

Cabinet

16 July 2013

Report of the Cabinet Leader

Economic Infrastructure Investment - Stimulating Development Delivery

Purpose of the report

1. This report sets out a proposal for investment in resources that are required to take forward the delivery of development to enable economic growth for the city of York.
2. In February 2012 Cabinet received a report entitled “Get York Building – Phase 1”. The focus of the proposals put forward was a plan for unlocking development sites that will provide new homes and other appropriate business opportunities as applications are received. The ambition is to see a release of 5000+ homes over the next 5 to 7 years. Although some of this will come via key stalled sites, considerable demand will also be met via the Local Plan “Call for Sites” process and subsequent raised interest.
3. This report sets out a proposal to release £1m of EIF funding, for investment in the resources that will facilitate timely development.
4. Further reports will set out more specific proposals on particular sites, with a report in September coming to Cabinet that will set out the range of opportunities and initiatives to take forward key development sites, such as York Central.
5. The release of £1m of EIF funding will provide the professional and technical resource needed over 2013/14 & 2014/15. It is proposed that it is directly linked to development activity such as the key sites coming forward (e.g. York Central, British Sugar, Terry’s & Nestle and other major sites) that will emerge from the Local Plan process. Investment in resources targets;

- a. The right level of “people resource” to ensure delivery of all aspects of the Council’s development support functions. Thus providing a timely quality and compliant service to investors and developers, such as; Planning, Transportation, Highways, Conservation/ Archaeology, Economic Development, Housing and support services.
 - b. The need to undertake, refresh, amend or update cross-cutting policies and evidence bases that will need to be done to support or challenge objectively new development, such as; Parking, Local Plan, Neighbourhood plans, Heritage, Bio-diversity etc.
6. By investing EIF resources it will quicken the delivery of development and therefore will unlock the progressive growth of approximately, 10,200 permanent jobs, 3400 temporary construction jobs, and a potential £855m injection of spend into the general York economy.
 7. The wider added value in terms of stabilising and supporting CYC’s financial position (Tax Base) will come in the form of retained elements of the Council Tax and/or new Business rates income, as well as the socio-economic benefits of seeking to reduce unemployment, thus benefits dependency and therefore increased spend in York’s local economy.
 8. The release of upto £1m of EIF revenue is intrinsically linked to the Council’s Priorities particularly; To Create Jobs and Grow the Economy, Get York Moving, and Protect the Environment. The growth of housing, new and expanding business, managing the transport implications and building in a sustainable way underpin these council priorities. This report and further reports will set out how the Council will take forward a range of major sites to support major Economic Growth. Further reports will specifically focus on :-
 - a) **De-risking sites financially** - where the viability gap cannot be met by the market, to be addressed in the third report.
 - b) **Managing the impact of growth** – ensuring there is a parallel transport strategy that supports the resulting growth in housing, business and retail, in order to address the increased traffic, demand for public transport and provide sustainable travel solutions.

- c) **Using the “planning gain” process** – reviewing and adapting the effectiveness of Get York Building changes to S106, affordable housing restrictions as well as opportunities to address wider City ambitions to reduce fuel poverty, carbon footprint and emissions through quality sustainable development (i.e. district heating).
- d) **Minimising financial exposure** - ensuring that CYC’s financial exposure through this funded investment plan, is minimised as and when other funding options can be secured (e.g regional funding sources, LEP, European funding, Government Grants)
- e) **Strengthening the supply chain** – Forward planning with businesses to capitalise, locally, on opportunities development creates, whether it be labour and skills, materials and/or equipment (i.e. Chamber, YEP, SME’s, Construction Skills centres and other business forums)

Background

Why should CYC invest EIF in growth now?

9. Set out below is a current summary of York’s strong economic performance areas that is raising confidence and activity in the development sector;
 - a) identified as one of the top five cities for business investment according to the Municipal Journal and Local Futures.
 - b) resilient economy through the recession
 - c) set to grow at a rate that outstrips both the regional and national averages over the next twenty years.
 - d) A key partner in the Leeds City Region, being the growth engine of the North of England.
 - e) University of York, a Russell Group institution and major global university player with research strengths in computer science, environmental sciences and law and management.
 - f) York St. John University, a civic university with a burgeoning media arts faculty and student base.
 - g) York College, and the leading agricultural college, Askham Bryan, the city has a clear advantage in attracting both talent and business to the city to tap into the pipeline of knowledge.
 - h) Growing pipeline of in the agri-food and biosciences industry, with the recently opened Biorenewables Development Centre and the Biocentre at the York Science Park.

- i) Research expertise via the Centre for Novel Agricultural Products and the Centre for Green Chemistry.
- j) Strong links to the Food and Environmental Research Agency in Sand Hutton.
- k) Media arts industry is the fastest growing sector in the city incorporating international firms like Revolution Software, The Beautiful Meme, Isotoma and Bright White, Aesthetica Magazine and Pilot Theatre.
- l) A growing financial and professional services sector, the move of Hiscox UK to the city, presence of Aviva and CPP in the city.
- m) As a gateway to Yorkshire and the wider North of England, the city is one of the most visited destinations in the UK, and with 7 million visitors a year.
- n) There is quantified demand and backlog for grow-on space, particularly from the small to medium sized high growth firms, particularly in the creative and media arts. The total requirement in floor space is likely to be approximately 164,000 sq.m.
- o) The Oxford Economics economic forecast and analysis by Ekosgen, states the city's GVA is set to grow by 63% (adding £2,482m) to 2030, compared to the UK at a rate of up to 59%.
- p) York's employment is set to grow at 13% (adding 14,471 jobs) versus the national average of 8.7% .
- q) Growth in employment and GVA is likely to come from financial and professional services and culture/arts industry as well as retail and accommodation.

10. However, whilst the city has a clear current and future demand in the pipeline and has the potential to not only provide growth opportunities for indigenous UK companies in key industries, but also attract new investment from key markets within and beyond Europe to the UK economy, this potential is significantly constrained by three key factors:

- a) lack of appropriate, quality, quanta of commercial premises, grow-on space and digital/ creative industry opportunities;
- b) insufficient infrastructure to enable efficient movement of goods and services; and
- c) a constrained availability of housing for the workforce required to supply the companies that locate in the city.

11. The *Council Plan 2011-2015 – Delivering for the People of York* sets our five priorities the first being to “Create Jobs and Grow the Economy”. In order to achieve this kind of economic growth, the city will need to create the right environment for business to flourish, thus creating jobs, which will create further need for more homes of mixed provision.

What are the barriers to achieving this?

12. In order to create the right environment for business and our new or growing communities the socio-economic offer needs to be attractive to those wishing to invest in York to achieve this the city will rely on a number of converging factors:
 - a) Land supply for development, sufficient to meet the city’s long term needs, catered for via the Local Plan
 - b) The attraction of investment to York, encouraged by its current and future economic performance but also an ambition to grow
 - c) The de-risking of those opportunities currently stalled due to various site and market factors, addressed in the proposals in this report.

How are Government encouraging the need to support growth?

13. The Government has been clear in its aspiration to see significant economic growth before April 2015; this encouragement comes in policy terms through the National Planning Policy Framework (NPPF). The NPPF encourages Local Planning Authorities to make development more viable, whether by reducing administration through the planning gain process (currently S106), or in fiscal policy terms creating or improving access to funding to bring forward development.
14. In addition, through its planned investment in infrastructure, the Government is seeking to target those sites and funding mechanisms that have the greatest likelihood of making a difference, in terms of construction “starts.” In order to ensure CYC capitalises on this potential investment, members and officers are seeking out all possible opportunities and contacts to secure funding. These efforts have included direct dialogue with relevant ministers such as Nick Boles (the Planning Minister - CLG), Vince

Cable (Business Secretary - BIS) and the BIS Local Team, led by Isobel Mills – efforts which have had the combined effect of ensuring that York’s key sites and wider development challenges are firmly on the radar for Government intervention, particularly York Central.

15. Earlier this year, the Budget announcement detailed that there will be circa £3bn of “Infrastructure Funding” for growth projects, this is welcome news, noting that it would not commence until 2015. In practical terms this would mean that physical starts on site are unlike before then. Thus there is a need to use alternate funding to kick-start CYC developments until or if government funding comes to CYC.

What does EIF investment in “resources” help to release?

16. Aside from the normal day-to-day outputs that will continue to come from the planning process via existing planning permissions and development, there are two important key development opportunities for the city, these are the Key Sites as detailed in Annex A and what emerges from the Local Plan “Call for Sites”. summarised below and detailed in Annex B. Each highlight potential opportunities for growth in Housing, Commercial/Business space, Retail and Leisure space, as set out below;

a) Housing	upto 1250 units p.a.
b) Commercial (B1)	upto 217,250 sq.m.
c) Commercial (B1b/c, B2/B8)	upto 74,270 sq.m.
d) Retail	upto 25,000 sq.m.
e) Leisure	upto 12,000 sq.m.

Taking a phased approach to “Get York Building”

17. The Council has recognised the need to address its housing shortage through the creation of a stimulus that will improve conditions to build new homes, whether they be affordable, private rented or for sale. The first key stage of “Get York Building” was approved by Cabinet in February 2013. Included in the approval were measures that will stimulate house building by relaxing and/or changing some of the constraints the sector providers felt were constraining development. The specific measures include changes to the Section 106 process, the percentage requirement

for affordable housing and a simplification of the administrative process and to start building Council homes.

18. The second stage, set out in this report, identifies the need for inward investment in development related resources. This is required to ensure that people capacity is in place to meet process demands or changes to appropriate supporting policies and documentation that would impact on the evidence base in CYC determining a planning application. The simple aim, in the spirit of NPPF, is to reduce the risk that is stopping development from proceeding.

What resource needs to be put in place?

19. In order to ensure that CYC can deal with the increased demand to provide the support, assistance, advice and strategic overview for each significant application/enquiry received, there will be a need to provide a level of resource for significant critical parts of the process.
20. This approach puts in place a resource that directly support all aspects of development, ensuring, we keep pace with the developer process demands, but critically also ensuring development is strategically holistic.
21. In the medium to longer term, there will be a need to review the effectiveness of this resource in delivering economic growth. There are a number of options which will be considered alongside the CYC Development Team approach, including shared service models and urban regeneration companies, set up as Special Purpose Vehicles (S.P.V.'s) providing a range of development functions (i.e. economic development, regeneration, asset management, procurement and planning/design functions). These options will be developed separately and be the subject of a separate report.
22. The additional demand in 2013/14 and 2014/15 will require expertise and support from a wide range of disciplines to deal with each application/request and process in a timely way. The budget process for 2013/14 & 2014/15 puts significant pressures on resources in all directorates and therefore there to ensure we

retain adequate project-based resources it is proposed to allocate £1m EIF covering issues as set out below:

- a. **Transport, Highways, Planning, Regeneration, Archaeology, Ecology, Sustainable Design and Conservation** - Allocation of project based resource working with developers and agents to support the pre-application, outline, detailed planning process, partially mitigated through fees paid, noting unpaid elements such as TIA's, dynamic modelling, public transport impact, parking capacity review, ecological appraisals, supporting the local plan (evidence base verification process) travel planning (residents, businesses and visitors).
- b. **Housing** – A requirement for external expertise to construct a mortgage advice/package and/or the setting up a joint venture for delivery, where not fundable from HRA:
- c. **Economic Development** – Allocation of dedicated support to work with developers and agents to joint up with investors and end-users; preparation of business cases and econometric modelling to support attraction of investment; promotion of opportunities through targeted channels and intermediaries to attract employment.
- d. **Support services** – Provision of additional resource, where new development dictates, to address demand for financial, legal, asset management and procurement resource to ensure timely delivery of associated processes.
- e. **Energy** – Seeking to provide energy solutions through the development process that reduce fuel poverty, carbon footprint and fossil fuel consumption by the introduction of district heat and power solutions and other “green” business infrastructure.
- f. **Outputs from the Development team (additionality)** - This investment is focused directly at demand created through the process of dealing with the key sites and the emerging large scale demands that emerge from the Local Plan Call for Sites. Given the additional intensity and pressures to reduce current resource levels there is a risk service capacity to react would drop and delays in processing arise, this could see interest

from prospective investors/developers shift elsewhere, thus by securing these resources this risk is avoided.

Are there any other funding options for development resources?

23. In the short term there is no new money from external sources to address the need to accelerate development and therefore provide resources to ensure this is managed effectively and strategically. There are, however, several other options for securing funding in the medium to longer term that may assist in de-risking the key sites and possibly outputs from the Local Plan, these will be addressed in future reports.

Consultation

24. The report has been developed through a cross-service and cross-directorate team including consultation with Cabinet Members.

Options

25. There are no specific options associated with this report.

Council Plan 2011-15 Priorities

26. This links to the following priorities within the Council Plan.
- Create Jobs and Grow the Economy
 - Build Strong Communities
 - Get York Moving

Implications

27. (a) Financial

The proposed allocation from EIF is £1m, spread over a two year period. This will fund a range of support resources needed to progress major economic growth sites as set out in this report. These costs will be revenue expenditure, but can be met from the New Homes Bonus element of the EIF, which can be spent on revenue expenditure.

Allocations from the EIF currently total £16.66m against a total programme budget of £28.5m. A further allocation of £1m would then leave a remaining sum of £10.84m. The separate capital monitor report on this agenda sets out the full analysis of the EIF budgets.

It is proposed that in order to enable a flexible approach to resource utilisation any allocations from the £1m will be made by the Director of CBSS and Director of CES, in consultation with the Leader of the Council. Further reports will update members on any allocations, either through the capital programme monitor (where EIF is reported) or through future specific reports on the major Economic growth sites.

- (b) **Human Resources (HR)** – There are no implications.
- (c) **Equalities** – There are no direct implications.
- (d) **Legal** - There are no legal implications arising at this stage from the proposals set out in the report.
- (e) **Crime and Disorder** – There are no implications.
- (f) **Information Technology** – There are no implications.
- (g) **Property** – There are no implications.

Risk Management

28. There are a number of risks associated with the Major sites identified for Development, these will be considered in further reports on the relevant sites.

In order to progress the key sites, and ultimately deliver significant Economic growth, it is necessary to have in place the required resources to take forward the initial work. The request for £1m of EIF funding over 2013/14 & 2014/15 is specifically required to ensure there is adequate resources in place/retained to deal with the expected increase in process activity. The proposals in this report and the categories of resource listed will seek to ensure delivery of key Council priorities.

Recommendation

29. Cabinet is asked to approve :-

That an allocation of £1m from the EIF be made to provide the identified “development team” resources as set out in this report, for the specific use of stimulating development delivery. Approval of the detail of this spend of this funding will be delegated to the Director of CBSS and Director of CES, in consultation with the Leader.

Reason: to enable the required resources to be put in place to enable progression on a range of major economic regeneration projects

Contact Details

Authors:	Chief Officers responsible for the report:		
Ian Floyd Director of Customer and Business Support Services	Ian Floyd Director of Customer and Business Support Services		
Darren Richardson Director of City and Environmental Services	Darren Richardson Director of City and Environmental Services		
Katie Stewart Head of Economic Development	Report Approved	✓	Date 03.07.13
	Cabinet Member Responsible for the report: Cllr James Alexander Cabinet Leader		
Specialist Implications Officer(s) Finance – Ian Floyd Legal – Andy Docherty			
Wards Affected: <i>List wards or tick box to indicate all</i>		All	✓
For further information please contact the author of the report			

Annexes:

Annex A : Key sites general details and “Other” sites early indication from Local Plan

Annex B : Key sites Job Creation (permanent and temporary construction), view on priority.

