



JESSICA Scotland  
Selection of Regeneration Urban Development Fund

KB/VP-946

**Summary of Questions and Answers from JESSICA  
information event – Thursday 16 December 2010**

**Further questions asked in writing by 10 January 2011 will be answered  
and incorporated in this document on 17 January 2011**

**Question 1**

What is Scottish Enterprise's involvement in JESSICA? Could Scottish Enterprise be fund manager?

Answer

Scottish Enterprise were represented on a Steering Group, alongside CoSLA and key local authorities, that oversaw scoping work to determine whether the JESSICA model would add value in Scotland.

The requirements that the successful fund manager will have to fulfil are set out in the Call for Expression of Interest (the "Call"). Any applicant that meets these requirements may be considered.

**Question 2**

Are Highlands and Islands Enterprise involved?

Answer

No. The UDF covers only LUPS Priority 3 areas.

**Question 3**

What is the relationship between the pipeline of projects identified through the ESEP pre-call and this procurement?

Answer

Details of the pre-call projects will be provided to shortlisted applicants in stage 2. However applicants will have no obligation to make any use of this information. They will be free to identify their own projects outside the pre-call list if they so wish.

**Question 4**

Is it anticipated that Urban Development Funds will have a fully developed project pipeline immediately after being established?

Answer

It will be important that applicants can demonstrate early quick win projects, in order to demonstrate that they are able to deliver investment on a timely basis. Applicants should also explain their overall approach to project selection. However, the UDF project pipeline is likely to develop over time. Their business plan should outline how they intend to approach this.

**Question 5**

How will the EIB and JESSICA Investment Board choose between UDF bidders? Is the focus likely to be on commercially viable projects or those that may be less commercial but will deliver social and economic benefits?

Answer

To some extent, UDFs have to balance the various objectives of the fund. This includes the need for the fund to generate returns but also to deliver economic and regeneration benefits. There is however no minimum level of return specified – although such structure will need to be state aid compliant of course. UDF business plans that balance those objectives are likely to score highest.

**Question 6**

Will the Big Lottery's JESSICA Scotland Trust provide loans or grant?

Answer

The trust can provide either grant or loans. It has been established to possibly invest alongside the Holding Fund and, as such, BIG are keen to explore whether repayable investment can be delivered to community-led aspects of regeneration; so the presumption is that the Trust will look to provide equity or debt finance.

**Question 7**

Will the investment programme be fixed? Eg does the UDF have to come up with 85% or 100% of projects in their bid?

Answer

See answer to Question 4 above.

**Question 8**

What if there are projects out there which the fund managers do not find out about at the time they are compiling their bid?

Answer

Applicants are not being asked to identify and consider every possible project. However the pre-call details will be provided to shortlisted applicants. The EIB is procuring a fund manager, and it is the responsibility of the fund manager to find urban projects to invest in.

**Question 9**

How will the UDF ensure that the equalities impact of its investment programme is assessed? Can we have targets for equalities?

Answer

The process of contracting with the UDF will address equality issues in line with the European Structural Funds requirements agreed between the Scottish Government and European Commission.

**Question 10**

How many fund managers will be selected?

Answer

The Call is to identify one Urban Development Fund manager. However this may involve consortium bids. There may be the potential for an additional UDF in future, focused on delivering energy efficiency retrofit measures in social housing. This would be subject to a separate Call.

**Question 11**

Will there be flexibility on the timing of the JESSICA trust's investment, as there may be cases where it is required ahead of UDF investment?

Answer

Having established the JESSICA (Scotland) Trust, BIG Lottery are now inviting proposals from organisations interested in acting as corporate trustee. Once they are in place, further work will be done to ensure alignment between the funding streams, incorporating issues of timing. BIG Lottery would welcome further ideas on how to address the issue raised in the question.

**Question 12**

Is there a requirement for projects to deliver match funding in order to access resources from either the UDF or Trust?

Answer

There are no match funding requirements for projects, for either fund. Although match funding is required to access ERDF and establish a JESSICA model, the Scottish Government has provided the requisite match at Holding Fund level; and the Big Trust is not subject to ERDF rules. Complementary finance is however being sought through the Call for EoI, in order to increase the value of investment being made in eligible projects. Please note that there is a very clear distinction between match and complementary financing when it comes to the use of ERDF.

**Question 13**

Will the successful UDF be obliged to publicise the fund and the potential investment opportunity?

Answer

UDF managers will be required to promote the fund and generate appropriate publicity in line with Structural Fund requirements.

**Question 14**

Is there a set rate of return or pre-defined parameters for UDFs in terms of the type of investment that they make?

Answer

See answer to Question 5 above. The type of the investments made is a matter for the UDF to decide – either debt, equity or a combination of the two. The eligibility of the project investments is governed by Structural Funds regulations and national eligibility rules, and need to be in line with the objectives of Priority 3 of the Lowlands and Uplands 2007-2013 Operational Programme (as further described in the Call).

**Question 15**

What assistance will be available for UDFs to determine whether specific projects meet ERDF eligibility criteria?

Answer

The Managing Authority may provide support to the UDF re eligibility issues, particularly where there are grey areas (example cited was what constitutes green design principles in industrial sites) and we would recommend that a formal consultation on each urban project is built into the UDF's project appraisal process. The key requirement is to avoid any clawback of ERDF and match funding in the future.

**Question 16**

What role will the UDF manager have in administering the JESSICA trust?

Answer

This role of administering the JESSICA trust is entirely separate to the UDF remit and will be determined by the corporate trustee, once appointed.

**Question 17**

What constitutes an integrated plan for sustainable urban development? Would planning permission be a suitable proxy?

Answer

The decision on what constitutes an integrated plan for sustainable urban development is left to national or regional authorities. Planning permission is likely to be important, as this should demonstrate, at least to some degree, that the project fits within the existing Scottish planning frameworks. However, the UDF's investment strategy should contain more evidence than just planning permission on how projects will be assessed as fitting within local / national development plans.

**Question 18**

Did the pre-call exercise demonstrate significant demand for JESSICA resources?

Answer

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 over £200 million.

**Question 19**

Will the identity of short-listed UDF bidders be made public?

Answer

In line with the provisions of the Call EIB may publicly announce the list of applicants that are invited to submit Offers (in the form of Business Plans).

**Question 20**

The award criteria weightings included in the Call assigns 20% for Governance. Can we be assured that there will be transparency in project selection? Given this is public money, how is accountability ensured?

**Answer**

The process that UDF bidders have in place to identify and select projects will be a key part of the EIB's assessment of Offers (Business Plans) in stage 2 of the process. It will not however be expected (subject to Freedom of Information rules) that UDFs will, for example, make public the minutes of their investment committees where decisions are made on project investments. While there will be regular reporting to EIB, the JESSICA Scotland Investment Board and the Managing Authority in relation to performance, the fund will operate on a stand alone commercial basis, not controlled by the Scottish Government or EIB.

The decision to establish JESSICA was taken after a rigorous process which included a feasibility study and Managing Authority, Ministerial and Programme Monitoring Committee approval. In addition to reporting and monitoring arrangements, UDFs will also be subject to audit by the European Commission and Managing Authority in relation to how ERDF funds have been spent.

**Question 21**

What are the legacy arrangements for the UDF, once it has been invested and starts generating returns?

**Answer**

Once the funds have been invested (by 31 December 2015), any returns can be reinvested in any activity related to regeneration, removing the need to fit with ERDF eligibility criteria. This opens up a number of possibilities about what could be done with any funds returned. Within the Call, UDF bidders have been asked to provide their views on potential legacy arrangements. These will be considered by the EIB and JESSICA Investment Board.

**Question 22**

Which 13 areas are eligible for investment; and is there any further spatial targeting beyond that?

**Answer**

The 13 eligible areas are Clackmannanshire, Dundee, East Ayrshire, Edinburgh, Fife, Glasgow, Inverclyde, North Ayrshire, North Lanarkshire, Renfrewshire, South Lanarkshire, West Dunbartonshire, West Lothian. These areas account for the highest share of population in the 15% most deprived data-zones, as measured by the Scottish Index of Multiple Deprivation. They also have the highest concentration of NEET (not in education, employment and training) individuals.

**Question 23**

Who is on the JESSICA Investment Board?

Answer

The Investment Board comprises 5 members – 2 senior Government officials (Diane McLafferty – Deputy Director for Regeneration, Kirstin Baker, Deputy Director for Capital & Risk) and 3 independent professionals (Steve Inch, Jeff Thornton, David Bell), all of whom have experience in public/private infrastructure investment, regeneration and financial management.

Applicants are reminded about provisions relating to canvassing and non-collusion in the Call.

**Question 24**

Who will monitor the performance of the UDF?

Answer

The EIB will monitor the UDF's performance and provide regular reports to the Investment Board and Managing Authority.

**Question 25**

Can private sector companies benefit from JESSICA funding, or is it targeted at public sector?

Answer

Project sponsors can be drawn from the private sector if deemed appropriate by the UDF manager.

**Question 26**

What do you mean by "quick wins"? How soon do they have to be? Surely it is not good to have projects delivered quickly but with poor outputs?

Answer

Quick wins are projects which provide assurance that the UDF fund manager is able to source eligible projects and deliver these within the required investment period. We do not wish to see the UDF inactive for a long period of time, while in the meantime management fees are eroding the value of the fund, and we are therefore keen to see much-needed financial support to projects commencing as soon as possible.