



## Invest to Save – Inclusive Communities Budget

### ROUND 9: BIDDING GUIDANCE

#### Summary

1. The Invest to Save – Inclusive Communities Budget (ISB) encourages new and joined-up ways of working by funding pilot projects that develop innovative ideas, bringing together organisations from the third sector and public sector in partnership to deliver more efficient and effective public services that are responsive to the needs of local people. The funding in Round 9 is available to support the delivery of priorities identified within Local Area Agreements and Community Strategies.
2. Full bids for ISB funding as part of the 9<sup>th</sup> annual resource allocation round are invited from local authorities, who are invited to submit bids on behalf of, or in conjunction with, local third sector organisations. All bids must be endorsed by the Local Strategic Partnership (LSP), should support the Community Strategy and be aligned with the Local Area Agreement (LAA). Where an LAA is not yet in place, projects should be aligned with the outcomes in the emerging LAA, where it is available, or support the Community Strategy where it is not. Details on the information that should be included in the full bids are included in the attached annexes.
3. There is provision for one bid per authority area. Bids are invited at both County and District level within two-tier authorities, and bids covering more than one local authority area.
4. **Bids must not exceed £800,000 over a three-year period.** Bids are not required to meet this limit and bidders are encouraged to produce bids with realistic costings attached.
5. LSPs must endorse the bid before it is submitted. If there is more than one bid submitted by a local authority, the LSP must decide which one to endorse.

6. Alignment with the LAA means that the bid outcomes and targets should complement and not work against the outcomes and targets in the LAA. Details of the ISB funding should be shown as aligned funding in the LAA.
7. Priority areas for this round are:
  - The third sector's role in delivering public services and building fairer communities - projects that deliver cash releasing efficiencies; and
  - projects that address the priorities set out in their Local Area Agreement and support their Community Strategy – projects that are additional to those already funded by statutory bodies and which address recognised gaps in local service provision.

Within this framework, special consideration will be given to projects focused on:

- Reducing health inequalities within local communities;
- reducing crime and improving community safety;
- services for children and young people; and
- employment and training opportunities, particularly within Black and Minority Ethnic (BME) communities.

**Annex E** provides an overview of the four LAA funding blocks. There will be no ring fencing of ISB funds for any of the priority areas.

8. Full bids must be submitted, via email (invest.save@hm-treasury.gsi.gov.uk), to the ISB Unit at HM Treasury by **27 October 2006**. Further details of the full bidding process are set out in **Annex B**.
9. ISB projects may serve as:
  - **Pilot projects**: projects which are undertaken with the aim of testing new and innovative approaches to public service delivery and which have a mechanism for building on the results of the pilot; or
  - **projects of wide-ranging benefit**: projects whose major benefits are felt outside the lead organisation.
10. ISB project bids should:
  - Identify **innovative** ways of delivering improved public services;
  - Explain how they would produce **cash releasing efficiencies** over the longer-term; and,
  - Describe action to **disseminate lessons** from their project and achieve longer-term sustainability.
11. The ISB will not fund projects which:

- Only benefit the lead organisation;
- are similar to previous ISB projects, other projects within the public sector or have already bid for funds from this or other sources and been rejected;
- do not demonstrate how wider lessons beyond the partnership lessons will be learned;
- involve statutory agencies who do not have a Compact in place (where working with the third sector - see [www.thecompact.org.uk](http://www.thecompact.org.uk) ); or
- are purely a computer system development – projects need to have an outcome that is an identifiable improvement in public services.

The ISB is not about filling gaps in funding, meeting on-going revenue needs or shoring up organisations in financial difficulties. Nor is it about substituting a funding stream where it already exists – it is about developing new approaches to service delivery.

12. Investment will not be allocated on a pre-determined geographical or regional basis. In this 9th resource allocation round, up to £13.5 million of resource funding is available for innovative projects to be drawn down in 2007-08. This resource will also be available for projects continuing into 2008-09 and 2009-10 where appropriate.

Bidders are expected to provide at least 25% of the cost of each project from within their own resources. The 25% must equate to funding invested and cannot include 'in kind' contributions such as staff time or office space.

As a rule, at least 80% of ISB funding is for current expenditure and no more than 20% for capital expenditure. It is worth noting that this is an **overall** capital/current split that we are aiming for within Round 9, and does not mean that we expect each project to have a 20/80 capital current split. The types of expenditure that the ISB will cover will depend in each case on the nature of the project and the costs required to deliver its objectives.

13. **Further details about the ISB fund and what information should be included in the full bid are in the attached annexes. Bidders should submit their documentation using the guidance in Annexes A - C and the format in Annex D to the ISB Unit, via email, by 27 October 2006.**

14. **The attached Annexes include:**

- a. **Annex A: Detailed bidding guidance**
- b. **Annex B: Bidding process and criteria**
- c. **Annex C: The economic appraisal**
- d. **Annex D: ISB Round 9 bid proforma**
- e. **Annex E: Local Area Agreement framework**
- f. **Annex F: State Aid checklist**

# ANNEX A

## Detailed bidding guidance

### Introduction

- 1. The aim of the Invest to Save Budget – Inclusive Communities Budget (ISB) is to improve the delivery of public services through innovation and partnership working.** Improvements to service delivery can take the form of greater efficiency and / or better quality or effectiveness.
2. The ISB was created in 1998 to fund projects that bring together two or more public bodies to deliver services in an innovative fashion. It provides a means of investing in partnership projects with the potential for transforming public services. In its first 8 rounds, the ISB has supported over 460 projects across a wide range of partnerships. In 2004, the ISB was re-branded as the Inclusive Communities Fund, with a focus on developing the third sector's role in delivering public services which meet the needs and priorities of local communities.
3. The limited amount of resource remaining in the ISB makes it essential that the 9<sup>th</sup> bidding round is targeted to deliver the biggest impact within communities. This year, bids are invited from local authorities working in partnership with third sector organisations for projects that complement and align with priorities set out in both the Community Strategy and the Local Area Agreement (LAA). The focus of this round remains the development of the third sector's role in public service delivery and the intention is to fund projects demonstrate a strong commitment to partnership working in support of innovative and efficient methods of local service delivery.

**The following are factors to bear in mind as guidance when interpreting the criteria set out in Annex B**

### Innovation and risk

4. Innovative projects often need some investment upfront to get them off the ground and support them through the critical early phases. The real benefits of innovation may stretch beyond the organisation doing it: once a particular idea has been tested, it may generate lessons that can be applied at a national level or across the public sector. Valuable lessons can be learnt even if the original project is not deemed to be successful. The ISB serves to spread the (financial) risk of innovation, and does so because the resulting benefits have wider applicability.

5. Innovation carries risks and uncertainties that need to be managed throughout the life of any project.

### **Partnership and joined-up government**

6. Partnership working between public sector agencies and the third sector brings substantial benefits. Such projects can:
  - Improve the **focus on customers** and consider what best meets their needs;
  - enhance **service delivery** for particular groups, for example by reducing the number of agencies which individuals have to deal with;
  - exploit the **economies of scale** which joint working can provide, for example, streamlining delivery channels; and,
  - capture **expenditure savings**, whichever budget they fall on.
7. Entering into a partnership is often innovative in itself. The combined knowledge and expertise of the partners offers new opportunities for innovation in service delivery. This will often require a step change in the way in which services are managed and delivered.
8. Making partnerships work effectively requires commitment and imagination from all of the partners, plus a clear understanding of the respective roles within the partnership. **ISB funding will not sustain it forever, and there needs to be a clearly defined strategy for sustaining a project, if successful, once ISB funding runs out.**
9. It is important that the working arrangements are truly that of partners, and are not that of one body procuring a service from another. Where a partner is from the third sector there needs to be a Compact in place. Full details of these are available at [www.thecompact.org.uk](http://www.thecompact.org.uk).

### **Objectives for Round 9 of the ISB – Inclusive Communities Budget**

10. All projects receiving support from the ISB must increase the extent of joint working between organisations delivering public services.
11. However, joint working is not an end in itself. Projects must:
  - Identify **innovative** ways of delivering improved public services;
  - produce **cash releasing efficiencies** over the longer-term; and
  - take action to **disseminate lessons** from their project.

All projects must demonstrate how they **integrate with the priorities of their LAA, therefore bidders will need to consult with the Local Strategic Partnership**. Where more than one bid is submitted within a particular authority area, LSPs are expected to prioritise and endorse one bid which they consider will deliver the biggest impact within their community.

### **What types of projects are eligible for support?**

12. Subject to the overarching objectives being met, there is no “model” ISB project. The ISB philosophy is to encourage innovation through collaboration and in some cases enable organisations to pilot new ways of working to establish the potential costs and benefits before full implementation.
13. As the aim of ISB is to push out the frontiers of innovation, funding will be conditional on demonstrating that there is a **significant element** of the project **that is genuinely new** and not the continuation of an existing programme currently going on within the public or third sector. ISB funding **will not** be provided to projects that are too similar to those supported in the eight earlier rounds. Summaries of these projects can be viewed at [www.isb.gov.uk](http://www.isb.gov.uk).
14. The ISB will not fund projects which:
  - Only benefit the lead organisation;
  - are similar to previous ISB projects, other projects within the public sector or have already bid for funds from this or other sources and been rejected;
  - do not show how wider lessons beyond the partnership lessons will be learned;
  - involve statutory agencies who do not have a Compact in place (where working with the third sector – see [www.thecompact.org.uk](http://www.thecompact.org.uk) ); or
  - are purely a computer system development initiative – projects need to have an outcome that is an identifiable improvement in public services.
15. Funding priorities for this Round 9 are:
  - The third sector’s role in delivering public services and building fairer communities - projects that deliver cash releasing efficiencies; and
  - projects that address the priorities set out in their Local Area Agreement and support their Community Strategy – projects that are additional to those already funded by statutory bodies and which address recognised gaps in local service provision.

Within this framework, special consideration will be given to projects focused on:

- Reducing health inequalities within local communities;
- reducing crime and improving community safety;
- services for children and young people; and
- employment and training opportunities, particularly within Black and Minority Ethnic (BME) communities.

### **Third sector organisations delivering public services – projects that deliver cash releasing efficiencies**

16. The aim is to provide funding for new projects in which third sector organisations (TSOs) work with public sector bodies to deliver public services. Successful projects will be those that demonstrate that social entrepreneurs are developing innovative approaches in order to realise efficiencies between organisations through strategic alliances and joint working with other TSOs and/or public sector bodies.
- a. Applications will be expected to show how they contribute to the targets and outcomes agreed within their Local Area Agreement. However projects must be additional to those already funded by local authorities/other statutory bodies within the LAA area.
  - b. It is vital that bidders engage with stakeholders from the third sector and the Local Strategic Partnership to inform the development of their bid – Round 9 is about the third sector’s role in delivering services. Although, in some cases the local authority may be the lead bidder, it will be a third sector organisation that is expected to play a leading role in delivering the frontline service to users.
  - c. Successful bids will be those that identify cash releasing efficiencies to be achieved within five years. The assessment of this should be completed in line with the guidance in the Treasury’s **Green Book**. It is important that the bidding partnership show that there are plans to operate in the future taking account of the cash releasing efficiencies made i.e. that the bodies will realise the benefits.

### **Nature and scale of expenditure**

17. The types of expenditure that the ISB will cover will depend in each case on the nature of the project and the costs that need to be incurred to deliver its objectives.

**Bids must not exceed £800,000 over a three-year period.** Bids are not required to meet this limit and bidders are encouraged to produce bids with realistic costings attached.

In order to demonstrate their commitment to each project, and to take a stake in it, bidders will be expected to provide at least 25% of the total resource cost of the project from within their own resources. The 25% must equate to funding invested and cannot include 'in kind' contributions such as staff time or office space.

As a rule, at least 80% of ISB funding is for current expenditure and no more than 20% for capital expenditure. It is worth noting that this is an **overall** capital / current split that we are aiming for within Round 9, and does not mean that we expect each project to have a 20/80 capital current split. The types of expenditure that the ISB will cover will depend in each case on the nature of the project and the costs that need to be incurred to deliver its objectives.

### **Who can bid?**

18. Bids are invited from partnerships made up of at least one third sector organisation (such as Charities; Voluntary Groups; Community Groups; Social Enterprises; and Mutuals and Co-operatives) and one or more of the bodies listed below:

- Central government departments and their agencies;
- Non-departmental public bodies;
- Health authorities;
- Fire authorities;
- Police authorities;
- Local authorities covered by Part IV, Local Government and Housing Act 1989; and
- Parish Councils

19. In each case, a lead partner should be chosen for each project. The lead partner will normally be the body accepting accountability for delivery of the project and it's auditing (see also next section below). In the case of projects led by a third sector body, consideration will given to such a body acting as the lead partner.

### **Accountability and audit**

20. Each project must have a designated Senior Responsible Officer (SRO) who is personally responsible for the propriety and regularity of the expenditure incurred, as well as the value for money of the project. As most projects will involve more than one body, bidders will have to consider how the requirements for accountability can best be satisfied and set out their proposals in their bids.

21. The simplest way of satisfying the accountability requirements is for the

partners to the project to agree that one organisation should take lead responsibility for the project's implementation (but with full cooperation taking place at working level) and that the SRO for that organisation should be the SRO for the project. The chosen SRO will then be accountable for all expenditure on the project, including that financed by a transfer of resources from the other organisation(s) that are party to the project.

22. Bids must also set out the arrangements for **audit** of the expenditure on the projects. However, the audit arrangements should normally follow from the arrangements for accountability for expenditure.

### **Project systems**

23. All bids must be supported by a full **economic appraisal** of the project. Full guidance is available in **The Green Book** (full title; "Appraisal and Evaluation in Central Government") to this guidance. The Green Book is available on the Treasury web site. The requirement for an economic appraisal will only be waived in the case of bids that fall below the threshold of £100,000 where a full cost benefit analysis will suffice, that clearly identifies the cash releasing efficiencies. Further general information on the economic appraisal and the Green Book is in **Annex C**.
24. Bids should set out arrangements for **monitoring** the project, i.e. routine checking of progress against the delivery plan.
25. Bids should also specify how the success of the project will be **evaluated**, i.e. establishing whether the project objectives have been met. **Full project evaluations are a condition of ISB funding**, and should be carried out in accordance with the principles set out in The Green Book at the end of the project. However, in order for the evaluation to be meaningful, it is strongly advised that planning begins throughout the life of the project, rather than when it has finished. The independent evaluators should be identified in the full bid, and (for 3 year projects) there should be a planned mid project review.
26. Bids should set out the arrangements that will be put in place to involve the all parties in the **management** of the project, including a project board on which all partners are represented, chaired by the SRO. Further guidance is at: <http://www.ogc.gov.uk/sdtoolkit/reference/roles/projectboard.html>.
27. Bids should set out the **risks** involved inherent in the project and how these will be managed.

### **Maximising the return on investment**

28. The full range of benefits from ISB investment comes from making the widest use of the **lessons learned**, whether they relate to success or failure, to come from the projects. Bids should explain the efforts that will be made to disseminate lessons from the project to a wider audience, in order to inform the future design of public service delivery.
29. Bids should:
- Explain how (or if) the project is likely to be sustained once ISB funding ends;
  - explain what potential there is to roll out similar schemes more widely and how this is to be achieved;
  - explain its mechanism for continuous evaluation (this should be started early with preparation at the start of the project); and
  - be clear about the expected outcomes and how those outcomes will be measured.

### **Fitting within the available funding**

30. Bidders should consider carefully the size of any bid that they propose to make, given the expected level of competition for resources. Furthermore, all bidders should bear in mind that, **even if a bid meets the criteria and is successful, there is no guarantee that it will be approved or receive all of the resources sought in the financial years concerned.** Where a number of bids meet the general ISB criteria, it will be for the ISB Unit (HMT), independent ISB Review Committee and, ultimately the Chief Secretary to the Treasury, in consultation with the Minister for the Third Sector, to compare bids in order to select those that are likely to deliver the biggest impact in terms of outcomes. Bidders should indicate therefore whether it is possible to modify their bid in the event that the level of funding provided from the ISB is less than that requested by:
- Altering the profile of either the funding sought from the ISB or the organisation's own contribution (where the project runs for more than one year);
  - increasing the bidders' total contribution to the project cost; or
  - proceeding with the project on a smaller scale.

### **Drawdown of funds**

31. The resources awarded to successful projects will be allocated as ring fenced additions to the relevant central department's Departmental Expenditure Limits (i.e. the funds will only be available for the delivery of agreed ISB projects and for no other purpose). In those cases where a

winning project is led by a body outside of central Government, the relevant department will pass on funds to the body concerned as required.

32. Any resources allocated from the ISB that are not subsequently needed to implement a project to the specification agreed at the bidding stage will be reclaimed by the Treasury. However, subject to Treasury agreement, there will be scope for unspent funds to be rolled forward into a later financial year to cater for project slippage.
33. Organisations will be able to retain any savings generated downstream by ISB investment in a project. However, the presumption will be that such savings will be re-invested in other innovative projects.

### **Reporting to HM Treasury**

34. It will be a **condition of funding** that an **implementation plan** is drawn up by each winning project and submitted (via the ISB website) to the ISB Unit at HM Treasury before the project commences. The implementation plan will set out:
  - The agreement of all partners to the project's objectives;
  - the key milestones for its implementation and the costs incurred at each stage;
  - the arrangements for monitoring its progress; and
  - quantified targets for the outputs which the project will deliver.
35. Further **conditions of funding** are that:
  - Pro-forma reports are submitted every six months detailing the **progress** made to date in implementation and highlighting key developments expected in the following six months;
  - profiling the project expenditure with timely up to date monthly updates on the state of play of the project expenditure;
  - an **evaluation** of the project is carried out in accordance with the principles in The Green Book . The evaluation should establish how well the investment has performed in relation to the estimated costs and benefits, and the extent to which the objectives and targets set for the project have been met. As a minimum, an evaluation should be carried out once a project has been implemented. However, in the case of projects lasting for up to three years, an "impact" evaluation should be carried out at a mid-point in the project's implementation as well. In both cases, an independent third party should carry out the evaluation;
  - a mechanism for **continuous evaluation** that should be both relevant and clear about the expected outcomes and how those outcomes will be measured; and

- an exit strategy so that part of what is being worked to is making the project **sustainable**.
36. As a Fund financed by Government, HMT must ensure that ISB investments do not breach the rules governing “state aid” as defined by European Union legislation. This might occur where state aid gives the beneficiary a competitive advantage which distorts or threatens to distort competition affecting trade between member states. **It is important to ensure that the bids submitted comply with state aid rules as authorities which give aid which breaches the state aid rules may be required to claw back any subsidy with interest from the recipient. A ‘State Aid Checklist’ is attached at Annex F.**

### **Scotland, Wales and Northern Ireland**

37. In recognition of the constitutional and financial arrangements which exist under devolution, bids are not invited from bodies falling under the aegis of the devolved Administration in Scotland, Wales and Northern Ireland. The share of resources allocated to the three countries from the total made available will be calculated by applying the Barnett formula, where appropriate. How these amounts are allocated in the three countries will be a matter for the devolved Administrations to determine. (However, the Northern Ireland Office will be eligible to bid for funding for projects.)

## ANNEX B

### Bidding process and criteria

#### Submitting the bid

1. Local Authorities can submit one bid per authority area (this includes District Councils within two-tier authorities). Bidders should agree the full bid with all their partners before submitting it. Bids must be endorsed by the Local Strategic Partnership. Organisations need to submit their bid, via email, to the ISB Unit at HM Treasury, by **27 October 2006**.

#### Structure of the full bid

2. A bid proforma and notes on its completion are attached at **Annex D**.

#### Criteria for assessing the bids

3. Below is a summary of the factors taken into account in assessing the suitability of bids. These should be read in conjunction with the guidance given in **Annex A** and include:
  - Whether the project is **additional**: would it go ahead in the same form or timescale without support from the ISB-Inclusive Communities Fund;
  - the degree and effect of **innovation**: what is genuinely new about the project and how much difference will it make to service delivery and efficiency;
  - the amount of **cash releasing efficiencies expected**;
  - the **benefits** which the project offers, both in terms of better access to and delivery of services to the public and future savings in public expenditure, and how well these have been quantified;
  - how the project is **aligned with and supports the priorities identified within the Local Area Agreement and the Community Strategy** and evidence of **consultation with the Local Strategic Partnership**;
  - the commitment to **partnership working**;
  - whether the lessons from the project will have **wider and long-term applicability** and how will these lessons be disseminated: is there the potential to roll out, can the project be sustained and is it consistent with national strategy for delivery;
  - the robustness of the **project cycle** management arrangements, including the appraisal of the project, the proposals for continuous monitoring and evaluation, and arrangements for the oversight and management of the project;

- the extent to which the **risks** inherent in innovation have been identified and the process for managing them is sufficiently robust; and
  - the clarity of the **accountability and audit** arrangements
4. The ISB Unit at HM Treasury will assess the ISB bids, following consultation with the relevant policy department within central Government. The outcome of this assessment will be reviewed by an independent ISB Review Committee, chaired by HM Treasury and supported by the ISB team.
  5. The ISB Review Committee will make recommendations to the Chief Secretary to the Treasury, who will make the final decisions on which bids are successful, following consultation with the Minister for the Third Sector.

### **Unsuccessful bids**

6. There will be a high demand for funding which means that some good projects which meet the criteria will be disappointed. Feedback will be provided to unsuccessful bidders.

### **Enquiries**

7. Wherever possible, enquiries on this guidance should be sent by e-mail to the ISB Unit at the Treasury ([Invest.Save@hm-treasury.x.gsi.gov.uk](mailto:Invest.Save@hm-treasury.x.gsi.gov.uk))
8. **Those enquiring about bids should note that a final decision on which projects will receive funding is not expected before February 2007, with details of successful bids formally announced during Budget 2007.**

# ANNEX C

## The Economic Appraisal

### INTRODUCTION

1. Economic appraisals are a core requirement for formal ISB bids. However, should the bid be under £100k then a full economic appraisal is not required. Instead, a cost benefit analysis should be provided to show the expected return for money invested. This should compare the full costs of the project (including any contribution made by the partnership) with the full benefits of the project (efficiency savings and customer benefits), as with a net present value calculation. The evidence put forward in the business case should clearly show that money is being well invested and the return is worthwhile with clear quantification and analysis of benefits from the investment into the project. But these bids do not have to consider rival options to the proposed project.

2. All the elements of the economic appraisal do not necessarily have to be presented as a separate and discrete section to a bid. For example, the project's objectives should be clearly set out early in the bid. These will form the basis of all subsequent analysis. However, the overall expected benefits and costs may also be set out early in the bid. The economic appraisal may include additional quantitative analysis of these benefits and costs, but there will be no need for repetition of the earlier information in a separate economic appraisal. All the information presented on benefits will be considered by the assessors of economic appraisals wherever it features in the bid. Risks must also be identified within the bid. These should be assessed and analysed further in the economic appraisal.

3. The main purposes of economic appraisal are:

- to provide an assessment of the options available to fulfil the objectives of a project. Hence, the importance of identifying and analysing different options;
- to provide an analysis and comparison of the potential costs and benefits, the risks and uncertainties associated with the project. Hence, the assumptions on which the projected costs and benefits are based are crucial and must be tested; and
- to provide underlying analysis of the relative merits of the options to inform the decision on which is the best option.

4. For help with economic appraisals please refer to the Treasury's Green Book, which is designed to help government departments and agencies appraise and

evaluate their activities effectively. The Green Book is intended to ensure consistency across government in appraisal and evaluation practice. The principles contained in the Green Book apply equally to local and central government. There is a new section in particular in The Green Book under Annex 4, which deals with Risk and Uncertainty.

5. The Green Book (full title; "Appraisal and Evaluation in Central Government") is available on the Treasury web site.

[http://www.hm-treasury.gov.uk/economic\\_data\\_and\\_tools/greenbook/data\\_greenbook\\_index.cfm](http://www.hm-treasury.gov.uk/economic_data_and_tools/greenbook/data_greenbook_index.cfm)

6. Paper copies can be obtained from;

The Stationery Office  
PO Box 29  
Norwich  
NR3 1GN

Telephone orders: 0870-600-5522

Fax orders: 0870-600-5533

Email: [book.enquiries@thso.co.uk](mailto:book.enquiries@thso.co.uk)

## ANNEX D

### ISB Round 9 bid proforma

Project title	
Local Authority ( <b>only one bid per authority area is allowed</b> )	
Parties to project. Highlight the lead partner and clearly identify the main project contact	
Compacts information where Third Sector organisations are involved	
High Level Objectives of project – what you aim to achieve	
Priorities within Local Area Agreement that the project aims to meet	
Description of project – short note on the key features of the project and the benefits it will bring.	
Which aspect(s) do you consider to be genuinely innovative?	
ISB funding sought £	07/08      08/09      09/10      Total
Current Capital	
<b>Total</b>	
Endorsement of bid by the Local Strategic Partnership (Signature of Chair and date)	

## **Information to be included in formal bids**

Bids should be submitted in writing and structured under the eleven headings set out below. Bidders should provide as much detail under each heading as possible, given that the final length of the bid must not exceed 20 pages, including all annexes.

### **1. Introduction**

An executive summary setting out the key elements of the proposal (this must not exceed one page in length).

### **2. Objectives of project**

Objectives, endorsed by all partners, should be clearly stated showing how the project will make a difference to the delivery of public services. Where relevant, bidders should describe service improvements in terms of impact on project users. Quantified targets for the project must be included (either in this section or sections 5 and 6), which will then be used to evaluate the success of completed projects.

Information should also be provided on how the objectives and potential outcomes of the project fit in relation to the aims of the partners and the relevant central government department and how this will be measured.

### 3. Funding requirements for project

a) Funding requirements should be set out in the following format:

	2007-08	08-09*	09-10*	Total
<b>ISB Funds sought</b>				
current				
capital				
<i>Sub - Total</i>				
<b>Match funding from the project partners</b>				
Body X				
<i>current</i>				
<i>capital</i>				
<i>Sub - Total</i>				
Body Y				
<i>current</i>				
<i>capital</i>				
<i>Sub - Total</i>				
<b>Match Funding Total</b>				
<b>Total Project Funds</b>				

\* if applicable

b) State whether it would be possible to:

- Alter the profile of either the funding sought from the ISB or the bidders' own contribution (where the project runs for more than one year);
- increase the bidders' total contribution to the project cost and, if so, by how much; or
- proceed with the project on a smaller scale.

c) If the project involves capital expenditure, please indicate whether PFI/PPP options have been considered and the conclusions reached.

d) State the source of the partners' contribution to the costs of the project.

### 4. Innovation

Describe the innovations that the project will involve or (where applicable) pilot. Please state clearly which aspects of the project are new. If the method of service delivery has been tried elsewhere, provide relevant details of the successes and failures.

## **5. Benefits to users**

Describe the expected benefits to end-users of services, e.g. quicker response times, improved access by reducing number of visits or enquiries, increased access by electronic communications. State whether users have been consulted on the proposal and, if so, summarise their response.

## **6. Estimated savings**

Provide details of any estimated savings in public expenditure that will accrue in later years and describe the assumptions underpinning these estimates.

## **7. Additionality test**

Provide evidence that the project would not have proceeded in the same form or on the same timescale without support from the ISB.

## **8. Accountability and audit**

Name the proposed Accounting Officer or DCO for the project and the arrangements for auditing expenditure on it.

## **9. Strategic Support**

Show how the project fits in with the strategy and priorities for service delivery at a local, and where appropriate, national level. Give details of how the project is aligned to priorities set out in the Local Area Agreement, how the Local Strategic Partnership have been consulted and evidence of their endorsement. The ongoing commitment to the outcomes and their achievements (i.e. its delivery) should be recorded.

## **10. Long-term pay-off from ISB investment**

Provide details of what is expected to happen once the project has been completed: will the project be sustained in its present form; will it be rolled out; and, who will meet these costs?

## **11. Lessons Learned**

One of the key elements of the ISB is learning the lessons from investment experiences and using these lessons to inform the design of future service delivery mechanism. Bids are expected to include a strategy for identifying and gathering information about the key lessons learned from the project and methods for disseminating these lessons to a wider audience.

## **12. Project cycle management**

- a. Attach a copy of the economic appraisal and supporting material explaining the underlying assumptions and setting out the calculation of the net present value of the project.
- b. Identify the key milestones of the project and describe the standards against which they achievement will be measured by.
- c. Explain the risks to delivery of the project and how these will be managed.
- d. Provide details of the mechanisms for collecting data and arrangements for monitoring and evaluating the project, including proposed dates for ex-post and (where appropriate) impact evaluations. Information on the intended use of skilled project managers and formal project methodology tools, such as PRINCE 2, is recommended.
- e. Include a description of the arrangements for the inter-body oversight and management of the project/partnership, e.g. project board. It needs to be clear that the working arrangements are true partnerships rather than procurement / service contracts.
- f. Describe the reporting chain to the Accounting Officer or DCO, e.g. senior responsible owner, and how this will be managed.

**Bidders should refer to the Round 9 formal bidding guidance for:**

- **Further details of how to complete a formal bid, including guidance on preparing an economic appraisal; and**
- **Details of how to submit your bid.**

**Bids must be submitted to the ISB Unit [invest.save@hm-treasury.gov.uk](mailto:invest.save@hm-treasury.gov.uk) no later than noon on 27 October 2006.**

# ANNEX E

## Local Area Agreement framework

Children & Young People	Safer & Stronger Communities	Healthier Communities & Older People	Economic Development
<ul style="list-style-type: none"> <li>• Stay safe</li> <li>• Be healthy</li> <li>• Enjoy and achieve</li> <li>• Achieve economic wellbeing</li> <li>• Make a positive contribution</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce crime</li> <li>• Reassure the public and reduce the fear of crime</li> <li>• Reduce the harm caused by illegal drugs</li> <li>• Build respect in communities and reduce anti-social behaviour</li> <li>• Empower local people to have a greater choice and influence over local decision making and a greater role in public service delivery</li> <li>• Cleaner, greener and safer public spaces</li> <li>• Reduce waste to landfill and increase recycling</li> <li>• Tackle climate change</li> <li>• Increased access to the countryside</li> <li>• Improve quality of life in deprived areas, and liveability</li> <li>• Improve the quality of public space and the quality of the local environment</li> </ul>	<ul style="list-style-type: none"> <li>• Improved health and reduced health inequalities</li> <li>• Improved quality of life</li> <li>• Making a positive contribution</li> <li>• Choice and control</li> <li>• Freedom from discrimination</li> <li>• Economic wellbeing</li> <li>• Personal dignity</li> <li>• Reduce injuries and improve health at work</li> </ul>	<ul style="list-style-type: none"> <li>• Increased employment</li> <li>• Increasing enterprise</li> <li>• Increasing competition</li> <li>• Increasing investment</li> <li>• Increasing skills</li> <li>• Increasing housing</li> <li>• Increasing innovation</li> <li>• Sustainable production and consumption</li> </ul>

# ANNEX F

## State Aid checklist

### BACKGROUND

#### What is state aid?

As a Fund financed by Government, HMT must ensure that ISB investments do not breach the rules governing “state aid” as defined by European Union legislation. This might occur where state aid gives the beneficiary a competitive advantage which distorts or threatens to distort competition affecting trade between member states. It could possibly arise where an applicant for an investment is operating in an area where there are, or could be, other commercial providers, for instance, training or consultancy and where there is, or could be, competition from other EU providers. It could also arise where an organisation is producing a physical product for sale in a competitive market in an area where there are, or could be, competitors from other European member states.

Voluntary sector, not-for-profit, organisations are not exempt; they are treated as undertakings.

#### Application to ISB

It is important to ensure that we comply with state aid rules because authorities which give aid which breaches the state aid rules may be required to claw back any subsidy with interest from the recipient. However, it is anticipated that, since the object of the ISB programme is to fund public service delivery where there is currently inadequate provision, in most cases investments should not give rise to any market distortions, and in any event are unlikely to have an effect on EU trade. A careful assessment will be made in each case to determine whether an investment may constitute state aid and, if so, whether it is aid of a kind permitted under EU rules. As a guide, the checklist below is an outline of the assessment which should be made, but is not intended to be exhaustive.

### CHECKLIST FOR ASSESSING RISK

- Is the applicant a small *local* or regional organisation planning to deliver a public service for a particular community in a particular locality? *If yes, there are unlikely to be potential providers of the service from other European countries*

- Is the applicant a national organisation planning to deliver a public service for a particular community in a number of different localities where the service users are *disadvantaged* and, therefore, unlikely to be able to afford a fully commercially priced service? *If yes, it will be necessary, in the absence of a tendering process, to look at the pricing elements to investigate the risk of state aid*
- Is the applicant planning to develop a *commercial* product (e.g. a learning resource pack) or a service for professionals (e.g. a training programme) which could be marketed nationally? *If yes, it would be necessary to establish during the assessment process, whether there could be organisations in other European countries who might be involved in the same market*
- Is the potential investee a *large* organisation and/or likely to be in receipt of a large investment and providing its service across a wide catchment area? *If yes, there is a greater likelihood of there being European competitors*
- Is the applicant involved in *job creation* schemes? *If yes, there is a greater likelihood of there being state aid and we will need to check this*

### **Possible exemptions**

There may be cases where a funding proposal might be classified as aid but is potentially exempt from being a notifiable state aid. In any such cases, particular care should be taken to ascertain the proposal's classification, and close consideration given as to whether it is desirable to make a decision to fund.

- De minimus level of funding – where total aid over a continuous 3 year period (whether from ISB or other government funding) does not exceed Euros100,000. Any funding is still considered state aid, but is permissible due to its low level.
- Service of General Economic Interest (SGEI) – where it is accepted that a service is an SGEI, if the criteria set out in the Commission decision of 28 November 2005 (2005/842/EC) are met, the funding may either be exempt (in specified areas of activity) or may be exempted from notification if funding is below a certain threshold (but note that the turnover of the undertaking must also be considered).



