



Lowlands and Uplands Scotland ERDF and ESF Programmes 2007 - 2013 Programme Monitoring Committee

JESSICA Scotland Regeneration Fund – Progress Report

1. Purpose

- 1.1 To provide an update on the development of JESSICA in Scotland; and in particular, the procurement process to identify the first Scottish Urban Development Fund.

2. Background

- 2.1 Scottish Ministers signed a Funding Agreement with the European Investment Bank (EIB) in June 2010 to establish a £50m JESSICA Holding Fund in Scotland. The fund was capitalised with £24m from ERDF Priority 3, matched by £26m from the Scottish Government.
- 2.2 The Holding Fund will invest in one or more Urban Development Funds (UDFs), run by specialist fund managers, that will offer debt or equity investment to projects capable of generating sufficient revenues in eligible areas.
- 2.3 The work of the fund manager will be overseen by the EIB and an Investment Board, comprising Scottish Government officials (Diane McLafferty, Deputy Director for Regeneration & Commonwealth Games; and Kirstin Baker, DD Capital & Risk) and external experts (David Bell, Jeff Thornton and Steve Inch). The Urban Development Fund will have lead responsibility for identifying and assessing the viability of projects to invest in.

3. Pre-call exercise

- 3.1 A pre-call exercise was undertaken in summer 2010 by ESEP Ltd, on behalf of the Scottish Government. This sought high level information from project sponsors on potential JESSICA investment propositions, with a view to informing the UDF procurement process. It was also seen as a way of raising awareness of the model, while governance issues – notably the formation of the Investment Board – were being finalised.
- 3.2 Responses were received from 23 public and private sector bodies. These comprised 62 individual propositions, with a total value in excess of £800 million, requiring total JESSICA investment of approximately £200 million. The majority of projects focused on the provision of commercial property, in particular SME workspace. There were also a number of projects aimed at the renewable energy sector, incorporating both local community heating / energy generation schemes and energy infrastructure investment.
- 3.3 Feedback on eligibility was given to all of the respondents; and pre-call information was provided to short-listed UDF bidders. We have, however, made clear that there is no obligation to use this information; so the pre-call will not determine which projects receive JESSICA investment.

4. Urban Development Fund procurement

- 4.1 The EIB launched a procurement process to identify an Urban Development Fund (UDF) in December 2010. Expressions of interest were sought from interested parties to manage a UDF that will initially receive financing of at least £33m from the Holding Fund. £15m has been held back by the Investment Board, pending a decision on whether to proceed with a second fund, focused on delivering energy efficiency measures in social housing. The remaining £2m has been ring-fenced for management and support costs. A decision on the second fund will be taken by the Investment Board at their next meeting on 13 April.
- 4.2 Four consortia responded to the call, and all four have been put forward to the second stage – preparation of detailed business plans. These must be submitted to the EIB by 21 March. The JESSICA Investment Board will get an initial report on bids in April, but it is anticipated that no final decision will be taken on the preferred bidder until May. This should result in the Urban Development Fund being operational by Q3 2011.

5. Big Lottery – JESSICA (Scotland) Trust

- 5.1 Big Lottery (Scotland) are setting up the JESSICA (Scotland) Trust, to invest alongside the Urban Development Fund. The trust will support complementary projects, primarily aimed at creating opportunities for local people and community-led organisations to develop locally owned and controlled assets. BIG has committed £15m to the trust initially, with further contributions possible in future years. This should see the JESSICA model supporting both economic and community-led aspects of the development process; and ensuring these are aligned more effectively.
- 5.2 The Scottish Community Foundation has been appointed as the preferred candidate to set up and run the Trust. BIG has awarded a development grant of £80,000 to the Foundation to develop a detailed business plan and manual of regulations, and will be working with them over the coming months to develop these plans. It is anticipated that the trust will be established in broadly similar timescales to that of the JESSICA Urban Development Fund.

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