

Annex A – LEP Specific Information and Assessment

LEP Area	Worcestershire LEP
Project Name	Midlands Engine Export Grant Scheme

	More Developed	Transition	Total
Total Spend	£300,000.00		£300,000.00
ERDF	£150,000.00		£150,000.00

Output	More Developed	Transition	Total
ER/C/O/01 Number of enterprises receiving support,	28		28
ER/C/O/02 Number of enterprises receiving grants,	28		28
ER/C/O/06 Private investment matching public support to enterprises (grants),	£148,064.00		£148,064.00
ER/C/O/08 Employment increase in supported enterprises	6		6

5.0 Strategic Fit (Additional)

Response from applicant contained in LEP specific annex

The Department for International Trade

Established in June 2016 the Department for International Trade (DIT) is responsible for accelerating trade growth, the provision of export finance and insurance, creating new trading relationships worldwide, trade policy, inward investment and the global promotion of the UK.

DIT employs 3700 and has an extensive international trade network, with 174 overseas teams in 108 countries employing 1300 staff. There are 13 DIT sector teams (covering sectors ranging from advanced manufacturing to life sciences).

Last year DIT assisted 22,000 exporters and supported 9,000 firms to win £41bn of export deals, 250 International Trade Advisers worked directly with companies to aid their export success and sector teams managed more than 200 high-value export campaigns.

A Fresh Approach

Assisted by the Midlands Engine - Export Grant Scheme, the Government's new export strategy (to be published in May) will propose an entirely fresh approach to incentivising businesses to invest in exporting. At the same time, it will catalyse private sector support to achieve greater economic impact for the public investment.

The fresh approach to export support will be built around a new bespoke service and more intensive support primarily targeting larger SMEs, Scale Ups and other SMEs with high export growth potential. Compared with the results previously achieved with smaller and micro businesses this segment has massive potential and project resources can be used to exploit their existing capacity and desire to expand by exporting.

The new approach will build on the capability of International Trade Advisers (ITAs) to work face-to-face with those local companies most able to make a material contribution to UK growth, brokering them to market proven expertise.

With DIT's new focus on helping high export growth potential companies achieve significantly increased international sales (recorded by DIT as Export Wins) the DIT core offer will provide Stoke-on-Trent & Staffordshire companies with connections to High Value Opportunities.

The new more intensive diagnostic process to be adopted in DIT core activities will result in fully costed Export Action Plans at a depth that has not been achieved previously - leading to better strategies. Where justified, ERDF grant support will trigger and accelerate growth as a facet of the assisted brokerage to market tested professional services.

Benefits to Worcestershire Businesses

The project will facilitate better planning by local SMEs, leading to increased sales and profits, creating the capability for further investment. Increasing understanding of international competition would help local companies improve their positioning. Increasing market spread will help make companies more stable, resilient and less vulnerable to market changes. Using market proven consultancy will increase management confidence and expertise. Support will save managers' time and effort and help them overcome current challenges.

Some of the primary target cohort will already be exporting. The real opportunity for growth and job creation lies with such firms. Building on the strengths of these existing exporters will deliver increased local impact. The new approach will provide greater potential for connecting them to DIT's High Value Export campaigns, supply chain initiatives and link them better to specific opportunities identified by overseas posts – enabling deeper and more significant export wins.

The Project in Worcestershire

The project has been carefully designed to maximise the level of ERDF funding available to Worcestershire companies. The cost of acquisition and half the project management costs will be covered by DIT's core expenditure; the outcome of competitive tendering may further reduce the cost of project management, administration and compliance. As proposed, the project already has the lowest level of management costs of any ERDF operational project in England.

The Worcestershire LEP has allocated £150,000 for projects of this kind. This Outline Application forecasts that the Worcestershire LEP will need to contribute £12,000 towards project management and administration. The remaining £138,000 would become the local grant fund. The entirety of this will be spent with beneficiary companies in the Worcestershire LEP area. With an average grant of £5,000, this would result in a minimum of 28 local Enterprises Supported and a minimum of 6 jobs being created. Should a lower average grant value be achieved during delivery the number of companies assisted will be higher. Setting aside productivity gains, with a highly effective selection and delivery process the number of jobs to be created could also be higher. The type of support companies can spend their co-investment funding on includes: cross cultural negotiation support, export market research, market selection and entry advice, advice on Intellectual Property rights, market specific product design and development, innovation services, product certification and standards, translation and cultural advice, international tax planning, export legal documentation, PR support, social media and search engine marketing, routes to market/agency advice, international HR and recruitment advice, overseas business environment, and due diligence.

Export Grant Scheme – Worcestershire Target Market

ONS data for 2017 shows the Worcestershire has approximately 27,000 SMEs in the More Developed area. The number of these which DIT have identified as having the highest export growth potential is 445. ONS data published in 2017 also identified approximately 270 Scale Up businesses in the Worcestershire.

DIT already work well with the LEP on this area and will look to continue to develop these relationships via its core activity and where possible through this project. We are fully aware of the need for Worcestershire Scale Ups to see more opportunities from DIT and through this project we will be able to address one of the key barriers to growth identified for Scale Ups in the area - access to markets and customers internationally.

Collaboration with Worcestershire LEP

DIT is strongly committed to working with LEPs and other key partners to address local needs and priorities. The DIT's Midlands team is responsible for maintaining relationships with LEPs and there is already regular contact between senior DIT and senior LEP personnel. Contacts are at various level and can involve presentations at relevant Board meetings, supplemented by KIT meetings whenever appropriate.

DIT staff also maintain on-going relationships with BEIS Local, Local Authorities, Chambers of Commerce, Universities, FSB, CBI, IoD, sector bodies and other key intermediaries.

In some cases, DIT's current Delivery Partners sit on Growth Hub Boards and their Partnership Managers seek to build pro-active working relationships with all relevant local networks. Some DIT Delivery Partner staff have been co-located in Growth Hubs and there are interactions with Project Managers of other ERDF funded projects. DIT intends to strengthen such connections in future.

It is DIT's intention to collaborate more actively with LEPs, Growth Hub teams and other key local partners to secure aligned trade promotion activities and forge stronger connections to other local ERDF projects.

Collaboration with the Worcestershire Business Central Growth Hub

DIT recognises the Growth Hub's role as the main channel for access to local business support and the emerging policy to re-focus effort to the same target audiences. Plans are already in place for collaboration around triage, diagnostics and supporting elements of the co-developed activity. DIT understands the huge benefit of much closer co-operation and is committed to strengthening operational connections with Growth Hub staff and to maximising alignment with Growth Hub actions via:

- Proactive referral routes to and from Growth Hubs
- ITA level interactions with local staff for the exchange of intelligence
- ITA involvement in local events, networks, clusters
- Direct provision of presentations and workshops
- Production of success stories/case studies with joint attribution wherever possible
- Development of content for social media
- Collaborations around calendars of events
- Social media content development
- Advice and training for Growth Hub and partner Advisers
- Introductions to DIT's increasingly comprehensive online resources
- Responding to local sector and market interests

Further opportunities for collaboration could include increasing the number of inward visits by staff from DIT's overseas network and arranging for the Exporting is GREAT mobile conference facility to visit more remote and rural areas.

Responses to Worcestershire Specific Requirements

We have identified the following requirements from the Call's Annex 2D and provide our initial responses here. Ian Harrison, Director of Exports for The Midlands stands ready to discuss any of these issues in detail:

1. How will the project work effectively at all levels and with the local priority sectors?

The project will aim to support SME beneficiaries in all LEP ESIF priority and Smart Specialisation target sectors – whether they are high growth, technology / R&D based, HVA or in key clusters. DIT activities and the project:

- Can help a larger number of local firms achieve faster growth by building on existing international success in growing markets
- Encourage more, larger companies to export
- Provide assistance in the form of information, advice and expertise to help such firms overcome barriers
- Supply funding to beneficiary companies to help them access specialist market proven professional services

Project activities can be focussed on SMEs in the LEP's priority sectors:

- Cyber Security
- Defence
- IT
- Advanced Manufacturing
- Agri-tech

2. How will the project address the problem of a relatively small number of exporting businesses in the region?

The project has been designed to deliver integrated, account managed, financial, pre-export support to businesses new to export to help them create detailed export strategies in the form of comprehensive, fully costed Export Action Plans.

Alongside the project grant offer DIT core promotional activities through the Exporting is Great campaign will continue with awareness raising for the Department's increasingly comprehensive digital resources and delivery of events, roadshows and workshops, conferences and seminars.

3. How will the project address the negative perceptions of the LEPs businesses who believe that their products or services aren't relevant for export markets.

DIT recognise there are many managers in SMEs who have no direct experience of international trade and who may resist export as a growth option. Many managers are convinced that international business is complex, risky and expensive. DIT has decades of experience of the challenges and benefits of trading in an international environment. Convincing companies of the benefits of exporting is a key part of DIT International Trade Advisers (ITAs) mainstream activities. This is a challenge - involving a complex mixture of the level of management expertise, experience, appetite and the ability to articulate and demonstrate the benefits of exporting is a key attribute of ITAs. DIT continually strives to develop the relevant arguments and evidence, constantly seeking to understanding individual businesses, their people and issues. These arguments will underpin the approach of the new service.

4. How activities will work alongside and with the existing provision within the Worcestershire area and complement existing projects and other growth offers.

The project has been designed to increase impact by expanding access to specialist professional market proven support. This will not only complement the expertise already available within DIT's cohort of International Trade Advisers, but also other business support services in Worcestershire. We have set out in detail how we intend to collaborate more effectively with local partners, the Worcestershire Growth Hubs and LEPs elsewhere in this Annex.

5. How will the project provide dedicated International Trade Advisers or equivalent with relevant knowledge and commercial experience providing intensive support via an account management delivery model to develop and exploit Worcestershire's export potential?

DIT core activity will continue to provide dedicated local International Trade Advisers (ITAs) who can work with businesses across a full range of services including help for trade missions, events, trade fairs and signposting to on-line resources.

The ITA's role will include Engagement Diagnostic and Brokerage on behalf of companies that do not require grant support. Initial ITA Engagement will focus on understanding client requirements and the co-development of Export Action Plans - - regardless of whether the client becomes a beneficiary of grant funding. For those firms that do not access funding, ITAs will help with plan implementation through active account management by brokering clients to appropriate private sector expertise.

6. How will the project provide industry specific activities and events at key commercial interface levels? E.g. marketing and selling Worcestershire capabilities to international customers

As previously stated, DIT will continue to deliver a full range of services including trade missions and events, and will collaborate with the LEPs and Growth Hubs on marketing activity such as attendance at conferences and seminars.

DIT and local partners have access to a key asset in the Foreign Offices 177 overseas posts. Much of this kind of activity can be handled on a "business as usual" basis as a part of DIT's core contract activities and via increased liaison between DIT local teams LEPs and Growth Hubs.

The new approach will provide greater potential for connecting companies to DIT's High Value Export campaigns, supply chain initiatives and link them better to specific opportunities identified by overseas posts – enabling deeper and more significant export wins and stimulating growth within client companies.

7. How will the project give opportunities for Worcestershire businesses to participate in sector specific trade activities including missions/conferences – pro-active representation and promotion of the business community to export opportunities?

Our approach to this would be the same as in our response to Question 6.

Part 3 Section 1 Strategic Fit (additional)	
Assessment of LEP specific response provided by applicant	
1.1 Does the proposed operation contribute to the LEP specific needs/opportunities and strategic priorities identified in the annex to the call to which it is responding?	Fully <input type="checkbox"/>
	Partially <input checked="" type="checkbox"/>
	Not at all <input type="checkbox"/>
	Partially <input type="checkbox"/>
1.5 Does the proposed operation align to the domestic strategic priorities and local growth needs set out in the local ESIF strategies?	Fully <input type="checkbox"/>
	Partially <input checked="" type="checkbox"/>
	Not at all <input type="checkbox"/>
<p>Comment:</p> <p>The applicant has provided a detailed response to the LEP-specific queries contained within the call annex. DIT appears to have taken a pro-active approach to tailor support to the priorities for the LEP region, and to the relevant target sectors that will be engaged. Less developed at this stage is how this will be achieved and conditions are recommended for the full application to address this.</p> <p>DIT has aligned proposed activity with the key frameworks and strategies supporting export growth in the region. Sufficient information has been presented to confirm the understanding of the business support environment, to demonstrate additionality and to avoid duplication.</p> <p>The following points should however be noted:</p> <ul style="list-style-type: none"> • nationally, a new DIT diagnostic process will lead to a more intensive and personalised export advice nationally with a primary focus on existing exporters with significant potential to grow. In line with this, the model proposed will primarily be aimed at businesses with the highest potential for export. ERDF additional activities will therefore be focussed on increasing international sales, rather than on the volume of exporters. • DIT 'core' activities (e.g. trade missions and businesses travel bursaries) will remain available locally to all businesses whether they are beneficiaries of project grant support or not. Other core promotional activities in parallel to the ERDF project will continue (GREAT campaigns etc.) with a particular focus on raising awareness of all businesses on DIT services and their comprehensive digital resources. • the applicant suggests that the ERDF project together with the 'core' activities available in the area will be aiming at both increasing both the number of 	

businesses exporting and the value of the area's exports.

- the project will pro-actively approached businesses, using the support of local stakeholders, including the Growth Hub, to ensure the businesses are provided with the most tailored and suitable export support product (core DIT products, Midlands Engine Export grant scheme or other products available in the area). Financial support offered by this project will be however be offered on a highly selective basis due to the limited resources available.

ESF only, Strategic Fit Score

Part 3 Section 2. Value for money (additional)

Assessment of LEP Specific outputs

2.2 How does the project provide good value for money?

Comment:

The proposal offers good value for money compared with Programme benchmarks as set out below:

PA3 Output indicators	More Developed OP Target	OP Average Cost/ Unit (£)	Proposed Targets	Average Cost/ Unit (£)	+/- vs OP	
C1 Nr of Ent receiving support	50,859	£12,381	28	£5,357	(£7,023)	-57%
C2 Nr Ent receiving a grant	33,805	£18,626	28	£5,357	(£13,269)	-71%
C6 Private invest matching public support to Ent (grants)	213,209,372	£3	£148,064	£1	(£2)	-66%
C8 Employ increase in supported Ent	21,209	£29,688	6	£25,000	(£4,688)	-16%

LEP	ERDF	M & A £	Outputs - C1	Outputs - C8	PA3 budget	P3 C1 Targets	Project % of PA3 budget	Project % of PA3 C1 Targets
Worcestershire	150000	12000	28	6	34854034	1113	0.43	2.52

The project is offering 2.5% of C1 targets for 0.4% of the PA3 budget which appears reasonable. The conversion rate of assists to jobs is at 5:1 which would appear low

considering the focus is on those with potential high growth export wins. DIT will be required to provide some further information around how these have been forecast.
