



HM Government

# European Structural and Investment Funds Strategies

Opt-in Prospectuses

July 2013



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# Introduction

This document should be read in conjunction with “The development and delivery of European Structural and Investment Funds Strategies: Supplementary Guidance to Local Enterprise Partnerships”. The supplementary guidance document contains detailed instructions on how Local Enterprise Partnerships (LEPs) should indicate in their ESI Funds Strategies whether they wish to “opt-in” to the service offers contained in this document.

- 1.1. The vast majority of total value of the 2014-2020 European Structural and Investment Funds Growth Programme for England (the “European Growth Programme”) will be allocated to LEP areas.
- 1.2. The “opt-in model” has been developed to allow LEPs and their partners to join with national organisations/ programmes to deliver key priorities. By opting-in to a service offer from a national organisation/ programme, a LEP commits part of its ESI Funds allocation to the programme. In return, the LEP accesses match funding and administrative support.
- 1.3. This document contains the prospectuses of the organisations/ programmes that Government has agreed should make opt-in service offers to LEPs at this stage:

Organisation/ programme	Primary thematic objective supported by service
GrowthAccelerator	Enhancing the competitiveness of small and medium enterprises (SMEs)
The Manufacturing Advisory Service	
UK Trade and Investment	
European Investment Bank (social housing financial instrument)	Supporting the shift towards a low carbon economy in all sectors
The Big Lottery Fund	Promoting social inclusion and combating poverty
The Skills Funding Agency	Investing in education, skills and lifelong learning

- 1.4. Government has selected these organisations/ services because they are:
  - national organisations/ services with significant budgets (and therefore significant sources of match-funding);
  - responsible for programmes which are key to delivery of specific priorities under the thematic objectives; and
  - likely to be relevant to all LEP areas.
- 1.5. In their prospectuses, the organisations/ programmes set out the basis on which they propose to work with Local Enterprise Partnerships, including:
  - the nature of the service offered by the organisation;
  - match funding arrangements;
  - whether the organisation is seeking to “pool” participating LEPs’ contributions to the service;
  - whether LEPs need to sign up to the service as they deliver their ESI Funds Strategies and if that decision is binding; and

- how participating LEPs will influence and monitor delivery of the service.
- 1.6. As other key sources of national match emerge, Government may agree to other organisations / programmes making opt-in offers. Local Enterprise Partnerships are invited to notify Government (as part of or in advance of their initial European Structural and Investment Fund Strategies) whether there are any other national organisations/ programmes they feel should be making an opt-in offer to Local Enterprise Partnership areas.
  - 1.7. The Department for Work and Pensions is currently examining the feasibility of providing match funding from its employment programmes and operating a procurement and contract management function to support LEP priorities. Although no detail is yet available about this offer, LEPs are invited to indicate initial interest in opting-in in their ESI Funds Strategies.

# GrowthAccelerator

2.1. This prospectus is aligned with the SME Competitiveness Thematic Objective.

## Background

- Businesses who seek external advice and information are more ambitious, with 41% expecting to increase turnover in the next year compared to 32% who didn't use advice. 14% more ambitious and 50% more successful than those who don't<sup>1</sup>.
- They are also more successful, with 33% of those that used external advice saying they have increased turnover in the last year compared to 26% of those that didn't use advice<sup>2</sup>.
- Coaching is proven - 92% said it has a positive impact on the bottom line<sup>3</sup>.

2.2. GrowthAccelerator is a unique service led by some of the country's most successful growth specialists, providing ambitious businesses with new connections, new routes to investment and the new ideas and strategy they need to achieve their full potential.

2.3. The current GrowthAccelerator service, which has no regional, sector or diversity targets, has a budget of around £190 million with which it is expected to support up to 26,000 SMEs and deliver £2.2 billion GVA and 55,000 jobs by March 2015

2.4. GrowthAccelerator provides a framework to help companies:

- build a successful growth strategy;
- discover new routes to funding and Investment;
- unlock their capacity for further innovation;
- harness the power of their people; and
- unite and excite their leadership team.

2.5. GrowthAccelerator's network of world-class growth experts work side by side with leaders of high-growth potential SME businesses to provide them with the know-how and ability to achieve sustainable growth. The service helps discover what is holding a business back, defines the right growth plan and opens doors to world-class business experts and networks.

2.6. The service is driven by approximately 120 locally-based Growth Managers across England. The service includes a rigorous 'Business Acquisition' process to actively sign up companies in order to, assess their high growth potential (and thus suitability for the service), identify barriers to high growth with the senior management, develop an agreed plan of support and appoint a matched coach. Support can include:

2.7. **Coaching:**

- Business Development Coaching – tailored coaching from one or more experts and themed business workshops: aimed at 75% of companies;
- Access to Finance Coaching – including coaching, small masterclasses and introductions to funding sources: aimed at 15% of companies; and

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<sup>1</sup> BIS Small Business Survey 2012.

<sup>2</sup> BIS Small Business Survey 2012

<sup>3</sup> [www.cipd.co.uk](http://www.cipd.co.uk)

- Growth through Innovation – including coaching and small masterclasses. This covers product (including IP protection coaching), market and culture: aimed at only 10% of companies.

## 2.8. **Connecting business to local and national:**

- *Facilities* – local and national (specialist) facilities that could assist the company's development;
- *Specialists* – relevant specialists (from local Intellectual Property, accountancy, lawyers to national centres and sources of finance (e.g. Technology Strategy Board));
- *Networks* – relevant local and specialist networks; and
- *Mentors* – identification of complementary mentoring needs and assistance in identifying appropriate mentors.

## 2.9. **Bringing the GrowthAccelerator alumni companies together into a growth community.**

2.10. Companies receive support over a 6 to 18 month period **to deal with a range of issues**. There is a client contribution to the service. The current cost to them is:

- Micro and start-up businesses (up to 4 employees) – £600;
- Small businesses (5 to 49 employees) – £1,500; and
- Medium-sized companies (50 to 249 employees) – £3,000.

2.11. The service has a target breakdown for support by size of SME: 5% are Start-ups, 10% micro business, 75% smalls and 10% mediums.

2.12. To be eligible, businesses need to be registered in England with fewer than 250 employees and a turnover of less than £40m.

2.13. GrowthAccelerator targets SMEs assessed as high growth potential in the following areas:

- Product/ market potential
- Management capacity for growth
- Management ambition to double within 3 years

## The Service Offer to LEPs

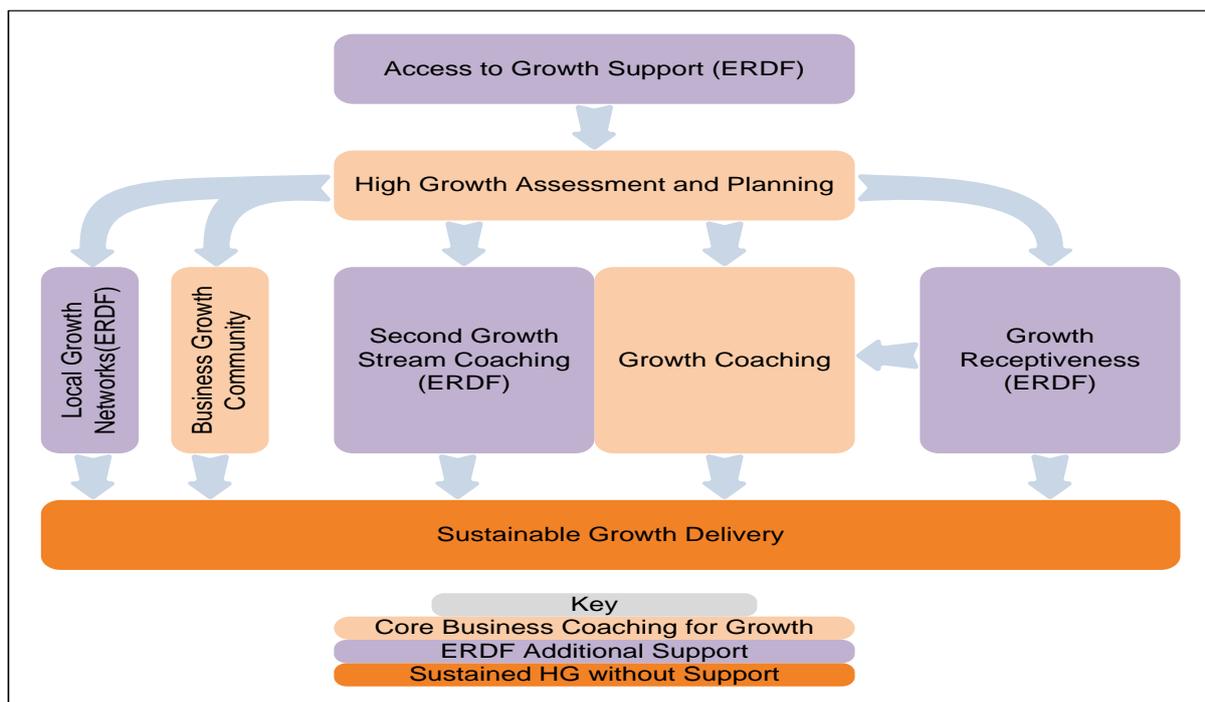
2.14. Existing ERDF applications to enhance GrowthAccelerator support for 2013-2015 total over £18.3 million. They will enhance the GrowthAccelerator's support for over 3,200 businesses, creating a further £215m GVA and over 3,300 jobs.

2.15. In order to deliver additional economic growth, improved GVA and job creation, the ESI Funds enhancements will focus on a sub-set of businesses to provide:

- Greater reach into the LEP identified priority business groups, allowing improved access to the GrowthAccelerator service;
- More in-depth coaching interventions in order to increase companies receptiveness to high growth coaching (increasing take up rates locally) and to tackle multiple growth challenges (eg tackling business development and access to finance), in doing so generating additional GVA; and
- Development of a local high growth culture, ensuring a sustained environment for future high growth business.

2.16. LEP funded activity may include:

- **Access to Growth Support** - outreach to local groups and priority sectors through the provision of additional Growth Managers. Each Growth Manager will engage the client-base, give talks and engage face-to-face with potential businesses in order to reach wider segments of the business population. The Growth Manager will take the wider pool of businesses through a defined 'Acquisition' process. This could include assessing commitment to growth, using tools and face-to face interviews to agree barriers to growth, defining coaching needs and developing a tailored coaching and connectivity plan;
- **Growth Receptiveness and Additionality** - we will provide additional coaching days (allowing the programme to address multiple barriers to growth) and to provide support where 'stellar' growth is possible ('growth additionality'). Each tailored plan will specify the type(s) of coaching required, the extent of the business' management commitments and the desired outcomes of the coaching (e.g. increase sales to Canada by 50%, ensure new product has clear commercialisation route, preparation of business case and introduction to possible finance sources). The coach(es) will be selected from a pre-qualified pool of over 1,000 proven high growth coaches using the GrowthAccelerator coach-matching tool. The Growth Manager will monitor progress (over a 6 to 18 month intervention), ensuring coaching quality and appropriateness (if needs change, the Growth Manager will change coach); and/ or
- **Growth Networks** - the ERDF funding will allow the development of local networks of growth firms (eg Science Parks, the low carbon supply chain networks and local knowledge transfer networks). Each coaching plan will connect firms with the assistance and facilities they need'. GrowthAccelerator support staff have developed databases of organisations, so they can match individual businesses with the most appropriate source of expertise in the local area, including networking activity to support LEP sectors or other business support initiatives. The exact local networks developed will respond to the composition and needs of the businesses within the ERDF project: the BIS match funding will also provide access to national networks.



## **ESI Funds Applicant**

- 2.17. The GrowthAccelerator service is currently delivered by a partnership of leading private sector business growth experts (Grant Thornton, Pera, Oxford Innovation and Winning Pitch) using Government funding from BIS. This consortium delivers the service in all areas of the country.
- 2.18. For the 2014-2020 period, the GrowthAccelerator consortium members will formally act as the applicants for ESI Funds matched by the GrowthAccelerator service – those LEPs opting-in to the GrowthAccelerator Service will “give” part of their notional allocations to the consortium and the consortium members will take on responsibility for applying formally to the Managing Authority to draw down the total amount of ESI Funds. The consortium members will take on the necessary paperwork and administration associated with the application.

## **Match Funding**

- 2.19. Subject to budgets in future years, BIS believes it could mobilise up to £200million of match funding nationally over the 7 year programme. This includes private sector match. This will mean a national programme of at least circa £400m, with projects beginning in 2015.

## **Pooling of LEP ESI Funds**

- 2.20. The enhancements to the GrowthAccelerator offer will be procured nationally (see below). However, each LEP which opts-in will secure for its area the full value of the enhancements for which it has paid.
- 2.21. LEPs will not be forced to work together across wider areas for the purposes of delivery of the GrowthAccelerator service. Of course, if LEPs wish to pool service enhancements for the purposes of economies of scale or improved working across wider areas, they would be free to do so.

## **Timing of Decision**

- 2.22. LEPs will have to opt-in to the GrowthAccelerator service offer at the start of the funding period so that BIS can determine the likely amount of ESI Funds it is being asked to match at the outset, and the likely shape of the future GrowthAccelerator service. Investment Strategies should set out the level of funding that will be available each year over the ERDF funding round.
- 2.23. The level of BIS funding for GrowthAccelerator in 2015- 2016 will not be confirmed before LEPs submit their draft Investment Strategies in early October 2013. Further information on national match will be communicated to LEPs as soon as it is available.

## **Nature of Decision**

- 2.24. LEPs seeking to opt-in should make a notional commitment in their draft Investment Strategies. This will become binding once ERDF contracts are signed

## **Monitoring**

- 2.25. GrowthAccelerator reporting is already available at LEP level. Reporting for 2014-2020 on all GrowthAccelerator activity in individual LEP areas will be available on a quarterly basis.

- 2.26. LEPs will have direct access to a named GrowthAccelerator contact. This contact will attend LEP meetings as appropriate.
- 2.27. Performance will be managed via an agreed process – this could be through a wider area Steering Group or other management mechanisms to be agreed with the LEPs and GrowthAccelerator consortium. Disputes would be resolved with GrowthAccelerator consortium.

## **Procurement**

- 2.28. BIS will procure the GrowthAccelerator service nationally, ensuring compliance with EU procurement rules. Local enhancements cannot be procured separately but will be incorporated within the national procurement approach.
- 2.29. The successful bidder for the national contract will operate the service at all local levels and will be responsible for the application and delivery of ESI contracts.

## **Contact**

- 2.30. For further information on what is currently offered through GrowthAccelerator in your area and discussion on what enhanced support could look like please contact Chris Hepworth on [chris.hepworth@bis.gsi.gov.uk](mailto:chris.hepworth@bis.gsi.gov.uk)

# The Manufacturing Advisory Service

3.1. This prospectus is aligned with the SME Competitiveness Thematic Objective.

## Background

3.2. The Manufacturing Advisory Service (MAS) is the Government's flagship business improvement programme for manufacturers. It provides specialist strategic and technical advice to help improve the competitiveness of manufacturers in England.

3.3. The new national MAS was launched in January 2012 with a budget of £59.3 million to the end of March 2015 and is expected to help deliver £1.2 billion additional GVA, 23,000 new jobs and safeguard a further 50,000 jobs under the contract.

3.4. Strategic priorities for MAS include:

- Delivery of tailored specialist strategic and technical support to SMEs with the capacity and ambition to develop advanced manufacturing capabilities and compete internationally;
- Support for supply chain interventions to strengthen and grow the domestic supplier base in key advanced manufacturing sectors in line with priorities identified in BIS's Industrial Strategies<sup>4</sup> for key economic sectors ; and
- More integrated and joined-up delivery with national and local business support schemes so support is easier for SMEs to access and more efficiently delivered.

3.5. The national MAS programme supports delivery of a five level advisory service for manufacturers.

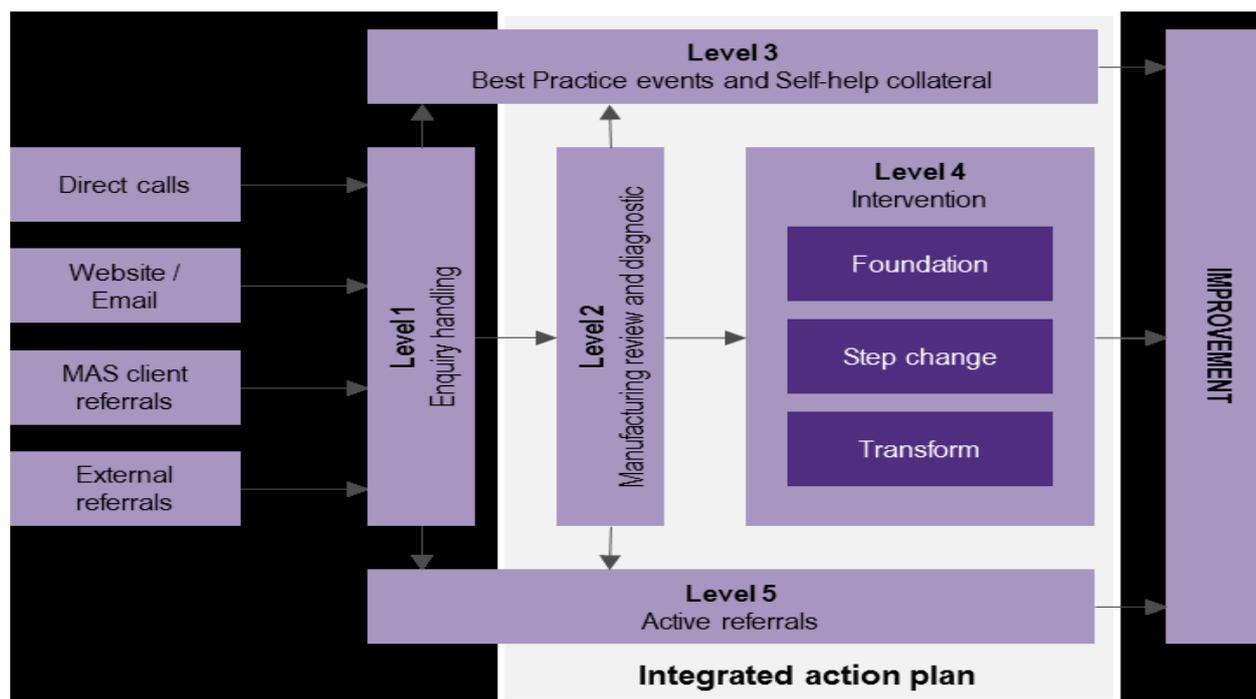
- **Level 1** – provision of a telephone helpline and email/ website contacts;
- **Level 2** – undertaking a manufacturing review with the company to identify the desired future state and identify the actions needed to reach that destination. Level 2 is usually undertaken in person at the company's premises by a skilled manufacturing advisor;
- **Level 3** – provision of best practice events; one-to-many training events that develop individual and business skills as well as a programme of best practice visits to exemplar companies to better understand best practice. These are delivered at accessible locations across the country;
- **Level 4** – provision of in depth business support interventions with manufacturing firms offering specialist support at different levels depending on the requirements of the business (up to 50% funded). Typically this is between £2k - £3k but can be up to £10k where additional funding is leveraged (e.g. Regional Growth Fund/ ERDF); and
- **Level 5** – active referrals to other support services of use to the client.

3.6. The national MAS service is available to all manufacturers in England. The subsidised level 4 service is only available to SMEs Level 4 interventions cover operational efficiency, business strategy, new product development and supply chain improvement.

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<sup>4</sup> <https://www.gov.uk/government/policies/using-industrial-strategy-to-help-the-uk-economy-and-business-compete-and-grow>

## Customer Journey



3.7. Further details can be found at [www.mymas.org](http://www.mymas.org)

## The Service Offer to LEPs

3.8. The current national MAS programme is already committed to provide match for ERDF funded enhancements until April 2015. BIS hopes that for the 2015-2020 period the MAS programme will continue to provide match for ERDF to fund more intensive or additional support to manufacturers, in line with local economic priorities and needs. Currently BIS has made no public announcement on the future funding of MAS past April 2015 but anticipates that this decision will be made by Autumn 2013. It is likely that this funding, once announced, will not be for the full 2015 – 2020 period and is most likely to be initially for one or two financial years. This decision will be communicated to LEPs at that time

3.9. It is anticipated that, for most LEP's, the enhanced service after 2015 will be based on a suite of fixed enhancements. All of these enhancements will be delivered within the level 1 – 5 model but amplified to meet local need through additional ERDF resource through a mix of:

- additional advisor time to support more firms;
- higher grant levels for more intensive consultancy support; and
- more best practice or training workshops and events.

3.10. In addition, MAS with its national reach can connect local firms with national centres of excellence regardless of location and provide LEPs with manufacturing intelligence, including benchmarking. It is important for BIS that any enhancements to MAS supported by the LEPs should incorporate enhanced and clearer joining-up with relevant local business support offers to ensure the customer journey is easy to access and appropriate to their needs.

3.11. The particular shape of the suite of fixed offers is yet to be decided but is likely to encompass:

- **Enhancing the reach of the MAS core offer:** Greater reach to priority local manufacturing sectors through the provision of additional advisor time. The opportunity exists for manufacturing advisors to increase the amount of local intermediary networking they undertake. This would enable MAS to reach a wider segment of the local manufacturing business population through engaging with intermediaries client-base, giving talks and engaging face-to-face with potential businesses;
- **More intensive support:** Funding for in-depth consultancy can increase from £3,000 to a maximum of £10,000 with the addition of ERDF. This support can be focused on local priorities within the scope of the MAS offer, including innovation, operational efficiencies, manufacturing strategy and supply chain diversification; and
- **Supply Chain Development:** Greater support for local supply chain development through the provision of additional supply chain specialists with links to the Original Equipment Manufacturers (i.e. voice of the customer) and national sectoral bodies. Supply chain specialists would support local cluster developments or support supplier improvement initiatives for priority sectors, including though more intensive support and benchmarking.

3.12. Government is inviting LEPs to opt-in to the MAS offer for 2015-16 and beyond. LEPs should use the proposals above to propose enhanced MAS services that would meet the needs of the local manufacturing business base. MAS will then be able to discuss these proposals with interested LEPs in the second half of 2013 when there will be more clarity on the match funding availability.

3.13. LEPs should feel free to propose other types of project where they are particularly high impact or innovative and it meets the national objectives set within the Industrial Strategy.

### **ESI Funds Applicant**

3.14. The MAS service is currently delivered by the Manufacturing Advisory Consortium (led by Grant Thornton with WMMC, PERA and SWMAS) using Government funding from BIS. This consortium delivers the service in all areas of the country via local teams. There is no regional targeting by BIS but the advisor density by region is aligned to the manufacturing base of the geographic area.

3.15. In the 2007-2013 programme the individual consortium members have applied for ERDF funds in seven of the nine regions to enhance the core BIS offer (bids were not submitted in the 2007-2013 programme in London or the South East because funds were not available for this activity.) MAS has also secured enhanced funding through Regional Growth Fund for a specific off shore wind intervention (GROW).

3.16. For the 2015-2020 period, the company or companies holding the contract to deliver MAS at that time will formally act as the applicant for the ESI Funds matched by the MAS service – those LEPs opting-in to the MAS Service in this period will “give” part of their notional allocations to the company and it will take on responsibility for applying formally to the Managing Authority to draw down the total amount of ESI Funds. The company will take on the necessary paperwork and administration associated with the application.

## Match Funding

- 3.17. Currently MAS receives £19million per annum from BIS to deliver the core, national MAS programme. The amount of funding available from April 2015 will be agreed by BIS during 2013 and LEPs will be updated at that time.
- 3.18. Current MAS ERDF enhancement projects deliver business assists, new jobs, businesses improving performance as well as a number of local indicators. The indicative values of the ERDF contribution over two years of the current programme (Apr 2013- Mar 2015) are shown below to give LEPs an indication of the potential scale of local enhancements that may be possible in the 2015-2020 period. (Please note that some of the ERDF investments below are not fully approved so could be subject to change.)

Region	ERDF investment/ requested
NE	£1,065,000
NW	£2,732,000
WM	£3,200,000
Yorkshire and Humber (2 bids)	£2,600,000
East of England	£2,000,000
EM	£1,400,000
South West (2 bids)	£1,945,000
<b>TOTAL ERDF</b>	<b>£13,942,000</b>

- 3.19. The MAS delivery consortium would provide the public match funding and where appropriate would use private sector match funds through client contributions for the in depth support.

## Pooling of LEP ESI Funds

- 3.20. The enhancements to the MAS offer will be procured nationally. Upon successful application for ESI funds by the MAS deliverer each LEP which opts-in will secure for its area the full value of the enhancements for which it has paid.
- 3.21. The move to a nationally contracted, locally delivered MAS, has ensured a consistent quality of service across England as well as providing manufacturers with access to the best possible advice regardless of location. It has also enabled the delivery model to be optimised to secure economies of scale while maximising economic outcomes, including by aligning activity with national sector priorities identified in Industrial Strategies; MAS is seen as a key delivery tool for the Industrial Strategy.
- 3.22. Wherever possible, BIS would wish to work with LEPs to pool the ESI Funds they wish to commit to MAS to enable this successful and high impact approach to continue. It is envisaged this would be most appropriate where contiguous LEPs are looking to expand the reach of MAS through shared Growth Hubs or where several LEPs across the country are looking to support supply chains in the same priority manufacturing sectors. In these cases, it is likely that economic outcomes will be maximised by working flexibly across geographic boundaries and MAS will aim to ensure that each

LEP which opts-in will secure for its area the full value of the enhancements for which it has paid.

- 3.23. To support the LEP's local requirements it will be expected that regular LEP level performance reports for deliverables will be submitted for scrutiny and LEPs will be given local deliverer contacts. Government expects MAS to be able to deliver reports to the LEP that show delivery in the geographic area and outcomes e.g. number of Level 2's, number of events, number and funding of Level 4's plus associated outcomes. This information will enable the LEP to satisfy itself that delivery is progressing as agreed and that value for money is being achieved from the ERDF investment.
- 3.24. LEPs are encouraged to consider how other manufacturing support they are looking to provide can work with and alongside MAS. BIS does not wish to see a proliferation of similar publicly funded products available locally. MAS will be able to advise LEPs on the extent of the local offer and any areas that may not be covered at present.

### **Timing of Decision**

- 3.25. Over the next few months BIS will procure MAS for April 2015- 2016. LEPs are therefore asked to make a decision about whether to opt-in this summer in order to inform development of the shape and scale of future MAS support.
- 3.26. Detailed information about the amount of match funding available from MAS at national or LEP level will not be available at the time LEPs submit their ESI Funds Strategies in early October. As more information on the service after 2015 becomes available it will be communicated to LEPs.
- 3.27. LEPs may be able to opt-in at a later stage in the funding period, depending on the initial level of interest from LEPs and the amount of match funding available to MAS throughout 2015-2020.

### **Nature of Decision**

- 3.28. Due to the time frame for procurement of the new MAS contract, it will be necessary for LEPs to make provisional commitments in their draft ESI Funds Strategies in early October 2013. These will be notional commitments on relevant LEPs when their ESI Funds Strategies are agreed by Government early next year and will only become fully binding once match funding is confirmed from BIS.

### **Monitoring**

- 3.29. Each LEP opting-in will receive quarterly performance reports of delivery in the LEP area (this will include the total MAS delivery as well as that linked to the ERDF enhancement). MAS's current client record system is well placed to deliver this level of detail and enable close scrutiny of local delivery. In addition, each LEP would have a named contact from the MAS consortium team who would act as a liaison between the LEP and the local MAS delivery teams. The named contact will update on progress and attend local meetings as necessary.
- 3.30. If performance in a LEP area is slipping from that agreed at the outset between the LEP and MAS then a time bound action plan will be put in place and then closely monitored. The action plan will be taken forward by the local delivery team, led by the named national MAS contact, and overseen by the LEP and BIS. If it fails then a formal renegotiation of the contract could be undertaken with the Managing Authority.

## Procurement

- 3.31. The procurement of the MAS service post March 2015, including local enhancements, will be undertaken by BIS nationally. BIS will ensure compliance with EU procurement rules.
- 3.32. The successful bidder for the national contract will deliver the MAS service at all local levels and will be responsible for ESI Funds contracts.

## Contact

- 3.33. If you are interested in understanding further the current MAS activity in your area and discuss what an enhanced MAS service in 2014-2020 could look like, please contact Jenny Taylor at [jennifer.taylor@bis.gsi.gov.uk](mailto:jennifer.taylor@bis.gsi.gov.uk) or 0750 0094682.

# UKTI International Trade

4.1. This prospectus is aligned with the SME competitiveness Thematic Objective.

## Background

- 4.2. UKTI is the Government Department that helps UK-based companies succeed in the global economy and assists overseas companies to bring their high-quality investment to the UK. Its highly successful support programmes include Passport to Export (development help for new and inexperienced exporters), Gateway to Global Growth (support for more experienced exporters), Market Visit Support and the Tradeshow Access Programme (incentives for SMEs to visit overseas markets in Europe and beyond). UKTI helps firms with both intra-EU co-operation and entry into emerging and high growth markets outside the EU.
- 4.3. The Government invites LEPs to support the National Export Challenge – endorsed by the Prime Minister and Minister for Trade. It aims to encourage an additional 100,000 companies to export by 2020, doubling UK exports to £1 trillion in the same time scale, thereby addressing the relatively poor export performance of UK companies compared to their EU counterparts (approximately 1 in 5 UK companies export as opposed to the EU average of around 1 in 4). Increasing exports offers significant growth by boosting business productivity and delivering genuinely additional new employment, as the chances of displacement are low.
- 4.4. UKTI leads for Government on all trade promotion activity. Any LEP considering investment of ESI Funds in trade promotion activities outside the UKTI opt-in offer should discuss their ideas with their UKTI Regional Director. The UKTI Regional Director is responsible for ensuring that projects supported with ESI Funds do not duplicate or compete with the UKTI national offer or policy objectives. It is not possible for UKTI match funding to be available for any projects outside the UKTI Opt-in model.

## The Service Offer to LEPs

- 4.5. UKTI will maintain the evolving national core service offer – available in all LEP areas – but would like to collaborate with LEPs to enhance and localise support with the aim of at least doubling current activity. This will be accompanied by a guarantee of service levels and additional UKTI activity at least in line with local economic weight/SME populations. UKTI activity that leads to export sales allows companies to achieve employment growth and productivity gains which are not otherwise possible.
- 4.6. The collaboration envisaged builds on long experience in UKTI and its delivery partners in delivering successful EU funded international trade projects, efficiently utilises UKTI's significant public funding (and leveraged private sector funding) as match, whilst providing LEPs with the opportunity to fully reflect the needs of local companies.
- 4.7. As a first step in developing LEP collaborations, UKTI offers those LEPs that opt-in (subject to sufficient agreed funding levels) the package set out below. Previous evaluations show this kind of support leads to a 20 fold return for every £1 of public investment.

- 4.8. **A 100% funded full time International Co-ordinator post** - These posts would be fully funded by ESI Funds using UKTI match funding. The role of the International Co-ordinator would be to work at a local level to identify and articulate international needs locally and work alongside the Regional Director and the existing UKTI contractor/delivery partner to reflect wider area and national agendas.
- 4.9. UKTI will offer all LEPs the opportunity to host this post which could be jointly recruited but employed by the local UKTI contractor/ delivery partner. The International Coordinators would:
- Promote the internationalisation agenda at a local level;
  - Co-ordinate activities across all economic partners, particularly within local government;
  - Help connect local companies, clusters, networks or other multi-business partnerships to national and international partners identified through UKTI's network;
  - Provide direct UKTI service brokering and signposting support to local businesses;
  - Act as a local voice for UKTI services and a voice for the locality at a national level;
  - Provide local economic intelligence and feedback on services;
  - Work with other International Coordinators to develop wider area schemes; and
  - Help manage a local UKTI Innovation in Services Fund.
- 4.10. The International Coordinator might also play a role in aligning actions supported by ESI Funds at a local level, considering Green and Blue Growth projects, identifying opportunities in supply chains, supporting aftercare actions for foreign owned companies, developing initiatives with the third sector to connect to the hard to reach, and working with HE to support international graduate enterprise.
- 4.11. **Each LEP that opts-in will also have access to a minimum of one fully-funded International Trade Advisor post to assist businesses in their locality** - The International Trade Adviser role is a cornerstone of the UKTI delivery model. European Commission and UKTI research shows that these advisory roles are one of the best ways of achieving improvements in SME capability and overcoming the key obstacles and barriers to progress (lack of finance, skills and information). International Trade Advisers work with businesses' management teams over a significant period of time, helping those with no prior export experience to understand the potential opportunities, and more experienced management teams to build on existing success. Whatever an SME's level of experience, UKTI can help them by finding contacts and opportunities, developing internationalisation strategies which build sales, and by managing key export processes and intellectual property and identifying skills needs.
- 4.12. **Every LEP that opts-in would be involved in the deployment of a UKTI Innovation in Services Fund** - A UKTI Innovation in Services Fund will allow for the creation of new local services complimentary to the UKTI offer, enhancing and localising support. Each LEP that opts-in will be involved defining the use of these Funds to pilot and test complimentary and innovative approaches.
- 4.13. All UKTI delivery partners (contractors) will create aligned posts within their teams to support International Co-ordinators, LEPs and LEP groupings around international issues - All UKTI contractors would report quarterly to LEP CEOs/ Boards on activities in their local area to secure local accountability

- 4.14. **In return, LEPs would assign a proportion of their allocated ERDF funds in line with the benchmark below** - The UKTI public and private match available to LEPs in England for ERDF activity is currently estimated to be around £60m per annum. It is expected that this level of match will continue to be available for each year of the 2014-2020 period, so it is possible that across England projects will have access to as much as £420m of match funding. These figures do not take account of any potential related HE, skills, access to finance or innovation match funding which may be available.
- 4.15. As a starting point LEPs could consider opting-in to the UKTI service offer with around £20k of ERDF per annum per 1,000 VAT registered/ PAYE businesses in their areas (the assignment of match for ESF and EAFRD will be the subject of separate discussions). This level of opt-in would be approximately in line with current UKTI ERDF project financing benchmarks.

### **Match Funding**

- 4.16. UKTI can offer LEPs at least £1 of public and private match funding for every £1 of ESI Funds which they assign to international activities under these arrangements (this ratio will vary in a small number of areas). Participating LEPs will be expected to opt-in with the benchmark levels of assigned ESI Funds support described above.
- 4.17. Match funding from UKTI comprises delivery partner (contractor) funding, UKTI national match and leveraged private sector match. This arrangement allows projects in the current programme to create genuinely innovative and additional export services.

### **Pooling of LEP ESI Funds**

- 4.18. The additional UKTI services supported using ESI Funds will be procured nationally (see below). However, each LEP which opts-in will secure for its area the full value of the enhancements for which it has paid.
- 4.19. LEPs will not be forced to work together across wider areas for the purposes of delivery of the additional UKTI services. However, UKTI would encourage LEPs to pool resources with other LEPs to exploit thematic, sectoral and service synergies across LEPs. LEPs that pool resources in this way will benefit from businesses in their area getting access to additional activities that might not be possible at the single LEP level. Moreover, economies of scale and scope should also be achievable through UKTI working with a wider pool of businesses on behalf of a group of LEPs.

### **Timing of Decision**

- 4.20. To assist UKTI in understanding the likely demand and handle the associated administrative arrangements, LEPs are asked to indicate in their draft ESI Funds Strategies whether they wish to opt in, setting out the amounts of ERDF they wish to make available in each year of the 2014-2020 programme.
- 4.21. UKTI is asking LEPs to assign funding for the full seven year cycle in order to help provide stability and consistency of service and underpin the ambitious effort to double national export performance. These arrangements would be subject to a biannual review with LEPs and local partners. Agreements to opt-in will be binding for a minimum of three years.

## Nature of Decision

4.22. LEPs seeking to opt-in should provide initial expressions of interest in their draft ESI Funds Strategies. These will become binding commitments when ESI Funds Strategies are agreed by Government in early 2014.

## ESI Funds Applicant

4.23. The current local UKTI delivery partner (contractor) will formally apply to draw down the funding committed by the LEP from the Managing Authority.

## Procurement

4.24. Current UKTI delivery contracts are let against an OJEU compliant national competition on a three-year cycle (with the possibility of up to two-year extensions). New contracts will therefore need to be procured during the course of the 2014-2020 programme. Re-contracting is highly unlikely to alter the availability of match funding.

## Monitoring

4.25. Monitoring of UKTI projects will be carried out by the Managing Authority. Reporting to LEPs will be undertaken by local UKTI Regional Directors, their Deputies and delivery partners.

## Contact

4.26. For further information, please contact your lead UKTI Regional Director (see below).

<b>Local Enterprise Partnerships (LEPs) and their UKTI Regional Director (RD) leads</b>	
<b>Regional Director (UKTI Lead)</b>	<b>LEP</b>
UKTI South East Lewis Scott T: +44 (0)303 444 6866 E: <a href="mailto:lewis.scott@ukti.gsi.gov.uk">lewis.scott@ukti.gsi.gov.uk</a>	Buckinghamshire Coast to Capital Enterprise M3 Oxfordshire City Region Solent Thames Valley Berkshire
UKTI West Midlands Paul Noon T: +44 (0)121 345 1247 E: <a href="mailto:paul.noon@ukti.gsi.gov.uk">paul.noon@ukti.gsi.gov.uk</a>	Black Country Coventry & Warwickshire Greater Birmingham & Solihull Stoke-on-Trent & Staffordshire The Marches Worcestershire
UKTI North West Clive Drinkwater T: +44 (0)1925 864597 E: <a href="mailto:clive.drinkwater@ukti.gsi.gov.uk">clive.drinkwater@ukti.gsi.gov.uk</a>	Cheshire & Warrington Cumbria Greater Manchester Lancashire Liverpool City Region
UKTI South West Russell Jones T: +44 (0)7785 330087 E: <a href="mailto:russell.jones@ukti.gsi.gov.uk">russell.jones@ukti.gsi.gov.uk</a>	Cornwall & the Isles of Scilly Dorset Gloucestershire The Heart of the South West Swindon & Wiltshire West of England

<b>Local Enterprise Partnerships (LEPs) and their UKTI Regional Director (RD) leads</b>	
<b>Regional Director (UKTI Lead)</b>	<b>LEP</b>
UKTI East Midlands Peter Hogarth T: +44 (0)115 872 4731 E: <a href="mailto:peter.hogarth@ukti.gsi.gov.uk">peter.hogarth@ukti.gsi.gov.uk</a>	Derby, Derbyshire, Nottingham, Nottinghamshire Leicester & Leicestershire Lincolnshire Northamptonshire
UKTI East of England Liz Basing T: +44 (0)1223 771801 E: <a href="mailto:liz.basing@ukti.gsi.gov.uk">liz.basing@ukti.gsi.gov.uk</a>	Greater Cambridge & Greater Peterborough Hertfordshire South East New Anglia South East Midlands
UKTI Yorkshire and the Humber Mark Robson Tel: +44 (0)113 203 3703 Email: <a href="mailto:mark.robson@ukti.gsi.gov.uk">mark.robson@ukti.gsi.gov.uk</a>	Humber Leeds City Region Sheffield City Region York & North Yorkshire
UKTI London Parveen Thornhill T: +44 (0)20 7234 5811 E: <a href="mailto:parveen.thornhill@ukti.gsi.gov.uk">parveen.thornhill@ukti.gsi.gov.uk</a>	London
UKTI North East David Coppock T: +44 (0)191 497 8575 E: <a href="mailto:david.coppock@ukti.gsi.gov.uk">david.coppock@ukti.gsi.gov.uk</a>	North Eastern Tees Valley

# European Investment Bank (Social Housing Financial Instrument)

- 5.1. The prospectus sits within the **low-carbon economy** thematic objective and delivers against the investment priority of “support to build the market in low carbon environmental technologies, goods and services including via domestic retrofit”.
- 5.2. Although spending on retrofitting social housing will be counted under the low carbon thematic objective, the service will also deliver against other thematic objectives:
  - Social inclusion & combating poverty;
  - Employment & supporting labour mobility, by providing local enterprises with opportunities to deliver energy efficiency improvement works and thus creating employment; and
  - Education, skills & lifelong learning, by offering training and apprenticeships in areas related to retrofitting (incl. energy assessment) and thus boosting demand for green tech skills as part of the low-carbon economy.

## Background

- 5.3. Local Enterprise Partnerships (LEPs) are invited to invest a proportion of their ERDF allocation into a financial instrument to finance, by way of low interest long term lending, **low carbon investments in social housing** (“retrofitting”) in their local area.<sup>5</sup>
- 5.4. Supporting energy conservation and low carbon generation in existing social housing will boost green skills training, related employment and support the delivery of low-carbon strategies/ sustainable energy action plans for neighbourhoods and local areas.<sup>6</sup>
- 5.5. A recent study<sup>7</sup> established that, on average, every £1 million of investment in upgrading the energy efficiency of our building stock will create 22 new direct jobs in the construction sector and that the vast majority of these jobs will be local. In addition, it can be expected that more than 60 indirect jobs will be created to benefit the local economy.<sup>8</sup>
- 5.6. With energy efficiency investments carried out on behalf of low income households the wider economic and social inclusion benefits are substantial due to addressing fuel poverty and diverting household expenditure away from fuel bills and towards more labour-intensive goods and services.

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<sup>5</sup> Useful information on social housing can be found on [www.housing.org.uk](http://www.housing.org.uk).

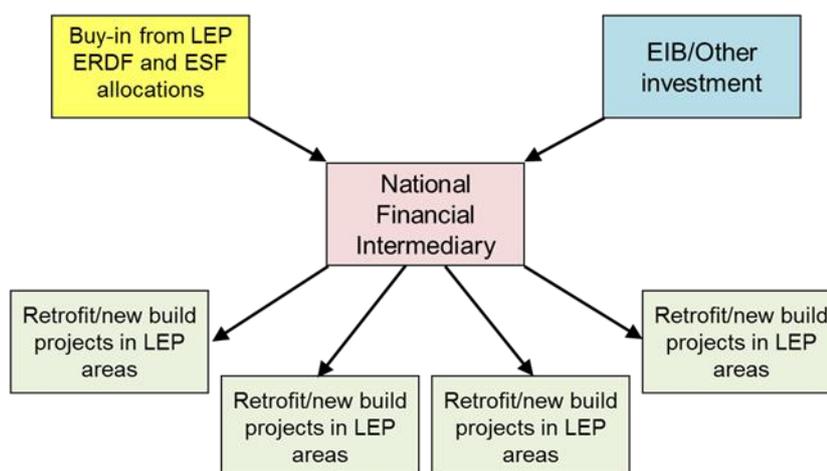
<sup>6</sup> An example of this type of approach is documented in ‘The Community Green Deal’ – a report prepared for the Homes and Communities Agency and the Sustainable Housing Action Partnership in December 2010 (<http://www.shap.uk.com/projects/shap10/Report/>).

<sup>7</sup> How Many Jobs? A Survey of the Employment Effects of Investment in Energy Efficiency of Buildings; Based on Research by: Rod Janssen and Dan Staniaszek; Published by The Energy Efficiency Industrial Forum; May 2012.

<sup>8</sup> Comparative data for EU and UK available in: The case for including energy efficiency investment in the fiscal stimulus package. A report for Greenpeace by Impetus Consulting Ltd, March 2009.

## The Service Offer to LEPs

- 5.7. It is proposed that the fund would be initially established and overseen by the European Investment Bank (EIB), subject to sufficient interest from LEPs and final approval by the EIB. On behalf of those LEPs that opt-in, the EIB would procure dedicated national social housing financial intermediaries (fund managers) to invest in project delivery on a repayable basis at LEP level. The fund would utilise LEPs' ERDF contributions alongside institutional investment funding, including potential EIB investment.



- 5.8. A LEP wishing to opt-in to this service offer would need to demonstrate a project pipeline with minimum total investment cost of £20 in the LEP area and commit to provide a minimum of £10m ERDF funding. LEP resources contributed to the financial instrument would be ring-fenced to the relevant LEP area. Subject to there being sufficient interest in the model and the resulting financial instrument having the necessary scale, it is proposed that EIB lending and other institutional investment could be used as match for the LEPs' ERDF contributions, negating the need for match to be secured at LEP level.

- 5.9. An example investment package could look as follows (2014-2020 period):

Example Investment Package	
£20m	ERDF contribution from LEP to fund
£100m	Total fund investment in LEP area
1740	New direct jobs created for LEP
4490	New indirect jobs created for LEP
2400	Housing units upgraded <sup>9</sup>
500	New housing units built <sup>10</sup>

<sup>9</sup> Calculation based on an average £12.5k investment per unit, reflecting the higher cost due to already better energy standards in social housing stock compared to private market properties.

<sup>10</sup> Subject to the source of co-investment new build could also be financed by the lead fund, e.g. European Investment Bank (EIB) could consider lending to support wider new build social housing activity through or alongside the FI to provide further value added and leverage on each LEPs SI contribution. In this example, 30% of the total investment (£30m) is allocated to new build.

- 5.10. Housing associations would borrow money from the financial instrument to undertake retrofit and potential new build (non-ERDF funded) projects. Repayment of the loan component could be either through a Green Deal type mechanism on a relatively long term basis (pay-as-you-save) or could come from housing associations' own resources.
- 5.11. The model builds on a financial instrument already in operation in London<sup>11</sup> which uses ERDF and EIB funding sources. As in the London example, in addition to providing match funding for the ERDF project, the EIB lending could also be used to support wider (non-ERDF) new build social housing activity through the financial instrument to provide further value added and leverage on each LEP's ERDF contribution.

### **Match Funding**

- 5.12. Match funding could be available through EIB lending and other institutional investment, including housing associations' own reserves.
- 5.13. EIB lending to the social housing sector in the UK is expected to be almost £1bn in 2013, and a similar trend should continue in the coming years as EIB remains relatively competitive in this sector. This will include lending for new build and low carbon investment. It is therefore possible to envisage match funding as well as considerably more leverage on a LEP contribution to this fund.

### **Pooling of LEP ESI Funds**

- 5.14. A LEP's contribution to the financial instrument would be ring-fenced to the LEP area, provided the investment cost of the LEP's project pipeline meets the required level of critical mass of £20m per LEP area (i.e. the LEP commits to a £10m ERDF contribution).
- 5.15. Returns generated by project investments would also be reinvested in the LEP area, subject to the agreement of the fund manager.

### **Timing of Decision**

- 5.16. LEPs are encouraged to opt-in at the beginning of the 2014-2020 programme period to enable sufficient critical mass for the fund to be created. LEPs would be required to opt-in for the full duration of the Fund, although it is expected that the actual financial commitment would occur in the first two years of the programme. Repayments are likely to span over a period of 30 years, which is typical of lending arrangements to the social housing sector. These would accrue on an annual basis to allow for some initial return on investment and opportunities for reinvestment at LEP level.
- 5.17. Subject to their being sufficient interest in the first instance to enable the creation of the fund, there might be opportunities for "late" joiners later in the programme.

### **Nature of Decision**

- 5.18. A LEP wishing to opt-in will need to make a provisional commitment in its draft ESI Funds Strategy (early October 2013) of at least £10m of its ERDF allocation (indicating a project pipeline with investment cost exceeding the £20m critical mass threshold). Government will at that stage be able to determine the likely demand and therefore

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<sup>11</sup> A component of the London Green Fund (a JESSICA holding fund managed by EIB on behalf of the Greater London Authority and the London Waste and Recycling Board).

viability of the Fund. The LEP's commitment will become binding when its Strategy is agreed by Government (early 2014).

- 5.19. A LEP wishing to opt-in should also include in its ESI Funds Strategy an indication of the level of interest in EIB investment in new build (this is additional and does not require an ERDF contribution).
- 5.20. The ESI Funds Strategies of those LEPs opting-in may have to be altered if the financial instrument's ex ante assessment, to be undertaken under the supervision of EIB, demonstrates that there is insufficient demand in the LEP area for the financial instrument to be viable.

### **ESI Funds Applicant**

- 5.21. LEPs interested in this financial instrument are strongly encouraged to nominate suitable accountable bodies to become the formal ESI Funds applicants on their behalf (e.g. local authorities). This is necessary as the investment fund needs to contract with recognised legal entities that will be responsible for investing the ESI Funds on behalf of their LEPs. These obligations, where relevant, would be passed onto the financial intermediary and final recipients to ensure compliance with EU rules. Nominating a local accountable body such as a Local Authority as the ESI Funds applicant would guarantee that the returns on investment stay in the LEP area.

### **Procurement**

- 5.22. EIB can be selected without procurement to act as Fund of Funds Manager or equivalent in line with the provisions of the draft regulations<sup>12</sup>. EIB would then procure the financial intermediaries on behalf of the LEPs who have chosen to opt in to the Fund.
- 5.23. At project level, any contracts issued to deliver the low carbon investment in the locality will be subject to established procurement processes of the respective social housing provider.

### **Monitoring**

- 5.24. The nature of the overarching governance arrangements for the Funds of Funds or equivalent is yet to be determined and is subject to further discussion between Government and LEPs depending on the level of interest expressed by LEPs. The role of the EIB as an investor and as a Fund of Funds manager is to be formally agreed with Government in autumn 2013 following the submission of LEPs draft ESI Funds Strategies.
- 5.25. In existing funds of this nature, performance is overseen by an Investment Board, comprising a mixture of public sector representatives and private sector independent experts. Day-to-day investment decisions, however, will be the sole responsibility of the Financial Intermediary selected.

### **Contact**

- 5.26. If you are interested in understanding further the European Investment Bank (Social Housing Financial Instrument) offer, please contact Emily Smith at [e.smith@eib.org](mailto:e.smith@eib.org).

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<sup>12</sup> Under Article 33.4(b) of the draft Common Provisions Regulation.

# Big Lottery Fund

6.1. This prospectus is aligned with the social inclusion thematic objective.

## Background

- 6.2. The Big Lottery Fund (BIG) is making a flexible offer that supports local priorities and delivery, and provides a mechanism for the engagement of local civil society organisations (voluntary, community and social enterprise sector organisations) in the development and delivery of local initiatives.
- 6.3. BIG is the largest lottery ‘good cause’ distributor, funding local projects across England through both targeted strategic investment focused on specific themes and open, demand led programmes that can support local priority projects across a wide range of themes. These two principal routes to funding offer LEPs flexibility to take advantage of BIG’s existing, tried and tested funding processes to support the LEP’s own local social inclusion and poverty priorities, and to provide a streamlined route to match funding.
- 6.4. BIG’s funding is distributed primarily through local civil society organisations. BIG has an extensive range of contacts and networks at local level, and a track record in brokering local partnership bids on specific themes. These resources will be deployed to support quality projects and ensure a key role for civil society organisations in delivery, in line with EU expectations.
- 6.5. **Government is asking each LEP to route through BIG half of its required spending on the social inclusion and poverty thematic objective, for at least the first two years of the new programme.** BIG, however, is able to accommodate and match proposals for additional funds beyond that level, and beyond the first two years.

## The Service Offer to LEPs

- 6.6. BIG is able to offer a delivery and match funding service which will enable LEPs to ensure their social inclusion priorities are met.
- 6.7. The offer to LEPs is flexible, with the ability to build on the initial two year minimum funding arrangement to match fund larger, and/ or longer-term, projects. BIG will work with LEPs to determine the best way to deliver against the objectives and priorities they have set out.
- 6.8. One option (if local priorities align) would be for LEPs to work with BIG to support the development of bespoke local proposals. These would be responsive to LEPs’ needs and modelled on BIG’s existing, successful strategic investment programmes. Some examples of these programmes are provided below (these descriptions provide LEPs with a flavour of the type of activities on offer; the exact type and level of intervention in any opt-in arrangements will be agreed between LEPs and BIG):
- Youth unemployment proposals could follow the “[Talent Match](#)” model. The programme, which has just been launched in 21 LEP areas, will help young people obtain employment, improve their skills and confidence to enable them to full fill their potential. Grants vary from £1,000,000 to £10,000,000 for each targeted area for up to 5 years;

- Financial exclusion proposals could follow the “[Improving Financial Confidence](#)” model. This programme aims to equip social housing residents with the skills and confidence to manage their finances and access basic financial services, increasing their prospects for self-sufficiency, stability and greater inclusion. To date the programme has invested over £30m across England through projects spanning from £500,000 to just over a £1,000,000;
- Proposals targeting individuals with multiple and complex needs could follow the “[Fulfilling Lives: Supporting People with Multiple and Complex Needs](#)” model. This programme is aimed at individuals living chaotic lives, such as the homeless, those suffering from addiction, people with mental health problems and ex-offenders. The programme offers improved and better co-ordinated services through long term investment and grants to projects of £4-10m; and
- Proposals to support social enterprise and social entrepreneurship could be supported through the roll-out or local expansion of currently funded schemes such as the [Big Venture Challenge \(UnLtd\)](#) and the [School for Social Entrepreneurs](#). The Big Venture Challenge supports ambitious social entrepreneurs with business support, networks and contacts as well as match funding to raise investment and deliver social outcomes at scale. Investments range from £50-200k. The School for Social Entrepreneurs offers a series of courses for budding and more experienced social entrepreneurs to help them develop the skills, contacts and ability to raise the necessary investment to start up or scale up social enterprises and ventures.

6.9. BIG’s management of these programmes is characterised by a focus on: rigorous evaluation and learning; early intervention approaches; strong emphasis on local needs, priorities and patterns of delivery as part of assessment and monitoring.

6.10. Where the above programme parameters do not closely match some of the priorities identified in the LEP strategy, BIG can invite proposals against local priorities and needs. This would build on the approach in the current [Reaching Communities](#) demand-led programme, which offers additional flexibility in the focus and scope of awards.

6.11. Reaching Communities has a track record of supporting local organisations in areas including:

- Tackling barriers to work across a range of communities;
- Work with offenders and ex-offenders;
- Community led local development;
- Projects targeted at excluded communities with high levels of deprivation and social exclusion, including combating discrimination;
- Projects supporting social inclusion through environmental activity; and
- Rural isolation and development.

6.12. This is not an exhaustive list – this approach can be used to deliver against other objectives as well in accordance with the needs of any given LEP area.

6.13. BIG will seek agreement with each LEP on the use of at least half of the LEP’s allocation for social inclusion and poverty for at least the first two years of the 2014-2020 funding period (a LEP can of course commit to higher funding levels up to the full 7-year period of the European Growth Programme if it wishes). BIG will work with the LEP to identify the most appropriate BIG programmes through which to achieve local priorities and targets and to determine the scale and duration of funding necessary to achieve these targets. This will specifically involve determining whether proposals under any of BIG’s strategic investment models are appropriate (where a more

proactive approach to inviting partnership bids and some support in developing applications is likely to be required); or whether match funding through the Reaching Communities route would be more appropriate.

## **Match Funding**

6.14. Projects would receive BOTH ESF funding from LEP allocations and match funding from BIG, meaning that the amount being spent in the local area is twice the amount available through ESF alone. As BIG will handle all the administrative requirements around the ESI Funds and match them at source, projects will not have to deal with the complexity of managing two separate funding streams.

## **Pooling of LEP ESI Funds**

6.15. BIG will work with each LEP to deliver the LEP's priorities through local projects. Where two or more LEPs wish to work together on a project or programme to meet shared local priorities, BIG's national reach means it will be able to pool LEP resources and ensure the project/ programme is delivered seamlessly and efficiently.

## **Timing and Nature of Decision**

6.16. This arrangement will enable LEPs to build a strong foundation for their social inclusion programmes at the start of the 2014-20 period. It is based on a minimum investment of ESI Funds with match from BIG in the first two years of the European Growth Programme. LEPs will therefore need to confirm their intention to take up this offer at the point of agreeing their ESI Funds Strategies with Government in early 2014. LEPs should begin discussions with BIG local teams during the development of their Strategies, and should provide an estimate of the level of ESI Funds they will put forward for BIG to match in their draft Strategies submitted early October.

6.17. Government is asking LEPs to route half of their allocations for the social inclusion thematic objective for the first two years of the European Growth Programme through BIG. LEPs can 'opt-out' of this arrangement if they are considering and would prefer an alternative route to meet their minimum spending levels on social inclusion. If LEPs are thinking of opting-out, they should discuss this with Local ESI Fund Teams. In such cases, the LEP will need to put forward a clear plan for engaging relevant delivery partners and securing match funding.

## **ESI Funds Applicant**

6.18. BIG will take on responsibility for applying formally for ESI Funds from the Managing Authority on behalf of all LEPs opting-in. It will manage the grants as a 'single funder' using established monitoring and compliance processes.

6.19. As the ESI Funds applicant, BIG will be responsible for all relevant paperwork; commissioning and procurement; management of contracts and grants; making payments to project promoters; complying with audit requirements; monitoring and evaluation; and reporting. Aggregation of these administrative functions across LEPs within the BIG organisation will ensure efficiency, minimise administrative burdens on LEPs and local partners, and ensure compliance with EU regulations.

## **Procurement**

6.20. LEPs and BIG will agree how to encourage eligible local proposals to deliver LEPs' priorities. These proposals will be submitted to BIG using BIG's existing application

materials. LEPs will work with BIG's locally-based teams to inform the assessment criteria and decision-making processes that BIG will use to consider these proposals.

6.21. BIG's locally-based teams could also work closely with LEPs to proactively broker local partnerships where this might help stimulate more proposals to meet the specific needs of the LEP area.

### **Monitoring**

6.22. BIG has established procedures for reporting and monitoring the progress and impact of the projects it funds. LEPs will be provided with aggregated reports on progress with projects on a six monthly basis, including any performance concerns and proposed approaches to addressing these.

### **Key benefits**

- Match funds and agreed ESI Funds will be provided by BIG to local providers in a single funding stream, ensuring additional cash resources are deployed towards LEPs' priorities, in effect ensuring LEPs 'double their money';
- A flexible menu of approaches will be available to respond to local priorities as identified by the LEPs and their partners, with agreed outputs and outcomes according to local need;
- BIG would be able to invest in a diverse range of projects within a LEP area, enabling different priorities to be pursued according to local need;
- BIG can manage single awards at LEP-wide level as well as projects that span across two or more LEPs' boundaries;
- Streamlined, tried and tested application, award and monitoring processes managed as a 'single funder' for applicants; and
- Projects within strategic investment models are able to access additional specialist support, advice and networks.

### **Contact**

6.23. If you are interested in understanding further the Big Lottery Fund offer, please contact the BIG Advice department at [general.enquiries@biglotteryfund.org.uk](mailto:general.enquiries@biglotteryfund.org.uk).

# Skills Funding Agency

## Introduction

- 7.1. The Skills Funding Agency can help your Local Enterprise Partnership (LEP<sup>13</sup>) identify your local skills needs and turn this analysis into a robust and evidence-based strategy for skills investment in your LEP area. We will then help you to implement that strategy by procuring the right services, running the administration of the skills part of your ESI Funds Strategy, and providing you with levers to monitor and manage progress.
- 7.2. This prospectus describes the range of services that the Skills Funding Agency can provide to help LEPs discharge their new responsibilities to lead on setting local skills strategies. Our service offer relates to skills in the European Social Fund (ESF) thematic objectives 8, 9, and 10 within the 2014-20 European Growth Programme.

## The Service Offer to LEPs

- 7.3. The new arrangements pass responsibility to LEPs to determine local priorities and opportunities to which the ESF will be used to respond. Our service offer recognises this completely, but removes the need for other local organisations to develop and operate what can be complex, bureaucratic and costly systems to manage the funds.
- 7.4. Because we manage large skills programme budgets, we can also match all ESF skills funds at source. This means you do not need to find the match funding locally, nor ensure or oversee systems that match individual learner records and other funding to the ESF programme.
- 7.5. Our service offer will use the systems and competences we have developed to free you to concentrate on what you wish to procure for your area. This service will be free of charge to LEPs as administration costs will be funded out of the ESF allocation. The arrangements will be set out in a tailored service-level agreement with each LEP, which will detail how we will work under the direct authority of, and provide accountability to you and the Managing Authority. The support we provide falls into a number of categories that are described in this proposal.
- 7.6. In summary, the key benefits of our offer are the following:
  - Enabling you to take complete control of ESF funding, supported by professional services to help you deliver the skills elements of your strategy;
  - Taking care of match funding for you, including systems to administer this;
  - Providing a local service where we will report directly to each LEP;
  - Delivering a tailored procurement service to each LEP that complies with all European procurement legislation;
  - Providing professional advice and support on managing all the EU regulatory requirements for each LEP;
  - Taking on the financial risk for the repayment of funds where audits highlight concerns on individual projects or match funding;
  - Reducing the need for other local organisations to recruit and train specialist staff to procure and contract-manage projects, build and maintain payment and reconciliation systems and claims systems to the Managing Authority;

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<sup>13</sup> For LEPs, please read 'LEPs, Core Cities and their partners'.

- Reducing the need for other local organisations to invest in systems and processes; and
- Providing efficiencies for the wider ESF programme for the benefit of learners and employers.

7.7. We are *not* operating a top-down, national programme that tells you what to do. This is a new approach.

### **The Agency's expertise**

- 7.8. Our experience, expertise, systems and processes to deliver ESF-funded skills provision have been built up over a 14-year period and meet the requirements of the Managing Authority and the European Commission.
- 7.9. Our systems and controls are flexible and can therefore support changing policy priorities, while retaining the strength and rigour to contract and provide financial assurance.
- 7.10. Currently, we manage ESF delivery to the value of £1.53 billion, which represents approximately 60 per cent of the 2007-13 programme. As an indication of the range of provision we can deliver, our current portfolio includes the following: (i) adult skills provision for both employability and workforce development; (ii) 14–19 provision for those not in education, employment or training (NEETs) on behalf of the Education Funding Agency; and (iii) Community Grants on behalf of the ESF Operational Programme.

### **Working for each LEP to get the provision you want**

- 7.11. Our procurement of skills provision, which we will carry out on your behalf, will comply with all EU legal requirements, particularly those in relation to open and competitive tendering (OCT) rules.
- 7.12. All colleges and training organisations wishing to receive ESF funding will have passed our rigorous Assurance Gateway for education and training organisations (the Register).
- 7.13. We have well-established and appropriate quality frameworks for the further education (FE) sector and, if required, we can develop robust and appropriate EU procurement approaches for non-education and training organisations through pre-qualification questionnaire and invitation to tender processes.

### **Helping you develop a local specification**

- 7.14. Whilst LEPs understand local needs and priorities, we can assist with identifying skills needs for current and future investment plans through local data.
- 7.15. We will work with you to produce local specifications that reflect your identified local needs and opportunities, bringing our procurement expertise and local knowledge of other existing education and training to avoid overlap and duplication. With your authority, we will then express these priorities in an Invitation to Tender (ITT) for each LEP.

## **Procurement**

7.16. We will assist you in procuring education and training provision. Through our service to each LEP, we will:

- appraise and evaluate bids on your behalf, using existing established selection criteria adapted to your local requirements;
- co-ordinate contract award panels for you where you will agree successful training organisations;
- issue contract award notifications to the training organisations you select from this process; and
- communicate the outcome of the process, as required.

## **Contracting**

7.17. Once you are satisfied that the right provision has been secured, and award notifications have been issued, we will manage the contracting and contract management processes for you and the ESF Managing Authority.

7.18. We use clear and consistent processes and documents that remove ambiguity and audit risk and which meet both national and EU legislative requirements.

7.19. We will contract at appropriate geographical levels according to your need. This means that LEP-level contract schedules will remain visible to partners. On the behalf of each LEP we will:

- provide data on delivery, configured by geography;
- manage and monitor training organisation's targets, performance, claims, assurance and risk, audit compliance, subcontractors, and organisation failure (receivership);
- manage communications to training organisations, including direct communications to senior, operational and technical managers within these training organisations; and
- manage audit with the ESF Managing Authority, ESF Audit Authority, European Commission, European Court of Auditors, and National Audit Office.

## **Match Funding**

7.20. £170 million of match funding for ESF skills activities, sourced from within the Adult Skills Budget (ASB) has been made available to LEPs through the Single Local Growth Fund. This match funding will not be allocated to LEPs in the same way as the rest of the Single Local Growth Fund. Instead, an amount will be earmarked for each LEP broadly in proportion to the LEP's total Structural Funds allocation. If you wish to access this match funding for skills activities, you will need to opt into the service offer set out in this prospectus.

7.21. We will provide the necessary data and evidence on match funding from the ASB that aligns with your skills priorities. This means LEPs will not have to source match funding locally.

7.22. We have in place the systems to identify, claim, monitor and assure match funding. To do this we capture the relevant data and evidence against existing publicly funded provision in the Adult Skills Budget that meets the ESF criteria, and include this in our claim to draw down the ESF funding. This will enable you to be assured that ESF

funding meets the full compliance rules for the use and management of ESF programmes.

- 7.23. By providing the match funding, we will hold any risk in relation to the audit of the funds. Through our work with the FE sector we have evolved processes to ensure that match funding activity is fully compliant with EU regulations (including evidence at participant level) and remains so for the duration of the audit period, which can be up to nine years after the end of the programme.

### **Service-level agreements**

- 7.24. Our service to you will support your strategic ownership of these funds and will provide staff and expertise to undertake the technical elements of delivering the programme. We will absorb the burden of administration and provide assurance that the programme will be managed competently.
- 7.25. We will agree with you a service-level agreement that sets out the terms and scope of the service we will deliver on your behalf. In this agreement, we will also clarify the responsibilities of each partner and the governance and reporting arrangements. We will also agree expected achievements.
- 7.26. We will not provide a prime contractor model, predetermined skills products or national activity, unless you ask us to.
- 7.27. The Agency has the expertise to manage a range of ESF requirements, such as: (i) cross-cutting themes; (ii) evaluation; (iii) managing State Aid Rules; (iv) publicity; (v) disseminating best practice; and (vi) consistent application of the rules.
- 7.28. In the service-level agreement we will also agree how your ESF funds will link with mainstream FE services such as the National Careers Service, and how we will manage core government functions such as handling; (i) official government correspondence; (ii) Freedom of Information requests; (iii) ministers' questions; and (iv) other UK and EU parliamentary questions.
- 7.29. We will also be able to manage the money flexibly to take account of differences in performance between training organisations, exchange rate changes between Euro and Sterling, or any movement you want to make from other priorities.

### **Pooling of LEP ESI Funds**

- 7.30. While we will deliver local education and training provision in response to your local priorities, we can, if you wish, help you to identify commonalities and synergies with other LEP strategies, and then support you in procuring and contracting across these geographies or thematic areas. Operating across multiple areas could achieve more outcomes and benefits from the investment.
- 7.31. Our prime focus is on supporting you to deliver your skills priorities. However, because skills encompasses elements of all of the thematic objectives and related investment priorities in the *Common Strategic Framework 2014-2020*, our service offer could extend beyond pure skills delivery and include procurement and contract management, for example in relation to employability, or entrepreneurship support for small- to medium-sized enterprises (similar to the Leadership and Management Service).

## **Timing and Nature of Decision**

- 7.32. We will work with you across the full duration of the European Growth Programme to achieve stability for local arrangements. For you to benefit from the service we will provide, we expect to agree full or, as a minimum, half-programme duration agreements (that is, 2014-16).
- 7.33. If you would like to call on this service offer, we would welcome an early indicative opt-in when you submit your draft ESIF Strategy, followed by commitment when your ESIF strategy is agreed with the Government. Following this, we will agree with you the arrangements in readiness for the point at which funds become available to spend.
- 7.34. We hope to discuss with you early in the development phase of your Strategy your skills priorities; how we can help you; and the likely levels of investment we could manage on your behalf. Your commitment to use our service within your strategy will then be binding.

## **ESI Fund Applicant, Procurement and Monitoring**

- 7.35. We will manage the formal application to the Managing Authority for ESF and associated claims and processes.

## **Contact**

- 7.36. We hope that you find our service offer compelling. If you would like any further information, or would like to discuss in principle how your LEP might want to use it, please contact Julie Hobbins, Head of Funding Operational Policy at the Skills Funding Agency on 07957 253084 or email [Julie.hobbins@skillsfundingagency.bis.gov.uk](mailto:Julie.hobbins@skillsfundingagency.bis.gov.uk).

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