
Report to: West Yorkshire Combined Authority

Date: 9 January 2020

Subject: **European Structural and Investment Funds (ESIF) – Sustainable Urban Development (SUD)**

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Is this a key decision?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	Para 3

1. Purpose of this report

- 1.1 That the West Yorkshire Combined Authority (Combined Authority), in its role as the Intermediate Body (IB) for the SUD part of the ESIF programme, approve the advice included in the outline assessment forms at Part 3 of Appendix 2 and 3 together with the respective conditions, and Part 2 in the full assessment form Appendix 4 . The assessment forms will be then submitted to the Managing Authority (MA), Ministry of Housing, Communities and Local Government (MHCLG).

2. Information

Progress to date

- 2.1 On 8 March 2017, the Investment Committee considered and noted the roles and responsibilities relating to Intermediate Body (IB) status delegated to West Yorkshire Combined Authority in order to deliver the SUD Strategy, part of the ESIF Programme.
- 2.2 The Committee, in its advisory role, provided advice on the first draft SUD Call at its meeting in June 2017, which was subsequently agreed by the Combined

Authority, at the 29 June 2017 meeting, for it to be published July 2017 by the Managing Authority (MA), Ministry of Housing, Communities and Local Government (MHCLG).

- 2.3 The Combined Authority has since selected projects to progress to full application stage. Round 1 resulted in only one project progressing to full application stage, due to a high attrition rate. This project is now contracted.
- 2.4 A Round 2 Call was subsequently republished 8 June 2018 and closed 27 July 2018. The Call was not materially changed from that previously approved. A further eight applications were received and considered in late 2018 with four applications selected to progress to full application. Three of the four full applications were considered by the Combined Authority at its meeting in October 2019. The remaining one full application is now being presented to the Combined Authority for selection. The Investment Committee, at its meeting on 7 November 2019, considered and endorsed the advice contained in the full assessment in order to advise the Combined Authority acting as the Intermediate Body for SUD, to inform its decision with regard to project selection.
- 2.5 As funding was still available a Round 3 Call was published 10 January 2019, closing 22 February 2019. One outline application was received which was considered by the Combined Authority, as Intermediate Body, in April 2019 and was selected to progress to full application.
- 2.6 A further Round 4 Call was published 8 April 2019 and closed 28 June 2019. Two outline applications were received which were considered by the Combined Authority, as Intermediate Body, in October 2019 and were selected to progress to full application. Following a further review by the MA one of the outline applications has unfortunately now been rejected on the grounds that it did not meet the value for money and deliverability assessment criteria.
- 2.7 Following the responses received for the Round 4 Call, and given there was still money to be committed locally, a Round 5 Call was published in July 2019 and closed 31 October 2019. Two outline applications have been received and are presented to the Combined Authority for selection. The Investment Committee, at its meeting on 4 December 2019, considered and endorsed the advice contained in the full assessment in order to advise the Combined Authority acting as the Intermediate Body for SUD, to inform its decision with regard to project selection.
- 2.8 The assessment of the one full application, Round 2, and the two outline applications, Round 5 are attached to this report as **Exempt Appendices 2 - 4** together with a covering note (**Exempt Appendix 1**).
- 2.9 Given funding still remains a further Round 6 Call will be published in January 2020. Funding pipeline is as outlined below.

SUD Call Round	PA3 (SME Competitiveness)	PA5 (Climate Change - Flooding)	PA6 (Green / Blue Infrastructure)	Total ERDF sought
2017 - Round 1	£636,065			£636,065
2018 - Round 2	£1,954,380	£3,884,801	£1,555,060	£7,394,241
2019 - Round 3			£737,500	£737,500
2019 - Round 4	£1,867,776		£0	£1,867,776
2019 - Round 5	£1,011,583	£1,472,633		£2,484,216
Value of Pipeline	£5,469,804	£5,357,434	£2,292,560	£13,119,798
Total Allocation	£6,360,135	£5,300,564	£6,360,135	£18,020,835
Remaining allocation – Round 6 Call	£890,331	-£56,870	£4,067,575	£4,901,037

- 2.10 If funding remains uncommitted once the Call closes, expected to be April 2020, then this money will be moved in to the new national Reserve Fund, set up by MHCLG to manage the remaining ERDF funding across the England programme as well as manage exchange rate fluctuations.

Selection Process and Assessment Form – Outline Applications

- 2.11 The selection process for SUD, part of the ESIF programme has been set out in guidance notes issued to the IB by MHCLG, as the MA.
- 2.12 The outline application has been assessed for local strategic fit based on the Leeds City Region ESIF SUD Strategy. In considering the strategic fit a qualitative approach has been used to assess the following to come to an overall view:
- Does the proposed operation contribute to the needs/opportunities identified in the Call to which it is responding?
 - Does the proposed operation align to the local growth needs set out in the local ESIF (SUD) Strategy?
- 2.13 In addition advice has been provided to the MA on:
- 2.13.1 **Value for money** – the operation must represent value for money. In assessing value for money, the MA takes account of:
- efficiency: the rate/unit costs at which the operation converts inputs to the fund outputs;

- economy: the extent to which the operation will ensure that inputs to the operation are at the minimum costs commensurate with the required quality;
- effectiveness: the extent to which the operation contributes to programme output targets, results and/or significant strategic impact at the local level;
- that the investment will deliver activities and impacts that would not otherwise take place;

2.13.2 Deliverability

- The operation is deliverable within the requirements of the fund specific operational programme taking into account risks, constraints and dependencies.
- Evidence has shown that this type of operation is effective, the risks have been considered and appropriate mitigations put in place.

2.14 Assessment forms are designed and owned by MHCLG. The Assessment form is split in to 5 sections and each completed by either the Combined Authority or the MA as follows:

- **Part 1**, summary project details – completed by MHCLG
- **Part 2**, the gateway assessment - completed by MHCLG
- **Part 3**, the IB's assessment – completed by the Combined Authority
- **Part 4**, the MA's assessment - completed by MHCLG
- **Part 5**, selection decision — completed by the Combined Authority (5a) and MHCLG (5b).

2.15 Following the approval of the Combined Authority's selection decision and advice, the assessment will be finalised and forwarded to the MA, who will then finalise its assessment (taking account of the advice provided by Combined Authority), and make its selection decision.

2.16 The Investment Committee was asked for advice at its meeting on the 4th December 2019 on whether the proposals set out in the outline applications appropriately address:

- local domestic priorities, development needs/growth conditions and opportunities.
- the contribution and value for money proposed in the context of the Operational Programme and local ESIF Strategy.
- any local issues that need to be taken into account in the development and/or delivery of the project.

The Investment Committee advice was to recommend the projects to the Combined Authority, as the Intermediate Body, for approval.

Selection Process and Assessment Form – Full Applications

- 2.17 The IB has already assessed the respective full application presented today for local strategic fit based on the Leeds City Region ESIF SUD Strategy and made its project selection, setting out its advice and any respective conditions for the applicant to consider when developing the outline to a full application.
- 2.18 As outlined above the assessment forms are designed and owned by MHCLG. The full assessment form is split in to 4 sections and each completed by either the IB, as described at 2.11, or the MA as follows:
- Part 1, summary project details - completed by MHCLG
 - Part 2, the IB's assessment - completed by the Combined Authority
 - Part 3, the MA's assessment - completed by MHCLG
 - Part 4, selection decision - completed by the Combined Authority (4a) and MHCLG (4b and 4c).
- 2.19 The Investment Committee was asked for advice at its meeting on the 7th November 2019 on whether the proposals set out at in the full applications continue to appropriately address:
- local domestic priorities, development needs/growth conditions and opportunities.
 - the contribution and value for money proposed in the context of the Operational Programme and local ESIF Strategy.
 - any local issues that need to be taken into account in the development and/or delivery of the project.

The Investment Committee advice was to recommend the projects to the Combined Authority, as the Intermediate Body, for approval.

Undertaking the Assessment

- 2.20 In line with the agreed IB Conflict of Interest Statement and Operating Protocol – the outline and full applications have been considered by the Appraisal Team, under the responsibility of the Head of Research and Intelligence from the Combined Authority, who have undertaken their own assessment in line with the criteria outlined above. Their findings are presented to the Combined Authority at the meeting. In addition to officers from the Appraisal team the MA will also be in attendance and can respond to questions raised by Combined Authority members regarding the assessment as required.
- 2.21 The overall summary of all assessments indicates the scoring criteria is considered to be met. Projects are considered to be sufficiently developed to enable the MA to either ask the applicant to progress the full application now or for the MA to now issue a funding agreement subject to the proposed conditions set out in the full assessments being fully met.
- 2.22 Having concluded the outline assessment process the MA will, if it determines the project may proceed, invite the applicant to submit a full application. The

MA will, in the spirit of joint working, meet with the Combined Authority at the conclusion of this reconciliation to clarify its decision.

3. Clean Growth Implications

- 3.1 The Leeds City Region SUD Strategy gives priority to sustainable urban development which will focus on ecologically sound and resilient site development, particularly in key strategic economic growth sites/locations. The aim will be to create highly attractive and innovative sites providing an unrivalled setting for investment and attracting high value enterprise. Projects have therefore been assessed with regard to their contribution to meeting these aims and objectives of which the detail can be seen in the assessments Appendix 2-4.

4. Inclusive Growth Implications

- 4.1 There are no inclusive growth implications directly arising from this report.

5. Financial Implications

- 5.1 MHCLG, as MA for the funds, is responsible for the issuing of funding agreements, paying projects and general contract management. The funding within the Strategy (€19.95 million) is a notional budget and is part of the ESIF ERDF programme. All finances go directly through MHCLG's accounts not the Combined Authority's.

6. Legal Implications

- 6.1 The information contained in **Appendices 1 to 4** are exempt under paragraph 3 of Part 1 to Schedule 12A of the Local Government Act 1972 as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that the public interest in maintaining the content of the appendices as exempt outweighs the public interest in disclosing the information as publication could prejudice current and future decision making.
- 6.2 The risks of non-compliance with regard to the delegated function of the Combined Authority as an Intermediate Body were previously outlined at the meeting in March 2017.

7. Staffing Implications

- 7.1 There are no staffing implications directly arising from this report.

8. External Consultees

- 8.1 MHCLG have been consulted in their role as Managing Authority in the production of this report.

9. Recommendations

- 9.1 That the Combined Authority, in its role as the Intermediate Body for the SUD part of the ESIF programme, approve the advice included in the outline assessment forms and any respective conditions at Part 3 of Appendix 2-3.
- 9.2 That the Combined Authority, in its role as the Intermediate Body for the SUD part of the ESIF programme, approve the advice included in the full assessment form at Part 2 of Appendix 4 to allow the MA to now issue a funding agreement subject to the proposed conditions set out in the full assessments being fully met.

10. Background Documents

There are no background documents referenced in this report.

11. Appendices

Exempt Appendix 1 - Summary FINAL

Exempt Appendix 2 - Erringden Hillside: Flood Alleviation Scheme OA FINAL

Exempt Appendix 3 - Shillinghill Lane SME units OA FINAL

Exempt Appendix 4 - Kirkstall FAS full appraisal FINAL