

## **Executive**

**24 October 2019**

Report of the Director of Economy & Place

Portfolio of the Executive Leader

## **York Central Update**

### **Summary**

1. The delivery of York Central is a city wide priority. Regeneration of this brownfield site will bring significant economic growth space and new housing, in this central, sustainable location. The importance of York Central is highlighted in the Local Plan, and in the Strategic Economic Plans of both regional Local Enterprise Partnerships.
2. In July 2019 Executive made the commitment to undertake further project development activity, working with the York Central Partnership, to ensure the scheme maintains momentum and is ready to progress into delivery phases when decisions on external grant funding are confirmed. The funding agreed by Executive enabled the appointment of a construction partner to undertake Early Contractor Involvement in developing construction detail for the phase 1 infrastructure.
3. This report provides an update on activity over the period, and sets out options for proceeding with further development activity to maintain momentum and progress towards delivery whilst the announcement of grant funding decisions is still pending.

### **Recommendations**

4. Executive is asked :-
  - i. To agree Option 1 to commit £2.275m to progress work on the first phase of infrastructure up to determination of the RMA, RIBA stage 4 design with a refined fixed construction cost and submission of the WYTF+ final business case
  - ii. To accept a £1.58m LGF grant from the North Yorkshire & East Riding (YNYER) Local Economic Partnership ( LEP) and drawdown of £695k from the agreed York Central CYC capital budget to fund this work

- iii. If the YNYER LEP funding is not available then to agree Option 2 to draw down funding of £746k from the agreed York Central capital budget to fund further work through to the determination of the RMA only.

Reason: - To ensure that appropriate project development progress can be maintained towards delivery readiness on the York Central project in readiness for the determination of external grant funding being confirmed.

## **Background**

5. York Central is one of the largest brownfield sites in northern England, see plan at Annex 1. The 45ha development site will deliver; up to 2500 new homes, and the potential for 6500 jobs in grade A commercial office space. An enhanced National Railway Museum and the creation of new public spaces and community facilities directly linked to an improved Railway Station are also key project outcomes
6. The council has been instrumental in breaking the deadlock of decades and bringing York Central forward for development. The council has worked positively with partners to ensure that the development will deliver benefits to the people of York, and these will continue to be shaped by extensive public engagement. As the principal conduit for infrastructure funding and through its statutory roles as Local Planning Authority (LPA) and Highways Authority (HA) the council has significant influence and control over key future decisions and will continue to represent the views of the people of York in all partnership discussions.
7. Extensive community engagement was undertaken ahead of the planning process which showed significant support for the scheme despite its many challenges. Previous attempts by the market to bring a scheme forward on this site have floundered and, given the unique risk profile of the site, it will require public sector leadership to bring the site forward for development.
8. The scheme is being promoted by the York Central Partnership (YCP) which is made up of Network Rail (NR) Homes England (formerly the Homes and Communities Agency or HCA), the National Railway Museum (NRM) and the City of York Council (CYC).
9. Over the last 4 years YCP have developed a comprehensive masterplan for the 45ha site and have now secured Outline planning consent which will deliver up to 112,000 sq. m of commercial space and up to 2500 homes as well as a large park, public squares and an expanded Railway Museum.
10. The significant progress made to date is demonstrated by the key project milestones set out below :

- In December 2018 full council agreed to create the £155m capital budget to fund the delivery of the enabling infrastructure.
- The council also submitted an application for £77.1m of Housing Infrastructure Funding to MHCLG.
- In January 2019 Executive agreed the Heads of Terms of the YCP Partnering Agreement – which is now being finalised for signature by the partners.
- In February 2019 West Yorkshire Combined Authority (WYCA) Investment Committee approved the Business case for West Yorkshire Transport Fund (WYTF+) funding (subject to conditions) and work towards a Full Business Case plus (FBC+) continues.
- In March 2019 Planning Committee resolved to grant permission for the Outline Planning Application for the site - signing of the S016 agreement is imminent with the 6 week Judicial Review challenge period to follow.
- On the 12<sup>th</sup> October 2019 the Department of Culture Media and Sport confirmed the award of £18.58m towards the £55m target budget for the delivery of the NRM Vision 2025 plans.

11. Further project development work has continued following this crucial planning decision in preparation for delivery :

- Detailed design of the first phase of infrastructure (Water End junction new Severus Pedestrian / Cycle Bridge, new ECML bridge and spine road) and commenced preparation of a Reserved Matters Planning Application
- Finalisation by the LPA and Homes England /NR of the Planning S106 agreement – signature pending
- Appointment of John Sisk as the construction delivery partner for the first phase of infrastructure to commence Early Contractor Involvement to inform final detailed design work
- Finalisation of the York Central Partnering Agreement with signatures pending
- Commercial Occupier brief to inform YCP delivery strategy agreed by the Executive Member for Economy and on 9<sup>th</sup> September 2019
- Submission of a YNYERLEP LGF bid to support further design work on the first phase of infrastructure – determination expected 23 October 2019

12. The total cost of the enabling infrastructure necessary to bring the site forward for development was set out in the November 2018 Exec report as being £155m. The indicative breakdown of the key elements of the infrastructure scheme are as follows:

Table 1 Total Infrastructure Costs

Infrastructure Elements	£'000
Enabling Works including site clearance, early demolitions, utility diversions, Millennium Green preparation	11,200
Phase 1 Infrastructure including bridge access onto site, new spine road, drainage	75,800
New Park	19,000
Museum Square and Boulevard	14,400
Southern Access to Site	4,800
Compliant Station Access	3,200
Full Western Station Entrance	17,400
Leeman Road Tunnel, Marble Arch Link	1,700
Leeman Road East	700
Utilities into site	6,800
<b>Total Infrastructure</b>	<b>155,000</b>

13. Full Council established the budget in Dec 2018 to fund this core site infrastructure on York Central and allow viable development to proceed. The funding comprises a combination of external grants, previously agreed approvals, developer contributions and significant new Enterprise Zone backed borrowing of £35m. The works and funding options outlined in this report are from within this core site budget.

Table 2 York Central Budget

Funding Source	Budget	Prior Approvals	Approvals Sought	Budget Remaining
	£'000	£'000	£'000	£'000
CYC	4,662	(415)	(746)*	3,501
CYC Borrowing – Enterprise Zone	35,000			35,000
Housing Infrastructure Fund	77,100			77,100
YNYER LEP	3,110		(1,580)	1,530
WYTF Contribution	23,500			23,500
Balance – Developer Contributions, Land Values, Cost Control	11,628			11,628
<b>Total Funding Available</b>	<b>155,000</b>	<b>(415)</b>	<b>(2,326)</b>	<b>152,259</b>

\*maximum approval based on option 2

14. The WYTF Full Business Case (FBC) was conditionally agreed in February 2019 (with £23.5m for the York Central component) and this will proceed to final sign off when the procurement results in a refined fixed cost in the New Year. This requires a RIBA 4 design and a fixed construction cost. It is also conditional upon agreement of the HIF grant and a decision on this is still pending
15. All spend is phased over approximately 5 years and will use grant funding first before any EZ backed borrowing is undertaken.

### **Current Progress**

16. In July 2019 Executive agreed to release funding of £415k (with a further £335k committed by Homes England) to continue design work and fund the Early Contractor Involvement ECI for the first phase of infrastructure up to the end of November, in the expectation of a HIF decision by that time. Good progress has been made as set out below, however, a decision is still awaited from the Ministry of Housing Communities and Local Government (MHCLG), and the budget set aside to fund the further design work and ECI will be exhausted before Christmas.
17. John Sisk Ltd have been confirmed by CYC as the construction partner for the first phase infrastructure, following an OJEU compliant procurement. The initial contract is for Pre Construction Services (PCS) to enable Early Contractor Involvement (ECI). This involves workshop sessions with the construction partner and the project team to interrogate all design aspects to ensure buildability, innovation and value engineering. This will lead to design fix for the RMA and, following conclusion of the detail RIBA stage 4 design, a refined fixed cost from the contractor which will enable us to submit the final business case (FBC+) to WYCA and release funds for delivery.
18. This work is progressing and the council aim to submit an RMA in late Jan / early Feb 2020 following further public engagement.
19. The July Exec report agreed funding to maintain progress with the scheme until November 2019. It did not fund work on the RMA all the way through to determination or the RIBA stage 4 design work necessary to confirm contractor pricing and proceed through to WYCA FBC+.
20. Options for maintaining project momentum in the absence of a HIF decision are set out below :
21. **Option 1 - £2.275m (to 31 May 2020).** This will deliver
  - i. Conclusion of the ECI process to inform final designs

- ii. Proceed with the submission and determination of the RMA for the first phase of infrastructure
- iii. Pre-application engagement on the RMA planning documentation ahead of submission,
- iv. Develop detailed RIBA Stage 4 designs to provide construction information allowing a refined fixed price to be obtained for the construction costs
- v. Submission of the FBC+ to secure the WYCA funding for the construction phase.

This will be funded from £1.58m YNYER LGF grant funding and a further draw down of £695k of CYC York Central Capital Budget.

22. **Option 2 – £746k (to 31 May 2020).** This will deliver
- i. Conclusion of the ECI process to inform final designs
  - ii. Proceed with the submission and determination of the RMA for the first phase of infrastructure
  - iii. Pre-application engagement on the RMA planning documentation ahead of submission

This will be funded from a further draw down of £746k of CYC York Central Capital Budget.

23. The table below provides a summary of the option costs :

Option	1	2
	Full const. info & RMA	RMA only
Activity	£'000	£'000
Project Team	300	300
Project and programme Support	264	235
RMA submission / support	211	211
Stage 4 Design	1,500	-
<b>Total</b>	<b>2,275</b>	<b>746</b>

24. Undertaking the detailed RIBA 4 design work following the conclusion of the ECI work is necessary to confirm the refined tender price and submit the WYCA FBC+. If this is not undertaken it would lead to delays in the delivery of York Central, difficulty in achieving grant spend within the funding windows. It would also result in a reduction in the amount of retained business rates likely to be generated as part of the Enterprise Zone to fund the proposed £35m of prudential borrowing which will fund the enabling infrastructure. Any significant delay also risks cost escalation on the construction contract as the tendered

rates are only valid for 12 months. This represents a significant level of additional project risk.

25. Following the Executive in July 19, CYC applied to YNYER LEP for £1.58m of Local Growth Funding (LGF) which would contribute to funding option 1. This application will be determined at the Investment Committee on 23 October 2019 and a verbal update will be brought to Executive.
26. Both options require further spending at risk to maintain momentum. Greater progress can be made with support from YNYER LEP to deliver Option 1. Without this grant support, the increase in the council's cost exposure would be significant. It is therefore recommended that, subject to the agreement of grant funding by YNYER LEP, Executive agree Option 1.
27. If this support is not agreed by YNYER LEP then it is recommended that Executive agree Option 2 to enable progress with the RMA application, to mitigate delivery risk and delay without increasing the exposure of the council, where HIF funding is still not confirmed.
28. The York Central Partnership has agreed Heads of Terms to work jointly to deliver the scheme and all partners have already made significant investments at risk. Network Rail has already spent £5.842m so far on land assembly, rail relocation works, rail design for enabling works/relocations, planning, legal and consultant's fees.
29. Homes England has committed £18.9m towards land assembly and has contributed a further £355k towards the planning costs of the site, on top of a previous £200k contribution in 2018. In addition Homes England have agreed a further budget of £7.6m subject to the HIF decision and are investing in the establishment of a dedicated delivery team. Though some of this investment is backed by asset acquisitions these will not be realised unless the scheme is developed out so are "at risk" at this stage.
30. The NRM have spent £1.95m on their Vision 2025 masterplan for their museum development scheme and they have now secured a £18.58m DCMS grant to commence delivery of their £55m scheme. As an important cultural anchor they will continue to help shape the overall scheme and integrate their plans with the development of York Central, but their role differs from the major land owners NR and Homes England and from the Council as the custodian for a new part of the city and an enabler of the future scheme. As a Charitable organisation, NRM cannot undertake any development activity on non-Museum land, so NRM will not share in either the York Central development costs or receipts. The NRM have disposed of their surplus land assets to Homes England in order to integrate the land into the overall scheme and facilitate the early phases of the Vision 2025 development plans.

## Council Plan

31. The project will assist in the creation of a Prosperous City for All, and being a Council that listens to residents particularly by ensuring that :
- I. Everyone who lives in the city can enjoy its unique heritage and range of activities.
  - II. Residents can access affordable homes while the greenbelt and unique character of the city is protected.
  - III. Visitors, businesses and residents are impressed with the quality of our city.
  - IV. Local businesses can thrive.
  - V. Efficient and affordable transport links enable residents and businesses to access key services and opportunities.
  - VI. Environmental Sustainability underpins everything we do.
  - VII. We are entrepreneurial, by making the most of commercial activities.
  - VIII. We engage with our communities, listening to their views and taking them into account.

## Implications

### Financial –

32. In December 2013 Members agreed to earmark £10m towards the delivery of York Central. Currently £5,753k has been released to support technical work, masterplan development through to planning, land acquisition costs and site preparation works. There have also been other grant contributions from WYTF, Homes England, One Public Estate, LCR LEP, YNYER LEP and Department for Communities and Local Government (DCLG) EZ funding.
33. The proposed changes recommended in this report would increase the CYC approvals by £695k for option 1 or £746k for option 2. It should be noted that the report to Executive in July 2019 had reduced the CYC approvals by £835k so either increase proposed in this report remains below previously agreed levels. The proposed approvals take total funding to a maximum of £13,434k.

	Option 1		Option 2	
	£'000	£'000	£'000	£'000
CYC – (£10m Allocation)				
Land purchase approval	1,014		1,014	
NRM Masterplan contribution	200		200	
Other Approvals	<u>5,234</u>		<u>5,285</u>	
Total CYC		6,448		6,499
YNYER LEP		4,470		2,890
WYTF Contribution		947		947
OPE Grant		250		250



Homes England Grants		1,084		1,084
LCR LEP Grant		200		200
DCLG EZ		35		35
<b>Total Funding Available</b>		<b>13,434</b>		<b>11,905</b>

Table 3 York Central Funding

34. Actual expenditure to Sept 2019 and current forecast

	Option 1 Expenditure £'000	Option 2 Expenditure £'000
2015/16	112	112
2016/17	1,565	1,565
2017/18	2,197	2,197
2018/19	4,764	4,764
2019/20 to 30/09/2019	910	910
Estimated Remaining Expenditure to 31/05/2020	3,886	2,357
<b>Total</b>	<b>13,434</b>	<b>11,905</b>

Table 4 York Central Expenditure

35. Any CYC funding will be at risk until the Partnering Agreement is signed and the scheme progresses into delivery. If the HIF funding is not forthcoming and if the scheme does not go ahead then an element of these costs would be classed as abortive and need to be written off back to revenue.
36. The potential level of abortive costs is assessed at £4,485k based on expenditure to May 2020. This is a significant sum in the context of the overall council finances however this would be mitigated by EZ retained business rates already collected at the site (estimated at £1.3m to the end of 2019/20) as well as future more limited development on the site from the existing infrastructure. Executive has also agreed to set aside up to £3m of the Venture Fund to support the EZ borrowing which would not be required if the scheme were not to progress.

**Human Resources (HR)** – none

**Equalities** – Equalities impacts were considered in the OPA and will be considered in the RMA for the first phase infrastructure

**Legal** – As identified in the report there are two options to proceed in delivering the first phase of infrastructure. The legal risks associated with each option are as follows:

The procurement of the construction partner for phase 1 infrastructure works has been carried out using the YORCivils2 Framework and was structured in

such a way that ensures the resulting contractual arrangements will not expose the Council to further risk should the HIF funding not be approved. The Council has entered into the Pre-construction Services Contract (for ECI services in the first instance) with the successful bidder without an obligation to enter into the further two contracts for the construction phase with that bidder, should funding not be available to do so. Therefore there is low risk of challenge from a procurement or contractual perspective should option 1 or 2 be chosen.

The YNYER Funding Agreement requires CYC to carry out the Project Activities specified within the Application within the timescales set out in the Project Programme and achieve the Milestones and Project Outputs within the time limits set out in the Agreement. Not doing so would constitute an Event of Default, for which YNYER would be entitled to suspend payment, reduce payment, cease payment and require repayment of funds or terminate the agreement.

There is an absolute requirement for CYC to notify YNYER if it:

- i. becomes aware that it will be unable to make a Grant Claim;
- ii. there is an event which may adversely affect the carrying out and/or Completion of the Project Activities; or
- iii. There is an event which may adversely affect the Delivery of the Project by the Agreed Project Completion Date.

CYC have the opportunity to agree Changes with YNYER in respect of the Milestones and Project Outputs, which should be pursued in order to avoid the risk of future issues in respect of the matters outlined above.

**Information Technology (IT) - none**

**Crime and Disorder - none**

**Property – none**

## **Risk Management**

37. In September 2019 Audit and Governance Committee undertook a comprehensive review of risk management arrangements for the York Central project.
38. The previous report in July 2019 detailed the key risks of the project progressing and they are still considered to be relevant at this time.

## Contact Details

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**Wards Affected:** Holgate, Micklegate

**For further information please contact the author of the report**

### Background Papers:

#### Previous Executive Reports:

15 November 2017- York Central – Preferred Access Route and Preparation for  
Planning  
15 March 2018 - York Central - York Central Access Construction  
21 June 2018 - York Central Master Plan and Partnership Agreement  
30 August 2018 - York Central Update - Western Access  
29<sup>th</sup> November 18 - York Central Enterprise Zone Investment Case  
17<sup>th</sup> January 19 - York Central Partnership Legal Agreement  
18<sup>th</sup> July 2019 - York Central Partnership Update

### List of Abbreviations

CYC - City of York Council  
ECI - Early Contractor Involvement  
EIF – Economic Infrastructure Fund  
EZ – Enterprise Zone  
FBC+ - Financial Business Case with full costings  
HE – Homes England  
HIF - Housing Infrastructure Fund  
HA - Highways Authority  
LCR - Leeds City Region  
LEP - Local Economic Partnership  
LGF – Local Growth Fund

LPA - Local Planning Authority  
MHCLG –Ministry of Housing Communities and Local Government  
NR – Network Rail  
NRM - National Railway Museum  
OPA – Outline Planning Application  
PSC – Pre-Contract Services Contract  
RIBA –Royal Institute of British Architects  
RMA – Reserved Matters Application  
WYCA – West Yorkshire Combined Authority  
WYTF – West Yorkshire Transport Fund  
YC - York Central  
YCP - York Central Partnership  
YNYER – York, North Yorkshire & East Riding