

**ENTERPRISE AND ECONOMIC OPPORTUNITY IN DEPRIVED AREAS: LOCAL
ENTERPRISE GROWTH INITIATIVE**

ROUND 2 GUIDANCE

JUNE 2006

HM Treasury

**Department for
Communities and Local
Government**

**Department for Trade
and Industry**

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INTRODUCTION

What (and who) this document is for

1. This document is aimed at local authorities that are eligible to apply for funding from the Local Enterprise Growth Initiative (LEGI) programme, as set out in the table below.*

| | | | |
|---|---|---|--|
| <p>EAST</p> <p>Luton Norwich</p> <p>Great Yarmouth*</p> | <p>EAST MIDLANDS</p> <p>Derby Leicester Lincoln Nottingham</p> <p>Ashfield* Mansfield* Bolsover*</p> | <p>SOUTH EAST</p> <p>Brighton and Hove Portsmouth Southampton</p> <p>Hastings*</p> | <p>SOUTH WEST</p> <p>Bristol Kerrier Penwith Plymouth</p> |
| <p>NORTH EAST</p> <p>Gateshead Hartlepool Middlesbrough Newcastle North Tyneside Redcar & Cleveland Stockton Sunderland Wansbeck</p> <p>Easington* Derwentside* Wear Valley* Sedgefield* South Tyneside*</p> | <p>NORTH WEST</p> <p>Allerdale Barrow Blackburn with Darwen Blackpool Bolton Burnley Halton Hyndburn Knowsley Liverpool Manchester Oldham Pendle Preston Rochdale Salford Sefton Tameside Wigan Wirral</p> <p>St Helens*</p> | <p>LONDON</p> <p>Barnet Brent Camden Ealing Enfield Greenwich Hackney Hammersmith & Fulham Haringey Islington Kensington & Chelsea Lambeth Lewisham Newham Southwark Tower Hamlets Waltham Forest Wandsworth Westminster</p> <p>Barking and Dagenham* Croydon*</p> | <p>WEST MIDLANDS</p> <p>Birmingham Dudley Sandwell Stoke Walsall Wolverhampton</p> <p>Coventry*</p> |
| <p>YORKSHIRE & HUMBER</p> | | | |
| <p>Barnsley Doncaster Hull Kirklees Leeds</p> | | <p>North East Lincolnshire Rotherham Sheffield Wakefield</p> <p>Bradford*</p> | |

*Local authorities that successfully applied for round one LEGI. These local authorities are not eligible to apply for round two of LEGI

- 1.1 Local authorities eligible to apply for LEGI are expected to engage key partners in the development of their bids for funding. This document will therefore also be useful for any organisations or individuals with an interest in being involved in the Local Enterprise Growth Initiative including Local Strategic Partnerships, enterprise agencies, businesses, entrepreneurs, research organisations, and the third sector.

Aim of this document

- 1.2 This document aims to support local authorities with developing bids for round two by providing background information about the programme and guidance on round two processes. The revised application form and accompanying guidance notes will be available shortly at www.neighbourhood.gov.uk/legi .

BACKGROUND

General background

2. The Government aims to create prosperous, inclusive and sustainable communities for the 21st century – places where people want to live and not leave, places that promote opportunity and a better quality of life for all. It is therefore crucial to ensure that local authorities and their partners are provided with opportunities to stimulate economic growth through enterprise development in their most deprived areas, to help narrow the gap on key indicators like worklessness between those areas and the rest of the country.
 - 2.1 The Local Enterprise Growth Initiative (LEGI) was announced in the 2005 Budget as a joint programme between the Department for Communities and Local Government (DCLG), Her Majesty's Treasury (HMT) and the Department for Trade and Industry (DTI).
 - 2.2 LEGI is worth £300m over 3 years, starting at £50m in 2006/2007 and rising to £150m in 2008-2009.¹ The national level aim of LEGI is:

“To release the productivity and economic potential of our most deprived local areas and their inhabitants through enterprise and investment – thereby boosting local incomes and employment opportunities.”
 - 2.3 This aim is supported by three national level outcomes:
 - i) to increase total entrepreneurial activity among the population in deprived local areas;
 - ii) to support the sustainable growth – and reduce the failure rate – of locally-owned business in deprived areas; and
 - iii) to attract appropriate inward investment and franchising into deprived areas, making use of local labour resources.
 - 2.4 LEGI differs from previous Government attempts to boost enterprise in deprived areas as it follows closely the principles of devolution and provides local institutions and communities with the authority and freedom to best determine local needs, options and targeted solutions for enterprise development in their deprived areas.

Round One

- 2.5 To assist local authorities in developing their LEGI proposals the Government provided £10m of pump prime funds during 2005-06. All 91 local authorities eligible for LEGI were provided with between £80,000 and £120,000 each to pay for gathering evidence and putting forward a serious case for improving the economies of their areas. No further pump-priming money is available.

¹ Subject to Comprehensive Spending Review 2007.

2.6 Fifty-five applications were made for first round LEGI funding involving 70 of the eligible local authorities. Round one of LEGI allocated £126m over three years to ten bids involving 15 local authorities. Funding has been awarded to those local authorities with the best, deliverable proposals. These are:

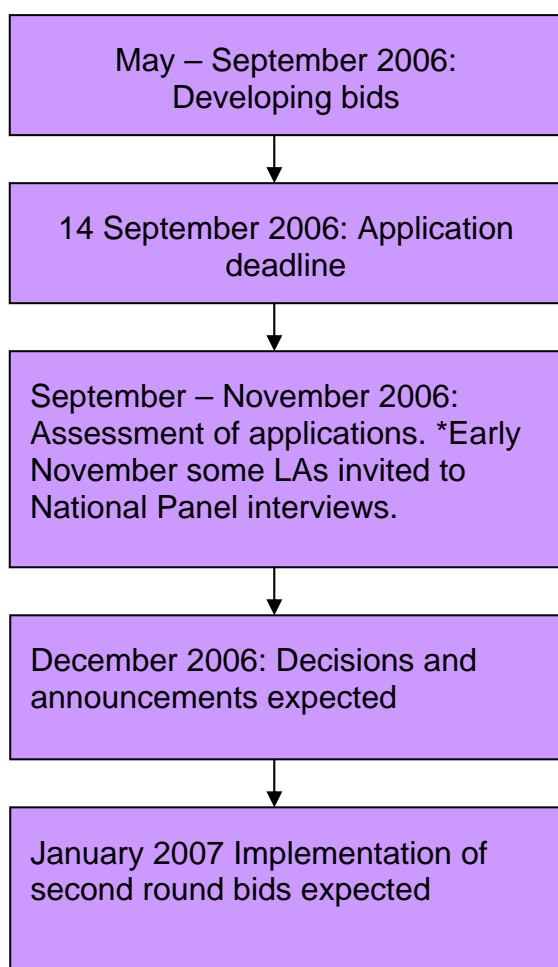
- Ashfield, Bolsover and Mansfield (joint bid)
- Barking & Dagenham
- Bradford
- Coventry
- Croydon
- Easington, Derwentside, Wear Valley and Sedgefield (joint bid)
- Great Yarmouth
- Hastings
- St Helens
- South Tyneside

2.7 Round one bids are available on the Neighbourhood Renewal Unit's website at www.neighbourhood.gov.uk/legi.

KEY CHANGES FROM ROUND ONE

3. Round two of LEGI has been changed to reflect lessons learned from round one. This section of the guidance summarises the key changes for round two and sets out where within this document further information can be found.
- 3.1 Given LEGI is delivered through the Local Area Agreement (LAA) framework, the timetable for round two has been more closely aligned with the wider Local Area Agreement timetable. The new timetable is set out below.

LEGI Timetable



- 3.2 Funding for round two will commence in January 2007, some of which should be spent within Financial Year 2006/07 – before 31 March 2007. Local authorities are therefore encouraged to consider whether they require funding for the period of January – 31 March 2007 and how they will ensure that any funding requested is used by the end of the financial year. Implementation will only commence in January for successful bids that applied for resources during the period of January 2007– 31 March 2007. For successful bids that did not request funding from January implementation will commence in April 2007. Further information about round two funding is provided on page 18.

- 3.3 Finally, the application form has been revised to enable local authorities to provide clear details of funding needed to implement proposals and evidence of outcomes and indicators that are expected to be achieved should LEGI funding be awarded. These outcomes and indicators will be integrated into the fourth block of the area's LAA.

DEVELOPING PROPOSALS

Introduction

- 4 LEGI provides flexible, devolved investment for some of the most deprived areas in England – determined by the neighbourhood renewal fund areas – to support locally developed and owned proposals that pursue new or proven ways of stimulating economic activity and productivity through enterprise development. Local authorities should use any remaining pump priming money to further develop bids for round two.
- 4.1 Bids should be developed within the broader framework of the LAA and form part of the wider local negotiations. In two tier areas Counties and Districts should work together to ensure outcomes, if successful in round two, are fully integrated into the relevant LAA.
- 4.2 Local authorities should draw upon lessons learned² from round one bids, which are provided at Annex A and, where applicable, the feedback they have been given by the Government Offices (GOs) and Regional Development Agencies (RDAs).

Funding for round two

- 4.3 Individual local authorities that are successful in applying for LEGI support should expect to receive a significant sum of money – anything up to £10m per annum depending on the ‘critical mass’ of resources required in different areas. Detailed information about funding is provided on page 18. It should be noted that local authorities considering collaborative bids can apply for more funding. This is discussed further on page 11.
- 4.4 Local authorities must satisfy themselves that their proposals are compliant with European state aid rules.

Engaging local and regional stakeholders

- 4.5 Local authorities that successfully applied for round one LEGI funding clearly benefited from engaging relevant stakeholders, in particular the private sector, throughout the development of their bid.
- 4.6 GOs and RDAs played a key role in supporting successful round one authorities with developing their bids and will continue to consider what can be done at the regional level to help develop suitable proposals, stimulate debate, capitalise on synergies and ensure consistency with other programmes and initiatives.
- 4.7 Local authorities should work with their GO and RDA to agree a method for identifying, engaging and working effectively with other relevant local partners in the development

² The key themes provided in Annex A are those identified by the National Panel.

of local proposals. A list of the GO and RDA contacts for each region is provided in Annex B.

- 4.8 It is vital that local authorities engage stakeholders from the private, voluntary and community sectors to inform the development and implementation of their bid, which should take place in the context of the wider local dialogue on the development of the areas Local Area Agreement as set out in paragraph 4.1.

Developing a clear evidence base

- 4.9 A central part of developing a robust bid for LEGI is that it is well grounded using robust evidence. Local authorities are therefore expected to develop proposals based on careful analysis of the evidence of need and gaps in local provision.
- 4.10 It should be noted that significant evidence already exists and is collected by RDAs. Local authorities are encouraged to approach their RDA in the first instance to identify whether evidence already collected will support the development of their bid.
- 4.11 Local authorities should ensure that evidence and proposals are consistent with what is known to work, or can point to what might work.
- 4.12 Bidders should look at the historical performance of the LEGI area for the key performance measures, including self employment rate, start ups (new VAT registrations/10,000 pop) and business density (VAT reg businesses/10,000 pop). They should present the year on year trend in these, then project forward estimates of the trends with and without LEGI funding. RDA and GO should be consulted on the baseline trends.

Links with local and regional strategies

- 4.13 Proposals for LEGI should ensure actions are developed within the context of local and regional policy. This is best achieved by working closely with your regional agencies from the outset of the bid development process. For example, bids must be consistent with the central policy of simplifying business support.
- 4.14 LEGI bids should ensure they understand the business support landscape in their region. Any proposals for new mechanisms of business support delivery, access or awareness raising should not duplicate existing initiatives. Business support provision in a LEGI bid should, where appropriate, work with existing structures of other organisations, whether at national regional or local levels. Bids should also consider improving the modes of existing providers to overcome access and cultural fit as the first option, rather than proposing new services altogether. Bids should provide clear rationale as to why new services are required and cannot be added to the functions of an existing supplier.
- 4.15 Local proposals developed for LEGI must be fully consistent and compliment existing strategies already in place – this includes the Regional Economic Strategy, Local Neighbourhood Renewal Strategy, Community Strategy, City Regional Development

programmes and local Public Service Agreement(s). Proposals that contradict or unnecessarily replicate existing efforts will not be funded.

- 4.16 Your RDA is best positioned to advise you as to how your proposals fit with the business support simplification agenda. Bidders are recommended to stay in close contact with their RDA and GO throughout the bidding process to ensure that bids coming through to the regional assessment phase are eligible to progress.

Effective targeting

- 4.17 The Government is committed to doing more to promote and support ethnic minority enterprise and to increase the number of women starting businesses. Local authorities should ensure bids respond to the needs of under-represented groups in enterprise development including lone parents, black and minority ethnic communities, over 50s and people with disabilities. RDAs will be able to assist in providing information regarding what is currently underway across the region to target and support under-represented groups.

Sustainability

- 4.18 Whilst LEGI resources should be available for a sustained period (subject to the outcome of future Spending Reviews), they will be time limited. The long-term sustainability of proposals needs to be considered at an early stage.
- 4.19 LEGI should support ideas and projects that are transformative and make an irreversible difference to the local economy, not a short-term gain that may not be sustained once the resources do come to an end. Proposals should show how outcomes will continue to be delivered beyond the period of agreed LEGI funding to ensure sustainability and with a clear exit strategy to achieve the transition from LEGI funding.
- 4.20 Bearing in mind that the purpose of LEGI is to promote enterprise, consideration should be given to how the delivery of the LEGI proposals could maximise the opportunities for entrepreneurs, SMEs and social enterprises, and minimise further expansion of the public sector. Bidders should be able to demonstrate a reasonable level of 'wash through' of LEGI resource into the local economy.

Support to develop proposals

- 4.21 It is for individual local authorities to determine support required to develop LEGI proposals. Annex C of this guidance sets out where local authorities can obtain further information about where sources of good practice can be found. LEGI proposals should work with the grain of existing schemes, and where appropriate build on them.

Collaborative bids

- 4.22 Functional economies and market failures do not necessarily fall neatly within LA boundaries (or even regional boundaries), and LEGI proposals may not either. Cross-boundary applications are therefore welcomed, where it makes sense to do so. Local authorities that are considering developing collaborative bids are encouraged to discuss proposals at an early stage with their Government Office(s).

4.23 Where local authorities undertake collaborative bidding they can bid for more funding. However, collaborative bids would be expected to benefit from economies of scale. Local authorities are expected to provide the rationale behind putting forward a collaborative bid.

4.24 Local authorities that are considering developing a joint bid are provided with two options regarding accountable body status for the bid:

Option one - local authorities to nominate one lead local authority. Funding will be directed to the upper tier or unitary authority responsible for the relevant LAA for the lead local authority. The upper tier or unitary authority will be expected to passport relevant funding to the [xx] local authorities putting in the bid to achieve the outcomes and indicators, as set out in the successful bid. Details of annual indicators, and within which authority these will be delivered should be provided within the bid. Annual indicators provided in successful bids will need to be reflected in the LAA relevant to each authority involved in the bid. The individual local authorities should be identified as being responsible within the relevant LAA for delivering the outcomes and indicators contained within the bid that focus on their geographical area.

Option two – there is no single lead authority. Funding will be split between the relevant local authorities as set out in the bid. Funding will again be paid through the relevant LAA or LAAs for each local authority area and will therefore be directed to the relevant upper tier or unitary authority responsible for the relevant LAA(s) which will be expected to passport relevant funding to the [...] local authorities putting in the bid to achieve the outcomes and indicators, as set out in the successful bid. Annual indicators provided in successful bids will need to be reflected in each relevant LAA. The individual local authorities should be identified as being responsible within the relevant LAA for delivering the outcomes and indicators contained within the bid that focus on their geographical area.

The bid should contain details of annual indicators and within which authority these would be delivered. For option two, the bid would also need to set out how much of the funding each of the local authorities will receive (broken down further by capital and resource spend).

4.25 Further guidance on how collaborative bids should regard Local Area Agreements is provided on page 18.

WRITING YOUR APPLICATION

Introduction

- 5 This section of the guidance sets out requirements for completing the application form. As discussed throughout this document, the revised application form and guidance notes will be available shortly at www.neighbourhood.gov.uk/legi.
- 5.1 The application form should only be completed once proposals are fully developed and agreed by local stakeholders. It may be that local areas should consider applying to a later phase of LEGI, although future rounds are subject to Spending Reviews. GOs and the RDAs will have a useful overview of the state of proposals across the region and will be able to advise local authorities on the suitability of moving forward to the application stage.
- 5.2 LEGI is part of the wider LAA, which sets out outcomes and targets across a wide range of services in the local area. It is important that LEGI is consistent with these and its outcomes and targets should be agreed as part of the local arrangements for the LAA. Contact your GO for details of who leads on the LAA for your area.

Requirements

- 5.3 Paragraph 2.3 set out the three national level outcomes for LEGI which are:
- i) to increase total entrepreneurial activity among the population in deprived local areas;
 - ii) to support the sustainable growth – and reduce the failure rate – of locally-owned business in deprived areas; and
 - iii) to attract appropriate inward investment and franchising into deprived areas, making use of local labour resources.
- 5.4 These three outcomes reflect the contribution that business start-ups, growth businesses, and inward investors make to both national-level productivity growth and local economic development in deprived areas.
- 5.5 All three LEGI outcomes must be addressed in local authority bids for LEGI funding. Partnerships may, however, wish to prioritise or have particular focus on one or two of the outcomes, according to local circumstances. While it is expected that all three LEGI outcomes are addressed within bids, those bids do not necessarily have to work towards meeting each of the three outcomes directly to receive funding. It is sufficient for outcomes not delivered directly through LEGI funding to be delivered through complementary programmes locally, but this must be explicit in the bid. If your proposal does not *directly* support all of the outcomes, please explain how other policies and strategies are in place to address them.
- 5.6 All LEGI proposals should follow the six key principles set out in the original LEGI consultation document:
- 1. effective targeting (to ensure people living in deprived areas benefit);

2. effective solutions (to address the fundamental barriers to growth, including crime);
 3. significant commitment (of resources and partners over the long term);
 4. strong local and regional partnerships (with business and the wider community);
 5. integration (with broader regeneration efforts and business support initiatives); and
 6. evaluation and evidence building (to inform continuous improvement and the development of future policy).
- 5.7 It is important to stress that LEGI bids must focus on good proposals with robust implementation strategies that are designed to have a real, tangible impact on outcomes. Good proposals must not appear in isolation, they must be the product of extensive work on researching and developing, as necessary, the evidence base and debate with local and regional partners.
- 5.8 Social enterprise can play a central and important part in promoting enterprise and assisting regeneration, and bidders should consider how their proposals can support the development of social enterprise and how elements of their bid might be delivered through social business models.
- 5.9 LEGI bids must not exceed the maximum limit of 50 pages using Arial 12pt font. Bids in excess of 50 pages or not submitted using the LEGI application form will not be considered for funding. Supplementary information should not be submitted with bids as it will not be considered.
- 5.10 Local authorities should submit an electronic version and six hard copies of their completed application form to the GO for the region by midnight on Thursday 14th September 2006. It should be noted that this deadline is absolute. Bids must not be amended or changed in any way after the deadline. There will be no post bid submission negotiation.
- 5.11 Applicants should note that if their proposals are successful, they will be required to keep in close contact with their regional Government Offices and Regional Development Agencies during the lifetime of the LEGI funding so that Government can be informed of progress towards outcomes. GOs and RDAs will work with successful bidders on any important issues that may arise which may need resolution to ensure the successful delivery of LEGI outcomes.

Further considerations

- 5.12 Bids should be developed that identify solutions and exploit opportunities that address local barriers to enterprise growth. However, when local authorities compile their bids they may wish to consider ensuring that their bid;
- Identifies realistic, deliverable solutions that address barriers that have been identified
 - Includes a mixture of innovative and 'tried and trusted' solutions – as deemed appropriate for that local authority area

- Clearly identifies how the three LEGI outcomes will be addressed. If bids only require funding to deliver against one or two of these outcomes information should be supplied as to what these are, what LEGI funding is required and what is being done elsewhere to address the remaining outcome(s)
- Includes explicit outcomes and indicators that can be included in the relevant LAA
- Provides clear links to local, sub regional and regional strategies, showing how LEGI will support and build on them
- Represents value for money and is deliverable

5.13 Lessons learned from round one bids are provided at Annex A.

Guidance notes for completing the application form

5.14 Local authorities must refer to the application notes, which will be made available alongside the application form, at www.neighbourhood.gov.uk/legi when completing the application form. Local authorities should adhere to this guidance when submitting bids.

ASSESSMENT

Assessment process

- 6 Successful bids will be selected on the basis of the quality of the proposals submitted – in particular the way they demonstrate delivery of positive tangible outcomes for the local area.
- 6.1 A strength of round one LEGI was the devolution of a key part of the assessment process to a regional level. The assessment process for round two will be consistent with round one. LEGI bids will be assessed in a two-stage process, first regionally and then nationally:
1. Regional panels³ assembled by GOs will be responsible for assessing bids received within the region and recommending which should be considered further at a national level.
 2. A national panel⁴ will be responsible for assessing regional recommendations and presenting Ministers with a suggested list of winning bids.
- 6.2 Local authorities that have submitted bids not recommended for further consideration by the national panel will be notified by the GO of the outcome of their bid. Regional assessment panels will provide feedback to local authorities as to why their application has been unsuccessful at the regional stage.
- 6.3 It is expected that the National Panel will consider approximately 30 bids based on the recommendations of the regions and the information provided by the local authorities in their proposals. It is expected that up to 15 bidders, or more if the standards are particularly high, will be invited to attend an interview that will enable the national panel to clarify aspects of their bids before making final recommendations to Ministers.
- 6.4 Ministers are expected to make final decisions upon which bids to award LEGI funds by the end of December 2006. This is a competitive process and there is no guarantee that an application will be successful during any stage of the assessment process and/or be awarded funding as part of round two. Ministers will retain full discretion as to whether, and on what terms, the Government will make support available to local authorities applying for LEGI funding.
- 6.5 Local Area Agreements will be in place for all local authorities eligible for LEGI in April 2007. LEGI bids will need to be reflected in draft LAAs, which should set out the position both if the bid is successful and if it is not.
- 6.6 Once applications have been approved, the Government and regional bodies are likely to make simultaneous announcements, making public some details, such as the name

³ Regional panels will comprise of key regional partners including the RDA, SBS, Jobcentre Plus, Learning and Skills Council and private sector representatives, as relevant to the region.

⁴ Will include senior officials from the three LEGI Departments and senior private sector executives.

of the successful local area, the amount of grant approved and the nature of the project to which grant has been awarded. Successful bids will be posted on the Neighbourhood Renewal Unit website at www.neighbourhood.gov.uk/legi. Specific requests for information will be considered in accordance with Freedom of Information legislation as appropriate.

- 6.7 Local authorities must not commit themselves to any expenditure until their application has been fully approved by Ministers and a formal offer has been issued, then countersigned and returned (This does not apply to pump-prime money issued in summer 2005 intended for bid development).

LEGI National Assessment Criteria

- 6.8 Applications will be assessed against the criteria set out below:

- 6.8.1 All applicants must demonstrate that their proposals will address the headline outcome framework set for LEGI, see paragraph 5.5 for further details:

- i) to increase total entrepreneurial activity among the population in deprived local areas;
- ii) to support the sustainable growth – and reduce the failure rate – of locally-owned business in deprived areas; and
- iii) to attract appropriate inward investment and franchising into deprived areas, making use of local labour resources.

- 6.8.2 In assessing whether these criteria are met, the assessment panels will pay close attention to whether the proposal demonstrates:

- the need for the proposal (providing robust evidence of market failure) and its potential to succeed;
- the use of a strong evidence base and robust analysis to identify barriers and subsequent solutions, which must be deliverable;
- effective targeting and effective solutions (ensuring that people living in deprived areas see tangible benefits; that the proposal addresses the fundamental barriers to growth; and that it clearly demonstrates what will be done and why it will succeed where other things have not);
- integration with the wider LAA, local partnerships and consistency with Regional economic Strategies;
- Strong partnership working including the private sector;
- compatibility with the outcomes and targets in the Local Area Agreement and the ability to secure leverage from broader regeneration efforts and other relevant initiatives;
- the value added and value for money of proposed activities and interventions;
- significant commitment and sustainability (of resources over the long term, including after LEGI support has ended); and
- evaluation and evidence building (to inform continuous improvement and the development of future policy);
- support of the business simplification initiative

- 6.8.3 Each of the above items will form an important part of the assessment process, and none will be of overriding importance.

FUNDING

Overview

- 7 Over £60m has been made available from January 2007 to fund the first year of successful second round bids. The table below sets out funding available for round two bidders.

| Year of round two bids | Funding allocation | Financial year to be allocated |
|------------------------|-----------------------|--|
| 1 | £60m | 2007/08 (£60m allocation of which £8m is available from January to March 2007) |
| 2 | £50m (subject to CSR) | 2008/09 |
| 3 | £50m (subject to CSR) | 2009/10 |
| 4-10 | Subject to CSR | |

- 7.1 As set out on page 9, individual local authorities that are successful in applying for LEGI support should expect to receive a significant sum of money – anything up to 10m per annum depending on the 'critical mass' of resources required in different areas.
- 7.2 Local authorities are encouraged to consider whether they require funding for the period of January – 31 March 2007 and how they will ensure that any funding requested can be spent within this financial year. Bids requiring funding for this period should include clear outcomes and indicators for the period that are coherent with the relevant LAA.
- 7.3 Applying for funding during this period will not be one of the criteria used to assess the applications. It follows that an authority will not be disadvantaged in the assessment process simply because it/they may have or may not have applied for funding for the period of January 2007 to 31 March 2007.

Collaborative bids

- 7.4 As set out on page 11, local authorities may wish to collaborate when applying for LEGI funding. Local authorities can choose to have one or more local authority as the accountable body as part of the partnership. Funding can be directed to each of the partner authorities or to one local authority to passport necessary funding to partners. Local authorities should ensure governance arrangements are clearly set out in the bid, including which partners will be responsible for which outcomes. Please refer to

the application form guidance notes, which will be published shortly alongside the application form at www.neighbourhood.gov.uk/legi, when completing your application.

How funding will be provided to successful local authorities

- 7.5 The approach for funding round two bids will differ from round one LEGI to take account of money being available from January. Successful round two bids could include local authorities that may or may not have Local Area Agreements in January 2007. In the interest of consistency all successful round two local authorities will be paid under a separate section 31 of the Local Government Act 2003 for the interim period of January 2007 – 31 March 2007. As explained below all funding will be paid using the LAA (2007/08) Section 31 grant determination in April 2007. This is explained further below.
- 7.6 However, LEGI remains an integral part of the economic development block of Local Area Agreements. Funding will continue to be directed through the relevant LAAs from April 2007. Payment will be made to local authorities using 12 'in-month' instalments. Further options for altering the payment profile (currently 1 month x 12% and 11 months x 8% of the total allocation) are currently being considered by Government. Further details will be available shortly.
- 7.7 Counties may contain districts that have successfully applied for LEGI funding. In this case, a county's LAA should address all three mandatory LEGI outcomes. Furthermore, the county's LAA should set out the (district level) geographical area(s) in which the outcomes are to be achieved. It is however, expected that counties and districts will have been working together to develop bids and ensure they can be integrated within the relevant LAA(s). Further guidance on LAA financial arrangements is available at <http://www.communities.gov.uk/index.asp?id=1164930>
- 7.8 When spending LEGI funding awarded local authorities should adhere to standard council procurement procedures and should ensure timetabling reflects processes to be followed.

End of year flexibility

- 7.9 Bidders should note when developing funding profiles a maximum of 5% of the total pot carry over is permitted via LAAs.

MONITORING AND EVALUATION

Monitoring

- 8 Performance monitoring and management of LEGI funding will form part of the LAA monitoring and management arrangements. This follows the general principle that monitoring should be outcome rather than output based, enabling local authorities and their partners the flexibility to deliver national outcomes in a way that reflects local priorities.
- 8.1 To ensure that LEGI can be monitored and measured effectively these outcomes are contained within Block 4 of LAAs. These are mandatory outcomes for those local authorities successful in applying for support from LEGI.
- 8.2 However, where a successful local authority is governed by a county's LAA we will expect to see outcomes and indicators setting out within which districts they are to be delivered, reflecting the winning bid. This requirement is included in the current LAA guidance. Local authorities affected by this should discuss arrangements with their GO and RDA as necessary.
- 8.3 Monitoring will take place within the LAA framework, with agreed outcomes, targets and indicators being reported on as part of the six-month LAA review.

Evaluation

- 8.4 Local authority are expected to engage in ongoing monitoring and evaluation of their own performance, collecting and using evidence to assess the impact of their LEGI programme to ensure effective reporting through the LAA process. The ongoing evaluation and collection of evidence should be taken forward whilst working with RDAs and GOS – to capitalise on synergies and maximise the development of a robust and useable evidence base to guide future policy development.
- 8.5 A national evaluation programme is currently being developed for LEGI. Local authorities in receipt of LEGI funding are required to be fully engaged, as necessary, with this programme.

KEY THEMES IN SUCCESSFUL ROUND 1 PROPOSALS

- A consistent theme of successful bids is that they had a clear narrative flow i.e. displayed a strong read across from evidence and analysis to clear identification of issues/problems, then explained how these would be addressed, what would be delivered and how – and how this would be managed, monitored and evaluated.
- The resources (pump priming) provided to help local authorities (LAs) develop proposals had been used effectively to build an evidence base, identifying existing provision and gaps, and develop convincing proposals.
- The value of social enterprise was recognised both as a means of promoting enterprise and tackling issues around deprivation. They included proposals to encourage and support social enterprise in their areas. Several bids also indicated that they would use social enterprise as a delivery vehicle, delivering often major elements of their proposals (community enterprise centres, start up/incubation units etc) as social businesses.
- Successful bids demonstrated a high level of business engagement and private sector involvement. Private sector partners worked on developing the bids and were committed to helping to deliver them; in one case a private sector member was seconded to run the bid. The consultation process also included businesses as well as hard to reach groups which built enthusiasm and secured involvement for the future.
- The bids were fully supported by the LA; chief executives were involved throughout the process, both in the preparation and proposed delivery, not just to sign their name as a token of support. There was also one or more key champions of the LEGI bid who would continue to be involved post-funding.
- There was also a strong level of wider involvement and support from other voluntary, community organisations and value partners such as The Prince's Trust, Job Centre Plus (JCP), Business Link etc.
- Stronger bids took the opportunity to coordinate existing initiatives, for example by strengthening one-stop shops and locating them in appropriate venues or linking them with existing neighbourhood renewal initiatives. They used existing networks as a key delivery channel, but made it work harder for deprived areas. Delivery was kept simple so not to confuse potential and existing enterprises.
- Joint bids – showed evidence of working together from the earliest stages and involved all collaborating LAs equally, while having good governance arrangements in place. Successful collaborations often built on existing delivery partnerships which demonstrated a genuine commitment to working together, however a history of collaboration was not the key factor in choosing bids.

- The context of the bid was clear: it fitted strategically with existing programmes; was aware of what else was going on in the area; understood the nature of the deprivation; suggested relevant strategies and expanded on projects that were already working. They demonstrated clearly which groups and areas could receive most benefits. In some cases new approaches were also tested out (through pilots) to show that they would work before they were included in the bid.
- LAs who had regular contact with Government Offices (GOs) and Regional Development Agencies (RDAs) about each stage of developing their proposals put together better bids. This ensured they fitted strategically with all related strategies and current activities and had the support and involvement of the right strategic partners to help deliver.
- A strong evidence base was put forward and was well thought through. Arguments were convincing and bids were very enthusiastic about LEGI, showing they could not only make a real difference to the area but could actually transform an area.

KEY THEMES IN UNSUCCESSFUL ROUND 1 PROPOSALS

- One of the main features were that some bids simply missed the point of LEGI. Their proposals neglected to address one or more of the three key LEGI objectives. Bids should have kept the three objectives as the forefront of all their thinking as they developed their ideas.
- Lack of evidence, of why there was a real need for LEGI type investment, and additionality. The evidence base sections were not detailed/robust enough. This indicated a lack of understanding about the requirements of the areas. Some bids underplayed the opportunities in their area where LEGI really could have made a real difference, for example, not outlining the barriers that are facing particular groups.
- A lack of business engagement. Some bids supplied letters of support as annexes; this was not adequate as it did not demonstrate what the business involvement actually was. In some cases businesses said they were interested in working on the bid however they did not make any concrete commitments. Businesses may not have been involved from an early enough stage or may not have been consulted properly.
- Some bids did not seem to be fully thought through, making them appear underdeveloped and not ready to be funded. Some bids seemed too modest given the scale of the problems identified. In reality the proposals just couldn't be delivered with such small amounts. Others were uneven in expenditure such as spending what seemed an unjustifiably high amount on capital. These bids did not demonstrate value for money.
- Level of details about proposals varied. Some sections of the bid were given more attention. The most common problem was not giving enough detail on explaining how

something was actually going to be achieved. Another problem of not thinking a bid through properly was having a long list of ideas in the proposals rather than focusing on key ideas that could be delivered.

- Joint bids failed where the LAs seemed to have started working together too late. This meant that proposals were not properly joined up and more emphasis was placed on some LAs over others. This led to questions as to whether funding would actually be allocated fairly. In one case the bid was more an amalgam of three individual authority plans than a convincing collaborative effort. A decision to collaborate should have led to a bid being consistent in all areas with programmes such as 'enterprise culture in schools' stretched across all three areas rather than included in only some of the authorities, with no explanation of its omission from others.
- A lack of involvement or collaboration with RDAs and also the wider community and value partners such as colleges or JCP. Insufficient consideration was given to the needs of under-represented groups such as particular BME groups.
- Targeting of bids was not clear, sometimes information was difficult to find and should have been in the main body of the bid. These bids also lacked enough involvement and contact with their GO to help them put the bid together. Where targeted groups were mentioned, the nature of the challenges that faced them were not properly identified or needs met.
- The panel favoured bid documents which were simply presented, clear and self-contained. Glossy, expensive, consultant produced bid documents did not impress them; neither did large collections of bland letters of support.
- Limited risk assessment had been undertaken. Percentages given in bids were unrealistic; risks that seemed crucial to the assessors were sometimes marked as being low risks. Overall weaker bids did not identify enough risks or give adequate actions for how risks could be managed.
- Some bids mentioned having extra funds to support LEGI activity but did not identify where these would come from or how certain they were.

LEAD CONTACTS

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USEFUL INFORMATION

Business Brokers/Business Engagement Toolkit

<http://www.neighbourhood.gov.uk/page.aspx?id=696>

A pilot Business Broker initiative has been established to help Local Strategic Partnerships (LSPs) to engage the private sector in developing and delivering their local neighbourhood renewal strategies.

Under-served Markets project

http://www.bitc.org.uk/programmes/programme_directory/regeneration/underserved_markets/

The Under-served Markets project is a business-led, commercially-based investment strategy that is working with a group of national retailers and developers to consider how best to access market opportunities to be found in some of the UK's most deprived areas.

Enterprise Areas Toolkit

www.sbs.gov.uk/entareas

Enterprise Areas are a policy toolkit designed to focus and co-ordinate measures targeted on or likely to help businesses in deprived areas. Businesses in an Enterprise Area may benefit from one of several new or existing forms of Government assistance, including stamp duty exemptions, help from a Community Development Finance Institution, and neighbourhood renewal projects.

Business Incubation

<http://www.ukbi.co.uk/>

As business incubation environments mature, UKBI has a key role in creating and maintaining the national network hub for the exchange and development of learning amongst its many communities of interest, including those responsible for developing incubation overseas.

Ethnic Minority Businesses

www.ethnicbusiness.org

The Ethnic Minority Business Forum 's (EMBF) remit is to provide independent advice to Government in relation to SME policy and practice as they relate to ethnic minority business.

Action Against Business Crime

<http://www.brc.org.uk/aabc/>

Action Against Business Crime (AABC) is the national organisation for business crime reduction partnerships (BCRPs) and is also a partnership between the British Retail Consortium and the Home Office to expand the work and impact of BCRPs.

Social Enterprise

www.sbs.gov.uk/socialenterprise

Social Enterprises are businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.

The Beacon Scheme

<http://www.idea.gov.uk/beacons>

The Beacon Scheme identifies excellence and innovation in local government. It exists to share good practice so that best value authorities can learn from each other and deliver high quality services to all. Beacon status is granted to those authorities who can demonstrate a clear vision, excellent services and a willingness to innovate within a specific theme.

Business In The Community

<http://www.bitc.org.uk>

Business in the Community is a unique movement in the UK of 700 member companies, with a further 1600 participating in its programmes and campaigns. BITC operate through a network of 98 local business-led partnerships, as well as working with 45 global partners. BITC purpose is to inspire, challenge, engage and support business in continually improving its positive impact on society. BITC are the largest and longest-established organisation of its kind - an independent business-led charity with over 20 years experience.

Prince's Trust

<http://www.princes-trust.org.uk>

The Prince's Trust offers start-up support from to young people who are unable to raise the finances elsewhere to start up their business. The Trust also offers free training and Mentor support to all young people so they can work through their ideas.

BTEG – The Black Training and Enterprise Group

www.bteg.co.uk

BTEG is a high profile national organisation working to improve opportunities in black communities. Their mission is to ensure fair access and outcomes for black communities in employment, training and enterprise, and to act as a catalyst for enabling black groups and individuals to play an active role in the economic regeneration of local communities through partnership with others.