

## **WIRRAL COUNCIL**

**CABINET – 22<sup>nd</sup> July 2010**

### **REPORT OF THE DEPUTY CHIEF EXECUTIVE/ DIRECTOR OF CORPORATE SERVICES**

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#### **Joint European Support for Sustainable Investment in City Areas (JESSICA)**

##### **1. Executive Summary**

- 1.1 The purpose of this report is to update Members on the current position regarding the proposals for a Joint European Support for Sustainable Investment in City Areas (JESSICA) programme in Merseyside. Members are asked to note the current position and authorise officers to continue to engage in the arrangements for the practical delivery of JESSICA.

##### **2. Background**

- 2.1 In December last year, the Northwest Urban Investment Fund (NWUIF), launched a new £100m fund to help support urban development projects in the North West. The fund is a Joint European Support for Sustainable Investment in City Areas (JESSICA) initiative. This is a new financial instrument created by the European Commission in conjunction with the European Investment Bank. The basic principle of JESSICA is to take a more commercial approach to the use of public funds in delivering regeneration and economic development. JESSICA enables ERDF and match funding to be invested by Urban Development Funds (UDFs) in Urban Projects via loans, equity and/or guarantees. Returns from these investments can then be used to make new investments in new projects, thereby creating a revolving fund for investment in the region.
- 2.2 Members authorised officers in March 2010 (Minute 363 refers) to support the development of an Urban Development 'Holding Fund' for Merseyside.

##### **3. Holding Fund**

- 3.1 The regional arrangements for establishing the Holding Fund will be managed by European Investment Bank (EIB), of which Merseyside will receive £30m of ERDF. Members are asked to note that match funding of an equal amount is required to secure this ERDF resource.
- 3.2 The Investment Strategy sets out the eligible activities for investment - defined by the Northwest Operation Programme for ERDF as the

Investment Frameworks for Action Areas 3.2 (Regional Strategic Sites) and 4.3 (Local Employment Sites). Project investments will include the development of employment sites, creation of new commercial floor space, reclamation of derelict or contaminated land, and provision of site servicing and infrastructure.

#### **4. Current Position**

- 4.1 The European Investment Bank has confirmed key elements of the UDF structure, including the need for a strong private sector fund management component -which will be FSA regulated and compliant.
- 4.2 A sub regional working group comprising TMP, Liverpool Vision and Wirral Council has been set up and is currently progressing the work on developing the UDF Business Plan.
- 4.3 In response to North West Development Agency's OJEU invitation notice in March 2010 the short listed bidder for Merseyside is a consortium comprising Igloo Regeneration Ltd, Aviva Investors Global Services, GVA Grimley Ltd, and Royal Bank of Canada Europe Ltd, (henceforth referred to as the Consortium).
- 4.4 The Consortium's aim is the – 'Creation of Merseyside UDF (the Merseyside Revolving Urban Investment Fund - MRUIF) to be a 'Sustainable Total Place' Fund covering a mix of uses and flexible investment approaches (Jessica eligible funding plus other funding for non eligible investments)'.
- 4.5 The Consortium is proposing that the Total Place UDF would be a company limited by guarantee with local authorities as members alongside the Consortium. The Consortium's bid was submitted on the 18<sup>th</sup> June 2010, and contained the following information:-
- Business Plan
  - Fund Business Plan
  - Investment Strategy
  - Financial Model (including Match Funding)
  - Management & Fees
  - Project Portfolio
  - Ownership, Governance, Risk and Control
- 4.6 In response to the above tight deadline, the Consortium submitted 'potential projects'. Wirral has provided information relating to sites that could attract funding under this programme. Wirral Officers have provided information to the Consortium to allow the business plan to be compiled for the bidding process. However, a full and more comprehensive project

selection process needs to be undertaken to ensure that the most robust programme of activity is developed to attract the maximum investment from the private sector.

- 4.7 EIB are expected to announce whether they support the Consortium's proposal over the course of the next three weeks.

## **5. Next Steps**

- 5.1 The Consortium will now undertake a more detailed appraisal of projects submitted by local authorities and other partner organisations to ensure that these projects are:-

- Viable
- Eligible
- Able to attract match funding (There are issues to be resolved related to the process of match funding, both at project level and UDF level.
- Proposed by competent, solvent sponsors
- Needing capital not available from the private sector
- State aid compliant

- 5.2 The UDF will clearly need to secure projects that will commit the ring fenced JESSICA ERDF and spend it by 2015 in order avoid de-commitment, and to generate the returns, which will create the revolving fund that can then be reinvested in projects which are free of the ERDF eligibility criteria.

## **6. Financial implications**

- 6.1. None as a direct result of this report. Any future financial implications will be reported to Cabinet.

## **6. Staffing implications**

- 6.1. Officers involved will continue to support the development of the JESSICA programme as appropriate. No further implications arising directly from this report.

## **7. Equal Opportunities/Equality Impact Assessment (EIA)**

- 7.1. All of the activities outlined will promote equal opportunities.

## **8. Community Safety implications**

- 8.1. There are no direct Community Safety implications arising from this report.

**9. Local Agenda 21 implications**

9.1. None as a direct result of this report.

**10. Planning implications**

10.1 Projects identified will be subject to the Councils Planning procedures and processes.

**11. Anti-poverty implications**

11.1 All of the activities outlined will help to reduce poverty and deprivation.

**12. Human Rights implications**

12.1 There are no implications arising directly from this report.

**13. Social Inclusion implications**

13.1 The approach outlined helps to promote social inclusion.

**14. Local Member Support implications**

14.1. There are no implications arising directly from this report.

**15. Background Papers**

15.1 Further information can be obtained from Alan Evans who can be contacted on 691 8426.

**16. Recommendations**

Members are asked to:

1. Note the report and the proposed sub regional working arrangements outlined for the development of an Urban development Fund business plan and operational arrangements.
2. Note the projects set out in Appendix A of this report and give support in principle for the next stage of the JESSICA programme process and authorise officers to engage with the Consortium outlined in para 4.3 to develop appropriate operating and governance arrangements for the Merseyside Urban Development Fund.

**J. WILKIE**

Deputy Chief Executive/Director of Corporate Services

## **APPENDIX A**

### **Wirral projects included in the Stage 2 Merseyside UDF Submission**

Riverside Park, Wirral International Business Park  
Hydraulic Tower, Wirral Waters  
Shorelines, Birkenhead  
Woodside