



# Sub-Regional Covid-19 Business Intelligence

12<sup>th</sup> - 18<sup>th</sup> May 2020

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# 1. Executive Summary

The recommendations and findings of this week's report are based on intelligence gathered across the CWLEP Growth Hub's business engagements and survey data, and information provided by Coventry City Council and Warwickshire County Council. Sources include the Warwickshire County Council's Weekly Business and Economic Update and other reports by WCC's Warwickshire Economics, Coventry City Council's Business and Economy briefing, Coventry & Warwickshire Champions, the CWLEP Digital & Creative Business Group and the Coventry City of Culture Trust

This week we have had insights from several sources on the Digital & Creative sector. This sector has also made up 24% of the survey responses and business engagements of the CWLEP Growth Hub. Based on solid business insights we are pleased to present key findings and recommendations to support this sector towards recovery.

## Key Findings

**Coventry & Warwickshire's Creative Industries sector is worth £726.5m and expected to be 46% smaller by Q2 2020.**

The **largest effected (absolute GVA values) industries are the computer consultancy and programming sectors due to the size of these sectors, being worth 70.7% of the C&W total DCMS GVA figure.** These are both set to **decline by 45%.**

Coventry and Warwick combined account for over half of the regions DCMS GVA (27.1% and 30% respectively)

The **largest drop is expected to be in Stratford-on-Avon (48.4%)** due to not only the computer consultancy and programming sectors which are the key drivers behind Warwick and Coventry and equally as important to Stratford-on-Avon, but also due to the district's strong presence in performing arts industry which is expected to decline by 60% too.

**Coventry & Warwickshire can expect to see a 13.6% reduction in the number of people working in the creative industries according to the ISER findings from 14,000 to 12,100.** Whilst there is a reduction, the information and communication industry only expect to see a 12% reduction in employees, whilst the professional, scientific and technical services expect to see a 3.4% increase in employees. These are the two key broader sectors for the DCMS sector and thus the impact is less drastic.

Upon comparison of the number of job postings activity in the last 90 days (Feb 2020 – April 2020) comparing 2020 with the same time period in 2019. **Coventry & Warwickshire has seen a reduction of approximately 30% in total job postings, equating to 10,291 less job postings.**

Similarly, **Warwickshire has seen a 36% reduction in total job postings, equating to 8,233 less job postings in the last 90 days** when compare to the same time period in 2019.

During the **week that the lockdown was announced** by the government, the

**Chamber handled around 50 export document requests from Coventry and Warwickshire firms, yet since then, there has been a steady weekly rise, culminating in around 100 requests a week during week commencing 20 April, with the transactions collectively worth more than £2.5 million.**

## 2. Macroeconomic Insights

The following information is based on weekly economic briefings provided by Coventry City Council and Warwickshire County Council.

Coventry City Council's briefing provides a national context. The UK economy recorded a [2% contraction](#) in GDP in Q1 2020, following 0.0% growth in Q4 2019. Based on 3 months restricted mobility and economic activity, the [Office for Budget Responsibility \(OBR\)](#) projected these downward trends to intensify, with **a 35% contraction in GDP during Q2 2020** (13% contraction for 2020 overall), as well as a rise in unemployment of 2.1 million, **taking the UK unemployment rate to 10%** (2.56 fold the Q1 2020 rate of 3.9%). The [Bank of England](#) similarly projects a 14% contraction in 2020 and rise in unemployment to 9%.

In April 2020, the OBR and Bank of England both projected GDP to grow in the second half of 2020, and a significant economic recovery in 2021, given that strong foundations for the economy were in place pre-recession. However, employment rates will recover more slowly than GDP and are not expected to return to Q4 2019 levels until 2022. It is possible that the UK economic recovery will take longer, with [the EY Item Club](#) forecasting that **the UK economy will not return to Q4 2019 levels until 2023**, and the [OBR](#) has also started to warn that the economic recovery will be slower than first expected.

In comparison to other economies, forecasts differ on the expected severity of the recession in 2020, the Chinese economy is expected to return to pre-recession levels (Q2 2021 in worst case scenario) more rapidly than the United States (Q1 2023) and Eurozone (Q3 2023).

Although the [IMF](#) projections are more optimistic than the OBR and Bank of England with UK economy expected to contract by 6.5% in 2020, it does expect the United States and Japan (5.9% and 5.2%) to have smaller contractions and Eurozone (7.5%) to contract by a larger amount. **In terms of recovery in 2021, it expects the United States and Eurozone economies (both 4.7% growth) to grow more rapidly than the UK (4%),** but Japan to grow less rapidly (3%). It expects the Chinese economy to grow in 2020 and significantly more rapidly than other economies in 2021. This suggests **opportunities for local firms in key export markets** and it will important that local business support services are equipped to facilitate these.

### 2.1 Local Labour Market

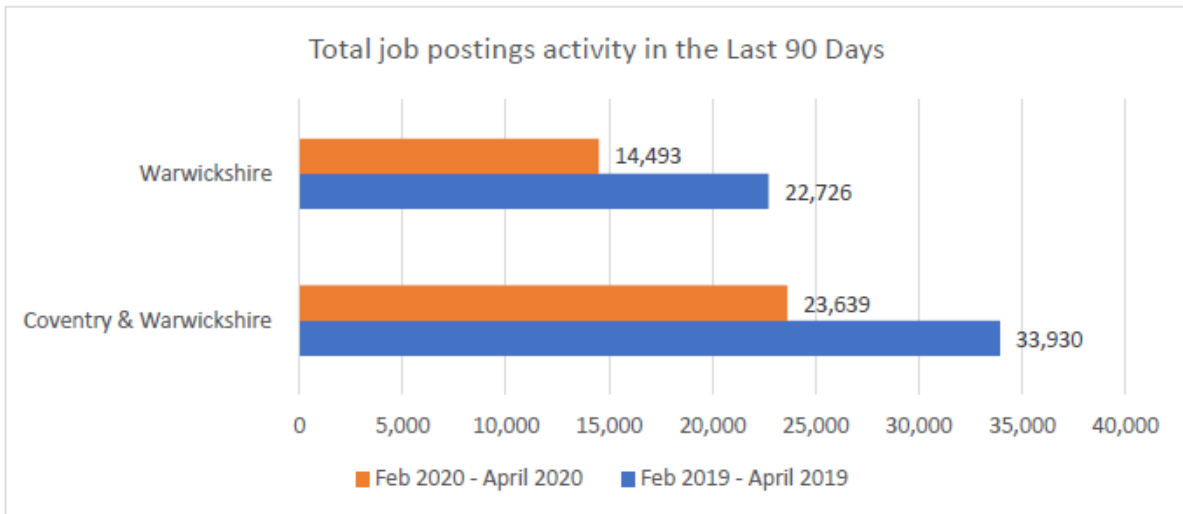
#### Warwickshire Economics – COVID 19 Impact on Local Labour Demand

The analysis looks at daily job posting analytics within Coventry & Warwickshire, Warwickshire and its districts and boroughs to understand local labour market dynamics as a result of the current COVID 19 crisis.

Key findings show:

- Upon comparison of the number of job postings activity in the last 90 days (Feb 2020 – April 2020) comparing 2020 with the same time period in 2019., **Coventry & Warwickshire** has seen a **reduction of approximately 30% in total job postings**, equating to **10,291 less job postings**.

- Similarly, **Warwickshire has seen a 36% reduction in total job postings, equating to 8,233 less job postings** in the last 90 days when compare to the same time period in 2019.



Source: Labour Market Insight, 2020

District & Borough Analysis shows:

- **North Warwickshire's** job posting activity **reduced by 6.1%** approximating to **57 less job postings in the last 90 days** when compared to the same time period in 2019.
- **Rugby's** job posting activity **reduced by 13.1%** approximating to **361 less job postings in the last 90 days** when compared to the same time period in 2019.
- **Stratford-on-Avon's** job posting activity **reduced by 17.3%** approximating to **443 less job postings in the last 90 days** when compared to the same time period in 2019.
- **Warwick's** job posting activity **reduced by 19.6%** approximating to **1,111 less job postings in the last 90 days** when compared to the same time period in 2019.
- It is evident that the COVID 19 crisis and the subsequent lockdown measures have had a significant impact on job posting activity across the region and within the county, suggesting that the demand for labour has unsurprisingly become significantly reduced.

## 3. Business Insights

This week's business insights are taken from intelligence gathered from supported businesses over the last week. Other local stakeholders have provided further business insights on the Digital & Creative sector spotlight

### 3.1 CWLEP Growth Hub – Weekly trends

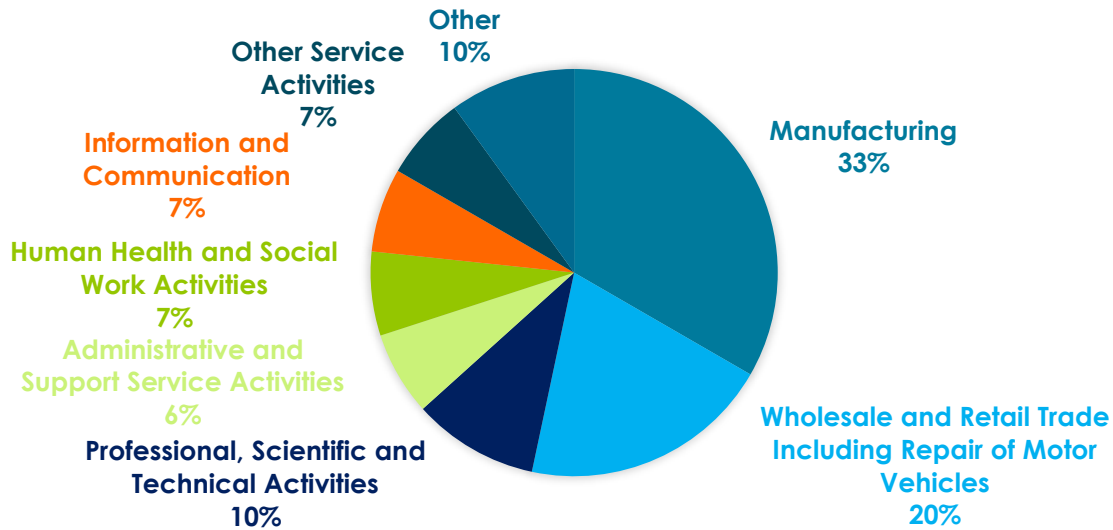
To date the Growth Hub has supported 2,612 businesses since 1st March and has had substantive discussions with 897 businesses. 35 responses were received over a week's period between 12<sup>th</sup> May – 18<sup>th</sup> May.

This week's top sectors supported by the Growth Hub were **Manufacturing, Wholesale and Retail Trade and Professional, Scientific and Technical Activities**. Next to Funding and Financial as the main support needs of businesses we engaged with, **businesses are also seeking support with tackling operational issues**. The size profile of the businesses supported this week consisted to 43% of micro businesses (2-9 employees), 23% of Sole Employees, 20% Small (10-49) 7% medium (50-249) and 7% large businesses (250+).

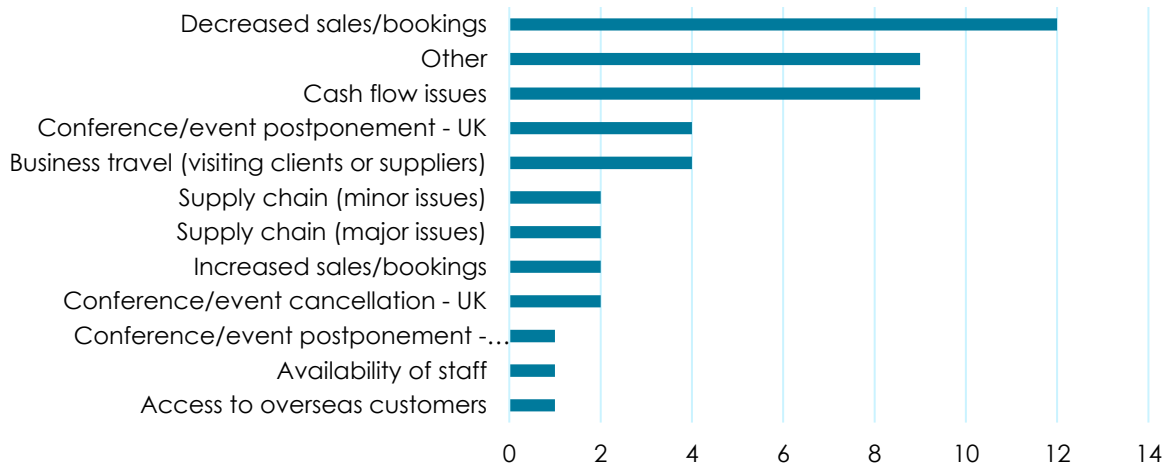
Out of the businesses that have provided detail on how long their cash reserves will last them, **57% have said that their reserves will only last for 1-2 months, 29% have less than 1 month's worth of cash reserves left. 39% of businesses have stated that they had to furlough staff.**

Conversations with businesses have largely centred **around barriers to accessing loan scheme and the rate relief grant schemes**. Businesses are also increasingly seeing **issues related to rent payments and disputes with landlords**. Alongside this, businesses are looking at ways to reopen as soon as possible. Whereas manufacturers have started to reopen with a low number of staff, **retailers are concerned on the one hand over managing footfall in their shops**, whilst maintaining social distancing, on the other hand over the potential **lack of consumer confidence in the high street experience**.

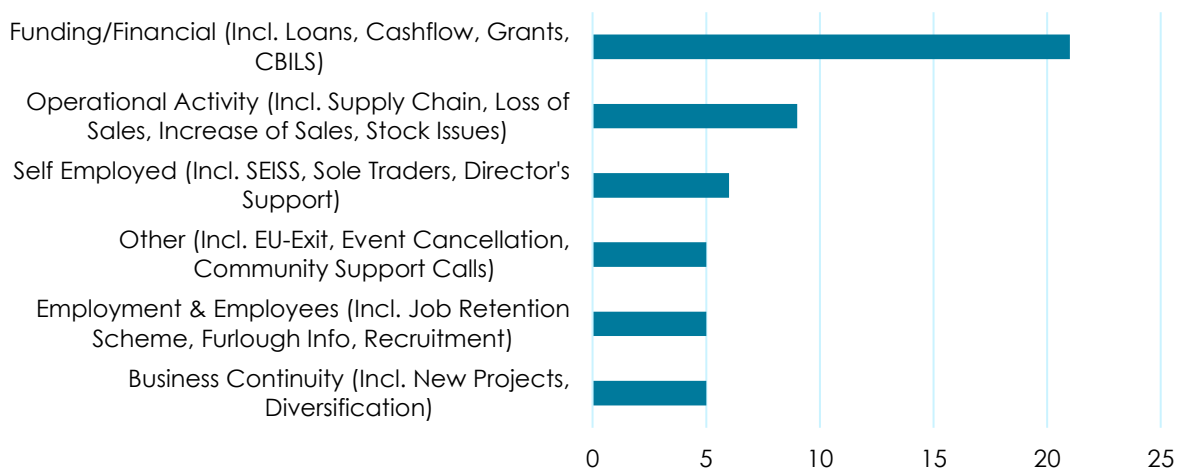
## BUSINESSES SUPPORTED BY INDUSTRY



## How is COVID19 Affecting Your Business?



## What Support Does The Business Need?





## 4. Case Studies

### **MOR Bakery:**

A Stratford-upon-Avon artisan bakery that was set to open a week before the COVID-19 lockdown is going from strength-to-strength after cooking up a new community-centric blueprint. David Pearson and his wife Danni were gearing up to launch MOR Bakery & Kitchen from their new premises in Bell Court in mid-March, after 11 months of preparing the business as well as building the premises.



David said: "Myself and Danni soon realised that just because pubs and restaurants were closed, the same didn't apply to their suppliers. Prior to lockdown, around 30 per cent of food consumed in the UK was through pubs and restaurants, and it was obvious that supplies would be sitting there that could be redirected to the general public via ourselves." MOR Bakery & Kitchen is currently operating Wednesday to Sunday between 10am and 4pm, where it is baking and serving around 90 loaves of bread a day, and carrying out approximately 50 deliveries a week.

## 5. Sector Spotlight – Digital & Creative

One of our strategic target sectors locally, the digital & creative industries have been hit hard. *F13*, a loose network of independent artists and arts organisations in Coventry & Warwickshire, **have reported average losses of £15k since social distancing restrictions were imposed across 35 members**, which affects 235 freelancers. Many are home-based and operate on a freelance basis, so are not eligible for the support announced by Government. In response, **Coventry City Council has launched a crowd fund to support cultural and physical activity-based organisations** and freelancers affected by COVID-19 to help them continue trading, and **Coventry City of Culture Trust has invested £10k of its £60k grant fund supporting individuals and organisations** in the arts and cultural sector who are facing urgent pressures. However, further interventions will be required to sustain these businesses.

### 5.1 Local Economic Output Analysis for the Digital & Creative Sector

The following was taken from **Warwickshire County Council's Economic Briefing** from the week ending 7<sup>th</sup> May. The “Creative Industries” is a broad sector, cutting across a number of the Standard Industrial Classification (SIC) sectors. This analysis utilises the following list of 4-digit Standard Industry Classifications (SIC) that make up the overall sector.

Broad Sector	4-Digit SIC Code (Comprising the DCMS Sector)
Manufacturing	Manufacture of jewellery and related articles
Information and Communication	Publishing of directories and mailing lists
	Publishing of newspapers
	Publishing of journals and periodicals
	Other publishing activities
	Publishing of computer games
	Other software publishing
	Motion picture, video and television programme production activities
	Motion picture, video and television programme post-production activities
	Motion picture, video and television programme distribution activities
	Motion picture projection activities
	Sound recording and music publishing activities
	Radio broadcasting
	Television programming and broadcasting activities
	Computer programming activities
Computer consultancy activities	
Professional, Scientific & Technical	Book Publishing
	Public relations and communication activities
	Architectural activities
	Advertising agencies
	Media representation
	Specialised design activities
Education	Photographic activities
	Translation and interpretation activities
Arts, Entertainment & Recreation	Cultural Education
	Performing arts
	Support activities to performing arts
	Artistic creation
	Operation of arts facilities
Library and archive activities	
Museum activities	

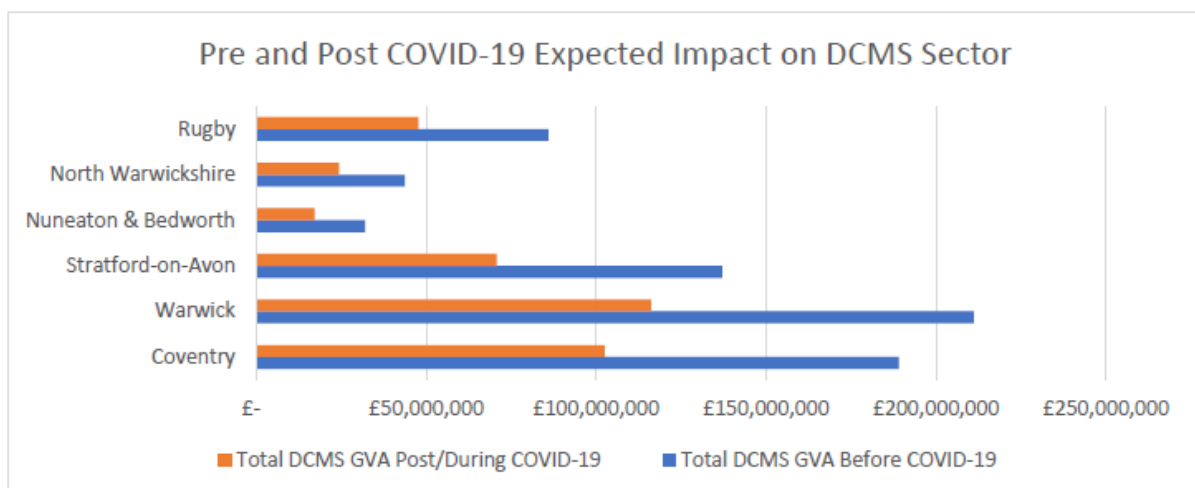
The findings undertaken by the Office of Budget Responsibilities (OBR) (see [here](#)) on broad sectoral GVA declines expected due to COVID 19 were utilised in order to explore the potential local impact of the lockdown measures on output of this sector.

The following effects on output relative to baseline (OBR) were applied to the individual 4-digit industries that make up the Creative Industries sector.

Sector	OBR's Effect on output (GVA) relative to baseline
Manufacturing	-55%
Information and Communication	-45%
Professional, Scientific and Technical	-40%
Education	-90%
Arts, Entertainment and Recreation	-60%

**Warwickshire County Council's key findings from their weekly economic impact briefing suggests:**

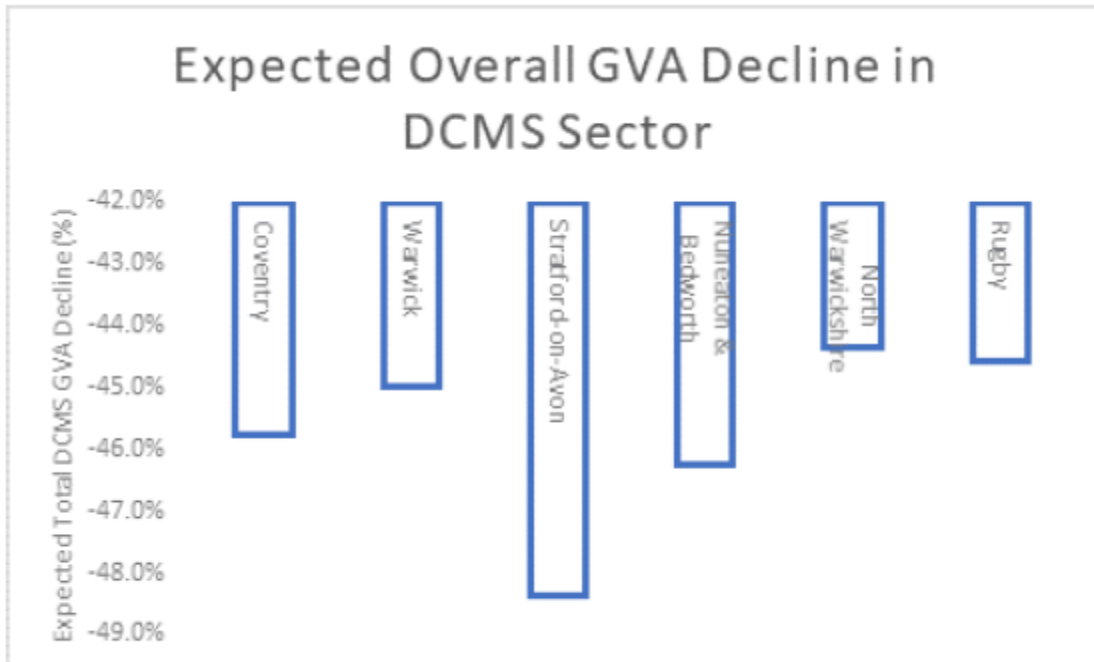
- Coventry & Warwickshire's **Creative Industries sector is worth £726.5m** and expected to be **46% smaller by Q2 2020**.
- The largest effected (absolute GVA values) industries are the computer consultancy and programming sectors due to the size of these sectors, being **worth 70.7% of the C&W total DCMS GVA figure**. These are **both set to decline by 45%**.
- **Coventry and Warwick combined account for over half of the regions DCMS GVA (27.1% and 30% respectively)**
- **The largest drop is expected to be in Stratford-on-Avon (48.4%) due** to not only the computer consultancy and programming sectors which are the key drivers behind Warwick and Coventry and equally as important to Stratford-on-Avon, but also due to the district's **strong presence in performing arts industry which is expected to decline by 60%** too.



Source: EMSI, 2020; OBR, 2020; Warwickshire Economics, 2020

**Stratford-on-Avon likely to see the biggest reduction (17.1%) in total number employed in creative industries** due to its presence in the performing arts industry which is expecting to see **50% fewer employees**. Other areas have a stronger hand in industries that are less likely to be as heavily impacted.

- Coventry is expected to see the **second highest percentage reduction (15.8%)** due to the number of people working in the **library and archive activities industry**.



Source: EMSI, 2020; OBR, 2020; Warwickshire Economics, 2020

It should be noted, however, that one of our unique strengths in this broad creative industries sector within Warwickshire is our **gaming industry** centred around Leamington Spa. While operations have clearly been impacted by Covid-19, this sub-sector has currently been relative cushioned from downturn, and indeed **sales and use of video games has increased markedly through lockdown**, helping support this key local cluster.

Key findings of Labour Market analysis for the Local Creative Industries Sector suggest:

- **Coventry & Warwickshire can expect to see a 13.6% reduction in the number of people working in the creative industries** according to the ISER findings from 14,000 to 12,100. Whilst there is a reduction, **the information and communication industry only expect to see a 12% reduction in employees, whilst the professional, scientific and technical services expect to see a 3.4% increase in employees**. These are the two key broader sectors for the DCMS sector and thus the impact is less drastic.

## 5.2 Business Insights – Digital & Creative

### 5.2.1 CWLEP Growth Hub Digital & Creative Insights

For the purpose of this Sector Spotlight analysis we have included CWLEP Growth Hub business engagements from the following industries: Arts, Entertainment and Recreation; Administrative and Support Services; Information and Communication; Professional, Scientific and Technical Activities.

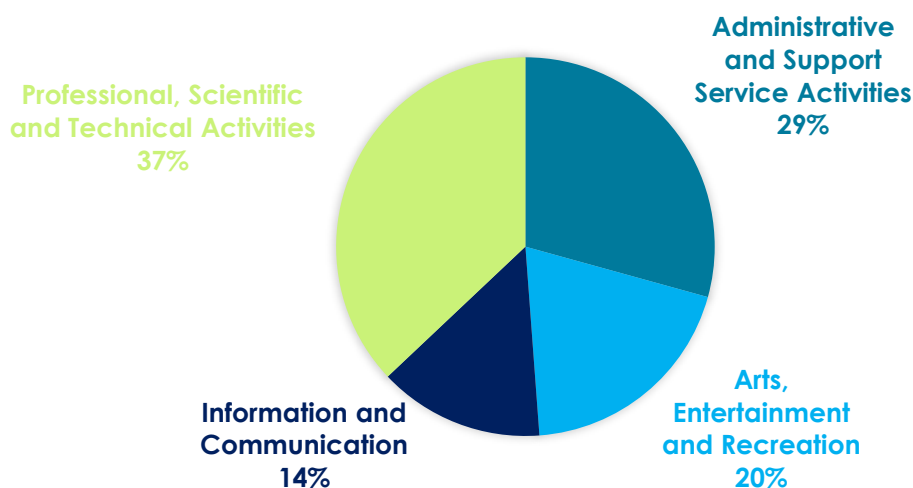
**Around 24% of business engagements** that were conducted by the CWLEP Growth Hub, Warwickshire County Council and Coventry City Council since 1st March 2020 were with businesses **in the Digital and Creative industries**. 18% of these businesses are sole employees, 49% are micros (2-9 employees), 25% are small (10-49), 4% are medium (50-249) and large (250+) respectively.

**Decreased sales and bookings is what is impacting Digital & Creative businesses the most.** Trends for this sector show that next to Funding and Financial support, businesses are seeking support for employers and employees (Incl. Job Retention Scheme, Furlough Info, Recruitment) and operational activity (Incl. Supply Chain, Loss of Sales, Increase of Sales, Stock Issues).

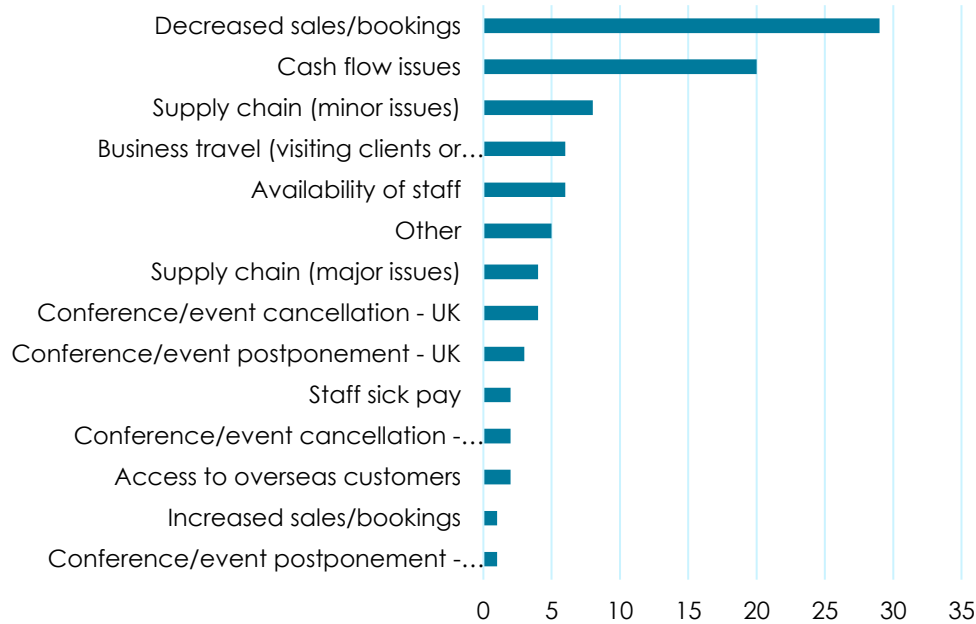
Some local businesses in the Information and Communication industries have taken advantage of the crisis and seen opportunities to support businesses make adjustments to their way of working by developing apps and teleconferencing systems. However, within that branch businesses operating in **marketing have seen a loss in sales** as they observe businesses pulling back investment into their sale channels.

As mentioned in previous reports **Coventry City of Culture 2021 and the Commonwealth Games 2022** have been recognised as key opportunities for the local economy and in particular are a key opportunity to the local digital and creative sector. The COVID-19 outbreak is a **potential long-term strategic and reputational threat and a threat to the standard of delivering these large-scale projects**. Thus this is threatening any growth forecasted for the sector locally and with wider regional and national implications.

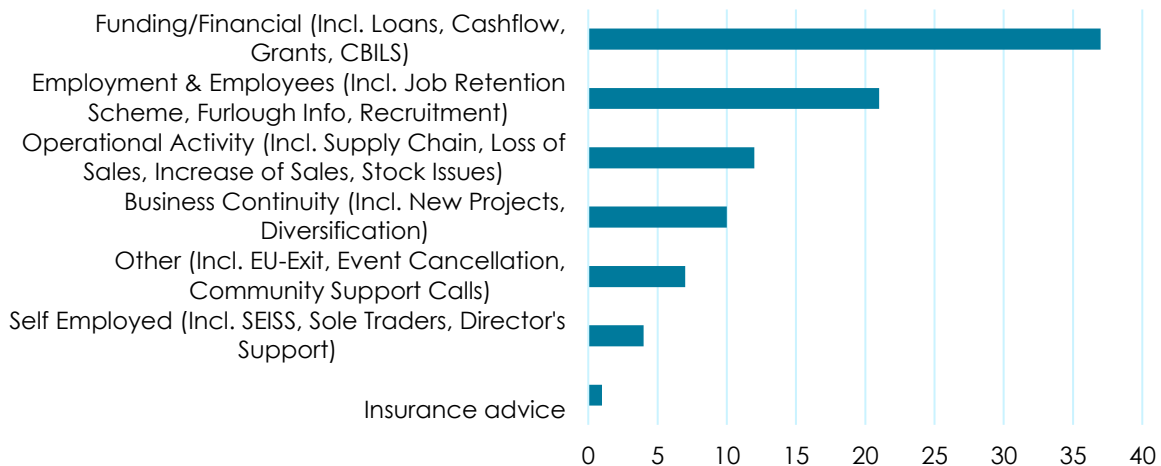
### SECTOR BY INDUSTRIES



## How is COVID19 Affecting Your Business?



## What Support Does your Business Need?



### 5.2.2 CWLEP Digital & Creative Business Group

The Digital & Creative Business Group consists of both private sector and public sector organisations. Through their network they have identified three key areas of focus to support the sector towards recovery:

- **Safe re-engagement with creative spaces**

Points to consider:

- Nervousness of audiences to come back to shared creative spaces & experiences
- Nervousness and concern over liability for those operating shared creative spaces & experiences
- Creative spaces & experiences operating in the context of City of Culture 2021



iv. New commercial / business models required when audiences potentially too small to break even

- **Tech Challenge Fund**

Points to consider:

- i. Clear use case prioritisation for sector e.g. retail, leisure, culture etc.
- ii. Governance structure for fund
- iii. Where monies come from for fund and what criteria will need to be met? e.g. is the fund measuring resilience or business growth as success?
- iv. Engagement with B2B serious games feeling hit of Covid-19 more strongly than consumer games
- v. What match funding / resource is required from business?
- vi. Potential for consumer games sector to provide thought leadership

- **The Freelancer Gap**

- i. Freelancers fall through Government support 'gaps' without premises & proof of regular income
- ii. 2017 Creative Industries Report emphasises the significance of the freelance economy to CWLEP's geography in the creative sector
- iii. The sector was growing 6% year on year (higher than the national average)
- iv. CWLEP's economy will struggle to recover without protecting its freelance talent

### 5.2.3 Coventry City of Culture Trust

The Trust is supporting the Cultural Response Unit to run a fortnightly survey with the cultural and creative sector across the West Midlands. Many of the respondents are from Coventry and Warwickshire. The purpose of this research is to understand the short-term impact of Coronavirus on organisations and individuals working in the arts sector in the West Midlands.

So far, the research has highlighted the following points based on the responses to a local sector survey of 124 respondents:

- Organisations and individuals are **extremely concerned about their income for the next six months**; with 70% of organisations and 60% of individuals expecting to **earn less than 25% of what they generated in the same period last year**
- While earnings are expected to be significantly down, few organisations or individuals reported having reserves or personal savings to draw upon. **34% of organisations have no reserves at all** and 23% will have less than a quarter of their reserves left in three months. 28% of individual respondents have no savings at all, while 36% expect to have less than 25% remaining after three months
- 50% of organisations report that they have refocused their priorities, with **62% furloughing all or some of their workforce** through the Job

Retention scheme. No-one is reporting commencement of redundancy processes, though

- There are **good levels of awareness of the other measures being developed to support the sector**, with Emergency Funds (from ACE, lottery funders or unions, for example) exceeding 87% for both individuals and organisations. However, take up is perhaps lower than expected with **just 48% of organisations and 50% of individuals applying for these funds**, so far
- **77% were aware of Business Rate relief measures with 26% already applying for this relief**. Many reported that their business was not eligible due to charitable status and pre-existing rate relief measures. The appropriateness of the **Business Bank Loan scheme** is even more debatable though; while awareness is high at 83%, **just 3% of organisations have applied**
- Individuals reported **high levels of awareness of the Self-Employed Income Support Scheme; but only 44% have applied**. Many report **uncertainties about eligibility criteria**
- Looking ahead, **22% of organisations expect to be trading again** immediately once lockdown is lifted, with **25% confident** that they'll be trading again within 3 months. **47% are somewhat confident** that their business will recover within 12 months, with **33% not so confident**
- **Individuals suggest that they may be a little slower to commence trading with just 20% confident** of an immediate restart. 56% expect to be trading again within six months (compared to 47% of organisations), with 41% somewhat confident their work will recover within 12 months.
- 3% of individuals and 3% of organisations suggest that they **will not re-commence any activity after lockdown**, with their business and freelance work expected to fail
- Finally, both organisations and individuals report that they have been **using this time to reflect, refocus and reconnect** – with **80% of individuals and 83% of organisations reporting** that they have **discovered positive opportunities or lessons** during this period



## 6. Recommendations

The following recommendations have been derived off the back of careful analysis of macro-economic and business-level data that we have collated from Coventry & Warwickshire-based stakeholders.

### 6.1 Short Term

#### 6.1.a

##### Recommendations for supporting the Digital & Creative sector

- Digital & creative leaders to share **best practice around sharing of creative spaces:**
  - **Businesses would benefit from central and local government supporting the following:**
    - Marketing messages/ campaigns to encourage consumers back to safely re-engage
    - Second wave of grants to 'readjust' and make safer use of existing or new creative spaces
    - Property rent relief or rent-free venues
    - Grants to support sales / marketing activity
    - Lobbying for more flexible insurance offering
    - Offer reassurance to Arts & Culture organisations – predictions of some businesses show that the earliest they can return to full operations is in March 2021 – how can they be supported long-term
  - **Businesses would benefit from available local support programmes directing resources to support with the following**
    - Ability to share good practice and discuss specific barriers for audience-led spaces & experiences
    - Health & Safety / Risk Assessment support
    - Strategic plan bespoke to each venue for how to safely re-open and re-engage
    - Focused PR campaigns
    - Supporting small crucial creative & cultural organisations
- **Resilience support for Digital & Creative sector:**
  - **Businesses would benefit by central and local government supporting the following:**
    - Second wave of grants for sustainable implementation of new technology
    - Grants to support sales / marketing activity for new services enabled by fund
    - Cashflow guidance and understanding of investment required long-term with new technology
  - **Businesses would benefit from available local support programmes directing resources to support with the following**

- Supporting businesses towards a better understanding and support with R&D Tax Credits
- Cohort of business adopting new technology to be a 'sounding board' for each other
- **Freelancers fall through Government support 'gaps' without premises & proof of regular income**
  - **Businesses would benefit from central and local government supporting the following:**
    - Flexible and accessible financial support
    - Encouragement & reassurance that we understand their importance to the creative eco-system
  - **Businesses would benefit from available local support programmes directing resources to support with the following**
    - Advice for those self-employed / Limited Directors that fall through the gaps
    - Understanding of Universal Basic Income in relation to freelancers
    - Enabling networking & connections to continue to be made on-line including globally
    - Targeted PR campaign on using local freelance talent

#### 6.1.b

Where guidance of 2m distance in workplaces is challenging, **guidance should be given on type and quality of protective equipment** required to enable effective outputs.

#### 6.1.c

Effort around supporting businesses with **sourcing appropriate protective shields and PPE supplies to support businesses, including creative spaces** with reopening their operations effectively should be localised.

#### 6.1.d

**Extended loan, invoice finance and overdraft support** – on sensible terms – to provide the working capital needed to resume production and get cash to businesses rapidly

- push should be given for CBILS scheme
- Phase 2 of Bounce Back Loans should be considered as Cash flow and Finance has been identified as key issue.

#### 6.1.e

Targeted support programmes, including **short-term work schemes to reskill workers** that have lost their jobs due to COVID-19, and ensure they develop skills that are in high demand in the economy.

## 6.2 Medium Term

### 6.2.a

**Stimulating the market will help**, investment in infrastructure, investment in housing, get our construction and Manufacturing and Engineering sectors opened up

- **“Diversification Fund”** to support manufacturers with capital or revenue expenditure to help develop new products or expand production of existing products to enable these businesses to supply more sectors. The fund could be financed through various avenues, one option being **repurposing any underspend left from the grant money given to Local Authorities**. This needs to be complemented by non-financial support in remodelling business plans and targeting of new customers etc, and both financial and non-financial measures to further develop local supply chains (which could include “reshoring” some manufacturing activities from overseas).
- Focused investment to **accelerate innovation throughout the business base**. A key area of focus should be to accelerate growth of electric vehicle/ battery technology supply chains within Coventry & Warwickshire and the West Midlands

### 6.2.b

**Accelerate investment in digital infrastructure and delivery of support services** to enable more businesses to effectively adopt ICT – specific incentives could be provided to support businesses to invest in ICT and digitisation.

### 6.2.c

Ensure a **smart, sustainable recovery by providing additional incentives for innovation**, including support for digitalisation and energy efficiency initiatives

### 6.2.d

Joint Government/industry **agreed list of critical products and sector plans** to develop/maintain UK capacity in each

## 6.3 Long term

### 6.3.a

Accelerate investment in fast and **reliable full fibre broadband and 5G infrastructure** that will act as an **important enabler for future economic growth, as well** complementary support services to enable businesses to utilise ICT effectively in maximising their competitiveness. Government should also provide successor funding to Local Growth Fund to deliver transport infrastructure projects that will **accelerate the development of priority commercial sites**.

### 6.3.b

A **global supply chain resilience programme with key economic partner countries** to maintain current trade flows and remove administrative restrictions

### 6.3.c

Carefully **targeted investments to revitalise town and city centres** should also be delivered longer-term, as a means of reviving retail, leisure and hospitality sectors.

#### **6.3.d**

Extend Local Growth Fund to ensure LEPs can deliver local infrastructure that will bring **forward vital commercial developments to enable an economic recovery**.

#### **6.3.e**

Vital **that investment in the business support infrastructure** (including Growth Hubs, International Trade and Inward Investment) is maintained longer-term to marshal a sustained recovery, and that successful local business support schemes are maintained and enhanced once EU Structural Funding expires.

#### **6.3.f**

Longer-term, businesses could benefit from further financial support to stimulate **innovation in key sectors, particularly battery technologies and low emission vehicles**.