

**Invitation to Submit Proposal for Additional Business Link
branded Information, Diagnostic and Brokerage (IDB)
Services and Solutions Funding**

1. Introduction

One NorthEast (ONE) agreed a service specification with Business Link North East Limited (BLNE) for the core Business Link (BL) branded IDB service in August 2006 and the new BL service will commence in April 2007, subject to central government approval. This service will provide a BL-branded IDB service largely for the region's small to medium sized enterprises, alongside a basic start up service, delivered through IDB.

- 1.1 In accordance with clause 2.3 of the AGREEMENT TO AWARD GRANT FOR OPERATION OF BUSINESS LINK SERVICES, hereafter referred to as the '*Agreement*', ONE now requests that BLNE submit a proposal for delivering additional services, as identified in this document and hereafter referred to as the '*additional services*'.

These *additional services* will include:

1. A significantly enhanced Start Up Service
2. Support for established businesses, targeted at businesses predominantly operating in strategic sectors, under-represented groups and communities, and focused on in-depth support
3. Solutions funding to meet the identified business development needs of new and established businesses

ONE has identified £20m pa., comprised of £14.04m Single Programme resource previously delegated to the Sub-Regional Partnerships and the Skills and Higher Education Programme, alongside £5.96m European Regional Development Fund (ERDF) support to fund these *additional services*.

- 1.2 ONE anticipates that there will be further services, required during the lifetime of the BL-branded IDB service, and requests that unit costs (inclusive of all direct and indirect overheads) are provided and agreed by ONE and BLNE, as part of this negotiation round, for the following headings:

1. Provision of Information Services
2. Provision of Primary Diagnostic Support
3. Provision of Account Managed In-Depth Diagnostic Support
4. Administration of public investment in Solutions to a value of:
 - a. up to £2,500
 - b. £2,501 - £10,000
 - c. £10001 and above

- 1.3 It is intended that the *additional services* will be delivered in accordance with a *Supplemental Award Letter*, the business plan and the terms of the *Agreement*. As such, all conditions applicable to the core service, as identified in the *Agreement*, remain applicable to these *additional services*, except where clearly indicated otherwise.

2. Rationale for Investment

ONE, through the Regional Economic Strategy – Leading the Way (RES), and its accompanying Strategic Action Plan for Enterprise and Business Support, has identified a need for additional public investment in Start Up Support, Support for Established Businesses, and Solutions Funding. ONE is seeking to achieve:

2.1 Greater demonstrable economic impact

ONE recognises the importance of the BL brand in ensuring a service is available to all who need help in starting and growing their business. However the Agency also recognises the importance of prioritising scarce resources and are looking to put in place a high-quality service offering, which allows for resources to be targeted at areas of maximum impact. This rationale determines the sector focused and segmentation approaches outlined below.

2.2 Greater efficiency

The new operation must be more efficient in terms of unit costs; back office costs; staffing ratios and customer resource. The new structure will operate at a regional level but will also ensure delivery at the most appropriate level depending on target audience, including access points and co-location.

2.3 Greater consistency

In seeking greater consistency, the aim is to ensure that any differential levels and types of service are based on market failure, impact rationale or the need for evidenced targeted support, rather than sub-regional boundaries. The new service must result in a consistent framework of support across the region, including targeting at sector priorities and specific communities.

2.4 Improve co-ordination, addressing the proliferation of business support

The proliferation of business support initiatives in the North East and consequent confusion amongst business clients has been well documented. The Business Support Simplification Programme, a cross-departmental group established by the Small Business Service in 2005, identifies Business Link branded IDB as a way to reduce fragmentation by ensuring best use is made of existing initiatives, avoiding customised solutions being created to issues that are addressed effectively elsewhere.

The procurement of *additional services* through BLNE will further reduce initiatives and improve co-ordination across the region, building upon the success of the Business Support Network and taking forward the vision for a single, integrated regional service.

There is a compelling body of evidence to support the importance of independent, impartial IDB as a means of driving the economic performance of the region. This is summarised below:

2.5 Market Failure – ‘advice avoidance’

The ‘International Review of Business Support and Brokerage’ (Mole, 2004) identifies that SMEs tend to avoid external advice - faced with a business problem they rely on their own abilities to find a solution. This ‘advice avoidance’ has been attributed to a ‘fortress mentality’; lack of information about where to go for advice; and/or lack of awareness of the benefits that external advice may provide.

The compelling reason for addressing this market failure is identified in ‘Enterprise Britain: A Modern Approach to Meeting the Enterprise Challenge’, HMT/SBS (2002) - those businesses sourcing external professional advice and services grow at a faster rate than those that do not.

2.6 ‘SME Expectations from Business Link Services – how are they met’

(Bennett, 2005) identifies that client expectations and outcomes are key considerations in designing Business Link branded services. The most important aspects of the service are providing advice and information, and referrals and signposting. Grants and subsidies are seen as a key driver for BL market penetration, and Bennett states that without aligned grants and subsidies – as envisaged by these *additional services* – the market leading position of Business Link as a deliverer of business support would be undermined.

Quality services are also expected by SME customers – and outweigh expectations of poor quality by 2:1. This expectation is intended to be met by a high quality overall project – and specifically for these *additional services*, through targeted sector focused, credible business support.

2.7 The North East position - the ‘Enterprise Surge’

The RES identifies that the region’s foremost challenge is that our business base relative to population is lower than the national average, primarily due to the low rate of business formation. This low base impacts on the region’s ability to compete effectively on the national and global stage and requires sustained intervention to encourage sustainable new business starts and start up support during the first years of trading.

SBS statistics provide further evidence of the size of this challenge:

The North East’s business survival rate after 1 year, and after 3 years, is at or above the national average (UK Survival Rate Figures, 1994-2003, SBS 2006). Yet, for every 10,000 adults, the North East generates 21 new VAT registered businesses, against an England and Wales average of 39. This situation is mirrored in deprived communities, where the North East generates 19 new VAT registered businesses, against an England and Wales average of 37

(Business Start Up and Closures: VAT Registrations and De-Registrations 1994-2004, SBS). Set against a backdrop of a start-of-year business stock of 45,810 in 2005 - 2.8% of the England and Wales total – there is an acute need to start more new businesses in the region, and provide targeted support for deprived communities.

The RES clearly identifies that concerted effort is needed to address this issue and the *additional services* identified herein address this need, through providing a targeted start-up service delivered as an integral part of the Business Link offer in the region. In order to ensure sustainable start up, the *additional services* will also fund solutions for individuals starting new businesses.

- 2.8 The North East position – the ‘Productivity Challenge’
Productivity levels in existing North East businesses are below the UK average across most sectors in part as a result of the number of ‘lower value’ businesses in the region.

The North East is experiencing increased opportunities within a growing global economy. However, the region’s businesses are also vulnerable to increased competition, particularly at the low end of the value chain. The growth in globalisation means that responsiveness to, and application of, new knowledge is crucial to the prosperity of the North East.

The rationale for Single Programme investment in strategically significant sectors has been articulated in the Multi-Sector Qualitative Analysis undertaken as part of RES development. This evidence – described in Tables 2.10 and 2.11 below - suggests that the nine sectors identified are significant now – because of GVA contribution measured in terms of productivity and employment, and will remain so in the medium term.

Table 2.9 - Number of employees in strategically significant sectors

	GB	NE	Durham	N/land	TV	T&W
Chemicals and Pharmaceuticals	199,796	12,953	2,244	2,040	5,439	3,231
Automotive	324,600	16,020	3,883	235	2,812	9,089
Defence and Marine	252,439	7,445	1,504	241	2,456	3,243
Food and Drink	419,574	15,443	3,862	1,528	4,503	5,551
Energy	99,865	6,339	723	367	1,813	3,437
KIBS	5,193,454	152,400	19,911	9,247	40,064	83,177
Tourism and Hospitality	1,774,989	63,484	9,646	9,907	15,719	28,212
Commercial Creative	1,846,444	52,617	6,261	4,490	15,106	26,761
Health and Social Care	3,058,173	134,628	17,302	14,608	38,461	64,259
Total of 9 sectors	13,169,334	461,329	65,336	42,663	126,373	226,960
All employees	26,024,705	1,005,689	161,024	99,362	262,783	479,991

Table 2.10 - NE GVA and productivity in strategically significant sectors

	NE GVA (£m)	NE GVA per emp (£)	GB	NE	Durham	N/land	TV	TW
Chemicals and Pharmaceuticals	1,052	81,000	0.8	1.3	1.4	2.1	2.1	0.7
Automotive	820	51,000	1.2	1.6	2.4	0.2	1.1	1.9
Defence and Marine	Na	Na	1.0	0.7	0.9	0.2	0.9	0.7
Food and Drink	829	54,000	1.6	1.5	2.4	1.5	1.7	1.2
Energy	859	136,000	0.4	0.6	0.4	0.4	0.7	0.7
KIBS	6,877	45,000	20.0	15.2	12.4	9.3	15.2	17.3
Tourism and Hospitality	1,100	17,000	6.8	6.3	6.0	10.0	6.0	5.9
Commercial Creative	Na	Na	7.1	5.2	3.9	4.5	5.7	5.6
Health and Social Care	3,018	22,000	11.8	13.4	10.7	14.7	14.6	13.4
Total of 7 sectors	14,555	36,000	-	-	-	-	-	-
Total of 9 sectors	Na	Na	50.6	45.9	40.6	42.9	48.1	47.3
All employees	32,518	32,000	100	100	100	100	100	100

Source: ONS, ABI 2004. GVA data is from 2003. Yellow shading highlights NE figures. Brown shading indicates sub-region with above regional average proportion of employment in that sector. GVA per employee is an indicator of the productivity of that sector (e.g. Energy is most productive sector).

2.11 The Case for Social Enterprise Support

A strong vibrant social enterprise sector can make a major contribution to meeting regional challenges through helping increase the levels of business stock, providing access to employment, improving skill levels and increasing aspiration and motivation, particularly in the most deprived communities.

Government policy initiatives are providing real opportunities for sector growth, particularly where community services are reoriented closer to communities, with delivery by organisations that better understand the needs of local communities. ONE requests that awareness training on social enterprise issues is provided for all customer facing staff and named contacts for social enterprise within BLNE.

2.12 Summary

The *additional services* envisaged in this document will provide vital support to ensure that North East companies can benefit from and respond to market development in these sectors through in-depth diagnostic and brokerage support to existing businesses and start-up businesses to enable them to access new markets, develop new products and access finance and public investment to develop their businesses.

This support must be delivered through the provision of credible, sector focused generalist account managers, as detailed below.

3. Service Specification – Start Up Service

- 3.1 It is the intention of ONE that all account managers and relationship managers have the credibility and ability to work with businesses and individuals at all lifecycle stages and accurately diagnose business and individual development needs.
- 3.2 In addition to the core BL service, ONE requires a significantly enhanced and tiered pre start and start up service, available to all according to need and return on investment. As part of this approach, ONE requires the provision of one-to-many support for all considering establishing a business, and tailored account managed in-depth diagnostics for those individuals likely to establish businesses that will generate more significant returns for the region.
- 3.3 ONE requires BLNE to demonstrate how it will deliver pre-start and start up services in the North East, in order to address the needs of the region articulated above. This should include full details and associated costs of:
 - a. Service proposition and customer journeys for individuals accessing information services, primary diagnostic support and account managed in-depth diagnostic support.
 - b. One-to-many services that will be available at 100% subsidy.
 - c. Envisaged one-to-one services that will be made available at variable subsidy up to a maximum of 100%, funded through solutions funding (see Section 6 below).

4. Service Specification - Targeted support

- 4.1 It is the intention of ONE that all account managers and relationship managers have the credibility and ability to work with businesses and individuals at all lifecycle stages and accurately diagnose business and individual development needs.
- 4.2 In addition to the core BL service, ONE requires a proactive targeted start up and IDB service for all businesses demonstrating greater likely return on investment, and in particular businesses operating within the following strategic sectors:

Automotive,
Chemicals and Pharmaceuticals,
Commercial Creative,
Defence and Marine,
Energy,
Food and Drink,
Health and Social Care,
Knowledge Intensive Business Services,
Tourism and Hospitality.
- 4.3 It is envisaged that this support will be provided by appointing sector focused generalist account managers who will bring credible experience of working within their sector, and will maintain sector

knowledge through regular liaison with sector representative bodies and ONE's sector team, SSCs and day-to-day business contact.

- 4.4 This resource will be dynamic and responsive to business need, and will deliver account managed in-depth diagnostic and brokerage support to existing businesses demonstrating greater likely return on investment. Subject to regular evaluation through the delivery planning process, ONE will expect service composition to be revised to take account of market dynamics.
- 4.5 Sector definitions are provided at Section 11.
- 4.6 ONE requires BLNE to demonstrate how it will deliver targeted support in the North East, in order to address the needs of the region articulated above. This should include full details and associated costs of:
 - a. Service proposition and customer journeys for businesses accessing information services, primary diagnostic support and account managed in-depth diagnostic support.
 - b. Methodology for identifying appropriate sector focused generalist account managers and outcome of approach, including review cycle.
 - c. Methodology for identifying appropriate locations for all customer facing staff and outcome of approach, including review cycle.

5. Addressing specific regional and local need

5.1 Higher Level Skills Support

In recognition of the skills challenges outlined in the RES to ensure the North East can compete successfully in a global market, ONE requires a targeted approach to address higher level workforce skills needs to complement LSC-funded Skills Broker capacity, and the separately-funded Northern Way Business and Skills Brokerage pilot activity.

This support, delivered via a holistic business and skills in-depth diagnostic process (fully aligned to Northern Way pilot activity identified above) should encompass all business and skills needs and form part of the integrated approach to business support – including skills support – in the North East. However, the key driver for Agency investment in skills brokerage capacity is to drive demand for higher level skills (as defined as NVQ Level 4 or equivalent skills needs).

An effective mechanism for identifying and targeting those businesses that would benefit from this holistic approach requires development by BLNE.

- 5.2 In addition to the above targeted approach, ONE requires the following regional and local needs to be addressed through a

comprehensive CPD, awareness raising and segmentation approach:

1. Land-based industries - ONE acknowledges the perceived market inefficiency of mainstream business support in dealing with land-based businesses, informed by the recently concluded mainstreaming rural business support scoping study and requires awareness raising to improve the credibility of the service for businesses in this sector. ONE requires BLNE to demonstrate how it will respond to the challenges of engaging with land-based businesses.
2. Businesses and individuals in rural areas – ONE acknowledges the potential barriers to business development in rural areas, and requires all customer facing staff to have an appropriate understanding of business operation and start up in rural areas.
3. Businesses requiring ICT development – ONE acknowledges the key role of ICT in business development, and requires all customer facing staff to have a credible understanding of the impact of ICT on business operation and start up. ONE requires BLNE to provide independent expertise and support to enable businesses to access specialist consultancy support to diagnose ICT needs (accessed via solutions funding) (see Section 6), where appropriate and demonstrate how it will embed and maintain ICT awareness among all customer facing staff.
4. Areas with lower quartile business creation – ONE acknowledges the significant challenges in raising the business creation rate across the region, and specifically in areas with
5. The needs of all customer groups, specifically women entrepreneurs, BME entrepreneurs, young entrepreneurs, disabled entrepreneurs.

Planning should assume around £7m pa. to deliver an enhanced start up service, targeted business support for established businesses, and targeted support to address specific regional and local need. Planning assumptions of £3m to fund pre-start and start up capacity pa., and £4m to fund targeted business support for established businesses have been used.

- 5.3 ONE requires BLNE to demonstrate how it will address specific regional and local need in the North East. This should include full details and associated costs of:
 - a. Service proposition and customer journeys for higher level skills support, and alignment with the Northern Way pilot activity.
 - b. Approach to CPD, awareness raising and segmentation for land-based businesses, businesses and individuals in rural areas, businesses requiring ICT development, areas with lower quartile business creation and the needs of all customer groups.
- 5.4 For information and future action, ONE is committed to continuous service improvement, and plans to invest in demonstration project activity, rural proofing, rollout of the Rural Estates Framework in future years. To facilitate this, ONE will require BLNE involvement in the design and implementation of additional services.

6. Solutions funding – the investment bureau approach

6.1 ONE anticipates that the investment framework for solutions funding will be responsive to market demand and market dynamics, and will enable evidence-based, non-bureaucratic decision-making. It is anticipated that this will enable lean back office administration, generating significant savings that can be invested in service delivery.

6.2 ONE has identified a number of 'investment principles' that should underpin solutions funding – through the investment bureau approach - for the business development needs of businesses in the region, attached as Annex 1. However, ONE does not wish to be prescriptive in its approach and requires BLNE to consider and review the principles and guidelines.

6.3 The following investment guidelines should be used to determine investment levels:

Start Up Investment (c. £3.75m pa.)

- c. 3900 interventions pa.
- Minimum public investment of 50%
- Maximum public investment of 100%

Established Businesses Investment (c. £8m pa.)

- c. 2100 interventions pa.
- Minimum public investment of 20%
- Maximum public investment of 50% (except where funding specialist consultancy to diagnose ICT need, where a maximum investment of 100% is applicable)

Skills Solutions Investment (c. £1.25m pa.)

- c. 700 interventions pa.
- Investment will be only available for skills development needs at NVQ Level 4 or equivalent, or above, including Leadership and Management – linked to a business development objective
- Minimum public investment of 20%
- Maximum public investment of 50%

6.4 ONE requires BLNE to demonstrate its service proposition and customer journeys for businesses and individuals accessing solutions funding taking into account good practice in the region and elsewhere. This should include:

1. demonstration of administration interface with businesses
2. demonstration of how businesses will receive information on potential service providers
3. development of automated application procedures
4. development of panel procedures for higher value investments
5. development of a process to establish recipients readiness for investment i.e. a skills assessment

6. a sliding scale for investment within an appropriate number of investment bands
 7. an appeals procedure to allow for a transparent and fair process for all
 8. evidence of efficiency over the current approaches, and proposals for ensuring continued efficiencies over time
 9. proposals for investing efficiency savings into service delivery
- 6.5 Solutions funding must be managed and defrayed within each financial year. ONE requires BLNE to demonstrate effective mechanisms for managing demand and de-commitment to ensure solutions funding is defrayed, and to adopt longer term approaches to demand management, commitment and de-commitment to avoid gaps in the availability of funding.

Planning should assume around £13m pa., inclusive of administration costs to deliver solutions funding to businesses. A minimum private sector contribution of around £10.4m has been assumed, and ONE requires private sector contributions to be maximised.

7. Reporting requirements

- 7.1 ONE requires BLNE to report activity delivered and funded by the *Supplemental Award Letter*, and any subsequent award letters, separately from the core BL service. However, all reporting provisions of the *Agreement* remain applicable except where clearly indicated otherwise. This methodology will be the same for any further supplemental award letters BLNE may receive.

8. Key Deliverables

- 8.1 ONE requires, as a minimum, the following Key Performance Indicators to be delivered via this funding for additional services:

KPI	2007/8	2008/9	2009/10	2010/11	2011/12
Existing Business Penetration	15,128	15,128	15,128	15,128	15,128
Pre-Start Customer Penetration	10,327	10,430	10,534	10,639	10,745
Overall Satisfaction	90%				
Very Satisfied	60%				
Propensity to Use Again	90%				
Propensity to	90%				

Recommend					
NTF 1 - Jobs created	4,300	4,343	4,386	4,430	4,475
NTF2 - Employment support	208	210	212	214	216
*NTF3 (i) Business creation	3,393	3,426	3,461	3,495	3,530
NTF3 (iii) - Businesses created and surviving 12 months	2,829	2,857	2,885	2,914	2,943
NTF3 (iv) - Businesses Created and Surviving 24 months	2,263	2,285	2,308	2,331	2,354
NTF 4 - businesses supported (Primary Diagnostics Undertaken)	10,000	10,100	10,201	10,303	10,406
*Account Managed In-Depth Diagnostics Undertaken (of those NTF4 above)	6,082	6,143	6,204	6,266	6,329
Business Skills Diagnostics Undertaken (of those NTF4 above)	1000	1010	1020	1030	1041
NTF5 - Leverage (£m)	10.4	10.4	10.4	10.4	10.4
NTF 6 - Skills	1,823	1,841	1,859	1,878	1,897
NVQ4 or equivalent Higher Level Skills (of those NTF6 above)	700	707	714	721	728
Change in Gross Value Added	11%	13%	15%	18%	20%

**ERDF
Enterprise
Outputs –
Measure 1.1**

Core only

**30/9/08
practical
completion**

Number of new SMEs assisted (04)	1866	1134			
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No of O4 new SMEs receiving assistance valued between £800 and £2000 (min 2 days) (O4.1)	708	417			
No of O4 new SMEs receiving assistance valued at over £2000 (min 5 days) (O4.2)	1158	717			
No. of new SMEs given advice/ information valued at less than £800 (less than 2 days) (O6)	2833	1667			
No of O4 led by female managers (RO1)	733	467			
Gross new turnover in SMEs (£m) (R1)	16.1	12.22			
Gross new jobs created in SMEs (R3)	433	267			
Number of all SMEs implementing the outcome in assistance (RR1)	1466	934			

**ERDF
established
Business
Outputs –
Measure 2.1**

Core only

**30/9/08
practical
completion**

Number of SMEs assisted (O1)	800	600			
No of O1 SMEs receiving assistance valued between £2000 and £4000 (min 5 days) (O1.1)	120	80			
No of O1 SMEs receiving assistance valued between £4000 and £10000 (minimum of 10 days) (O1.2)	680	520			
Number of SMEs given advice / information (O3)	1800	1200			

Gross new turnover in SMEs (£m) (R1)	31	22.2			
Gross new Jobs created in SMEs (R3)	516	434			
Number of all SMEs implementing the outcome of assistance (RR1)	640	480			

Net impact factors have been applied to the required output and outcome performance for the *additional services* and are provided for information at Section 11 (excluding ERDF outputs).

8.2 ONE confirms that the clawback mechanism identified in the *Agreement* will apply to this *Supplemental Award*. For clarity, underperformance in delivery of the core service will however be subject to a separate clawback arrangement to performance in delivery of *additional services*.

8.3 ONE confirms that it will seek to recover full costs of any clawback associated with ERDF funding if this is as a result of the default of the operator. In this event, Single Programme will not be made available to displace ERDF clawback.

9. Evaluation and Surveying

9.1 ONE intends to retain £150,000 per annum from the total annual Single Programme and ERDF funding agreement to fund service evaluation, satisfaction, attitudes and perceptions surveys.

10. Duration and Reserves

10.1 In accordance with the *Agreement*, BLNE will provide the *Additional Services* from 1 April 2007 for five years. However, ONE may terminate the *Agreement* on either the 2nd, 3rd or 4th anniversary of the start date by giving at least 12 months written notice to BLNE.

Specifically, this provision is included at the request of central government, and will ensure that ONE can respond to emerging policy developments.

10.2 Notwithstanding this, ONE reserves the right to terminate the *Agreement* outside of the provision identified above, should performance be unsatisfactory for a sustained period, and in accordance with the clawback provisions identified in Schedule 2 of the *Agreement*, as amended by the *Supplemental Award Letter*.

10.3 ONE anticipates and requires that BLNE accrue surpluses for the sole purpose of building reserves to fund closure of the *additional*

services, including, but not limited to, pensions, redundancies and all other contingent liabilities, should public funding for the *additional services*, or BL-branded IDB or solutions funding cease in future.

- 10.4 ONE requires that the full cost of closure, taking into account all contingent liabilities, and subject to legal and actuarial review at BLNE's expense, must be accrued by the end of financial year 2009/10.
- 10.5 Funding is contingent upon central government approval and no guarantees can be made for funding beyond financial year 2008/9.
- 10.6 ONE requires that BLNE provide proposals to address closure costs and contingent liabilities. ONE can confirm that surpluses must be justified on a monthly basis, and reconciled at the end of each financial year.

11. Key Terms and Definitions

11.1 NTF Outputs

The NTF outputs are in accordance with the definitions laid out in the Tasking Framework core outputs technical note (produced in March 2006 and attached.) Additional guidance has been sought to clarify the operational boundaries of NTF3 and NTF4.

NTF3 represents the number of new businesses created and surviving after 12 months with assistance from this project. It has been confirmed that it will be acceptable for a business assisted within its first year of trading and surviving until it is 12 months old to be counted towards this output. To enable the effectiveness of the business start up model in BLNE to be fully evaluated One NorthEast require BLNE to examine and report against NTF3 as detailed above but **also** provide supplementary evidence of numbers of businesses taken from pre-start enquiries to trading.

NTF4 delivery by Business Links is subject to supplementary OFFPAT guidance as a result of discussions at OPG on the 5th October 2006. It has been agreed that the IDB model may well result in a variety of different support interventions that are legitimate separate NTF4 achievements over the lifetime of the project subject to the 2 hours of consultancy time / £250 financial assistance criteria being met. The examples provided by OPG for assistance in interpretation of this matter are:-

'The following is a possible example of the outcome of this more integrated approach to benefit the needs of the client. Business "A" contacts the gateway and after a discussion is referred to

(1) a business adviser which will entail the adviser carrying out a diagnostic and developing an action plan which in turn identifies a number of actions that could benefit the company

(2) attendance of a one day R2i seminar or suite of seminars (to help them with their finances) ,

(3) a specialist manufacturing adviser to discuss the development of a new product line which results in the client getting a consultancy grant

(4) also the manufacturing adviser advises the client to attend one of the manufacturing best practise workshops.'

The above example would result in four separate counts of assistance within the NTF4 definition. To assist with the monitoring of the overall service One NorthEast **also** require BLNE to report the unique businesses supported within the reporting framework.

When responding to this request for information both of these NTF iterations need to be taken into account and factored into your submission.

11.2 ERDF Outputs

The ERDF outputs as stated at section 8.1 are minimum gross delivery requirements for the additional funding allocation deliverable in core area, subject to final funding approval. For clarity the application for ERDF has been made under measures 1.1 and 2.1 of the current Objective 2 programme. As part of the ongoing appraisal confirmation has been received that the operational cut off between measure 1.1 and 2.1 will be businesses that are 12 months old. Please find attached at Annex 2 the established core and transitional map of the north east region.

Please also note that a further SLA will be released detailing the appropriate MI schedule between BLNE and One NorthEast in support of the ERDF funding supporting this project. The cost methodology utilised within this SLA is being negotiated with GONE at this time.

11.3 Net Factors Associated with the Service

For information the table below details the net adjustment factors as applied by One NorthEast. These net factors are based on SQW data which underpins the Regional Economic Strategy and overall Single Programme net impact calculations.

Summary guide to adjustment factors				
Outputs	Additional outputs	Non-displacing outputs	Combined multiplier	Total net/gross ratio
Business development and competitiveness				
Businesses assisted (information)	0.65	0.88	1	0.57
Business creation/attraction	0.65	0.90	1	0.59
Jobs created/safeguarded	0.64	0.64	1.42	0.59
Business development and competitiveness assistance	0.65	0.67	1.41	0.61
Assistance with skills development (training & learning)	0.58	0.90	1	0.52

11.4 Key customer segments

Pre-start penetration – a meaningful intervention with a person or group of people considering starting a business

Start Up – a business which has been trading for less than 1 year.

Existing Business Penetration – a meaningful intervention with a business that is trading.

11.5 Sector Definitions

Food and Drink - Defined as SIC 15.1, 15.2, 15.3, 15.5, 15.8 & 15.9.

Chemicals and Pharmaceuticals - Defined as SIC 24.

Defence and Marine - Final definition still under consideration.

Modelled using data on the defence sector based on previous NDI and agency commissioned research carried out by Woodholmes: KSA, augmented by data provided by 'sector experts'.

Automotive - Defined as SIC 34.

Energy - Defined as SIC 11, 23.2, 40.1 and 40.2.

Tourism and Hospitality - Final definition still under consideration.

Modelling using 'visitor economy' data provided by the tourism team, largely derived from ONS datasets.

Knowledge Intensive Business Services - Final definition still under consideration. This sector is largely perceived as a passively driven derived demand, expanding and contracting in line with economy wide activity levels.

Health and Social Care - Defined as SIC 85.1 & 85.3.

Commercial Creative - Final definition still under consideration.

Modelled as SIC 21 & 22 (Manufacture of pulp, paper and paper products; publishing and printing, DE), SIC 92 Recreational, cultural and sporting activities.

12. Format of Response

12.1 ONE requires detailed methodology for delivering the specification identified herein. This must include:

1. Detailed income and expenditure analysis for the period 2007/8 – 2011/12, including proposals to address closure costs and contingent liabilities as outlined in section 10.6.
2. An overall operational plan for delivering these *additional* services, encompassing service proposition, customer journeys, approaches to CPD, awareness raising and segmentation.
3. Specific method statements to address service specifications as outlined at sections 3.3, 4.6, 5.3 and 6.4, including options analysis where appropriate.
4. Detailed delivery information for 2007/8, in the delivery plan format provided as Annex 4. Key delivery themes will be provided at a later date and are thus excluded from this request for submissions. All other information detailed within the delivery plan as attached needs to be completed.
5. Unit costs and underlying rationale as identified in section 1.2.
6. Confirmation, or suggested revision if appropriate, of Key Performance Indicators outlined in section 8.1.

13. Next Steps

- 13.1 ONE requests submission of BLNE's proposal within 21 business days of this request, and in any event by no later than 5pm on 24th January 2007.
- 13.2 Representatives of ONE will be available for comment or clarification at regular points from today to 24th January 2007, as identified below:
- 8 January 2007
15 January 2007
22 January 2007
- 13.3 ONE will assess the submission and provide initial feedback by no later than 7th February 2007. Formal negotiations are expected to conclude shortly thereafter, and a *Supplemental Award Letter* issued, subject to central government approval, and all other conditions identified above and in the original *Agreement*.

Annex 1 – Draft Solutions funding principles

Increased GVA performance and increased employment are key drivers for the RES. In order to stimulate improved GVA and employment performance, and in the context of a portfolio of public and private sector support, it is intended that solutions funding will be available to businesses (and non-monetary support to individuals), within the following investment framework:

2. Only small to medium sized enterprises (SMEs) (including third sector organisations) will be supported, using the European definition based on group turnover and group employee figures. This will form the **key pre determinant for public investment**.
3. Investment, where offered, will be under 'De Minimus' State Aid rules, requiring disclosure of previous public sector investment by businesses.
4. Investment will only be offered to businesses - that is, where registered as self-employed, a partnership or undertaking.
5. Non-monetary support will be offered to individuals wishing to set up in business.
6. Public investment must result in impact on the region's economy – investment will be made on economic grounds.
7. Social impact will be encouraged through targeted support for under-represented groups, eg. Marketing, awareness raising, specific support mechanisms –where appropriate.
8. Start up businesses will follow this model, although investment levels are likely to be higher.
9. The input and output criteria will also be used to determine levels of IDB service intensity, including additional measures to identify foreign-owned businesses, sub-regionally or locally significant businesses.

It is proposed that the following impact criteria should be used to determine investment decisions:

Input Criteria

- Operation within regionally significant sector
- Type of business (eg. Head Office, Subsidiary, Branch Office, Sole Trader)
- Past 2 year sales growth (for established businesses)
- Future 2 years sales growth (for start ups and established businesses)
- Employees in region
- Turnover in region
- Profit in region

Output Criteria (based on aggregate SIC code data)

- Type 1 Multiplier ('embeddedness' in region)
- Input criteria 3-7 above, relative to mean cohort average

It is proposed that SME definition will form the pre-determinant for public investment. Should further, specific funding streams be identified in

future, and funded separately to these *additional* services, additional pre-determinants - eg. Hard-to-reach, specific sector/customer segment – will be applied prior to the impact criteria, producing a potential menu of support based on eligibility.

A standard application procedure will be required for all public investments of less than £10,000 (subject to discussion). However, a panel application procedure must apply for all public investments of £10,000 or more (subject to discussion).

North East of England Objective 2 Programme 2000 - 2006



Annex 3 – Tasking Framework Core Outputs – document attached

Annex 4 – Delivery Plan Framework – document attached