

Supplier Adoption and Economic Development (Strand 5)

KEY QUESTION 5:

How can I bring in other sources of funding to help with my Supplier Adoption agenda?

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KEY QUESTION 5: How can I bring in other sources of funding to help with my Supplier Adoption agenda?

Summary

This paper provides advice and tips on bidding for funds to help with your supplier adoption agenda, from:

- European Funds
- European Social Fund Co-Financing
- Regional Development Agencies
- DTI (UK online for business)
- Business Links
- Learning and Skills Councils
- ODPM Direct Funds

Introduction

Local authorities are resource-limited. Even a straightforward action like mailing all the business ratepayers in the area requires funds. More ambitious projects such as working proactively with suppliers on a one-to-one basis will require significant funding. Most councils who have attempted such projects have only been able to do so by partnering with other organisations who can reach external funds.

A significant amount of taxpayers' money is being invested by government in educating and informing small businesses about a range of subjects from broadband to health and safety. The need to prepare companies for public sector e-procurement fits well within this agenda. An authority needing resources to help recruit and engage its local suppliers to trade online may find becoming a partner in collaborative projects with external government-funded organisations could provide access to substantial funding sources.

Where does the money come from?

There are many organisations that dedicate resources to business education – for example the Regional Development Agencies, the Learning and Skills Councils and the Business Links. Ultimately however all such agencies have only two sources of external funds – Central Government and the European Union. Central Government funds can be granted directly, but more often they are distributed via programmes administered by intermediate bodies. European funds are normally allocated directly via 'bidding rounds', but sometimes an intermediate agency obtain European funds for a large initiative which is then broken down into smaller projects for local bidding.

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European Funds

There are two streams of European funds relevant to supplier adoption

- ERDF European Regional Development Funds which are targeted at regenerating deprived areas. If an authority is in an area categorised as 'Objective 1' or 'Objective 2' for special targeting, then ERDF Funds are available
- ESF European Social Funds which are focused on employment and skills.

Both of these funding streams have been used to give financial support towards the running costs of projects helping businesses with training and awareness of e-procurement. The larger regional organisations can reach these funds directly, but for most local authorities the key will be partnership – research the area and choose one or more partners who will put in a joint bid with you.

Some tips if you want to develop a partnership project:

- Look for partners with parallel goals – ie they probably need to work in field of business development. Prime candidates are a University or Technical College, Chamber of Commerce, Business Link, **learnirect** or private training organisation – see KEY QUESTION 6 for more on these organisations.
- As the ERDF and ESF are only a grant towards the proportion of the costs (typically 45%) at least one partner need to bring in other funds
- Look for partners with expertise in bidding for and running projects of this nature and handling claims. Both bid-writing and claim-handling are specialist fields.
- Develop a plan of work which will fulfil everyone's goals and meets the bid criteria. The wider the partnership the more likelihood of a successful bid, but the more difficult it will be to run the project.

If it is decided to target European Funds be aware that this is a long-term strategy – typically six months or a year to get the project going. The claim procedure is also bureaucratic and long-winded; it may result in significant delays in cash flow. You will need a project which fulfils some social agenda apart from e-procurement – eg encouraging businesses from a deprived area, encouraging recycling businesses or social enterprises.

Despite these constraints, authorities have been successful in obtaining and using European Funds.

In Haringey the Trade Local project “seeks to break down barriers between the public sector and local small and medium-sized enterprises, encouraging best value in procurement, and local trade and regeneration”. The funding partners are Haringey Council, Enfield Council, Middlesex University and 'Fit to Supply', which is a London-wide initiative to help ethnic minority businesses prepare to do business with larger buyers.

For a full case study, go to the **Resources – Supplier Adoption** page on this site.

The Supplier Development Programme specification is available from Haringey Council. This was used when they went out to tender to find a private trainer and gives an idea of suitable syllabus.

For more information:

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European Social Fund Co-Financing

In many cases ESF is distributed through the measures of other regional bodies – Regional Development Agencies, Learning and Skills Councils etc. In these cases the grant is typically matched by regional funds, so the e-procurement project will be eligible for 100% funding. To bid for funds it is necessary to go through an 'ESF Co-financing bidding round' which are regularly advertised, but at different times in different regions. The timescale is shorter than for the direct ESF and ERDF applications, but the claims are run by ESF rules, so an authority needs to allocate the (considerable) resources to filling in forms, photocopying documents and generally doing the administrative overhead.

The first step will be to scan the project specifications being proposed in the area and seek help with the authority's agenda by contributing to someone else's agenda. It is unlikely that there will be an activity specifically on e-procurement. Look for a lead partner in any supplier-development project, and partner with them on the understanding that one of their work strands will be specifically helping local authority suppliers with e-procurement.

Regional Development Agencies

RDAs funnel down funds both from Central Government (via DTI, DEFRA, ODPM etc) and from Europe. At this level funds are allocated when they under strategic headings, rather than to local projects. The most relevant current themes are:

- Enabling broadband and e-business generally
- Supply chain development.

Your supplier engagement project could fit under either umbrella. Councils throughout the country have found it possible to tap into RDA funds by thinking regionally and seeking partnerships with Business Links, Learning and Skills Councils, and any other organisation with an agenda that includes business development.

(Regional Collaboration models are explored in **KEY QUESTION 6**.)

DTI (UK online for business)

The DTI (Department for Trade and Industry) has been marketing the push to help businesses get online through their 'UK online for business' brand. This has provided an informative web site and many booklets and videos encouraging the use of internet technology. Some of the larger regional events have received direct sponsorship from UK online for business, but it is not usually a source of direct funds for local authority projects.

The UK online for business brand is to be dropped from April 2004 and DTI is absorbing the promotion of e-business into the main department, as it considers that "the internet is now not a niche activity but mainstream". It is not yet clear what will happen to the material on the UK online for business website at <http://www.ukonlineforbusiness.gov.uk> which currently includes advice and information for SMEs and their advisers about e-procurement.

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Business Links

Business Links are funded by the Small Business Service and are the main local delivery channel for providing advice to small businesses. Business Links vary in organisation, structure, nomenclature and focus depending on where they are in the country. Their performance is measured in terms of 'outputs' – e.g. businesses contacted, advised, assisted, trained etc. So although they would not directly fund an authority's project with cash grants they would be able to collaborate in running events and programmes in any way which increased their output count. There is a major push at the moment to increase Business Links' 'market penetration' which means that the focus is on contacting a large number of businesses, rather than giving intensive one-to-one support.

A strong partnership with your local Business Link will help you recruit suppliers. Business Link advisers will also help by participating in events and providing speakers. In some parts of the country they also have strong links with RDAs and other regional players and have formed powerful regional collaborations (See KEY QUESTION 6). However they should not be seen as a source of manpower for giving practical training and advice to individual businesses. This will ultimately be supplied by training agencies or enterprises and these will need to receive payment from the authority itself.

Learning and Skills Councils

The Learning and Skills Council is responsible for funding and planning in the field of adult education – and this includes learning within small businesses. The LSCs annual budget is 2 billion pounds. The Regional LSC Councils do not fund businesses directly, but do fund local training providers for specific projects. It is possible to bid for either LSC discretionary funds or for LSC Co-financing projects (see above). The LSC was a source of funds for the IT@Work project in Bristol described in the document 'SME engagement and Bristol' on our website.

learndirect

learndirect is a network of online learning and information services. It is a government-sponsored initiative in flexible learning and was developed by Ufi (University for Industry), working in partnership with the government to deliver workforce development and lifelong learning. **learndirect** offers a wide range of courses that are relevant to SMEs that need to improve their skills in order to participate effectively in e-procurement; many of these courses can be undertaken online, in the workplace. **learndirect** is closely involved in the Bristol Kick-Start programme. www.learndirect.co.uk

ODPM Direct Funds

Periodically the ODPM makes funds available for specific initiatives that local authorities may use for specific purposes. These can be found at: www.odpm.gov.uk. Recent examples of these have included:

- E-gov@local funding; for specific e-government initiatives. This three year funded programme has evolved from the original Pathfinder authorities in 2002/3, into National Projects in 2003/4
- Invest To Save monies; where authorities are requested to submit proposals to develop local or regional initiatives with the medium term aim of securing benefits for partner organisations
- Partnership Funding; for local/regional partnerships to be developed within criteria set by the department



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ODPM Funding is usually made available subject to local authorities agreeing to participate within specified parameters. Funding is for fixed periods (usually 1 year only) and requires authority staff to prepare proposals, backed by authority senior management, to carry out tasks to agreed timescales and with specific goals and targets in mind. Funding can be time intensive for authority officers to bid for and is usually only for specific aims agreed by the ODPM in advance.

Examples of ODPM funding include Essex Council and Harrow Council which have LPSA funded projects to e-enable their local SMEs. This funding is released on the achievement of agreed targets and is constrained to capital spend.