

Communities O&S – Sept 2021

Economic Development Update

The following briefing note provides an update to the Communities Overview & Scrutiny Committee on recent economic development activity in Warwickshire.

It covers work undertaken by County Council officers and partners across a range of services and areas as well as other key pieces of relevant news and information.

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HEADLINES/ KEY SUMMARY POINTS

- Whilst the economy shows many positive signs of recovery, a number of nationwide issues, the so-called 'Perfect Storm' of staff shortages and supply chain issues, is also impacting in Warwickshire
- July saw the launch of the Warwickshire Recovery and Investment Fund (WRIF), a £140m cash injection to boost the county's post-pandemic recovery
- Focus also continues on delivery of the wide range of recovery initiatives, including:
 - The highly successful Survive, Sustain, Grow (SSG) programme has now closed, meeting or exceeding all targets
 - Nearly £900k of further funding was allocated under Round 2 of the Adapt & Diversity grant programme bringing the total awarded across the two rounds to just under £1.5m
 - The Future Careers Digital Market Place project now has over 30 films available for schools and employment groups to access
- Coventry & Warwickshire continues to perform strongly in terms of annual FDI (Foreign Direct Investment) with the year to March 2021 showing a 10% jump in projects landing in her, compared to a 12% decline in overall UK figures
- We continue to see strong demand for our Business Skills Support Service with monthly requests for support consistently being more than double last year

1. ECONOMIC OVERVIEW

The longer-term impacts of the pandemic and EU Exit continue to unfold and whilst there has undoubtedly been several positive economic indicators, we continue to see businesses impacted by the so called 'Perfect Storm' of staff shortages and supply chain issues. Unsurprisingly, this uncertainty is being reflected in business confidence across the West Midlands which has shown a slight decline over the last few months.

The level of job vacancies has returned to pre-pandemic levels, but many businesses continue to report difficulties in recruiting, including significant shortages in staff affecting our hospitality and tourism businesses. The full impact of the end of the Furlough Scheme is also uncertain with recent surveys suggesting fewer redundancies than previously expected but nonetheless, further increases in unemployment towards the end of the year are expected.

Staff shortages and supply issues have both eased slightly since self-isolation rules changed bringing an end to the 'pingdemic', but the movement of goods continues to inhibit supply chains. Contributing factors include unfamiliarity with post-EU process and a lack of availability and/or major price hikes in transportation and shipping.

2. ECONOMIC RECOVERY INITIATIVES

The **Warwickshire Recovery and Investment Fund (WRIF)** launched on 1 July 2021 providing a £140m cash injection to stimulate the local economy, create jobs, support local businesses and attract investment into the county over the next 5 years. The WRIF is specifically designed to address a gap in the market for access-to-finance and consists of 3 strands: The £90m **Business Investment Growth (BIG)** which launched on 7 July, along with the **Local Communities and Enterprise (LCE)** element and the **Property and Infrastructure Fund (PIF)** which are expected to go live later this year.

Further details will be presented to the cross-party Member Oversight Group on Friday 17 September. It is the responsibility of this group to report to both Overview and Scrutiny, and Cabinet including submission of an annual report to the Overview & Scrutiny Committee.

Adapt & Diversify Grants – £891,669 has now been awarded to 71 businesses as part of Round 2 of WCC's "Adapt & Diversify" grant scheme, bringing the total awarded across the two rounds to just under £1,500,000. The scheme – which was set up to complement the various Government grants available via the District & Borough Councils – provided grants of £5,000 towards the costs of accessing specialist external advice and up to £20,000 for projects which involve specialist advice and/or the purchase of equipment or the refurbishment of property. It was open to all retail, hospitality, tourism and leisure businesses and certain identified businesses in their supply chains. Applicants had to be able to demonstrate that they had been negatively affected by Covid-19 as well as have clear plans to adapt or diversify their business.

The scheme was overwhelmed with applications across the two rounds; 356 applications worth £4,500,000 million were submitted before being assessed by a

team of specialist WCC officers. £1,485,901 has now been awarded to 122 small businesses across Warwickshire, supporting 610 jobs and helping to safeguard 340 jobs considered to be at risk. The Adapt & Diversify grant scheme follows WCC's successful Retail & Hospitality scheme in Summer 2020 which awarded £222,378 to 40 businesses, helping safeguard a further 170 jobs.

Survive, Sustain and Grow – The SSG programme has now closed to new clients after engaging 615 businesses in ten months and meeting or exceeding all its targets. 222 small businesses across a range of priority sectors have now worked with one of WCC's specialist, industry-specific consultants to develop and implement a dedicated economic recovery plan, supporting 766 jobs and helping safeguard 460 jobs considered to be at risk.

Capital grants worth £414,000 have also been awarded to 57 businesses on the programme to support the costs of implementing their recovery plans. These investments are expected to create 140 new jobs as the economy recovers. Support to the final clients will end in September and WCC is commissioning an independent, external evaluation of the programme to be undertaken during the Autumn. Several case studies about businesses supported by the programme have been produced and are available on WCC's web site: <https://www.warwickshire.gov.uk/SSG>

Social Enterprise Support – Coventry and Warwickshire Co-operative Development Agency (CWDA) supported a further 20 groups in Warwickshire during the first quarter of 2021/22 as part of their social enterprise support programme which is part funded by WCC. The programme – which is also funded by the European Regional Development Fund – provides support to groups seeking to set up new social enterprises and those already trading. The funding from WCC's Place Shaping & Economic Recovery Fund is bridging the gap between budgets which ended in March 2021 and the commissioning of WCC's new third sector support contracts from March 2022. For more information, visit: <http://www.cwda.co.uk/Social-enterprise>

Tourism and Leisure Support – WCC, after a competitive procurement exercise, has appointed Coventry and Warwickshire Chamber of Commerce to deliver a new, dedicated business support programme to support the recovery and future growth of the visitor economy in Warwickshire. The programme – which is funded by £513,622 from WCC's Place Shaping and Economic Recovery Fund – will offer industry-specific support to tourism businesses and complement the "Visit Warwickshire" campaign.

The Chamber, who will be sub-contracting aspects of the delivery to Shakespeare's England and also working with North Warwickshire Tourism, are already seeing a good level of interest without any significant marketing and promotion. The programme will be formally launched once the Chamber's delivery team is in place. A marketing campaign and a series of events are planned for the Autumn after the busy summer season for tourism businesses. The tourism programme forms part of the wider "CW Business: Start, Grow and Scale" project (see below).

The Future Careers Digital Market Place project now has over 30 films available for schools and employment groups to access widely through the Warwickshire Skills Hub website or WCC YouTube channel. Since the relaunch in spring, there has been significant interest from small to medium size businesses to large organisations such as BMW and NHS England, all wanting to utilise different tools to share their jobs and reach different talent pools of people. The project is set to run through the Autumn with a call out to underrepresented sectors such as Retail and Hospitality.

3. ECONOMIC & BUSINESS SUPPORT

“CW Business Start, Grow and Scale”, which is part funded by the European Regional Development Fund (ERDF), continues to see high demand from Warwickshire businesses. A further 45 businesses completed the intensive support provided by the programme in the first quarter of 2021/ 2022 and 20 new jobs were created. This brings the total number of businesses supported since January 2019 to 418. 129 new jobs have also been created and 107 Warwickshire residents helped to start their own business.

The project is funded by £1 million from the ERDF as well a number of other funders. WCC recently submitted a request to the Ministry for Housing, Communities and Local Government (MHCLG) to extend the project by a further 18 months from January 2022 to June 2023. It has also been requested that the project is extended to include the new tourism support with the additional ERDF funding allowing WCC to increase the scale and reach of the programme. A decision from MHCLG is expected imminently.

There remains a healthy pipeline of businesses and individuals looking to start a business. The project has also been given a low risk “green” status by MHCLG after a recent Government audit. For more information on the programme and support available, visit: <https://www.warwickshire.gov.uk/cwbsp>

The **Coventry and Warwickshire Duplex Investment Fund** which provides a combined loan and grant to businesses towards the costs of capital investments, has supported a further Warwickshire business. The newly-named “Lazy Pug” in Shipston-on-Stour opened in June 2021, with a completely new look both inside and outside following a £160,000 investment which included £75,000 from the Duplex Investment Fund. The business was featured in July’s Warwickshire Means Business newsletter: <https://business.warwickshire.gov.uk/july-2021/news-in-brief/pug-pubs-expand-into-shipston-with-duplex-fund-support>

Duplex has now provided loans worth £514,848 to seven businesses in Warwickshire across a range of sectors. Duplex is funded by a £2 million loan from WCC’s Capital Investment Fund as well as funding from Coventry City Council, the Government’s Growth Deal and the Coventry & Warwickshire Local Enterprise Partnership. It is managed by Coventry and Warwickshire Reinvestment Trust (CWRT). There is now a strong pipeline of potential investments as the economy looks to recover. Duplex, over the next ten years, is expected to provide just under £10 million of investment to Warwickshire businesses and to create over 600 jobs. For more information, visit: <https://www.cwrt.uk.com/duplex>

WCC have contributed to the University of Warwick's **Creative Futures Incubator Programme**. The programme has just recruited its 3rd cohort of creative businesses which benefit from business support and workspace within 1 Mill Street in Leamington for a period of six months. Creatives Futures is also supported by BT and 1 Mill Street.

4. EMPLOYABILITY & SKILLS SUPPORT

WCC in partnership with Create Central and funded by the West Midlands Combined Authority have developed a **Video Game Sector Bootcamp** for production and is due to launch in October. The skills bootcamp will be delivered by North Warwickshire & South Leicestershire College and is one of a series of bootcamps being delivered for the screen sector. The other bootcamps focus on Film & TV. The bootcamp has been developed in partnership with the local games industry and is a pilot programme.

The **Business Skills Support service** continues to see the highest level of requests. In 2020 the team supported on average 7-10 business per month, in 2021 this has risen to over 20 per month with the annual figure so far sitting at 168 businesses supported.

As businesses start to build back their workforces and evaluate skills needed in a post pandemic world, they are keen to utilise the national offers such as Kickstart and Apprenticeships and connect with skilled workers to help with immediate skills gaps too.

The team work closely and impartially with businesses to build skills and recruitment plans, signposting the most relevant support to help each business reach their outlined skills objectives. Over 80% of the businesses the team support remain engaged and seek to request ongoing support along their growth journey.

The Employability and Skills Team are now active members of the **HS2 job brokerage** service. This commitment supports HS2 to showcase job opportunities to Warwickshire residents and supports forward planning of job needs which can be shaped into Warwickshire careers activity in partnership with HS2 and their supply chain.

The Employability and Skills Team currently share vacancies across our employability support network with a good response rate from those who are on a return-to-work programme. A second piece of work will address the diversity of roles and how by partnership working we support a number of roles to be more accessible to those with support needs.

Women into Construction (WIC) is an independent not-for-profit organisation that promotes gender equality in construction. Several programmes have run around the region, particularly working closely with care leavers in and around the Birmingham area.

WIC have agreed to partner with Warwickshire and create a bespoke fully funded programme for female care leavers with an interest in construction and other priority groups. The programme will support 15 young women (19-25) and each participant will attend a series of virtual and site sessions to experience the jobs and access routes to such work.

It is understood that there may be some barriers such as travel support and confidence building, however this can be supported by the partnership and will deliver real positive outcomes for the young people taking part in the programme.

The Employability and Skills team have recently committed to supporting the “**Commonwealth Games Skills and Employment Legacy**” strand of the Commonwealth Games work. During the games, there will be requirement for over 30,000 volunteers regionally. The legacy strand looks at how Warwickshire volunteers can then bring their newly acquired skills and support them in entering paid employment in Warwickshire whilst also address skills gaps in sectors such as Hospitality and Retail.

Warwickshire Transition Fund is a reactive project to support Year 11 students smoothly transition into Further Education. The project has created a competitive fund for colleges, training providers and 6th forms to shape transition events to offer career’s guidance, peer support, campus tours and the promotion of supportive services such as Mental Health and Tackling Poverty.

With over 13 applications and sharing over £70,000, the fund has been hugely popular with a number of highly innovative events which have provided much needed Further Education interaction.

5. INWARD INVESTMENT

Coventry & Warwickshire continues to perform strongly in terms of **annual FDI (Foreign Direct Investment)**, recently issued annual data shows. For the year April 2020 to March 2021, 45 successful projects located here, and a further five shared with other areas. Nearly new 2,000 jobs were created and 42 safeguarded.

This represents a 10% jump in projects landing here, comparing well when set against the overall UK figures, which saw a decline of 12% in UK projects over the same period. Local key sectors were strongly represented, with eight projects from software/games development and 11 from automotive and advanced engineering.

The figures show that despite a difficult 18 months for many parts of the local and national economy, Coventry and Warwickshire continues to be a leading location for foreign investment.

This year investors have included Hello Fresh, which has created a new e-commerce fulfilment centre in Nuneaton, Lotus Engineering which has expanded their local presence with a new base at Wellesbourne Innovation Campus, BSA/Classic Legends which has established a design and development centre in Coventry, and games developer Electric Square which has set up a studio in Leamington Spa.

As part of Invest in Warwickshire work with the Department for International Trade (DIT), Warwickshire was selected as a **High Potential Opportunity (HPO)** area. The HPO programme is intended to develop bespoke propositions for areas of excellence to attract potential investors to this location first above any other region in the UK.

On the first round we successfully bid for a HPO for the promotion of the video games sector. On the second round our bid for a HPO on CAM (Connected Automated Mobility) Simulation and Modelling was successful. This was recently signed off and a couple webinars were held, attended by 60 delegates, to promote the opportunity to DIT staff at embassy and consulate posts around the world. A further Investor Webinar was held in July to US & European markets to further promote the video games HPO.

The HPO material will form a key part of the online collateral for delegates attending the **COP26 UK Global Trade summit**, hosted by the UK in October in advance of the COP26 Climate Change Conference in Glasgow.

We also successfully bid into the work the UK Government is doing to promote trade and investment around COP26. **An investment pitch around Coventry & Warwickshire and green transport technologies**, recognising the unique national and global strengths of the Warwickshire area in zero carbon aero, auto, rail mobility, will be co-curated with Department for International Trade, and will feature at the Global Trade Summit.

Invest Warwickshire and Warwickshire Skills Hub is supporting CWLEP and CCC to host a joint **Automotive Electrification Skills Summit** on October 6th at MIRA Technology Institute, to discuss the challenges and opportunities around skills supply as the industry moves away from petrol and diesel powertrain and over to lower carbon solutions from battery, EV and fuel cell.

A satellite automotive skills panel will take place at the Engineering Design Show in October at the Coventry Building Society Arena, on October 19th, in association with The Engineer/ Eureka magazines.

Invest Coventry & Warwickshire will have a stand at EDS, and the following week at The Battery Technology Show/ The Hydrogen Technology Show, again at the CBS Arena, to promote inward investment to the region to the national and international delegates at the conference and trade shows.

APPENDIX 1: BUSINESS NEWS

Major business headlines from around Warwickshire

Digital Creative sector

One of the UK's leading employee-owned creative agencies has moved into new offices at the Innovation Centre on Warwick Technology Park. **Emperor**, which this year celebrates its 25th anniversary, specialises in strategic communications, working with a wide range of clients including Greggs and Lloyds Banking Group. Following a restructure of the business, the firm closed its offices in Birmingham and Bicester to move into the Warwick offices which will be used as a creative hub, alongside its other bases in London, Edinburgh, Manchester and Dubai.

Enable, a start-up based in Stratford upon Avon which is developing cloud-based software for business-to-business rebate management, has secured **\$45 million in a Series B funding round**. The company was born out of the DCS Group, the largest distributor of health, beauty and household products in the UK which is now based in Banbury. DCS wanted a smart, efficient way to manage its many complex trading agreements with suppliers and customers but it couldn't find a single solution that met all its needs, so it formed its own software team, and spun it off into a new limited company to design and build a B2B deal management solution that met its needs.

The University of Warwick has announced that is investing **£275,000** of its own earned income into establishing a new esports centre to be located at the Warwick campus. It will operate alongside new facilities to stimulate innovation in the newly named 'Junction' facility and will be holding an official opening on the 14th September.

Hollywood Gaming is planning to open its own virtual reality venues after supplying international entertainment giants for more than 15 years. If plans come to fruition it would enable people to experience safaris, alien invasions and dinosaurs in virtual worlds - and more besides. Meriden-based Hollywood Gaming has become a market leader in providing effects using its hardware and software solutions working with the likes of Hasbro, Paramount Pictures, Sony and EA on games distributed by Sega Amusements to arcades and family entertainment centres around the world. The company, founded in 2005, is currently mapping out the expansion and will look to raise around **£800,000** in investment to get that side of the business off the ground, including scoping locations where it could open its own venue experiences.

The **£919m acquisition** of listed video game developer Sumo Digital Group by Chinese technology giant Tencent has moved forward with a date set for shareholders to vote on the deal. The boards of Tencent Holdings and Sumo Group plc reached an agreement in July 2021 on the terms of a recommended all-cash offer. Tencent, through its wholly owned subsidiary Sixjoy Hong Kong, will acquire the share capital of Sumo which members of the Tencent Group do not already own at a price of 513 pence per share. **Warwickshire is home to 2 studios** that are part of the Group, Lab 42 & Sumo Leamington who currently employ around 120 people locally.

‘Uxplore’ is a £3.8m project led by Coventry University, in partnership with the Coventry and Warwickshire Local Enterprise Partnership (CWLEP) Growth Hub and Coventry and Warwickshire Chamber of Commerce. It has been **set up to increase the demand for new digital products and services enabled by broadband**, 4G, Wi-Fi and 5G, and it will also allow small and medium sized businesses (SMEs) to benefit from wireless communications and provide space to test and explore new applications of 5G.

Automotive/ Future Mobility

Meggitt, the Ansty-based manufacturer of components for the power and aerospace industries, is set to be sold to a US counterpart. **Parker-Hannafin Corporation will pay £6.3bn for Meggitt**, doubling the size of Parker’s aerospace division. Parker already has a number of UK facilities, and is a significant employer in Warwick.

BMW UK, whose engine plant is at Hams Hall, Coleshill and makes engines for both BMW and MINI vehicles, has been **awarded £26.2 million to develop an electric battery** that will rival the driving range of internal combustion engines.

REEcorner, Nuneaton has been **awarded £41.2 million to radically redesign light and medium-sized commercial electric vehicles** by moving the steering, breaking, suspension and powertrain into the wheel arch enabling increased autonomous capability, storage space and design flexibility.

A consortium of seven UK-based organisations has signed a memorandum of understanding to combine ambitions to develop world-leading prototype **solid-state battery technology**, targeting automotive applications. The consortium includes locally WMG at the University of Warwick, the UK Battery Industrialisation Centre, and Britishvolt, who will be basing their R&D and HQ at MIRA Technology Park.

Prime Minister Boris Johnson was in Warwickshire recently to **officially open the UK Battery industrialisation Centre**. The £130 million UK centre (UKBIC) is a pioneering 18,500 sq. m state-of-the-art national facility which has been developed to support UK industry with development of battery technologies for future electrification. Located in Baginton on the Warwickshire/ Coventry border, UKBIC can be accessed by organisations working on batteries for electric vehicles, rail, aerospace, industrial and domestic equipment and static energy storage who are looking to establish whether their advanced technologies can be scaled up successfully before committing to the huge investment required for mass production.

A planning application for a Gigafactory at Coventry Airport has been submitted by joint venture partners, Coventry City Council and Coventry Airport Ltd. The proposals are set to be determined by Warwick District Council and Coventry City Council later in 2021. The JV Partnership was formed earlier this year to ensure the site is ready for investment and can become operational quickly – making it significantly more attractive to potential investors. The proposals would deliver 5.7m sq. ft of space for both battery production and recycling, would add £434m in GVA to the regional economy each year, as well as create 6,000 new jobs and tens of thousands more in the supply chain.

A new partnership between **Eatron Technologies and WMG** has been formed for the COBRA ('Cloud/Onboard Battery Remaining useful life Algorithm) project, thanks to the funding from the Faraday Battery Challenge. The COBRA project will create new algorithms which will estimate the Remaining Useful Life (RUL) in an Electric Vehicle (EV) battery and could contribute to the UK becoming a supplier of the most advanced Battery Management Systems (BMS) in the world.

Other business news

PTC, an American software company, which employs more than 200 people in the UK and is a world leader in digital transformation, has signed a new partnership with the Manufacturing Technology Centre (MTC) that will help industry embrace the latest technologies. PTC has become a Tier 2 member at the MTC and, as part of the agreement, will commit to providing the latest Augmented Reality, Industrial Internet of Things platforms, Product Lifecycle Management and CAD solutions to projects designed to equip OEMs and SMEs with more digital capability.

Kite Packaging is constructing a new headquarters at Prospero Ansty and the plans recently received the go-ahead. The 305,000sqft facility will include office, research and development, as well as light industrial, space, with the three-storey building employing over 200 staff.

Manx Healthcare Ltd, a family-owned pharmaceutical manufacturer and distributor, have exchanged contracts for a design and build facility at Tournament Fields in Warwick. The purpose-built 26,000 sq. ft industrial warehouse facility will be located on a 1.25 acre plot. The company are relocating from existing premises on Wedgnoek Lane, Warwick.

Quanta Dialysis Technologies, specialists in dialysis care, raised over £176m in a private funding round – the largest of its kind for a dialysis device company in history, to scale up its global operations – particularly in the US. The firm makes the SC+ device, which delivers the performance and dose equivalence of larger, traditional dialysis systems and can be used in a home setting. Based in Alcester.

Aldi Stores has outlined plans to create more than 2,000 jobs across the UK between now and Christmas, including 175 at its Atherstone UK HQ and distribution hub. The supermarket, which currently has more than 920 stores and employs about 38,000 people, is pushing ahead with plans to open more than one new store a week this year. Additionally, Aldi is also on the lookout for more than 80 graduates to join its next graduate scheme intake, starting from September.

Home boiler manufacturer **Baxi Heating**'s development of a boiler fuelled by hydrogen has won the innovation category at the Gas Industry Awards. Karen Boswell OBE, Managing Director of the Warwick based company, said: "As a leading player in the British heating and hot water industry we are determined to play our part in achieving the goal of being a net-zero economy."