

# Advance notice

## Advanced Manufacturing Supply Chain Initiative

Forthcoming competition for funding

**FEBRUARY 2012**

## Advanced Manufacturing Supply Chain Initiative

### **Forthcoming competition for support to improve the global competitiveness of advanced manufacturing supply chains**

Birmingham City Council and the Technology Strategy Board are working together to deliver this important initiative. At the centre of this Initiative is a fund of up to £125 million (from the Government's Regional Growth Fund and Department for Business, Innovation and Skills) which will provide a flexible package of support (grants and loans) to improve the global competitiveness of advanced manufacturing supply chains.

**Timings for registration and submission of applications will be available at [www.innovateuk.org](http://www.innovateuk.org).**

### **Summary**

A fund of up to £125m has been established with the aims of helping existing supply chains grow and achieve world class standards while encouraging major new suppliers to set up and manufacture here.

The initiative is based on an existing bid to the Government's Regional Growth Fund (RGF) led by a consortium of four Local Enterprise Partnerships (LEPs<sup>1</sup>) and Birmingham City Council which focussed on the automotive and aerospace sectors. This initiative is building on the successful RGF bid put forward by this consortium but now has a much wider remit in terms of geographical and sectoral coverage.

The fund will support applications that deliver economic growth. They should be in established advanced or high value manufacturing sectors, or in newer growth areas where the UK is well placed to take a global lead, such as energy renewables and other low carbon sectors. It provides a flexible approach to funding (grants and loans) and is designed to promote closer collaboration within the supply chain and to address market failures. A market failure is where the market, by itself, is not leading to an economically efficient outcome. In practical terms funding will be available to support the following areas, subject to the normal State Aid rules:

- the purchase of capital equipment
- R&D activity which improves manufacturing equipment, systems or processes
- specific training and skills development to support the project.

The initiative aims to support projects which are of a sufficient size to make a significant impact on supply chains, ultimately awarding funding of at least £2 million to successful bidders. Supply chain companies with projects that require funding below the threshold should consider entering a consortium with others who are also seeking support.

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<sup>1</sup> The 4 LEPs are: Black Country, Coventry and Warwickshire, Greater Birmingham and Solihull, and Liverpool City Region

Single company applications and applications below the threshold award value will be eligible for funding (grants or loans) in the automotive or aerospace sectors which are located in the four LEP areas from the existing, successful RGF bid.

Technology Strategy Board will play a key role in the registration and processing of applications and in the coordination of the assessment of applications against the set criteria. The outcome of the assessment process will be presented to an independent Investment Board which will take the final decisions to select successful bidders.

Beneficiaries must be located in England, although we are in discussion with the Devolved Administrations as to whether support for companies based elsewhere within the UK may be available for successful bids, where appropriate.

As a first step, applicants will register on [www.innovateuk.org](http://www.innovateuk.org) and provide basic information about their proposed application. This will enable the applicant to access the application form and guidance notes in stage two of the competition.

## Background

### What do we mean by 'supply chains'?

By supply chains we mean the companies involved in creating a finished product and/or supplying associated services. Those companies assembling or distributing finished products to retail markets are usually at the top of the supply chain and often referred to as 'prime' companies (e.g. OEMs - original equipment manufacturers) or Tier 1 (companies which supply the primes directly). Prime/Tier 1 companies are often involved in the overall design of a product as well as in R&D stages. Within supply chains a range of SMEs and mid-sized businesses make a significant contribution to the finished product and play a crucial role in the effectiveness and success of the production process and quality of the end product.

### What is the aim of the initiative?

The aim of the initiative is to increase the potential growth of the manufacturing sector by addressing market failures. It seeks to deliver this by improving the competitiveness of supply chains to globally competitive levels as well as attracting new manufacturers to be based here. By market failure we mean that the market by itself is not leading to an efficient outcome and government intervention and support can be justified.

It will be primarily industry led, with successful applications demonstrating real ambition to create globally competitive supply chains. We believe that applications from consortia will strengthen the wider benefits within the supply chain and create long lasting relationships well beyond the application itself.

We believe application benefits will be maximised in terms of relevance and sustainability where they have the commitment and support of those near the top of the supply chain. However, we expect that financial support from this initiative would be directed across the supply chain, particularly towards SMEs, where market failures are likely to be greatest.

## **What do I need to do to access this funding?**

Applications will be judged against the following criteria:

### **Vision, innovation and impact**

You will need to demonstrate how your application shows your ambitions to develop a globally competitive supply chain (or supply chains) by proving that it can deliver the following:

- generate a genuine and measurable impact on competitiveness and economic growth preferably at a sectoral level
- make a contribution to innovation and technology development (including low carbon benefits)
- increase the UK manufacturing capacity, capability and efficiency
- provide positive economic and employment impacts (new or safeguarded jobs) that support rebalancing of the economy and overall economic growth
- raise skill levels or close skills gaps.

### **Evidence and business case**

You will need to demonstrate evidence of the market failures within the sector, why Government support is justified and how the application will create additional sustainable private sector growth by proving the following:

- that you need the proposed level and form of Government support and that it would not take place without Government funding
- evidence of the market failures and how it addresses these through enabling investment in:
  - capital equipment and /or
  - R&D and/or
  - training and/or
  - collaboration (e.g. with other suppliers or knowledge base institutions such as universities or Catapult centres)
- impact, in particular the extent to which it will generate new activity within the supply chain (beyond that already expected); how it will create or safeguard employment and avoid displacement (where the jobs and benefits from the project come at a cost to other businesses); and how benefits of greater competitiveness will be delivered and sustained
- how any training activities fit alongside or complement any existing skills funding package or apprenticeship activity already underway in the sector

- ability to lead and deliver a successful conclusion
- value for money for the taxpayer.

### Sectoral leadership

You will need to demonstrate that the application represents a true substantive supply chain intervention by proving the following:

- that those near the top of the supply chain are committed to it
- that a range of SMEs and mid-sized businesses in the supply chain are committed – ideally this should be by formal contractual relationships but it could also be through more informal arrangements as long as it is clear that the commitment is real and evidence is provided of this
- a high level of private investment in the total application
- that it has involved other relevant bodies in developing the application (for example in the case of a training element, the relevant Sector Skills Council).

### State Aids

All applications supported must be compliant with State Aid legislation (under the ‘General Block Exemption Regulations’<sup>2</sup>). The Regulations give more details about geographical coverage, sectoral restrictions and eligibility in terms of type and size of organisations as well as costs. Aid will be limited to:

- regional investment aid (only available in ‘assisted areas’<sup>3</sup>)
- SME investment aid (available in all areas)
- research and development aid (available in all areas)
- training aid (available in all areas).

For specific details, including aid intensity, the incentive effect and eligible costs, you must refer to the relevant part of the Regulations<sup>4</sup>.

Applications for expansion of manufacturing capacity and processes and loans in non-assisted areas at market rates in the automotive and aerospace sectors which are located within the four LEP areas from the existing, successful RGF bid will be eligible for funding, where it is fully compliant with State Aid legislation.

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<sup>2</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:214:0003:0047:en:PDF>

<sup>3</sup> <http://www.bis.gov.uk/policies/economic-development/assisted-areas>

<sup>4</sup> [http://ec.europa.eu/competition/state\\_aid/reform/gber\\_final\\_en.pdf](http://ec.europa.eu/competition/state_aid/reform/gber_final_en.pdf)

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## Application process

### Stage 1

- Once registration is open, you register some basic information about the application at [www.innovateuk.org](http://www.innovateuk.org). If you do not register then the application will not be able to move to stage 2.

### Stage 2

- You submit an application form before the closing date - precise timings will be confirmed shortly
- Applications will be assessed against the criteria
- You may be contacted for more information or for clarification but after the closing date any other additional information you submit will not be taken into account in the assessment process
- You may be asked to make a presentation to an Assessment Panel
- Recommendations will be made to an independent Investment Board who will take the final decisions on those applications that will receive funding.

## What help is available to potential applicants?

Briefing(s) will be held for potential participants and will take place once the application process timetable has been confirmed. Information about the briefing(s) will be available at [www.innovateuk.org](http://www.innovateuk.org) shortly.