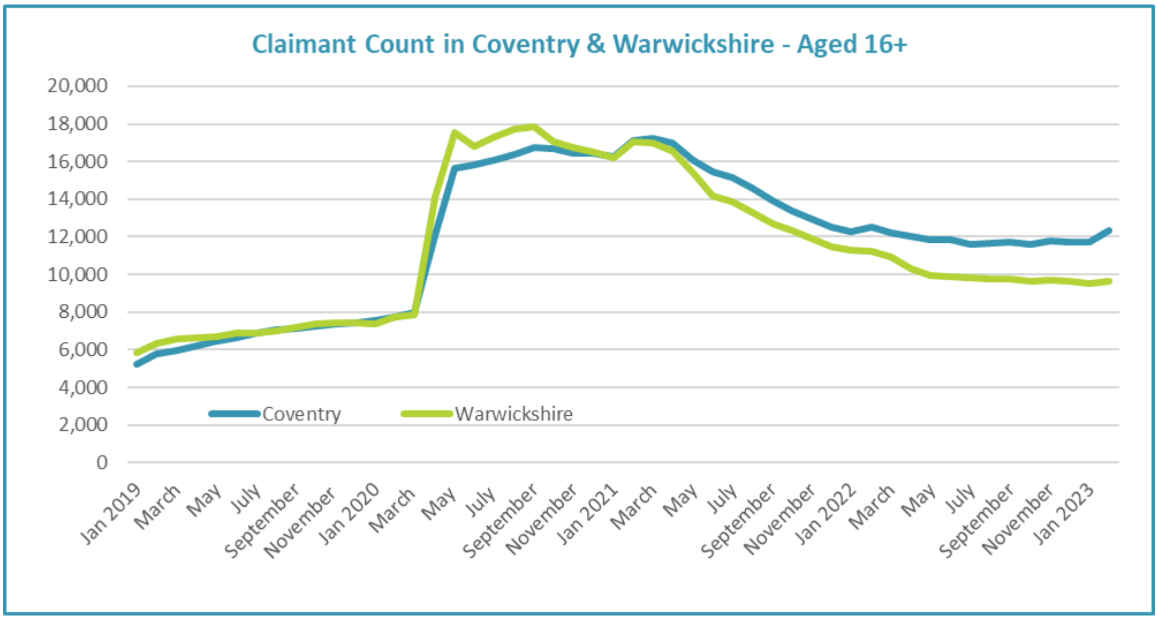
2.1 Labour Market Trends

- In February 2023, **the claimant count in Coventry & Warwickshire totalled 22,000 people.** At the start of the pandemic, three years ago in March 2020, the claimant count stood at 15,830.

Area	March 2020	February 2022		December 2022	January 2023	February 2023
Coventry	8,000	12,485		11,725	11,725	12,345
North Warwickshire	845	1,230		1,015	985	1,005
Nuneaton & Bedworth	2,830	3,600		3,055	3,080	3,170
Rugby	1,535	2,130		1,905	1,910	1,880
Stratford-on-Avon	1,050	1,935		1,610	1,560	1,590
Warwick	1,570	2,355		2,020	1,995	2,010
Warwickshire	7,830	11,250		9,605	9,530	9,655
CWLEP	**15,830**	**23,735**		**21,330**	**21,255**	**22,000**

Source: *Office for National Statistics*

- **Over the past twelve months there has been a fall in the claimant count across Coventry & Warwickshire**, falling from a total of 23,735 this time last year.



Source: *Office for National Statistics*

- **There is a slowly widening gap emerging between the counts in Coventry and in Warwickshire**.

- **Also, the falls in both Coventry and Warwickshire's claimant counts have slowed and levelled since the start of 2022.** We will continue to monitor this over the coming months.

The Office for National Statistics (ONS) also reported in March 2023 that nationally:

- **The UK employment rate for November 2022 to January 2023 was 75.6%, 0.1 percentage points higher than the previous quarter.** Employment increased on the quarter, driven by part-time employees and self-employed workers.

- **In December 2022, workforce jobs rose by 211,000 on the quarter to a new record high of 36.4 million.**

- **Latest estimate of payrolled employees for February 2023 showed another increase, up 98,000 on the revised January 2023 figures**, to a record 30 million.

- **The unemployment rate for November 2022 to January 2023 was largely unchanged on the quarter to 3.7%.** In the last quarter, the number of people unemployed for over 12 months increased slightly.

- **The economic inactivity rate decreased by 0.2 percentage points to 21.3% in November 2022 to January 2023**. During the last quarter, the decrease was driven by **those aged 16 to 24 years.** Looking at economic inactivity by reason, the fall was driven largely by those inactive that are either students or retired.

- **In December 2022 to February 2023, the estimated number of vacancies fell by 51,000 on the quarter to 1,124,000**, this is the eighth consecutive quarterly falls. A decreasing number of vacancies reflects uncertainty across industries, as businesses reported holding back on recruitment due to economic pressures.

- **The growth in average total pay (including bonuses) was 5.7% and regular pay (excluding bonuses) was 6.5% among employees in November 2022 to January 2023.**

- **Average regular pay growth was 7.0% for the private sector and 4.8% for the public sector, in November 2022 to January 2023**. Outside of the height of the pandemic, larger growth for public sector was last seen in December 2005 to February 2006 (5.2%).

- **In real terms (adjusted for inflation) growth for total pay fell by 3.2% and regular pay by 2.4% in November 2022 to January 2023.** A larger fall on the year for real total pay was last seen in February to April 2009, when it fell by 4.5%, but it is still remains among the largest falls in growth since comparable records began in 2001.

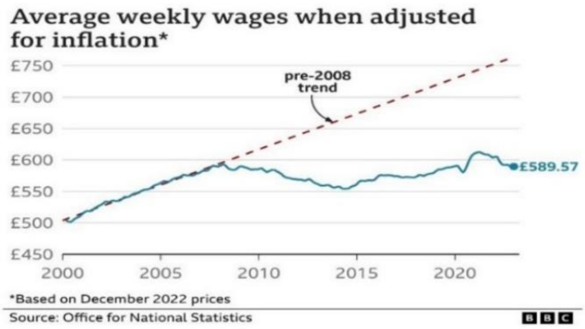
- **In January 2023, there were 220,000 working days lost to labour disputes, down from 822,000 in December 2022.**

Other Labour Market insights

According to the Institute for Employment Studies (IES), there are positive signs in the UK's labour market, especially around the increasing number of people in work, economic inactivity edging downwards, and the continued flat trend in unemployment rates. Additionally, the IES point to the slowdown in short-term unemployment and redundancy announcements, whilst at the same time the number of vacancies is now falling less sharply than in recent months.

In less positive news, the number of people who are economically inactivity due to long-term sickness has increased again, totalling over 2.5 million people, and now the highest level since comparable records began in 1992. Secondly, there remains a weak recovery for employment amongst older workers aged 50-64.

According to a report by the Resolution Foundation, fifteen years of wage stagnation has left British workers £11,000 worse off each year, taking inflation into account.



2.2 Economic Trends

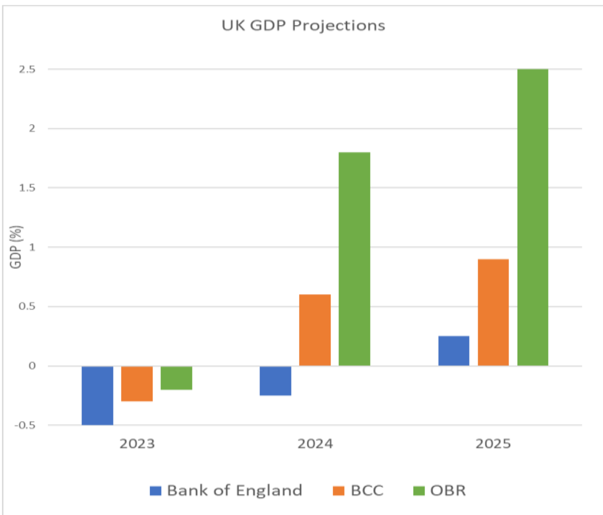
Economic Growth

- **GDP in the UK rose by 0.3% in January**, with some of the influencing factors being the return of Premier League football after the break for the World Cup, return to school of children after high absences pre-Christmas, and an increase of private healthcare usage amid growing NHS waiting lists.

- **Latest economic forecasts from both the British Chambers of Commerce and Office for Budget Responsibility (OBR) predict the UK economy to avoid a technical recession this year but shrink overall**. All forecasters expect the economy will return to growth in 2024, with the rate of inflation falling sharply in 2023 and then further in 2024.

- The British Chambers expect business investment will grow by 0.2% in 2023, 1.0% in 2024, and 1.7% in 2025.

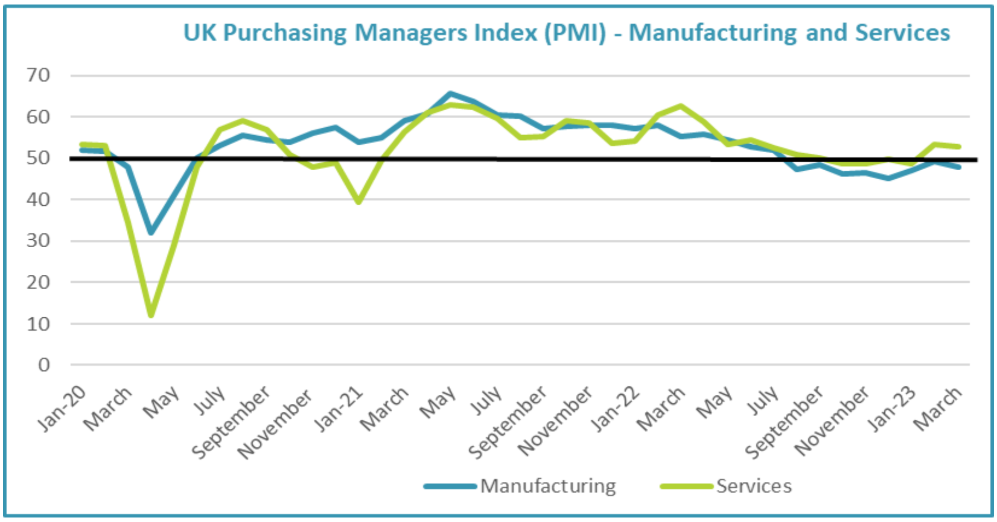
- However, it expects exports to shrink by 4.5% in 2023, 1.1% in 2024, and 2.4% in 2025. Import growth is forecast to be -2.0%, 1.4%, and 2.0% from 2023 to 2025.



***Source**: British Chambers & Office for Budget Responsibility*

Business Confidence

- **The national Purchasing Managers Index (PMI) for manufacturing decreased in March to 48 from 49.3 in February** (a figure above 50 represents growth, and contraction below 50). Reduced consumer demand, the delayed delivery of inputs, labour shortages, and increasing labour costs are all continuing to contribute to this subdued confidence.

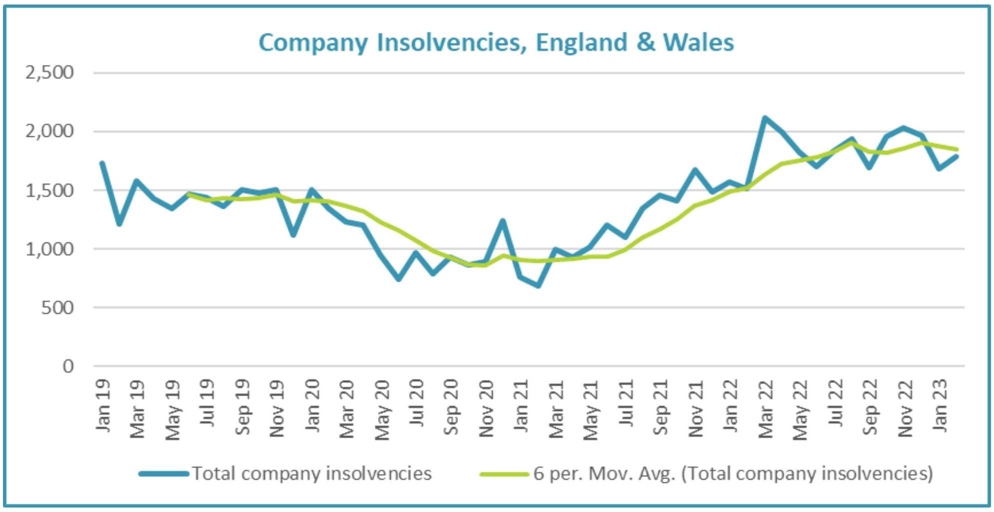


Source: *Trading Economics*

- For services, confidence has been hit harshly over the past twelve months, with the cost-of-living crisis likely to be impacting on service businesses. **The services PMI decreased to 52.8 in March from 53.5 in February, showing still positive signs of service sector confidence, following the months of steady decline throughout 2022.**

- Of all the UK regions, **the West Midlands was highest for Future Business Activity in February 2023** scoring 78.4, increasing from a January score of 76.5, and pointing to stronger levels of WM regional business confidence.

- **In February 2023, there were 1,783 company insolvencies in England & Wales, with the overall trend in these continuing to remain high**.



Source: *Insolvency Service*

International Trade

- According to the latest ONS Insights survey, **the overall international trade picture in the West Midlands is improving slightly, compared with recent months**.

- One of the survey findings states **that 7.5% of West Midlands businesses have never exported but have goods or services that could be developed for export,** showing a potential area for growth. With the right support, this could result in significant additional economic output and jobs for the region.

- **Make UK has raised concerns that UK-EU trading relations are hindering levels of Foreign Direct Investment in manufacturing, and also deterring EU-based suppliers from working with British firms.**
- The survey reveals that disruption of the global supply chain has eased over the past twelve months with **12.4% of responding West Midlands businesses reported experiencing global supply chain disruption in January 2023, compared to same period last year when the figure was 29.2%.**

- On Brexit, the **OBR are still forecasting that the volume of UK imports and exports will both be 15% lower in the long run than had the UK remained in the EU**, leading to a 4% reduction in the potential productivity of the UK economy.

UK Automotive sector

- **The Automotive trade body, SMMT, has unveiled its blueprint for preserving the future of the UK automotive industry and its supply chain.** This focuses on three critical areas in the transition to green technologies; investment, regulation, and trade.

- **The UK already produces almost every component of a zero-emission vehicle, which means the country should be in a strong position to scale-up production quickly.**

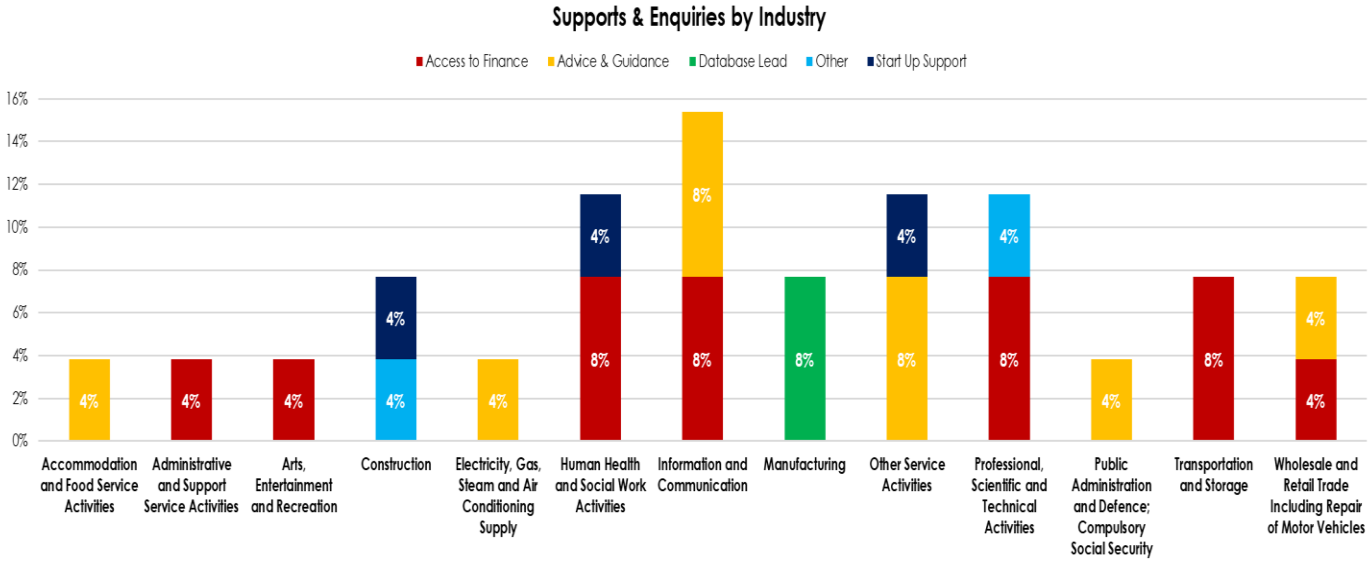
- **The West Midlands can play a key role in that transition to a green future with its proposed Gigafactory, but Government support is needed to attract the investment required to make it a reality.** Securing Investment Zone status will play a crucial role in accelerating investment in the electric vehicle and battery manufacturing supply chain.

3. Latest CW Growth Hub Insights

3.1 CW Growth Hub – Support & Enquiries

Since the start of the Covid-19 pandemic in March 2020, **CW Growth Hub has supported 5,118 businesses** including substantive discussions covering a wide range of current issues impacting on their future growth.

This month's business insights are taken from intelligence gathered in **February 2023.** The chart shows the supports and enquiries businesses made by sector.



Access to Finance was the most popular for support/enquiries over the past month, although there was also a spread across other enquiry types too. Businesses also highlighted the **Advice and Guidance** as their main requirement for support. There was also additional guidance provided around **Start Up Support, Database Lead and Other Support.**

The main sectors supported by CW Growth Hub was Information & Communication (15%), followed by **Human Health & Social Work Activities, Other Service Activities and, Professional, Scientific & Technical Activities** at 12% in each sector.

The size profile of businesses supported over the past month consisted of **35% Sole Traders, 35% Micro businesses (2-9 employees); 30% Small businesses (10-49 employees); and 17% Medium businesses (50-249 employees).** Some 20 out of 26 businesses stated their size of profile.

There was an **increase in Sole Employees** and a **decrease in Micro, Small and Medium Enterprise** approaching CW Growth Hub compared to the previous month. Around 21% of respondents (19 out of 26 businesses stated their date of incorporation) came from businesses that started trading since 2020.

3.2 CW Growth Hub – Current Themes

CW Growth Hub Account Managers reporting this month:

Hot Topics, Business & Economic Intelligence Headlines

- **Energy Costs –** Schools and businesses affected by electricity price increases continue to share their experiences, with some reporting a more than fivefold increase in bills. We also heard from a Manufacturer dropping to a 4-day working week to reduce energy costs – and so far this is working well for them.

- **Other methods adopted to offset increased costs –** Re-scheduling maintenance during downtime and off-peak production times to minimise the impact on production. And increase in the use of reporting and monitoring software allowing manufacturers to maximise productivity, reduce costs, and improve their management of water consumption.

- **Cost of Living –** Employers are offering annual pay increments of circa 5%, or higher, and offering flexible working for those who need it, to save them money on travel costs etc. to support staff through the cost-of-living increases.

New job losses, warnings, or potential economic shocks

- **Service Sector –** Feedback to our Account Managers from businesses involved in service sector activities seeing a reduction in demand for their services as their clients cut back on costs or are going out of business.

- **Planning Process –** Ongoing complaints that the planning process continues to be rigid, difficult to navigate, and subject to unrealistic conditions, leading to delays in growth plans and strategies.

- **Skills Shortages –** Skills shortages across the Care sector due to businesses unable to meet the demand for increased salaries. Similar for the Construction, which is being significantly impacted by HS2 construction.

New Opportunities, Investments, and Job Gains

- **Recruitment –** Demand for various occupations including office administration, sales, software specialists, senior accountants, and fabricators.

Other Issues

- **Materials costs –** Aluminium prices have settled following earlier highs whereas shortages continue for other building supplies, particularly glazing.

- **Supply Chain -** Issues reported on the supply of domestic boilers which has led to prices increasing by up to 30%. Manufacturing businesses making products themselves that they used to import from the EU and/or sourcing components from UK suppliers to reduce delays and knock-on costs. Some delays of supplies from Germany having an impact up to ten weeks, where previously this had been two weeks.

4. Spotlight: Spring Budget 2023

The Chancellor of the Exchequer delivered a full Spring Budget statement on Wednesday 15th March 2023, with an accompanying set of economic and fiscal forecasts from the Office for Budget Responsibility (OBR).

The Budget focused on measures to support the Government's four pillars of 'Enterprise, Education, Employment and Everywhere', where the economic plan aims to halve inflation, grow the economy, reduce public debt, reduce labour market inactivity, and boost economic growth.

4.1 Context – Current and Forecast of UK Economy

Interest, Inflation & Unemployment Rates

On 23rd March 2023, the Bank of England (BoE) raised interest rates by 0.25 percentage points to 4.25%. The Bank Rate is projected to peak around 4.5% in 2023 Q3, down from 5.25% at the time of the November 2022 Report, before falling back rapidly to 3.3%.

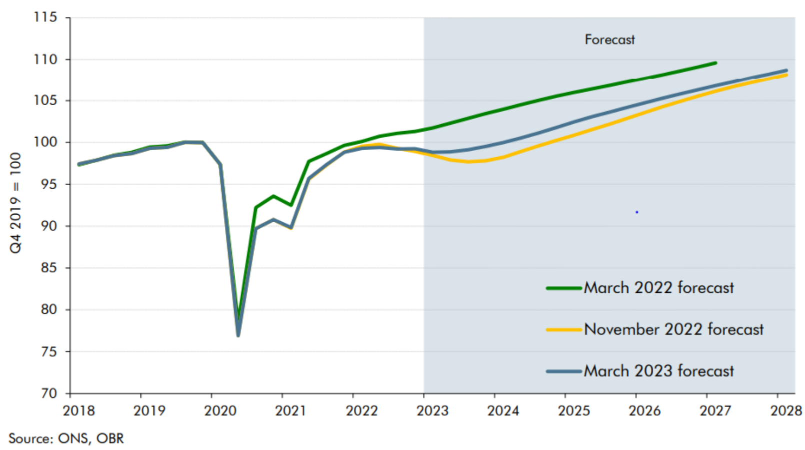
In January 2023, CPI inflation was 10.1%, down from its peak around 11% in October 2022, and largely due to increases prices of energy, food, and beverages. Looking ahead, inflation is expected to fall rapidly in 2024, but the economy is forecast to contract by nearly 1% over the year. The Monetary Policy Committee (MPC) will continue to monitor indications of inflationary pressures, including the tightness of labour market conditions such as wage growth, in order to determine Bank Rate.

	2023 Q1	2024 Q1	2025 Q1	2026 Q1
GDP (c)	-0.3 (-0.6)	-0.7 (-2.0)	0.2 (0.1)	0.9
CPI inflation (d)	9.7 (10.1)	3.0 (4.0)	1.0 (1.2)	0.4
LFS unemployment rate	3.8 (3.8)	4.4 (5.2)	5.0 (6.0)	5.3
Excess supply/**Excess demand** (e)	0 (-¼)	-1½ (-2½)	-2 (-3)	-2
Bank Rate (f)	3.8 (4.3)	4.3 (5.1)	3.6 (4.7)	3.3

Source: *Monetary Policy Report February 2023, Bank of England*

Gross Domestic Product

The OBR has forecast that the UK will avoid a technical recession in 2023. Alongside the 15th March 2023 Spring Budget Statement, the [OBR released its fiscal report](), which forecasts that economy to shrink by 0.2% this year, before growing by 1.8% in 2024, 2.5% in 2025 and 2.1% in 2026.



Source: *ONS, OBR*

4.2 Overview of the Spring Budget Announcements

The announcements focus on boosting UK labour market at the same time as stabilising and growing the economy.

a. Enterprise

- **Corporation Tax –** Government announced Corporation Tax will rise to 25%, from 19%, after 1st April 2023.
- **Full Expensing First Year Allowance –** Introducing 100% First Year Allowance to replace the 'Super Deduction', starting from 1st April 2023 until 31st March 2026, whereby businesses can deduct investment in new machinery and technology to help to lower taxable profits.
- **R&D Tax Credits -** Qualifying small or medium sized business spending 40% or more of their total expenditure on R&D will be able to claim a credit worth 27p for every £1 they spend.
- **Artificial Intelligence (AI) –** Launching a new AI Sandbox to trial new approaches to get new cutting-edge products to market. The scheme provides £900m funding to establish a new AI Research Resource and to develop exascale computing. Announcement of the launch a national AI Award worth £1m, to be awarded each year.
- **Reforming Regulations for Medicines & Medical Technologies –** £10m funding will be allocated to make more rapid and automatic sign-off for those medicines and technologies already approved by trusted regulators in other parts of world, as well as a swifter approval process for new medicines.
- **Creative Sectors -** Reforming audio-visual tax reliefs into expenditure credits with a higher rate of relief than under the current system and maintaining the qualifying threshold for high-end television at £1m. Additionally, extending temporary tax relief for theatres, orchestras, and museums for a further two years at their current 45% and 50% reliefs on production costs.
- **Green Energy –** Allocating up to £20bn for the early development of Carbon Capture Usage and Storage (CCUS), supporting up to 50,000 jobs, and to attract private sector investment to help capture 20m-30m tonnes of CO^2 p.a. by 2030.
- **Innovation Accelerators -** The 26 successful projects for the £100m funding across the West Midlands, Greater Manchester, and Glasgow will be announced soon.
- **Investment -** The Autumn Statement 2023 will include plans to develop a more diverse financing system (including utilisation of pension funds), where the benefits of investment in high growth firms will be available to more investors.

b. Education

The Budget focused on significant reforms to childcare to remove barriers to work for nearly 500,000 parents with a child aged under three in England, who are not working due to caring responsibilities. The following benefits to wider economy in the process:

- **Free Childcare** - 30 hours free childcare for working parents in England expanded to cover one and two-year-olds by September 2025. This will be introduced in phases from April 2024, starting at 15 hours.
- **Nurseries** - The funding paid to nurseries for the existing free hours offers will also be increased by £204m from this September, rising to £288m next year.
- **Wraparound Care -** Schools and Local Authorities will be funded to increase the supply of wraparound care on-site at schools, so that parents of school age children can leave their children between 8am and 6pm.
- **Universal Credit Childcare Allowance** - The childcare allowance will be raised from £646 to £950 per month.
- **Childminders -** £600 incentive payments for those becoming childminders, and relaxed rules in England on how many children that childminders can look after.
- **Qualifying Care Relief threshold** - Foster parents and other types of shared lives carers will be raised to £18,140, plus £375 for each child aged under 11, and £450 extra for each child aged over 11, or adult.

c. Employment

Many of the announcements focused on ways getting more disabled people and those aged over 50 back into employment. With one million vacancies in the labour market and seven million working age adults not currently in work, the Government is keen to tackle economic inactivity and the barriers to work.

- **Universal Support –** Supporting disabled people to seek work without losing the support they needed, Universal Support will replace '**work capability assessments'**. The Government will spend up to £4,000 per disabled person and fund 50,000 places every year.
- **Workers with injuries or mental health issues –** An extra £400m to support workers that are about to leave work either because of injury or mental health issues by increasing the availability of mental health services, musculoskeletal resources, and by expanding Individual Placement and Support scheme.
- **Returnerships –** Providing £63m for skills boot camps, a sector-based work academy programme, and new apprenticeships, aimed at people aged over

50s for better access of re-training and allowing all ages of workers to engage with the opportunities of a second career.

- **Mid-Life MOTs –** The number of Universal Credit claimants aged over 50 who received mid-life MOTs will increase from 8,000 to 40,000 a year.

- **Pension Tax** – Government announced to increase annual pension tax free allowance from £40,000 to £60,000 and abolished the Lifetime Allowance, to encourage more people to remain in the workforce.

- **Care Leavers –** Each year up to 2025, £8.1m funding to expand the Staying Close programme to around half of Local Authorities. The extra support will provide young people leaving residential care with accommodation, and practical and emotional support as they transition into independent adulthood and work.

- **Childcare Costs** - Parents moving into work or increasing their hours on Universal Credit will be paid upfront rather than in arrears, with maximum claim to £951 for one child and £1,630 for two children.

- **Supported Internship** - Supporting young people with special educational needs into employment, the Department for Education's Supported Internship Programme will undergo a £3m pilot expansion.

- **The Administrative Earnings Threshold** – Increasing the AET, the minimum amount a person can earn without being asked to meet regularly with their Work Coach, from the equivalent of 15 to 18 hours of earnings at the National Living Wage for an individual claimant.

d. Everywhere

Many announcements were relevant to places and local areas across Coventry & Warwickshire, and the wider West Midlands region.

- **Trailblazer Devolution Deals** – The government has committed to give West Midlands and Greater Manchester Combined Authority single multi-year funding settlements at the next Spending Review.

- **Investment Zones –** 12 new Investment Zones will be created where each Zone will have £80m to "supercharge" growth in high-tech clusters that have traditionally underperformed economically. The funding can be used flexibility across:
    - **Fiscal incentives** including tax reliefs, from full stamp duty relief to 100% relief on business rates.

    - Any of the £80m left over after the tax incentives can be **flexible spent** over five years to be used across a range of interventions, to further attract investment and unlock barriers holding back the growth of the respective sector.

- **City Region Sustainable Transport Settlements (CRSTS) -** £8.8bn awarded for a second round of CRSTS over the next five years from 2027/2028 to 2031/2032. This is the fund currently financing key transport schemes in Coventry, including Very Light Rail.
- **Additional Regeneration Funding –** Many announcements made to help bring forward additional regeneration projects.

e. Other Announcements

Energy & Utilities

- The Chancellor announced that energy support for households has been extended for three months until the end of June.
- No changes were announced to the Energy Bills Discount Scheme for businesses, which will run, as is, from 1st April 2023 to 31st March 2024.
- The Chancellor announced the launch of Great British Nuclear to develop and deliver opportunities across the nuclear supply chain, with an aim of the nuclear generation sector providing up to one quarter of the UK's electricity by 2050.

Taxation

- The Chancellor extended the 5p cut in the price of petrol and diesel for a further year.
- Increase in Draught Relief is passed to pubs to help with the sales of draught beer. However, other alcohol taxes to rise with inflation.
- Alcohol duty will be frozen until August 2023.
- Tobacco duty to increase in line with inflation.

Defence

- Boosting defence spending by £5bn, where the extra money will be used to fund a nuclear-powered submarine deal with the US and Australia and to replace weapons sent to Ukraine.

Other Living Supports

- Government committed to provide an extra £10m over next two years for charities in England helping to prevent suicide.
- £63m will be made available to help keep leisure centres and swimming pools open.

4.3 Q&A with Craig Humphrey, Managing Director at CW Growth Hub

What are the positive support measures announced in the Spring Budget Statement that will be of most help for businesses in Coventry & Warwickshire?

"The Budget Statement was labelled by the Chancellor as a budget for growth and the chance to focus on removing some of the barriers that have been plaguing UK economic growth for some time, from labour supply to business investment. But I think the criticism from me is that its focus was aimed at larger businesses and the overall support measures for SMEs were somewhat vague and, in many areas, still unclear.

That said, there are some positive measures included in the Statement, with the West Midlands Trailblazer Devolution Deal being a significant announcement for Coventry & Warwickshire based businesses, and with the indication that the Gigafactory area will be one of the Levelling Up Zones, that will be key in unlocking it for future economic growth and for levelling-up. Why is that important?.....it is important because 100% of the business rates that are levied can be retained within the area for up to 25 years. So, that's a key announcement for our area.

The Investment Zones will allow companies utilising them to have full Stamp Duty relief from business rates, and 100% relief in the first year around capital allowances. And there is a flexible element to the Devolution Deal, particularly centred around Investment Zones, which will focus on research and innovation, skills boot camps, and local enterprise and business support. The last point there is important because providing high quality support to businesses should really be seen as a key strategic intervention in both the short and long term, to stimulate economic recovery and success. We need to do that to keep pace with our competitors and meet the business expectations of companies that are looking to grow within the West Midlands.

> *"…providing high quality support to businesses should really be seen as a key strategic intervention in both the short and long term, to stimulate economic recovery and success."*

I'm fearful that what we've seen across the West Midlands in recent months in terms of policy changes on how businesses are supported will lead to a fragmentation in the system which makes it harder for businesses to access the support that's available, not necessarily easier.

Making some of the changes to taxation is also going to be very welcome for some businesses around Coventry & Warwickshire. We are seeing the full expensing first year allowance replacing super deduction, which ends on the 31st of March, and the Government now introducing 100% first year allowance from April 2023 where companies across the West Midlands will be able to write-off the full cost of qualifying plant and machinery investment in the first year that the investment is made. That is very welcome, and of course there's the announcement on R&D Tax Credits which is an enhanced credit meaning that if a qualifying SME spends 40% or more of their total expenditure on R&D then they'll be able to claim a credit, of almost a third for every £100 that they spend.

All of these are really welcome measures that will help to stimulate the economy of Coventry & Warwickshire.

Finally, we know one of the main barriers to growth over preceding months has been a real tightening of the labour market, so I think it's a welcome step that we're seeing extra support around childcare being introduced into the economy to help working families, and also schemes aimed at older workers returning back into the workplace under the guise of internships aimed at the over 50s being labelled as 'Returnerships'. Anything that can be done to help people return to the workplace, especially as we've seen record numbers leaving during the pandemic, will be a positive step and something that I'm sure local businesses will welcome."

What other support or measures would you have like to have seen the Chancellor announce that could have benefitted local business?

"The one area that is somewhat contentious in terms of the Chancellor's Budget is that around Corporation Tax. Now I don't really see increasing Corporation Tax as being too punitive because, at the end of the day, that's a tax that is levied from company profits. A much more punitive tax on business is that of employer National Insurance contributions, which of course is paid by the business whether they are in profit or not. A measure that I would like to have seen the Chancellor tackle is how the burden of taxation around National Insurance for employers is looked at, to encourage more profitability in terms of business growth."

Looking ahead, what else do you think is needed to help support local business?

"Looking ahead, there is a need to make sure that we have much greater stability for businesses. One thing businesses crave is the ability to plan for the longer term. Investment strategies are not created overnight, and take some time to implement, so a longer-term strategy from Government on how businesses will be supported is going to be vital for Coventry & Warwickshire, and also the wider West Midlands.

"…we've had a history in Britain of changing organisations and initiatives all too often over the short-term, and that prevents businesses from maximising the full benefits of locally embedded business support."

Business growth and long-term success is absolutely key to recovery in our local economy. To deliver this we will need to ensure we maximise the benefits from the assets we have in Coventry & Warwickshire. For example, that fact that we have a young, diverse, and increasingly skilled population is a real tangible benefit for us locally but for many people and businesses it is hard for them to see the opportunities longer term for them to be able to plan for their future success.

So, investing in how businesses are supported is crucial. One of the oldest and continually operating business support agencies is the US Small Business Administration, which was launched in 1953. The businesses in America know where to go for the support they need, and it's stable and is consistent. By contrast, we've had a history in Britain of changing organisations and initiatives all too often over the short-term, and that prevents businesses from maximising the full benefits of locally embedded business support, as well as support in helping them make those longer-term investment plans and decisions.

5. Recommendations

March Golden Recommendation:

The scale of UK Shared Prosperity Funding (UKSPF), is unlikely to be sufficient to address the challenges and opportunities facing the local economy, and we would urge Government to invest further in the local and regional business support ecosystem through other sources, to reduce the risk of the region's business support ecosystem being reduced at a time when businesses need support more than ever.

The following recommendations have been derived from analysis of macro-economic and business-level data and intelligence collated from Coventry & Warwickshire stakeholders. We begin with three short-term recommendations:

a. Short Term

5.1.a - There is a need to explore how business support activities can be flexed to help business get through the ongoing cost-of-doing-business crisis. The local and regional support ecosystem will need to work closely together, and with funders, to explore how both existing and emerging support activities and opportunities are best offered so that they have maximum positive impacts.

5.1.b - We need to see targeted investment to unlock the growth potential of key sectors of Coventry & Warwickshire's economy, notably net zero future mobility and electrification. Whilst the CW Gigafactory Levelling-up Zone will be a helpful step, we will need to work effectively with local and regional partners to also secure an Investment Zone, which will not only provide financial and tax incentives to accelerate investment, but will also provide government funding for business, innovation and skills support, but also will be crucial to realising supply chain growth potential within these sectors.

5.1.c - The Government's proposals around childcare support are seen as positive to help ease the labour shortages impacting firms across the economy. However, the timescale for introducing these, in 2024/25 at the earliest, will not do enough to help alleviate the current difficulties in the labour market, and government should work with business bodies to design additional measures that could be introduced in the short-term to get more parents into the labour market and tackle labour shortages.

b. Medium Term

Further initiatives that would help the local economy and the labour market in the medium term include the following three recommendations:

5.2.a - The Budget Statement made very little reference to Trade. It is positive that there are signs that the export performance of the region looks to be showing some signs of improvement. **Unleashing the potential of the companies that are already exporting, or considering or planning to export, could be a good boost for the performance of the region's economy.**

5.2.b - The lack of energy support for businesses beyond the current Energy Relief Scheme will put more pressure on many small firms. Whilst we need to continue signposting businesses to existing schemes to reduce energy bills and adopt renewable energy (e.g. CW Green Business, upcoming UKSPF Decarbonisation support and associated Energy Efficiency Audits and Grants), we should continue working with local and regional partners to lobby government to introduce a "Help to Green" voucher scheme, because financial support for small businesses in this subject area will reduce after ERDF ends.

c. Long Term

Businesses and the economy would benefit if both central government and local stakeholders support these two long-term recommendations:

5.3.a - Alongside new initiatives to stimulate infrastructure investments, such as Levelling Up Zones and Investment Zones, we need to work with regional partners and government explore how we can expand power supply and power generation and raise the necessary funding to service the region's innovation needs. This should include exploring the potential in the West Midlands for developing carbon capture and storage capacity, and the generation of renewable energy.

5.3.b - Whilst the WM Innovation Accelerator is a positive development, this and the new R&D Tax Credit system will not do enough to incentivise sufficient numbers of small businesses to innovate and undertake R&D. **We therefore need to build on announcements in the Trailblazer Deeper Devolution Deal and work with local and regional partners to lobby Innovate UK to devolve funds to the region to deliver programmes that will support more small firms to innovate, and be targeted at growing priority sectors and clusters (including Advanced Manufacturing, Future Mobility, and Creative Sectors).**

5.3.c - Future employment and skills support should become more locally designed, produced, and delivered. This approach should build on the findings and recommendations from the forthcoming Local Skills Improvement Plans and consider development of integrated local Technical Education Systems to respond to future local economic/sectoral needs.