



GBSLEP HS2 BUSINESS SUPPORT & SUPPLY CHAIN DEVELOPMENT AND MANAGEMENT

Draft for discussion

Private and confidential

**PLEASE NOTE THAT THIS IS A DRAFT REPORT THAT REQUIRES FURTHER
DISCUSSION WITH KEY STAKEHOLDERS**

30th April 2015

V1.0



‘Accelerating the industrial revolution of the 21st century’

Purpose

The purpose for this document is to propose a conceptual programme that will look to develop and support all supply chain companies who need business support and assistance to capitalise upon the opportunities presented by the delivery of the HS2 programme and to be ready for the ‘industrial revolution of the 21st century’.

The conceptual proposal looks to address key areas of support in four key areas:

1. **Business Engagement & Diagnostics:** This is for resources within our Growth Hub to work with businesses that are already involved or want to become involved in this HS2 supply chain.
2. **Market Development:** To assist in the development of Marketing strategies/marketing plans that will help develop and deliver business growth opportunities.
3. **Building Information Modelling (BIM):** This will provide the provision of part funded specialist external support to accelerate the adoption of BIM throughout the HS2 construction supply chain by adopting level 2 principles with a view to achieving formal accreditation should that be appropriate in the future.
4. **Developing Capability and Capacity:** This will focus on the provision of funding for an end to end supply chain programme to support SMEs businesses that are looking at funding for capital expenditure, the development and application of innovative advance technology and processes and related upskilling and training of staff to help them become HS2 supply chain procurement ready.

This concept has been developed in collaboration with partners both regionally and nationally and looks to support the HS2 supply chain across the UK. It has also been developed giving consideration to work that is already being undertaken with HS2 Ltd, Rail Supply Group and the Automotive Council UK and it is proposed to build upon current learning and to share opportunities for collaborative working across sectors.

Importance of supply chains

The Government recognises the role SMEs play in growing the economy and the contribution they make to the creation of new and sustainable jobs in the private sector.

The growth of SMEs continues to depend upon their confidence in the economy, their industry sector, and access to the necessary finance from the private sector. Without this, uncertainty remains for when an SME should invest, how to maximise the opportunities created, if they possess all the necessary business skills to implement their plans effectively and how to assess and manage the associated costs and risks involved.



Business confidence needs to be in place and can be enhanced by the incentive of the tangible support offered by HS2 SCI that will increase SMEs willingness to invest for business growth.

The Government policy, through initiatives such as Regional Growth Fund, Enterprise Zones, Growing Places Fund, City Deal and Growth Funds have all been designed to improve confidence, stimulate business activity, encourage private sector led investment and create jobs.

Within supply chains a range of SMEs make a significant contribution to the finished product and play a crucial role in the effectiveness and success of the production process and quality of the end product. Most businesses have a supply chain of some degree, using sophisticated networks of suppliers to obtain raw materials, components or services that are in turn used to create other products. The supply chain companies are a fundamental part of the Midlands and national economy.

Progress to date

To support more businesses to start, grow and succeed, GBSLEP has aimed to build accessible systems of support appropriate for all companies – from early stages, to SME and through to global powerhouses. The creation of the GBS Growth Hub, which benefitted from £650,000 in the GBS Growth Deal matched with £250,000 of local contributions from the business rate pool, will provide a single front door through which businesses can access a world-class business support ecosystem. The Growth Hub builds on the successes of the £8m Business Development Programme, which has created 360 jobs and safeguarded a further 100.

Complementing the support on offer is an access to finance package which, excluding the Advanced Manufacturing Supply Chain Initiative (please see below), has been regarded as insufficient to meet the needs to our businesses. GBSLEP has therefore committed to build on the successes of £22m Growing Places Fund and £20m Green Bridge Supply Chain Programme (which, between them, have created 581 jobs and safeguarded a further 436) and has established the £56m Mezzanine Loan Fund, which offers loans investments of up to £2m; and by working with the other five LEPs in the West Midlands to establish €50m fund of funds, operated under a JEREMIE and utilising ESIF allocations.

In addition, in March of this year, the Greater Birmingham and Solihull Local Enterprise Partnership and BPS Birmingham (a membership organisation for business professionals and financial services sector in Greater Birmingham) launched a new Access to Finance Website.

Recognising the challenge for SMEs to access finance, whether it is for equity finance, debt financing or grant funding and then identifying and securing this can be complex and hard to navigate, the process is often time consuming and utilises resources that very often SMEs don't have at their disposal. GBSLEP and BPS Birmingham agreed to collaborate to take on this challenge and launched the new website (www.accesstofinancegreaterbirmingham.co.uk) which aims to help SMEs to find the right pathway to potential funding.



At the heart of the new website is the aim to simplify the process for SMEs to raise finance by providing local businesses with the information that they need to assist them in the pursuit of finance. The website clearly segments potential funders into areas of specialism and expertise. For 70+ finance providers registered on the site, it provides a vehicle through which they can connect with local business and make the local market aware of finance offerings which will help them develop and grow their activities.

Beyond simply signposting potential funders, the website also provides explanations and tips to users to explain the different types of finance potentially available to them and the stage of their business at which they might be most relevant.

GBSLEP also has programmes of activity that aim to support growth through the planning system, and has created a single point of contact for local regulation.

Barriers to growth of supply chains

Barriers to growth of supply chains are very varied and depend on the relevant sector and specific circumstances of a supply chain. Some of the barriers to growth reported by sectors are market failures that also appear to affect businesses that are not dependent on supply chains. For example, access to SME finance, skills gaps in the workforce, particularly leadership and management skills. Some barriers appear to be more specific to supply chains, for example, sharing research and development across suppliers or developing and securing the quality and accreditation to supply new products.

Government provides support to address many of these individual, identified market failures. For example, there is both general and targeted (National Skills Academies, Growth and Innovation Fund) government support for raising skills and training provision. R&D grants and knowledge Transfer Partnerships support some supply chains already such as the Low Carbon Vehicle Innovation Platform.

Outline proposal

Our objective as outlined in this concept paper is to maximise what HS2 will generate through its procurement activity in terms of the new supply chain opportunities that has the potential to be a 'game changer' for many businesses as well as generating major economic benefit and growth across our economy.

There is the potential through further commitments to the delivery of HS3 to yet further expand upon this work.

This concept paper outlines how this catalyst for change can be delivered by helping a whole range of different businesses some of which are already in this supply chain, others in related areas and



some new to this work to become fully prepared and ready to participate in this procurement process and become new supplier to the HS2 project.

This paper is deliberately set at a concept level since it is primarily seeking to test the principals of the proposals set out below by provide a sufficient level of detailed information but also recognising that further work will be required which will be aligned in time to the development of the HS2 procurement strategy.

Our conceptual programme is looking to capitalise on a proven track record of delivery across a number of business support programmes and to bring them together under one programme to provide a comprehensive support package for all businesses engaged with the HS2 programme. We recognise that the 'one size fits all' approach does not work and that we have to be flexible in both what and how we offer support to business so are looking to design a programme that is aligned to the needs of business.

The conceptual idea is to:

- Bring together a range of business support offerings into one place
- Build on current expertise and knowledge gained from nationally recognised business support initiatives.
- The programme will look to address the following key areas:
 - Access to Finance
 - Access to new technology
 - Improving skills and creating and sustaining jobs and increasing access to a skilled workforce
- Align funding from different sources to provide a comprehensive package of support that can be accessible to all businesses in the HS2 supply chain.

In developing this concept, it is believed from past experience that the following areas will need to be addressed to ensure that businesses are HS2 ready:

- Capacity and capability building – both organic and through inward investment
- Business planning
- Sales - procurement process, proposal writing
- Performance excellence through
 - Processes (project control, procedures, lifecycle processes)
 - Integrated management systems
 - People (organisational design and development, skills and competence)
- Contract management
- Accreditation readiness
 - ISO 90001, ISO 14001, OHSAS 18001, Link-Up
- BIM accreditation and qualification
 - Extend company accreditation roll-out following the successful pilot

Support individual qualification to Level 2 and beyond



Regional analysis

The West Midlands region is home to nearly two and a half million jobs, workplace based employment in the GBSLEP area (856,000) accounts for over a third of this total (35.2%). Economic output in the region totalled £110bn in 2013 with the GBSLEP £41bn accounting for 45% of the total economic output in the West Midlands region.

The local economy has been hit hard by the 2008-09 recession and the recovery is only now beginning to properly take hold. Real GVA in the region and the LEP fell sharply during the recession and despite the subsequent recovery economic output in both areas is only now reaching 2007 pre-recession peak.

Based upon comparative measures of economic output like GVA per head and per worker the region still underperforms the national average and other areas.

Economic forecasts for the period to 2030 show that economic output in the GBSLEP is forecast to grow by around 2.5% per annum from 2015 a relatively healthy rate of growth but below the national rate of around 3% and that of other LEP areas like Bristol, Leeds and Manchester. As with economic output employment growth in the GBSLEP is forecast to be weaker than the UK average.

Over a long period the area has suffered persistently high levels of unemployment (and low levels of resident employment) and the recession exacerbated these long term trends. Unemployment in the area has fallen sharply from the peak reached during the recession.

However, the region and LEP's claimant unemployment rate remains well above the national rate and the highest of all the core city LEP areas. Resident employment in the GBSLEP still remains relatively low, at 67.1% (West Midlands 69.7%) well below the UK average (72.3%) and the third lowest rate of any LEP area.

The region is faced with a number of key challenges in stimulating business growth and improving economic prosperity and including:

- Sustaining business growth, which can be partly put down to the lack of access to best practice knowledge, approaches and support in business development.
- Lack of investment in innovation, new products and new infrastructure, which can be partly ascribed to a market failure in finance for business.
- Key skills shortages are hampering business growth.
- Under concentration in higher value sectors.
- Relatively low proportion of exporting firms compared to our continental competitors:
- Under performance in innovation, which can partly be attributed to a lack of access and engagement with knowledge base companies.
- High unemployment rates, particularly within certain inner City wards and communities, which are well above the UK average.
- Low economic activity rates and in particular very low economic activity rates amongst women.

In rebalancing the regional economy, there is a need to stimulate private sector employment growth by tackling underlying barriers to business entry and growth, thereby unlocking the region's potential. The proposed programme will address the key challenges faced by SMEs seeking to grow, invest and create jobs



Moreover, there is a continued need develop new business programmes to sustain future growth, maintain confidence, stimulate business activity, raise skills and encourage investment and job creation.

The construction and completion of the transformational HS2 transport project will not only provide the direct transport benefits but it will also create a truly massive range of new supply chain business opportunities for local businesses. It is estimated that these opportunities in themselves account for at least £10bn for the civil engineering construction of project itself with the whole project expected to cost some £50bn.

A central Government theme in delivering large infrastructure projects such as the last Olympic Games in 2012 and the very relevant current London Cross Rail project with a total funding envelope of £14.8bn has also been in such cases to ensure that these types of large scale infrastructure projects maximise the wider economic benefits.

Given the scale of the planned HS2 procurement activity and business supply chain opportunities soon to be offered to the market, this needs to be seen as a “game changer” for many potential suppliers.

What we know about the HS2 supply chain

There is already relevant work and information available from the London Cross rail project which shows that on the Crossrail project, 97% of contracts (across the supply chain) have been awarded to UK suppliers; while 62% of contracts have been awarded to SMEs. HS2 Ltd is forecasting a similar trend on HS2 and this initiative can make a major contribution to making this happen.

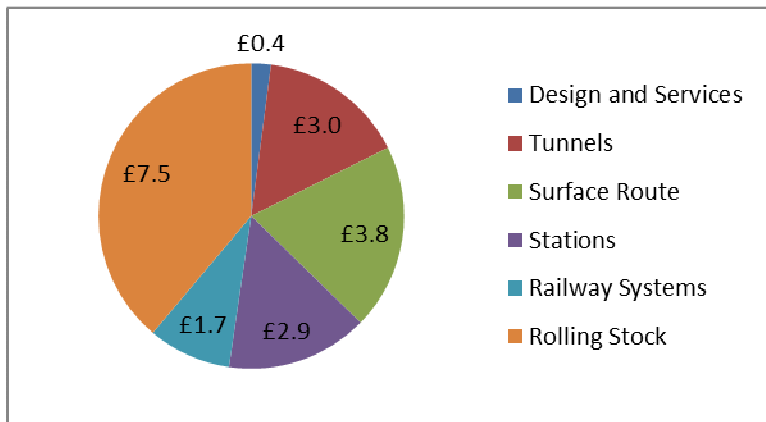
There is an expectation that 25,000 jobs will be created during the construction phase of HS2 which will run from 2017-2025 and 10,000 more jobs in the supply chain.

Of tier 2 / 3 suppliers within the potential HS2 supply chain only 36-40% of those companies involved have either BIM already in place or have the necessary skills and plans to implement ahead of the commencement of HS2.

The manufacturing level within the potential supply chain data shows that only 28% of companies have either BIM already in place or have the necessary skills and plans to implement ahead of the commencement of HS2.

This clearly shows that there is a requirement to develop, skills, technology and knowledge to address this clear gap within the market.

It is also understood that HS2 have recently developed a procurement strategy that gives a clear indication of those businesses that will be potentially impacted on by the construction of HS2. The HS2 procurement strategy shows a breakdown of the £19.3bn spend across a number of elements:



HS2 projected spend in £bn

Source: HS2 Supply Chain Conference – December 2014

To deliver this strategy will involve a large number of businesses in a large number of sectors and segments including architect practices, civil engineering, construction, manufacturing, electrical and mechanical engineering and ancillary services.

The aim of the strategy is to help strengthen the supply chain at the three main contract stages of pre-contract, delivery and post contract service / maintenance. The first stage will require that readiness metrics need to be established through engagement with purchasing organisations and diagnostic evaluation will then need to take place with supply chain businesses which have expressed an interest in supply (3-400 companies in the West Midlands).

To raise awareness of these opportunities HS2 plan to undertake the following activities that will include:

- Market engagement
- Events
 - Category industry days
 - Regional roadshows
 - 'Meet the Contractor' days

The concept proposal that has been developed by the GBS LEP looks to both supplement and build upon the HS2 procurement strategy by giving direct support to those companies who wish to engage in the HS2 procurement process.

Track record of delivering supply chain development programmes

BCC is the accountable body along with Finance Birmingham (FB) (a wholly owned subsidiary of BCC) as its delivery partner have developed and implemented the **Advanced Manufacturing Supply Chain Initiative (AMSCI)** over the past 3 years with already received funding of £345m from the Government. This funding has been received in 3 specific offers of funding from government with the AMSCI programme also changing over this time framework to reflect gained learnings, best



practice and how best to deliver its objective. This programme's objective was to support the global competitiveness of advanced manufacturing supply chains by helping existing supply chains grow and achieve world class standards in many different ways while also encouraging major new suppliers to set up and manufacture in England.

Impact of delivered supply chain programmes:

From the original allocation of £345m for **AMSCI**, a total of £276m of direct funding (containing £39m of loans and £237m of grants) has been committed on supply chain projects. Due to the nature of the programme about 60% of this funding has been committed towards R&D, with 25% towards capital expenditure with some 4% for related skills and training with a balance of 11% for a variety of other related expenditure. The average funding for each project is cir. £4.1m many of which are complex supply chain projects.

There is a heavy reliance in the approval process on the qualitative impact of projects but due to their R&D nature it is very difficult to measure this impact in a consistent manner between different projects. The other consideration is that due to AMSCI funding being provided over a 2-5 year timescale we are working with original forecasts of the quantitative impact. Such forecasts tend to be on the cautious side and potentially under record their impact as it is difficult for complex and longer term supply chain projects to be able to predict fully (due to a number of uncertainties over how they will develop) their quantitative impact. .

- **A total of 70 projects within the advanced manufacturing supply chain with a total value of £700m, spread across England in different sectors, are being financially supported by AMSCI.**
- **The total of AMSCI funding support of £276m consists of funding for R&D work which is expected to generate a current forecasted private sector investment ratio of 1:1 which is in line with the industry norm and the remaining 40% of funding is expected to generate a current forecasted private sector investment ratio of 7.65:1 which is significant above the industry norm.**
- **That this level of funding is forecasted to create and safeguard at least a total of 13,100 jobs (including NATEP jobs) at a cost of £18,000 per job (based on level of grant funding as loans are repayable).**
- **That this represents a total of 506 businesses (including NATEP) covering a spectrum of large companies to small SMEs, that are being supported in the advanced manufacturing supply chain.**
- **Projects support innovation, capital investment and upskilling,**

In 2012 AMSCI committed £23m towards a £40m **National Aerospace Technology Exploitation Programme (NATEP)**. This programme has direct sponsorship from aerospace primes and tier 1s and is providing a skilled resource and direct funding to some 100 smaller suppliers (predominately SMEs) to help them develop technology development projects and secure routes to market becoming part of the aerospace supply chain. This Programme was launched in 2013 and NATEP is on track to exceed its 1,200 job target.



The NATEP programme in itself has provided £5.8m of direct grant funding and an additional indirect mentoring support of £1.8m as part of a project value of £11.6m.

The success of NATEP has now resulted in this being a national UK wide programme with the devolved administrations of Scotland, Wales and Northern Ireland having recently agreed to participate fully within this Programme providing additional funding from their own resources.

This programme is contributing towards the outcomes of AMSCI as highlighted above and to date has had the following impacts in the first 3 calls out of 5 expected calls:

- **A total of 46 projects are undertaking leading edge innovation in this supply chain spread across England are being financially supported.**
- **Create and safeguard at least a total of 1,200 jobs at a cost of £19,166 per job.**
- **This represents a total of 103 businesses that are being supported in this supply chain.**

Birmingham City Council (BCC) through its own Business Development & Innovation Team has also successfully developed and delivered a £27.5m **Green Bridge Supply Chain programme** aimed at growing and developing the SME working across the green economy. This West Midlands wide programme was delivered in partnership with 6 West Midlands LEPs and offered support between £20k-£1m to cover investment in a range of activities:

- Capital investment, installation and process improvement
- New Product development- concept, prototyping, testing and launch
- Market development- market research, marketing strategy, branding and attendance at exhibitions
- Skills development- development of management expertise and training of new and existing staff.

Impact of Green Bridge Supply Chain programme:

- **£27.5m (RGF and ERDF) generated £100m of private sector investment a ratio of 4:1**
- **Grown 340 supply chain companies**
- **Creating 3000 new jobs**
- **Safeguarded 1700 existing jobs**
- **Generating £360m GVA in 2015 and £390m by 2020 (LEM)**
- **Saving to exchequer £11,000 per job created and safeguarded.**

GBS LEP Growth Hub

In December 2013 Government launched its Small Business Strategy; Small Business: GREAT Ambition. It sets out Government's commitment to making sure that small businesses are well equipped to take advantage of opportunities highlighted within its Industrial Strategy which set out its long term approach to promoting growth, creating jobs, boosting skills and making the UK more competitive.



An important aspect of the Great Ambition report are the initiatives that will be put in place to support businesses across the UK, including a commitment to roll out Growth Hubs to provide a single place for businesses to go to for local advice and support.

Working closely with our local businesses we are building knowledge, intelligence and understanding of the wider business needs and skills requirements to ensure services and provisions are designed and tailored to meet these. By using the Growth Hub facilities it will make it easier for businesses to seek this advice and to benefit from the facilities that are on offer.

The Growth Hub is designed to seamlessly align our referral processes working closely with the LEP partners and those on our Enterprise Board to ensure that offers being developed through the HS2 supply chain programme and initiatives, including the provision of tailored supply chain access to finance support; grant funding for capital expenditure; application of innovative advance technology; recruitment and training support; market development; mentoring and coaching and provision around specialist external support for Building Information Modelling are made available to these businesses.

As such, as part of our Business Growth Hub model, GBS LEP have made a commitment to allocate resources to develop a specific AME/HS2 support provision to those businesses who may be able to secure Tier 2 and Tier 3 HS2 contracts.

Knowledge gained in successful programme delivery

We have gained significant experience and knowledge from the delivery of these supply chain programmes that we would incorporate into our HS2 supply chain proposals to enhance its effectiveness:

- That a lot of proactive work needs to be undertaken on marketing and communicated with companies of all sizes and across appropriate sectors to ensure that companies are made aware of such funding opportunities.
- Those potential applicants for funding need to be helped through this process to help them understand the funding regime and to help them to both construct an appropriate request for funding and to complete the appropriate submission for funding. This is especially true for smaller SMEs, who struggle with such application due to their limited capability and capability and technical knowhow of applying for funding.
- That the application process for smaller SMEs with smaller funding requests (under £300,000) needs to be simplified against those seeking larger amounts of funding.
- Those innovation projects of all sizes show a greater degree of commercial substance where there is a consortium with other businesses, academic / research institutions and importantly a sizable end user that in effect is the project sponsor providing a range of help support and potentially in kind funding.
- That the actual submission for funding should be undertaken as a 2 part process with an outline / expression of interest for funding and a full application with discussions and meetings with feedback between the 2 stages.



- That while calls for applications on a regular basis have their place there is also a need for a continuous decision making process that reflects the reality of the commercial world
- That funding can be either grant or loan or indeed a blended mixture of both.
- That the effective delivery of smaller SME projects, especially innovation based projects, is significantly improved with the direct involvement of funded and appropriately qualified mentoring support in the delivery phase of the project.
- That many businesses that have been assisted through other programmes inc. Greenbridge, AMSCI and NATEP have transferrable products and skills for the rail industry.
- That crucial support is required to actually understand and use supply chain processes and techniques

HS2 supply chain initiative

The business case for HS2 states that the investment will support economic growth across Britain and we need to 'prepare business for the industrial revolution of the 21st century'. It is estimated 60% of procurement opportunities will be for SME's given their scale of operations and specific capabilities.

SME Supply chain opportunities will be at pre HS2, HS2 arrival and post HS2 stages across a number of categories:

- Design and services- design and professional services
- Tunnels- sub surface sections of route, tunnel portals and shafts
- Surface route- earthwork, drainage, cuttings, embankments, bridges, viaducts and other structures
- Stations- Euston, Old Oak Common, Birmingham Interchange and Curzon Street
- Railway systems- permanent way, overhead lines, electrification, signalling, telecommunications, traction power and electrical distribution
- Rolling stock- rolling stock
- Ancillary and support services

This blue print programme has been developed in a direct response to the above business supply chain opportunities and seeks to address the barriers to growth. It recognises the need to offer a flexible approach in the type of support that can be provided and how resource can be combined across capital investment, application of innovative advance technology and development of management and staff capability in response to underpin the planned investment.

Assistance to be provided

Given our knowledge of the supply chain opportunities to be provided through HS2 with our many learning that have been gained from the delivery of the national £276m government funded advanced manufacturing supply chain programme (AMSCI) of helping and supporting out national supply chains with different funding programmes we would like to suggest the following support and



funding programme which offer a pragmatic solutions and tangible benefit to support the HS2 supply chain.

The focus of the proposed HS2 Supply Chain Initiative (SCI) is the strengthening and developing 2nd, 3rd, 4th and 5th tier supply chain companies who require investment in new plant and machinery, application of innovative advance technology, market development, mentoring and coaching to support management, staff development and BIM compliance.

A detailed consultation with key stakeholders has been undertaken including HS2 Ltd, Midland LEPs and other partners to ensure that the HS2 SCI programme is fully endorsed and where appropriate adjusted to meet requirements of all partners.

HS2 SCI programme will seek to address the areas covered in the section above in the "Outline Proposal" to ensure that businesses are HS2 ready by providing funding support (offering grants / loans) in the following 4 parts:

- **Business Engagement &Diagnostics**
 - This is for resources within our Growth Hub to work with businesses that are already involved or want to become involved in this HS2 supply chain. This work, which would involve other national agencies such as the Growth Service, would focus of getting them "HS2 supply chain procurement ready". Initially this work will involve the provision of a triage service providing a high level engagement with the business and sign posting them to other assistance and help that is available.
 - It could directly lead to a more detailed diagnostic service looking at the business as a whole and designing an appropriate action plan to include a detailed training needs analysis to determine future provision required to meet anticipated growth in demand for skills.
 - Online business diagnostic tools will be developed and provided that will enhance what is already available. These tools will seek to introduce the business's leadership team to new forward thinking technology and advanced development and manufacturing techniques and to see how much more they could be introduced into their business.
 - This will also cover aspects of management and leadership and effective business planning which will include a detailed training needs assessment to determine future provision to meet anticipated growth in demand for skills.
- **Market Development**
 - Marketing strategy/market plans
 - Attendance at exhibitions/trade shows
 - Branding and promotional activities
 - Website development
- **Building Information Modelling (BIM)**

This will provide the provision of part funded specialist external support to accelerate the adoption of BIM throughout the HS2 construction supply chain by adopting level



2 principles with a view to achieving formal accreditation should that be appropriate in the future.

- **Developing Capability and Capacity**

This will focus on the provision of funding for an end to end supply chain programme to support SMEs businesses that are looking at funding for capital expenditure, the development and application of innovative advance technology and processes and related upskilling and training of staff to help them become HS2 supply chain procurement ready. This will cover the following:

- Purchase of new capital equipment including introduction of advance technologies.
- Installation and refurbishment costs.
- Improvements in systems or processes.
- Improving skill levels.
- Creating and sustaining jobs.
- Application of innovative advance technology and processes.
- Development, prototyping, testing and market launch.
- Support (including specialist consultancy support) related to development and implementation of new technology, process development and Improvement in systems, industry accreditation standards, material usage, logistics and IT.
- Mentoring and coaching to help develop management and staff capability as part of the growth plan and to deliver funded projects and the management of supply chain contracts.
- Recruitment and training to include:
 - Recruitment of apprenticeships
 - Training Needs analysis
 - Workforce development training

GBS LEP also recognises that businesses do not work within LEP boundaries and have developed close relationships cross LEP, we are already engaging with Growth Hub leads in the Black Country, Coventry and Warwickshire, Worcestershire and Stoke and Staffs LEPs and will ensure that wider support offers being developed and delivered by others in the West Midlands area are also shared with our businesses, where eligible. We will also look to work with national partners to ensure that this programme has the ability to support all businesses that may engage or become a part of the HS2 supply chain family.

Investment levels

The Government has recently released a number of national calls for submission of funding applications under priority 3 – Business Competitiveness as part of the European Structural Investment Fund (ESIF) that is responsible for the ERDF budget and programme for the period 2014-2021.

This offers the possibility of future funding towards the delivery of this HS2 SCI programme. Birmingham City Council will be seeking, as the Accountable Body, along with its delivery partners such as Finance Birmingham and its own Business Development & Innovation Team to submit detailed applications against these national ESIF calls as outlined below. However, success in this



ESIF funding competition is far from certain, there is a limited budget for this type of supply chain initiative and ERDF is targeted only at funding SMEs.

It is considered that the following applications will be submitted or provided from alternatives sources of funding to deliver this HS2 SCI programme:

- Business Engagement & Diagnostics - £1m programme for an initial 3 year period (2015 – 2017) funded by:
 - ESIF (ERDF) £0.5m
 - SME/private sector £0.1m
 - Public sector £0.4m
- Building Information Modelling (BIM) and Developing Capability and Capacity for SMEs - £40m programme for an initial 3 year period (2015 – 2017) funded by:
 - ESIF (ERDF) £20m
 - SME/private sector £17.74m
 - Public sector £2.26m
 - ESF (TBC)
 - Adult Skills Budget (TBC)
 - AGE Grant (TBC)

For the HS2 SCI to provide the scale and type of funded support and impact that is required to maximise the wider economic benefits from the HS2 supply chain it is proposed that discussions are held with Government as to the following additional investment levels that are required:

- Developing Capability and Capacity for larger companies and at scale – £325m programme.
 - Tranche 1 (2015-16):
 - Development of a 'Trail-blazer programme' with funds in the region of £25m to support the development of the HS2 SCI programme for fore-runner high speed rail projects such as the High Speed College and other Innovative, advanced technology organisations that are looking to grow and expand either their product or client base using new forward thinking technology and advanced development and manufacturing techniques.
 - Tranche 2 (2016-17 and onwards):
 - Development and advancement of the HS2 SCI programme comprising of a potential for £300m to provide a more comprehensive and developed HS2 SCI programme to align with the proposed tendering of the first wave of 'civil engineering' tenders that are forecast to be let during Q1 2016.



Benefits of investment

The investment we are looking to secure will ensure a competitive and sustainable supply chain with capacity and expertise to deliver HS2 project, both now and in the future. We will look to develop this programme in line with those addressing the skills agenda created by the arrival of HS2 so that we give future learners the necessary skills to sustain the forecast economic growth for generations to come.

Government endorsement will also enable us to secure further funding from EU and so minimise investment from Government and allowing us to develop this conceptual programme so that it can realise its full potential nationally.

Should we not provide this level of support it will leave the SME supply chain exposed to competition from better prepared companies from overseas. The supply chain will become less competitive if they lose out on such supply chain work from HS2 which could result in potential job losses.

There will be pressure to react and some form of funding assistance may be provided but it will look like too little too late and probably prove not to be very effective. All the benefits in terms of impact and benefits provided to this supply chain will be lost and also the opportunity for businesses assisted to transfer these benefits to other supply chains will also be lost.

Initiative objectives

We want businesses to have easy access to a wide range of support and expertise through our programme, our services will include an online business support knowledge bank and engagement diagnostic (triage) service to more personal business navigators and specialist support advisers. We will provide signposting, support, guidance and information on all aspects of business need including finance, innovation, business planning and support, digital, skills, growth and regulation.

To ensure a competitive and sustainable supply chain with the capacity, capability and the skill base to deliver HS2 initiative by:

- Developing a more competitive supply chain that anchors high value-added work;
- Increasing productive process and service capacity management expertise and staff capability.
- Creating better synergies and sustained collaborative relationships throughout supply chains that participate in this initiative.
- Implementing new innovation advance technology and processes.
- Increasing skills and capability in the supply chain management and delivery.
- Improving skills brokerage through the Skills Hub to maximise SME engagement in workforce development.
- Ring fencing a proportion of available apprenticeship incentives (AGE) to encourage SME investment in skills.
- Promoting collaboration between SMEs to deliver demand led skills solutions through training providers.



- Encouraging collaboration between training providers to share the risk of new skills provision development.
- Attracting new customers to existing supply chain companies.
- Maximising business and investment opportunity.
- Generating new employment and sustain existing jobs.
- Ensuring businesses directly involved in HS2 are compliant to BIM (Building Information Modelling) level 2.

Furthermore, we are working with partners to ensure our support will be designed to not duplicate or complete with other offers which will enable us to ensure a full programme of support and interventions can be put in place to get our businesses ready for the opportunities HS2 will bring.

Eligible sectors

All sectors delivering elements of HS2 project are eligible except retailing including:

- Rail
- Construction
- Engineering
- Electrical
- Manufacturing
- Building technologies
- Environmental and Energy technologies
- Transportation
- Print and design
- Architecture

Impact:

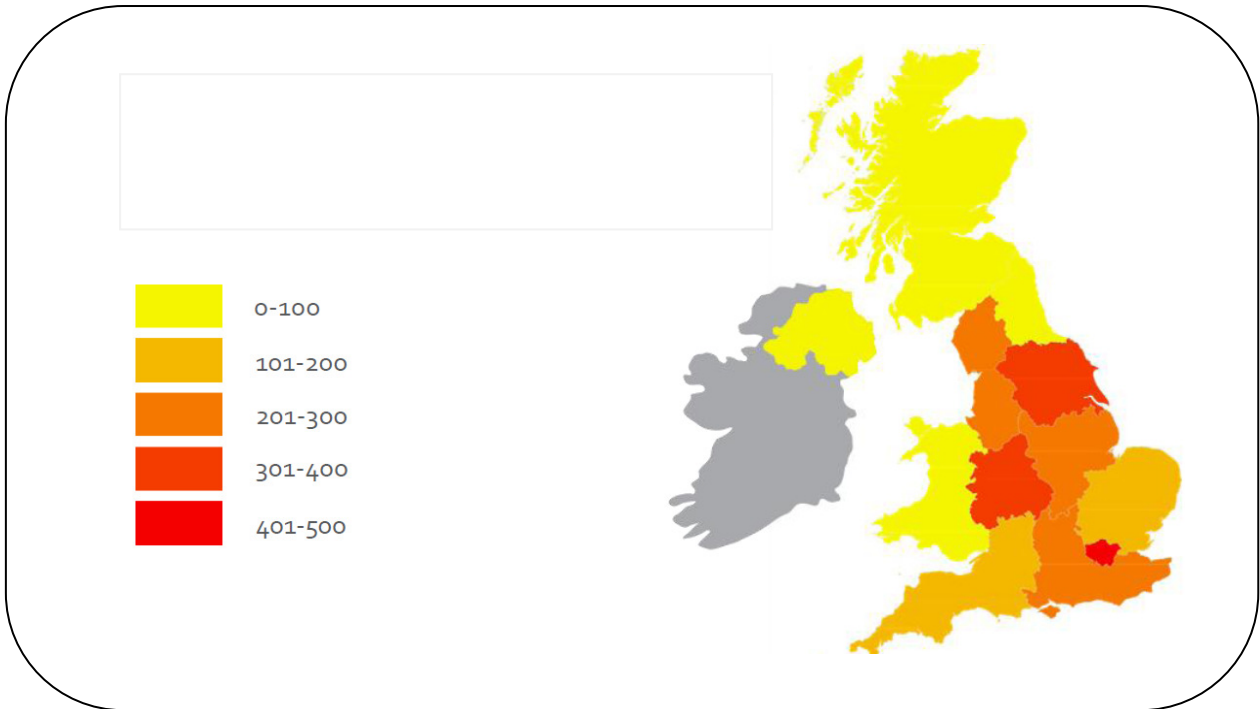
- 700 supply chain companies helped to develop and grow.
- 18,000 new jobs created or safeguarded – of which will be an agreed % of apprenticeships.
- Increase regional productivity/GVA.

(Figures based on performance evidence from schemes already delivered)

Strategic fit

The proposed initiatives are fully aligned to the aims of Government, Local Authorities and regional LEPs aspirations to improve SME competitiveness by promoting and stimulating entrepreneurship, encouraging business growth, increasing access to finance, development of innovative new products, new market development, creativity, the raising of skill levels and job creation.

HS2 supply companies registered at HS2 conference in December 2014 by region:



Source: HS2 Supply Chain conference Oct 2014

Geography

The programme in the first instance will be available across the Midlands as a pilot programme however, it can be extended to the to all HS2 SME supply chain companies across England.

Partnerships:

To date a number of key partners and stakeholders have been informally consulted on the contents of this proposal. It is our firm intention to formally consult with them – and wider stakeholders across the public and private sectors – following the submission of this Strategy to Government. Those considered are:

- BCC
- Midlands Growth Hubs
- GBSLEP partners
- West Midland LEPS
- HS2 Ltd
- Automotive Council UK
- Cross Rail Group
- Private sector SME's
- Association for Consultancy and Engineering
- British Tunneling Society
- Skills Hub
- National College for High Speed Rail
- Civil Engineering Contractors Association
- Construction Products Association
- National Specialist Contractors Council
- Railway Industry Association
- Specialist Engineering Contractors' Group
- British Chambers of Commerce