



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

JESSICA UPDATE FOR PROGRAMME MONITORING COMMITTEE

1. Purpose

- 1.1 To provide an update on the delivery of the JESSICA regeneration fund in Scotland following the transfer of the full £50 million value of the fund to the European Investment Bank.

2. Investment Board

- 2.1 The recruitment of the Investment Board is a key point in the JESSICA process and we are pleased to inform the Committee that the Minister for Housing and Communities has now agreed the membership of this Committee. The recommendation to Ministers was based on an open appointment process. To ensure a balanced and consistent process of assessment 4 Scottish Government officials independently scored the applications based on the competencies set out in the published guidance for applicants. A sift panel then recommended 7 candidates for interview. Following the recommendation of the selection panel the Minister has appointed 3 external members; David Bell, Jeff Thornton and Steve Inch.
- 2.2 The European Investment Bank cannot launch the procurement process to identify Urban Development Funds (UDFs) until the Board has considered and approved both the Investment Strategy for the fund and UDF tender documents. The PMC has already approved the investment strategy and will be sent the tender documents as soon as those are available. The first Investment Board meeting will take place on 9 November. Colleagues from regeneration policy and the EIB are arranging induction sessions with each of the external members. We believe that this will ensure that the first meeting of the Committee can move quickly on the essential task of approving the Investment Strategy for the fund and UDF tender documents.

3. Structure

- 3.1 Unless further funding is introduced it now looks likely that the JESSICA Holding Fund Manager will launch a procurement process to identify a single Urban Development Fund (UDF) in November or December. This will be a general regeneration investment vehicle, likely to invest in the creation of SME business space and other revenue generating activity allowed by Priority 3 of the LUPS ERDF Programme. There may also be potential for an additional thematic UDF covering innovative approaches to energy efficiency improvements in housing and support for energy production from renewable sources to meet local energy needs. Feasibility work to confirm levels of demand and sources of co-financing is ongoing. If this work does not support the development of a thematic UDF we can fund all Priority 3 activity under the general regeneration investment vehicle.

- 3.2 An option for a third UDF focussed on the provision of debt finance to community renewable schemes is also being considered. Although this instrument is currently unfunded the MA will continue to explore if an allocation of ERDF from the Highlands and Islands Programme and associated match is achievable. If we can get funds to capitalise UDF 3 from the Highlands then it will be developed in a way that would allow us to widen the focus to cover renewable energy projects in the eligible areas of the Lowland and Uplands Scotland programme area. Financing renewable energy schemes through JESSICA could overcome the issue of deducting revenue that has prevented us from funding schemes through traditional grant mechanisms. Although we will keep up to date with this development and lend support as required, it should be noted that the MA for the LUPS ERDF Programme are not currently pursuing this option. This is because we have had preliminary discussions with Scottish Government policy leads and it appears that the evidence of unmet demand is weak and that they are not yet convinced that a market gap exists that would require an ERDF supported intervention.
- 3.3 We did explore if any thematic UDF could go wider to cover eligible revenue generating transport initiatives but, in the interests of keeping the UDF as focussed as possible, that idea has been set aside for now.
- 3.4 The delivery structure covering all 3 potential UDFs is summarised at Annex 1.

4. Further Funding

- 4.1 We now have confirmation that the Big Lottery Fund has agreed to capitalise a £15m trust fund that will aim to secure social and community benefits by investing alongside JESSICA interventions. Regeneration policy officials will continue to discuss how the funding streams can be more closely aligned and will also ensure that all opportunities to share fund management structures and costs are explored.

5. Eligible areas

- 5.1 The areas eligible to access ERDF under Priority 3 (Urban Regeneration) of the LUPS programme and that would therefore be covered by UDF 1 and possibly by UDF 2 are:
- Clackmannanshire
 - Dundee
 - East Ayrshire
 - Edinburgh
 - Fife
 - Glasgow
 - Inverclyde
 - North Ayrshire
 - North Lanarkshire
 - Renfrewshire
 - South Lanarkshire
 - West Dunbartonshire
 - West Lothian

6. Pre-call Exercise

- 6.1 A pre-call exercise was run over the summer by ESEP Ltd, on behalf of the Scottish Government. This sought high level information from project sponsors on potential JESSICA investment propositions. 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. Feedback has now been provided on the eligibility of each of the proposals submitted. The exercise has been useful in gauging awareness and interest in JESSICA and the feedback allowed us to highlight the limitations of the ERDF programme on what JESSICA can deliver. We have made clear that the pre-call exercise will not determine which projects receive JESSICA funding. Decisions will be taken by UDF managers, working in conjunction with the EIB and the JESSICA Investment Board. The information gathered during the pre-call will be shared with potential UDF managers, who can then use this to construct their business cases.

7. Recommendations

- 7.1 The Committee is asked to;

7.1.1 note progress on the recruitment of the Investment Committee

7.1.2 agree to consider the 1 UDF tender documents by written procedure.

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