
Report to: West Yorkshire and York Investment Committee

Date: 4 December 2019

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

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" 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 To consider two outline applications for SUD, part of the ESIF Programme, and provide advice to the Combined Authority, in its role as the Intermediate Body (IB).

2. Information

- 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 for projects was subsequently republished 8 June 2018 and closed 27 July 2018. Round 2 resulted in four out of eight projects progressing to full application stage, due to a high attrition rate. All projects are in the contracting phase.
- 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. This full application is now in appraisal and will be presented to the Investment Committee for advice in due course.
- 2.6 Given there was a poor response to the Round 3 call, a further Round 4 call was published 8 April 2019 and closed 28 June 2019. The two outline applications received were presented to the Investment Committee for advice at its meeting in September 2019 and selected by the Combined Authority at its meeting on the 10th October 2019. Following a further review by the MA one of the outline applications has now been rejected on the grounds that it did not meet the value for money and deliverability assessment criteria.
- 2.7 As funding was still available a Round 5 call was published 31 July 2019 and closed 31 October 2019. The call value was for £6.8 million. The two applications received are now presented to the Investment Committee for advice.
- 2.8 The assessments of the two outline applications, Round 5, are attached to this report as **Exempt Appendix 2 and 3** together with a covering note (**Exempt Appendix 1**). The Investment Committee is requested to consider the content of the full assessment and the recommended conditions and provide advice to the Combined Authority, in its role as Intermediate Body, at its meeting on 9 January 2020.
- 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 Competiveness)	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 any funding remains uncommitted once the call closes, expected to be March 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 the outline assessment form

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 IB has assessed the outline applications 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 the Combined Authority as IB will take into account advice from the Investment Committee to support the MA's assessment of:

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.

2.13.3 Outline assessment forms are designed and owned by MHCLG. The Assessment form is split into five sections and each completed by either the IB 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).

2.14 Following the Investment Committee's advice, the IB will finalise its assessment and advice to the MA and make its selection decision and forward the form to the MA, who will then finalise its assessment (taking account of the advice provided by the IB), and make its selection decision.

Undertaking the assessment

2.15 In line with the agreed IB Conflict of Interest Statement and Operating Protocol the application has 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 Committee 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 members regarding the assessment as required.

3. Financial Implications

3.1 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.

4. Legal Implications

4.1 The information contained in Appendix 1-3 is 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.

5. Staffing Implications

5.1 There are no staffing implications directly arising from this report.

6. External Consultees

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

7. Recommendations

- 7.1 It is recommended that the Investment Committee consider the two outline applications, Round 5, for SUD, part of the ESIF Programme, and provide advice to the Combined Authority, in its role as Intermediate Body.

8. Background Documents

- 8.1 None.

9. Appendices

- 9.1 Exempt Appendices 1 - 3:

Exempt Appendix 1 - Summary FINAL

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

Exempt Appendix 3 - Shillinghill Lane SME units OA FINAL