



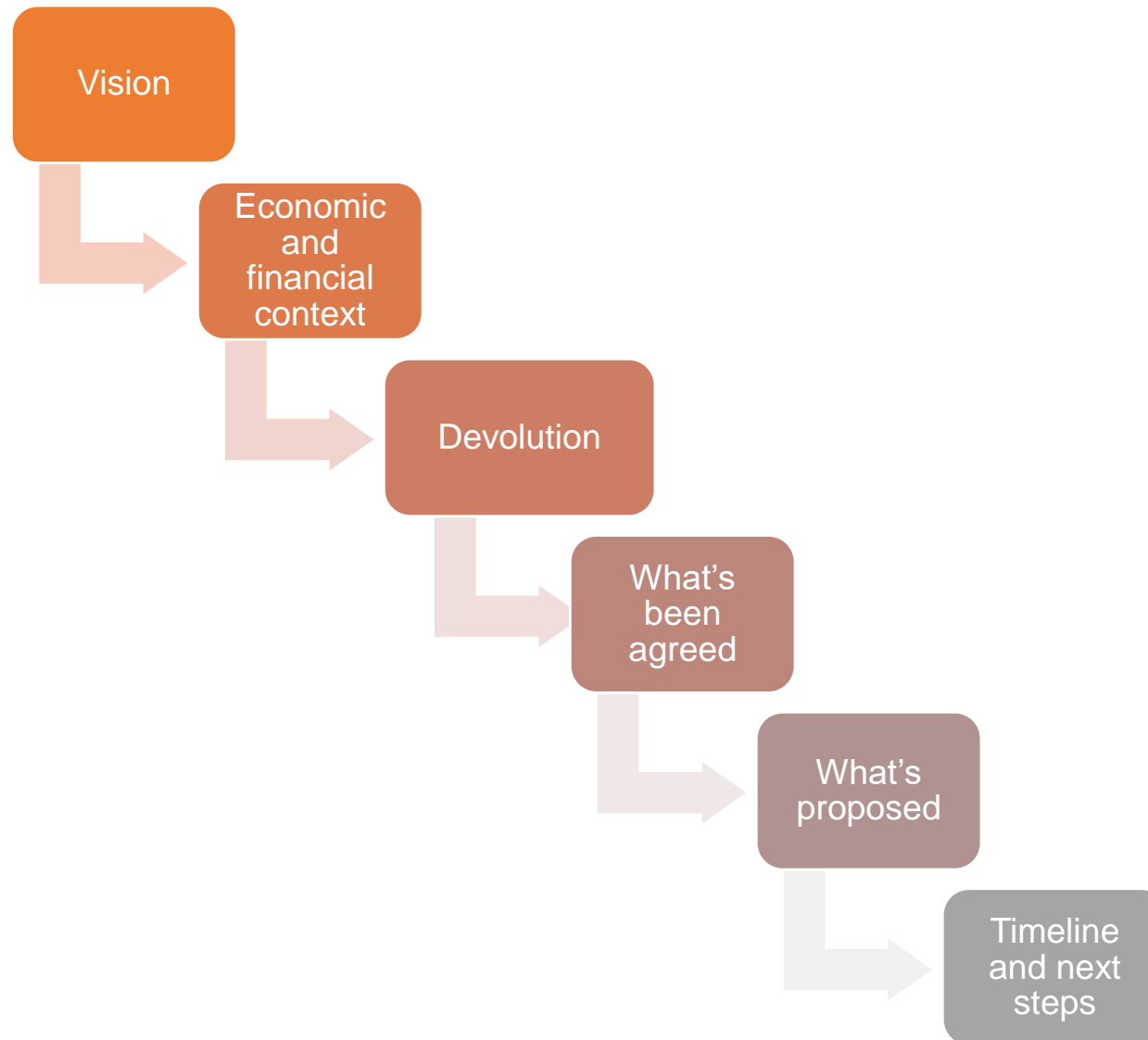
West Midlands
Combined Authority

West Midlands SPF Partnership Group

Supporting Local Business strand

October 2022

We'll cover...



The West Midlands Business Support Review, agreed by the WMCA Board in July 2021, called for a coherent business support system focussed around a genuine, integrated customer journey with a consistent universal offer, visible and accessible to all SMEs across the region.

Starting point:

- Business and many existing providers are clear that the system is too fragmented and not user focused enough.
- The evidence is clear that the current system is not set up to deliver as effectively as it could, including on major priorities such as large firm account management, business scale ups, supply chain competitiveness, leadership and management, low carbon transition and green jobs.
- Most support is delivered through private sector provision.
- Where there is a clear case for public intervention this should be designed by partners, clear about public additionality and delivered in a way that balances region-wide scale and expertise with local economic opportunities.

The improved ecosystem should have four main components:

A modern, customer journey, built around the user not the provider.

A new approach to account management, for the largest firms, investors and SMEs, with the Growth Company fully integrated into the support ecosystem.

New specialist programmes aimed at specific sectors, supply chains and issues – delivered region-wide at scale. Working together with local schemes where there is a clear need.

A campaign to drive up demand and usage

Economic and financial context: medium-term



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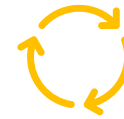
The business support system needs to address medium-term challenges across the West Midlands economy:



Productivity (GVA per hour worked) is 11% lower than the UK but this varies across the area. Growth rates* below national average in Walsall, Dudley, Wolverhampton



Growing business base at a higher rate (11%)* than national average (9%), except for Coventry, Dudley, Solihull. But high growth firms declining (-10%)* compared to national rates (-8%)



Below national average 5-year business survival rate in Coventry, Sandwell, Walsall and Wolverhampton



Declining proportion of innovation jobs* (-5%) compared to a 11% national increase

*5year change



Job density below national average everywhere except Solihull and overall has reduced by 1%, slightly below the national average



Manufacturing remains important to the economy with the highest GVA of all sectors, but total employees has fallen (-10%)



Information & communication and professional, scientific and technical sectors are the two fastest growth sectors in GVA terms with strong employment growth

Economic and financial context: short-term



Directors of Economic Development have emphasised that businesses need help to weather spiking costs of doing business. This will improve local economic resilience and secure jobs by helping firms understand and plan to adapt to severe business headwinds:

- **Wage costs:** private sector wages increasing by 6% to July 2022
- **Energy costs:** increasing five or six-fold, which has only partially been mitigated by the Energy Costs Relief scheme and concerns about support post-April 2023.
- **Inflation:** costs for raw materials like chemicals, food, metals and electronic components have become more expensive because of Sterling weakness and supply chain disruption.
- **Consumer demand:** real terms cut in wages and high household costs (energy, mortgages) softens consumer demand.
- **Trading frictions:** additional costs of trading with Europe.

The amount available for publicly-funded business support is significantly less than under comparable ERDF programmes.

Directors of Economic Development have also identified a risk in the spend profile. It has been suggested that instead of the theoretical spend profile for business support, activity is focused in FYs 2023/4 and 2024/5, and smoothed.

Year	Annual business [£m]
2022/23	6.3
2023/24	11.4
2024/25	24.6
Total £m on business support to March 2025	42.3

This is being considered by Finance Directors to manage the cashflow risk.

Lever Trailblazing Devolution Agreement *(under discussion)*

- The WMCA and its partners are seeking greater influence over national programmes *(e.g. Help to Grow and DIT account management)* with scope to embed within a coherent system.
- With new funding available in the West Midlands *(e.g. £400m Midlands Engine Investment Fund 2 and new R&D programmes)*, there is an opportunity to target support to firms that leverages additional national investment.

LEP integration and strengthening private sector voice

- Changes to economic institutions means simpler and stronger decision-making which brings together democratic accountability and a powerful private sector voice.

Cohesive with private sector

- A simpler business support system helps connect more effectively to the private sector offer. This has benefits for private providers and SMEs as paid-for support should be well-known and understood and used more efficiently.

What's agreed and assumed



- While the WMCA and partners are seeking to maximise resources for business support from devolution and other programmes, it's prudent **to take a pessimistic view about additional Government investment**. For example, BEIS core funding for Growth Hubs is a material risk (c.£0.8m p.a.)
- The Strategic Economic Development Board in November 2021 emphasised the **importance of Strategic Relationship Management** for the regional economy. This has also been a major collective priority in the Trailblazing Devolution Deal negotiations.
- To build on the success of the 2022 Birmingham Commonwealth Games Business and Tourism Programme and act on the region's challenging recent export and FDI performance, **continued investment in regional FDI activity and the West Midlands Growth Company is important**. This is combined with a Review of the Growth Company to ensure that it focuses on the right activities and works with public and private partners in the most effective way.
- **Significant SME Advisor support is needed right across the region**. This needs to be locally-embedded, determined by local authorities as place leaders. While locally-embedded, there are benefits (sector specialisms, professional development) that come with being a broader network.
- Local authorities have stressed the need for **support for start-ups and entrepreneurship**. Because this is inherently place-based (e.g. particular neighbourhoods or cohorts), the suggestion is that some SME Advisor capacity could have this focus, subject to local priorities.
- There **needs to be specialist programmes where on collective priorities like net zero**. Specs need to be co-designed and delivered efficiently at scale.

What's proposed



	Function	Detail	Proposed SPF allocation (p.a.)	Other relevant funding
Core system	SME Growth Advisors and Strategic Relationship Management: <ul style="list-style-type: none"> Provide locally-embedded support, diagnostic and signposting to local small and medium-sized businesses and entrepreneurs / social enterprises. Works proactively with (<500) most significant firms, linking local, regional and national conversations and intelligence to catalyse growth opportunities 	<ul style="list-style-type: none"> 70 Advisors in places (100% funded): <ul style="list-style-type: none"> 22 in Birmingham 9 in Coventry 8 in Dudley, Sandwell, Walsall and Wolverhampton 7 in Solihull Small coordination/mgmt team £0.5m for campaign to drive take-up 	£7.4m	Assumed no BEIS Growth Hub monies
	FDI and Internationalisation: <i>FDI activity (reactive and proactive) along with capital attraction work and profile-raising</i>	Commissioning of West Midlands Growth Company.	£1.6m	Assumed further £0.7m from WMCA core budget
	Cluster Leadership: <i>Funding for organisations convening firms within primary clusters and leveraging additional investment.</i>	Support to be developed following West Midlands Plan for Growth priorities	£0.9m	Potential external match funding from bodies like BFI
Specialist targeted programmes	Decarbonisation advice and grants	Programmes to be developed.	£4.5m	
	Investor readiness training	Programmes to be developed.	£1.1m	None, but relates to MEIF2, WMCA Co-Invest, MIV, etc.
	Advice and services to support trade and export	Connect to other funded provision	£0	DIT Export Hub & progs
	Specialist advice and grant support to tackle barriers to innovation / productivity improvements / job creation	Programmes to be developed to help firms in current cost of doing business crisis, emphasising practical support to boost efficiency/productivity.	£4.5m	£2.3m Made Smarter
	Business leadership, management and workforce planning	Connect to other funded provision	£0	Help to Grow Mgmt, AEB
	Advice and grants for entrepreneurs and start-up	Determined and delivered locally	SME Advisors	Private offer & national line
	Health and wellbeing advice	Connect to other funded provision	£0	MHP: Thrive at Work

Timeline and next steps



When	What	Result
October / November 2022	Business Support Officer Group to develop detail about: <ul style="list-style-type: none">• Model for SME Advisors and how that ‘hub-and-spokes’ works• Specs for specialist programmes to be commissioned.• How to embed partner activity, including by WMGC and cluster leadership groups	Paper for Economic Growth Board on 2 December with detail about future activities
December 2022 – March 2023	Procurement processes begin (as appropriate) for any commissioned activity.	Procurement decisions
April 2023 onwards	Programme delivery, accountable locally and through the Directors of Economic Development to the Economic Growth Board.	Ongoing information about programme effectiveness, locally and through WMCA to provide accountability for SPF.