
Cabinet

4th September 2012

Report of the Cabinet Leader

Economic Infrastructure Fund – September Funding Recommendations

Summary

1. This report sets out proposals for the funding of three projects through the Economic infrastructure fund (EIF).

Background

2. At its meeting of 3rd April, City of York Council agreed the governance and parameters for the Economic Infrastructure Fund, a fund of critical mass to enable projects of strategic importance to the city's ambitions for creating jobs and growing the economy.
3. The **Economic Infrastructure Fund (EIF)** will seek to ensure we maintain and grow our successful economy. With the partial re-localisation of business rates, improvement in our overall business rate levy will bring potential direct financial reward.
4. 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.
5. 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 of the aims of the EIF. Officers have reviewed the business cases and due diligence has either been undertaken or is underway.
6. Projects approved to date from the fund are as follows
 - Park and Ride £2.5m

- Better Bus Fund £1.665m
- Core project team £0. 430
- Reinvigorate York – initial package £200k
- High growth business support - £80k
- Tour de France campaign - £50k
- Digital, media and cultural centre (subject to due diligence and business case approval) - £1.4m

Total allocations from the fund approved to date are £6.325m. These are shown in Appendix 2 (see Table 6 for detail).

Rationale

7. The rationale for the projects presented is based on the potential for the Council to enable investment in creating economic growth and jobs. Projects will be deemed to be stronger where they lead to additional funding.

Projects for consideration by September Cabinet

8. The projects under consideration by September Cabinet include one project under the Reinvigorate York theme, and two under the Sustainable Economy theme.
9. The projects are recommended for funding by officers as providing strategic fit, deliverability and value for money, and to deliver against the above rationale.
10. A summary of these projects is provided below; the detail follows:

TABLE: Summary of September Funding Decisions

	EIF Funding	Leverage (i.e. additional funding)	Jobs Impact	Gross Value Added (GVA) Impact
EIF Theme: Reinvigorate York				
Reinvigorate York Programme	£3,300,000	Potential investment from private	Indirect impact from the	£5,280,000 ¹

¹ Over ten years, based on multiplier produced by English Heritage (2010) *Heritage Counts* report.

		business/property owners	additional investment and footfall created	
EIF Theme: Sustainable York				
Promoting York	£250,000	Match funding from private companies and partners	Indirect jobs impact from the higher growth rate of exporting firms and potential inward investment	£2,250,000 ²
Economic Growth Analysis	£30,000		Indirect but critical contribution to enabling York to achieve target of 1000 new jobs a year	

11. The details of the projects under consideration by Cabinet at its September meeting is included in Appendix 1, and one of these – Reinvigorate York – is covered in detail elsewhere on the agenda. The full business cases have been considered by senior officers with responsibility for bringing forward, overseeing and managing delivery for the Economic Infrastructure Fund.

12. An overview of each of the projects is provided here:

Reinvigorate York – Programme (under the Reinvigorate York theme)

Funding requested: £3,300,000 (Grant) – (over three years from 2012/13)

² Based on the multiplier developed by Scottish Development International in assessing the impact of their work to support export and investment links to international markets – Scottish Development International and Scottish Enterprises (2010) Exporting and Economic Growth.

13. In July, Cabinet approved the first tranche of the Reinvigorate programme of activity – the public realm element of a wider programme of activity designed to “up the game” of York’s city centre, creating a world class offer capable of not only maintaining current levels of visitors and business investment, but in fact, enhancing the competitiveness of the offer of the centre.
14. The programme proposed builds on this initial package of improvements, and presents a comprehensive programme designed to transform key areas of the city centre to create a world class public realm.

Strategic Fit

15. In this way, the Reinvigorate York 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

16. The package of projects is considered to be deliverable, given the establishment of a city centre design group and manual, which is now in place to oversee the projects.

Value for Money

17. At £3.3m, the project will create a step-change in the overall environment in the city centre, 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.³

Recommendation

18. It is recommended that funding for this programme of £3.3m is approved, subject to regular project updates being delivered to the senior officer group responsible for EIF and Cabinet.

³ English Heritage (2010). Heritage Counts.

Promoting York

Funding requested: £250,000 (Grant) (allocated as £50,000 per year from 2012/13 to 2016/17)

19. At a time when economic growth in the UK is relatively stagnating, and is likely to do so for the near term, the principal opportunities for economic growth are in markets abroad – particularly but not limited to the emerging markets.
20. To this end, the York Economic Strategy and Council Plan Priority 1 both identify a strong priority for internationalisation of York in a bid to maximise opportunity from markets beyond the UK borders. The workstream has prompted the development of an Internationalisation Steering Group reporting to the York Economic Partnership and a business-led Export Forum.
21. To date, activity to internationalise the city has been relatively passive and has relied on the fragmented investment and activity of partners across the city to promote the city's offer and brand to international markets.
22. The project will provide revenue funding to enable the city's outreach to new markets and the city's effective reception of inward market links. The fund would be created with the condition that its use would leverage further funding and investment by other partners in the development of these links. There is the further potential to use the York Economic Partnership to match CYC funding with the contributions of York businesses looking to promote their businesses as part of the York economy and market.
23. The budget would be used for three purposes: (a) proactively building links to emerging markets where there is a clear economic benefit to the city; (b) providing a positive open door to inward delegations (responsive to opportunities as and when they arise); and (c) more effectively marketing the city's offer to both incoming delegations and to markets abroad.
24. The project will see CYC taking an active part in coordinating and providing leadership to the city's international agenda.
25. The budget would enable the city to fund visits and liaison with market leads, and to match/leverage funding from other partners in

the city – including SCY, Universities, and businesses/business networks.

Strategic Fit

26. In this way, the Promoting York project presented here is a key contributor to the **Council's Priority 1, Creating Jobs, Growing the Economy** and the **York Economic Strategy's internationalisation aim**.

Deliverability

27. Delivery would start immediately on receiving the funding allocation.
28. The project is considered to be deliverable, given the existing and ongoing investment in internationalisation by some of CYC's key partners – including the Universities and some of our key business networks – as well as the willingness and indeed encouragement of CYC's involvement and leadership by local businesses currently operating in and/or exploring international markets.

Value for Money

29. At £50K per year, the project has the potential to leverage at least £1 for every £1 spent in partner spend, and as such, represents significant value for money.
30. Further, given established estimates from Government bodies on return on investment for similar programmes to break down barriers to trade and investment, and in making market links to international markets, the indirect benefits of the project though long-term in likely realisation will be well above and beyond the initial investment made.
31. According to BIS estimates, this return is in the region of £19 to the £1; another study by Scottish Development International suggests this return in the region of £9 to the £1 invested. Even using the more conservative estimate, the return is potentially significant.

Recommendation

32. It is recommended that funding for this programme of £250K is approved.

Economic Growth Analysis (under the Sustainable York theme)

Funding requested: £30,000 (Grant)

33. In July, Council agreed to withdraw the Core Strategy and development is underway to prepare a Local Plan for the city – one that supports the city’s aspirations for economic growth.
34. In order to inform the Local Plan and ensure the allocations of land that result are appropriate to supporting the overall ambitions of the city for economic growth as set out in the York Economic Strategy and Council Plan Priority 1, the city will require a realistic picture of economic growth in the future and the impact that growth in its key sectors will produce in terms of spatial requirements and demand for space – and the consequent interaction with the property market. Previously, this work has been limited to a siloed approach to economic forecasting and employment site allocations.
35. The project proposed will develop a new and innovative approach to this forecasting that will identify the implications of this growth on the property market in York and the deliverability of the city’s ambitions by testing the econometric data and implications with the commercial property market.
36. In the process the city will develop a refreshed and more realistic, forward thinking approach to the retail industry – allowing for an understanding of how the city can support the competitiveness of the industry in the city centre and beyond where appropriate.
37. In addition, the work will identify an economic vision for the future of the city centre and the role it can play based on the evidence produced in the future of the York economy – providing a blueprint for the city centre of York’s future.
38. There are several specific outcomes from this work that will provide the opportunity for a real step change in the approach to strategic planning for city of York. The project will undertake the following:
 - Establish a **robust evidence base** as to the current performance of the city centre as geographical location for economic and social activity – a “state of the city centre” audit and analysis. In so doing, create a base line set of indicators for measuring this performance that demonstrates the full range of activity

- Specify and analyse the **market forces affecting the competitive position of York city centre** and how these might be used inform strategies for developing the city centre offer to maintain its vitality and viability and to enhance its competitiveness by providing consumer choice and a diverse range of uses for commercial and residential activities, as well as a diverse retail offer which reflects the individuality of York.
- Set out a clear strategy and vision for the area which positively encourages economic growth in line with the requirements of NPPF based on economic forecasting for sectors within York and the role that York City Centre could take in facilitating this growth
- Identification of **appropriate comparator cities and production of benchmarking analysis** to identify the relative performance of York city centre as a retail offer including footfall, vacancy rates, retail representation, retailer demand, office demand, residential demand, and analysis of the employment market, sectoral structure of city centre employment, business rates, rental rates, parking charges, planning application timescales, public transport access
- An **understanding of infrastructure constraints**, specifically issues related to car parking charges, with the intention of providing platform for parking strategy for city centre
- Production of a **commercial market analysis** which will provide an independent assessment of real estate market dynamics as they affect the economic potential for various uses, including
 - office
 - retail
 - residential
 - supporting services (e.g., convenience and service retail)
 - leisure (e.g., restaurants and cafes), and tourism
 - tourism

This part of the study will identify the dept of potential market support for these uses.

- Consider these trends against the city's economic ambitions (York Economic Strategy, 2011 – 15), and make recommendations as to **options for developing the city centre economic vision**.
Recognising the work we have in place already, the project will

review the current economic vision for the city centre as set out in New City Beautiful, testing against the audit produced, and will set out how might be developed/shaped/strengthened (or changed if necessary) to respond effectively to the evidenced trends.

- Identify **potential catalyst opportunities and challenges** for achieving greater sustainability – economically, socially and environmentally, including particularly an analysis of the current, short-term and longer term impact of recently approved Monks Cross development on city centre performance

Strategic Fit

39. In this way, the growth analysis project presented here is a critical precondition for the achieving the **Council's Priority 1, Creating Jobs, Growing the Economy** and the **York Economic Strategy's Ambition 4, World Class Place**.

Deliverability

40. With funding approval in September, the project would be delivered by the end of this year.
41. The project is highly deliverable, given the appointment of consultants that can bring together the required expertise through a collaborative approach with a range of expertise. Specifically, the expert areas of econometric modelling, industrial analysis and property market expertise will be required to fulfil the brief.

Value for Money

42. At £30K the project is value for money in providing a critical next step to ensuring that the city's local plan delivers the right opportunities for deliver economic growth commensurate with its ambitions of 1000 jobs per annum.

Recommendation

43. It is recommended that funding for this programme of £30K is approved, subject to reporting back to and engagement of Cabinet with the findings of the report in order to inform future EIF allocations.

Options

44. The principal options open to Cabinet members are as follows:

- Approve the programme
- Reject the programme

Analysis

45. The programme presented provides deliverability, value for money and strategic fit as per the Council's priorities and those of the city in creating jobs, growing the economy.
46. Whilst estimating the exact impact of the programme is difficult, the programme represents significant contribution to the city centre.
47. Individual project analysis is provided in the appendix according to the programme details.

Consultation

48. The themes and governance for the taking of decisions on EIF projects were agreed at Cabinet on 3rd April.
49. 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.

Implications

Financial

50. The Appendix to this report sets out the detailed financial information relating to the fund. The total value of the fund in terms of direct Council contribution is £28.5m. Table 1 of the Appendix 2 shows this profiled across the next 5 years.

Allocations to date total £6.325m and are shown in Table 6 of Appendix 2

Recommended allocations within this report total £3.405m.

If all of these projects are approved the total approvals to date will be £9.730m

Table 4 in Appendix 2 shows the approvals against the total fund, across the next 5 years. This shows there is a potential over-

commitment of £1,024,000 in 2012/13. However, it is likely that some expenditure will slip into 2012/13 and at this stage clearly available funding in 2013/14 can cover this.

Human Resources

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

Equalities

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

Legal

53. There are no legal implications arising from this report

Crime and disorder

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

Information Technology

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

Property

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

Other

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

Risk Management

58. The main risks associated with the proposed projects include:

Risk	Likelihood	Mitigation
All projects		
Outcomes identified may not be achieved to their full extent	Medium	The projects will be monitored and delivery supported by f the Programme Management Board
Deliverability of individual projects	Low	Risks will be managed on a project by project basis

Recommendations

59. Cabinet is recommended to consider and approve the following allocations from the EIF:

- £3.3m for Reinvigorate York programme
- £30K for Economic Growth Analysis
- £250K for Promoting York

Reason: To support the Council Plan priorities of creating jobs, growing the economy and investing in the city's economic future.

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	Report Approved	√	Date 20/08/12
Wards Affected: <i>All</i>			
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<u>For further information please contact the author of the report</u>			

Appendices:

- Appendix 1. Projects for consideration by September Cabinet
Appendix 2. EIF Financial Analysis