

## **APPENDIX 1**

### **NATIONAL MANUFACTURING COMPETITIVENESS LEVELS (NMCL) AND SUPPLY CHAIN 21 + COMPETITIVENESS AND GROWTH PROGRAMME MEMORANDUM OF UNDERSTANDING**

**BETWEEN**

**THE SECRETARY OF STATE FOR BUSINESS, ENERGY AND INDUSTRIAL STRATEGY**

**AND**

**BIRMINGHAM CITY COUNCIL AND FINANCE BIRMINGHAM**

#### **Introduction and Parties**

1. The arrangements and the purpose for which the Grant will be used are set out in this Memorandum of Understanding (MoU) and its Annexes, collectively referred to as “this Arrangement”. This Arrangement clarifies and expands on the letter of support to [BEIS named contact] from [BCC name & Position] Birmingham City Council (BCC), dated [add date] (Annex A). BCC will be the accountable body for the funding of the programme and will appoint Finance Birmingham to manage the programme.
2. The parties to this arrangement are the Secretary of State for Business, Energy and Industrial Strategy (‘BEIS’), Birmingham City Council (BCC) and Finance Birmingham.

#### **Legal Status of MOU**

3. This Arrangement is not legally binding and is not intended to give rise to any legal rights or obligations between the parties. The parties enter into this Arrangement intending to honour all their obligations.

#### **Law and Jurisdiction**

4. This Arrangement shall be governed by and construed in accordance with English law, and each party agrees to submit to the exclusive jurisdiction of the courts of England and Wales.

#### **Amount of the Grant**

5. The maximum amount of the Grant offered by BEIS is £26m (twenty-six million pounds). This is the total amount of the Grant that the Secretary of State may pay, and this amount will not be increased as a result of any overspend or otherwise.

#### **Aims and Objectives of the programme**

6. The £26m grant funding being provided by BEIS is for a new industry led programme aimed at improving the competitiveness and productivity of around 194 strategically important suppliers in the aerospace and automotive sectors.
7. The programme will provide bespoke training to strengthen leadership and management skills, enhance workforce capability, and implement streamlined business processes. The key output success measures are:

- (a) Increased firm-level labour productivity
  - (b) Increased firm-level GVA and profitability
  - (c) Increased firm level competitiveness
  - (d) Business retained due to implementation of the improvement plan
  - (e) Business generated due to implementation of the implementation plan
  - (f) Jobs safeguarded and created
8. As the accountable body for the programme, BCC will work through Finance Birmingham and the Programme Management Offices (PMO's)

#### **Adherence to the MoU**

9. BCC has said in their letter of [add date and annex letter] that they will ensure that this Grant will be used for the sole purpose of the activities set out in this MoU

#### **Eligible Costs**

10. For the avoidance of doubt the activities to be funded by the Grant and which constitute "Eligible Costs" are limited to those listed below:
- (a) Programme management costs incurred by Finance Birmingham, with the budget agreed at the start of the programme.
  - (b) Programme administration costs incurred by ADS and SMMT, with the budget agreed at start of the programme.
  - (c) A standardised capability assessment undertaken by accredited assessors of each supplier participating in the programme (the grant recipients), including a self-assessment against peers and an assessment based on views of nominated customers.
  - (d) The development and implementation of tailor-made business improvement plans for each grant beneficiary.
  - (e) A re-assessment undertaken by accredited assessors for each grant recipient following completion of their business improvement plan.
  - (f) An evaluation and monitoring framework to assess the impact of the interventions and measure the overall impact of the programme.
  - (g) An annual audit of Finance Birmingham to ensure propriety and assess delivery against the commitments set out in this MoU.
11. The Eligible Costs are limited, in all cases, to costs which are incurred between [add start and end date of the programme].
12. In relation to Eligible Costs, BCC's Onward Funding Agreement with ADS and SMMT will make it clear that no party is to make any profit / retain any surplus from Grant funding which is made available to it as part of the programme. BCC's Onward Funding Agreement with ADS and SMMT will make it clear that they may only recover actual costs of delivery of the programme administration from the Grant funding.

### **Payment of Grant and Milestones**

13. BCC and Finance Birmingham has requested an initial drawdown of [add funding amount] to set up the programme and to provide cash flow until the regular payment cycle of funding is established.
14. The parties have agreed that quarterly grant payments in advance will be made, with the amount based on residual funds held by BCC and the profiled expenditure. BEIS will make grant payments in accordance with the profile in annex A.

### **Evidence requirements for payment**

15. BCC and Finance Birmingham are fully conversant with the financial management and compliance requirements of public sector funding bodies. This includes the isolation of programme costs, assessing the eligibility of claims, and ensuring that robust monitoring systems and transparent audit trails are in place which demonstrate and support how eligible grant claim values have been arrived at. The following evidence requirements will be adhered to:
  - (a) Quarterly financial expenditure forecasts will be submitted to BEIS. Finance Birmingham will submit aggregate programme level information based on information provided by the SPOs.
  - (b) Reimbursement of costs incurred by the SPOs for the programme administration will require time sheeted evidence for staff costs, and receipts and invoices for other incurred costs including capital equipment and travel.
  - (c) Payment for the capability assessments will require assessors to submit an invoice to the relevant SPO. The SPOs will be responsible for providing written confirmation that capability assessments have been completed satisfactorily. The SPOs will submit the invoices and the written confirmations to Finance Birmingham for payment.
  - (d) The grant beneficiaries will pay for the training they receive and will seek reimbursement of eligible costs by submitting their claim including evidence of payment through a redacted bank statement to their SPO. SPOs will be required to provide a written statement that the training has been completed satisfactorily and in accordance with the business improvement plan.

### **Recovery and Withholding of Funds**

16. There may be circumstances in which BEIS and BCC, both acting reasonably, will jointly agree that BEIS should cease to continue paying further Grant funding to BCC, or circumstances in which BCC should require ADS and SMMT and the grant beneficiaries to repay Grant funding to which the BCC has made available to them pursuant to the Onward Funding Agreement to BEIS. In particular:
  - (a) BCC uses or intends to use the Grant for purposes, aims or objectives other than those for which it has been awarded, as reflected in this Arrangement; or
  - (b) The Grant is found to be unlawful State aid by the European Commission.
17. BCC and BEIS further agree that in the event that monies granted by BCC via Finance Birmingham to ADS and SMMT pursuant to the Onward Funding Agreement and

awarded by Finance Birmingham to any of the grant beneficiaries are found to be unlawful State aid (whether in BCC's determination or by the European Commission) and are recovered, BCC will take action to recover the Grant monies from the grant beneficiaries in accordance with the Onward Funding Agreement and will return the recovered Grant monies to BEIS.

### **Programme Management**

18. Finance Birmingham as programme manager core roles and responsibilities will be:

- (a) Representation on the Sector Strategy Boards which are responsible for agreeing applications to the programme and approving the business improvement plans of each grant recipient
- (b) Conduct Financial Due Diligence on each grant recipient to assess their financial health and ensure they can independently pay for their business improvement plans
- (c) Carry out Know Your Customer (KYC) anti money laundering checks on all grant recipients
- (d) Check the validity of all claims with payment made subject to the provision of required evidence requirements summarised in paragraph 13 of this MoU
- (e) Ensure that grant awards are made in accordance with EU State aid rules
- (f) Provide programme monitoring information to BEIS in accordance with the requirements summarised in paragraph 15 of this MoU

### **Monitoring and Evaluation Framework**

19. A comprehensive monitoring and evaluation framework for the programme will be developed in partnership between BEIS, Finance Birmingham and the SPOs. The onward grant funding letter from BCC to the SPOs and grant beneficiaries will stipulate reporting requirements and detail the information that will need to be retained to support the evaluation of programme. This includes:

- (a) SPOs ensuring that planned data collection is taking place for each firm participating in the programme
- (b) SPOs aggregating firm level information into programme level statistics, which will enable Finance Birmingham to monitor the performance of the programme against key targets and milestones.

20. Finance Birmingham will provide quarterly progress reports to the BEIS AMSCI Board that will include the following:

- (a) Forecast expenditure
- (b) Actual expenditure
- (c) Number of companies applying to join the programme
- (d) Number of companies accepted to the programme
- (e) Number of assessments undertaken
- (f) Number of business improvement programmes started
- (g) Number of business improvement programmes completed
- (h) Number of employees trained, and type of training provided
- (i) Number of re-assessments completed

(j) Review of the programme risk register

21. BEIS will procure independent research contractors to determine the impact of the programme and will require input and support from BCC, Finance Birmingham, the SPOs and the grant beneficiaries. This evaluation will be done through a four staged process:

- Stage 0 – Scoping Evaluation. Full monitoring and evaluation framework for the programme to determine the scope of its design and delivery.
- Stage 1 – Process and Implementation Evaluation. Early light touch evaluation of programme delivery and early outputs. This will be done towards the end of the first year.
- Stage 2 – Interim Impact Evaluation. A comprehensive evaluation will be done in year three to evaluate the initial impact of the programme.
- Stage 3 – Final Impact Evaluation. Later stage final evaluation seven to ten years after the programme launch to fully capture the benefits realisation.

### **State Aid**

22. Ensuring that payments made as part of the programme are compliant with the EU State aid rules will be the responsibility of BCC, as the responsible public body. The provision of State aid to the grant beneficiaries will be made in accordance with the European Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (General Block Exemption Regulation or GBER, and specifically those provisions covering training aid).

23. It will also be the responsibility of BCC to ensure that payments made as part of the programme to Finance Birmingham for the programme management and ADS and SMMT for the programme administration are State Aid compliant. BCC intends to make such payments on commercial terms and consistent with their procurement law obligations, meaning that such payments will not be regarded as State aid.

### **Audit**

24. An annual audit of Finance Birmingham will be carried out to ensure propriety and to confirm that they are carrying their functions in accordance with the MoU. The audit report will be provided to BEIS.

### **Risk Register**

25. The programme creates a range of financial, legal, and reputational risks for the partners. A programme level risk register will be produced by Finance Birmingham to ensure that risks are identified and managed appropriately. A review of the risk register will form part of the reporting to the quarterly BEIS AMSCI Programme Board meetings.

### **Dispute Resolution**

26. If a dispute arises between BEIS, BCC and/or Finance Birmingham, the affected parties shall attempt to resolve the dispute in the first instance by referring the matter to their respective senior officials or, nominated equivalent, who will meet to try and negotiate a settlement in good faith.

### **Document retention**

27. A document register will be maintained by Finance Birmingham and the PMOs. The register will include all core documents including the assessments and the business improvement plans. The register will list the nature and format of the document, along with where the documents are held and other pertinent information. The register will be reviewed on a quarterly basis. An overview of the documentation to be retained is detailed in annex B.

### **Publicity**

28. BEIS may publish information relating to the Grant, on the gov.uk website, and in any other way it considers appropriate, information relating to:

- (a) Summary details of the aims and objectives of the programme
- (b) The total grant awards
- (c) Estimated total eligible costs
- (d) The identity of the Grant recipients
- (e) The amount of Grant awarded to each beneficiary
- (f) A summary of outputs and outcomes achieved by the programme.

29. BEIS will, prior to publication, consider any representations made from grant recipients regarding information they consider to be commercially sensitive. BEIS will ultimately determine what information is published.

### **Data Protection**

30. [Add detail]

### **Freedom of Information**

31. BEIS and BCC agree that each party may consider in its absolute discretion that it is required to disclose information relating to the Grant under the Freedom of Information Act 2000 (as amended), or under any other requirement of law. Each party will assist and cooperate with, as reasonably requested, to enable compliance with those requirements.

### **Day-to-day contact**

32. In communicating with the BEIS the contacts are:

- (a) Automotive sector - Ian Broadhurst, 020 7215 4313 ([ian.broadhurst@beis.gov.uk](mailto:ian.broadhurst@beis.gov.uk))
- (b) Aerospace Sector - Greg Warren, 020 7215 2073 ([greg.warren@beis.gov.uk](mailto:greg.warren@beis.gov.uk))

33. In communicating with BCC the contacts are:

- (a) [add detail]

34. In communicating with Finance Birmingham the contacts are:

- (a) Jeremy Taylor [add detail]

SIGNED by:

.....  
Signature:

**Add detail**

for and on behalf of the  
Secretary of State for  
Business, Energy and  
Industrial Strategy

.....  
Title:  
.....  
Date

SIGNED by

.....  
Signature:

**[add detail]**

for and on behalf of  
Birmingham City Council

.....  
Title:  
.....  
Date

SIGNED by

.....  
Signature:

**[add detail]**

for and on behalf of Finance  
Birmingham

.....  
Title:  
.....  
Date

## Annex A - Quarterly payment profile

Payment period	Payment from	Payment to
Payment period 1	01.07.2019	30.09.2019
Payment period 2	01.10.2019	31.12.2019
Payment period 3	01.01.2020	31.03.2020
Payment period 4	01.04.2020	30.06.2020
Payment period 5	01.07.2020	30.09.2020
Payment period 6	01.10.2020	31.12.2020
Payment period 7	01.01.2021	31.03.2021
Payment period 8	01.04.2021	30.06.2021
Payment period 9	01.07.2021	30.09.2021
Payment period 10	01.10.2021	31.12.2021
Payment period 11	01.01.2022	31.03.2022
Payment period 12	01.04.2022	30.06.2022

## Annex B – Document retention

Collection method	Source	Data	Timing
Application form	Applicant	<p>This will be used to obtain identification data to support data linkages to secondary data sources and baseline data of all applicants which may be leveraged as part of the counterfactual.</p> <ul style="list-style-type: none"> <li>Firm identification number (Companies House Registration Number, VAT Number, PAYE Number, Unique Tax Reference Number in instances when the business is not yet VAT or PAYE registered)</li> <li>Firm details (business name, trading name, age of business or trading date, SIC code)</li> <li>Firm contact details (address, lead contact, phone number, email)</li> <li>Firm profile and baseline data (size, location, turnover, Gross Value Added (GVA), growth potential, sales, numbers of employees, profits, average/median earnings, current training spend, export value and as a proportion of turnover, etc.)</li> <li>Counterfactual information on what will have happened in the absence of the NMCL</li> </ul>	Application stage
Profiling questionnaire	Applicant	<p>Additional to the application form, this provides:</p> <ul style="list-style-type: none"> <li>History of engagement with productivity &amp; competitiveness improvement programmes</li> <li>Link to industry customer(s)</li> <li>Planned turnover growth over programme lifetime</li> <li>Target % cost reduction over programme lifetime</li> <li>Average target productivity improvement p.a. over programme lifetime</li> <li>Dun &amp; Bradstreet (D&amp;B) financial health score</li> <li>Current 12 month rolling average customer quality performance score</li> <li>R&amp;D investment (value and proportion of turnover)</li> <li>Motivation for engagement with programme</li> <li>Profiling score</li> </ul>	Application stage
Sector Strategy Board assessment	Sector Strategy Boards	<ul style="list-style-type: none"> <li>Interview narrative from applicant</li> <li>Compiled comments and assessment from Sector Board experts</li> </ul>	Selection stage
Capability assessment	???	NMCL competitiveness score calculated against (quality, cost, delivery, flexibility, product & technology, and customer experience)	<p>Selection stage</p> <p>Stage 2: early impact evaluation (24-30 m)</p>
Firm level monitoring reports	<p>Programme Offices</p> <ul style="list-style-type: none"> <li>Beneficiary firms</li> </ul>	<p>Assessment of delivery against key criteria (these might include scope, timetable, cost, risk and progress). Data and metrics collected might include:</p> <ul style="list-style-type: none"> <li>Firm data: unique identification number; details; contact details (see application form)</li> <li>Scope: number employees trained; type of training courses undertaken</li> <li>Timetable: whether timings are being met</li> </ul>	Monthly – Quarterly (tbd)

Collection method	Source	Data	Timing
		<ul style="list-style-type: none"> <li>Costs: forecast and actual cost of training</li> <li>Risks: perceived barriers; the quality of training received; implementation management; availability of training and firm resources</li> <li>Progress: number employees trained; type of training courses undertaken; number of new products or processes adopted</li> <li>Other narrative elements: details on networks and new supply chain contacts; additional (R&amp;D, capital or training) investments made as a result of engagement with the programme or a change in attitude to investment;</li> </ul>	
Programme level aggregate monitoring reports	Finance Birmingham	<p>Report from Finance Birmingham (compiled by monitoring officers / programme offices), assessing individual level progress and aggregate performance of the programme to BEIS AMCSI Programme Board. This will build on firm-level monitoring data and routinely collected administration. Metrics to include:</p> <ul style="list-style-type: none"> <li>Number and profile of firms applying to join the programme, undergoing initial assessment, initiating business improvement programmes, completing business improvement programmes</li> <li>Attrition of firms at each stage</li> <li>Number of employees trained, and type of training provided</li> <li>Number of firms undergoing reassessment</li> <li>Forecast programme expenditure</li> <li>Actual programme expenditure</li> </ul>	Quarterly
Firm-level annual economic monitoring	Finance Birmingham <ul style="list-style-type: none"> <li>Beneficiary firms</li> </ul>	<p>This will build on firm-level monitoring data. Metrics may include:</p> <ul style="list-style-type: none"> <li>Firm data: unique identification number; details; contact details (see application form)</li> <li>Business implementation plan duration and cost (forecast and actual)</li> <li>Production location</li> <li>Output indicators:               <ul style="list-style-type: none"> <li>Number of employees trained by type of training provided</li> <li>Number of new products or processes adopted</li> </ul> </li> <li>Outcome indicators:               <ul style="list-style-type: none"> <li>Productivity measurements</li> <li>Sales / contract data (value and portion of turnover, split by domestic &amp; exports)</li> <li>End customers (new, retained, lost)</li> <li>Subcontracting</li> <li>Turnover and profitability figures</li> <li>Employment and wage data including job creation and safeguarding figures</li> <li>R&amp;D investment (value and proportion of turnover)</li> <li>Capital investment (value and proportion of turnover)</li> <li>Additional skills and training investment undertaken outside of the programme (value and proportion of turnover)</li> </ul> </li> </ul>	Annual  Stage 1: process evaluation (12 m)  Firm-level close-out  Programme close-out / Stage 2: early impact evaluation (24-30 m)  Stage 3: impact evaluation (7-10 yrs)

Collection method	Source	Data	Timing
Primary research data gathering <ul style="list-style-type: none"> <li>• Stakeholder consultation</li> <li>• Case studies</li> <li>• Beneficiary surveys</li> </ul>	Finance Birmingham <ul style="list-style-type: none"> <li>• Industry stakeholders</li> <li>• All applicants</li> <li>• Non-applicants</li> </ul>	Narrative information focusing on the attitude and experience of industry stakeholders (e.g. Automotive Council, OEMs / primes), applicants and non-applicants with respect to: <ul style="list-style-type: none"> <li>• Communications and Stakeholder engagement plan</li> <li>• Application and selection process</li> <li>• Implementation period (successful)</li> <li>• Monitoring process and annual economic monitoring tool</li> <li>• Counterfactual questions</li> </ul>	Stage 1: process evaluation (12 m)
Primary research data gathering <ul style="list-style-type: none"> <li>• Non-beneficiary surveys</li> </ul>	External evaluator <ul style="list-style-type: none"> <li>• Unsuccessful applicants</li> <li>• (Non-applicants)</li> </ul>	Unsuccessful applicants to provide updated information based on the Application form and Profiling questionnaire. Where data permits non-applicants will also be included in this survey. As a minimum: <ul style="list-style-type: none"> <li>• Firm identification number (to allow for linkage to external data sets)</li> <li>• Firm profile and baseline data (size, location, turnover, Gross Value Added (GVA), growth potential, sales, numbers of employees, profits, average/median earnings, current training spend, export value and as a proportion of turnover, etc.) will be requested.</li> </ul>	Stage 2: early impact evaluation (24-30 m)
Data linking to secondary data sets	External evaluator <ul style="list-style-type: none"> <li>• All applicant</li> <li>• Non-applicants</li> </ul>	Link via firm unique identifier (CRN, VAT, PAYE numbers). Potential sources include: <ul style="list-style-type: none"> <li>• Business Structure Database (BSD) &amp; Inter-Departmental Business Register (IDBR) Employment and turnover</li> <li>• Annual Respondents Database (ARD) &amp; Annual Business Survey (ABS): GVA and other financial measures, such as capital investment. Limited longitudinal for large firms (250 or more employees)</li> <li>• Labour Force Survey: Details employment levels by occupation and industry, estimates of numbers employed and hours worked</li> <li>• ONS Annual Inquiry into Investment in the UK: Headline figures of FDI flows</li> <li>• Companies House: Turnover, employment, investment. Not necessarily complete.</li> <li>• Auto specific organisations: Department for Transport</li> <li>• Aero specific organisations:</li> </ul>	Stage 2: early impact evaluation (24-30 m)  Stage 3: impact evaluation (7-10 yrs)
Stage 3 Primary research	TBD	TBD. This is likely to repeat or build on the method above.	Stage 3: impact evaluation (7-10 yrs)