
Cabinet

6 May 2014

Report of the Cabinet Leader

Economic Infrastructure Fund – May 2014 Funding Decisions

Summary

1. This report sets out proposals for funding two projects from the Economic Infrastructure Fund (EIF).

Background

2. In place since April 2012, the **Economic Infrastructure Fund (EIF)** is a pot of funding developed to ensure we maintain and grow our successful economy. There are five themes for the EIF which have been agreed by Cabinet to target the benefit of the fund: (1) Get York Moving, (2) Digital York, (3) Reinvigorate York, (4) Economic Inclusion, and (5) Sustainable Economy.
3. Projects are considered first by officers through internal programme management arrangements which bring together senior officers with responsibility for areas of activity related to this agenda, and by extension the aims of the EIF. Officers have reviewed the business cases and due diligence has either been undertaken or is underway.
4. The EIF has committed £27.692m of funding to date, of a total £28.5m. Before consideration of the investment considered in this report, the balance of EIF uncommitted is £808k.
5. An overview of each of the projects is provided here; the detail of the projects under consideration are included in **Appendix A**. Full business cases have been considered by senior officers with responsibility for bringing forward, overseeing and managing delivery for the EIF.

Proposed project: Public realm investment at Hungate (EIF Theme: Reinvigorate York)

Funding requested: £175,000 (Grant)

6. The first project proposed in this report entails investment in the public realm in and around Peasholme Green and Hungate to create a world class district for commercial and residential development, with the potential to deliver against the EIF Reinvigorate Theme.
7. The project will see the development of a more pedestrian-friendly and higher quality public realm in the Hungate area, creating a new pedestrian circuit in the city centre. It will link the new improved spaces and streets and also bring footfall to this currently underutilised area of the centre.
8. The project would build on the Reinvigorate York programme of work currently underway across the city in bringing a refreshed a high quality urban landscape. The proposed investment will match s106 investment from developments in and around the Hungate area of the city centre to bring forward a step change improvement in the quality of the public realm in this area, which in turn should lead to increased investment and footfall in the area.
9. The business case for the project has been considered by senior officers with responsibility for bringing forward, overseeing and managing delivery for the Economic Infrastructure Fund.

Rationale

10. The project delivers against the original rationale on which the EIF was established – to create an environment which supports investment into and thus value added to the city's economy.
11. The specific rationale for investment in the public realm as identified by this report is based on the need for the city to compete with not only other English, but indeed international, cities in attracting visitors and businesses to the city. A high quality public realm is as vital to attracting visitors to the city for the first time and indeed to return, as it is to attracting and retaining business investment.

Strategic Fit

12. The project presented here is a key contributor to the **Council's Priority 1, Creating Jobs, Growing the Economy** and the **York Economic Strategy's Ambition 4, World Class Place**.

Deliverability

13. The project is considered to be deliverable from a financial perspective, given that the funding can be matched with s106 funding received from recent and current development in the area.
14. Resource will need to be identified from within the Council to manage development and delivery of the project, and this will need to be programmed to coordinate with existing commitments to deliver Reininvigorate York works across the city.

Value for Money

15. With the funding requested, the project will create a step-change in the environment in this part of the city centre – itself a potentially valuable gateway for residents, business and visitors – and will principally have an impact on sustained return visits and footfall by visitors, but also greater confidence by businesses either already located in the centre, or looking to locate in the centre, to invest in locations in the city centre. In other examples of similar projects across the UK, English Heritage has found that projects tend to create £1.6 value for every £1 invested in the public realm.

Biovale (EIF Theme: Sustainable Economy)

Funding requested: £75K (Grant)

16. A commitment to EIF investment is also recommended to support the development of the 'BioVale' cluster, as led and is being rolled out by the University of York and the Biorenewables Development Centre.
17. The commitment to invest is being sought to provide support to working with the University in developing the fundamental components of the proposed cluster – including business plan, masterplan for physical premises, and engagement of private sector. This support will be critical in ensuring that the project can effectively draw down and unlock further investment being proposed through both Leeds City Region and York and North

Yorkshire Local Enterprise Partnerships in their bids for Local Growth Fund and ESIF monies.

18. An overview and the case for the project is provided at the project website: <http://www.biovale.org/>.
19. There are several business development activities which may require resource over the next 12 months, including but not limited to the following:
 - Development of the '**BioHub**' project as a Bio-economy Innovation Hub for 'BioVale' on the Heslington East campus
 - Establish and market a comprehensive and professional set of **communication** materials to regional, national and international audiences
 - Engagement with a broad range of industry and public sector partners to develop collaborative interactions and begin to establish **new supply chains**.
 - Production of a 'BioVale' **training** programme in collaboration with the region's Higher Education and Further Education providers
20. The Council will work with the University to confirm the business plan for this resource, and it is recommended that responsibility is delegated to the Council's Chief Executive and Director for Customer and Business Support Services (and CYC's s151 Officer) for receiving and approving the business case for this funding when it is prepared.

Strategic Fit

21. The project delivers against Council Plan **Priority 1: Creating Jobs, Growing the Economy** as well as **York Economic Strategy Ambition 2: A More Competitive Business Base**.
22. The city's recently published York Economic Strategy sets out the ambitious targets of becoming a top 5 UK city and top 10 European mid sized city, and critical to achieving this ambition is the attraction of higher value added employment to the city. As biorenewables and industrial biotech is a particularly high value added employment sector in which the city is internationally leading, the project provides a significant boost to the city's ability to support growth in high value added employment.

Deliverability

23. The project is deliverable on the basis that there is a commitment by the University to lead and drive the project, and as such, there is already expertise in this area and a network that can be used to hone the city's engagement with and identification of projects to create growth in these sectors.

Value for Money

24. The project is considered good value for money, given the potential returns that the funding will provide by unlocking growth in the sector that has the highest potential for increase in GVA over the medium term, which in turn will have a significant impact throughout the York economy. Contributing to a 40,000 jobs boost and a £12bn increase in the regional economy by 2025, the project should serve to pump prime a much more significant effect in the wider economy.

Analysis

25. The projects presented provide deliverability, value for money and strategic fit as per the Council's priorities and those of the city in creating jobs, growing the economy.
26. In both cases, there is a challenge in estimating the exact impact of the projects proposed. With respect to the Hungate public realm project, estimating the exact impact of investment in public realm can be difficult, but estimates provided in this report from respected authorities suggest that the impact provides value for money.
27. The estimates of impact provided by the Biovale are based on econometric modelling undertaken using the Regional Econometric Model and are subject to the same caveats as would need to be considered with any economic projections – and in particular, the fact that projections are subject to macroeconomic trends which are subject to change over the period of the modelling.

Consultation

28. The themes and governance for the taking of decisions on EIF projects were agreed at Cabinet in April 2012.

29. The proposals presented have been considered by senior officers internal programme management arrangements for Council Plan **Priority 1: Creating Jobs Growing the Economy**, and the projects included represent the Board's recommendations to Cabinet.
30. This Board includes the Chief Executive, the Director for CBSS, the Assistant Directors for Economic and Asset Management (City Strategy), Planning (City Strategy), Transport and Integrated Strategy (City Strategy), Education (ACE), Lifelong Learning and Culture (CANs), and Office of the Chief Executive (OCE); as well as the Housing Strategy Manager.
31. Further consultation with residents and businesses in the Hungate area will be undertaken when detailed proposals are prepared for the scheme.

Implications

Financial

32. The total value of the EIF in terms of direct Council contribution is £28.5m. Allocations to date, before consideration of projects in this report, total £27.692m and are shown in Table 6 of **Appendix B**, which sets out the detailed financial information relating to the fund.
33. Recommended allocations within this report total £250,000 and are shown below
- 34.

Scheme	EIF funding (£000)	Total value of investment (£000)
Hungate Public Realm	175	250
Biovale	75	150
Total	250	400

35. If the investment proposed in this report is approved, the total approvals to date will be £27.942m.

Human Resources

36. There are no human resources implications arising from this report.

Equalities

37. There are no equalities implications arising from this report.

Legal

38. There are no legal implications arising from this report.

Crime and disorder

39. There are no crime and disorder implications arising from this report.

Information Technology

40. There are no information technology implications arising from this report.

Property

41. There are no property implications arising from this report.

Other

42. There are no other implications arising from this report.

Risk Management

43. The main risks associated with the proposed project include:

Risk	Likelihood	Mitigation
All projects		
Outcomes identified may not be achieved to their full extent	Medium	The project will be monitored and delivery supported by the Programme Management Board
Hungate Public Realm		
Difficulties in resourcing project with commitments to existing Reinvigorate programme	Medium	The project will be programmed to coordinate with Reinvigorate programme activities, and timetable monitored to ensure as few delays as possible

Recommendations

44. Cabinet is recommended to:

- Consider and approve the funding for the proposed project of £175K for the EIF Hungate Public Realm project, pending appropriate consultation with residents and businesses in the area, and with the intention that detailed plans for the development will be brought back to Cabinet in due course for final sign off.
- Approve in principle and subject to business case, the £75K from EIF to support development of the Biovale cluster
- Delegate responsibility to the Council's Chief Executive and Director for Customer and Business Support Services (and CYC's s151 Officer) for receiving the business case for this funding when it is prepared, and if approved, releasing the £75K for spend.

Reason: To approve investment required (a) to create a world class quality destination in and around Hungate as a vital gateway to the city centre and (b) to support development of the Biovale innovation cluster.

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	Report Approved	√	Date 24 April 2014
Specialist Implications Officer(s) None			

Wards Affected: All	√
<u>For further information please contact the authors of the report</u>	

Annexes:

Appendix A. Project business cases

Appendix B. EIF spend profile