

**Executive**

**18 July 2019**

Report of the Director of Economy & Place  
Portfolio of the Leader

## **York Central Partnership Update**

### **Summary**

1. York Central is a 46 hectare (ha) area of land adjacent to the railway station and is one of the largest brownfield sites in northern England, see plan at Annex 1. It provides a huge opportunity for regeneration; providing up to 2500 new homes, creating 6500 jobs in grade A commercial office space, enhancing the National Railway Museum and creating a range of new public spaces and community facilities directly linked to an improved Railway Station.
2. 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).
3. The council has been instrumental in breaking the deadlock of decades and bringing forward York Central 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 separately 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.
4. The report provides an update and responds to the decision by the Secretary of State not to call in the planning decision and seeks agreement to submit a Reserved Matters planning application for the first phase of enabling infrastructure. The report also considers options to release further budget to take the project forward in the absence of a Housing Infrastructure Fund (HIF) decision.

## Recommendations

### 5. Executive is asked :-

- i. To agree Option 2 in this report and approve the allocation of £750k to fund Early Contractor Involvement (ECI) further design work and finalisation of a Reserved Matters Application (RMA) for the first phase of infrastructure, including the primary access into the site, new bridge / spine road, drainage, construction of an additional pedestrian and cycle deck onto Severus Bridge and construction of a new rail connection between the NRM and the East Coast Main Line (ECML). This will be funded partly from the allocated York Central CYC capital budget (£415k) and Homes England funding (£335k).
- ii. To cancel the £1.25m budget provision previously agreed specifically for early site works, with this funding now returned back to the remaining unallocated CYC funding for York Central
- iii. To approve the seeking of financial contributions towards the budget for up front design work from York, North Yorkshire & East Riding (YNYER) Local Economic Partnership ( LEP), Leeds City Region (LCR) LEP and YCP ahead of the agreement of HIF funding.
- iv. To delegate the decision to undertake further design works, outlined in option 3 over and above the recommended option 2, to the Deputy Chief Executive in consultation with the leader, subject to the agreement of additional funds from YNYER LEP, LCR LEP, YCP or the award of HIF funding.
- v. To delegate the final sign off of the RMA for the delivery of the Phase 1 infrastructure to the Director of Economy and Place in consultation with the Leader.

Reason: - To ensure the delivery of York Central and to provide funding to enable the progression of the detailed design and planning for a new access route to York Central within the timescale of available grant funding

- vi. To request that a further report will be brought back to Executive setting out options and proposals to include York Central in the bus Clean Air Zone.

Reason: To ensure that the social, environmental and economic benefits of York Central are delivered and are strongly influenced by community engagement.

## Background

6. The delivery of York Central is essential to the growth of York, contributing significantly to the growth of the regional economy, through the provision of high quality office space, and to meeting housing need in the city. Though the site has been earmarked for regeneration for many years, previous attempts to deliver the scheme have not come to fruition and we are now poised to seize

this once in a lifetime opportunity to make this development a reality and to ensure that the development also meets the broader social, economic and environmental needs of the city.

7. York Central Partnership (YCP) is a partnership of landowning bodies on the York Central site and is comprised of Network Rail, Homes England, the Railway Museum and CYC. Over the last 4 years YCP have developed a comprehensive masterplan for the 45ha site and have now secured planning permission for the outline planning application (OPA) for the main site to the west of the railway station, 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 (over a net developable area of c25ha). Delivery of the site is central to the Strategic Economic Plans (SEPs) for both Local Enterprise Partnerships (LEPs) and has enjoyed wide spread national and regional support with its designation as both a Housing Zone and an Enterprise Zone (EZ).
8. Extensive local consultation and engagement has been undertaken ahead of the planning process which has shown 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.
9. In December 2018 full council agreed to create the £155m enabling infrastructure delivery budget and in January 2019 Executive agreed the Heads of terms of the YCP Partnering Agreement. 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 toward Full Business Case plus (FBC+) continues.
10. Planning Committee resolved to grant permission for the Outline Planning Application for the site in March 2019 and this was subsequently referred through to the Secretary of State (SoS), to consider whether this decision would be called in for determination by the Planning Inspectorate.
11. On the 19<sup>th</sup> June 2019 the LPA were informed that the SoS had not called in the decision which means that, on completion of a satisfactory S106 agreement the outline planning decision notice can be issued. The detailed terms of the S106 agreement are presently being negotiated between Network Rail, Homes England and the Local Planning Authority. The 6 week Judicial Review challenge period will commence from the date of the outline planning permission decision notice. Once the outline planning permission is formally issued, a detailed Reserved Matters Application for infrastructure and development on the site can be submitted by CYC. Work has continued on :-

- 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
- Procurement of a construction partner for first phase of infrastructure
- Finalisation by the LPA and Homes England /NR of the Planning S106 agreement
- Finalisation of the York Central Partnering Agreement
- Discussions with Health partners about community health provision on site
- Commercial Occupier brief to inform YCP delivery strategy
- Appointment by Homes England of the YCP Programme Director and finalisation of governance arrangements

12. Over the last two months we have seen a delay to some strands of work as we awaited the call in decision from the SoS, and determination of the HIF funding application. The council still awaits a decision from Ministry of Housing Communities and Local Government (MHCLG) on the £77.1m application for Housing Infrastructure Funding.

13. Because of extended period of consideration of the OPA, work required to address queries, and the delayed decisions outlined above, the budget set aside to fund the project team and commission detailed design work to progress a reserved matters planning application for the infrastructure has been exhausted. Options for maintaining project momentum in the absence of a HIF decision are set out later in this report.

### **Delivering the first Phase of Infrastructure**

14. In December 2018, Full Council established a budget totalling £155m to fund core site infrastructure on York Central and allow viable development to proceed. This will be funded by a combination of external grants, contributions, previously agreed approvals and also significant new borrowing. WYTF Full Business Case (FBC) was conditionally agreed in February 2019 (£23.5m) and this will proceed to final sign off when the procurement results in a fixed cost later this year. Importantly this is conditional upon agreement of HIF. Funding decisions were expected from MHCLG for the Housing Infrastructure Fund by March 2019 (£77.1m) but we do not currently have a confirmed timetable for that decision.

15. The total cost of the infrastructure to bring the site forward is £155m, but this spend is phased over approximately 5 years and will use grant funding first before any EZ backed borrowing is undertaken. The full investment case was

set out in the November 2018 Executive report. 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>

16. A construction partner has been procured by CYC to deliver the first phase infrastructure and the first part of this contract will involve a Pre-construction Services Contract (PSC) which will enable Early Contractor Involvement (ECI) to get input from the construction partner into designs to ensure buildability, innovation and value engineering. This will give us fixed costs which will enable us to submit the final business case (FBC+) to WYCA and release funds for delivery. It was intended that this phase of work would be funded from HIF grant so in the absence of a HIF decision Executive are asked to consider options of how to proceed as all spend will be at risk.
17. In January 2019 Executive agreed to release £1.25m for early enabling works to prepare the site for construction. This money has not been spent yet pending the planning decision. It is proposed that this budget is unallocated until we have certainty on external funding. A further update report will be brought to Executive in the autumn to consider plans beyond November 2019.

Below are 3 options to proceed beyond July:

- 1. Mothball project until HIF funding announced - £300k to November.** This covers internal staff costs and external programme support to keep the programme up to date and ready to put into action once funding agreed. The Partnering Agreement will be finalised but no further work will take place on detailed design or RMA submission. This will limit the council's financial exposure but will delay the project

for as long as we remain at a standstill and it will then take further time to reinstate the programme and secure design and contractor resources.

2. **Undertake ECI through a PSC contract and finalise the RMA - £750k to** the end of November. This would involve detailed engagement with the construction partner (ECI) to deliver greater design and cost certainty and finalise the RMA ready for submission by the end of November. It would not include final design work to complete Royal Institute of British Architects (RIBA) stage 4 or deliver the construction cost tender needed to submit WYCA FBC +. The final stages of RIBA 4 design work would then need to be undertaken in parallel with the planning determination and would require a further budget allocation.
  
3. **Continue Full Design work at risk - £2.3m to December.** This would involve the ECI and development of the RMA as per option 2 but with the finalisation of the stage 4 design, a fully priced tender return necessary for the submission of FBC+ to secure the WYCA funding necessary to progress into the construction phase. Further detailed construction drawings would be produced in order to proceed into construction as soon as possible. This would require a further draw down of funding from Economic Infrastructure Fund (EIF) of £2.33m which would increase the potential abortive costs of the project

18. The costs of these options are set out in the table below -

<b>Options Costs to proceed</b>	<b>1 Do Min</b>	<b>2 Up to RMA</b>	<b>3 With RIBA4/5 design</b>
Project Team	250	250	300
Programme Support	50	170	200
Early Contractor Involvement		330	330
RIBA 4/5 design completion			1,500
<b>Total</b>	<b>300</b>	<b>750</b>	<b>2,330</b>

19. Failure to continue detailed design and RMA work (Option 1) will lead to delays in the whole development, difficulty in achieving grant spend within the funding windows and a reduction in the amount of retained business rates likely to be generated as part of the Enterprise Zone which will fund the proposed £35m of prudential borrowing by CYC to deliver the enabling infrastructure. A delay will also necessitate a renegotiation of the Millennium Green conditional contract

agreement with attendant programme implications and risk of cost escalation. Any significant delay would also risk cost escalation on the construction contract as the tendered costs will only be held for 12 months. This is judged to be an unacceptable level of additional risk.

20. Option 3 requires further significant additional spending at risk to achieve a fully detailed and costed design. This will deliver sufficient design detail to progress into a construction contract so will deliver programme benefit, but it does increase cost exposure significantly by c£1.6m. It is therefore recommended that Executive agree Option 2 to enable progress into ECI, giving greater design and cost certainty ahead of a planning submission, without increasing the exposure of the council to further abortive costs should HIF funding not be agreed.

It should be noted that Option 2 will still require further release of funding to complete RIBA 4 design and secure a final contract price. With this and an agreed RMA we would then submit the FBC+ to WYCA to release the WYTF+ funding and commence construction. A further report will be brought back to Executive when the HIF decision has been made to award the phase 1 infrastructure contract.

21. CYC will seek support from YCP partners and both LCR and YNYER LEPs to share risk exposure and maintain the momentum of the project. Homes England have confirmed that they will make a further £335k available to contribute to the costs of the scheme going forwards. Under option 2 this means the additional costs of continuing the project to November 2019 reduces to £415k. In addition, by removing the need to spend £1.25m on early site clearance works this will reduce the potential level of abortive costs from £4.574m (identified in January 2019 report) to £3.739m.
22. The process of securing additional funding from both LEPS requires a formal process of business case sign off. Applications will be made to seek the necessary funds to contribute to the cost of undertaking further design work to accelerate progress, and to undertake the full scope of works outlined in option 3. If this supplementary funding, or HIF funding, is agreed then it is proposed that the additional RIBA 4/5 design work is commissioned. It is requested that the decision to proceed with this further design work is delegated to the Deputy Chief Executive in consultation with the leader and this will be reported back to Executive in the October report.
23. 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 £4.4m on land assembly and rail clearance. Homes England has committed £18.9m towards land assembly and has contributed a further £200k towards the planning costs of the site. In addition Homes England is investing heavily 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.

24. The NRM have spent £1.14m on the master planning of their museum development scheme and they continue to fundraise. 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 NRM £50m development plans.

### **Decision to submit RMA**

25. In January 2019 Executive agreed  
“To acknowledge that a further report will be brought back to Executive to agree the submission of the reserved matters planning application and commit the capital budget for the delivery of the Phase 1 infrastructure, including bridge access onto the site, new spine road, drainage, construction of an additional pedestrian and cycle deck onto Severus Bridge and construction of a new rail connection between the NRM and the ECML, subject to the award of Outline planning permission for the scheme and the final agreement of the external grant funding from both the WYTF and the HIF.
26. It is not yet possible to agree the submission of the RMA or the capital budget pending decisions on the Outline planning permission and HIF funding. When these matters are determined, to enable more timely decision making, the Executive is asked to expressly delegate authority to the Director of Economy and Place in consultation with the Leader of the Council to submit a Reserved Matters Application on behalf of CYC to the Local Planning Authority for determination. The application will then be considered by CYC in its capacity as Local Planning Authority. The separation of these distinct roles of CYC will be carefully managed to avoid conflict in accordance with the Council’s Constitution.
27. A further report will be brought back to Executive in October to update the funding position and request a drawdown of capital funding subject to HIF and WYCA funding confirmation.

### **Securing the, Social Environmental and Economic Benefits of York Central**



28. The council plays a unique place making role in the partnership as long term custodians of the city with an ongoing remit to ensure that the scheme delivers the social and environmental benefits set out in the masterplan and that community engagement sits at the heart of the scheme as it is planned and delivered.
29. In June 2018 Executive agreed a series of city objectives to be developed as part of the delivery of the scheme relating to
- Housing
  - Economy
  - Sustainability
  - Public realm
  - Community
  - Culture
30. York Central presents a once in a life time opportunity to create a modern sustainable urban extension to the city. Unlike any other development, the central location, historic context, proximity to the station and connections across the country will mean it is ideally placed to help deliver the ambitions of the city for economic and residential growth. York Central meets most of the Local Plan's B1(a) office need and a significant proportion of its housing need, including providing the high density, accessible urban living component to complement other suburban and rural locations. It will also improve the wellbeing of residents, connecting communities to the city and beyond. York Central will contribute to the revitalisation and invigoration of our economy and provide much needed residential provision but it also needs to be a great place, an integrated high quality urban extension to the city that has a palpable sense of community and contributes positively to our social economic and environment aspirations of the city.
31. As democratically elected representatives of York's diverse communities, the council has a very specific leadership role in helping city partners, stakeholders and communities to actively, sensitively and intelligently develop solutions to the economic social and environmental challenges faced by the city.
32. The scheme's intrinsic social environmental and economic benefits will be secured through conditions on the outline planning permission and a comprehensive S106 agreement. The details will be determined through future RMAs which will be decided by Planning Committee. These provisions include:-
- I. As a central location with unparalleled connectivity, the site will optimise sustainable connectivity and travel and the S106 agreement commits YCP to :-

- i. Provide a segregated bus lane upon trigger points being hit. i.e. as traffic impacts starts to materialise. It might be possible to build this out as the first phase infrastructure is constructed, by negotiation with YCP
- ii. The scheme prioritises cycle and pedestrian access by providing:
  - a segregated 3.5m two way cycleway and separate 2m (min) pedestrian footway along the entire length of the new access road from Water End
  - a new 4m wide shared cycle and pedestrian bridge will be installed over the railway parallel to the existing Severus Bridge on Water End
  - Segregated cycle and pedestrian routes will be provided through Marble Arch linking along Leeman Road and Station Rise to Station Road and the city centre.
  - As part of this design the vehicular traffic in the Leeman Rd tunnel will be signal controlled with one lane of traffic which will control the flow and disincentivise through traffic.
- iii. Additional connectivity will be provided by a replacement of the Wilton Rise footbridge with a new level access, shared pedestrian and cycle route. This will complement the recent Scarborough Bridge improvements to provide improved city wide linkages.
- iv. The Design Guide provides for Electric Vehicle (EV) charging points for on street and commercial parking to future proof the scheme and promote sustainable transport solutions. This will be delivered through the planning system when the LPA considers all future Reserved Matters applications
- v. Provide lower than policy level of residential and commercial car parking spaces. Commercial spaces will be provided at a maximum of 1:175sqm (against policy of 1:45 sq. m), and residential spaces at a maximum of 0.45:unit for an apartments, and 1:unit for houses (against a policy of 1:unit for 1&2 bed homes and 2:unit for 3+ bed homes). The ambition for low car ownership will be supported by the provision of City Car Club facilities on the site and wider sustainable transport measures.

- vi. The existing level of station car parking on the site will not be increased despite a significant projected increase in rail journeys as a result of both HS2 and Northern Power Rail.
  - vii. Provide secure cycle parking in cycle hubs to serve station commuters. To the rear of the station this will be delivered as part of the enabling infrastructure, with conditions setting out a 300 space facility including associated facilities.
- II. Large number of trees are to be planted as part of ph1 Infrastructure to create sense of place and strategic green corridor. The scheme creates the largest park in the city for a hundred years which will provide a great outdoor community facility and will include variety of ecological treatments and further tree planting, creating a green lung in the centre of the site with outdoor play, sports and wellbeing facilities.
  - III. A Sustainable Urban Drainage solution is built into the park to promote and improve climate change resilience
  - IV. The Design Guide mandates BREEAM excellence for all commercial elements of the scheme. Again this will ensure the highest sustainable build standards are applied as part of future planning determinations
  - V. The OPA commits the development partners to deliver policy compliant 20% of all housing across the site as affordable housing with 80% of that being social rented housing and 20% being intermediate housing
  - VI. Provision of a percentage of the development to be made available as for Community/Self build housing
  - VII. Delivery of community and health facilities on site
33. The S106 agreement has detailed provisions to improve sustainable transport and to manage the impacts on the strategic road network as the scheme is developed. These include £4.992m for transportation and highways infrastructure improvements including
- Pedestrian and cycle infrastructure
  - Off -site bus priority infrastructure
  - Provision of additional frequency bus services
  - Improvements to road junctions off site

- Employment of a site wide travel plan co-ordinator
- Provision of a city car club and sustainable travel packs for residents
- On street parking enforcement and residents parking zones

34. There is a further contribution by the applicant of £2,328,000 to fund enhancements to the sustainable transport initiatives and improvements to Park & Ride in the event that the travel plan is not achieving targets to effect a minimum 30% reduction in forecast car trips generated by the development. In addition, in the event that the travel plan targets are not met, the level of car parking provided on the site for commercial development shall be capped.

35. The S106 also provides commuted sums totalling over £7.37m for off-site provision of facilities including education, sports, open space, allotments and improvements to the riverside path which will benefit residents of the surrounding areas.

### **Further Dialogue with YCP**

36. There is a huge opportunity now, with the hiatus around funding, to continue the dialogue with YCP to explore opportunities to amplify the social economic and environmental benefits of York Central for the whole city. Below are some emerging concepts that the new administration has identified and asked officers to explore with YCP and bring back to Executive in subsequent reports. The extent to which they impact upon scheme viability or may be supported by further external funding has yet to be evaluated:-

- I. Explore the early delivery of a Bus Lane as an integral part of ph1 Infrastructure ahead of timescale required by S106/ conditions. This could be built out at the same time as the spine road is constructed which will improve bus journey times from day 1.
- II. Explore potential with YCP for greater than policy standard level of affordable housing on site through exploration of Affordable housing grants
- III. Explore with YCP ways of ensuring homes will be lived in rather than used as investments.
- IV. Explore potential with YCP to up the ambition for sustainable build for the residential elements to contribute to the zero carbon city wide commitment
- V. Explore potential with YCP for onsite sustainable energy generation for all developments, e.g. EV charging points supplied by solar power/battery solutions to smooth out peak demand/sell to market in spikes elsewhere, with widespread use of ground source or air source heat pumps.

- VI. Consider options for contractor innovation to reduce environmental impact e.g. through the potential establishment of a rail head to bring construction traffic by rail rather than road for the duration of the development
- VII. Explore potential with YCP for community self-build in early phases
- VIII. Extend the Bus Clean Air Zone to include York Central
- IX. Explore the increased provision of EV charging points in Car Parks and on street parking
- X. As part of the review of the Local Transport Plan, explore opportunities to increase Park and Ride facilities
- XI. Explore how YCP development partners might explore ways of reducing car journeys by further limiting parking places

37. There are 1566 existing car parking spaces on the site serving the Railway Station, Network Rail and NRM. A net reduction in operational spaces for Network Rail and NRM was established before provision for new development was considered.

38. Consideration of the appropriate levels was undertaken following a benchmarking exercise. Benchmarking is useful and informative, although it is rarely possible to identify a perfect equivalent for the development scheme in question. Approaches to parking are dependent on many factors including; the degree of connectivity, workforce distribution, housing tenure model and precedents set by previous use, nearby developments, site conditions etc. The benchmarking undertaken as part of the York Central Transport Assessment is summarised in the table below:

<b>B1(a) Office Development</b>	
<b>Scheme</b>	<b>Parking Ratio (spaces:sqm)</b>
Hiscox, York*	0:6545
Hudson House, York**	1:327
Spinningfields, Manchester	1:310
Wellington Place, Leeds	1:362-1:132
<b>York Central</b>	<b>Maximum of 1:175</b>
Tower Works, Leeds	1:175
St Paul's Place Sheffield	1:129
D Campus Phase 2, Sheffield	1:110
NOMA, Manchester	1:96
Liverpool Waters, Liverpool	1:72

\*Scheme developed for specific end occupier

\*\* Small scale ancillary office use within residential scheme, and redevelopment of former rail offices with low existing parking levels

<b>Residential Development</b>	
<b>Scheme</b>	<b>Parking Ratio (spaces:unit)</b>
Angel Meadow, Manchester	0.10 spaces: DU
Islington Wharf Phase 2, Manchester	0.36 spaces: DU

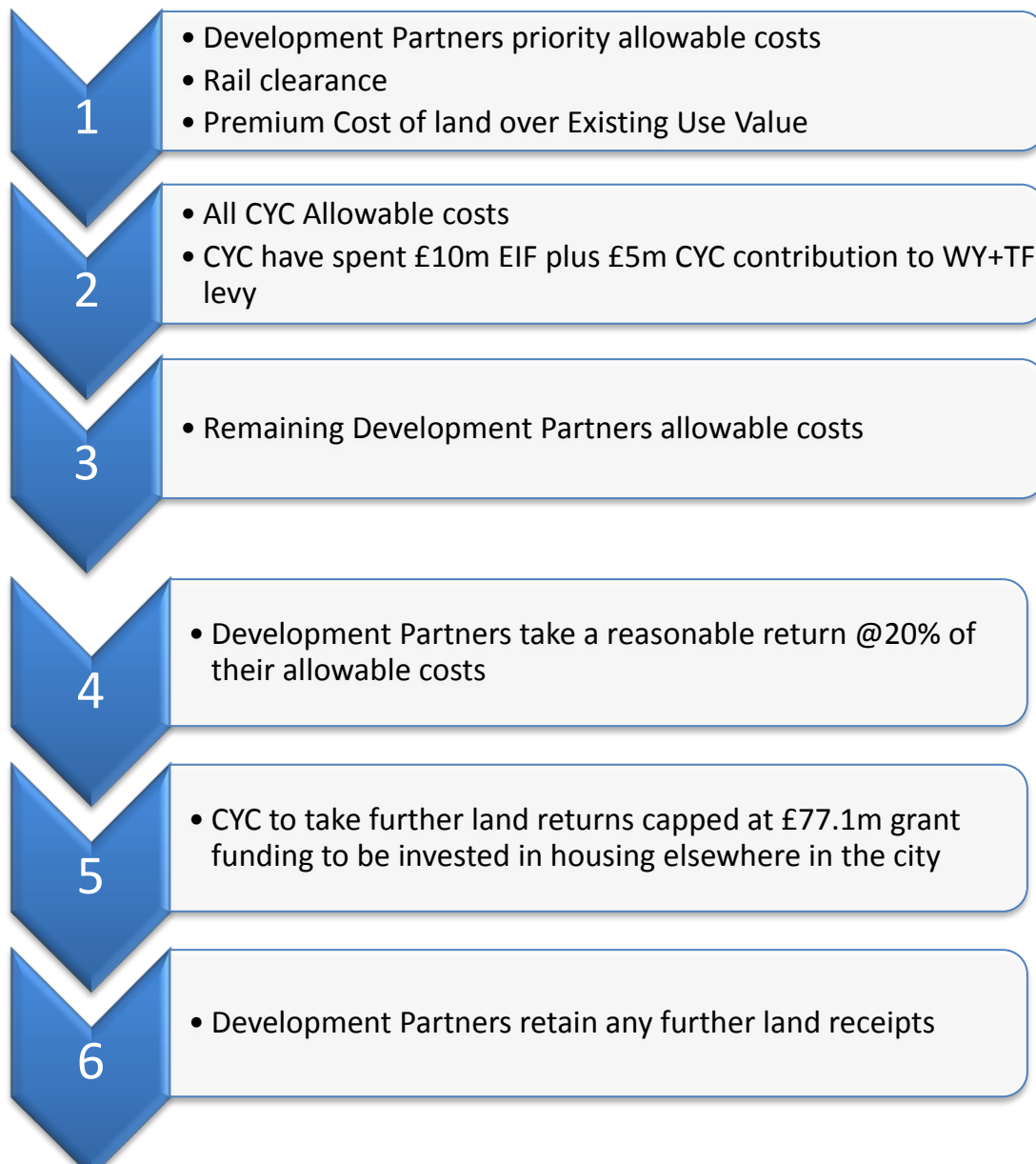
Hudson House, York	0.45 spaces: DU
<b>York Central (apartments)</b>	<b>Maximum of 0.45 spaces: DU</b>
Hungate, York	0.46 spaces: DU
Carlsberg, Leeds	0.46 spaces: DU
Bishopsfields, York	0.66 spaces: DU
Accordia, Cambridge	0.66 spaces: DU
Liverpool Reach, Liverpool	0.67 spaces: DU
Little Kelham, Sheffield	0.82 spaces: DU
<b>York Central (houses)</b>	<b>Maximum of 1.0 spaces: DU</b>
Lotherington Quarter, York	1.00 spaces: DU
The Chocolate Works, York	1.14 spaces: DU
Elevation, Sheffield	1.40 spaces: DU

## The Partnership Agreement Financial Mechanisms

39. The YCP heads of terms set out a mechanism for sharing development land value uplift from the delivery of York Central. The YCP is constituted entirely of public sector bodies and is being enabled using significant public grant and business rates-backed borrowing. It is therefore not like a conventional commercial development partnership. Due to the high cost of enabling infrastructure required, public sector leadership and significant grant funding are needed to bring the scheme forward. Without this the scheme is not viable. In this context each partner needs to ensure that the costs they have incurred are recovered and that if there is then any surplus that the level of effort they have put into the scheme and the level of risk they have taken over many years is recompensed in the context that they are each public bodies. This is not a short term scenario and the ultimate commercial returns of the scheme will not be known for up to 15 years.
40. For the city of York it is also essential that York Central delivers sustainable city growth and social economic and environmental benefits for existing residents and businesses and that this growth can be reinvested into the city for the longer term prosperity and wellbeing of the city. Through partnership working to date all partners have abided by the principles of fairness, openness and transparency with a combined approach to sharing the risks and sharing any future financial upside.
41. CYC is the recipient of, and the Accountable Body for, the entire grant funding for the site and is the responsible body for the Enterprise Zone. This means that we are able to undertake prudential borrowing to fund the infrastructure which will be repaid from future business rates. In addition CYC have invested £10m from the E IF to undertake early feasibility and master planning work at risk.
42. The major landowning partners, Network Rail and Homes England have assembled the land from third parties, including the NRM, and between them expect to incur circa £55m on site acquisition and clearance of operational rail use. They have entered into a Collaboration Agreement to combine their land

holdings and to act as master developers for the site. This means that they will be responsible for bringing plots to market, seeking development partners and ultimately realising the land value from the site.

43. The following mechanism is proposed to set out how development costs will be recovered by all parties from land receipts. As land is sold for development the funds will be distributed to partners in the following priority:



44. As plots of land are disposed of by Homes England and Network Rail for development, the money will be distributed as per the priorities set out above. The total potential land value will be driven by a number of changing market forces over the next 15 years so it is impossible to accurately predict the likely value of land receipts but, from development appraisals done to date based upon conservative and prudent estimates, there is a strong likelihood that this model will enable CYC to recoup its' upfront investment costs, assuming that the scheme is successfully developed out.

45. If the scheme is hugely successful this model will recycle up to £77.1m of HIF grant funding back into the city, for investment in housing elsewhere in the city.
46. This model also enables Homes England and Network Rail to recoup their up-front investment and if the scheme is successful to make a reasonable developer return on that investment. This is capped at 20% of their allowable costs. This level of return and the recycling of increased land values above that level into CYC are both prescribed by the HIF funding terms. This gives a clear route to reinvest Central Government grant money into the local area rather than allowing large profits to be drawn away from York.
47. In addition, as part of the Enterprise Zone, CYC will retain 50% of the business rates that would normally be returned to Central Government. As set out in the November 2018 Executive report, modelling shows that with prudential assumptions as to the speed and scale of build out of the commercial elements of the scheme this should be sufficient to repay the £35m of EZ backed borrowing to be undertaken by CYC.
48. If the scheme is very successful there will be more business rates generated than are needed to repay borrowing. Any surplus business rates income will be available for investment in economic development in the York area (decisions to be undertaken in conjunction with the sponsoring YNYER LEP).
49. The most ambitious scenario modelled would see Business rates income of £109m which would repay the borrowing and create a surplus of £52m for investment in economic development in the city.
50. Thus it can be seen that if the scheme is successful, the city stands to gain significantly, with the scheme generating future funding for both housing and economic growth elsewhere in the city. This could total up to £123m over the next 25 years (a £52m potential surplus EZ business rate income plus the local retention of the £77m HIF grant).
51. The YCP Partnership Agreement will protect the financial interests of the council and should see the repayment of all CYC investment as the scheme is built out. There will of course remain the risk that land values do not achieve targeted levels and land sale receipts are therefore not sufficient to repay all partner costs. CYC have already budgeted for the £15m of development and transport costs (£10m EIF and £5m WYTF levy) and the risks of the scheme not generating enough business rates to repay EZ borrowing were covered in the November 2018 report.

## **Council Plan**

52. 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 –

53. In December 2013 Members agreed to earmark £10m towards the delivery of York Central. Currently £6,588k 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.

54. The proposed changes recommended in this report reduce the CYC approvals by £835k (reduction of £1,250k for early site clearance works offset by an increase of £415k for further design works to November). There is also an additional £335k contribution from Homes England. This takes total funding to £11,159k. This is detailed in the table below

	£'000	£'000
CYC – (£10m Allocation)		
Land purchase approval	1,014	
NRM Masterplan contribution	200	
Other Approvals	<u>4,539</u>	
<b>Total CYC</b>		<b>5,753</b>
YNYER LEP		2,890
WYTF Contribution		947
OPE Grant		250
Homes England Grants		1,084
LCR LEP Grant		200
DCLG EZ		35
<b>Total Funding Available</b>		<b>11,159</b>

Table 1 York Central Funding

55. Actual expenditure to June 2019 and current forecast

	Expend £'000
2015/16	112
2016/17	1,565
2017/18	2,197
2018/19	4,764
2019/20 to 30/06/2019	383
Estimated Remaining Expenditure	2,138
<b>Total</b>	<b>11,159</b>

Table 2 York Central Expenditure

56. Any CYC funding will be at risk until a Partnering Agreement is signed and if the HIF funding is not forthcoming and if the scheme does not go ahead then this funding may be abortive. Should the scheme ultimately not be delivered then an element of these costs would be classed as abortive and need to be written off back to revenue. The estimated liability would total £3,739k based on the full spend of £11,159k. This is a reduction of £835k compared to the figure reported to Executive in January 2019.

**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 three options to proceed in delivering the first phase of infrastructure. The legal risks associated with each option are as follows:

Option 1 - Mothball project until HIF funding agreed

In respect of the procurement of the construction partner for phase 1 infrastructure works the PSC has been awarded subject to Executive approval of the reallocation of funding, therefore there is low risk of challenge from a procurement or contractual perspective should option 1 be chosen.

Option 2 - Prepare the RMA and undertake ECI services through the PSC contract and Option 3 - Continue Full Design work at risk

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 is able to enter 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 2 or 3 be chosen.

**Information Technology (IT) - none**

**Crime and Disorder - none**

**Property – none**

## **Risk Management**

57. The previous report in Jan 2019 detailed the key risks of the project progressing and they are still considered to be relevant at this time.
58. Abortive Costs -There is a risk that if the scheme does not go ahead this will result in abortive costs and these costs would need to be written off to revenue. As reported above the potential level of abortive costs is assessed at £3,739k based on expenditure to November 2019. This is a significant sum in the context of the overall council finances however 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.

## **Contact Details**

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10 July 2019

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**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
17th January 19 -	York Central Partnership Legal Agreement

### **List of Abbreviations**

BREEAM – Building Research Establishment Environmental Assessment Method
CYC - City of York Council
DCLG – Department for communities and Local Government
ECML - East Coast Main Line
ECI - Early Contractor Involvement
EIF – Economic Infrastructure Fund
EZ – Enterprise Zone
FBC+ - Financial Business Case with full costings
HIF - Housing Infrastructure Fund
HA - Highways Authority
LCR - Leeds City Region
LEP - Local Economic Partnership
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
SoS - Secretary of State
WYCA – West Yorkshire Combined Authority
WYTF – West Yorkshire Transport Fund
YC - York Central
YCP - York Central Partnership
YNYER – York, North Yorkshire & East Riding